天津發展控股有限公司
TIANJIN DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 882)

DISCLOSEABLE TRANSACTION

ACQUISITION OF 65% EQUITY INTEREST IN JIANGXI QINGCHUN KANGYUAN PHARMACEUTICAL CO., LTD.

THE ACQUISITION

Reference is made to the announcement of the Company dated 14 December 2023 in relation to the potential acquisition of 65% equity interest in Jiangxi Qingchun Kangyuan Pharmaceutical Co., Ltd. (江西青春康源製藥有限公司).

On 29 December 2023, Lisheng Pharmaceutical entered into the Agreement with the Vendors, Mr. Liu and the Target Company in relation to the acquisition of 65% equity interest in the Target Company by Lisheng Pharmaceutical at a consideration of RMB136,991,855 (equivalent to approximately HK$150,540,500).

Upon Completion, the Target Company will become a subsidiary of Lisheng Pharmaceutical and in turn a subsidiary of the Company, and the financial results of the Target Company will be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Pursuant to the Agreement, Lisheng Pharmaceutical has been granted the Option to purchase the Compensation Shares, i.e. up to 35% equity interest in the Target Company, from the Vendors at the consideration of RMB1 and pursuant to the specific circumstances as stated in the Performance Guarantee. According to Rule 14.73 of the Listing Rules, the acquisition of Option by Lisheng Pharmaceutical will be treated as a transaction under Chapter 14 of the Listing Rules.

The exercise of the Option will be at the discretion of Lisheng Pharmaceutical. According to Rule 14.75(1) of the Listing Rules, on the acquisition of the Option, only the premium will be taken into consideration for the purpose of transaction classifications. As no premium is payable by Lisheng Pharmaceutical for acquiring the Option, such acquisition of the Option does not constitute a notifiable transaction of the Company.

INTRODUCTION

Reference is made to the announcement of the Company dated 14 December 2023 in relation to the potential acquisition of 65% equity interest in Jiangxi Qingchun Kangyuan Pharmaceutical Co., Ltd. (江西青春康源製藥有限公司).

The Company was informed by Lisheng Pharmaceutical that the shareholders' resolution on approving the Acquisition was duly passed at its general meeting held on 29 December 2023.

THE AGREEMENT

On 29 December 2023, Lisheng Pharmaceutical entered into the Agreement with the Vendors, Mr. Liu and the Target Company in relation to the acquisition of 65% equity interest in the Target Company by Lisheng Pharmaceutical at a consideration of RMB136,991,855 (equivalent to approximately HK$150,540,500), subject to the terms and conditions of the Agreement. The principal terms of the Agreement are summarised as follows:

Date

29 December 2023

Parties

(1) The 1st Vendor, the registered shareholder of 60% equity interest in the Target Company as at the date of the Agreement;

(2) the 2nd Vendor, the registered shareholder of 40% equity interest in the Target Company as at the date of the Agreement;

(3) Mr. Liu;

(4) the Target Company; and

(5) Lisheng Pharmaceutical.

Subject matter

Pursuant to the terms and conditions of the Agreement, (i) the 1st Vendor has agreed to sell, and Lisheng Pharmaceutical has agreed to purchase, 40% equity interest in the Target Company held by the 1st Vendor; and (ii) the 2nd Vendor has agreed to sell, and Lisheng Pharmaceutical has agreed to purchase, 25% equity interest in the Target Company held by the 2nd Vendor.

At Completion, Lisheng Pharmaceutical will become the registered shareholder of 65% equity interest in the Target Company. The changes in shareholding structure of the Target Company are illustrated as follows.

	Equity Interest in the Target Company	
Shareholder	Immediately prior to Completion	At Completion
Lisheng Pharmaceutical	-	65%
1st Vendor	60%	20%
2nd Vendor	40%	15%
Total:	**100%**	**100%**

Upon Completion, the Target Company will become a subsidiary of Lisheng Pharmaceutical and in turn a subsidiary of the Company, and the financial results of the Target Company will be consolidated into the financial statements of the Group.

Consideration and the basis of determination

The total consideration for the Acquisition is RMB136,991,855 (equivalent to approximately HK$150,540,500).

The Consideration was determined after arm's length negotiations between the parties and with reference to 65% of the appraised value of the total equity attributable to shareholders of the Target Company as at the Benchmark Date of RMB210,756,700 (equivalent to approximately HK$231,600,769) according to the Valuation Report, details of which are stated in the section titled "**THE VALUATION REPORT**" of this announcement. The Consideration will be funded by the own internal resources of Lisheng Pharmaceutical.

Payment terms of the Consideration

Within 10 Business Days after the date of the Agreement, the parties shall set up the Joint Custodial Account where the Consideration will be deposited and held in escrow, and shall be released pending fulfilment of the Conditions Precedent and in accordance with the payment terms of the Agreement. The Consideration shall be payable in the following manners.

(1) Within 10 Business Days after the Joint Custodial Account has been set up and upon the execution of the B2B Transfer Agreement, Lisheng Pharmaceutical shall cause the First Part-payment in the amount of RMB100,000,000 to be paid to the Joint Custodial Account. Within 10 Business Days thereafter, the Vendors shall procure the fulfilment or satisfaction of the 15th Condition Precedent, upon which the parties shall cause the First Part-payment to be withdrawn from the Joint Custodial Account and:-

    (a) to settle the amount of taxes payable by the Vendors in respect of the Acquisition to the relevant taxation authority;

    (b) to settle the costs involved in setting up and maintaining the Joint Custodial Account;

    (c) after settlement of items (a) and (b) above, the First Repayment Sum in the amount of RMB65,000,000 shall be transferred to the bank account of the Target Company as part repayment of the Related-party Receivables; and

    (d) after settlement of items (a), (b) and (c) above, the remaining proceeds shall be transferred to the bank accounts designated by the 1st Vendor and the 2nd Vendor respectively ("**Proceeds of the First Part-payment**");

(2) Within 15 Business Days after all Conditions Precedent have been fulfilled or satisfied (or unless one or more Condition(s) Precedent have been waived by Lisheng Pharmaceutical), Lisheng Pharmaceutical shall cause the Second Part-payment in the amount of RMB30,000,000 to be paid to the Joint Custodial Account, which shall be forthwith transferred to the bank account(s) designated by the 1st Vendor and the 2nd Vendor respectively;

(3) Within 30 Business Days after receipt of the audited accounts of the Target Company for the year of 2024, Lisheng Pharmaceutical shall cause the balance of RMB6,991,855, subject to deduction of the Performance Compensation, to be paid to the Joint Custodial Account, and:-

    (a) if there are still outstanding Related-party Receivables, the remaining proceeds in the Joint Custodial Account shall be transferred to the bank account of the Target Company as part repayment of the Related-party Receivables by the 1st Vendor; or

    (b) if the 1st Vendor has repaid Related-party Receivables in full, the remaining proceeds in the Joint Custodial Account shall be transferred to the bank account(s) designated by the 1st Vendor; and

Lisheng Pharmaceutical shall be entitled to appoint an independent appraiser within 30 days from the Completion Date to assess the change in assets and liabilities of the Target Company during the period between the Benchmark Date and the Completion Date. If the consolidated net asset value of the Target Company as at the Completion Date is higher than that as at the Benchmark Date, such increased amount will be offset as part repayment of the Related-party Receivables by the 1st Vendor, and if there is any excess of such increased amount after offsetting the Related-party Receivables in full, such excess amount shall be paid to the 1st Vendor in cash. If the consolidated net asset value of the Target Company as at the Completion Date is lower than that as at the Benchmark Date, the Guarantors shall pay the decreased amount to Target Company in cash. For the avoidance of doubt, regardless of the appraisal results, the Vendors shall not be entitled to adjust the Consideration even if there is an increase in consolidated net asset value of the Target Company as at the Completion Date as compared with that as at the Benchmark Date.

Conditions Precedent

Completion is conditional upon all of the following Conditions Precedent being satisfied, unless one or more Condition(s) Precedent has been waived by Lisheng Pharmaceutical:-

(1) the shareholders of the Target Company have passed the resolution(s) to approve the Acquisition and all other requisite internal approval of the Target Company in respect of the Acquisition has been obtained;

(2) if applicable, the shareholders of the Target Company have executed the confirmation letters whereby each of them agrees to waive the pre-emptive rights and/or the right of first refusal in respect of the Acquisition which are given by the laws or the articles of association of the Target Company;

(3) the Target Company has obtained all relevant waivers, consent and/or approval of the relevant third parties in respect of the Acquisition, and has delivered the documentary evidence showing the changes of shareholders and transfers of shares to the reasonable satisfaction of Lisheng Pharmaceutical;

(4) Lihe and Lixiang have executed the B2B Transfer Agreement and have completed the business restructuring in accordance with the steps as approved by Lisheng Pharmaceutical;

(5) the Guarantors have executed an undertaking regarding the Related-party Receivables and the Guarantee Obligations with a repayment schedule and particulars to the satisfaction of Lisheng Pharmaceutical (the "**Repayment Undertaking**");

(6) the Target Company has cancelled or transferred all shares of its previous subsidiaries (which for the avoidance excludes Lihe) to the relevant designated transferee(s);

(7) the Target Company has fully disclosed its real properties and the encumbrances thereof as at the Benchmark Date;

(8) the Target Company has fully disclosed its existing debts and guarantees;

(9) the Guarantors have executed the undertaking in relation to social insurance and housing provident fund;

(10) the Guarantors have executed the undertaking in relation to the compliance issues of the Target Company;

(11) the Target Company has completed the renewal of licenses and has obtained the certificates of post-renewal registration in respect of its certain products;

(12) the Target Company has rectified the major defects as identified in the previous product inspections, or has provided a plan of rectification to the reasonable satisfaction of Lisheng Pharmaceutical;

(13) the Guarantors have executed a declaration confirming that all guarantees by the Guarantors are true, accurate and complete, and that there is no material adverse effect on the Target Group;

(14) all core personnel of the Target Group has signed the confidentiality and non-competition agreements to the satisfaction of Lisheng Pharmaceutical; and

(15) all pledges of any of those 65% equity interest in the Target Company held by the Vendors have been completely released, and the Target Company and the Vendors have submitted the registration documents and have completed the relevant change of business registration and the filing procedures, with the relevant supporting documents, business licenses (after registration of those changes) and the revised articles of association of the Target Company duly provided to Lisheng Pharmaceutical (the "**15th Condition Precedent**").

If the Conditions Precedent are not satisfied or waived within 60 days after the date of the Agreement (or other period to be agreed by the parties), Lisheng Pharmaceutical shall be entitled to terminate the Agreement.

Transition Period undertaking

The Vendors and the Guarantors have made certain undertakings in relation to the state of affairs of the Target Group during the Transition Period, including but not limited to:-

(1) no distribution of reserved revenue or accumulated undistributed profits shall be made during the Transition Period without the consent of Lisheng Pharmaceutical;

(2) no resolutions shall be passed and no contracts or other legal documents shall be executed by the Target Group during the Transition Period without the consent of Lisheng Pharmaceutical, and all expenditure of the Target Group shall be subject to the approval of Lisheng Pharmaceutical;

(3) the operation and management the Target Group and its businesses during the Transition Period shall be consistent with its previous practices and in compliance with the applicable laws and regulations; and

(4) during the Transition Period or from the date of the Agreement to the date of termination of the Agreement (the "**Exclusivity Period**"), the Guarantors shall and shall procure that their affiliates, advisors and their directors, senior management, employees, agents, financial advisors, lawyers, accountants and representatives will ensure the exclusive rights of Lisheng Pharmaceutical in respect of the Acquisition and no similar transaction can be negotiated, discussed or entered into with any other parties during the Exclusivity Period.

Post-completion undertaking

As to the status of the Target Group after the Completion Date, the parties have further agreed that (including but not limited to):-

(1) within 3 months from the Completion Date, the Target Company shall declare a special dividend based on the distributable profits at such time and distribute such special dividend to its shareholders proportionate to their respective shareholding percentages (the "**Special Dividends**");

(2) the Target Company shall declare dividends at least once every financial year after Completion if the financial status of the Target Company allows to do so and without prejudice to the debt repayment obligations of the Target Group;

(3) from the Completion date to the expiry of the Performance Commitment Period (i.e. up to 31 December 2026), the Vendors and their beneficial owner(s) are prohibited from directly or indirectly transferring or disposing any equity interest in the Target Company as held by them or creating any encumbrance on the aforesaid equity interest without the prior written consent of Lisheng Pharmaceutical;

(4) the 1st Vendor and the Guarantors shall ensure that the 1st Vendor will satisfy its repayment obligations in relation to Related-party Receivables in accordance with the Repayment Undertaking, and in case of default of any part of the Repayment Undertaking by the 1st Vendor, Lisheng Pharmaceutical can demand immediate payment by the Guarantors of all outstanding Related-party Receivables within 15 days thereafter;

(5) provided that the Performance Guarantee can be fulfilled by the Guarantors, Lisheng Pharmaceutical has the right to acquire additionally not more than 20% equity interest in the Target Company as held by any of the Vendors;

(6) following the Target Company's receipt of the First Repayment Sum as repaid by the 1st Vendor according to the Repayment Undertaking, the Target Company shall use the First Repayment Sum to repay the Hengxin Debt (with all interest, overdue interest, damages and other costs (if any) arising thereon prior to the Completion Date to be borne by the Vendors), and repay the first instalment in the amount of RMB5,000,000 of the Rural Commercial Bank Debt (with all interest, overdue interest, damages and other costs (if any) arising thereon prior to the Completion Date to be borne by the Vendors); and

(7) if the Target Company becomes aware of or is notified of tax liability in addition to those as at the Benchmark Date, the excess amount shall be borne by the Vendors and their beneficial owner(s), and if the Target Company has paid such excess amount in advance, the Vendors and their beneficial owner(s) shall indemnify the Target Company of the same.

Performance Guarantee

The Guarantors guarantee that, during the Performance Commitment Period, the audited consolidated net profit (after deduction of non-recurring profits and losses) of the Target Company in the financial year of 2023 shall be not less than RMB11,332,200. During the Performance Commitment Period, (i) the audited consolidated net profit (after deduction of non-recurring profits and losses) of the Target Company in any financial year shall not be lower than that in the preceding financial year and (ii) the average growth rate of the consolidated net profit (after deduction of non-recurring profits and losses) of the Target Company per annum shall not be lower than 10%, and accordingly, the consolidated net profit of the Target Company in the financial year of 2026 shall be not less than RMB14,731,860 (collectively, the "**Performance Guarantee**").

In the event that, based on the auditor's report of the Target Company in respect of any relevant year in or the whole period of the Performance Commitment Period (as the case may be, subject to scenarios (i) and (ii) in the Performance Guarantee), the audited consolidated net profit of the Target Company cannot reach the required level as stipulated under the Performance Guarantee, Lisheng Pharmaceutical is entitled to a compensation in the form of cash and the amount of which is determined according to the following formula (the "**Performance Compensation**"):-

$$\text{Amount of Performance Compensation} = \text{Consideration} \times \frac{\text{Guaranteed consolidated net profit} - \text{audited consolidated net profit}}{\text{Guaranteed consolidated net profit}}$$

In such scenario, the Performance Compensation is payable by the Guarantors within 30 days after the auditor's report in respect of the Target Company for that relevant year in the Performance Commitment Period has been issued. Accordingly, Lisheng Pharmaceutical is entitled to offset the Performance Compensation from the remaining proceeds in the Joint Custodial Account. If the remaining proceeds in the Joint Custodial Account are insufficient to offset the Performance Compensation in full, the Guarantors shall pay such outstanding amount within 15 days of written notice by Lisheng Pharmaceutical by way of bank transfer.

In the event that the Guarantors are unable to pay the Performance Compensation by cash or in full, Lisheng Pharmaceutical is entitled to purchase the equity interest in the Target Company still held by the Vendors at such time at the consideration of RMB1 (the "**Option**"), and the number of shares to be acquired is determined according to the following formula:-

$$\text{Number of shares in the Target Company which can be acquired by Lisheng Pharmaceutical as compensation ("\textbf{Compensation Shares}")} = \frac{\text{Performance Compensation} - \text{Performance Compensation actually received (including those as offset) by Lisheng Pharmaceutical}}{\text{The corresponding net asset value per RMB1 in the registered capital of the Target Company}\ \hat{}}$$

^ *pursuant to the latest audited consolidated financial statement of the Target Company when Lisheng Pharmaceutical issues such written notice.*

In the event that the number of shares in the Target Company still held by the Vendors is less than the number of the Compensation Shares, Lisheng Pharmaceutical shall be entitled to other assets held by the Vendors and their beneficial owner(s), or by other means to be agreed, to cover the shortfall of the Performance Compensation.

The Repayment Undertaking

The Guarantors undertake to repay the Related-party Receivables in full before Completion in the following manners:-

(1) the First Repayment Sum shall be used as part repayment of the Related-party Receivables, and the Vendors shall use the Proceeds of the First Part-payment to settle all external borrowings for which the Target Company has a Guarantee Obligation;

(2) upon Lixiang transferring its entire inventories to Lihe pursuant to the B2B Transfer Agreement, the carrying amount of such inventories (to be determined at Completion) will be offset from the Related-party Receivables as part repayment;

(3) the amount of RMB3,000,000 advanced by Lixiang to Lihe at its incorporation will be offset from the Related-party Receivables as part repayment;

(4) other than any amount offset or deemed to be repaid as mentioned in this announcement, the amount of RMB7,760,000 that the Vendors have repaid to the Target Company since the Benchmark Date up to the Completion date will be taken into account as part repayment of the Related-party Receivables;

(5) the Special Dividends to be distributed to the Vendors shall be used as part repayment of the Related-party Receivables;

(6) upon the 2nd Vendor transferring the Warehouse free from all encumbrances to Lihe, the assessed value of the Warehouse will be offset from the Related-party Receivables as part repayment;

(7) the Second Part-payment shall be used to repay the shortfall between the total amount as offset by items (1) to (6) above and the original amount of the Related-party Receivables, and the Vendors undertake that the Related-party Receivables shall be fully repaid within 5 Business Days after the receipt of the Second Part-payment;

(8) the Vendors warrant that, since the Benchmark Date and up to the date of the Agreement, there was no change as to the scope and amount of the external borrowings for which the Target Company has a Guarantee Obligation, and undertake that the Target Company will not incur or enter into any additional Guarantee Obligation before and up to the Completion Date; and

(9) the Vendors shall pledge 35% equity interest in the Target Company as held by them as security to (i) the repayment obligation of the 1st Vendor to the Target Company; and (ii) the obligations of the Guarantors in respect of the Performance Guarantee and the Performance Compensation (if any) and all their other obligations under the Repayment Undertaking, until all of the aforesaid obligations have been fully fulfilled and discharged.

THE VALUATION REPORT

Valuation method

In arriving at the appraised value of the Target Company, the Valuer considered the asset-based approach, the market approach and the income approach, and adopted the income approach in the Valuation Report for the following reasons:-

(1) there were no comparable transactions in the market concerning a company of similar size of operation and engaging in the same or similar types of business as those of the Target Company. There were no listed companies with either the structure of products, market capitalisation and principal business of which would resemble that of the Target Company, and thus, there was insufficient comparable data for the market approach;

(2) the asset-based approach might focus more on the historical factors of the Target Company and could only reflect the assets and liabilities of the Target Company as at the Benchmark Date as recorded in the financial statements. However, the asset-based approach could not fully reflect the value of the intangible assets as well as the future earnings of the Target Company, and was therefore unable to reflect the full value of the Target Company; and

(3) based on its historical performance and analysis of current operation, the Target Company had a stable business operation with a continuous and consistent revenue stream for the last few years. Given that all of its herbal licenses and products' patents are used in manufacturing and sales of the Target Company's products, the revenue attributable to these herbal licenses and patent assets can be measured reliably with an identifiable revenue period and risk factors. Therefore, in order to assess the expected future value resulting from the existing assets of Target Company, the income approach was considered the most suitable valuation method.

Valuation assumptions

The Valuer had the following valuation assumptions in arriving at the appraised value of the Target Company, including but not limited to:-

General Assumptions

(1) *Transaction Assumption*: all assets to be appraised (i.e. those 65% equity interest in the Target Company) are already in the process of being transacted, and the Valuer simulates the market for appraisal according to the transaction conditions of the appraised assets;

(2) *Open Market Assumption*: the subject assets can be publicly traded in a competitive open market and the transaction price will be assessed and determined by the parties independently based on specific market demand and supply conditions;

(3) there are no material changes in the prevailing relevant laws and regulations and macroeconomic conditions in the PRC, and there are no unforeseeable material changes in the political, economic and social conditions in the regions where the parties are located;

(4) based on the actual conditions of the assets of the Target Company as at the Benchmark Date, the Target Company will continue to operate on a going-concern basis;

(5) there will be no material changes after the Benchmark Date as to the taxation base and tax rates, and other policy-based levies applicable to the Target Company;

(6) after the Benchmark Date, the management team of the Target Company will remain diligent in their duties, maintain its core composition, and are competent to fulfil their duties;

(7) the Target Company is in compliance with all relevant laws and regulations; and

(8) there are no other force majeure or unforeseeable factors which may have a material adverse effect on the Target Company.

Specific Assumptions

(1) key aspects of the accounting policy adopted by the Target Company as at the Benchmark Date are the same as those when the Valuation Report was issued;

(2) based on the management practice and management standard of the Target Company as at the Benchmark Date, its business scope and operation methods will remain consistent with the present ones;

(3) the cash inflow and outflow of the Target Company as at the Benchmark Date were taken as the middle of the financial year;

(4) all information provided by Lisheng Pharmaceutical and the Target Company for the purpose of the valuation is true, complete, lawful and valid;

(5) since the Target Company is classified as an advanced-technology enterprise as at the Benchmark Date, the relevant PRC authority will continue to issue a certificate of advanced technology enterprise to the Target Company, for which the Target Company will remain to be subject to a corporate profit tax rate at 15% in the PRC;

(6) the rate on weighted deduction of research and development expenses of the Target Company after the Benchmark Date will be subject to the same special tax deduction allowance applicable as at the Benchmark Date;

(7) the herbal licenses owned by the Target Company as at the Benchmark Date will be renewed successfully upon the expiry of its current license period; and

(8) the Target Company will continue to operate in the same way in accordance with the audit simulation report.

Valuation calculation and analysis process

(1) Selection of revenue model

The cash flow discount (DCF) method under the income approach is adopted by assessing the overall value of the appraised enterprise to indirectly determine the value of total shareholders' equity of the Target Company. The enterprise free cash flow discount model is adopted to determine the value of operating assets of the Target Company, which is based on the free cash flow of the Target Company in the next few years, and is calculated by discounting and summing up with an appropriate discount rate. The calculation model is as follows:

Value of total shareholders' equity = overall value of the enterprise – value of interest-bearing debts

The overall value of the enterprise is calculated as follows:

Overall value of the enterprise = value of operating assets + value of non-operating assets + value of surplus assets + value of long-term equity investment – value of non-operating liabilities

Interest-bearing debts refer to the liabilities of which the appraised enterprise is required to pay interest in the accounts as at the Benchmark Date, including short-term borrowings and long-term borrowings.

(2) Determination of revenue period and projection period

The revenue period refers to the defined timeframe for the anticipated future revenue of the appraised enterprise. It represents the active period of the assets, specifically from the Benchmark Date to the end of the appraised enterprise's revenue cycle.

The Valuer determined that the appraised enterprise was operating normally as at the Benchmark Date. Based on its development plans and industry characteristics, the business type and operating methods of the Target Company are relatively stable. After analysing the Target Company's operational status and having communicated with its management, the Valuer considered that there were no limitations of useful life on the Target Company's core asset that would affect its ongoing operations, and the Target Company could continue to use its assets perpetually through renewal. Therefore, the revenue period is determined as perpetual.

Considering the current operational status of the Target Company, the nature of its business, and the market supply and demand situation, the Valuer anticipated that the Target Company will enter a stable period in 2028. Hence, the projection period is determined as July 2023 to 2028, with perpetual duration beyond 2028.

(3) Forecast on sales revenue for the future years

The Valuer obtained the sales revenue data of the Target Company for the period from 1 July 2023 to 30 September 2023. The sales revenue data of the Target Company for the corresponding periods of (1) from July to September; and (2) from October to December for each of the years of 2020, 2021 and 2022 were also analysed. It was concluded that the average sales revenue from October to December was approximately 1.0276 times higher than the sales revenue from July to September. Based on this trend, the revenue for the period from July to December 2023 was projected by adding the actual sales revenue from July to September 2023 to 1.0276 times of that figure. For the years 2024 to 2028, a low single-digit growth rate on sales revenue is expected to be maintained.

(4) Forecast on costs of main operation

For the Target Company, the historical costs of its major operation, including material costs, labor costs, and manufacturing expenses in its respective product, have exhibited a certain linear relationship with their respective product sales revenue and with minimal fluctuations. In this assessment, the forecast for main operation costs had taken into account the anticipated fluctuations in material costs in the future, which was determined by multiplying the future sales revenue of each product by the historical ratios of material costs, labor costs, and manufacturing expenses to their respective product sales revenue.

(5) *Forecast on taxes*

The types of taxes and the relevant tax rates that apply to the Target Company are as follows:-

Types of Taxes	**Basis of Taxation**	**Tax Rates (%)**
Value-added taxes ("**VAT**")	Sales of goods or provision of taxable services	13
Urban construction taxes	VAT	5
Education expenses surcharge	VAT	3
Location education surcharge	VAT	2
Corporate income taxes	Taxable income	15
Property taxes	Ad valorem, based on a 30% discount of the original valuation of the property	1.2
Land use rates	Taxable area (in square meter)	RMB5 per square meter

(6) *Forecast on sales expenses*

Sales expenses primarily include promotional fees, salaries and additional costs, as well as depreciation expenses for the assets of sales department which are separately audited. These expenses are influenced by the Target Company's sales revenue and have a certain proportional relationship with the sales revenue.

(7) *Forecast on administrative costs*

The Target Company's administrative costs primarily consist of salaries and benefits of its management personnel, welfare expenses, training expenses, and travel expenses.

Based on the projected growth of operating revenue in the subsequent years, administrative costs are expected to increase accordingly, including, among others, the fixed expenses for depreciation and amortisation. In addition to the existing assets, each year there will be a need for capital investment in new assets or the renewal of existing assets to meet the requirements of normal operations and business growth. The future depreciation and amortisation expenses will be estimated based on the Target Company's projected capital expenditures and existing assets.

(8) *Forecast on research and development ("**R&D**") expenses*

The Target Company's R&D expenses consist of two main components. One component is fixed expenses, primarily depreciation costs. The other component is variable expenses, including research personnel salaries, material costs, review fees, and other related expenses.

In this valuation, the forecast on R&D expenses is based on the projected future business scale and based on the estimation made by the Target Company.

(9) *Discount rate*

The discount rate adopted for the valuation of the Target Company is 10.30%.

After evaluating, among others, the above factors and calculation inputs, the Valuer appraised that the overall value of the Target Company, the value of interest-bearing debts and the value of the total shareholders' equity of the Target Company as at the Benchmark Date were RMB307,951,800, RMB97,195,100 and RMB210,756,700 respectively. The appraisal results did not take into account the effects of the premium for controlling right, the discount for lack of controlling right or the liquidity of the equity.

The Valuer had applied the discounted cash flow method under the income approach, which constitutes a profit forecast under Rule 14.61 of the Listing Rules. Therefore, the requirements under Rules 14.60A and 14.62 of the Listing Rules are applicable.

A letter from Deloitte Touche Tohmatsu, the reporting accountants of the Company, confirming that the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the above assumptions, is set out in Appendix I to this announcement. A letter from Opus Capital Limited, the financial adviser of the Company, confirming that it is satisfied that the profit forecast in the Valuation Report has been made by the Directors after due and careful enquiry, is set out in Appendix II to this announcement.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC in June 2005 with limited liability and is principally engaged in research and development, production and sales of proprietary Chinese medicine preparations and Chinese herbal extract, with products covering various medicine fields including digestive system, respiratory system, skeletal musculature and systemic anti-infective etc. As at the date of this announcement, the Target Company is directly owned as to 60% and 40% by the 1st Vendor and the 2nd Vendor respectively.

Set out below is the pro forma consolidated financial information of the Target Company audited by Grant Thornton Zhitong Certified Public Accountants LLP Tianjin Branch (prepared in accordance with the generally accepted accounting principles in the PRC) for the two financial years ended 31 December 2021 and 2022 respectively, and for the six months ended 30 June 2023:

		For the year ended 31 December	For the six months ended 30 June
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Net assets	43,257.5	57,214.4	52,412.9
Net profit before taxation	11,511.1	14,070.4	10,057.5
Net profit after taxation	11,084.8	13,956.9	8,441.9

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group's pharmaceutical business includes the manufacture and sales of chemical drugs, and research and development of new medicine technology and new products.

The Target Group is principally engaged in the research and development, production and sales of proprietary Chinese medicines and other healthcare products in the PRC. The Target Group is also operating a B2B e-commerce platform which is working with the market player across the value chain of pharmaceutical industry, pharmaceutical manufacturers, distributors, wholesalers and pharmacies, to build a data-driven, reliable and efficient pharmaceutical supply chain.

Following Completion, the Target Group will be the manufacturing platform for proprietary Chinese medicines of the Group, and at the same time, by operating and managing the Target Group, it will be conducive to the Group in enhancing the resilience of its industry chain and promoting the Group's market share in respect of proprietary Chinese medicines. Upon Completion, the Group will proactively exploit the e-commerce business with the use of the Target Group's B2B e-commerce platform, with a view to expanding the sales network and maximising the brand value of Lisheng Pharmaceutical.

The Target Group has a solid operating performance and proprietary Chinese medicines manufacturing capabilities. Following Completion, the Group will be able to reap the benefit from such value chain, thereby broadening its revenue source and enlarging the earning base of the Group.

The Company is of the view that the Acquisition represents an opportunity for the Group to further develop its proprietary Chinese medicines business in the PRC and will establish synergy between Lisheng Pharmaceutical and the Target Group. The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition and the Agreement are fair and reasonable, the transactions contemplated under the Agreement are on normal commercial terms and the Acquisition is in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Acquisition

As the highest applicable percentage ratio calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

None of the Directors has a material interest in the Acquisition and no Director is required to abstain from voting on the Board resolution(s) approving the Acquisition.

The Option

Pursuant to the Agreement, Lisheng Pharmaceutical has been granted the Option to purchase the Compensation Shares, i.e. up to 35% equity interest in the Target Company, from the Vendors at the consideration of RMB1 and pursuant to the specific circumstances as stated in the Performance Guarantee. According to Rule 14.73 of the Listing Rules, the acquisition of Option by Lisheng Pharmaceutical will be treated as a transaction under Chapter 14 of the Listing Rules.

The exercise of the Option will be at the discretion of Lisheng Pharmaceutical. According to Rule 14.75(1) of the Listing Rules, on the acquisition of the Option, only the premium will be taken into consideration for the purpose of transaction classifications. As no premium is payable by Lisheng Pharmaceutical for acquiring the Option, such acquisition of the Option does not constitute a notifiable transaction of the Company.

INFORMATION ON THE PARTIES

The principal activity of the Company is investment holding. The principal activities of the Group are (i) utilities including supply of electricity, water and heat and thermal power; (ii) pharmaceutical including manufacture and sale of chemical drugs, and research and development of new medicine technology and new products, as well as design, manufacture and printing for pharmaceutical packaging and sale of other paper-based packaging materials; (iii) hotel; (iv) electrical and mechanical including the manufacture and sale of hydroelectric equipment and large scale pump units; and (v) strategic and other investments including investments in associates which are principally engaged in the manufacture and sale of elevators and escalators and provision of port services in Tianjin.

Lisheng Pharmaceutical and its subsidiaries are principally engaged in the manufacturing and sale of chemical drugs in the PRC. As at the date of this announcement, the Company has an effective interest of approximately 34.07% of the issued share capital of Lisheng Pharmaceutical.

The 1st Vendor is principally engaged in planting proprietary Chinese medicine herbs, research and development, production and sales of proprietary Chinese medicine decoction pieces, proprietary Chinese medicines and healthcare products etc., and also engages in various fields such as ecological agriculture, pharmaceutical logistics and medical and elderly care services etc. The 1st Vendor is held as to 72.3408%, 18.4395% and 9.2197% by Mr. Liu, Ms. Lin Xiumei (林秀梅) and Mr. Liu Jugen (劉菊根) respectively.

The 2nd Vendor is principally engaged in purchase and sales of Chinese herbal medicines (excluding proprietary Chinese medicine decoction pieces), planting and acquiring Chinese herbal medicine, commissioned production of medicine etc. The 2nd Vendor is directly owned as to 90% and 10% by the 1st Vendor and Mr. Liu respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Target Company, the Vendors and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

EXPERTS AND CONSENTS

The following are the qualifications of the Experts who have provided opinions or statements contained in this announcement:

Name	Qualifications
Beijing Huaya Zhengxin Assets Appraisal Co., Ltd. (北京華亞正信資產評估有限公司)	Independent valuation firm with asset valuation qualification in the PRC
Deloitte Touche Tohmatsu	Certified Public Accountants
Opus Capital Limited	A corporation licensed by the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

Each of the Experts has given and has not withdrawn its written consent to the issue of this announcement with the inclusion of its letter, report and/or references to its name in the form and context in which they appear.

As at the date of this announcement, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Experts is a third party independent of the Group and is not a connected person of the Group, and none of the Experts had any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate any person to subscribe for securities in any member of the Group.

DEFINITIONS

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

"1st Vendor"	Jiangxi Qingchun Kangyuan Group Co., Ltd. (江西青春康源集團有限公司), a company established under the laws of the PRC in November 2007 with limited liability
"2nd Vendor"	Jiangxi Qingchun Kangyuan Chinese Medicine Co., Ltd. (江西青春康源中藥股份有限公司), a company established under the laws of the PRC in November 2012 with limited liability
"Acquisition"	the acquisition of 65% equity interest in the Target Company pursuant to the Agreement
"Agreement"	the equity acquisition agreement dated 29 December 2023 entered into between Lisheng Pharmaceutical and the 1st Vendor, the 2nd Vendor, Mr. Liu and the Target Company in respect of the Acquisition
"B2B"	business-to-business

"B2B Transfer Agreement"	the business and asset transfer agreement to be entered into between Lihe and Lixiang, pursuant to which Lixiang will transfer to Lihe its B2B business and relevant assets, including inventories, intangible assets (including but not limited to patent rights, rights to patent application, software copyright, copyright, trademark license and other intellectual property rights), employees, sales contracts (including framework agreements and orders) and purchase agreements (including framework agreements and orders), rights and obligations, supplier and customer information of Lixiang
"Benchmark Date"	the benchmark date of the Agreement and the Valuation Report, i.e. 30 June 2023
"Board"	the board of Directors
"Business Days"	a day on which licensed banks in the PRC are open for business throughout their normal business hours, other than a Saturday, Sunday or public holiday in the PRC)
"Company"	Tianjin Development Holdings Limited (天津發展控股有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange (Stock Code: 882)
"Compensation Shares"	has the meaning ascribed to it in the section titled "THE AGREEMENT – Performance Guarantee" of this announcement
"Completion"	completion of the Acquisition pursuant to the Agreement
"Completion Date"	the date of Completion, i.e. the date on which all Conditions Precedent have been satisfied or fulfilled (or waived by Lisheng Pharmaceutical)
"Conditions Precedent"	the conditions precedent to Completion as set out in the section titled "THE AGREEMENT – Conditions Precedent" of this announcement
"Consideration"	the total consideration for the Acquisition, i.e. RMB136,991,855
"Directors"	the directors of the Company
"Experts"	collectively, the Valuer, Deloitte Touche Tohmatsu and Opus Capital Limited
"First Part-payment"	the first part-payment of the Consideration in the amount of RMB100,000,000
"First Repayment Sum"	the sum of RMB65,000,000 as part of the First Part-payment to be repaid by the Vendors to the Target Company pursuant to the Repayment Undertaking
"Group"	the Company and its subsidiaries
"Guarantee Obligation(s)"	the obligation(s) of the Target Company where it is a guarantor or has charged its assets as securities for the debt of a party other than the Target Group
"Guarantors"	the guarantors of the Agreement, i.e. 1st Vendor, 2nd Vendor, the Target Group and Mr. Liu

"Hengxin Debt"	an outstanding debt in the principal amount of RMB27,000,000 owing by the Target Company to Jiangxi Hengxin Rongda Asset Management Co., Ltd. (江西恒信融達資產管理有限公司) which was due on 9 January 2021
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Joint Custodial Account"	a bank account registered in the name of the 1st Vendor whereby any deposit or withdrawal of fund thereunder must be approved in writing and under seal by both Lisheng Pharmaceutical and the Vendors
"Lihe"	Jiangxi Qingchun Kangyuan Lihe Pharmaceutical Co., Ltd. (江西青春康源立和醫藥有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Target Company
"Lisheng Pharmaceutical"	Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司), a joint stock limited company established under the laws of the PRC and an indirect non-wholly owned subsidiary of the Company, which is listed on the A Shares Market of the Shenzhen Stock Exchange (Stock Code: 002393). As at the date of this announcement, the Company indirectly holds approximately 34.07% of the issued share capital of Lisheng Pharmaceutical
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Lixiang"	Jiangxi Qingchun Kangyuan Lixiang Pharmaceutical Co., Ltd. (江西青春康源立祥醫藥有限公司), a company established under the laws of the PRC with limited liability, and a subsidiary of the 1st Vendor
"Mr. Liu"	Liu Musheng (劉木生), a PRC citizen and the actual controller of the 1st Vendor, the 2nd Vendor and the Target Company as at the date of the Agreement
"Option"	an option granted to Lisheng Pharmaceutical pursuant to the Agreement to purchase the Compensation Shares, i.e. up to 35% equity interest in the Target Company, from the Vendors at the consideration of RMB1 and pursuant to the specific circumstances as stated in the Performance Guarantee
"Performance Commitment Period"	a period covering the financial years of 2023, 2024, 2025 and 2026
"Performance Compensation"	has the meaning ascribed to it in the section titled "THE AGREEMENT – Performance Guarantee" of this announcement
"Performance Guarantee"	has the meaning ascribed to it in the section titled "THE AGREEMENT – Performance Guarantee" of this announcement
"PRC"	the People's Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)

"Proceeds of the First Part-payment"	the remaining proceeds of the First Part-payment to be received by the Vendors after deducting the relevant taxes and costs as well as the First Repayment Sum and has the meaning ascribed to it under the section titled "THE AGREEMENT – Payment terms of the Consideration" of this announcement
"Related-party Receivables"	the related-party receivables owing by the 1st Vendor to the Target Company in the amount of RMB151,286,552.47 as at the Benchmark Date
"Repayment Undertaking"	has the meaning ascribed to it in the section titled "THE AGREEMENT – Conditions Precedent" and its details are described in the section titled "THE AGREEMENT – The Repayment Undertaking" of this announcement
"RMB"	Renminbi, the lawful currency of the PRC
"Rural Commercial Bank Debt"	a debt in the principal amount of RMB25,000,000 owing by the Target Company to Xinyu Rural Commercial Bank Co., Ltd. (新餘農村商業銀行股份有限公司), among which RMB5,000,000 will be repaid by the Target Company as the first instalment, with the remaining principal amount of RMB20,000,000 and the interest incurred after the Completion Date to be repaid in the subsequent four years commencing from 2024
"Second Part-payment"	the second part-payment of the Consideration in the amount of RMB30,000,000
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	holder(s) of share(s) in the Company
"Special Dividends"	has the meaning ascribed to it in the section titled "THE AGREEMENT – Post-completion undertaking" of this announcement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in the Listing Rules
"Target Company"	Jiangxi Qingchun Kangyuan Pharmaceutical Co., Ltd. (江西青春康源製藥有限公司), a company established under the laws of the PRC in June 2005 with limited liability
"Target Group"	the Target Company and its subsidiaries from time to time
"Transition Period"	the period between the date of signing of the Agreement and the Completion Date
"Valuation Report"	the valuation report issued by the Valuer dated 6 November 2023 in respect of the valuation of the Target Company for the proposed acquisition of 65% equity interest in the Target Company thereof by Lisheng Pharmaceutical
"Valuer"	Beijing Huaya Zhengxin Assets Appraisal Co., Ltd. (北京華亞正信資產評估有限公司)

"Vendors"	collectively, the 1st Vendor and the 2nd Vendor
"Warehouse"	the warehouse located in No. 101, 1st Building, 1689 Sunshine Avenue, High-tech Zone, Xinyu City, Jiangxi Province, PRC (中國江西省新餘市高新區陽光大道1689號1棟101) with a land area of 10,143.36 square meters, which is currently leased to Lihe
"%"	per cent

English names of the PRC established companies/entities in this announcement are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

In this announcement, RMB has been converted to HK$ at the rate of RMB0.91 = HK$1.00 for illustration purpose only. No representation is made that any amounts in RMB or HK$ have been, could have been or could be converted at the above rate or at any other rates or at all.

By Order of the Board
Tianjin Development Holdings Limited
Wang Gang
Chairman and Executive Director

Hong Kong, 29 December 2023

As at the date of this announcement, the Board of the Company consists of Mr. Wang Gang, Dr. Zhai Xinxiang, Mr. Teng Fei, Mr. Sun Lijun, Ms. Ng Yi Kum, Estella**, Mr. Wong Shiu Hoi, Peter**, Mr. Lau Ka Keung** and Mr. Sin Hendrick**.*

* *non-executive director*
** *independent non-executive director*

Appendix I – Letter from Deloitte Touche Tohmatsu

The following is the text of a report from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for inclusion in this announcement.

INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF ENTIRE EQUITY INTEREST IN JIANGXI QINGCHUN KANGYUAN PHARMACEUTICAL CO., LTD.

TO THE DIRECTORS OF TIANJIN DEVELOPMENT HOLDINGS LIMITED

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Beijing Huaya Zhengxin Assets Appraisal Co., Ltd. (北京華亞正信資產評估有限公司) dated 6 November 2023, of entire equity interest in Jiangxi Qingchun Kangyuan Pharmaceutical Co., Ltd. (江西青春康源製藥有限公司) as at 30 June 2023 (the "Valuation") is based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and will be included in an announcement dated 29 December 2023 to be issued by Tianjin Development Holdings Limited (the "Company") in connection with acquisition of 65% equity interest in Jiangxi Qingchun Kangyuan Pharmaceutical Co., Ltd. (the "Announcement").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the Announcement (the "Assumptions"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

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

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

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of Jiangxi Qingchun Kangyuan Pharmaceutical Co., Ltd..

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 December 2023

Appendix II – Letter from Opus Capital Limited

The following is the text of a letter from the financial adviser of the Company in respect of the profit forecast, Opus Capital Limited, for inclusion in this announcement.

29 December 2023

Tianjin Development Holdings Limited
Suites 7-13, 36th Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Attention: The Board of Directors

Tianjin Development Holdings Limited (the "Company")

Report from the financial adviser in relation to the discounted cash flow forecast underlying the income approach of the Asset Appraisal Report

Dear Sirs/Madams,

We refer to the announcement of the Company dated 29 December 2023 (the "**Announcement**") in relation to the acquisition (the "**Acquisition**") of 65% of the total issued share capital of Jiangxi Qingchun Kangyuan Pharmaceutical Co., Ltd.*（江西青春康源製藥有限公司）("**Qingchun Kangyuan**") by Tianjin Lisheng Pharmaceutical Co., Ltd.* (天津力生製藥股份有限公司), being an indirect non-wholly owned subsidiary of the Company, which constitutes a discloseable transaction for the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**")

The Announcement refers to the discounted cash flow forecast (the "**Forecast**") underlying the income approach of the business valuation (the "**Valuation**") conducted by Beijing Huaya Zhengxin Assets Appraisal Co., Ltd.*（北京華亞正信資產評估有限公司）(the "**Independent Valuer**") in relation to the appraisal of the fair value of the entire equity interest in Qingchun Kangyuan as at 30 June 2023 for the purpose of the Acquisition. The details of the Valuation are set out in the asset appraisal report issued by the Independent Valuer on 6 November 2023 (the "**Asset Appraisal Report**"). The Forecast upon which the Valuation has been made is regarded as a profit forecast under Rule 14.61 of the Listing Rules. The principal bases and assumptions (the "**Assumptions**") upon which the Forecast is based are included in the Announcement. Capitalised terms used in this letter shall have the same meanings as those defined in the Announcement unless the context otherwise requires.

Our work in connection with the Forecast has been undertaken solely for the purpose of complying with the relevant requirements under Rule 14.62(3) of the Listing Rules. We have undertaken reasonableness checks to assess the relevant experience and expertise of the Independent Valuer and are satisfied that reliance could fairly be placed on the Independent Valuer's work. We have reviewed the Forecast upon which the Valuation has been made and have discussed with the Independent Valuer the valuation methods, qualifications, bases and assumptions upon which the Forecast have been prepared by the Independent Valuer. In the relevant discussion(s), the participants discussed the historical financial performance of Qingchun Kangyuan and key Assumptions considered relevant by the Independent Valuer when the Forecast was made. We have also considered the letter from Deloitte Touche Tohmatsu dated 29 December 2023 addressed to the Board as set out in Appendix I to the Announcement regarding the calculations underlying the Forecast. We have noted that Deloitte Touche Tohmatsu concluded in its letter that the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions determined by the directors of the Company.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, qualifications, bases and assumptions selected by the Independent Valuer, for which the Board and the Independent Valuer are responsible, we are satisfied that the Forecast disclosed in the Announcement, have been made by the Directors after due and careful enquiry.

We have not independently verified the assumptions or computations leading to the Valuation. We have had no role or involvement and have not provided and will not provide any assessment of the fair value of the entire equity interest in Qingchun Kangyuan as at 30 June 2023 to the Company. We have assumed that all information, materials and representations provided to us by the Company and the Independent Valuer, including all information, materials, and representations referred to or contained in the Announcement, were true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the date of the Announcement and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, whether express or implied, is made by us on the accuracy, truth or completeness of such information, materials or representations. Accordingly, we accept no responsibility, whether expressly or implicitly, on the Valuation as set out in the Asset Appraisal Report.

We are acting as the financial adviser to the Company in reviewing the Forecast and will receive professional fees for such service. We, our directors and affiliates will, neither jointly or severally, be responsible to anyone other than the Company for providing advice in connection with the review of the Forecast, nor will we, our directors or affiliates, whether jointly or severally, owe any responsibility to anyone other than the Company.

For the avoidance of doubt, this letter does not constitute an independent valuation or fairness opinion and is expressly limited to the matters described herein. We express no opinion as to how closely the actual cash flow will eventually correlate with the Forecast. This letter also does not serve as an opinion or recommendation to any person as to whether they should take any action in the securities of the Company. Shareholders and potential investors of the Company are recommended to read the Announcement with care, and if needed, to consult with its professional adviser(s).

A copy of this letter in its entirety may be reproduced in the Announcement on the basis that none of the Company, the Independent Valuer or any other person may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner without our prior written consent. In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Cheung On Kit Andrew
Executive Director

* *For identification purpose only.*