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13 October 2025

To: the Independent Board Committee

Dear Sirs,

(1) PROPOSAL FOR THE PRIVATISATION OF KANGJI MEDICAL HOLDINGS LIMITED BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES ACT
(2) PROPOSED WITHDRAWAL OF LISTING OF KANGJI MEDICAL HOLDINGS LIMITED
AND
(3) SPECIAL DEAL IN RELATION TO THE ROLLOVER ARRANGEMENT AND SHAREHOLDERS' AGREEMENT

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Special Deal, details of which are set out in the letter from the Board contained in the Scheme Document to the Shareholders dated 13 October 2025, of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document.

On 17 July 2025, the Offeror requested the Board to put forward the Proposal to the Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 86 of the Companies Act. Upon completion of the Proposal, the Company will become a wholly-owned subsidiary of the Offeror and the listing of the Shares will be withdrawn from the Stock Exchange. The Pre-Conditions have been fulfilled on 3 September 2025 and the Proposal will be implemented by way of the Scheme. Pursuant to the Scheme, the Scheme Shares will be cancelled and the Scheme Shareholders (excluding holders of the Founder Rollover Shares and the TPG Scheme Shares) will receive HK$9.25 in cash (in case of a portion of the Founder Consideration, the Convertible Note) for each Scheme Share. In accordance with the terms of the Consortium Agreement, the Founder Entities and TPG Entities (as the case may be) will roll over the Founder Rollover Shares and TPG Scheme Shares in consideration for the crediting of unpaid TopCo shares held by each of them as fully paid. In summary, the Founder Scheme Share Cancellation Consideration comprises (i) cash to be paid to the Founder Entities and the Convertible Note to be issued to Fortune Spring ZM, representing the aggregate consideration for the cancellation of the Founder Consideration Shares; and (ii) the crediting of the unpaid Topco shares held by the Founder Entities as being fully paid by cancellation of the Founder Rollover Shares.

On 12 August 2025, the Consortium Members and TopCo entered into the Shareholders' Agreement in respect of the future governance of TopCo. The Founder Entities (as well as other Consortium Members) will be entitled to certain rights under the Shareholders' Agreement upon the Scheme becoming effective. The arrangement comprising (i) rolling over the Founder Rollover Shares in consideration for the crediting of unpaid TopCo shares held by Founder Entities as fully paid; (ii) receiving the Founder Consideration for the cancellation of the Founder Consideration Shares; and (iii) the arrangement, rights and benefits available to the Founder Entities under the Shareholders' Agreement constitutes a special deal and requires the approval of the Independent Shareholders pursuant to Rule 25 of the Takeovers Code.

On the same date, the IU Shareholder, which is interested in 1,255,500 Shares, representing approximately 0.10% of the issued share capital of the Company, entered into an Irrevocable Undertaking in favour of the Offeror with respect to the Proposal.

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Jiang Feng, Mr. Guo Jian and Mr. Chen Weibo, has been established by the Board to make a recommendation, after taking into account the advice and recommendation from the Independent Financial Adviser, to the Independent Shareholders as to whether the Proposal, the Scheme and the Special Deal are fair and reasonable and as to voting at the Court Meeting and the EGM. As Ms. Cai Li, the non-executive Director of the Company, is a Business Unit Partner of TPG Capital Asia, Ms. Cai Li is a concert party of the Offeror and thus she does not form part of the Independent Board Committee. We, Somerley, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in the same regard. The appointment has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

As at the Latest Practicable Date, we are not in the same group as the financial or other professional advisers (including a stockbroker) to the Offeror or the Company. Apart from the existing engagement in connection with the Proposal, the Scheme and the Special Deal, we confirm that we did not have any significant connection, business, financial or otherwise, with the Company and/or Offeror or the controlling shareholders of either of them within two years prior to the commencement of the offer period up to the Latest Practicable Date, of a kind reasonably likely to create, or create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice. Save for normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. We consider ourselves independent to form our opinion in respect of the Proposal, the Scheme and the Special Deal.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group (collectively, "**Management**"), which we have assumed are true, accurate and complete in all material aspects as at the Latest Practicable Date and will remain so up to the time of the Court Meeting and the EGM. Should there be any material changes to the information and facts supplied by Management as well as our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have reviewed the annual reports of the Company for the years ended 31 December 2023 (the "**2023 Annual Report**") and 2024 (the "**2024 Annual Report**"), and the interim report of the Company for the six months ended 30 June 2025 (the "**2025 Interim Report**"), and the information contained in the Scheme Document. We have sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to doubt the truth, accuracy or completeness of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information which we have received is sufficient for us to reach an informed view. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Offeror and their respective subsidiaries or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied.

We have not considered the taxation implications or regulatory implications on the Scheme Shareholders of acceptance of the Proposal since these are particular to their individual circumstances. In particular, the Scheme Shareholders who are overseas Shareholders or subject to overseas taxation or regulatory requirements on securities dealings should consider their own tax position and observe applicable legal or regulatory requirements and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE PROPOSAL

Scheme Shares

Pursuant to the Scheme, the Scheme Shares will be cancelled and the Scheme Shareholders (excluding holders of the Founder Scheme Shares and the TPG Scheme Shares) will receive:

HK$9.25 in cash for each Scheme Share.

The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

Pursuant to the Scheme, the Founder Scheme Shares and the TPG Scheme Shares will be cancelled in consideration for the Founder Scheme Share Cancellation Consideration and the TPG Scheme Share Cancellation Consideration, respectively. Upon completion of the Scheme, the Company will become wholly owned by the Offeror.

As at the Latest Practicable Date, there are no outstanding dividends which have been declared by the Company and not yet paid. The Company has confirmed that it does not intend to announce, declare or pay any other dividend, distribution or return of capital before the Long Stop Date.

RSU Plan

For the purpose of satisfying RSUs granted under the RSU Plan as and when the RSUs are vested and exercised, the Company allotted and issued to ESOP BVI, and ESOP BVI acquired on the market, a total of 46,810,000 Shares (i.e. the RSU Shares), representing approximately 3.88% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, when the RSUs are vested and exercised, no further Shares will be allotted and issued by the Company as an equivalent number of RSU Shares (being the existing limit in respect of the number of underlying Shares to be granted under the RSU Plan) are already held by ESOP BVI. No offer under Rule 13 of the Takeovers Code will be made to the outstanding RSUs granted under the RSU Plan, and all RSU Shares will form part of the Scheme Shares and be cancelled upon the Scheme becoming effective.

In connection with the Proposal, ESOP BVI and the Offeror have entered into the ESOP Deed. Pursuant to the ESOP Deed, conditional upon the Scheme being effective and the Proposal being implemented, the Offeror shall pay ESOP BVI as follows:

	Number of underlying Shares	First payment to ESOP BVI[1] (per Share)	Second Payment to ESOP BVI
Unallocated RSUs	26,425,000	N/A	Upon the first anniversary of the Effective Date, the Offeror shall pay ESOP BVI the aggregate Cancellation Price in respect of RSU Shares which are not attributable to any RSU, which ESOP BVI shall then pay to the Company.
Vested and exercised RSUs	16,860,000	See-through price: HK$3.049[2] HK$3.206[2]	Upon the first anniversary of the Effective Date, the Offeror shall pay ESOP BVI the aggregate exercise price or unpaid portion of the exercise price (as the case may be), which ESOP BVI shall then pay to the Company.
Vested/unvested but unexercised RSUs	3,525,000	See-through price: HK$0.214[3] HK$0.250[4]	
Total	46,810,000		

Notes:

(1) Within 7 Business Days from the Effective Date, the Offeror shall pay ESOP BVI the aggregate "see through price" (being the Cancellation Price minus unpaid portion of the exercise price or the exercise price, as the case may be, which ESOP BVI shall then promptly pay to the relevant RSU Holder(s).

(2) As 87.49% and 85.28% of the exercise price per RSU has not been paid, the "see-through price" price will be HK$3.049 and HK$3.206 per RSU Share respectively, being the difference between the Cancellation Price and the unpaid portion of the exercise price of the RSU.

(3) The "see-through price" will be HK$0.214 per RSU Share, being the difference between the Cancellation Price and the exercise price of such RSU (HK$9.036).

(4) The "see-through price" will be HK$0.250 per RSU Share, being the difference between the Cancellation Price and the exercise price of such RSU (HK$9.00).

Major Conditions of the Proposal

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver (as applicable) of the following major Conditions:

(a) the approval of the Scheme (by way of poll) by the Shareholders as at the Voting Record Date, representing not less than 75% in value of the Scheme Shares held by the Shareholders as at the Voting Record Date present and voting either in person or by proxy at the Court Meeting;

(b) the approval of the Scheme (by way of poll) by the Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) by the Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all Independent Shareholders;

(c) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to (i) approve and give effect to any reduction of the share capital of the Company as a result of the cancellation and extinguishment of the Scheme Shares; and (ii) confirm the authority of the Directors to allot and issue contemporaneously therewith such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme to the Offeror and to apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par the new Shares so issued;

(d) the Grand Court's sanction of the Scheme (with or without modifications) and, to the extent necessary, its confirmation of the reduction of the issued share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;

(e) compliance, to the extent necessary, with the procedural requirements and conditions under sections 15 and 16 of the Companies Act in relation to the reduction of the issued share capital of the Company; and

(f) with respect to the Special Deal, (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the terms of the Special Deal are fair and reasonable, (ii) the passing of an ordinary resolution by the Independent Shareholders at a general meeting of the Company to approve the Special Deal, and (iii) the Executive having granted consent under Rule 25 of the Takeovers Code in relation to the Special Deal.

Further details of the Conditions are contained in "Explanatory Memorandum" in Part VII to the Scheme Document. Conditions (a) to (f) cannot be waived in any event.

As at the Latest Practicable Date, none of the Conditions have been fulfilled or waived. All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Scheme will not become effective and the Proposal will lapse. If approved and implemented, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the EGM.

Intention of the Offeror with regard to the Group and withdrawal of listing of the Shares

As at the Latest Practicable Date, it is the intention of the Offeror for the Group to continue to carry on its existing business and the Offeror does not have any plan to make any material change (other than in the ordinary course of business) to: (a) the business of the Group (including any redeployment of any fixed asset of the Group); or (b) the continued employment of the employees of the Group.

Upon the Scheme becoming effective in accordance with its terms, all Scheme Shares will be cancelled (with the equivalent number of new Shares being issued as fully paid to the Offeror) and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules and such withdrawal is expected to take place as soon as reasonably practicable following the Scheme becoming effective.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation on the Proposal, the Scheme and the Special Deal, we have taken into account the following principal factors and reasons:

1. Information on the Company

The Company is an exempted company incorporated under the laws of the Cayman Islands with limited liability. The Company, together with its subsidiaries, is principally involved in the design, development, manufacture and generated income from sale of a comprehensive suite of minimally invasive surgical instruments and accessories ("**MISIA**"). Its major MISIA products include (i) disposable trocars, which contributed 43% and 41%; (ii) ligation clips, which contributed 23% and 23%; and (iii) disposable electrocoagulation forceps, which contributed 14% and 14%, of the Group's revenue in FY2024 and 1H2025, respectively, as set out in the Table 1 below.

1.1. *Financial performance*

Set out below are the summarised consolidated income statements of the Group for (i) the years ended 31 December 2022, 2023 and 2024 ("**FY2022**", "**FY2023**" and "**FY2024**", respectively) as extracted from the 2023 Annual Report and 2024 Annual Report; and (ii) the six months ended 30 June 2024 and 2025 ("**1H2024**" and "**1H2025**", respectively) as extracted from the 2025 Interim Report:

TABLE 1: SUMMARISED CONSOLIDATED INCOME STATEMENTS OF THE GROUP

(RMB '000)	**1H2025** *(unaudited)*	**1H2024** *(unaudited)*	**FY2024** *(audited)*	**FY2023** *(audited)*	**FY2022** *(audited)*
Revenue	**496,555**	**458,413**	**1,008,610**	**926,023**	**786,367**
By products					
• *Disposable products*	451,475	409,141	898,761	804,947	689,132
➢ *Disposable trocars*	201,763	191,702	430,418	394,441	364,946
➢ *Ligation clips*[(1)]	114,180	105,192	234,940	228,060	192,511
➢ *Disposable electrocoagulation forceps*	68,699	67,041	139,905	122,552	94,198
➢ *Ultrasonic scalpels*	31,554	23,737	52,352	38,000	18,153
➢ *Staplers*	9,334	3,708	9,017	2,039	NA
➢ *Other disposable products*	25,945	17,761	32,129	19,855	19,324
• *Reusable products*	45,080	49,272	109,849	121,076	97,235
➢ *4K endoscopic camera systems*	3,966	13,001	24,534	32,366	20,557
➢ *Other reusable products*	41,114	36,271	85,315	88,710	76,678
By geographic market					
• *Domestic*[(2)]	445,200	418,213	909,711	840,066	715,097
• *Overseas*	51,355	40,200	98,899	85,957	71,270
Gross Profit	**392,361**	**363,123**	**797,649**	**741,199**	**635,247**
Gross profit margin	79.0%	79.2%	79.1%	80.0%	80.8%
Other income and gains	**81,497**	**115,403**	**182,164**	**155,365**	**146,672**
➢ *Investment income from financial assets at fair value through profit or loss*	5,902	842	6,762	58	–
➢ *Gain on deconsolidation of Weijing Medical*	–	27,253	27,253	–	–

(RMB '000)	1H2025 (unaudited)	1H2024 (unaudited)	FY2024 (audited)	FY2023 (audited)	FY2022 (audited)
➢ *Fair value gains on financial assets at fair value through profit or loss*	200	46	5,243	5,560	22,705
➢ *Gain on termination of disposal of Qipu*	46,000	–	–	–	–
Share of losses of associates	**(19,542)**	**(5,868)**	**(21,861)**	**–**	**–**
Research and development ("R&D") cost	**(33,874)**	**(43,354)**	**(82,083)**	**(127,554)**	**(66,019)**
Profit attributable to Shareholders	**265,760**	**285,847**	**581,438**	**504,021**	**478,735**
Non-HKFRS adjusted net profit attributable to Shareholders(3)	**224,097**	**274,873**	**561,815**	**538,183**	**498,711**
Non-HKFRS adjusted net profit margin	**45.1%**	**60.0%**	**55.7%**	**58.1%**	**63.4%**
Dividend per Share (RMB)	**–**	**–**	**0.24**	**1.40**(4)	**0.1845**

Notes:

(1) As disclosed in the 2024 Annual Report, the Group reclassified the polymer ligation clips segment as the ligation clips segment in FY2024. The comparative figures for the previous year have also been restated accordingly.

(2) Domestic market refers to the PRC markets.

(3) HKFRS represents Hong Kong Financial Reporting Standards. The non-HKFRS adjustments eliminated potential impacts of certain non-operational or one-off items, including (a) fair value gains on financial assets at fair value through profit or loss; (b) foreign exchange difference; (c) share-based payment expenses; (d) investment income/loss from short-term financial products; (e) other income and gains arising on divestitures; and (f) PRC withholding tax associated with special dividend.

(4) It contained a special dividend of RMB0.99 per Share.

a. *Revenue*

The Group's revenue increased from RMB786.4 million for FY2022 to RMB926.0 million for FY2023, and further to RMB1,008.6 million for FY2024, representing a year-on-year increases of 17.8% and 8.9%, respectively. The increases were mainly attributable to the increases in sales across main disposable products and some newer products as a result of increasing adoption of minimally invasive surgical procedures and the continued growth in the volume of such procedures following the relaxation of the COVID-19 restrictions.

For 1H2025, the Group's revenue increased by RMB38.1 million to RMB496.6 million, representing an increase of 8.3% as compared to 1H2024. Such increase was primarily due to a 10.3% increase in sales of disposable products from RMB409.1 million for 1H2024 to RMB451.5 million for 1H2025.

Taking a closer look, contribution from the mature products, namely disposable trocars, ligation clips and disposable electrocoagulation forceps, to the Group's revenue decreased from 82.9% in FY2022 to 77.5% in 1H2025, mainly due to the introduction of new products. The sales growth of the mature products slowed down from 14.3% in FY2023 to 5.7% in 1H2025. Contribution from the newer products, namely ultrasound scalpels, staplers and 4K endoscopic camera systems, increased from 4.9% in FY2022 to 9.0% in 1H2025. Their combined growth dropped from 87.0% in FY2023 to 10.9% in 1H2025. As advised by the Management, the Group faces significant challenges in scaling up its new product offerings. Both ultrasound scalpels and staplers recorded positive growth, albeit at a slower rate, while the 4K endoscopic camera systems have experienced negative growth since FY2024. High growth rates at the initial roll-out stage are difficult to sustain due to intense competition from industry players whose relevant products are well-established, stringent procurement standards, and high switching costs for hospitals.

Domestic sales increased from RMB715.1 million in FY2022 to RMB840.1 million in FY2023, and further to RMB909.7 million in FY2024, reaching RMB445.2 million in 1H2025 as compared to RMB418.2 million in 1H2024. The domestic sales growth rate was strong at 17.5% in FY2023, then moderated to 8.3% in FY2024 and further to 6.5% in 1H2025, which is generally in line with the revenue growth rate discussed above.

Overseas sales showed strong growth, increased from RMB71.3 million in FY2022 to RMB86.0 million in FY2023, and further to RMB98.9 million in FY2024, with the sales reaching RMB51.4 million in 1H2025 from RMB40.2 million in 1H2024. The overseas growth rate was 20.6% in FY2023, slowed to 15.1% in FY2024, then accelerated to 27.7% in 1H2025. The increases were mainly driven by growing demand in overseas markets, ongoing efforts to expand export channels, increased product registrations, and intensified overseas marketing activities. These initiatives have strengthened the Group's overseas distribution network, strategically positioning the Company for long-term growth opportunities across global markets. As of 30 June 2025, products of the Group were available in over 90 countries and regions, covering key markets across Asia, Europe, Latin America, Africa, and the Middle East, as compared to 47 countries and regions in 2022.

b. *Gross profit and gross profit margin*

The Group recorded gross profit of RMB635.2 million for FY2022, RMB741.2 million for FY2023 and RMB797.6 million for FY2024, representing year-on-year increases of 16.7% for FY2023 and 7.6% for FY2024. For 1H2025, the Group's gross profit lifted by RMB29.2 million to RMB392.4 million, representing an increase of 8.1% as compared to 1H2024. The increases in gross profit were generally in line with the increase in revenue. The gross profit margin has been on a slight declining trend from 80.8% in FY2022 to 79.1% in FY2024 and further to 79.0% in 1H2025. Such decreases were mainly attributable to the increased contribution from newer products such as ultrasonic scalpels and staplers which have a relatively lower gross profit margin than other disposable products.

c. *Other income and gains and share of losses of associates*

Other income and gains saw an increase of 5.9% in FY2023 due to an increase in bank interest income of RMB21.8 million and 17.2% in FY2024 due to a non-recurring gain of RMB27.3 million, arising from the deconsolidation of Hangzhou Kangji Wiseking Medical Robot Co., Ltd. ("**Weijing Medical**"), as the Group no longer exercised control after the change of Weijing Medical's board composition since March 2024.

Other income and gains for 1H2025 was RMB33.9 million lower than that in 1H2024 mainly due to the combined effects of (i) the decrease in bank interest income and government grants; (ii) the absence of one-off gain arising from the deconsolidation of Weijing Medical of RMB27.3 million for 1H2024; and (iii) the recognition of one-off other income of RMB46 million arising from the termination of disposal of Hangzhou Kangji Qipu Medical Instrument Co., Ltd ("**Qipu**") in 1H2025.

Weijing Medical was held as to 35% by the Company and consolidated into its accounts since February 2022 until March 2024 when Weijing Medical amended its articles of association and board composition whereupon the Group is no longer able to appoint a majority of board members. Weijing Medical then ceased to be the subsidiary of the Company and has been equity accounted for as an investment in associate in the consolidated accounts of the Company. Weijing Medical remained in the product development phase and generated no revenue. Therefore, share of losses of an associate (i.e. Weijing Medical) was recorded starting from FY2024.

d. *R&D cost*

R&D expenses saw a 93.2% year-on-year increase for FY2023, which was mainly due to (i) the increased R&D expense in the amount of RMB46.8 million by Weijing Medical from RMB24.7 million in FY2022 to RMB71.5 million in FY2023; and (ii) the increased R&D projects and activities with respect to other innovative products and the upgrading of existing products. It then reduced by 35.6% for FY2024, which was mainly due to the deconsolidation of Weijing Medical in March 2024, partially offset by the increase in R&D department headcount and project portfolio.

For 1H2025, R&D expenses decreased by 21.9% as compared with that for 1H2024. Such decrease was mainly due to the deconsolidation of Weijing Medical, partially offset by the increase in research and development expenses at the Group's headquarters.

e. *Profit attributable to Shareholders and non-HKFRS adjusted net profit attributable to Shareholders and its margin*

Profit attributable to Shareholders increased from RMB478.7 million for FY2022 to RMB504.0 million for FY2023, and reached RMB581.4 million for FY2024, representing year-on-year increases of 5.3% and 15.4%, respectively. For 1H2025, profit attributable to Shareholders fell to RMB265.8 million, representing a year-on-year decline of 7.0%.

The non-HKFRS adjusted net profit attributable to Shareholders (which has excluded certain non-operational or one-off items, including (a) fair value gains on financial assets at fair value through profit or loss, (b) foreign exchange difference, (c) share-based payment expenses, (d) investment income/loss from short-term financial products, (e) other income and gains arising on divestitures; and (f) PRC withholding tax associated with special dividend) also recorded increases from RMB498.7 million for FY2022 to RMB538.2 million for FY2023, and further to RMB561.8 million for FY2024, representing year-on-year increases of 7.9% and 4.4%, respectively. The significant difference in the net profit and non-HKFRS adjusted net profit for FY2024 is mainly due to the gain on deconsolidation of Weijing Medical and the exchange differences. The increases were mainly attributable to (i) increases in sales primarily driven by growth in disposable products for both FY2023 and FY2024 and (ii) the decrease in R&D expenses as a result of the deconsolidation of Weijing Medical, partially offset by share of Weijing Medical's loss and the absence of the PRC withholding tax associated with special dividend for FY2024. The profit margins were 63.4%, 58.1% and 55.7% in FY2022-FY2024, respectively. The decrease in FY2023 was primarily attributable to a lower gross profit margin as discussed in "b. Gross profit and gross profit margin" above, coupled with higher R&D expenses. In FY2024, although R&D expenses declined, the margin contracted further, mainly due to a lower gross profit margin and a reduction in other income and gains.

For 1H2025, non-HKFRS adjusted net profit attributable to Shareholders fell to RMB224.1 million, representing a year-on-year decline of 18.5%. The net profit margin declined from 60.0% in 1H2024 to 45.1% in 1H2025. The non-HKFRS adjusted net profit, which excluded a non-recurring gain of RMB46 million arising from the termination of disposal of Qipu, was significantly lower than its net profit for 1H2025. The drop in profitability (both non-HKFRS adjusted net profit, and net profit, attributable to Shareholders) was mainly due to (i) an increase in share of loss in associates of RMB13.7 million; and (ii) the decrease in bank interest income and government grants, partially offset by an increase in gross profit, primarily driven by growth in the sale of disposable products.

f. Dividend per Share

As stated in the FY2024 Annual Report, the Company does not have a specific dividend policy or a predetermined dividend payout ratio. The determination to pay dividends in the future would be made at the discretion of the Board and would be based on the Group's profits, cash flows, financial condition, capital requirements and other conditions that the Board deems relevant.

Dividend per Share for FY2022, FY2023 and FY2024 amounted to RMB18.45 cents, RMB41 cents and RMB24 cents respectively. In addition to ordinary final dividends, the Company declared a special dividend of RMB99 cents per Share for FY2023 in celebration of the 20th anniversary of the Group's establishment and in recognition of the long-term support from the Shareholders.

As set out in the letter from the Board, as at the Latest Practicable Date, the Company confirms that (i) there are no outstanding dividends which have been declared by the Company and not yet paid; and (ii) it does not intend to announce, declare or pay any other dividend, distribution or return of capital before the Long Stop Date. As a result, no dividend has been declared for 1H2025.

1.2. Financial position

Set out below are the summarised consolidated statement of financial position of the Group as at 31 December 2022, 2023 and 2024 and 30 June 2025 as extracted from the 2023 Annual Report, the 2024 Annual Report and the 2025 Interim Report:

TABLE 2: SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP

(RMB '000)	**As at 30 June**	**As at 31 December**		
	2025	**2024**(1)	**2023**(1)	**2022**
	(Unaudited)	*(audited)*	*(audited)*	*(audited)*
Total assets	**3,055,889**	**2,918,290**	**4,263,818**	**3,984,911**
• Property, plant and equipment	249,093	255,926	227,884	169,020
• Financial assets at fair value through profit or loss	213,796	261,964	153,167	147,593
• Goodwill	–	–	167,209	167,209
• Other intangible assets	1,715	–	284,694	284,712
• Investments in associates	345,331	377,797	–	–
• Trade receivables	278,478	271,949	236,305	163,145
• Cash and cash equivalents(2)	1,707,184	1,472,905	2,973,452	2,818,360
Total liabilities	**461,505**	**289,395**	**319,972**	**266,103**
• Deferred tax liabilities	18,003	28,490	91,265	69,475
• Other payables and accruals	359,953	150,320	84,594	82,942
Equity attributable to Shareholders ("NAV")	**2,594,384**	**2,628,895**	**3,649,762**	**3,372,998**
NAV per Share (RMB) (3)	**2.15**	**2.17**	**3.00**	**2.77**

Notes:

(1) The figures stated included the amounts attributable to a disposal group classified as held for sale in FY2023 and FY2024.

(2) Cash and cash equivalents included (i) cash and bank balances; and (ii) time deposits.

(3) The figures are calculated based on the NAV of the respective year/period divided by the number of Shares in issue at the end of the respective year/period.

a. *Total assets*

As at 31 December 2022, 2023 and 2024 and 30 June 2025, the total assets of the Group were RMB3,984.9 million, RMB4,263.8 million, RMB2,918.3 million and RMB3,055.9 million, respectively, representing an increase of 7.0% from FY2022 to FY2023, a decrease of 31.6% from FY2023 to FY2024 and an increase of 4.7% from FY2024 to 1H2025. The increase for FY2023 was primarily due to (i) an increase in cash and cash equivalents of RMB155.1 million due to higher cash generated from operations; (ii) an increase in trade receivables of RMB73.2 million resulting from a higher proportion of sales generated in the second half of 2023; and (iii) an increase in property, plant and equipment, mainly from building construction of RMB58.9 million. The decrease for FY2024 was principally attributable to the reduction in cash and cash equivalents due to the payment of final dividend and special dividend to Shareholders of RMB1,647.3 million, partially offset by (i) an increase in financial assets at fair value through profit or loss of RMB108.8 million arising from the purchases of certain financial products issued by commercial banks; (ii) an increase in trade receivables of RMB35.6 million, driven by a higher proportion of sales generated in the second half of 2024; and (iii) an increase in property, plant and equipment of RMB28.0 million following the completion of building construction. The increase of total assets of the Group for 1H2025 was mainly due to the increase in cash generated from operations, partially offset by (i) a decrease in financial assets at fair value through profit or loss of RMB48.2 million upon the maturity of financial products; and (ii) a decrease in investments in associates of RMB32.5 million due to a corresponding decrease in the net assets of the associate following the loss incurred during the relevant period.

As mentioned in 1.1 above, Weijing Medical's financial results were no longer consolidated into the Group's financial statements but equity accounted for as an investment in an associate since March 2024. Certain related accounting items, including but not limited to goodwill and intangible assets, are derecognised from the consolidated financial statements of the Company. During FY2024, the Group made follow-on acquisitions of equity interests in Weijing Medical, increasing its shareholding from 35% to 41.99%. As at 30 June 2025, the Group held as to (i) a 40.46% equity interest in Weijing Medical; and (ii) a 23.2% equity interest in the Group's associate, namely Hangzhou Fenjing Technology Partnership Enterprise (Limited Partnership), which in turn held as to 7.8% equity interest in Weijing Medical.

b. *Total liabilities*

As at 31 December 2022, 2023, 2024, and 30 June 2025, the Group's total liabilities were RMB266.1 million, RMB320.0 million, RMB289.4 million, and RMB461.5 million, respectively, representing a 20.2% increase from FY2022 to FY2023, a subsequent 9.6% decrease from FY2023 to FY2024, and a significant increase of 59.5% from FY2024 to 1H2025. The increase in total liabilities for FY2023 was primarily due to the increase in deferred tax liabilities of RMB21.8 million arising from the withholding taxes on dividends distributed by subsidiaries established in the PRC in respect of earnings generated. The decline for FY2024 was mainly attributable to the decrease in deferred tax liabilities of RMB62.8 million as a result of derecognition of fair value adjustments from acquisition arising from the deconsolidation of Weijing Medical, partially offset by an increase in other payables and accruals of RMB65.7 million, mainly arising from the advance payment of RMB50 million as part of the consideration for the disposal of Qipu. The significant increase of total liabilities for 1H2025 was largely due to an increase in other payable and accruals of RMB209.6 million resulting from the declaration and distribution of the final dividend for FY2024 amounting to RMB280.7 million, which was subsequently paid to Shareholders in July 2025.

c. *NAV*

The NAV of the Group were RMB3,373.0 million, RMB3,649.8 million, RMB2,628.9 million, and RMB2,594.4 million as at 31 December 2022, 2023 and 2024, and 30 June 2025, respectively. The increase in NAV as at 31 December 2023 was primarily driven by the profit generated during the year, partially offset by FY2022 dividend paid. The decrease in the NAV as at 31 December 2024 was mainly due to the final dividend and special dividend paid for FY2023. The NAV slightly dropped as at 30 June 2025 as compared to 31 December 2024 as FY2024 final dividend is recognised as a liability when it was approved by the Shareholders in the annual general meeting held on 23 May 2025. As a result, the NAV per Share increased from RMB2.77 as at 31 December 2022 to RMB3.00 as at 31 December 2023, before declining to RMB2.17 as at 31 December 2024, and slightly decreased to RMB2.15 as at 30 June 2025.

Comments

The Group is principally engaged in design, development, manufacture and sale of MISIA. Its revenue exhibited year-on-year increases of 17.8%, 8.9% and 8.3% for FY2023, FY2024 and 1H2025, respectively. The revenue growth in FY2023 was mainly due to the relaxation of COVID-19 restrictions. However, the year-on-year revenue growth has slowed down from double-digit figures since its listing to single-digit figures in FY2024 and into 1H2025.

As advised by the Management, the Group's mature products have already achieved significant market share, leaving limited room for further expansion and resulting in slowdown in sales growth. At the same time, the Group strived to roll out new products with an aim to attain sustainable growth in business. However, its newer products exhibited lackluster growth due to intense competition and the evolving regulatory environment in the industry. Notably, sales of 4K endoscopic camera systems declined by 24.2% year-on-year and 69.5% year-on-year in FY2024 and 1H2025, respectively. The Management further advised that the Group faces significant challenges in scaling up its new product offerings due to intense competition from the industry players whose relevant products are well-established, stringent procurement standards, and high switching costs for hospitals.

The gross profit margin has been on a slight declining trend from 80.8% in FY2022 to 79.1% in FY2024 and further to 79.0% in 1H2025. Volume-based Procurement ("**VBP**"), a centralised scheme for purchasing high-value and high-volume medical consumables subject to competitive tendering, was introduced by the PRC government in 2020. As advised by the Management, the impact of VBP on the Group's margin was mitigated by simplifying distribution channel without distributors for some of its products but it is expected that VBP-driven pricing pressure will increase as VBP will be further rolled out across more regions. Further information of VBP is discussed in section 1.3 below.

Despite adoption of non-distributor model alleviated the pressure on the Group's gross profit margin, the Group needs to directly engage logistics partners for distribution and academic promotion partners for clinician engagement and expand sales team. In FY2023, the selling and distribution expenses increased by 30.9% and 12.0% in FY2023 and FY2024, respectively. In 1H2025, selling and distribution expenses excluding share-based payment expense attributable to sales department personnel saw a slight uptick of 2.6% to RMB37.9 million as per the information provided by the Management.

While the Group's profitability demonstrated resilience in earlier years, in 1H2025, profit before tax margin (adjusted for deconsolidation of Weijing) decreased year-on-year from 73.7% to 65.5%, and net profit margin decreased year-on-year from 62.4% to 53.5%. The non-HKFRS profit attributable to Shareholders increased by 7.9% for FY2023 and 4.4% for FY2024 and decreased by 18.5% for 1H2025 and its margin exhibited a continued declining trend, decreasing from 63.4% for FY2022 to 45.1% for 1H2025. Apart from the aforementioned increase in selling and distribution expenses excluding share-based payment expense attributable to sales department personnel, the Group also saw a 16.5% increase in R&D expenses at its headquarters as the Group continues to place strong emphasis on product R&D. In addition, the significant decrease in net margin in 1H2025 was also due to (i) an increase in share of loss in associates of RMB13.7 million; and (ii) the decrease in bank interest income and government grants. The material associate is Weijing Medical over which the Group no longer exercised control since March 2024 after the change of its board composition.

The Company does not have a specific dividend policy but had a payout ratio of 46.9% for FY2022 and 49.9% for FY2024. For FY2023, the Company's dividend payout was 98.8% plus a special dividend of RMB0.99 (4 times FY2024 dividend) in celebration of the 20th anniversary of the Group's establishment. Consequently, the NAV per Share dropped from RMB3.00 as at 31 December 2023 to RMB2.15 as at 30 June 2025.

1.3. Industry overview

The industry is currently facing various challenges that impact both market growth and operational dynamics. One notable headwind comes from the implementation of Diagnosis-Related Groups (DRG) and Diagnosis-Intervention Packet (DIP) policies to healthcare institutions in the PRC, which intended to control medical expenses and reduce unnecessary treatments, alongside controls on basic reimbursement funds, implemented by the National Healthcare Security Administration ("**NHSA**"), a governmental body responsible for funding public healthcare in the PRC. These regulatory measures place constraints on both surgical volume growth and pricing flexibility. This could possibly explain the slowdown in the growth of minimally invasive surgery volume to 5.0% in 2024 as compared to a CAGR of 7.0% from 2018 to 2023. Tightening cost-control measures and reimbursement caps, which have tempered demand alongside pricing pressures within healthcare institutions, possibly hinder the expansion momentum of the medical devices industry, in which the Group operates.

Based on 2024 Annual Report and 2025 Interim Report, the aggregate sales of disposable trocars, ligation clips and disposable electrocoagulation forceps accounted for around 80% of the Group's revenue in FY2024 and 1H2025. The table below sets out the sales volume, unit price, and year-on-year changes ("**YoY Changes**") in the sales volume and unit price of disposable trocars, ligation clips and disposable electrocoagulation forceps, which represent the major products of the Group, as extracted and calculated from an industry report ("**CIC Report**") prepared by China Insights Consultancy ("**CIC**"), an independent market research and consulting company based in the PRC. CIC has completed over 3,000 initial public offerings and commercial due diligence projects across more than 800 subdivided industries and has served as the industry consultant to the Company as disclosed in the prospectus of the Company. Given CIC's extensive experience as an industry consultant on relevant projects and its role with the Company at the time of initial public offering, we consider the work performed by CIC to be fair, objective and representative. The data covers the period from 2018 to 2024:

TABLE 3: SALES VOLUME, UNIT PRICE AND YOY CHANGES IN THE PRC DISPOSABLE TROCARS, LIGATION CLIPS AND DISPOSABLE ELECTROCOAGULATION FORCEPS MARKETS

Year	**Disposable trocars**				**Ligation clips**			
	Sales volume *(Million)*	**YoY Changes**	**Unit price** *(RMB per unit)*	**YoY Changes**	**Sales volume** *(Million)*	**YoY Changes**	**Unit price** *(RMB per unit)*	**YoY Changes**
2024	25.8	9.6%	78.7	-2.2%	51.6	-2.2%	28.7	-5.8%
2023	23.5	10.0%	80.5	-6.0%	52.8	13.0%	30.4	-3.5%
2022	21.4	-3.3%	85.6	-4.6%	46.7	-2.4%	31.6	-5.0%
2021	22.1	33.7%	89.8	-5.8%	47.9	23.7%	33.2	-4.7%
2020	16.5	-10.1%	95.3	-1.6%	38.7	-9.9%	34.9	2.7%
2019	18.4	30.5%	96.8	-11.2%	42.9	15.5%	34.0	-1.3%
2018	14.1	–	109.1	–	37.2	–	34.4	–
Compounded annual growth Rate (“**CAGR**”)								
– 2018 to 2024	10.6%		-5.3%		5.6%		-3.0%	
– 2018 to 2022	11.0%		-5.9%		5.9%		-2.1%	
– 2022 to 2024	9.8%		-4.1%		5.2%		-4.7%	

Year	**Disposable electrocoagulation forceps**			
	Sales volume *(Million)*	**YoY Changes**	**Unit price** *(RMB per unit)*	**YoY Changes**
2024	2.3	13.3%	146.8	-1.3%
2023	2.0	9.8%	148.7	-1.1%
2022	1.8	-6.1%	150.3	-4.6%
2021	2.0	55.8%	157.7	-5.1%
2020	1.3	5.2%	166.1	-7.8%
2019	1.2	39.2%	180.3	-7.1%
2018	0.9	–	194.1	–
CAGR				
– 2018 to 2024	17.8%		-4.5%	
– 2018 to 2022	21.0%		-6.2%	
– 2022 to 2024	11.5%		-1.2%	

Source: CIC Report

According to the CIC Report, the disposable trocar, ligation clip and disposable electrocoagulation forceps recorded CAGRs of 10.6%, 5.6% and 17.8%, respectively, in terms of sales volume from 2018 to 2024. Growth in sales volume of the disposable trocar and ligation clip was mainly driven by (i) the increasing adoption of minimally invasive surgeries; and (ii) the implementation of regional VBP since 2020, while the growth in sales volume for the disposable electrocoagulation forceps was mainly due to the introduction of policies encouraging electrocautery devices. However, the unit price for each of disposable trocars, ligation clips and disposable electrocoagulation forceps declined gradually during the same period.

In 2020, disposable trocar and ligation clip experienced decline in sales volume due to the outbreak of COVID-19, as demand for these products contracted in line with the reduction in surgical procedures. Disposable electrocoagulation forceps experienced faster recovery of demand despite the pandemic. In 2021, despite regional resurgence of COVID-19 cases, government control measures in the PRC effectively prevented large-scale spread. As a result, elective surgery volume largely returned to the pre-pandemic level, driving a rebound in sales in the three markets. However, in the first half of 2022, successive waves of COVID-19 outbreak, regional lockdowns, and evolving restrictions had negatively affected the hospital operation, especially the patient flow and surgery volume, leading to an overall decline in sales volume for the three markets in 2022.

Since 2023, with the lifting of COVID-19 restrictions, the PRC's overall economic and business activities have continued to recover. Patient flow and surgical volume have gradually resumed its uptrend, resulting in increased end-market demand for products. The ligation clip market, however, experienced a slight decline in 2024. The implementation of VBP policy has been extending at both national and regional levels through alliance models, resulting in broad market disruptions. According to the CIC Report, the Fujian-led nationwide VBP for ligation clips, which commenced in October 2024, has led to uncertainty in both pricing and sales volume. This uncertainty stems from intensified price competition and altered purchasing behaviors, as the VBP policy has concentrated procurement among a limited number of selected suppliers. In response, despite having some pent-up demand, distributors became more conservative and held back on purchases, adopting cautious inventory strategies such as reducing purchases, clearing existing inventory, or lowering stock levels to better assess post-VBP market demand. Therefore, ligation clip sales in 2024 were lower as compared to prior year.

In general, sales volume growth for disposable trocars, ligation clips and disposable electrocoagulation forceps markets declined in the post-COVID-19 period. From 2018 to 2022, the CAGR of sales volume for disposable trocars, ligation clips and disposable electrocoagulation forceps were 11.0%, 5.9% and 21.0%, respectively. However, from 2022 to 2024, the CAGR of disposable trocars decreased by 1.2 percentage points to 9.8%, the CAGR of ligation clips decreased by 0.7 percentage points to 5.2%, while the CAGR of disposable electrocoagulation forceps decreased by 9.5 percentage points to 11.5%.

The NHSA launched the centralised VBP scheme for high-value medical consumables since 2020 pursuant to which competitive tendering are held for purchase of medical devices and consumables with mature and high-volume clinical usage. In September 2021, the NHSA released its 14th five-year plan, outlining a strategy to improve social conditions, including healthcare, by improving the affordability and accessibility of healthcare services by 2025. The policy targets having 80% of hospitals expenditure to go through the provincial tendering process. The VBP policy has raised concerns over lower product pricing and profit margin within medical devices industry, as evidenced by a decline in unit prices. Specifically, the unit price of disposable trocars has gradually declined from RMB109.1 in 2018 to RMB78.7 in 2024, representing a CAGR of -5.3%. Similarly, the unit price of ligation clips peaked at RMB34.9 in 2020 before dropping to RMB33.2 in 2021 and continuing its downward trend to RMB28.7 in 2024. Disposable electrocoagulation forceps have not yet been included in the scope of the VBP policy, but a decline in unit price is seen from RMB194.1 in 2018 to RMB146.8 in 2024, representing a CAGR of -4.5%. Such decline is possibly due to hospitals and provincial health authorities adopting more centralised and competitive tendering processes, which require suppliers to offer more favourable pricing that intensified market competition. As disclosed in the 2025 Interim Report, there are expectations of potential VBP inclusion for disposable electrocoagulation forceps in the near term, which may impose further pressure on its pricing.

According to 2025 Interim Report, the industry-wide anti-corruption initiative continued, posing challenges to the growth of both existing and new products. According to the CIC Report, the PRC government has recently strengthened anti-corruption efforts in the medical and pharmaceutical sectors through measures. The standardised procurement resulted in a temporary slowdown in medical device orders and sales. Hospitals and doctors have become more cautious in approving surgeries, leading to postponed or cancelled elective procedures which may reduce demand for medical devices.

Comments

Despite challenges posed by COVID-19 disruptions in 2020 and 2022, the market has demonstrated gradual recovery as elective surgeries resumed. However, post-pandemic growth rates have softened amid regulatory changes and heightened competition due to VBP-driven procurement reforms. The PRC medical device industry has exhibited steady growth supported by increasing adoption of minimally invasive surgical techniques and ongoing healthcare reforms. However, the sector, particularly in segments such as disposable trocars and ligation clips, faces continuous pricing pressures mainly due to the government's market regulation including its VBP policy which has broadened its scope to cover additional product categories. This policy development continues to exert downward pressure on product prices and compress profit margins, requiring manufacturers and distributors to adjust their commercial approach accordingly. The Group's non-HKFRS adjusted net profit margin, which has seen gradual year-on-year decreases from FY2022 to 1H2025 as discussed in section 1.1 above, seemed to be in line with the overall market trend. With implementation of VBP in more regions in the PRC and the increase of product scope under VBP, it is expected that VBP-driven pricing pressure will continue.

Anti-corruption efforts within the healthcare system have tightened procurement compliance standards, creating a more transparent but more cautious purchasing environment. Looking ahead, sustained investment in R&D and product innovation remains crucial for the industry players to maintaining competitive advantage and capturing market share.

2. Reasons for and benefits of the Proposal

As disclosed in "Explanatory Memorandum" in Appendix VII to the Scheme Document, in view of sustained pressure on trading price and limited liquidity of the Shares, the Proposal (i) represents an attractive opportunity for Scheme Shareholders (other than Keyhole Holding Limited) to monetise their investment at a price with a compelling premium amidst market volatility, industry and macro uncertainty; (ii) enables the Scheme Shareholders (other than Keyhole Holding Limited) an attractive cash offer without the risks and uncertain market conditions facing or to be faced by the Company which is not only undertaking some pre-revenue R&D projects but also evaluating multiple strategic alternatives for future projects; (iii) enables the Company to save costs associated with the maintenance of listing status given its limited usefulness to raise new fund due to long-term underperformance in the trading prices and liquidity of the Shares; (iv) alleviates the Group's pressure associated with short-term performance metrics to better focus on a broader range of strategic decisions with respect to investments in sales and marketing to promote the Company's newly approved products, R&D, commercialisation of new technologies and market expansion outside of China.

In addition, it is unlikely that minority Shareholders will receive an alternative offer to realise value in their investments in the Company other than through the Proposal put forth by the Offeror.

Comments

As stated in the 2025 Interim Report, the Group noted that the growth in mature product categories slowed down and the new categories remain relatively small. The Group has been proactively accelerating innovation, launching new products, and implementing various measures to reduce costs and enhance efficiency and therefore further increase in R&D and market investments are expected in the future to strengthen product innovation and upgrades, optimize and empower sales network, enhance brand positioning, and solidify the foundation for its medium- to long-term development. By doing so, short-term profitability of the Group would possibly be under pressure and subject to risks and uncertainties.

Weijing Medical has been developing surgical robots and incurred losses since the investment made by the Group in 2022. It has recently obtained regulatory approval from China's National Medical Products Administration for one of its products and is now actively making commericalisation efforts through distributor briefing, live-stream surgical demonstration and participation of key industry events. However, Weijing Medical is yet to be fruitful with the Group's share of its loss for 1H2025 almost equal to that for FY2024, which dragged down the Group's profitability by 7.0% as compared to 1H2024.

Limited usefulness of a listed platform and the unsatisfactory share price performance has been common reasons for the recent Hong Kong privatisation proposals. Against this backdrop, listed companies (including the Company) are receiving proposals from their controlling shareholders at offer prices representing considerable premiums over the prevailing market prices. With the Founder Entities holding more than 50% interest in the Company, which are members of the Consortium as well as the largest shareholders of Topco, which in turn wholly owns the Offeror, another privatisation offer from another party seems to be unlikely.

3. Evaluation of the Cancellation Price

3.1 Share analysis

(a) Share price performance

Set out below is the movement of the closing prices of the Shares on the Stock Exchange during the period from 1 January 2022 up to and including the Latest Practicable Date (the "**Review Period**"), which covers recent major announcements of the Company published during the Review Period. The Review Period is considered sufficient to provide a general overview of the recent market performance of the Shares. The Share price performance is compared to the Cancellation Price and (i) the Hang Seng Index (the "**HSI**"); and (ii) the trading volume of the Company during the Review Period are illustrated as follows:

FIGURE 1: SHARE PRICE PERFORMANCE COMPARED TO CANCELLATION PRICE AND THE HSI

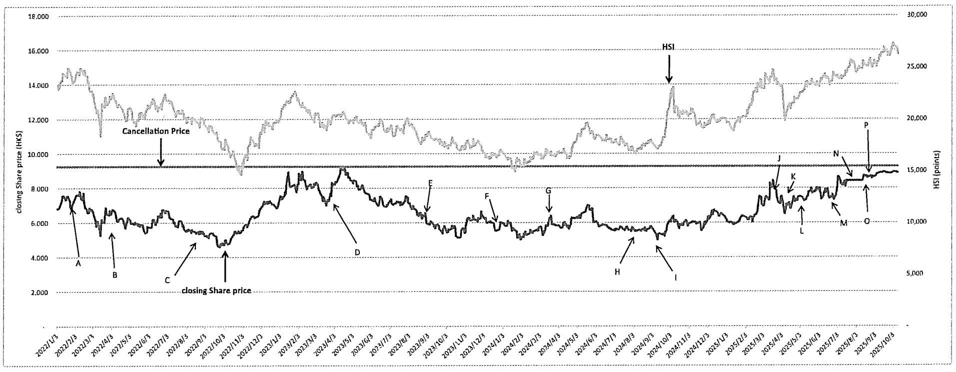
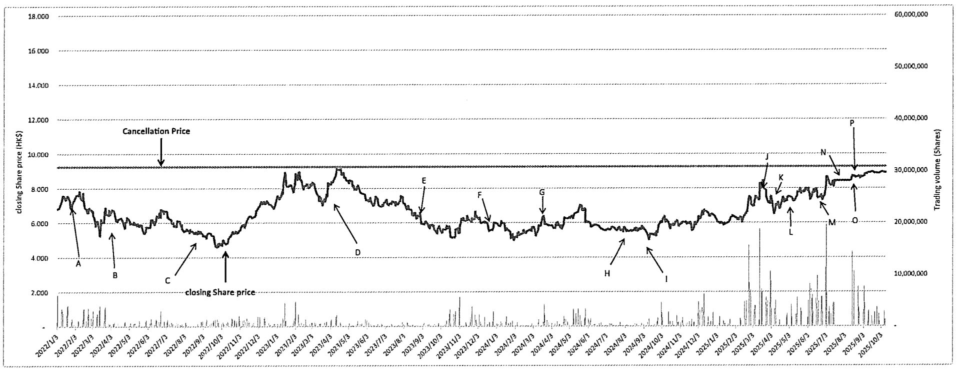


FIGURE 2: SHARE PRICE PERFORMANCE COMPARED TO CANCELLATION PRICE AND TRADING VOLUME OF THE COMPANY



Source: Bloomberg and FactSet

Reference no.	Date	Event
A	18 January 2022	Equity investment in Weijing Medical
B	22 March 2022	Annual results announcement for the year ended 31 December 2021 ("**FY2021**")
C	25 August 2022	FY2022 interim results announcement
D	27 March 2023	FY2022 annual results announcement
E	29 August 2023	FY2023 interim results announcement
F	29 December 2023	Disposal of Qipu
G	20 March 2024	FY2023 annual results announcement and deconsolidation of Weijing Medical

Reference no.	Date	Event
H	20 August 2024	FY2024 interim results announcement
I	11 September 2024	Clarification announcement regarding alleged disposal by substantial shareholders
J	24 March 2025	FY2024 annual results announcement
K	22 April 2025	Registration approval for four-arm surgical robot of Weijing Medical
L	13 May 2025	Termination of disposal of Qipu
M	30 June 2025	Undisturbed Date
N	12 August 2025	The Joint Announcement
O	28 August 2025	FY2025 interim results announcement
P	3 September 2025	Satisfaction of all pre-conditions of the Proposal

The Cancellation Price of HK$9.25 has been higher than the closing Share prices, which ranged from HK$4.61 to HK$9.19, during the Review Period.

As shown in Figure 1, the closing Share prices tracked quite closely the movement of the HSI during the early part of the Review Period until market rumours about disposal of shareholding in the Company by its substantial Shareholder in September 2024.

The closing Share price fell to HK$4.61 on 26 September 2022. The Company conducted its on-market share repurchase programme between 11 October 2022 and 13 January 2023 with a total of 28.4 million Shares repurchased (representing 2.3% of issued share capital before the Share repurchase) at prices ranging from HK$5.44 to HK$9.25. The closing Share price rose from HK$4.77 on 10 October 2022 (immediately prior to the share repurchases) to HK$8.24 on 13 January 2023. Shortly thereafter, the closing Share price climbed further to HK$8.97 on 8 February 2023, supported by the PRC government's announcement of the relaxation of COVID-19 restrictions. The closing Share price subsequently declined in line with the HSI, reaching HK$7.03 on 20 March 2023. However, following the Company reported a 13.9% increase in sales revenue and a 21.0% increase in non-HKFRS adjusted net profit (see Table 1) for FY2022 on 27 March 2023, the closing Share price rose again and peaked at HK$9.19 on 13 April 2023. Since then, the closing Share prices kept track of the movement of HSI.

During late 2023 and mid-2024, the Company carried out two additional rounds of on-market share repurchases. From 22 December 2023 to 18 January 2024, the Company repurchased 2.0 million Shares. During this period, the Share price increased slightly from HK$5.55 on 22 December 2023 to HK$5.69 on 18 January 2024. Following a significant decline of 11.6% in the Share price from HK$6.81 on 28 May 2024 to HK$6.02 on 29 May 2024 when it went ex-dividends for FY2023, the Company initiated the third round of share repurchases, amounting to 4.6 million Shares. However, the Share price fell further, from HK$6.11 on 30 May 2024 to HK$5.60 on 18 July 2024.

On 20 August 2024, the Company published its FY2024 interim results announcement, reporting year-on-year increases of 13.6% in sales revenue and 11.9% in non-HKFRS adjusted net profit. However, the closing price of the Shares subsequently fell to HK$5.01 on 11 September 2024. On the same day, the Company issued a clarification announcement in response to allegations of a disposal by two directors of TPG, confirming that TPG's shareholding interest in the Company remained unchanged. Subsequently, the Company conducted its last round of share repurchases, repurchasing 2.2 million Shares up to 16 January 2025 and the closing Share price rose to HK$5.93.

From February to June 2025, the Company recorded a significant increase in trading volumes, with average daily trading volume ranging from 3.7 million Shares to 5.7 million shares, the highest level during the Review Period. Over the same period, the Share price rallied from HK$6.03 on 13 February 2025 to HK$8.44 on 19 March 2025, possibly due to the buying spree in artificial intelligence (AI) in robotics and medical fields after the launch of DeepSeek's new model. At such time, Weijing Medical's four-arm surgical robotic system completed multi-specialty human clinical trials and submitted its registration application to the National Medical Products Administration. The volatility coincided with a broader market uptrend when the HSI increased by 19.1% from 20,217 points on 3 February 2025 to 24,072 points on 30 June 2025.

The Share price closed at HK$7.60 on the Undisturbed Date (i.e. 30 June 2025) and HK$8.42 on the Last Trading Date (i.e. 17 July 2025). After the release of the Joint Announcement, the closing price of the Shares was between HK$8.50 and HK$8.94, with an average closing price of HK$8.79. The Share price closed at HK$8.89 as at the Latest Practicable Date. The Cancellation Price of HK$9.25 per Share represents a premium of 4.0% to the closing price of the Share on the Latest Practicable Date.

(b) *Trading liquidity*

Set out below are the monthly total trading volumes of the Shares and the percentages of the monthly total trading volume of the Shares to the total issued Shares and public float of the Company during the Review Period:

TABLE 4: TRADING LIQUIDITY OF THE SHARES

	Monthly total trading volume of the Shares	**Percentage of the monthly total trading volume of the Shares to the total issued Shares** *(Note 1)*	**Percentage of the monthly total trading volume of the Shares to the public float** *(Note 2)*
2022			
January	62,500,435	5.0%	20.5%
February	38,203,496	3.1%	12.5%
March	49,515,849	4.0%	16.2%
April	14,880,259	1.2%	4.9%
May	13,791,537	1.1%	4.5%
June	21,492,374	1.7%	7.0%
July	14,528,487	1.2%	4.8%
August	12,215,802	1.0%	4.0%
September	23,898,811	1.9%	7.8%
October	19,486,447	1.6%	6.4%
November	27,240,923	2.2%	8.9%
December	26,481,499	2.1%	8.7%
2023			
January	20,521,148	1.7%	6.7%
February	21,276,521	1.7%	7.0%
March	17,626,919	1.4%	5.8%
April	16,595,927	1.4%	5.4%
May	10,860,429	0.9%	3.6%
June	10,644,635	0.9%	3.5%
July	7,507,714	0.6%	2.5%
August	11,369,539	0.9%	3.7%
September	7,778,107	0.6%	2.6%
October	34,927,956	2.9%	11.5%

	Monthly total trading volume of the Shares	Percentage of the monthly total trading volume of the Shares to the total issued Shares *(Note 1)*	Percentage of the monthly total trading volume of the Shares to the public float *(Note 2)*
November	49,069,485	4.0%	16.1%
December	26,581,190	2.2%	8.7%
2024			
January	17,794,200	1.5%	5.8%
February	7,729,237	0.6%	2.5%
March	20,840,476	1.7%	6.8%
April	15,538,711	1.3%	5.1%
May	35,553,440	2.9%	11.7%
June	14,153,949	1.2%	4.6%
July	8,550,498	0.7%	2.8%
August	6,059,085	0.5%	2.0%
September	22,708,630	1.9%	7.4%
October	44,909,408	3.7%	14.7%
November	21,412,371	1.8%	7.0%
December	48,985,308	4.0%	16.1%
2025			
January	20,751,483	1.7%	6.8%
February	73,618,281	6.1%	24.1%
March	119,294,966	9.9%	39.1%
April	80,683,054	6.7%	26.5%
May	82,914,028	6.9%	27.2%
June	102,484,500	8.5%	33.6%
July *(Note 3)*	69,109,936	5.7%	22.7%
August	158,575,071	13.1%	52.0%
September	57,794,605	4.8%	18.9%
October (up to and including the Latest Practicable Date)	8,860,855	0.7%	2.9%

Source: Bloomberg and the website of the Stock Exchange

Notes:

(1) The calculation is based on the monthly total trading volumes of the Shares divided by the total number of Shares in issue (excluding treasury shares) as at the end of each month or the Latest Practicable Date, as applicable.

(2) The calculation is based on the monthly total trading volumes of the Shares divided by the total number of Shares held by the public as at the Latest Practicable Date based on the information provided by the Company, as applicable.

(3) Trading in the Shares was suspended during the period from 18 July 2025 up to and including 12 August 2025 pending the release of the Joint Announcement.

From January to March 2022, the monthly turnover of the Shares remained within the range of 3.1%–5.0% of the total issued Shares and 12.5%–20.5% of the public float, which were relatively more active than other months during the Review Period. The trading volume of the Company may be stimulated by the equity investment in Weijing Medical announced in January 2022 and the publication of improved annual results for FY2021 announced in March 2022. Subsequently, the Company's trading volume lost its momentum and maintained within the range of 0.5%–2.2% of the total issued Shares and 2.0%–8.9% of the public float from April 2022 to January 2025, except for October and November 2023, and May, October and December 2024. The surge in trading volume were observed in these months, accompanied by fluctuations of closing Share prices. We have discussed this with the Management and save for the repurchases of 550,000 Shares, 275,000 Shares and 400,000 Shares conducted in May, October and December 2024, respectively, they are unaware of the reason for such surge.

From February to June 2025 (i.e. up to the Undisturbed Date), the monthly turnover of the Shares recorded significant increases, ranging from 6.1% to 9.9% of the total issued Shares and 24.1% to 39.1% of the public float. The monthly average trading volume during this period was 3.4 times, 4.7 times, and 4.2 times the monthly average trading volumes of 2022, 2023 and 2024, respectively. As discussed in section 4.1 above, the increase in trading volume of the Company may be attributable to the investors' growing interests in AI-related industries following the launch of DeepSeek's new model. Trading in the Shares was suspended for 18 trading days in July to August 2025. Following the publication of the Joint Announcement, the trading volume surged again in August 2025, reaching 13.1% of the total issued Shares and 52.0% of the public float, even there were only 13 trading days in August 2025. In our view, this surge was principally related to the Proposal and may not continue if the Proposal lapses.

The increase in trading volume seemed to be driven by the market excitement and media attention over AI-related businesses including pre-revenue Weijing Medical, a surgical robot developer. Surgical robot industry in the PRC, which is dominated by a US player Intuitive Surgical, is competitive. The local players including Weijing Medical have recently obtained regulatory approval for their surgical robotic products and are actively making commercialisation efforts. According to the Management, no sales contracts are concluded by Weijing Medical so far. It is therefore unclear when Weijing Medical will become fruitful. The trading liquidity in 1H2025, in our view, might be a temporary boost. Scheme Shareholders, especially those holding substantial stakes, should be aware if they wish to exit their investments in the Company, they may face challenges disposing of the Shares in the market without exerting downward pressure on the Shares price. On this basis, the Proposal provides an opportunity for the Scheme Shareholders (especially those with relatively sizeable shareholdings) to realise their investments in the Shares at a fixed cash price under the Proposal without disturbing the market price.

(c) *Cancellation Price comparison*

A comparison of the Cancellation Price of HK$9.25 per Scheme Share with the recent closing prices of the Shares and NAV per Share is set out as follows:

TABLE 5: SHARE PRICE COMPARISON

	Closing price or average closing price of the Shares	**Premium represented by the Cancellation Price**
Latest Practicable Date	HK$8.89	4.0%
Last Trading Date	HK$8.42	9.9%
Undisturbed Date	HK$7.60	21.7%
5 trading days[(1)]	HK$7.48	23.7%
10 trading days[(1)]	HK$7.50	23.3%
30 trading days[(1)]	HK$7.71	20.0%
60 trading days[(1)]	HK$7.49	23.5%
120 trading days[(1)]	HK$7.13	29.7%
180 trading days[(1)]	HK$6.79	36.2%
360 trading days[(1)]	HK$6.28	47.3%

	NAV per Share(2)	Premium represented by the Cancellation Price
As at 30 June 2025	HK$2.35	293.6%

Source: Bloomberg and the website of the Stock Exchange

Notes:

1. Up to and including the Undisturbed Date.

2. Calculated based on the Group's NAV as at 30 June 2025 and the number of Shares in issue as at 30 June 2025 using the exchange rate of HK$1: RMB0.9130, the central parity rate published by the People's Bank of China as at the Latest Practicable Date.

The Cancellation Price of HK$9.25 represents premiums of approximately 20.0% – 47.3% over the closing price of the Share on the Undisturbed Date and the average closing prices of the Shares for the 5, 10, 30, 60, 120, 180 and 360 trading days (up to and including the Undisturbed Date) before the irregular trading volumes and price movements in the Shares were noted. The Cancellation Price represents a premium of 293.6% over the latest NAV per Share as at 30 June 2025.

On the Last Trading Date and Latest Practicable Date, the Cancellation Price represents premiums of 9.9% and 4.0% over the closing price of the Share, respectively. The Share price movement following the publication of the Joint Announcement is likely to be influenced by the Proposal and the Scheme. As such, we consider that there is no assurance that the Share price will remain at the current levels should the Proposal and the Scheme lapse.

Comments

The Company has been listed on the Main Board of the Stock Exchange since 29 June 2020, with an initial public offer price of HK$13.88. The closing price of the Shares reached its historical high of HK$34.45 shortly after its listing and fell back to its initial public offer price level in December 2020. The closing price of the Share then continued its downward trend and had been below the initial public offer price since then. The market valuation during pandemic shifted and investors became more focused on businesses that could achieve rapid business growth and deliver returns in a changing and challenging environment. Shift in valuation focus and weak market sentiment, in our view, might be the reason for the lower valuation of the Company during the Review Period, Therefore, the Share valued by the market as reflected by its market price in the recent year, in our view, would be relevant to assess the current value of the Company.

The Cancellation Price of HK$9.25 per Share is higher than the closing Share prices during the Review Period and represents premiums of 20.0% to 47.3% over the closing price of the Shares on the Undisturbed Date and the average closing price of the Shares for 5, 10, 30, 60, 120, 180 and 360 trading days (up to and including the Undisturbed Date). The Cancellation Price is 293.6% higher than the NAV per Share, and 495.5% higher than the net cash per Share of RMB1.41 per Share (equivalent to HK$1.55 per Share), as at 30 June 2025.

During the Review Period, the Company conducted four rounds of share repurchases. The first round lasted for 3 months starting from mid-October and repurchased a total 28.4 million Shares, during which the closing Share price rose from HK$4.77 in October 2022 to HK$8.24 in January 2023. It rose further to HK$9.19, being its highest during the Review Period, after relaxation of pandemic restrictions in March 2023. The next three rounds were much smaller in scale having repurchased (i) 2 million Shares in December 2023 to January 2024; (ii) 4.6 million Shares in May to June 2024; and (iii) 2.2 million Shares in September 2024 to January 2025, respectively. Following the Share repurchases, closing Share prices were in the region of HK$5.60 – HK$7.00. These efforts only achieved short-lived success.

Together with the Share repurchases before the Review Period, the Company has repurchased an aggregate of 44.2 million Shares for a total consideration of RMB284.8 million from September 2021 to January 2025. The Company not only conducted share repurchases as a source of liquidity and strength for the Share price but has also been paying dividends. The Company paid cumulative dividends of RMB2,429.9 million, equivalent to HK$2.221 per Share, to its shareholders as a reward for their investment and ownership.

On the above bases, in particular the fact that the Cancellation Price has been higher than the closing prices of the Share during the Review Period, the Proposal, in our view, provides an opportunity for the Shareholders (especially those with relatively sizeable shareholdings) who would like to realise their investments in the Shares at a fixed cash price without disturbing the market price of the Share.

3.2. Comparable companies

The Group is principally involved in the design, development, manufacture and sale of a comprehensive suite of MISIA. According to the 2024 Annual Report, the Group generated all its revenue from the sale of medical devices and over 90% of which was derived from the PRC market. The Group has been profitable since its listing.

We employed Bloomberg's equity screening tool to identify companies primarily engaged in design, development, manufacturing, and sales of surgical instruments and accessories and listed on the Main Board of the Stock Exchange that generated over 50% of their most recent annual revenue from sales of medical devices in the PRC and were profitable in their last financial year. The adoption of 50% revenue contribution threshold is a common practice for selecting comparable companies in order to obtain sufficient population and establish a reliable basis for comparison. Four companies were identified (the "**Comparable Companies**") based on the aforementioned criteria. The Comparable Companies are exhaustive based on the aforementioned selection criteria.

In conducting our analysis, we have compared the price-to-earning ratio ("**PER**"), price-to-book ratio ("**PBR**") of the Company implied by the Cancellation Price with those of the Comparable Companies, which, we consider, are widely accepted multiples to evaluate a profitable company. Details of the Comparable Companies are set out in the table below:

TABLE 6:: COMPARABLE COMPANIES

Company (stock code)	Principal activities	Percentage of revenue generated from relevant business[1]	Market Capitalisation[2]	PER[3]	PBR[4]
			(in HK$ million)	*(times)*	*(times)*
Shandong Weigao Group Medical Polymer Company Limited (1066. HK, "**Shandong Weigao**")	Research and development, production and sale of medical device products, orthopaedic products, interventional products, pharma packaging products and blood management products, and operate financing business	64.9%[5]	27,872.7	12.96	1.06
LEPU ScienTech Medical Technology (Shanghai) Co., Ltd. (2291. HK, "**Lepu**")	Research, development, manufacture and commercialization of interventional medical devices primarily targeting structural heart diseases	100.0%	6,987.0	22.24	3.24
Shanghai INT Medical Instruments Co., Ltd. (1501. HK, "**Shanghai INT**")	Research and development, manufacturing and sales of interventional and implantable medical devices	90.8%	4,391.2	21.15	2.14
PW Medtech Group Limited (1358. HK, "**PW Medtech**")	Research and development, manufacturing and sale of advanced infusion set, intravenous cannula products, insulin needles and hemodialysis and blood purification medical devices	100.0%	1,962.5	12.25	0.45
			Highest	22.24	3.24
			Lowest	12.25	0.45

Company (stock code)	Principal activities	Percentage of revenue generated from relevant business[(1)]	Market Capitalisation[(2)] *(in HK$ million)*	PER[(3)] *(times)*	PBR[(4)] *(times)*
			Average	17.15	1.72
			Median	17.06	1.60
The Company (9997.HK) based on the Cancellation Price of HK$9.25		**100.0%**	**11,174**[(6)]	**18.21**[(6)]	**3.94**[(6)]

Source: Bloomberg and the websites of the Comparable Companies and the Stock Exchange

Notes:

1. Percentage of revenue generated from relevant business represents the sales of medical devices for the year ended 31 December 2024.

2. The market capitalisation of the Comparable Companies are calculated based on the closing price of the respective companies as at the Undisturbed Date (being the last trading day prior to when there were irregular trading volumes and price movements in the Shares) multiplied by the number of issued outstanding shares based on the monthly returns as at the Undisturbed Date.

3. The PERs of the Comparable Companies are calculated based on their respective market capitalisation as at the Undisturbed Date (being the last trading day prior to when there were irregular trading volumes and price movements in the Shares) divided by their respective profit attributable to the shareholders for the trailing 12-month period ended 30 June 2025 as referenced from their respective latest published annual and/or interim results announcements.

4. The PBRs of the Comparable Companies are calculated based on their respective market capitalisation as at the Undisturbed Date (being the last trading day prior to when there were irregular trading volumes and price movements in the Shares) divided by their respective net assets attributable to the shareholders as referenced from their respective latest published results announcements.

5. The relevant segment of Shandong Weigao includes (i) medical device products (i.e. production and sale of clinical care, medical testing, anesthesia and surgical related products and other consumables); and (ii) interventional products (i.e. production and sale of tumour and blood vessel interventional instruments). The remaining segment includes (i) orthopaedic products (i.e. production and sale of orthopaedic products, including tissue repair product line); (ii) pharmaceutical packaging products (i.e. production and sale of pre-filled syringes and flushing syringes); and (iii) blood management products (i.e. production and sale of blood collection, irradiation, storage, separation and sterilization products), which are related to medical industry. Shandong Weigao is considered relevant for the comparable companies analysis.

6. The market capitalisation, PER and PBR of the Company implied by the Cancellation Price are calculated based on the Cancellation Price of HK$9.25.

Among the four Comparable Companies, (i) Lepu's major product is occluder products targeting structural heart diseases; and (ii) Shanghai INT's major product is cardiovascular interventional medical devices, both surgical instruments mainly used in cardiovascular surgeries requiring specialised technologies while (i) Shandong Weigao's major products are clinical care, medical testing, anesthesia and surgical related products and other consumables; and (ii) PW Medtech's major product is blood purification product, which are general clinical care products and advance infusion sets. No Comparable Companies are principally engaged in the manufacture and sale of the major MISIA products (e.g. disposable trocars, ligation clips and disposable electrocoagulation forceps) similar to those of the Company.

The PERs and PBRs of the Comparable Companies range from 12.25 times to 22.24 times with an average of 17.15 times and a median of 17.06 times for PERs, and from 0.45 times to 3.24 times with an average of 1.72 times and a median of 1.60 times for PBRs. Specifically, Lepu and Shanghai INT had higher PERs (i.e. 21x – 23x) and PBRs (i.e. of 2x – 3x), which, in our view, might be due to their specialised technologies and products portfolio commanding a higher premium by the market as reflected in their share prices. In contrast, Shandong Weigao's and PW Medtech's major products valued a lower premium by the market with PERs of 12 times – 13 times and PBRs of 0.4 times – 1.1 times. The Company's PER, implied by the Cancellation Price, is 18.21 times, falling between the two groups of Comparable Companies and its PBR is higher than all the Comparable Companies'.

Comments

Valuation of the companies as appraised by the market is usually subject to a number of factors including but not limited to company size, revenue, profitability and technology or economic moat (if any). The clear delineation of the valuation multiples of the two groups of Comparable Companies, in our view, might be due to Lepu's and Shanghai INT's differentiating factor enabling them to hold a competitive edge valued by the market. Given no comparable companies are principally selling the major products of the Company and both Comparable Companies and the Company are profitable, technology moat is the key factor to determine their valuation by the market. Although Shandong Weigao's market capitalisation is much larger than that of the Company, its PER fortifies our view as to the market placing greater emphasis on factors such as the technology moat and ability to manage external threats rather than simply size for companies of this type.

The products of Lepu, Shanghai INT and the Company are mainly used in surgical procedures and those of Shandong Weigao and PW Medtech are general clinical care products. Both Lepu and Shanghai INT are significant players in cardiovascular device technology in the PRC and are noted for innovation in the area. The Group's major products (i.e. disposable trocars, ligation clips and forceps), in our view, are relatively less specialised and involve less technological sophistication than Lepu and Shanghai INT but more specialised than those of Shandong Weigao and PW Medtech. The PER of the Company lies between these two groups appears to be reasonable in view of the complexity of its products and technological sophistication involved. The PBR implied by the Cancellation Price of 3.94 times is higher than those of the Comparable Companies.

4.3. *Privatisation precedents*

To assess the fairness and reasonableness of the Cancellation Price, we have researched all successful privatisation proposals involving companies listed on the Main Board of the Stock Exchange that were announced and completed from 1 January 2024 to the Latest Practicable Date, excluding share exchange offers without payment of cash (the "**Privatisation Precedents**"). Although the Privatisation Precedents may involve an offeree company with different business nature, scale, industries, financials, historical price performance, the Privatisation Precedents, in our view, provide a comprehensive overview of the pricing of recent transactions of this type and the premiums or discounts that most of independent shareholders are willing to accept for tendering their shares in a privatisation transaction. The Privatisation Precedents represent an exhaustive list of privatisation proposals meeting the aforesaid criteria, a summary of which is set out in the table below.

TABLE 7: PRIVATISATION PRECEDENTS

		Premium or (discount) represented by offer/cancellation price over/to closing share price/average share price(1)								Premium or (discount) represented by offer/cancellation price over/to latest NAV per share/adjusted NAV per share(5)
Date of initial announcement(2)	Company name (Stock code)	Last full trading day(3)	5-trading day(4)	10- trading day(4)	30-trading day(4)	60-trading day(4)	120-trading day(4)	180-trading day(4)	360-trading day(4)	
17 June 2025	Beijing Properties (Holdings) Limited (925)	250.0%	253.5%	247.4%	222.1%	200.1%	171.8%	175.118%	211.0%	10.0%
28 May 2025	Lippo Limited (226) ("**Lippo**") (6)	53.0%	52.1%	63.0%	71.2%	70.8%	73.1%	79.0%	76.1%	(56.9)%
9 May 2025	Thing On Enterprise Limited (2292)	30.0%	30.0%	30.0%	30.0%	36.2%	20.5%	7.3%	2.2%	(49.3)%
11 April 2025	Shandong Fengxiang Co., Ltd. (9977)	33.3%	34.8%	35.5%	39.9%	44.9%	71.7%	68.9%	47.9%	(15.3)%
17 February 2025	Tam Jai International Co. Limited (2217)	75.6%	80.4%	88.3%	96.3%	99.6%	93.8%	75.8%	48.3%	44.7%
4 December 2024	ESR Group Limited (1821)	55.7%	58.2%	58.1%	54.0%	40.8%	33.5%	26.0%	5.5%	(1.2)%
27 December 2024	Vesync Co., Ltd (2148)	33.3%	34.4%	37.3%	44.4%	36.1%	32.3%	24.3%	29.1%	122.3%
19 December 2024	Pentamaster International Limited (1665) ("**Pentamaster**") (7)	56.3%	60.3%	58.5%	53.4%	50.8%	50.2%	43.4%	21.9%	32.6%

Date of initial announcement[2]	Company name (Stock code)	Premium or (discount) represented by offer/cancellation price over/to closing share price/average share price[1] Last full trading day[3]	5-trading day[4]	10- trading day[4]	30-trading day[4]	60-trading day[4]	120-trading day[4]	180-trading day[4]	360-trading day[4]	Premium or (discount) represented by offer/ cancellation price over/to latest NAV per share/ adjusted NAV per share[5]
10 December 2024	Fosun Tourism Group (1992)	95.0%	112.1%	112.7%	111.2%	110.3%	111.4%	107.0%	50.0%	(27.4)%
22 November 2024	Ronshine Service Holding Co., Ltd (2207)	15.4%	9.9%	1.7%	(5.9)%	1.9%	(12.4)%	(13.6)%	(48.9)%	(53.5)%
28 October 2024	Beijing Capital Grand Limited (1329)	46.6%	54.5%	55.1%	41.7%	47.8%	80.9%	53.5%	34.0%	(53.8)%
14 October 2024	CM Hi-Tech Cleanroom Limited (2115)	25.0%	23.5%	26.8%	30.5%	39.5%	41.2%	37.9%	17.6%	(3.2)%
2 September 2024	Doyen International Holdings Limited (668)	78.6%	81.5%	81.9%	81.1%	86.1%	131.4%	91.8%	89.0%	(39.4)%
16 July 2024	Samson Holding Ltd. (531)	77.8%	86.8%	105.4%	150.1%	186.7%	172.8%	150.6%	110.9%	(47.1)%
7 July 2024	Canvest Environmental Protection Group Company Limited (1381)	20.7%	17.8%	16.9%	20.8%	21.8%	21.3%	23.5%	22.7%	21.6%
19 June 2024	Asia Standard Hotel Group Limited (292) ("**ASH**")	52.8%	48.2%	41.9%	57.4%	70.8%	63.9%	49.2%	18.7%	(98.6)%[8]
12 June 2024	A8 New Media Group Limited (800)	162.8%	159.4%	167.9%	186.6%	186.1%	155.6%	125.9%	78.2%	(48.1)%
7 June 2024	CPMC Holdings Limited (906)	38.7%	42.8%	48.0%	64.1%	71.5%	66.0%	65.8%	81.8%	26.7%
27 May 2024	Huafa Property Services Group Company Limited (982)	30.6%	36.5%	40.2%	70.5%	82.2%	90.0%	104.9%	105.7%	970.1%
29 April 2024	L'Occitane International S. A. (973)	30.8%	36.1%	40.6%	49.9%	60.8%	52.4%	53.8%	55.4%	593.5%
18 April 2024	Kin Yat Holdings Limited (638)	33.3%	43.4%	52.4%	51.5%	53.6%	63.5%	72.1%	50.2%	(57.4)%
28 March 2024	SciClone Pharmaceuticals (Holdings) Limited (6600)	33.9%	36.0%	36.2%	47.5%	47.9%	58.1%	67.1%	83.4%	228.4%
8 March 2024	YiChang HEC ChangJiang Pharmaceutical Co., Ltd. (1558) ("**Yichang**")[9]	98.8%	121.8%	134.4%	159.2%	150.1%	180.8%	205.3%	238.7%	82.6%

Date of initial announcement[2]	Company name (Stock code)	Premium or (discount) represented by offer/cancellation price over/to closing share price/average share price[1] Last full trading day[3]	5-trading day[4]	10- trading day[4]	30-trading day[4]	60-trading day[4]	120-trading day[4]	180-trading day[4]	360-trading day[4]	Premium or (discount) represented by offer/ cancellation price over/to latest NAV per share/ adjusted NAV per share[5]
9 February 2024	IntelliCentrics Global Holdings Ltd. (6819) ("IntelliCentrics")[10]	20.5%	20.4%	19.3%	13.6%	11.4%	2.8%	(4.4)%	(12.5)%	NA[11]
26 January 2024	Bank of Jinzhou Co., Ltd. (416)	0.0%	(0.6)%	(1.0)%	0.3%	15.4%	43.0%	36.5%	3.8%	(71.9)%
	Highest	250.0%	253.5%	247.4%	222.1%	200.1%	180.8%	205.3%	238.7%	970.1%
	Lowest	(0.0)%	(0.6)%	(1.0)%	(5.9)%	1.9%	(12.4)%	(13.6)%	(48.9)%	(98.6)%
	Average	57.9%	61.4%	63.9%	69.7%	72.9%	74.8%	69.1%	56.8%	62.9%
	Median	38.7%	43.4%	48.0%	53.4%	53.6%	63.9%	65.8%	48.3%	(9.2)%
12 August 2025	**The Company (9997)**	21.7%	23.7%	23.3%	20.0%	23.5%	29.7%	36.2%	47.3%	293.6%

Source: Bloomberg and the website of the Stock Exchange

Notes:

1. The figures are calculated based on the offer/cancellation price divided by the closing price per share on the last full trading day or average closing price per share during various periods.

2. The date of the Takeovers Code Rule 3.5 announcement or Rule 3.7 announcement, whichever is earlier.

3. The last undisturbed full trading day as disclosed in the respective offer/scheme document or last full trading day prior to the release of the initial announcement.

4. Up to and including the last full trading day.

5. It represents the premium or (discount) represented by the offer/cancellation price over the NAV per share (or adjusted NAV per share, if available) quoted from the respective offer/scheme document.

6. The cancellation price for Lippo represents the total cash entitlement under the cash alternative scenario, and the prices of the shares have been adjusted to reflect the distribution of 1,193,432,757 shares of Hongkong Chinese Limited (stock code: 655) with the ex-entitlement date on 13 January 2025 as sourced from the website of the Hong Kong Stock Exchange.

7. The cancellation price of Pentamaster includes special dividend of HK$0.07 per share.

8. The adjusted NAV per share of ASH is based on an undiluted basis as disclosed in its scheme document dated 29 August 2024.

9. The historical share prices for YiChang have been adjusted with the special dividend of HK$1.5 per share.

10. We consider the proposal relating to the delisting of IntelliCentrics, which was delisted by way of a very substantial disposal transaction and declaration of special interim dividend, is akin to privatisation of companies listed in Hong Kong, The special interim dividend is computed as the cancellation price for comparison purpose.

11. Not applicable as the subject offeree company was in net liability position.

12. Subject to rounding differences.

(a) Premiums or (discounts) over/to the prevailing share prices

The premiums or (discounts) represented by the offer/cancellation price of the Privatisation Precedents are (i) 0.0% – 250.0%, with an average of 57.9% and a median of 38.7% over/to their respective closing share price on the last undisturbed full trading day; (ii) (0.6)% – 253.5%, with an average of 61.4% and a median of 43.4% over/to their respective 5-trading day average closing share price; (iii) (1.0)% – 247.4%, with an average of 63.9% and a median of 48.0% over/to their respective 10-trading day average closing share price; (iv) (5.9)% – 222.1%, with an average of 69.7% and a median of 53.4% over their respective 30-trading day average closing share price; (v) 1.9% – 200.1%, with an average of 72.9% and a median of 53.6% over/to their respective 60-trading day average closing share price; (vi) (12.4)% – 180.8%, with an average of 74.8% and a median of 63.9% over/to their respective 120-trading day average closing share price; (vii) (13.6)% – 205.3%, with an average of 69.1% and a median of 65.8% over/to their respective 180-trading day average closing share price; and (viii) (48.9)% – 238.7%, with an average of 56.8% and a median of 48.3% over/to their respective 360-trading day average closing share price. The premiums of 20.0% – 47.3% represented by the Cancellation Price over the closing Share prices on the Undisturbed Date and average closing Share prices for various trading periods all fall within the ranges of those of the Privatisation Precedents.

(b) *Premiums or (discounts) over/to the NAV per share*

The premiums or (discounts) represented by the offer/cancellation price of the Privatisation Precedents over/to their respective NAV per share range from (98.6)% to 970.1%. The Cancellation Price representing a premium over the NAV per Share of 293.6% is within the range of those of the Privatisation Precedents.

Out of the 24 Privatisation Precedents (after having excluded the case involving an offeree company in net liability position), 10 cases had offer/cancellation prices that represent premiums over their respective NAV per share and 14 cases had offer/cancellation prices represent discounts to their respective NAV per share. The premium represented by the Cancellation Price of the Company over its NAV per share ranked the third among the 10 cases with premiums over their respective NAV per share.

Comments

We consider the Privatisation Precedents during the Review Period provide a general overview of the pricing of the recent successful privatisation transactions in Hong Kong and serve as a reference when assessing the fairness and reasonableness of the Cancellation Price. As the Privatisation Precedents' premiums or (discounts) have wide ranges which may be due to the different business nature, scale and industries in which the companies involved operate, as well as their own historical trading prices which may have been impacted by the then market sentiment and other extenuating circumstances specific to each of the Privatisation Precedents, they give a reference on recent pricing on privatisation transactions which are reasonable for the respective independent shareholders to tender their shares. Among the companies involved in the Privatisation Precedents, no company engaged in medical device industry. Accordingly, we regard the Privatisation Precedents illustrating the acceptable privatisation premium range in the market relevant and one of the meaningful factors in assessing the fairness and reasonableness of the Scheme Consideration from Independent Shareholders' perspective

Having considered that (i) the premiums represented by the Cancellation Price over the closing Share price on the Undisturbed Date and average closing Share prices for various trading periods are within the ranges of those of the Privatisation Precedents; and (ii) the premium represented by the Cancellation Price to the NAV per Share is higher than 90% of the Privatisation Precedents, the Cancellation Price of HK$9.25, in our view, is reasonable.

5. RSU Plan

For the purpose of the RSU Plan, the Company allotted and issued to ESOP BVI, and ESOP BVI acquired on the market, a total of 46,810,000 Shares (i.e. the RSU Shares) in accordance with the terms of the RSU Plan. Accordingly, when the RSUs are vested and exercised, no further Shares will be allotted and issued by the Company as an equivalent number of RSU Shares (being the existing limit in respect of the number of underlying Shares to be granted under the RSU Plan) are already held by ESOP BVI. No offer under Rule 13 of the Takeovers Code will be made to the outstanding RSUs granted under the RSU Plan, and all RSU Shares will form part of the Scheme Shares and be cancelled upon the Scheme becoming effective.

In connection with the Proposal, ESOP BVI and the Offeror have entered into the ESOP Deed, pursuant to which, subject to the Scheme having become effective and the implementation of the Proposal, the Offeror shall pay ESOP BVI (i) within 7 Business Days from the Effective Date, the aggregate "see-through prices" (being the Cancellation Price minus unpaid portion of the exercise price or the exercise price, as the case may be), which ESOP BVI shall then promptly pay to the relevant RSU Holder(s) (if any); and (ii) upon the first anniversary of the Effective Date, the aggregate exercise price or unpaid portion of the exercise price (as the case may be), which ESOP BVI shall then pay to the Company.

Given (i) the calculation of "see-through prices", being the difference between the Cancellation Price and the exercise price or unpaid portion of the exercise price (if any), is equivalent to the see-through value of convertible securities under comparable offer as required pursuant to Rule 13 of the Takeovers Code; (ii) the payment by the Offeror to ESOP BVI with respect to such aggregate "see-through prices" shall be within 7 Business Days from the Effective Date, which is the same as Scheme Shareholders; and (iii) the one-year deferred payment of the exercise price or unpaid portion of the exercise price of the RSUs by the Offeror does not involve any onward payment obligations to any of the RSU Holders but the Company, we consider the terms of the ESOP Deed to be fair and reasonable so far as the RSU Holders are concerned.

1. Background of the Rollover Arrangement and Shareholders' Agreement

As mentioned in the "Explanatory Memorandum" in Appendix VII to the Scheme Document, the Offeror proposes that, upon the Scheme becoming effective, the Founder Entities will (i) roll over the Founder Rollover Shares in consideration for the crediting of unpaid TopCo shares held by the Founder Entities as fully paid, and (ii) receive the Founder Consideration as consideration for the cancellation of the Founder Consideration Shares, in each case in accordance with the terms of the Consortium Agreement. The Founder Consideration comprises cash to be paid to the Founder Entities and the Convertible Note to be issued to Fortune Spring ZM, representing the aggregate consideration for the cancellation of the Founder Consideration Shares.

On 12 August 2025, the Consortium Members (including the Founder Entities) and TopCo entered into the Shareholders' Agreement in respect of the future governance of TopCo. The Founder Entities and other Consortium Members will be entitled to certain rights under the Shareholders' Agreement upon the Scheme becoming effective.

2. Information on the Founder Entities and their beneficial owners

Each of Fortune Spring ZM and Fortune Spring YG (i.e. Founder Entities) is a business company incorporated in the British Virgin Islands.

As at the Latest Practicable Date, Fortune Spring ZM, which held 408,500,000 Shares, is indirectly owned as to 99.9% by a trust for which Mr. Zhong acts as the settler and protector. The beneficiaries of the trust are Mr. Zhong and such other persons appointed by him.

As at the Latest Practicable Date, Fortune Spring YG, which held 231,500,000 Shares, is indirectly owned as to 99.8% by another family trust for which Ms. Shentu acts as the settler and Mr. Zhong acts as the protector. The beneficiaries of the trust are Ms. Shentu, her children with Mr. Zhong, issue of such children and any charitable organisations.

Mr. Zhong and Ms. Shentu, each an executive Director, are spouses.

3. Rollover Arrangement and Shareholders' Agreement

3.1 Rollover Arrangement

As at the Latest Practicable Date, the Founder Entities in aggregate held 640,000,000 Shares, representing 53.0% of the issued share capital of the Company. As stated in "Explanatory Memorandum" in Appendix VII to the Scheme Document, in accordance with the terms of the Consortium Agreement, (i) Fortune Spring ZM will receive the Cancellation Price for its 178,544,584 Shares under the Scheme and the Convertible Note for its 42,162,163 Shares; and (ii) Fortune Spring YG will receive the Cancellation Price for its 125,076,162 Shares under the Scheme. The Founder Rollover Shares (i.e. Founder Scheme Shares less Founder Consideration Shares) will be rolled over and used to pay up the unpaid TopCo shares held by the Founder Entities.

Set out below is the shareholding of Fortune Spring ZM and Fortune Spring YG in the Company and the Offeror as at the Latest Practicable Date:

	The Company As at the Latest Practicable Date				TopCo As at the Latest Practicable Date	
	No. of Shares	%	No. of Founder Rollover Shares[(1)]	%	No. of shares[(2)]	%
Fortune Spring ZM	408,500,000	33.8%	187,793,253	15.6%	187,793,253	25.5%
Fortune Spring YG	231,500,000	19.2%	106,423,838	8.8%	106,423,838	14.5%
Total	640,000,000	53.0%	294,217,091	24.4%	294,217,091	40.0%

Notes:

(1) The Founder Rollover Shares refer to the Founder Scheme Shares less the Founder Consideration Shares, which will be cancelled in consideration for the crediting of unpaid TopCo shares held by the Founder Entities as fully paid upon the Scheme becoming effective.

(2) As at the Latest Practicable, the TopCo shares held by the Founder Entities are unpaid.

As shown in the above table, the Founder Rollover Shares account for 24.4% as at the Latest Practicable Date as opposed to 40% in TopCo as at the Latest Practicable Date and will remain so upon completion of the Proposal. Pursuant to the Consortium Agreement, consortium members will pay up the unpaid TopCo shares either by way of Scheme Shares (on the basis of HK$9.25 per Scheme Share) or cash on the Effective Date. The shareholding of the Consortium Members (including the Founder Entities) in TopCo is calculated in accordance with their respective capital contribution.

As stated in "Explanatory Memorandum" in Appendix VII to the Scheme Document, the Offeror intends to finance the cash consideration under the Proposal by the equity commitment of some consortium members amounting to HK$2.1 billion and an external debt financing (the "**External Debt Financing**").

It is proposed that 42,162,163 Scheme Shares held by Fortune Spring ZM will be settled by the Convertible Note due in 90 months from the issue date (subject to extension to six months after the final maturity date of the External Debt Financing) to be issued by TopCo. The principal amount to the Convertible Note is HK$390 million, equivalent to the value of such number of Scheme Shares based on the Cancellation Price. It carries an interest rate equivalent to either HIBOR plus up to 1.11% per annum or the loan prime rate published by National Interbank Funding Center for a loan with a final maturity of more than 5 years minus 0.5% per annum, as determined by the Offeror. It is also subject to the Arrangement Fee payable to the holder of the Convertible Note comprising initial arrangement fee of 1% of the principal amount of the Convertible Note and subsequent arrangement fee of 0.26% per annum on the outstanding amount of the Convertible Note. We have been provided with the extracts of the documents showing the material terms relating to the External Debt Financing and noted that the basis of the Arrangement Fee and the interest rate under the Convertible Note are no more favourable than that of the External Debt Financing sought by the Offeror for the purpose of the Proposal.

In addition, the Convertible Note enables its holder to convert into TopCo shares at HK$9.25 per TopCo share, equivalent to the Cancellation Price before its maturity, subject to certain conversion and redemption events. Detailed terms of the Convertible Note are set out in "Explanatory Memorandum" in Appendix VII to the Scheme Document. Should Fortune Spring ZM exercise its rights under the Convertible Note, the Founder Entities' collective shareholding in TopCo will increase from 40.00% to 43.25%.

3.2 Shareholders' Agreement

In connection with the Rollover Arrangement, on 12 August 2025, the Consortium Members and TopCo entered into the Shareholders' Agreement in respect of the future governance of TopCo which could be largely classified into 3 categories and they are (i) supervision and management of TopCo; (ii) non-compete and lock-up; and (iii) pre-emptive right/right of first offer/tag along.

Supervision and management of TopCo. Founder Entities have the right to appoint 3 directors out of a total of 7. Mr. Zhong, who will continue to serve as Chief Executive Officer, as well as TPG Entities have the veto rights over a number of reserved matters, including, among other things, incurrence of certain material indebtedness, certain material acquisitions, dispositions or other transactions, non-pro-rate dividend or distribution or dividend or distribution in certain cases, certain changes of the capital structure of TopCo, MidCo, the Offeror and the Company, certain non-pro rata redemption, creation or issuance of shares having preference to existing ordinary shares of TopCo, adoption of equity incentive plan over a certain threshold and material amendments thereto, certain related party transactions, certain changes to the constitutional documents of TopCo or any other subsidiary of TopCo (each a "**TopCo Group Company**" and collectively, the "**TopCo Group**"), material changes to the nature of the TopCo Group's business, material changes to accounting methods or policies, certain material tax changes, entering into material joint ventures, initiating or settling material litigation and liquidation or winding-up of any major TopCo Group Company.

Non-compete and lock-up. Mr. Zhong and Ms. Shentu and their respective affiliates shall not invest in certain competing businesses provided that their collective shareholding is no less than 15%. Founder Entities are subject to: (a) a lock-up with respect to all of their TopCo shares for as long as Mr. Zhong is the CEO or chairman of the Company or otherwise exercises indirect control over the Company (including the ability to direct the management and policies of the Company, or to ensure the affairs of the Company are conducted in accordance with his wishes); (b) a separate lock-up with respect to all of their TopCo shares within the first four years after completion of the Proposal as long as the other Consortium Members have not collectively transferred their TopCo shares to any third parties in excess of 20% of the number of TopCo shares immediately after the Scheme having become effective (the "**20% Quota**"); and (c) for as long as any of the other Consortium Members holds any TopCo shares, another separate lock-up with respect to their TopCo Shares if the transfer of such TopCo shares would result in the Founder Entities ceasing to hold at least 15% of the number of TopCo shares immediately after the Scheme having become effective (the "**15% Threshold**"). The above described lock-up restrictions are subject to customary exceptions, such as customary permitted transfers and the exercise of tag along right.

Pre-emptive right/right of first offer and tag along. Each TopCo shareholder shall have the pre-emptive right to participate in any future issuance of TopCo securities. Each TopCo shareholders also has a right of first offer to purchase and tag along right with respect to a number of TopCo shares held by such Tag Participant up to a certain cap (the "**Tag-Along Entitlement**"), to sell certain portion of TopCo shares if any other TopCo shareholders transfers its TopCo shares to a third party. The Tag-Along Entitlement will be allocated among the other TopCo shareholders (the "**Tag Participants**") in the following manner and may be exercised by the Tag Participants in the following order of priority, unless agreed otherwise by the relevant Tag Participant(s): (a) firstly, if the 20% Quota has not been fully utilised, pro rata among the TPG Entities, NewQuest V and Al-Rayyan Holding (each, to the extent it is a Tag Participant) until the 20% Quota is fully utilised; (b) secondly, among all Tag Participants (including the Founder Entities, if the relevant transferor is not a Founder Entity and the Founder Entities have exercised their tag along right) on a pro rata basis, until any further allocation would cause the Founder Entities' collective shareholding to drop below the 15% Threshold; (c) thirdly, pro rata among the TPG Entities, NewQuest V and Al-Rayyan Holding (each, to the extent it is a Tag Participant); and (d) lastly, among the remaining Tag Participants (including the Founder Entities, if the relevant transferor is not a Founder Entity and the Founder Entities have exercised their tag along right) on a pro rata basis.

Detailed terms of the Shareholders' Agreement are set out in "Explanatory Memorandum" in Appendix VII to the Scheme Document.

Given (i) the Founder Entities' right to appoint members to the board of TopCo is largely based on their collective shareholding in TopCo; (ii) Mr. Zhong's commitment as evidenced by the lock-up of Founder Entities' TopCo shares and non-compete undertaking of Mr. Zhong and his spouse makes his veto rights in certain reserved matters reasonable; and (iii) the pre-emptive right/right of first offer and tag along are not uncommon for private equity investments involving professional investors, the terms of the Shareholders' Agreement, in our view, are in line with the market practice of the transactions of this type.

4. Conditions of the Rollover Arrangement and Shareholders' Agreement

The Rollover Arrangement and the Shareholders' Agreement (i.e. Special Deal) are subject to (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the terms of the Special Deal are fair and reasonable, (ii) the approval by the Independent Shareholders at the EGM to approve the Special Deal, and (iii) the Executive having granted consent under Rule 25 of the Takeovers Code in relation to the Special Deal. They are also part of the Conditions before completion of the Proposal and the Scheme.

5. Our view on the Special Deal

The approval of the Special Deal by the Independent Shareholders at the EGM is a condition precedent to the implementation of the Proposal. If the Special Deal is not approved by the Independent Shareholders, the Proposal will not be implemented and the Scheme will not take effect. In view of that the Proposal and the Scheme are considered fair and reasonable, we also consider that the approval of the Special Deal, which is a prerequisite for the implementation of the Proposal, is in the interests of the Company and the Shareholders as a whole, and in the interests of the Independent Shareholders.

Mr. Zhong, CEO and executive Director, and Ms. Shentu, executive Director, founded the Group in 2004. They are also the controlling Shareholders through their interests in the Founder Entities, which are the members under the Consortium Agreement for the purpose of the Proposal. Accordingly, we are of the view that the Rollover Arrangement and the Shareholders' Agreement are essential for the implementation of the Proposal and the Scheme.

The Rollover Arrangement comprises rolling over the Founder Rollover Shares to pay up the unpaid TopCo shares held by the Founder Entities and the issue of Convertible Note to Fortune Spring ZM for its 42,162,163 Founder Consideration Shares. The Founder Rollover Shares valued at HK$9.25 per Shares will be used to pay up the unpaid TopCo shares, upon which the Founder Entities will own 40% paid up equity of TopCo, which is calculated in accordance with the contribution from each Consortium Members. The Convertible Note, in our view, serves as a deferred payment by the Offeror with the financing terms no more favourable than those of the External Debt Financing. In the event the Convertible Note is exercised in full, the Founder Entities' interest in TopCo will increase to 43.25%. The Shareholders' Agreement is to govern the affairs of TopCo upon completion of the Proposal and the terms of which are commonly seen in private equity investments involving professional investors. Despite Mr. Zhong has the veto right over certain reserved matters, he and his affiliates including the Founder Entities and Ms. Shentu are subject to lock-up of their TopCo shares and non-compete undertaking. Whereas TPG also has similar veto right and non-compete undertaking but it has no lock-up on its TopCo shares. Given (i) The Founder Rollover Shares valued at HK$9.25 per Shares, which is equivalent to the Cancellation Price, will be used to pay up the unpaid TopCo shares; (ii) Founder Entities will own 40% – 43.25% paid up equity of TopCo, depending on whether the Convertible Note is exercised in full, as compared to their current 53.0% equity interest in the Company; and (iii) the External Debt Financing, which amounts to not less than HK$4.4 billion, borne by the Offeror, as opposed to the Company's current debt-free position, the basis for rolling over the interests of the Founder Entities from the Company to Topco is considered fair and reasonable, despite the Founder Entities do not use their internal resources to finance the Scheme Consideration. On these bases, we are of the view that the Special Deal is justified and fair and reasonable as far as the Independent Shareholders are concerned.

DISCUSSION

In forming our opinion and recommendations below, we have taken into account the factors set out above, none of which can be considered in isolation. We would like to draw the attention of the Scheme Shareholders in particular to the points summarised below:

(a) **The Company – the largest domestic manufacturer of disposable trocars, ligation clips and disposable electrocoagulation forceps in China**

The Company, listed in 2020, is principally engaged in design, development, manufacture and sale of minimally invasive surgical instruments and accessories. Its products are mainly disposable trocars, ligation clips and disposable electrocoagulation forceps. The Group's revenue growth has slowed down from a double-digit growth since its listing to a single digit growth starting from FY2024. The Group's revenue grew by 8.9% in FY2024 and 8.3% in 1H2025. The gross profit margin has been in a narrow range of 79% – 81% with a slight decreasing trend. The non-HKFRS adjusted net profit attributable to Shareholders recorded increases of 7.9% for FY2023 and 4.4% for FY2024, mainly due to (i) increases in sales primarily driven by growth in disposable products for both FY2023 and FY2024 and (ii) the decline in R&D cost incurred by Weijing Medical partially offset by share of its loss and the absence of the PRC withholding tax associated with special dividend for FY2023. For 1H2025, non-HKFRS adjusted net profit attributable to Shareholders fell by 18.5% mainly due to (i) an increase in share of loss in associates of RMB13.7 million; and (ii) the decrease in bank interest income and government grants, partially offset by an increase in gross profit, primarily driven by growth in disposable products. The Group's non-HKFRS adjusted net profit margin for FY2024 is higher than net profit margin of its Comparable Companies. However, the Group suffered from the largest decline in net profit margin from FY2024 to 1H2025, decreasing by 10.6 percentage points, compared to those of the Comparable Companies ranging from an increase of 3.1 percentage points to a decrease of 4.1 percentage points. The larger margin contraction suggests that the Group is facing greater short-term profitability pressure as compared to its peers.

Whilst the Group's revenue growth has slowed down, its core profitability has also encountered some pressure in the recent years especially the last six months due to continuous efforts in enriching product portfolio. Apart from MISIA, the Group invested in Weijing Medical, a company engaged in development of surgical robots, in 2022. Weijing Medical is currently under development and generates no revenue so far. The increase in R&D investment of Weijing Medical has dragged down the Group's profitability during the review period. It has recently obtained regulatory approval from China's National Medical Products Administration for one of its products and is now actively making commericalisation efforts through distributor briefing, live-stream surgical demonstration and participation of key industry events. As advised by the Management, no sales contracts or distributorship agreements have been concluded as at the Latest Practicable Date and further investment in product commercialisation is expected. The Management further advised that competition in the surgical robotics market is intense, with Intuitive Surgical's da Vinci platform holding over 70% market share by value in the PRC. Local players, which are mainly focused on value-for-money strategies and training to drive adoption, have been also recently securing regulatory approval for surgical robotic products, similar to Weijing Medical. As a result, sustained R&D and sales investment will be needed, and domestic players, including the Company, are likely to explore overseas opportunities to supplement growth.

The dividend yields, calculated by dividing the dividend per Share (without taking into account any special dividend) by the Cancellation Price, were 2.2%, 4.9%, and 2.9% for FY2022, FY2023, and FY2024, respectively. Given the relatively stable profitability during the review period, the higher dividend yield in FY2023 together with a special dividend of RMB0.99 per Share seem to be exceptional, which might be due to celebration of 20th anniversary of the Group's establishment and therefore the latest yield for FY2024, in our view, would be useful for assessment. The dividend yield of 2.9% for FY2024 is lower than those of the Comparable Companies that paid dividend for the same year, which ranged between 3.4% and 7.4%.

(b) **The Proposal provides an opportunity for the Shareholders to exit at a reasonable price**

The Cancellation Price of HK$9.25 has been higher than the closing Share prices, which ranged from HK$4.61 to HK$9.19, during the Review Period and represents premiums of 20.0% to 47.3% over the closing price of the Shares on the Undisturbed Date and the average closing price of the Shares for 5, 10, 30, 60, 120, 180 and 360 trading days (up to and including the Undisturbed Date).

During the Review Period, the Company conducted four rounds of Share repurchases to enhance the liquidity and strengthen the Share price. Uplifts in Share prices were limited in the last three rounds and the efforts only achieved short-lived success. Closing Share prices were in the region of HK$5.60 – HK$7.00 after the Share repurchases.

Together with the Share repurchases before the Review Period, the Company has repurchased an aggregate of 44.2 million Shares for a total consideration of RMB284.8 million. In addition, the Company has been paying dividends. The Company paid cumulative dividends of RMB2,429.9 million, equivalent to HK$2.221 per Share, to its shareholders as a reward for their investment and ownership.

On the above bases, in particular the fact that the Cancellation Price has been higher than the closing prices of the Share during the Review Period, the Proposal, in our view, provides an opportunity for the Shareholders (especially those with relatively sizeable shareholdings) who would like to realise their investments in the Shares at a fixed cash price without disturbing the market price of the Share.

The Cancellation Price will not be increased.

(c) **Industry outlook**

According to the CIC Report, the Company ranked the third (accounted for 4.0% of the market share) in the PRC in terms of MISIA sales turnover for 2024 following two multinational companies (MNCs), namely Johnson & Johnson (accounted for 38.5% of the market share) and Medtronic (accounted for 10.0% of the market share). Disposable trocars, ligation clips and disposable electrocoagulation forceps are the major products of the Group, accounting for around 80% of its revenue in FY2024 and 1H2025. The total sales volume of trocars and ligation clips in the PRC were seen gradual growth in 2018 – 2024, thanks to the increasing adoption of minimally invasive surgeries, but their unit prices showed continual gradual decline, partially due the implementation of regional and nationwide centralized procurement system. The regional and nationwide VBP, in our view, will continue to exert downward pressure on product prices and compelling enterprises to accelerate innovation while reducing costs and improving efficiency. The intensification of anti-corruption campaigns in the PRC healthcare industry has further tightened hospitals' procurement policy and slowed down the adoption of elective surgical procedures, which in turn affect the overall growth in demand for MISIA.

(d) **Comparable Companies**

The PER results of the Comparable Companies analysis could divide them into two groups (i) 21 – 22 times; and (ii) 12 – 13 times. The Company's PER as represented by the Cancellation Price of 18.21 times lies between (i) and (ii). The Comparable Companies with higher PERs, which are engaged in cardiovascular interventional medical devices and occluder products targeting structural heart diseases, in our view, might be due to the differentiating factor enabling them to hold a competitive edge and protect their profits from external threats as valued by the market. Given no comparable companies are principally selling the major products of the Company and both Comparable Companies and the Company are profitable, technology moat is therefore the key factor to determine their valuation by the market. The PER of the Company lies between these two groups appears to be reasonable in view of the complexity of its products and technological sophistication involved. The PBR implied by the Cancellation Price of 3.94 times is higher than those of the Comparable Companies.

(e) **Privatisation Precedents**

No Privatisation Precedent is engaged in the medical device industry. The premiums of 20.0% – 47.3% represented by the Cancellation Price over the closing Share prices on the Undisturbed Date and average closing Share prices for various trading periods all fall within the ranges of the Privatisation Precedents during the Review Period.

(f) **RSU Plan**

Pursuant to the ESOP Deed, "see-through prices", being the difference between the Cancellation Price and the exercise price or unpaid portion of the exercise price (if any), and the time limit for payment by the Offeror are equivalent to the see-through value of convertible securities under comparable offer and the requirements under the Takeovers Code. The one-year deferred payment of the exercise price or unpaid portion of the exercise price of the RSUs by the Offeror does not involve any onward payment obligations to any of the RSU Holders but the Company, we consider the terms of the ESOP Deed to be fair and reasonable so far as the RSU Holders are concerned.

(g) **Special Deal**

The Rollover Arrangement comprises rolling over the Founder Rollover Shares to pay up the unpaid TopCo shares held by the Founder Entities and the issue of Convertible Note to Fortune Spring ZM for its 42,162,163 Founder Consideration Shares. The Founder Rollover Shares valued at HK$9.25 per Shares will be used to pay up the unpaid TopCo shares, upon which the Founder Entities will own 40% paid up equity of TopCo, which is calculated in accordance with the contribution from each Consortium Members. The Convertible Note is considered a deferred payment by the Offeror with the financing terms no more favourable than the External Debt Financing. The Shareholders' Agreement is to govern the affairs of TopCo upon completion of the Proposal and the terms of which are commonly seen in private equity investments involving professional investors. On these bases, we are of the view that the Rollover Arrangement and the Shareholders' Agreement (i.e. the Special Deal) are essential for the implementation of the Proposal and the Scheme and the terms thereunder are justified and fair and reasonable as far as the Independent Shareholders are concerned.

The approval of the Special Deal by the Independent Shareholders at the EGM is a condition precedent to the implementation of the Proposal. If the Special Deal is not approved by the Independent Shareholders, the Proposal will not be implemented and the Scheme will not take effect.

OPINION AND RECOMMENDATION

Having taken into account the principal factors and reasons set out in our letter, we (i) consider that the Proposal, the Scheme and the Special Deal are fair and reasonable so far as the Independent Shareholders are concerned and (ii) advise the Independent Board Committee to recommend the Independent Shareholders/Shareholders to vote in favour of the Scheme at the Court Meeting and the resolutions in connection with the implementation of the Proposal and Special Deal at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED

Jenny Leung
Director

Ms. Jenny Leung is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. She has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.