
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Frontage Holdings Corporation**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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FRONTAGE HOLDINGS CORPORATION

方達控股公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1521)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND NOTICE OF EXTRAORDINARY GENERAL MEETING



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

A notice convening the EGM to be held at Building 2, No. 1227 Zhangheng Road, Zhangjiang Hi-Tech Park, Shanghai, China on Wednesday, January 7, 2026 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of the Stock Exchange and the Company.

Whether or not you are able to attend the EGM in person, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. no later than 10:00 a.m. on Monday, January 5, 2026 (Hong Kong time)) or any adjournment of such meeting (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM if they so wish. If you attend and vote at the EGM, the authority of your proxy will be revoked.

This circular is in English and Chinese. In case of any inconsistency, the English version shall prevail.

December 15, 2025

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DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares as contemplated under the Share Transfer Agreement
“Board”	the board of Directors
“China” or the “PRC”	the People’s Republic of China, and for the purpose of this circular only, except where the context requires otherwise, excluding Hong Kong and Macau Special Administrative Region of the People’s Republic of China, and Taiwan
“Company”	Frontage Holdings Corporation (方達控股公司*), a company incorporated under the laws of the Cayman Islands with limited liability on April 16, 2018, whose shares are listed on the Stock Exchange
“Completion”	completion of the Acquisition pursuant to the terms of the Share Transfer Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Building 2, No. 1227 Zhangheng Road, Zhangjiang Hi-Tech Park, Shanghai, China on Wednesday, January 7, 2026 at 10:00 a.m. for the Independent Shareholders to consider, and if thought fit, to approve the Share Transfer Agreement and the transactions contemplated thereunder
“Enlarged Group”	the Group as enlarged by the Acquisition upon the Completion
“Frontage Shanghai”	Frontage Laboratories (Shanghai) Co., Ltd.* (方達醫藥技術(上海)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company

DEFINITIONS

“Group”	the Company and its subsidiaries
“Hangzhou Tigermed”	Hangzhou Tigermed Consulting Co., Ltd. (杭州泰格醫藥科技股份有限公司), a company established in the PRC on December 15, 2004 with its shares being listed on ChiNext market of the Shenzhen Stock Exchange with stock code 300347 and on the Main Board of the Stock Exchange with stock code 3347
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hongkong Tigermed”	Hongkong Tigermed Co., Limited (香港泰格醫藥科技有限公司), a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of Hangzhou Tigermed
“Independent Board Committee”	a committee of the Board comprising Mr. Yifan Li, Mr. Erh Fei Liu and Dr. Jingsong Wang, all being the independent non-executive Directors, which is formed to advise the Independent Shareholders on the Share Transfer Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
“Independent Shareholders”	the Shareholders who are not required to abstain from voting under the Listing Rules at the EGM on the ordinary resolution for approving the Share Transfer Agreement and the transactions contemplated thereunder
“Jiaxing Xinge”	Jiaxing Xinge Medical Consulting Co., Ltd.* (嘉興欣格醫藥科技有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Hangzhou Tigermed
“Latest Practicable Date”	December 5, 2025, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“Repurchase and Capital Reduction”	the repurchase and capital reduction of the Target Company conducted pursuant to the repurchase agreement entered into between the Target Company and its then shareholders (excluding Hangzhou Tigermed and Jiaxing Xinge) in respect of the repurchase of shares held by the aforementioned shareholders in the Target Company and the subsequent capital reduction of the Target Company
“RMB”	Renminbi, the lawful currency of China
“Sale Shares”	45,169,326 shares of RMB1 each in the share capital of the Target Company, comprising the Sale Shares I and the Sale Share II and representing the entire issued share capital of the Target Company as of the Latest Practicable Date
“Sale Shares I”	26,169,326 shares of RMB1 each in the share capital of the Target Company held by Hangzhou Tigermed, representing 57.94% of the total issued share capital of the Target Company as of the Latest Practicable Date
“Sale Shares II”	19,000,000 shares of RMB1 each in the share capital of the Target Company held by Jiaxing Xinge, representing 42.06% of the total issued share capital of the Target Company as of the Latest Practicable Date
“SFO”	the Securities Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share Transfer Agreement”	the share transfer agreement dated October 10, 2025 entered into between Frontage Shanghai, Hangzhou Tigermed and Jiaxing Xinge in respect of the Acquisition
“Share(s)”	ordinary shares(s) with nominal value US\$0.00001 each in the issued share capital of the Company
“Shareholders”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Target Company”	Teddy Clinical Research Laboratory (Shanghai) Ltd.* (上海觀合醫藥科技股份有限公司), a joint stock company established in the PRC with limited liability
“Target Group”	the Target Company and its subsidiaries, including Teddy Clinical Wuxi and Teddy Clinical HK
“Teddy Clinical HK”	Teddy Clinical Research Laboratory (Hong Kong) Limited (觀合醫藥(香港)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company
“Teddy Clinical Wuxi”	Teddy Clinical Research Laboratory (Wuxi) Ltd.* (無錫觀合醫學檢驗所有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Target Company
“Total Consideration”	the total consideration for the Acquisition of RMB270,000,000, comprising RMB156,427,470 for the Sale Shares I and RMB113,572,530 for the Sale Shares II
“Valuation Report”	the report of the valuation on the entire equity interest of the Target Company as of June 30, 2025 (taking into account the effect of the completion of the Repurchase and Capital Reduction) prepared by the Valuer
“Valuer”	Asia-Pacific Consulting and Appraisal Limited
“Wuxi Mulan”	Wuxi Mulan Biomedical Technology Company Limited* (無錫木蘭生物醫藥科技有限公司), a company established in the PRC with limited liability and owned by Teddy Clinical Wuxi as to approximately 66.67%
“%”	per cent.

LETTER FROM THE BOARD



FRONTAGE HOLDINGS CORPORATION

方達控股公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1521)

Executive Directors:

Dr. Song Li (*Chairman*)
Dr. Wentao Zhang
Dr. Zhongping Lin

Non-executive Directors:

Ms. Zhuan Yin
Mr. Hao Wu

Independent Non-executive Directors:

Mr. Yifan Li
Mr. Erh Fei Liu
Dr. Jingsong Wang

Registered Office:

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:

Room 1920, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

December 15, 2025

To the Shareholders

Dear Sir/Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL
OF THE TARGET COMPANY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated October 10, 2025 in relation to the Acquisition. On October 10, 2025, Frontage Shanghai, a wholly-owned subsidiary of the Company (as purchaser), Hangzhou Tigermed (as vendor in respect of Sale Shares I) and Jiaxing Xinge, a wholly-owned subsidiary of Hangzhou Tigermed (as vendor in respect of Sale Shares II), entered into the Share Transfer Agreement, pursuant to which Frontage Shanghai has conditionally agreed to acquire, and each of Hangzhou Tigermed and Jiaxing Xinge has conditionally agreed to sell the Sale Shares, representing the entire issued

LETTER FROM THE BOARD

share capital of the Target Company, at the Total Consideration of RMB270,000,000. Upon the Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group.

The purpose of this circular is to provide you with, among other things, (i) further information on the Share Transfer Agreement and the transactions contemplated thereunder; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the financial information of the Target Group; (v) the unaudited pro forma financial information of the Enlarged Group; (vi) the Valuation Report; and (vii) a notice convening the EGM.

SHARE TRANSFER AGREEMENT

The principal terms of the Share Transfer Agreement are summarized below:

Date

October 10, 2025

Parties

- (i) Hangzhou Tigermed (as vendor in respect of Sale Shares I);
- (ii) Jiaxing Xinge (as vendor in respect of Sale Shares II); and
- (iii) Frontage Shanghai (as purchaser).

Subject Matter

Pursuant to the Share Transfer Agreement:

- (a) Frontage Shanghai has agreed to acquire, and Hangzhou Tigermed has conditionally agreed to sell, the Sale Shares I, representing 57.94% of the total issued share capital of the Target Company as of the Latest Practicable Date, at the consideration of RMB156,427,470; and
- (b) Frontage Shanghai has agreed to acquire, and Jiaxing Xinge has conditionally agreed to sell, the Sale Shares II, representing 42.06% of the total issued share capital of the Target Company as of the Latest Practicable Date, at the consideration of RMB113,572,530.

As of the Latest Practicable Date, the Sale Shares, comprising the Sale Shares I and the Sale Shares II, represented the entire issued share capital of the Target Company.

LETTER FROM THE BOARD

Consideration

The Total Consideration of RMB270,000,000, comprising RMB156,427,470 for the Sale Shares I and RMB113,572,530 for the Sale Shares II, shall be paid by Frontage Shanghai to Hangzhou Tigermed and Jiaying Xing respectively by cash in accordance with the payment terms outlined below:

- (a) Frontage Shanghai shall pay 50% of the Total Consideration due to each vendor within 20 business days after all conditions precedent to the first installment payment (as disclosed in the paragraph headed “Conditions Precedent” below) have been satisfied or waived (as the case may be), and each vendor has issued a notice confirming the satisfaction of such conditions applicable to them; and
- (b) Frontage Shanghai shall pay the remaining 50% of the Total Consideration due to each vendor within 20 business days after all conditions precedent to the second installment payment (as disclosed in the paragraph headed “Conditions Precedent” below) have been satisfied or waived (as the case may be), and each vendor has issued a notice confirming the satisfaction of such conditions applicable to them.

The Total Consideration of RMB270 million was determined after arm’s length negotiations among the parties to the Share Transfer Agreement with reference to the valuation of the entire equity interest of the Target Company of RMB270 million as of June 30, 2025 (taking into account the effect of the completion of the Repurchase and Capital Reduction) as appraised by the Valuer.

The Board’s assessment on the Valuation of the Target Group

In preparation of the Valuation Report, the Valuer has considered the cost approach, the income approach and the market approach. The Valuer is of the view that the income approach relies heavily on long-term financial forecasts prepared internally by management, which involve unobservable inputs and subjective assumptions, thereby reducing the reliability and objectivity of the valuation. The cost approach does not adequately account for the economic benefits generated by the Target Company’s business operations, as it primarily focuses on the replacement or reproduction cost of the underlying assets without reflecting the Target Company’s earning potential. Considering these limitations, the Valuer adopted the guideline public company method under the market approach, which considers prices recently paid for similar assets, with adjustments made to reflect the condition and utility of the appraised assets relative to market comparables.

The Board notes that the Valuer has considered different valuation methodology and has adopted the market approach given the Target Group’s business characteristics and growth stage, and that the market approach introduces objectivity in the application as publicly available inputs are used. The Board acknowledges that the market value of the entire equity interest in the Target Company was developed through the application of the market approach technique known as the guideline public company method, which requires the research of comparable companies’ benchmark multiples and proper selection of a suitable multiple to

LETTER FROM THE BOARD

derive the market value of the Target Company. In this regard, the Valuer has considered price-to-sales (“P/S”), price-to-earnings (“P/E”), enterprise value-to-sales (“EV/S”), and enterprise value-to-earnings before interests, taxes (“EV/EBIT”) multiples. As the P/S and EV/S multiples are commonly used in the valuation of start-up enterprises and the Target Group is under continuous profitability, P/E and EV/EBIT multiples are used in order to reflect the latest operation status of the Target Group. The Board agrees with the selection of the market approach and the multiples in the valuation by the Valuer since (i) the Valuer is a qualified independent valuer with extensive experience in the valuation of equity interests in the PRC, Hong Kong and the Asia-Pacific region; and (ii) the Board noted the limitations of the valuation approaches and multiples which are further elaborated by the Valuer in the Valuation Report as set out in Appendix V to this circular.

In respect of the assumptions adopted by the Valuer in forming its opinion, the Board understands that the Valuer relied on, among other things, the consolidated financial statements of the Target Group for the years ended December 31, 2023 and 2024 and for the six months ended June 30, 2025. Key assumptions including stable macroeconomic conditions, the accuracy of financial information provided, and the continued validity of legal and operational licenses, are commonly adopted in valuation of similar nature. After reviewing the Valuation Report and discussing with the Valuer, the Directors conclude that no material factors have been identified which cause the Board to doubt the fairness and reasonableness of the principal bases and assumptions adopted for information used in the valuation of market value of the Target Group.

The Board understands that the adopted parameters in the Valuation Report are determined with reference to the information in respect of publicly listed companies that are considered to be comparable to the Target Company. In setting the selection criteria for the comparable companies, the Valuer considers that (i) the publicly listed companies’ financial data are reliable and can be readily available; (ii) the comparable companies generate more than 80% of their revenue from contract research services within the life sciences tools and services industry closely align with the business of the Target Group which generates all its revenue as a contract research organization (“CRO”) with providing clinical trial services, laboratory service and clinical research services; and (iii) the Target Group generates positive net income and EBIT for the last twelve months as at June 30, 2025. As confirmed by the Valuer, the comparable companies are exhaustive. From the list of comparable companies, as detailed in “Appendix V – Valuation Report” of this circular, one company was identified as an outlier and excluded in both P/E and EV/EBIT ratios, and another company was identified as an outlier and excluded in EV/EBIT ratios as their ratios deviate significantly from the rest of the dataset. As a result, the Valuer identified 18 comparable companies that are considered as fair and representative samples. The Board has obtained and reviewed the Valuation Report and has had full communication with the Valuer to understand the source, professionalism, and reliability of the industry data obtained by the Valuer. To assess the fairness and reasonableness of the selection criteria, the Board considers that (i) the selection criteria were set with comprehensive consideration of financial data reliability and availability, business congruence with the Target Group (i.e. the selected comparable companies generate more than 80% of their revenue from contract research services within the life sciences tools and services industry, which closely align with the business of the Target Group that generates all its revenue as a

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CRO with providing clinical trial services, laboratory service and clinical research services) and the Target Group's operating conditions; and (ii) the selection criteria would allow the Valuer to identify companies that operate within the same industry as the Target Group with sufficient information for the purpose of conducting the valuation. Based on the above, the Board considers that the selection of comparable companies is fair and reasonable.

In the valuation exercise, the Valuer assess the discount for lack of marketability (“**DLOM**”) using the put option method, which is one of the most commonly used theoretical models. The Board acknowledges that the level of a company value can be described as: the marketable minority interest value which refers to the price quoted in public market less the DLOM equals to the non-marketable minority interest value representing the non-controlling shareholder of a private company. The concept is that when comparing a public share and a private share, holder of a public share has the ability to sell the shares (i.e. a put option) to the stock market right away. The estimated DLOM is determined by “Black-Scholes option pricing model” with the parameters of spot price, exercise price, volatility, risk free rate and target event expected period adopted. The Valuer also took into account the control premium, which is an amount by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest in a business enterprise that reflects the power of a control. The control premium adopted in the Valuation Report is around 14%, with reference to the median of control premium of closed equity acquisition transactions, involving change of control, in the life sciences tools and services industry searched from Capital IQ within 10 years prior to June 30, 2025. After reviewing the Valuation Report and discussing with the Valuer, the Board understands that the control premium and DLOM were commonly adopted in valuation to reflect the differences between the comparables and subject asset with regard to the ability to make decisions and marketability, and the Board is satisfied with the calculation and results of the applied control premium and DLOM. Therefore, the Board considers that the adoption of control premium and DLOM is justifiable.

Based on the above, the Board concurs with the views of the Valuer that the market approach is the appropriate approach, the P/E and EV/EBIT multiples are the most suitable pricing multiples, the selection of comparable companies and the adoption of the parameters are fair and reasonable.

The Total Consideration of RMB270 million is consistent with the valuation of the Target Group. The Board believes that an independent valuation provides an objective and impartial assessment of the value of the Target Group. By acquiring the Target Group at its appraised fair market value, the Company will not overpay for the Acquisition. Considering (i) the historical financial performance and conditions of the business of the Target Group; (ii) the Valuation Report; and (iii) the reasons for and benefits of the Acquisition as described under the section headed “Reasons for and Benefits of the Acquisition” below, the Directors consider that the Total Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Total Consideration will be funded as to 20% by the Group's internal resources and 80% through a bank acquisition loan. As of June 30, 2025, the Group had cash and cash equivalents amounting to US\$33,662,000 (equivalent to approximately RMB241.0 million as of June 30, 2025 based on exchange rate of US\$1 = RMB7.1586 as of June 30, 2025 published by the China Foreign Exchange Trade System as authorized by The People's Bank of China for illustrative purposes). Fully funding the Total Consideration using the Group's internal resources would deplete all of its available cash reserves, leaving the Group with limited liquidity to meet its ongoing operational needs. By funding 80% of the Total Consideration through a bank acquisition loan, the Group can preserve the majority of its internal resources while leveraging external financing to complete the Acquisition. This approach ensures that the Group maintains sufficient liquidity to support its day-to-day operations and retain financial flexibility for future growth initiatives. Moreover, the Group's strong financial position and stable cash flows provide confidence in its ability to repay the acquisition loan without adverse effects on its financial health or operational stability. Therefore, the Board is of the view that the funding structure for the Total Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Target Company was established as a joint venture of Hangzhou Tigermed. Following a series of share transfers and changes in registered capital, including the Repurchase and Capital Reduction, the original acquisition cost paid by Hangzhou Tigermed is not applicable. Save for the subscription of RMB20 million of the registered capital of the Target Company at its establishment by Hangzhou Tigermed and the subscription of RMB19 million of the registered capital of the Target Company by Jiaying Xing in June 2020, Hangzhou Tigermed had not made any other capital injection and/or provided financial assistance to the Target Group since its establishment.

On August 1, 2025, the Target Company, Wuxi Guanhe Corporate Management Partnership (L.P.)* (無錫觀鶴企業管理合夥企業(有限合夥)) (“**Wuxi Guanhe**”), Wuxi Guanhe II Investment Partnership (L.P.)* (無錫觀荷二期投資合夥企業(有限合夥)) (“**Wuxi Guanhe II**”), Wuxi Guanhe III Corporate Management Partnership (L.P.)* (無錫觀和三期企業管理合夥企業(有限合夥)) (“**Wuxi Guanhe III**”) and Wuxi Guanhe IV Corporate Management Partnership (L.P.)* (無錫觀禾四期企業管理合夥企業(有限合夥)) (“**Wuxi Guanhe IV**”) entered into a repurchase agreement. Each of Wuxi Guanhe, Wuxi Guanhe II, Wuxi Guanhe III and Wuxi Guanhe IV was a shareholding platform owned by employees of the Target Company (collectively, the “**Shareholding Platforms**”). Pursuant to the repurchase agreement, the Target Company agreed to repurchase all shares held by the Shareholding Platforms for a total consideration of RMB89,221,647.76. The repurchased shares were subsequently canceled, resulting in a reduction of the registered capital of the Target Company. As of the Latest Practicable Date, the filing and registration of the Repurchase and Capital Reduction has been completed. As such, the registered capital of the Target Company decreased to RMB45,169,326, with Hangzhou Tigermed and Jiaying Xing holding 57.94% and 42.06% of its issued share capital, respectively.

LETTER FROM THE BOARD

Conditions Precedent

Frontage Shanghai's payment of the first installment of the Total Consideration shall be subject to all of the following conditions precedent being confirmed as satisfied or waived by Frontage Shanghai. Unless otherwise waived in writing by Frontage Shanghai in advance, each of Hangzhou Tigermed and Jiaxing Xinge shall, and shall cause the Target Company to, fulfill the conditions precedent to the payment of the first installment within three months following the execution of the Share Transfer Agreement:

- (a) the Share Transfer Agreement has been duly executed and has taken effect;
- (b) the Target Company has completed the Repurchase and Capital Reduction, and has provided Frontage Shanghai with the relevant certificates;
- (c) the third-party audit and valuation firm engaged by Frontage Shanghai has issued formal audit report and the Valuation Report regarding the entire issued share capital of the Target Company;
- (d) Frontage Shanghai has completed its internal decision-making procedures required for the Acquisition;
- (e) the Independent Shareholders have approved the Share Transfer Agreement and the contemplated Acquisition at the EGM;
- (f) Frontage Shanghai has successfully obtained the required bank acquisition loan for the Acquisition;
- (g) the Target Company, Hangzhou Tigermed and Jiaxing Xinge have each completed their respective internal decision-making procedures required for the Acquisition;
- (h) Hangzhou Tigermed, Jiaxing Xinge and the Target Company have obtained all necessary third-party notifications, consents, and approvals required to complete the Acquisition, if applicable;
- (i) the Sale Shares have been fully paid up and are free from any pledges, freezes, or other encumbrances that may affect the transfer of the Sale Shares;
- (j) the representations and warranties made by Hangzhou Tigermed, Jiaxing Xinge and the Target Company under the Share Transfer Agreement are true, accurate, and complete from the date of execution of the Share Transfer Agreement to the date of payment of the first installment, with no material omissions, misrepresentations, or falsifications;
- (k) Frontage Shanghai has completed the final due diligence on the Target Company, and the results of which is satisfactory to Frontage Shanghai;

LETTER FROM THE BOARD

- (l) there are no laws, regulations, judgments, rulings, decisions, or injunctions by any relevant government authority that restrict, prohibit, or nullify the Acquisition. There are no pending or threatened lawsuits, arbitrations, judgments, rulings, decisions, or injunctions against any party to the Share Transfer Agreement that would seek to restrict the Acquisition or cause a material adverse effect on the Acquisition. No events, whether individually or collectively, that may cause a material adverse effect have occurred or are reasonably expected to occur; and
- (m) each of Hangzhou Tigermed and Jiaxing Xinge has issued a notice to Frontage Shanghai confirming that, except for conditions (c), (d), (e), (f) and (k), all the above conditions precedent to the payment of the first installment of the Total Consideration have been satisfied, along with the provision of supporting documents.

The conditions precedent set forth in (c), (d), (e) and (l) are not waivable by the Company/Frontage Shanghai given applicable regulatory and legal requirements. In addition, the conditions precedent set forth in (a), (b), and (i) are not waivable by the Company/Frontage Shanghai given the contemplated transaction structure.

To the best knowledge of Frontage Shanghai/the Company, as of the Latest Practicable Date, conditions precedent set out in (a), (b), (d), (f), (g), (h), (i) and (k) above are fulfilled (for condition (h), none of the third-party notifications, consents, or approvals was required to complete the Acquisition), and the other conditions precedent set out above are not fulfilled or waived. As a result, none of the first installment of the Total Consideration is paid to Hangzhou Tigermed or Jiaxing Xinge as of the Latest Practicable Date.

Frontage Shanghai's payment of the second installment of the Total Consideration shall be subject to all of the following conditions precedent being confirmed as satisfied or waived by Frontage Shanghai. Unless otherwise waived in writing by Frontage Shanghai in advance, each of Hangzhou Tigermed and Jiaxing Xinge shall, and shall cause the Target Company to, fulfill the conditions precedent to the payment of the second installment within six months following the execution of the Share Transfer Agreement:

- (a) Shanghai Bioquick Pharmaceutical Supply Chain Management Co., Ltd.* (上海佰誠醫藥供應鏈管理有限公司), a debtor of the Target Company and an associate of Hangzhou Tigermed, has repaid a loan of RMB10 million, which was due on October 31, 2025, along with the interest accrued up to the repayment date, to the Target Company (for the details of the loan, please also refer to the item "Loan receivables – related party" in the financial statements of the Target Company as disclosed in Appendix II to this circular);
- (b) the Target Company has completed the update of its register of members to reflect the Acquisition, recording the Sale Shares in the name of Frontage Shanghai, and provided the same to Frontage Shanghai;

LETTER FROM THE BOARD

- (c) the Target Company has, in accordance with Frontage Shanghai's requirements, completed the reorganization of its board of directors, board of supervisors, and senior management, and has completed the necessary registration of such reorganization with the relevant regulatory authority;
- (d) the Target Company has, in accordance with a handover checklist confirmed by Frontage Shanghai, transferred the Target Company's documents and materials to Frontage Shanghai's designated personnel;
- (e) the representations and warranties made by Hangzhou Tigermed, Jiaxing Xinge and the Target Company under the Share Transfer Agreement are true, accurate, and complete from the date of execution of the Share Transfer Agreement to the date of payment of the second installment, with no material omissions, misrepresentations, or falsifications;
- (f) there are no laws, regulations, judgments, rulings, decisions, or injunctions by any relevant government authority that restrict, prohibit, or nullify the Acquisition. There are no pending or threatened lawsuits, arbitrations, judgments, rulings, decisions, or injunctions against any party to the Share Transfer Agreement that would seek to restrict the Acquisition or cause a material adverse effect on the Acquisition. No events, whether individually or collectively, that may cause a material adverse effect have occurred or are reasonably expected to occur; and
- (g) each of Hangzhou Tigermed and Jiaxing Xinge has issued a notice to Frontage Shanghai confirming that all the above conditions precedent to the payment of the second installment of the Total Consideration have been satisfied, along with the provision of supporting documents.

The conditions precedent set forth in (b), (c), and (f) are not waivable by the Company/Frontage Shanghai given applicable regulatory and legal requirements.

To the best knowledge of Frontage Shanghai/the Company, as of the Latest Practicable Date, condition precedent set out in (a) above is fulfilled, and the other conditions precedent set out above are not fulfilled or waived. As a result, none of the second installment of the Total Consideration is paid to Hangzhou Tigermed or Jiaxing Xinge as of the Latest Practicable Date.

The transactions contemplated under the Share Transfer Agreement are not subject to filings to the China Securities Regulatory Commission of the PRC pursuant to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法).

Completion

The Completion will occur on the date when Frontage Shanghai has fully paid the Total Consideration to Hangzhou Tigermed and Jiaxing Xinge. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group.

LETTER FROM THE BOARD

INFORMATION ON THE TARGET GROUP

The Target Company is a joint stock company established in the PRC with limited liability and is principally engaged in clinical trial technical services, clinical trial related services and laboratory services.

Teddy Clinical Wuxi is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Target Company, which is principally engaged in clinical research services.

Teddy Clinical HK is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Target Company, which is principally engaged in clinical research services.

Wuxi Mulan is a company established in the PRC to engage in the business of clinical services and owned by Teddy Clinical Wuxi as to approximately 66.67%. The remaining approximately 33.34% interest in Wuxi Mulan is owned by Wuxi Xinrui Health Technology Company Limited* (無錫新瑞健康科技有限公司), an Independent Third Party. Wuxi Mulan was established in September 2025 and has no business operation as of the Latest Practicable Date.

Set out below is a summary of certain audited financial information of the Target Group for the two financial years ended December 31, 2024 which were prepared in accordance with IFRS Accounting Standards:

	For the year ended December 31, 2023 RMB'000	For the year ended December 31, 2024 RMB'000	For the six months ended June 30, 2025 RMB'000
Revenue	211,285	152,799	84,849
Net profit before tax	34,120	10,981	14,275
Net profit after tax	32,228	10,172	13,420

As of June 30, 2025, the audited total assets and net assets of the Target Group were approximately RMB280,093,000 and RMB209,523,000, respectively.

The decrease of revenue of the Target Group by 27.7% from RMB211.3 million for 2023 to RMB152.8 million for 2024 was mainly due to the weak global investment and financing environment in the biopharmaceutical field. Specifically, facing uncertain market conditions and regulatory environment, investors exercised greater caution in assessing project returns and risks. Coupled with increasing pressure on profit margins, investors tended to focus toward cost-effective solutions, accelerated timelines, and more targeted drug development pipelines, which reduced overall investments in broader and more resource-intensive initiatives. Additionally, trade barriers and changes in international policies created significant operational challenges for biopharmaceutical companies. This constrained their ability to pursue global strategies and investments, further impacting the Target Group's revenue. The decrease of net

LETTER FROM THE BOARD

profit of the Target Company by 68.4% from RMB32.2 million for 2023 to RMB10.2 million for 2024 was mainly due to (i) the decrease of 27.7% in revenue for the corresponding period; and (ii) the decrease of 43.6% in gross profit from RMB82.3 million for 2023 to RMB46.4 million for 2024. The decline in gross profit was driven by the challenging investment and financing environment in the biopharmaceutical field shaped by investors that were more attentive to project returns and risks, with global economic pressures forcing companies to prioritize cost efficiency and limit spending on new projects or expanded operations. These factors, combined with geopolitical challenges in key international markets, significantly weakened the global investment and financing environment for biopharmaceutical companies, adversely affecting the Target Group's performance.

Despite the Target Group's decline in financial performance in 2024, the Board considers that the Acquisition is fair and reasonable and in the interest of the Company and the Shareholders as a whole based on the following: (i) for the six months ended June 30, 2025, the Target Group recorded revenue of RMB84.8 million and net profit after tax of RMB13.4 million, indicating a recovery from 2024; (ii) the Total Consideration for the Acquisition was determined based on an independent valuation of the Target Group, which reflects its fair market value as of June 30, 2025 and has taken into account the Target Group's historical financial performance; and (iii) as further detailed in the section headed "Reasons for and Benefits of the Acquisition" below, the Acquisition aligns with the Company's long-term strategic goals and offers significant synergies.

Teddy Clinical Research (Shanghai) Limited* (上海觀合藥物研究有限公司) ("**Teddy Clinical Research**") was a wholly-owned subsidiary of the Target Company established on November 7, 2023 to support the quantitative pharmacology business. However, due to the absence of actual operations, it was deregistered on July 28, 2025. For the two years ended December 31, 2024 and six months ended June 30, 2025, Teddy Clinical Research recorded revenue of RMB5,000, nil and RMB5,000, respectively. As of December 31, 2023, December 31, 2024 and June 30, 2025, the net assets of Teddy Clinical Research were RMB4,740, RMB204,690 and RMB9,330, respectively. Given that Teddy Clinical Research did not commence substantial operations or generate significant revenue before its deregistration, the deregistration did not have any material impact on the principal business, financial performance, or financial position of the Target Group.

INFORMATION ON THE PARTIES

The Group

The Group is engaged in the provision of research, analytical and development services throughout the product discovery and development continuum. The Group provides integrated, scientifically driven support that enables biopharmaceutical and life science companies to achieve their product development goals. In North America, China and Italy, the Group provides a comprehensive portfolio of product discovery and development services throughout the discovery and development continuum, which includes chemistry, CMC, pre-clinical research (DMPK, safety and toxicology), laboratory testing (bioanalytical and biologics, and central laboratory). In addition, in China, the Group also provides a suite of bioequivalence and related services (such as pharmacology, medical writing and regulatory support) to support our customers with their regulatory submissions.

LETTER FROM THE BOARD

Frontage Shanghai

Frontage Shanghai is a company established in the PRC with limited liability and is principally engaged in bioanalytical and bioequivalence services. Frontage Shanghai is an indirect wholly-owned subsidiary of the Company.

Hangzhou Tigermed

Hangzhou Tigermed is a joint stock company established in the PRC with limited liability. It is a leading China-based provider of comprehensive biopharmaceutical research and development services, with an expanding global presence and is principally engaged in the provision of one-stop and professional clinical research services for innovative drugs, medical devices and biotechnology related products to domestic and international enterprises engaged in providing innovative drugs and medical devices. The A shares of Hangzhou Tigermed are listed on the ChiNext market of the Shenzhen Stock Exchange (stock code: 300347) and the H shares of Hangzhou Tigermed are listed on the Stock Exchange (stock code: 3347).

Jiaxing Xinge

Jiaxing Xinge is a company established in the PRC with limited liability and is principally engaged in clinical research services. Jiaxing Xinge is an indirect wholly-owned subsidiary of Hangzhou Tigermed.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group currently provides a comprehensive suite of laboratory testing and central laboratory services that support all phases of global clinical trials. These services are integrated with biomarker and genomics capabilities, offering clients a complete, end-to-end solution for drug development. While the Group has established a broad and diverse global client base, particularly in the U.S. and emerging European markets, its service capability and capacity in China remain limited. This limitation has constrained the expansion of its lab testing and central laboratory business, which is its largest business unit.

In contrast, the Target Group, under the Teddylab brand, is a leading domestic central laboratory in China, known for delivering one-stop laboratory service solutions to the biotechnology industry. The Target Group is a leading clinical research laboratory service provider, which brings extensive experience in supporting over 1,500 clinical trials across various therapeutic areas and is renowned for its GCP (good clinical practice)-compliant and internationally accredited services. With extensive project experience across multiple therapeutic areas, including oncology, hematology, autoimmune diseases, metabolic disorders, and hepatitis, the Target Group has built a strong reputation for its expertise in analytical services related to subject safety, efficacy, and inclusion/exclusion criteria for clinical trials.

LETTER FROM THE BOARD

The Acquisition will combine the Group's bioanalytical and pharmacokinetic expertise with the Target Group's established central laboratory network and technical capabilities. The Target Group's proven track record, including its role in the successful marketing launch of 35 new drugs and support for regulatory audits, complements the Group's existing expertise. This integration will enable the Enlarged Group to deliver more comprehensive and efficient service offerings to both domestic and global clients. The integration of the Target Group with the Group will create a powerful combined platform with expanded technical capabilities and higher operational barriers to entry. The Acquisition will enable the Enlarged Group to provide sponsors with fully integrated, one-stop biological sample analysis services, significantly reducing the complexity of clinical trial operations.

Additionally, the Acquisition will substantially enhance the Group's central laboratory capabilities and capacity in China, addressing its previous limitations in this market. This will allow the Group to better meet the anticipated growing demand from global pharmaceutical companies conducting clinical trials in China, as well as from Chinese biotech companies expanding their drug development pipelines. By leveraging the complementary strengths of the Group and the Target Group, the Enlarged Group will establish itself as a leading player in the integrated lab testing and central laboratory services market, further solidifying its position as a trusted partner in drug development worldwide.

The Board is of the view that the terms of the Share Transfer Agreement are fair and reasonable and the Share Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

Mr. Hao Wu, a non-executive Director, is also an executive director of Hangzhou Tigermed, and is deemed to have a material interest in the transactions contemplated under the Share Transfer Agreement. He has abstained from voting at the Board meeting approving the Share Transfer Agreement and the transactions contemplated thereunder. Save as disclosed, none of the Directors has a material interest in the Share Transfer Agreement and therefore, none of them was required to abstain from voting in respect of the Share Transfer Agreement.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company, and 100% of the financial results, assets and liabilities of the Target Group will be consolidated into the financial statements of the Group.

Earnings

The net profit of the Group for the six months ended June 30, 2025 amounted to approximately US\$2.9 million based on the interim report of the Company for the six months ended June 30, 2025. Assuming the Acquisition had been completed on January 1, 2025, the net profit of the Enlarged Group for the six months ended June 30, 2025 would have increased to approximately US\$3.5 million, which is after the deduction of transactions costs relating to the Acquisition of approximately US\$0.4 million, being non-recurring in nature, and the additional interest expenses on bank acquisition loan.

LETTER FROM THE BOARD

Assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to this circular, assuming the Acquisition had been completed on June 30, 2025, the consolidated total assets of the Enlarged Group as at June 30, 2025 would have increased from approximately US\$544.3 million to approximately US\$585.3 million, whereas the consolidated total liabilities of the Enlarged Group as at June 30, 2025 would have increased from approximately US\$202.8 million to approximately US\$244.3 million. The consolidated equity of the Enlarged Group as at June 30, 2025 would have decreased from approximately US\$341.4 million to approximately US\$341.1 million.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As of the Latest Practicable Date, Hangzhou Tigermed is the controlling shareholder of the Company, directly and indirectly (through Hongkong Tigermed) holding an aggregate of approximately 64.57% of the total issued Shares. Accordingly, each of Hangzhou Tigermed and Jiaxing Xinge is a connected person of the Company and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 5%, the Acquisition is subject to reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Share Transfer Agreement and the transactions contemplated thereunder, after taking into account the advice of the Independent Financial Adviser.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition.

CLOSURE OF REGISTER OF MEMBERS

The record date for determining the Shareholders' eligibility for attending and voting at the EGM will be Wednesday, January 7, 2026. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, January 2, 2026 to Wednesday, January 7, 2026, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all

LETTER FROM THE BOARD

share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong Hong Kong, for registration not later than 4:30 p.m. on Wednesday, December 31, 2025.

EGM AND PROXY ARRANGEMENT

The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.frontagelab.com). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the EGM (i.e. no later than 10:00 a.m. on Monday, January 5, 2026 (Hong Kong time)) or the adjourned meeting (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish. If you attend and vote at the EGM, the authority of your proxy will be revoked.

Hangzhou Tigermed and Hongkong Tigermed, a wholly-owned subsidiary of Hangzhou Tigermed, directly holding 226,020,000 Shares and 1,088,484,090 Shares, representing approximately 11.10% and 53.47% of the issued share capital of the Company as of the Latest Practicable Date, respectively, shall abstain from voting on the resolution approving the Share Transfer Agreement and the transactions contemplated thereunder at the EGM. Save as aforementioned, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, no other Shareholder has any material interest in the transactions contemplated under the Share Transfer Agreement and would be required to abstain from voting at the EGM.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules and article 66 of the articles of association of the Company, any vote of Shareholders at a general meeting must be taken by poll, except where the chairman of the meeting may in good faith allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolution set out in the notice of the EGM will be taken by way of poll.

The Company will announce the results of the poll after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the terms of the Share Transfer Agreement are normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Independent Shareholders to vote in favor of the ordinary resolution in respect of the Share Transfer Agreement and the transactions contemplated thereunder to be proposed at the EGM.

The Independent Board Committee, having taken into account the advice and recommendations of Gram Capital, considers that the terms of the Share Transfer Agreement and the Acquisition contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the ordinary resolution in respect of the Share Transfer Agreement and the Acquisition to be proposed at the EGM.

FURTHER INFORMATION

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

Yours faithfully,
On behalf of the Board
Frontage Holdings Corporation
Dr. Song Li
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



FRONTAGE HOLDINGS CORPORATION

方達控股公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1521)

December 15, 2025

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL
OF THE TARGET COMPANY**

We refer to the circular of the Company dated December 15, 2025 (the “**Circular**”), of which this letter forms part. Unless otherwise indicated, capitalized terms used herein shall have the same meanings as those defined in the Circular.

We, being the independent non-executive Directors, have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on the Share Transfer Agreement and the transactions contemplated thereunder, details of which are set out in the Circular.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. We wish to draw your attention to the “Letter from the Board” as set out on pages 5 to 20 of the Circular and the “Letter from the Independent Financial Adviser” as set out on pages 22 to 48 of the Circular.

Having considered, among other things, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we concur with its views and consider (i) the terms of the Share Transfer Agreement and the Acquisition contemplated thereunder are fair and reasonable; (ii) the Share Transfer Agreement and the Acquisition contemplated thereunder are on normal commercial terms or better, although not in the ordinary and usual course of business of the Group; and (iii) the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM in respect of the Acquisition.

Yours faithfully,
Independent Board Committee
Frontage Holdings Corporation

Mr. Yifan Li
*Independent non-executive
Director*

Mr. Erh Fei Liu
*Independent non-executive
Director*

Dr. Jingsong Wang
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition for the purpose of inclusion in the Circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

15 December 2025

To: The independent board committee and the independent shareholders of Frontage Holdings Corporation

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 15 December 2025 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 10 October 2025, Frontage Shanghai, a wholly-owned subsidiary of the Company (as purchaser), Hangzhou Tigermed (as vendor in respect of Sale Shares I) and Jiaxing Xinge, a wholly-owned subsidiary of Hangzhou Tigermed (as vendor in respect of Sale Shares II), entered into the Share Transfer Agreement, pursuant to which Frontage Shanghai has conditionally agreed to acquire, and each of Hangzhou Tigermed and Jiaxing Xinge has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, at the Total Consideration of RMB270,000,000. Upon the Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group.

With reference to the Board Letter, the Acquisition constitutes a major and connected transaction of the Company and is subject to the reporting, announcement circular and independent shareholders’ approval requirements under Chapters 14 and 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Yifan Li, Mr. Erh Fei Liu and Dr. Jingsong Wang (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Acquisition are on normal commercial terms and are fair and reasonable; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Acquisition at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

We were not aware of (i) any relationships or interests between Gram Capital and (a) the Company; or (b) Hangzhou Tigermed (as vendor in respect of Sale Shares I) or Jiaxing Xinge (as vendor in respect of Sale Shares II); or (ii) any services provided by Gram Capital to (a) the Company; or (b) Hangzhou Tigermed (as vendor in respect of Sale Shares I) or Jiaxing Xinge (as vendor in respect of Sale Shares II), during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Acquisition. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have not made any independent evaluation or appraisal of the assets and liabilities of the Target Company, and we have not been furnished with any such evaluation or appraisal, save as and except for the Valuation Report as contained in Appendix V to the Circular. Since we are not experts in valuation of assets or business, we have relied solely upon the Valuation Report for the value of the entire issued share capital of the Target Company as at 30 June 2025.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Hangzhou Tigermed, Jiaxing Xinge, the Target Company or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Acquisition, we have taken into consideration the following principal factors and reasons:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Background of and reasons for the Acquisition

Information on the Group

With reference to the Board Letter, the Group is engaged in the provision of research, analytical and development services throughout the product discovery and development continuum. The Group provides integrated, scientifically driven support that enables biopharmaceutical and life science companies to achieve their product development goals. In North America, China and Italy, the Group provides a comprehensive portfolio of product discovery and development services throughout the discovery and development continuum, which includes chemistry, manufacturing and controls, pre-clinical research (drug metabolism and pharmacokinetics, safety and toxicology), laboratory testing (bioanalytical and biologics, and central laboratory). In addition, in China, the Group also provides a suite of bioequivalence and related services (such as pharmacology, medical writing and regulatory support) to support the Group's customers with their regulatory submissions.

Set out below are the audited consolidated financial information of the Group for the three years ended 31 December 2024 as extracted from the Company's annual reports for the year ended 31 December 2023 (the "**2023 Annual Report**") and 31 December 2024 (the "**2024 Annual Report**") and the unaudited consolidated financial information of the Group for the six months ended 30 June 2025 (with comparative figures for the corresponding period in 2024) as extracted from the Company's interim report for the six months ended 30 June 2025 (the "**2025 Interim Report**"):

	For the six months ended 30 June 2025 ("1H2025") US\$'000 (unaudited)	For the six months ended 30 June 2024 ("1H2024") US\$'000 (unaudited)	Changes from 1H2024 to 1H2025 %	For the year ended 31 December 2024 ("FY2024") US\$'000 (audited)	For the year ended 31 December 2023 ("FY2023") US\$'000 (audited)	For the year ended 31 December 2022 ("FY2022") US\$'000 (audited)	Changes from FY2023 to FY2024 %	Changes from FY2022 to FY2023 %
Revenue	126,578	128,475	(1.48)	254,907	259,855	250,360	(1.90)	3.79
– North America and Europe Segment (Note)	98,585	99,414	(0.83)	198,211	199,065	196,333	(0.43)	1.39
– PRC Segment	27,993	29,061	(3.68)	56,696	60,790	54,027	(6.73)	12.52
Gross profit	35,311	34,842	1.35	69,811	78,394	89,194	(10.95)	(12.11)
Profit/(loss) attributable to owners of the Company	2,927	(117)	N/A	791	10,808	25,735	(92.68)	(58.00)

Note: The Group's reportable segment of North America segment changed into North America and Europe segment since January 2024. With reference to the 2024 Annual Report and as confirmed by the Directors, the Group expanded its operations into Europe by acquiring the bioanalytical and drug metabolism and pharmacokinetics ("DMPK") businesses of Accelera S.r.l. (the "**Bioanalytical & DMPK Acquisition**") through Frontage Europe S.r.l. ("**Frontage Europe**"), a wholly-owned subsidiary of the Group, in January 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

FY2023 vs FY2022

As illustrated in the above table, the Group's revenue increased from approximately US\$250.36 million for FY2022 to approximately US\$259.86 million for FY2023, representing an increase of approximately 3.79%. With reference to the 2023 Annual Report, such increase was mainly attributable to (i) the increase of approximately 1.39% in revenue from North America segment, which was mainly due to marketing and business development efforts made by the Group, resulting in resilient marketing performance in North America, partially offset by the decrease of revenue generated from early drug discovery business which was negatively affected by the weak global investment and financing environment in the biopharmaceutical field (as analysed below); and (ii) the increase of approximately 12.52% in revenue from the PRC segment, which was mainly due to improvement of capacity utilization and acceleration of execution of clients' projects after recovery from the novel coronavirus (COVID-19) and positive impact of investments in the preclinical and good laboratory practice (GLP) bioanalytical services from Suzhou facility.

The Group's gross profit decreased by approximately 12.11% for FY2023 as compared to that for FY2022. With reference to the 2023 Annual Report and as confirmed by the Directors, such decrease was mainly due to (i) the increase in the Group's cost of services of approximately 12.59%, which was mainly attributed to the expansion of the Group's service capability and capacity in both capacity in North America region and the PRC region which led to an increase in depreciation and other overhead cost, and employee compensation as more scientists were hired; (ii) the decrease in the Group's gross profit margin (from approximately 35.6% for FY2022 to approximately 30.2% for FY2023), which was mainly due to (a) the decrease of revenue generated from drug discovery business for the Group's North America Segment, which was negatively affected by the weak global investment and financing environment in the biopharmaceutical field (specifically, facing uncertain market conditions and regulatory environment, investors exercised greater caution in assessing project returns and risks. Coupled with increasing pressure on profit margins, investors tended to focus toward cost-effective solutions, accelerated timelines, and more targeted drug development pipelines, which reduced overall investments in broader and more resource-intensive initiatives. In addition, trade barriers and shifts in international policy complicated the ability of biopharmaceutical companies to operate globally), leading the Group to reprioritise its drug discovery initiatives and exercise greater caution with the Group's budgetary spending amidst the uncertainty under such environment; (b) relatively lower gross profit margin contributed by newly established pre-clinical business for the Group's PRC segment; (c) increasing overhead cost associated with service in new facilities that recently started operation for the Group's PRC segment; and (d) proactive marketing and pricing strategies for the Group's PRC segment were adopted while facing the severe market competition in the PRC due to the weak investment and financing environment in the biopharmaceutical field.

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The Group also recorded substantial decrease of approximately 58.00% in the Group's profit attributable to owners of the Company for FY2023 as compared to that for FY2022. With reference to the 2023 Annual Report, such decrease was mainly due to (i) the aforementioned decreases in the Group's gross profit and gross profit margin; (ii) the Group recorded net other gains of approximately US\$2.55 million for FY2022 (primarily comprises net foreign exchange gain, fair value change on financial liabilities measured at fair value through profit or loss, loss on disposal of property, plant and equipment ("PPE") and gain arising from fair value change of previously held interest in an associate) while the Group recorded net other losses of approximately US\$1.06 million for FY2023 (primarily comprises net foreign exchange loss, fair value change on financial liabilities measured at fair value through profit or loss and loss on disposal of PPE). Such turnaround was mainly due to gain arising from fair value change of previously held interest in an associate (i.e. Frontage Clinical Services, Inc. ("**Frontage Clinical**"), which became an indirect wholly-owned subsidiary of the Company since 27 July 2022 (New York time), being the date on which the completion of acquisition of 88.09% equity interest in Frontage Clinical by the Group had taken place) during 2022; (iii) the increase of approximately 55.46% in the Group's research and development expenses, which was mainly due to the Group's efforts in enhancing investment in new technologies and platforms; (iv) the increase of approximately 79.13% in the Group's finance costs as a result of increased borrowings to finance the Group's expansion, investments and business operation during 2023.

FY2024 vs FY2023

As illustrated in the above table, the Group's revenue decreased from approximately US\$259.86 million for FY2023 to approximately US\$254.91 million for FY2024, representing a decrease of approximately 1.90%. With reference to the 2024 Annual Report and as confirmed by the Directors, such decrease was mainly attributable to the decline in revenue generated from drug development and drug discovery businesses (from approximately US\$128.59 million for FY2023 to approximately US\$113.09 million for FY2024), which was negatively affected by the weak global investment and financing environment in the biopharmaceutical field (specifically, facing uncertain market conditions and regulatory environment, investors exercised greater caution in assessing project returns and risks. Coupled with increasing pressure on profit margins, investors tended to focus toward cost-effective solutions, accelerated timelines, and more targeted drug development pipelines, which reduced overall investments in broader and more resource-intensive initiatives. In addition, trade barriers and shifts in international policy complicated the ability of biopharmaceutical companies to operate globally), leading the Group to reprioritise its drug development and discovery initiatives and exercise greater caution with the Group's budgetary spending amidst the uncertainty under such environment.

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The Group's gross profit also decreased by approximately 10.95% for FY2024 as compared to that for FY2023. With reference to the 2024 Annual Report and as confirmed by the Directors, such decrease was mainly due to (i) the aforesaid decrease in the Group's revenue; (ii) increase in the Group's cost of services which was mainly due to the additional costs of (a) Nucro-Technics, Inc. ("**Nucro**", a wholly owned subsidiary of the Group, whose financial results, assets and liabilities were consolidated into the consolidated financial statements of the Group in August 2023); and (b) Frontage Europe due to the Bioanalytical & DPMK Acquisition (the financial results, assets and liabilities of the Bioanalytical and DPMK businesses of Accelera S.r.l. was consolidated into the consolidated financial statements of the Group in January 2024); and (iii) the decrease in the Group's gross profit margin (from approximately 30.2% for FY2023 to approximately 27.4% for FY2024), which was primarily due to the decline in revenue generated from drug development and drug discovery businesses, and the increase of cost generated from the new facility in Europe for the Group's North America and Europe segment.

The Group also recorded substantial decrease of approximately 92.68% in the Group's profit attributable to owners of the Company for FY2024 as compared to that for FY2023. With reference to the 2024 Annual Report, such decrease was mainly due to (i) the aforementioned decreases in the Group's revenue, gross profit and gross profit margin; (ii) the increase of approximately 5.61% or approximately US\$2.50 million in the Group's administrative expenses, which was mainly due to the administrative expenses of Nucro and Frontage Europe, which were consolidated into the consolidated financial statements of the Group in August 2023 and January 2024 respectively; and (iii) the increase of approximately 35.24% or approximately US\$2.50 million in the Group's finance costs, which was mainly due to interest expenses on bank borrowings, as a result of increased borrowings to finance the Group's expansion, investments and business operation during 2024.

1H2025 vs 1H2024

As illustrated in the above table, the Group's revenue and gross profit remained relatively stable for 1H2025 as compared to those for 1H2024. Mainly as a result of the decrease in the Group's administrative expenses (primarily due to decrease in labor cost and improvement of efficiency), the Group recorded profit attributable to owners of the Company for 1H2025 of approximately US\$2.93 million as compared to loss attributable to owners of the Company for 1H2024 of approximately US\$0.12 million.

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Set out below is a summary of the major items of consolidated financial position of the Group as at each of 31 December 2022, 31 December 2023, 31 December 2024 and 30 June 2025, as extracted from the 2023 Annual Report, 2024 Annual Report and 2025 Interim Report:

					Changes from 31 December 2024 to 30 June 2025	Changes from 31 December 2023 to 31 December 2024	Changes from 31 December 2022 to 31 December 2023
	As at 30 June 2025	As at 31 December 2024	As at 31 December 2023	As at 31 December 2022			
	US\$'000 (unaudited)	US\$'000 (audited)	US\$'000 (audited)	US\$'000 (audited)	%	%	%
Total assets	544,268	553,593	571,869	550,594	(1.68)	(3.20)	3.86
– Property, plant and equipment	124,113	126,423	124,695	114,988	(1.83)	1.39	8.44
– Goodwill	189,298	187,014	183,918	149,211	1.22	1.68	23.26
– Trade and other receivables and prepayments	73,814	69,091	61,328	57,598	6.84	12.66	6.48
– Cash and cash equivalents	33,662	44,091	53,186	87,433	(23.65)	(17.10)	(39.17)
Total liabilities	202,833	219,324	226,722	214,746	(7.52)	(3.26)	5.58
– Bank borrowings (Note 1)	78,628	95,670	81,436	48,851	(17.81)	17.48	66.70
– Lease liabilities (Note 2)	58,215	58,695	63,661	69,335	(0.82)	(7.80)	(8.18)
Net assets	341,435	334,269	345,147	335,848	2.14	(3.15)	2.77
– Equity attributable to owners of the Company	340,171	333,005	342,503	333,079	2.15	(2.77)	2.83

Note 1: The bank borrowings include the bank borrowings under both current liabilities and non-current liabilities.

Note 2: The lease liabilities include the lease liabilities under both current liabilities and non-current liabilities.

As illustrated in the above table;

- the Group's total assets increased by approximately 3.86% from 31 December 2022 to that as at 31 December 2023. Subsequently, the Group's total assets decreased from 31 December 2024 and 30 June 2025 as compared to the opening of the respective period;
- the Group's PPE increased continuously from that as at 31 December 2022 to 31 December 2024. As advised by the Directors, such increase mainly caters for the Group's expansion of research, development and manufacturing capacities. Subsequently, the Group's PPE as at 30 June 2025 decreased slightly as compared to the opening of such period, which was due to the depreciation recorded during such period;

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- the Group's goodwill increased continuously from that as at 31 December 2022 to 30 June 2025. As advised by the Directors, such increases were mainly due to the goodwill arising from (i) the acquisition of Nucro in FY2023; (ii) the Bioanalytical & DPMK Acquisition in FY2024; and (iii) the exchange gain on the goodwill arose from the Bioanalytical & DPMK Acquisition in 1H2025;
- the Group's trade and other receivables and prepayments increased continuously from that as at 31 December 2022 to 30 June 2025. As advised by the Directors, such increases were mainly due to the growth of the Group's business during such period;
- the Group's cash and cash equivalents decreased continuously from that as at 31 December 2022 to 30 June 2025. As advised by the Directors, such decreases were mainly due to payments for purchase of PPE and payments related to acquisition of subsidiaries in FY2023 and FY2024 and repayments for bank borrowing in 1H2025;
- The Group's total liabilities increased by approximately 5.58% from that as at 31 December 2022 to 31 December 2023. Subsequently, the Group's total liabilities as at 31 December 2024 and 30 June 2025 decreased as compared to the opening of the respective period;
- In addition, the Group's bank borrowings increased from approximately US\$48.85 million as at 31 December 2022 to approximately US\$81.44 million as at 31 December 2023, and further increased to approximately US\$95.67 million as at 31 December 2024. As advised by the Directors, such increases were mainly for the purchase of PPE and the payments related to acquisition of subsidiaries in FY2023 and FY2024. Subsequently, the Group's total borrowings decreased from approximately US\$95.67 million to approximately US\$78.63 million as at 30 June 2025. As advised by the Directors, such decrease was mainly due to the repayments for bank borrowings in 1H2025;
- the Group's lease liabilities decreased continuously from that as at 31 December 2022 to 30 June 2025. As advised by the Directors, such decreases were mainly due to the payments for existing leases during such period; and
- The Group's equity attributable to owners of the Company were approximately US\$333.08 million, approximately US\$342.50 million, approximately US\$333.01 million and approximately US\$340.17 million as at 31 December 2022, 31 December 2023, 31 December 2024 and 30 June 2025, respectively.

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Information on Frontage Shanghai

With reference to the Board Letter, Frontage Shanghai is a company established in the PRC with limited liability and is principally engaged in bioanalytical and bioequivalence services. Frontage Shanghai is an indirect wholly-owned subsidiary of the Company.

Information on vendors

Hangzhou Tigermed

With reference to the Board Letter, Hangzhou Tigermed is a joint stock company established in the PRC with limited liability. It is a leading China-based provider of comprehensive biopharmaceutical research and development services, with an expanding global presence and is principally engaged in the provision of one-stop and professional clinical research services for innovative drugs, medical devices and biotechnology related products to domestic and international enterprises engaged in providing innovative drugs and medical devices. The A shares of Hangzhou Tigermed are listed on the ChiNext market of the Shenzhen Stock Exchange (stock code: SZ300347) and the H shares of Hangzhou Tigermed are listed on the Stock Exchange (stock code: 3347).

Jiaxing Xinge

With reference to the Board Letter, Jiaxing Xinge is a company established in the PRC with limited liability and is principally engaged in clinical research services. Jiaxing Xinge is an indirect wholly-owned subsidiary of Hangzhou Tigermed.

Information on the Target Group

With reference to the Board Letter, the Target Company is a joint stock company established in the PRC with limited liability and is principally engaged in clinical trial technical services, clinical trial related services and laboratory services. As at the Latest Practicable Date, the Target Company has two wholly-owned subsidiaries as follows:

- (1) Teddy Clinical Wuxi, a company established in the PRC with limited liability, which is principally engaged in clinical research services; and
- (2) Teddy Clinical HK, a company incorporated in Hong Kong with limited liability, which is principally engaged in clinical research services.

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Set out below is a summary of certain consolidated financial information of the Target Group for the three years ended 31 December 2024 and the six months ended 30 June 2025 (with comparative figures for the corresponding period in 2024) as extracted from Appendix II to the Circular:

	For the six months ended 30 June 2025 <i>RMB'000</i> <i>(audited)</i>	For the six months ended 30 June 2024 <i>RMB'000</i> <i>(unaudited)</i>	Changes from 1H2024 to 1H2025 %	For the year ended 31 December 2024 <i>RMB'000</i> <i>(audited)</i>	For the year ended 31 December 2023 <i>RMB'000</i> <i>(audited)</i>	For the year ended 31 December 2022 <i>RMB'000</i> <i>(audited)</i>	Changes from FY2023 to FY2024 %	Changes from FY2022 to FY2023 %
Revenue	84,849	73,001	16.2	152,799	211,285	294,214	(27.7)	(28.2)
Gross profit	29,101	22,062	31.9	46,444	82,347	109,351	(43.6)	(24.7)
Profit before tax	14,275	5,765	147.6	10,981	34,120	68,166	(67.8)	(49.9)
Profit for the year/period attributable to owners of the Target Group	13,420	4,640	189.2	10,172	32,228	58,846	(68.4)	(45.2)

With reference to the “Management discussion and Analysis on the Target Group” as contained in Appendix III to the Circular and as confirmed by the Directors:

- (i) The Target Group’s revenue decreased by approximately 28.2% from approximately RMB294.2 million for FY2022 to approximately RMB211.3 million for FY2023. The decrease was mainly due to the decreased demand from COVID-19 vaccine project.
- (ii) The Target Group’s revenue decreased by approximately 27.7% from approximately RMB211.3 million for FY2023 to approximately RMB152.8 million for FY2024. The decrease was mainly due to the weak global investment and financing environment in the biopharmaceutical field (as analysed under the section headed “Information of the Group” above).
- (iii) The Target Group’s revenue increased by approximately 16.2% from approximately RMB73.0 million for 1H2024 to approximately RMB84.8 million for 1H2025. The increase was mainly due to the increased demand from Human Papillomavirus (HPV) vaccine project.
- (iv) The Target Group’s gross profit decreased by approximately 24.7% from approximately RMB109.4 million for FY2022 to approximately RMB82.3 million for FY2023, which was mainly due to the aforesaid decrease in the Target Group’s revenue, but partially offset by the increase in the Target Group’s profit margin from approximately 37.2% for FY2022 to approximately 39.0% for FY2023, which was mainly driven by the continued contribution from COVID-19 vaccine projects,

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which saw an improvement in profit margin compared to 2022. Although revenue from COVID-19 vaccine projects decreased in 2023 due to reduced demand, the implementation of cost reduction and efficiency improvement measures led to a higher profit margin.

- (v) The Target Group's gross profit decreased by approximately 43.6% from approximately RMB82.3 million for FY2023 to approximately RMB46.4 million for FY2024, which was mainly due to (i) the aforesaid decrease in the Target Group's revenue; and (ii) the decrease in the Target Group's gross profit margin from approximately 39.0% for FY2023 to approximately 30.4% for FY2024, which was mainly contributed by the fierce competition due to weak global investment and financing environment in the biopharmaceutical field. The decline in gross profit was driven by the challenging investment and financing environment in the biopharmaceutical field shaped by investors that were more attentive to project returns and risks, with global economic pressures forcing companies to prioritize cost efficiency and limit spending on new projects or expanded operations. These factors, combined with geopolitical challenges in key international markets, significantly weakened the global investment and financing environment for biopharmaceutical companies, adversely affecting the Target Group's performance.
- (vi) The Target Group's gross profit increased by approximately 31.9% from approximately RMB22.1 million for 1H2024 to approximately RMB29.1 million for 1H2025, which was mainly due to (i) the aforesaid increase in the Target Group's revenue; and (ii) the increase in the Target Group's profit margin from approximately 30.2% for 1H2024 to approximately 34.3% for 1H2025, which was mainly contributed by implementation of cost reduction and efficiency improvement measures to enhance efficiency.
- (vii) The Target Group's profit for the year attributable to owners of the Target Group decreased by approximately 45.2% from approximately RMB58.8 million for FY2022 to approximately RMB32.2 million for FY2023. The decrease was mainly due to the aforesaid decrease in revenue and gross profit.
- (viii) The Target Group's profit for the year attributable to owners of the Target Group decreased by approximately 68.4% from approximately RMB32.2 million for FY2023 to approximately RMB10.2 million for FY2024. The decrease was mainly due to the aforesaid decrease in revenue and gross profit.
- (ix) The Target Group's profit for the period attributable to owners of the Target Group increased by approximately 189.2% from approximately RMB4.6 million for 1H2024 to approximately RMB13.4 million for 1H2025. The increase was mainly due to the aforesaid increase in revenue and gross profit.

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Set out below is a summary of the major items of consolidated financial position of the Target Group as at each of 31 December 2022, 31 December 2023, 31 December 2024 and 30 June 2025, as extracted from Appendix II to the Circular:

					Changes from 31 December 2024 to 30 June 2025	Changes from 31 December 2023 to 2024	Changes from 31 December 2022 to 2023
	As at 30 June 2025	As at 31 December 2024	As at 31 December 2023	As at 31 December 2022			
	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (audited)	%	%	%
Total assets	280,093	258,500	295,195	317,870	8.4	(12.4)	(7.1)
– Property, plant and equipment	19,080	20,877	27,339	34,551	(8.6)	(23.6)	(20.9)
– Trade and other receivables and prepayments	51,406	58,077	67,836	64,561	(11.5)	(14.4)	5.1
– Unbilled revenue	54,263	45,454	56,984	56,171	19.4	(20.2)	1.4
– Cash and cash equivalents	91,726	105,577	121,855	130,474	(13.1)	(13.4)	(6.6)
Total liabilities	70,570	62,298	58,952	86,604	13.3	5.7	(31.9)
– Trade and other payables	38,176	34,208	36,598	49,133	11.6	(6.5)	(25.5)
Net assets	209,523	196,202	236,243	231,266	6.8	(17.0)	2.2

As illustrated in the above table:

- the Target Group's total assets decreased by approximately 7.1% and approximately 12.4% from that as at 31 December 2022 to 31 December 2023 and from that as at 31 December 2023 to 31 December 2024 respectively. Subsequently, the Target Group's total assets increased approximately RMB280.09 million as at 30 June 2025.
- the Target Group's PPE decreased continuously from that as at 31 December 2022 to 30 June 2025. As advised by the Directors, such decreases were mainly due to the depreciation recorded during such period.
- the Target Group's trade and other receivables and prepayments increased from that as at 31 December 2022 to 31 December 2023. As advised by the Directors, such increase was mainly due to the Target Group extending the credit period for customers. Subsequently, the Target Group's trade and other receivables and prepayments decreased continuously from that as at 31 December 2023 to 30 June 2025. As advised by the Directors, such decreases were mainly attributable to the

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Target Group's focus on trade receivables management since 2024, with the goal of optimising cash flow and capital structure, which improved the speed and efficiency of the settlement of the Target Group's trade and other receivables and prepayments.

- the Target Group's unbilled revenue slightly increased from that as at 31 December 2022 to 31 December 2023. Subsequently, the Target Group's unbilled revenue substantially decreased from that as at 31 December 2023 to 31 December 2024, in line with the movement of the Group's revenue from 2023 to 2024. Afterwards, the Target Group's unbilled revenue increased from that as at 31 December 2024 to 30 June 2025. As advised by the Directors, such increase was mainly due to the increased demand from Human Papillomavirus (HPV) vaccine project.
- the Target Group's cash and cash equivalents decreased continuously from that as at 31 December 2022 to 30 June 2025. As advised by the Directors, such decreases in the Target Group's cash and cash equivalents are mainly due to the payments for interim dividends for FY2023 and FY2024 and purchase of financial assets at fair value through profit or loss in 1H2025.
- the Target Group's total liabilities decreased by approximately 31.9% from that as at 31 December 2022 to 31 December 2023, and increased subsequently by approximately 5.7% to that as at 31 December 2024. Afterwards, the Target Group's total liabilities further increased to approximately RMB70.57 million as at 30 June 2025.
- the Target Group's trade and other payables decreased continuously from that as at 31 December 2022 to 31 December 2024, but increased from that as at 31 December 2024 to 30 June 2025. The aforesaid changes of the Target Group's trade and other payables moved in line with the movement of the Target Group's cost of goods sold for the corresponding period.
- due to the movements of the Target Group's total assets and total liabilities as aforementioned, the Target Group's net assets fluctuated correspondingly and were approximately RMB209.52 million as at 30 June 2025.

In addition, as confirmed by the Directors, Teddy Clinical Research (Shanghai) Limited ("**Teddy Clinical Research**") was a wholly-owned subsidiary of the Target Company established on 7 November 2023 and deregistered on 28 July 2025. Hence, the aforementioned consolidated financial information of the Target Group for FY2023, FY2024 and 1H2025 (including the comparative figures for 1H2024) comprised the financial information of Teddy Clinical Research for the corresponding period. Based on the financial information of Teddy Clinical Research (summarised as below), the financial performance and assets/liabilities level are insignificant to the Target Group's financial performance for the two years ended 31 December 2024 and six months ended 30 June 2025. Given that Teddy Clinical Research did not commence substantial operations or generate significant revenue before its deregistration, the deregistration did not have any material impact on the principal business, financial

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performance, or financial position of the Target Group. We summarised certain financial information of Teddy Clinical Research for FY2023, FY2024 and 1H2025 (together with the comparative figures for 1H2024) as below for the Shareholders' information:

	For the six months ended 30 June 2025 RMB'000 (audited)	For the six months ended 30 June 2024 RMB'000 (unaudited)	For the year ended 31 December 2024 RMB'000 (audited)	For the year ended 31 December 2023 RMB'000 (audited)
Revenue	5.00	—	—	5.0
Net profit	4.64	0.02	(0.05)	4.7

	As at 30 June 2025 RMB'000 (audited)	As at 31 December 2024 RMB'000 (audited)	As at 31 December 2023 RMB'000 (audited)
Net assets	9.33	204.69	4.74

Reasons for and benefits of the Acquisition

With reference to the Board Letter, the Group currently provides a comprehensive suite of laboratory testing and central laboratory services that support all phases of global clinical trials. These services are integrated with biomarker and genomics capabilities, offering clients a complete, end-to-end solution for drug development. While the Group has established a broad and diverse global client base, particularly in the U.S. and emerging European markets, the Group's service capability and capacity in China remain limited. This limitation has constrained the expansion of its lab testing and central laboratory business, which is its largest business unit.

In contrast, the Target Group, under the Teddylab brand, is a leading domestic central laboratory in China, known for delivering one-stop laboratory service solutions to the biotechnology industry. The Target Company is a leading clinical research laboratory service provider, which brings extensive experience in supporting over 1,500 clinical trials across various therapeutic areas and is renowned for its GCP (good clinical practice)-compliant and internationally accredited services. With extensive project experience across multiple therapeutic areas, including oncology, hematology, autoimmune diseases, metabolic disorders, and hepatitis, the Target Group has built a strong reputation for its expertise in analytical services related to subject safety, efficacy, and inclusion/exclusion criteria for clinical trials.

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The Acquisition will combine the Group's bioanalytical and pharmacokinetic expertise with the Target Group's established central laboratory network and technical capabilities. The Target Company's proven track record, including its role in the successful marketing launch of 35 new drugs and support for regulatory audits, complements the Group's existing expertise. This integration will enable the Enlarged Group to deliver more comprehensive and efficient service offerings to both domestic and global clients. The integration of the Target Group with the Group will create a powerful combined platform with expanded technical capabilities and higher operational barriers to entry. The Acquisition will enable the Enlarged Group to provide sponsors with fully integrated, one-stop biological sample analysis services, significantly reducing the complexity of clinical trial operations.

Additionally, the Acquisition will substantially enhance the Group's central laboratory capabilities and capacity in China, addressing its previous limitations in this market. This will allow the Group to better meet the anticipated growing demand from global pharmaceutical companies conducting clinical trials in China, as well as from Chinese biotech companies expanding their drug development pipelines. By leveraging the complementary strengths of the Group and the Target Group, the Enlarged Group will establish itself as a leading player in the integrated lab testing and central laboratory services market, further solidifying its position as a trusted partner in drug development worldwide.

With reference to the 2025 Interim Report, the Group remains committed to strategic growth and technological innovation, and will continue to pursue growth through ongoing facility development, expansion of service offerings, and the strengthening of global partnerships, all in support of the Group's mission to be a trusted, full-service partner for pharmaceutical and biotechnology companies around the world. As advised by the Directors, as the Target Company is a leading clinical research laboratory service provider with proven track record as aforementioned, the Acquisition is in line with the Group's development objectives.

In addition, as advised by the Directors, revenue generated by the Target Company will be attributable to the Group's PRC segment upon the Completion. As analysed under the section headed "Information on the Group" above, the Group's revenue from the PRC segment decreased by approximately 6.73% for FY2024 as compared to that for FY2023, and further decreased by approximately 3.68% for 1H2025 as compared to that for 1H2024. With reference to the 2023 Annual Report, the 2024 Annual Report and the 2025 Interim Report, we noted that the gross profit margin of the Group's PRC segment was approximately 22.4%, approximately 20.4%, approximately 20.7%, approximately 19.3% and approximately 19.2% for FY2022, FY2023, FY2024, 1H2024 and 1H2025 respectively. As (i) the Target Group's revenue increased by approximately 16.2% from approximately RMB73.0 million for 1H2024 to approximately RMB84.8 million for 1H2025; and (ii) the gross profit margin of the Target Group was approximately 37.2%, approximately 39.0%, approximately 30.4%, approximately 30.2% and approximately 34.3% for FY2022, FY2023, FY2024, 1H2024 and 1H2025 respectively, which were higher than that of the Group's PRC segment for the corresponding period, we consider that the Acquisition will enhance the Group's financial performance.

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Industry overview

With reference to the Board Letter, the Target Company is a joint stock company established in the PRC with limited liability and is principally engaged in clinical trial technical services, clinical trial related services and laboratory services. To further understand the market conditions of clinical trial industry in the PRC, we searched for relevant market information as follows:

On 20 March 2025, the General Office of the State Council of the PRC issued an article titled 《關於提升中藥質量促進中醫藥產業高質量發展的意見》(Opinions on Enhancing the Quality of Traditional Chinese Medicine to Promote the High-Quality Development of the Traditional Chinese Medicine Industry*), which indicated that the PRC government should strengthen the assessment of clinical value by leveraging professional institutions, adhering to the principles and characteristics of traditional Chinese medicine, and utilizing evidence-based medicine to develop large-scale models for evaluating the clinical efficacy of traditional Chinese medicine, thereby facilitating the transformation of human-use experience into clinical evidence.

On 18 March 2025, the Center for Drug Evaluation of National Medical Products Administration of the PRC issued 《2024年度藥品審評報告》(2024 Drug Evaluation Annual Report*), which indicated that in 2024, the volume of drug registration applications in the PRC continued to grow. The Center for Drug Evaluation of National Medical Products Administration of the PRC accepted a total of 19,563 registration applications (representing a 5.73% year-on-year increase), including 17,476 applications for drug products (representing a 3.42% year-on-year increase) and 2,087 applications for chemical active pharmaceutical ingredients (representing a 30.03% year-on-year increase).

On 21 July 2024, an article titled 《關於進一步全面深化改革推進中國式現代化的決定》(Decision on Further Comprehensively Deepening Reforms and Advancing Chinese Modernization*) was published on the official website of the Central People's Government of the PRC, which indicated that the PRC should deepen the reform of the medicine and healthcare system, implement health-first development strategy, improve the public health system, promote the coordinated development and governance of healthcare, medical insurance, and the pharmaceutical industry, and enhance mechanisms to support the development of innovative drugs and medical devices.

On 3 June 2024, the General Office of the State Council of the PRC issued an article titled 《深化醫藥衛生體制改革2024年重點工作任務》(Key Tasks for Deepening the Reform of the Medicine and Healthcare System in 2024*), which indicated that the PRC government should advance the pilot program for high-level hospitals to enhance the capabilities in clinical research and the translation of research findings, strengthen the clinical comprehensive evaluation of innovative drugs, facilitate the accelerated and rational use of new drugs, deepen the reform of the drug review and approval system, and improve the drug supply guarantee mechanism.

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In light of the above, we consider that the prospects of clinical trial industry in the PRC to be positive. As analysed under the section headed “Information on the Target Group” above, although the Target Group’s revenue decreased from FY2022 to FY2024 due to various reasons as aforementioned, the Target Group’s revenue for 1H2025 increased as compared to that for 1H2024, indicating signs of improvement in the Target Group’s operating conditions.

Having considered the above, in particular, (i) the Acquisition will enable the Enlarged Group to provide sponsors with fully integrated, one-stop biological sample analysis services, significantly reducing the complexity of clinical trial operations; (ii) the Acquisition will substantially enhance the Group’s central laboratory capabilities and capacity in China, addressing its previous limitations in this market; (iii) the Acquisition is in line with the Group’s development objectives; (iv) the Acquisition will enhance the Group’s financial performance; and (v) the positive prospects of clinical trial industry in the PRC, we are of the view that although the Acquisition is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and Shareholders as a whole.

Principal terms of the Acquisition

Set out below are the principal terms of the Acquisition pursuant to the Share Transfer Agreement:

Date

10 October 2025

Parties

- (i) Hangzhou Tigermed (as vendor in respect of Sale Shares I);
- (ii) Jiaxing Xinge (as vendor in respect of Sale Shares II); and
- (iii) Frontage Shanghai (as purchaser).

Subject matter

Pursuant to the Share Transfer Agreement:

- (a) Frontage Shanghai has agreed to acquire, and Hangzhou Tigermed has conditionally agreed to sell, the Sale Shares I, representing 57.94% of the total issued share capital of the Target Company upon completion of the Repurchase and Capital Reduction, at the consideration of RMB156,427,470; and

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- (b) Frontage Shanghai has agreed to acquire, and Jiaxing Xinge has conditionally agreed to sell, the Sale Shares II, representing 42.06% of the total issued share capital of the Target Company upon completion of the Repurchase and Capital Reduction, at the consideration of RMB113,572,530.

As at the Latest Practicable Date, the Sale Shares, comprising the Sale Shares I and the Sale Shares II, represent the entire issued share capital of the Target Company. Frontage Shanghai's payment of the first installment of the Total Consideration shall be subject to, among others, the Target Company having completed the Repurchase and Capital Reduction, and having provided Frontage Shanghai with the relevant certificates.

Consideration

The Total Consideration of RMB270,000,000, comprising RMB156,427,470 for the Sale Shares I and RMB113,572,530 for the Sale Shares II, shall be paid by Frontage Shanghai to Hangzhou Tigermed and Jiaxing Xinge respectively by cash in accordance with the payment terms outlined below:

- (a) Frontage Shanghai shall pay 50% of the Total Consideration due to each vendor within 20 business days after all conditions precedent to the first installment payment (as disclosed in the paragraph headed "Conditions Precedent" of the Circular) have been satisfied or waived (as the case may be), and each vendor has issued a notice confirming the satisfaction of such conditions applicable to them; and
- (b) Frontage Shanghai shall pay the remaining 50% of the Total Consideration due to each vendor within 20 business days after all conditions precedent to the second installment payment (as disclosed in the paragraph headed "Conditions Precedent" of the Circular) have been satisfied or waived (as the case may be), and each vendor has issued a notice confirming the satisfaction of such conditions applicable to them.

With reference to the Board Letter, the Total Consideration will be funded as to 20% by the Group's internal resources and 80% through a bank acquisition loan.

Basis of the Total Consideration

The Total Consideration was determined after arm's length negotiations among the parties to the Share Transfer Agreement with reference to the valuation of the entire equity interest of the Target Company upon completion of the Repurchase and Capital Reduction as at 30 June 2025 as appraised by the Valuer.

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The Valuation Report

According to the Valuation Report, the market value of 100% equity interest of the Target Company as at 30 June 2025 (the “**Valuation Date**”) was RMB270 million (the “**Valuation**”). The Total Consideration equals to the Valuation.

Qualification and Independence

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer’s qualification in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer for conducting the Valuation Report. From the mandate letter and other relevant information provided by the Valuer and based on our interview with them, we were satisfied with the terms of engagement of the Valuer as well as their qualification for preparation of the Valuation Report. The Valuer also confirmed that they are independent to the Group, the parties to the Acquisition and the Target Group.

Valuation Approach

With reference to the Valuation Report, In arriving the Valuation, the Valuer considered three generally accepted approaches, namely market approach, cost approach and income approach. Given the characteristics of the Target Company, there are substantial limitations for the income approach and the cost approach for valuing the underlying asset. Firstly, income approach result would be more dependent on long term financial forecast internally prepared by the management, which is unobservable input and requires subjective assumptions. Secondly, the cost approach does not directly incorporate information about the economic benefits contributed by the Target Company. In view of the above, the Valuer adopted the market approach for the Valuation.

According to the Valuation,

- (i) Market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.
- (ii) Cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

most reliable indication of value for assets without a known secondary market. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

- (iii) Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

As the Target Group's inventories, trade and other receivables and prepayments, unbilled revenue and cash and cash equivalents accounted for approximately 78% of the Target Group's total assets as at 30 June 2025, we consider the Target Group is not asset-intensive and the use of cost approach, which value each individual assets and liabilities of the Target Group, would not be able to capture the economic benefits contributed by the Target Group and we concur with the Valuer that cost approach would not be appropriate for the Valuation. As income approach would require detailed operational information and financial projection of the Target Group, which may subject to management bias on the future performance of the Target Group. Since objective supporting data may not be available to support the Valuer to conduct the Valuation using income approach, we also concur with the Valuer that income approach would not be appropriate for the Valuation.

As the applicability of each of the three commonly adopted valuation approaches were considered before adopting market approach; and having considered our analysis on the inapplicability of cost approach and income approach as detailed above, we concur with the Valuer on the adoption of market approach for the purpose of assessing the market value of the Target Company. As the other fundamental valuation approaches were not applicable for assessing the market value of the Target Company, we did not cross-check the market value of 100% equity interest of the Target Company using other valuation methodologies.

Bases and Assumptions

The Valuation was derived through the application of the market approach technique known as the guideline public company method. This method requires the research of comparable companies' benchmark multiples and proper selection of a suitable multiple to derive the market value of the Target Company. Under market approach, as there were lack of sufficient recent comparable market transaction prior to the Valuation Date, the Valuer had not adopted the guideline transactions method.

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For our due diligence purpose, we also attempted to search for transaction in relation to the acquisition of 50% or more equity interests in companies that engaged in similar business as the Target Group (being engaged in clinical trial technical services, clinical trial related services and laboratory services) that were announced by companies publicly listed and searchable on Wind Financial Terminal during the period from 1 September 2024 to 31 August 2025, being one year prior to the Valuation Date. However, we were unable to identify any transaction with transaction targets that are comparable to the Target Group, and thus we consider the guideline transactions method under market approach is not applicable.

The Valuer considered price-to-sales (“**P/S**”), price-to-earnings (“**P/E**”), enterprise value-to-sales (“**EV/S**”), and enterprise value-to-earnings before interests and taxes (“**EV/EBIT**”) multiples and finally adopted P/E and EV/EBIT multiples for the Valuation. Having considered the following factors:

- as the P/S and EV/S multiples are commonly used in the valuation of start-up enterprises (however, they ignore the profitability of a company) and the Target Group is under continuous profitability, thus P/S and EV/S multiples are not suitable for the valuation of the Target Company;
- as the price-to-book multiples is commonly used in the valuation of financial institutions or asset-intensive companies; whereas the Target Group is not asset-intensive as mentioned above, thus price-to-book multiples is not suitable for the valuation of the Target Company;
- according to the consolidated financial statements provided by the Target Company’s management, the Target Group is under continuous profitability and its earnings before interests and taxes (“**EBIT**”) and net profit for the last twelve months as at the Valuation Date are both positive. Furthermore, P/E and EV/EBIT multiples are used in order to reflect the latest operation status of the Target Group, we consider the adoption of P/E and EV/EBIT multiples for the Valuation are fair and reasonable.

In respect of the selection of the comparable companies, the Valuer adopted the selection criteria as follows (the “**Selection Criteria**”):

- (a) the comparable companies are publicly listed;
- (b) the comparable companies are in the life sciences tools and services industry;
- (c) the comparable companies primarily operate as contract research organizations (“**CRO**”) with relevant segments accounting for more than 80% of their respective total revenues for the latest available financial data; and
- (d) the P/E and/or EV/EBIT ratios of the comparable companies are available as at the Valuation Date.

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In setting the Selection Criteria, the following sectors were considered by the Valuer:

- (a) the publicly listed companies' financial data are reliable and can be readily available;
- (b) the companies generate more than 80% of their revenue from contract research services within the life sciences tools and services industry closely align with the business of the Target Group which generates all its revenue as a CRO with providing clinical trial services, laboratory service and clinical research services;
- (c) the Target Group generates positive net income and EBIT for the last twelve months as at the Valuation Date.

To assess the fairness and reasonableness of the Selection Criteria, we consider the following factors:

- (i) the Selection Criteria were set with comprehensive consideration of financial data reliability and availability, business congruence with the Target Group (i.e. the selected comparable companies generate more than 80% of their revenue from contract research services within the life sciences tools and services industry closely align with the business of the Target Group which generates all its revenue as a CRO with providing clinical trial services, laboratory service and clinical research services) and the Target Group's operating conditions;
- (ii) the Selection Criteria would allow the Valuer to identify companies that operate within the same industry as the Target Group with sufficient information for the purpose of conducting the Valuation.

Given that above, we consider the Selection Criteria adopted by the Valuer to be fair and reasonable.

As we have concluded that the Selection Criteria is fair and reasonable, we did not set other selection criteria to search for comparable companies. Based on the Selection Criteria, the Valuer identified 19 comparable companies (the "**Comparable Companies**") and as confirmed by the Valuer, the Comparable Companies are exhaustive.

For our due diligence purpose, we also searched for companies based on the Selection Criteria, which is fair and reasonable as analysed above, on Wind Financial Terminal on a best effort basis. We found 16 comparable companies which met the Selection Criteria and they are all included in the Comparable Companies. We further checked the remaining three Comparable Companies and noted that the remaining three Comparable Companies are principally engaged in the life sciences tools and services industry. Given that (i) the difference between our findings on comparable companies and the Valuer's findings on the Comparable Companies is due to the different sources; (ii) the remaining three Comparable Companies met the Selection Criteria; and (iii) the Comparable Companies covered the comparable companies we found, we are of the view that the Comparable Companies are fair and representative.

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Furthermore, we noted that the Valuer applied control premium and discount on lack of marketability (“**DLOM**”) to reflect (i) the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest a business enterprise that reflects the power of a control; and (ii) the discount of privately-held companies with no established market of readily-available buyers and sellers. We noted from the Valuation Report that (i) the control premium was made with reference to the median of control premium of closed equity acquisition transactions, involving change of control, in the life sciences tools and services industry searched from Capital IQ within 10 years prior to the Valuation Date; and (ii) the DLOM was calculated by using put option method (which is one of the most commonly used theoretical models) with “Black-Scholes option pricing model”.

We noted from the website of CFI Education Inc. (founded in 2016 and provides commercial finance services and offers online financial modeling and valuation courses) that option pricing method is a method to measure DLOM. In addition, the Black-Scholes model is a commonly used option pricing model. Therefore, we consider the adoption of Black-Scholes option pricing model for the calculation of DLOM is reasonable.

In addition, for our due diligence purpose, we recalculated and cross-checked the control premium and DLOM (including the applied parameters and assumptions), and was satisfied with such results (being 14% and 27% respectively for this case).

Given that (i) the control premium and DLOM were commonly adopted in valuation to reflect the differences between the comparables and subject asset with regard to the ability to make decisions and marketability; and (ii) we were satisfied with the calculation and results of the applied control premium and DLOM, we concur with the Valuer on the adoption of control premium (being 14%) and DLOM (being 27%) for the Valuation.

Having considered (i) the shareholding structure of the Target Company; (ii) the business of the Target Group; (iii) the valuation methodologies as discussed above; (iv) the controlling interests to be acquired under the Acquisition; and (v) the qualification and independence of the Independent Valuer, we consider the adoption of the market approach (with P/E and EV/EBIT multiples), the control premium (being 14%) and DLOM (being 27%) to be justifiable.

Based on our due diligence on the Valuation and during our discussion with the Valuer, we did not identify any major factor which caused us to doubt the fairness and reasonableness of the methodology, principal bases, assumptions and parameters adopted for the Valuation Report.

Having considered (i) our independent work performed on the Valuation Report; and (ii) that the Total Consideration equals to the Valuation, we are of the view that the Total Consideration is fair and reasonable.

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Payment arrangement

As mentioned above, the Total Consideration settled by two instalments upon satisfaction of the Conditions Precedent and will be funded as to 20% by the Group's internal resources and 80% through a bank acquisition loan.

In our view, it is common for a purchaser to settle the consideration in instalments. Furthermore, deferring part of the payment is beneficial to the Company as the purchaser.

As stated in the section headed "Information on the Group" above, the Group recorded cash and cash equivalents of approximately US\$33.7 million (equivalent to approximately RMB241.0 million as at 30 June 2025 based on exchange rate of US\$1 = RMB7.1586 as at 30 June 2025 published by the China Foreign Exchange Trade System as authorized by The People's Bank of China for illustration purposes), which is not sufficient to settle the Total Consideration. By funding 80% of the Total Consideration through a bank acquisition loan, the Group can preserve the majority of its internal resources while leveraging external financing to complete the Acquisition.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular, assuming Completion had taken place on 30 June 2025, the pro forma asset-to-liability ratio (calculated by total liabilities/total assets) of the Enlarged Group (including the borrowings to settle the Total Consideration) would be approximately 41.7%, which is in line with the average asset-to-liability ratio of Comparable Companies (excluding the Company and Hangzhou Tigermed or its subsidiary) of approximately 41.9%. The aforesaid figures indicated that the liabilities level of the Enlarged Group will be at similar level as compared to those of the Comparable Companies.

Although the Enlarged Group will incur additional interest expenses due to the bank acquisition loan, based on the unaudited pro forma financial information of the Enlarged Group for the income statement as prepared by the Company, assuming Completion had taken place on 1 January 2025 and after taking into account the additional interest expenses on bank acquisition loan, the Enlarged Group's net profit would become approximately US\$3.5 million for 1H2025 (the Group's net profit for 1H2025: approximately US\$2.9 million).

Given that above, including (i) the Company's cash and cash equivalents as at 30 June 2025 is not sufficient to settle the Total Consideration; (ii) the pro forma asset-to-liability ratio of the Enlarged Group is in line with the average asset-to-liability ratio of certain comparable companies; and (iii) the Enlarged Group's net profit (which comprised, among other things, the additional interest expenses on bank acquisition loan) for 1H2025 was more than the Group's net profit for 1H2025, we are of the view that the payment arrangement is on normal commercial terms.

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Completion

The Completion will occur on the date when Frontage Shanghai has fully paid the Total Consideration to Hangzhou Tigermed and Jiaxing Xinge. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group.

Taking into account the principal terms of the Acquisition as set out above, we consider that the terms of the Acquisition are on normal commercial terms and are fair and reasonable.

Possible financial effects of the Acquisition

With reference to the Board Letter, upon Completion, the Target Company will become an indirectly wholly-owned subsidiary of the Company, and 100% of the financial results, assets and liabilities of the Target Group will be consolidated into the financial statements of the Group.

With reference to the 2025 Interim Report, the Group's net profit attributable to owners of the Company for 1H2025 was approximately US\$2.9 million. With reference to the Board Letter, assuming Completion had taken place on 1 January 2025 and having considered the financial performance of the Target Company and transaction costs, the net profit of the Enlarged Group attributable to owners of the Company for 1H2025 would have been improved.

With reference to the 2025 Interim Report, the Group's total assets was approximately US\$544.27 million and the Group's total liabilities was approximately US\$202.83 million as at 30 June 2025. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular, assuming Completion had taken place on 30 June 2025, the pro forma total assets of the Enlarged Group would become US\$585.32 million; and the pro forma total liabilities of the Enlarged Group would become US\$244.25 million.

The above analyses supported our view that the Acquisition will enhance the Group's financial performance.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon Completion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Acquisition are on normal commercial terms and are fair and reasonable; and (ii) although the Acquisition is not conducted in the ordinary and usual course of business of the Group, the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 30 years of experience in investment banking industry.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the financial years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.frontagelab.com):

- (i) Annual Report of the Company for the year ended December 31, 2022:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0420/2023042000373.pdf>
- (ii) Annual Report of the Company for the year ended December 31, 2023:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0423/2024042300410.pdf>
- (iii) Annual Report of the Company for the year ended December 31, 2024:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0424/2025042401680.pdf>
- (iv) Interim Report of the Company for the six months ended June 30, 2025:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0922/2025092200372.pdf>

2. INDEBTEDNESS STATEMENT

At the close of business on October 31, 2025, being the latest practicable date prior to this circular for ascertaining certain information relating to the indebtedness statement, the indebtedness of the Enlarged Group was as follows:

Borrowings

As of October 31, 2025, the Enlarged Group had total outstanding borrowings of approximately US\$74,501,000, of which, (i) approximately US\$45,650,000 are unguaranteed and secured by collateral; (ii) approximately US\$19,760,000 are guaranteed and unsecured; (iii) approximately US\$1,335,000 are guaranteed and secured by collateral; and (iv) approximately US\$7,756,000 are unguaranteed and unsecured. The interest rate on the Enlarged Group's fix-rate bank borrowings ranges from 2.65% to 6.45% per annum. The borrowings are repayable within 4 years.

Lease liabilities

As of October 31, 2025, the Enlarged Group had outstanding lease liabilities totaling approximately US\$54,085,000, consisting of leases for leased properties, experiment equipment and office equipment, with terms ranging from 2 to 25 years. The leases do not impose any covenants.

Contingent liabilities or guarantees

As of October 31, 2025, the Enlarged Group provided guarantees of US\$1,411,000 to bank borrowing granted to a related company. Except for the guarantees, the Enlarged Group has no other contingent liability.

Save as aforesaid, the Enlarged Group did not have any debt securities issued or outstanding or authorized or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other contingent liabilities.

3. WORKING CAPITAL

After taking into account the Enlarged Group's internal resources, cash flows from operations and available banking facilities and the effect of the Acquisition, and in the absence of unforeseeable circumstances, the Directors are of the opinion that the working capital available to the Enlarged Group is sufficient for the Enlarged Group's requirements for at least 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since December 31, 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Enlarged Group is poised to achieve robust financial and operational growth following the Acquisition. It is anticipated that the Enlarged Group's revenue will show a slight increase in 2025 compared with the previous year, while net profit is expected to improve significantly due to the higher net profit margin of the Target Group compared to the Group. For example, for the two years ended December 31, 2023, and 2024, and the six months ended June 30, 2025, the net profit margin of the Target Group was 15.3%, 6.7%, and 15.8%, respectively, while the Group's net profit margin was significantly lower at 4.1%, 0.2%, and 2.3%, respectively, during the same periods. This improvement is also driven by stronger performance from both the Target Group and the Group, each of which achieved higher net profits in the first half of the year and are expected to maintain similar momentum in the second half.

By integrating the Target Group's extensive clinical research expertise and internationally accredited services into its existing operations, the Group is expected to strengthen its market position and enhance its service offerings. The synergy created by combining resources, expertise, and networks will enable the Enlarged Group to optimize operational efficiency and expand its revenue streams, particularly in the fast-growing markets of China and the Asia-Pacific region.

With the increasing prevalence of international multicenter clinical trials as a mainstream trend in innovative drug development, the harmonization of Contract Research Organization (CRO) laboratory services on a global scale and the provision of localized services have become key competitive differentiators in the industry. Presently, only a limited number of laboratories, such as Labcorp, Q2 Solutions, and PPD, have achieved a global footprint spanning Europe, the United States, the Asia-Pacific region, and China.

Through the Acquisition, the Enlarged Group will address the current limitations in central laboratory capabilities within China, enabling the establishment of standardized services and quality systems across its U.S. and Chinese central laboratories. This strategic initiative will further reinforce the Enlarged Group's leading position in the global market, while providing clients with a broader, more integrated, and globally harmonized suite of laboratory services. With the addition of the Target Group, the Enlarged Group will have an expanded operational base in China, positioning the Enlarged Group to better meet the demands of large-scale global clinical trials and to serve as a key partner for international pharmaceutical and biotechnology clients.

Specifically, Teddy Clinical Wuxi, with its comprehensive testing menu and analytical platform, will serve as a one-stop laboratory service center catering to domestic biotechs. Meanwhile, Frontage Shanghai will be positioned as an international-standard bioanalytical delivery platform serving multinational clients and global multinational clinical trials. Other sites will be progressively integrated in a phased manner to enhance operational efficiency. This strategic integration underscores the Enlarged Group's commitment to delivering high-quality, globally compliant laboratory solutions while strengthening its competitive edge in the rapidly evolving CRO lab landscape.

The Acquisition will also provide the Enlarged Group with greater access to a wider client base, including leading pharmaceutical companies, contract research organizations, and research institutions, both domestically and internationally. This expanded client network is expected to drive higher demand for the Group's services, boosting overall revenue and profitability.

Looking forward, by leveraging the Target Group's proven track record in supporting successful drug launches and regulatory audits, the Enlarged Group will be able to deliver high-quality, reliable services that meet the evolving needs of the pharmaceutical sector. This is expected to result in sustainable revenue growth and improved margins over the long term.

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

The following is the text of a report set out on pages II-1 to II-65, received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FRONTAGE HOLDINGS CORPORATION (incorporated in the Cayman Islands with limited liability)

Introduction

We report on the historical financial information of Teddy Clinical Research Laboratory (Shanghai) Limited (the **"Target Company"**) and its subsidiaries (together, the **"Target Group"**) set out on pages II-4 to II-65, which comprises the consolidated statements of financial position as of December 31, 2022, 2023 and 2024, and June 30, 2025 and the statements of financial position of the Target Company as of December 31, 2022, 2023, 2024 and June 30, 2025, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the **"Track Record Period"**) and material accounting policy information and other explanatory information (together, the **"Historical Financial Information"**). The Historical Financial Information set out on pages II-4 to II-65 forms an integral part of this report, which has been prepared for inclusion in the circular of Frontage Holdings Corporation (the **"Company"**) dated December 15, 2025 (the **"Circular"**) in connection with the proposed connected acquisition of the Target Group by the Company.

Directors' responsibility for the Historical Financial Information

The directors are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Target Group’s financial positions as of December 31, 2022, 2023, 2024 and June 30, 2025, the Target Company’s financial positions as of December 31, 2022, 2023, 2024 and June 30, 2025, and the Target Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative Historical Financial Information

We have reviewed the stub period comparative historical financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2024 and other explanatory information (together the “Stub Period Comparative Historical Financial Information”). The directors are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

BDO Limited

Certified Public Accountants

Lee, Alfred

Practising Certificate no. P04960

Hong Kong, December 15, 2025

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

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

The Underlying Financial Statements on which the Historical Financial Information is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by HKICPA.

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is also the Target Company's functional currency, and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,			Six months ended	
	Notes	2022	2023	2024	June 30,	2025
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Revenue	6	294,214	211,285	152,799	73,001	84,849
Cost of services		(184,863)	(128,938)	(106,355)	(50,939)	(55,748)
Gross profit		109,351	82,347	46,444	22,062	29,101
Other income	7	8,838	8,071	7,303	4,150	2,209
Other gains and losses, net	8	(61)	(112)	(121)	(66)	255
Research and development expenses		(10,416)	(18,379)	(14,003)	(7,277)	(5,477)
(Impairment losses)/reversal of recognized on						
– trade receivables		(1,951)	(1,634)	(275)	(1,149)	85
– other receivables		736	6	1	4	1
– unbilled revenue		149	245	294	43	(140)
– inventories		(108)	–	55	6	–
Selling and marketing expenses		(4,291)	(6,403)	(4,692)	(2,239)	(2,660)
Administrative expenses		(33,725)	(29,859)	(23,947)	(9,729)	(9,065)
Finance costs	9	(356)	(162)	(78)	(40)	(34)
Profit before tax	10	68,166	34,120	10,981	5,765	14,275
Income tax expense	11	(9,320)	(1,892)	(809)	(1,125)	(855)
Profit for the year/period attributable to owners of the Target Company		58,846	32,228	10,172	4,640	13,420
Other comprehensive income for the year/period						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange differences arising from translation of foreign operations		–	(18)	(2)	–	–
Total comprehensive income for the year/period attributable to owners of the Target Company		58,846	32,210	10,170	4,640	13,420

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As of December 31,			As of
	Notes	2022	2023	2024	June 30,
		RMB'000	RMB'000	RMB'000	2025
					RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	15	34,551	27,339	20,877	19,080
Right-of-use assets	17	6,083	1,732	2,072	1,066
Intangible assets	18	4,841	3,777	3,966	3,203
Deferred tax assets	19	2,411	2,867	2,747	2,554
Deposits paid for acquisition of property, plant and equipment		—	—	—	982
		<u>47,886</u>	<u>35,715</u>	<u>29,662</u>	<u>26,885</u>
CURRENT ASSETS					
Inventories	20	18,778	12,786	9,588	21,536
Trade and other receivables and prepayments	21	64,561	67,836	58,077	51,406
Loan receivables	21	—	—	10,000	10,000
Unbilled revenue	22	56,171	56,984	45,454	54,263
Financial assets at fair value through profit or loss ("FVTPL")	23	—	—	—	24,135
Tax receivables		—	19	142	142
Cash and cash equivalents	24	130,474	121,855	105,577	91,726
		<u>269,984</u>	<u>259,480</u>	<u>228,838</u>	<u>253,208</u>
CURRENT LIABILITIES					
Trade and other payables	25	49,133	36,598	34,208	38,176
Advances from customers	26	23,115	16,949	23,177	29,149
Lease liabilities	27	4,185	1,421	2,060	606
Income tax payable		2,809	211	24	666
		<u>79,242</u>	<u>55,179</u>	<u>59,469</u>	<u>68,597</u>
NET CURRENT ASSETS		<u>190,742</u>	<u>204,301</u>	<u>169,369</u>	<u>184,611</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>238,628</u>	<u>240,016</u>	<u>199,031</u>	<u>211,496</u>
NON-CURRENT LIABILITIES					
Deferred government grants		5,691	3,773	2,773	1,973
Lease liabilities	27	1,671	—	56	—
		<u>7,362</u>	<u>3,773</u>	<u>2,829</u>	<u>1,973</u>
NET ASSETS		<u>231,266</u>	<u>236,243</u>	<u>196,202</u>	<u>209,523</u>
CAPITAL AND RESERVES					
Share capital	28	60,623	60,623	60,623	60,623
Reserves	29	170,643	175,620	135,579	148,900
TOTAL EQUITY		<u>231,266</u>	<u>236,243</u>	<u>196,202</u>	<u>209,523</u>

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

		As of December 31,			As of
	Notes	2022	2023	2024	June 30,
		RMB'000	RMB'000	RMB'000	2025
					RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	15	8,885	7,444	5,750	4,780
Right-of-use assets	17	2,025	15	1,909	954
Intangible assets	18	824	349	918	780
Investments in subsidiaries	16	30,000	30,000	70,200	70,000
Deferred tax assets	19	1,265	1,677	1,685	1,511
Deposits paid for acquisition of property, plant and equipment		—	—	—	930
		<u>42,999</u>	<u>39,485</u>	<u>80,462</u>	<u>78,955</u>
CURRENT ASSETS					
Inventories	20	6,125	4,232	1,817	1,636
Trade and other receivables and prepayments	21	50,629	53,713	35,347	30,593
Loan receivables	21	—	—	10,000	10,000
Unbilled revenue	22	34,547	37,215	23,388	26,357
Cash and cash equivalents	24	115,984	89,129	65,793	64,236
		<u>207,285</u>	<u>184,289</u>	<u>136,345</u>	<u>132,822</u>
CURRENT LIABILITIES					
Trade and other payables	25	32,740	33,657	23,427	13,954
Advances from customers	26	13,757	12,606	14,272	12,696
Lease liabilities	27	2,250	—	1,952	495
Income tax payable		2,766	211	19	651
		<u>51,513</u>	<u>46,474</u>	<u>39,670</u>	<u>27,796</u>
NET CURRENT ASSETS		<u>155,772</u>	<u>137,815</u>	<u>96,675</u>	<u>105,026</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>198,771</u>	<u>177,300</u>	<u>177,137</u>	<u>183,981</u>
NET ASSETS		<u>198,771</u>	<u>177,300</u>	<u>177,137</u>	<u>183,981</u>
CAPITAL AND RESERVES					
Share capital	28	60,623	60,623	60,623	60,623
Reserves	29	138,148	116,677	116,514	123,358
TOTAL EQUITY		<u>198,771</u>	<u>177,300</u>	<u>177,137</u>	<u>183,981</u>

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Foreign currency translation reserve <i>RMB'000</i>	Equity-settled share-based compensation reserve <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2022	45,813	1,817	6,154	–	10,227	62,304	126,315
Profit for the year	–	–	–	–	–	58,846	58,846
Total comprehensive income for the year	–	–	–	–	–	58,846	58,846
Transfer to statutory reserve	–	–	5,885	–	–	(5,885)	–
Recognition of equity-settled share-based compensation	–	–	–	–	7,141	–	7,141
Issuance of new shares (<i>Note 28</i>)	14,810	24,154	–	–	–	–	38,964
Reallocation of reserves upon share reform (<i>Note 28</i>)	–	65,440	(6,159)	–	–	(59,281)	–
As at December 31, 2022 and January 1, 2023	60,623	91,411	5,880	–	17,368	55,984	231,266
Profit for the year	–	–	–	–	–	32,228	32,228
Exchange differences arising from translations of foreign operations	–	–	–	(18)	–	–	(18)
Total comprehensive income for the year	–	–	–	(18)	–	32,228	32,210
Transfer to statutory reserve	–	–	3,223	–	–	(3,223)	–
Recognition of equity-settled share-based compensation	–	–	–	–	2,767	–	2,767
Dividend paid (<i>Note 14</i>)	–	–	–	–	–	(30,000)	(30,000)
As at December 31, 2023 and January 1, 2024	60,623	91,411	9,103	(18)	20,135	54,989	236,243
Profit for the year	–	–	–	–	–	10,172	10,172
Exchange differences arising from translations of foreign operations	–	–	–	(2)	–	–	(2)
Total comprehensive income for the year	–	–	–	(2)	–	10,172	10,170
Transfer to statutory reserve	–	–	5,202	–	–	(5,202)	–
Recognition of equity-settled share-based compensation	–	–	–	–	(211)	–	(211)
Dividend paid (<i>Note 14</i>)	–	–	–	–	–	(50,000)	(50,000)

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Foreign currency translation reserve <i>RMB'000</i>	Equity-settled share-based compensation reserve <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
As at December 31, 2024 and January 1, 2025	60,623	91,411	14,305	(20)	19,924	9,959	196,202
Profit for the period	—	—	—	—	—	13,420	13,420
Total comprehensive income for the period	—	—	—	—	—	13,420	13,420
Transfer to statutory reserve	—	—	1,342	—	—	(1,342)	—
Recognition of equity-settled share-based compensation	—	—	—	—	(99)	—	(99)
As at June 30, 2025	<u>60,623</u>	<u>91,411</u>	<u>15,647</u>	<u>(20)</u>	<u>19,825</u>	<u>22,037</u>	<u>209,523</u>
As at January 1, 2024	60,623	91,411	9,103	(18)	20,135	54,989	236,243
Profit for the period	—	—	—	—	—	4,640	4,640
Total comprehensive income for the period	—	—	—	—	—	4,640	4,640
Transfer to statutory reserve	—	—	464	—	—	(464)	—
Recognition of equity-settled share-based compensation	—	—	—	—	(2,735)	—	(2,735)
As at June 30, 2024 (Unaudited)	<u>60,623</u>	<u>91,411</u>	<u>9,567</u>	<u>(18)</u>	<u>17,400</u>	<u>59,165</u>	<u>238,148</u>

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Six months ended	
	2022	2023	2024	June 30,	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
OPERATING ACTIVITIES					
Profit before income tax expense	68,166	34,120	10,981	5,765	14,275
Adjustments for:					
Bank Interest income	(326)	(2,054)	(1,294)	(505)	(140)
Finance costs	356	162	78	40	34
Impairment losses/(reversal of)					
recognized on					
– trade receivables	1,951	1,634	275	1,149	(85)
– other receivables	(736)	(6)	(1)	(4)	(1)
– unbilled revenue	(149)	(245)	(294)	(43)	140
– inventories	108	–	(55)	(6)	–
Depreciation for property, plant					
and equipment	11,428	12,016	10,491	5,850	4,236
Depreciation of right-of-use					
assets	3,837	3,838	3,881	1,866	1,006
Amortisation of intangible assets	1,109	1,924	1,545	650	763
Share-based payments	7,141	2,767	(211)	(2,735)	(99)
Loss on disposal of property,					
plant and equipment	–	36	–	–	–
Change in fair value of financial					
assets at FVTPL	–	–	(75)	(28)	(289)
Operating cash flows before					
movements in working capital	92,885	54,192	25,321	11,999	19,840
(Increase)/decrease in inventories	(11,062)	5,991	3,198	2,645	(11,948)
(Increase)/decrease in trade					
receivables, prepayments,	(14,376)	(4,902)	9,485	(3,606)	6,757
deposits and other receivables					
(Increase)/decrease in unbilled	(12,703)	(568)	11,879	3,053	(8,949)
revenue					
Increase/(decrease) in trade					
payables, accruals and other	17,204	(12,535)	(2,390)	(4,223)	3,968
payables					
Increase/(decrease) in contract					
liabilities	5,171	(6,166)	6,228	(562)	5,972
Decrease in deferred government					
grants	(3,063)	(1,918)	(1,000)	(739)	(800)
Cash generated from/(used in)					
operations	74,056	34,094	52,721	8,567	14,840
Income tax paid	(11,731)	(4,965)	(999)	(959)	(20)
Net cash generated from/(used in)					
 operating activities	62,325	29,129	51,722	7,608	14,820

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
INVESTING ACTIVITIES					
Interest received	326	2,054	1,294	505	140
Purchase of property, plant and equipment	(16,526)	(4,978)	(4,855)	(235)	(2,444)
Increase in prepayment for property, plant and equipment	–	–	–	(938)	(982)
Purchase of intangible assets	(2,503)	(860)	(1,022)	(1,022)	–
Acquisition of financial assets at FVTPL	–	–	(30,000)	(30,000)	(23,846)
Disposal of financial assets at FVTPL	–	–	30,075	–	–
Proceeds from disposal of property, plant and equipment	5	138	114	–	5
Payments for loans made to other entities	–	–	(10,000)	(10,000)	–
Net cash used in investing activities	<u>(18,698)</u>	<u>(3,646)</u>	<u>(14,394)</u>	<u>(41,690)</u>	<u>(27,127)</u>
FINANCING ACTIVITIES					
Issue new shares	38,964	–	–	–	–
Interest paid on lease liabilities	(356)	(162)	(78)	(40)	(34)
Principal elements of lease payments	(3,842)	(3,922)	(3,526)	(2,388)	(1,510)
Dividend paid	–	(30,000)	(50,000)	–	–
Net cash generated from/(used in) financing activities	<u>34,766</u>	<u>(34,084)</u>	<u>(53,604)</u>	<u>(2,428)</u>	<u>(1,544)</u>
Net (decrease)/increase in cash and cash equivalents	78,393	(8,601)	(16,276)	(36,510)	(13,851)
Cash and cash equivalents at beginning of year/period	52,081	130,474	121,855	121,855	105,577
Effect of exchange rate changes	–	(18)	(2)	–	–
Cash and cash equivalents at end of year/period, represented by bank balances and cash	<u>130,474</u>	<u>121,855</u>	<u>105,577</u>	<u>85,345</u>	<u>91,726</u>

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Teddy Clinical Research Laboratory (Shanghai) Limited (the "Target Company") is a limited liability company incorporated in the People's Republic of China (the "PRC") on March 3, 2016. The immediate and ultimate holding company of the Target Company is Hangzhou Tigermed Consulting Co., Ltd. ("Hangzhou Tigermed"), a company established in Hangzhou, the PRC and whose shares have been listed on the ChiNext market of the Shenzhen Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Target Company and its subsidiaries (collectively referred to as the "Target Group") are to provide laboratory and related services to pharmaceutical and agrochemical companies in the PRC. The registered office of and the principal place of business the Target Company is Rooms 101-110, Suite C, 3rd Floor, Building 12, No. 128 Xiangyin Road, Yangpu District, Shanghai, the PRC.

Particulars of the Target Company's subsidiaries at the date of this report are as follows:

Name	Place and date of incorporation	Principal activities	Issued and fully paid up/registered share capital	Percentage of equity attributable to the Target Company	
				Directly	Indirectly
Teddy Clinical Research Laboratory (Wuxi) Limited ("Teddy Wuxi")	The PRC, December 27, 2019	Clinical research services	Renminbi ("RMB") 70,000,000	100%	–
Teddy Clinical Research Laboratory (Hong Kong) Limited	Hong Kong, March 31, 2023	Clinical research services	Hong Kong dollars ("HKD") 1,000,000	100%	–
Teddy Clinical Research (Shanghai) Limited	The PRC, November 7, 2023	Inspection and testing services	RMB30,000,000	(note a) 100%	–

Note: (a) The company was deregistered on 28 July 2025.

The statutory financial statements of Teddy Clinical Research Laboratory (Hong Kong) Limited for the years ended December 31, 2022, 2023 and 2024 were prepared in accordance with Hong Kong Financial Reporting Standards for Private Entities and were audited by Eunice Chu CPA & Co..

The statutory financial statements of Teddy Wuxi and Teddy Clinical Research (Shanghai) Limited for the years ended December 31, 2022, 2023 and 2024 were prepared in accordance with relevant accounting principles and financial regulations applicable in the PRC and were audited by Jiangsu Gong Qin CPAs Co., Ltd..

2.1 BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

(a) Statement of compliance

The Historical Financial Information of the Target Group has been prepared based on the accounting policies set out in Note 3 which confirm with all applicable IFRS Accounting Standards, which collective term includes all applicable, IFRS Accounting Standards, International Accounting Standard and Interpretations issued by International Accounting Standard Board ("IASB"). In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

For the purpose of preparing the Historical Financial Information, all relevant standards, amendments and interpretations to the IFRS Accounting Standards that are effective during the Track Record Period have been adopted by the Target Group consistently throughout the Track Record Period, unless otherwise stated.

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The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5 below.

(b) Basis of measurement

The Historical Financial Information have been prepared under the historical cost basis, except for revaluation of certain financial assets at fair value through profit or loss or through other comprehensive income, which are carried at fair value.

(c) Functional and presentation currency

The Historical Financial Information is presented in RMB, which is the same as the functional currency of the Target Company.

2.2 NEW OR REVISED IFRS ISSUED BUT NOT YET EFFECTIVE

The following new or revised IFRSs, potentially relevant to the Historical Financial Information, have been issued, but are not yet effective and have not been early adopted by the Target Group.

Annual Improvements to IFRS Accounting Standards – Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ¹
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments ¹
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ¹
IFRS 18	Presentation and disclosures in Financial Statements ²
IFRS 19	Subsidiaries without public accountability: Disclosures ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

1 Effective for annual periods beginning on or after January 1, 2026

2 Effective for annual periods beginning on or after January 1, 2027

3 No mandatory effective date yet determined but available for adoption

The Target Group is in the progress of making an assessment of what the impact of these amendments is expected to be in the period of initial application. The director of the Target Company anticipates that the adoption of the new/revised IFRSs in future periods will have an impact of the disclosures in the financial statements of the Target Group but would not have any material impact on the Historical Financial Information.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The significant accounting policies adopted in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to the Track Record Period presented, unless otherwise stated.

(a) Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Target Company and entities controlled by the Target Company (its subsidiaries) comprising the Target Group for the Track Record Period.

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Target Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Target Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which a group entity is able to exercise control. The group entity controls an investee if all three of the following elements are present: (1) power over the investee; (2) exposure, or rights, to variable returns from the investee; and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

(c) Revenue from contracts with customers

Revenue is recognized to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those services.

Specifically, the Target Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Revenue is recognized when, or as, obligations under the terms of a contract are satisfied, which occurs when control of the promised products or services is transferred to customers. Revenue is measured as the amount of consideration the Target Group expects to receive in exchange for transferring products or services to a customer ("transaction price").

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs;
- the Target Group's performance creates or enhances an asset that the customer controls as the Target Group performs; or
- the Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

A contract asset represents the Target Group's right to consideration in exchange for goods or services that the Target Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Target Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Target Group's obligation to transfer goods or services to a customer for which the Target Group has received consideration (or an amount of consideration is due) from the customer.

Generally, significant payment terms are disclosed within the contents of a given contract and are in the form of either milestone payment terms representing a percentage of the total budgeted contract price or corresponding directly with the value to the customer of the Target Group's performance.

Revenues recognized in excess of billings are recognized as unbilled revenue and disclosed in the consolidated statements of financial position as unbilled revenue. Amounts billed in accordance with contracted payment schedules but in excess of revenues earned are recognized as contract liabilities and disclosed in the consolidated statements of financial position as advances from customers.

Contracts are terminable by the customers either immediately or upon proper notice specified within the contracts, generally 30 days. A termination fee is generally assessed in addition to the Target Group being entitled to compensation equivalent to the efforts and costs incurred to satisfy any performance obligations.

To the extent the transaction price includes variable consideration, the Target Group estimates the amount of variable consideration that should be included in the transaction price utilizing the most likely amount to which the Target Group expects to be entitled. Variable consideration is included in the transaction price if, in the Target Group's judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the Target Group's anticipated performance and all information (historical, current and forecasted) that is reasonably available. Sales, value added, and other taxes collected on behalf of third parties are excluded from revenue.

Contracts with customers may contain multiple performance obligations. For such arrangements, the transaction price is allocated to each performance obligation based on the estimated relative standalone selling prices of the promised products or services underlying each performance obligation, inclusive of reimbursable expenses.

When the sum of the stand-alone transaction prices of those products or services exceeds the promised consideration in a contract, the Target Group recognizes a discount on that particular contract. If the entity does not have observable evidence that the entire discount relates to one or more, but not all performance obligations under the specific contract, the discount is proportionately applied to all performance obligations under a contract.

Contracts are often modified to account for changes in contract specifications and requirements. Contract modifications exist when the modification either creates new, or changes existing, enforceable rights and obligations. Generally, the modification is considered to be a separate contract and revenue is recognized prospectively.

For the services delivered to the customer based on the extent of progress towards completion of the performance obligation, the Target Group's performance does not create an asset with an alternative future use and the contract terms specify the Target Group has an enforceable right to payment for performance completed to date, revenue generated from such performance is recognized over time.

The selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. Depending on which better depicts the transfer of value to the customer, the Target Group generally measures its progress using units produced/services transferred to the customer to date (output method). The units produced/services transferred to the customer to date measure of progress is generally related to rate per unit contracts or contracts for the delivery of services, as the extent of progress towards completion is measured based on discrete service or time-based increments, such as samples tested or services transferred.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Target Group and the amount of income can be measured reliably. Interest income is accrued for each period, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

(d) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Target Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Target Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Target Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

The Target Group as a lessee

Short-term leases and leases of low-value assets

The Target Group applies the short-term lease recognition exemption to leases of buildings and machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Target Group; and
- an estimate of costs to be incurred by the Target Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities.

Right-of-use assets in which the Target Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Target Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

The Target Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Target Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Target Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Target Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Target Group exercising the option to terminate.

The Target Group presents lease liabilities as a separate line item on the consolidated statements of financial position. After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Target Group re-measures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Target Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

For a lease modification that is not accounted for as a separate lease, the Target Group re-measures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Target Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Target Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(e) Share-based payment transactions

Equity-settled share-based payments to employees (including director) are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based transaction (without taking into consideration all non-market vesting condition) is expensed on a straight-line basis over the vesting period, based on the Target Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (equity-settled share-based compensation reserve). At the end of each reporting period, the Target Group revises its estimates of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the equity-settled share-based compensation reserve.

When the restricted shares are vested, the amount previously recognized in the equity-settled share-based compensation reserve will be transferred to share premium. When the restricted shares are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in the equity-settled share-based compensation reserve will be transferred to accumulated profit.

(f) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "profit before tax" as reported in the consolidated statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries or associates except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(g) Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statements of financial position at cost less accumulated depreciation and accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less accumulated impairment losses.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Property, plant and equipment other than the construction in progress and the land are depreciated on a straight-line basis after taking into account of the residual value as follows:

Furniture, fixtures and equipment (including experiment equipment)	19% per annum
Transportation equipment	19% per annum
Leasehold improvement	33.33% per annum

Depreciation is recognized so as to write off the cost of assets other than freehold land and properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes and are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Target Group's accounting policy. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

(h) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and any accumulated impairment losses, being their fair value at the date of the revaluation less subsequent accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The intangible assets recognized by the Target Group and their useful economic life are as follows:

Software	5 years
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An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

(i) Impairment on property, plant and equipment, right-of-use assets and intangible assets

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

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Target Group estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs.

In addition, the Target Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows of the tangible asset (or the CGU) are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or the CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Target Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(j) Financial Instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 "Revenue from contracts with customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(i) Financial assets*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model, whereby changes in fair value, interest income calculated using the effective interest rate method and foreign exchange gains and losses are recognized in profit or loss. Notwithstanding the criteria for debt instruments to be classified at amortized cost, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Target Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade, note and other receivables, restricted bank deposits and cash and cash equivalents) and other items (unbilled revenue) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Target Group always recognizes lifetime ECL for trade receivables and unbilled revenue. The ECL on these assets are assessed collectively using a provision matrix based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other instruments, the Target Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Target Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, for example, a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Target Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Target Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Target Group considers an event of default to have occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collaterals held by the Target Group).

Irrespective of the above analysis, the Target Group considers that default has occurred when a financial asset is more than 90 days past due unless the Target Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Write-off policy

The Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Target Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries made are recognized in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at the effective interest rate determined at initial recognition.

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

Where ECL is measured on a collective basis to cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Target Group's trade receivables, other receivables are each assessed as a separate group. Long-term note receivable is assessed for ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Target Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account.

Derecognition of financial assets

The Target Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

(ii) **Financial liabilities and equity instruments**

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities subsequently measured at amortized cost

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

Derecognition of financial liabilities

The Target Group derecognizes financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

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(k) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Target Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

In the application of the Target Group's accounting policies, which are described in Note 3, the director is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates, judgements and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the director has made in the process of applying the Target Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

(a) *Judgments in determining performance obligations and timing of satisfaction of performance obligations for revenue recognition*

(i) *Performance obligation determination*

In making their judgements, the director considered the detailed criteria for recognition of revenue set out in IFRS 15. In determining performance obligations, the director considers whether the customer benefits from each service on its own and whether it is distinct in the context of the contract. Specifically, when concluding a contract has multiple performance obligations, the director considers that the individual performance obligation is regularly sold separately and the service is separately identifiable from other promises within the contract.

(ii) *Timing of satisfaction of performance obligations*

Significant judgment is required by the director in determining the timing of satisfaction of performance obligations. In making their judgment, the director has considered the detailed criteria for recognition of revenue set out in IFRS 15 and in particular, whether the Target Group has satisfied the performance obligation over time or at a point in time with reference to the detailed terms of transaction as stipulated in the contracts entered into with its customers. The Target Group has also considered the relevant local laws that apply to those relevant contracts. Based on the assessment of the director, the terms of the relevant sales contracts create an enforceable right to payment for the Target Group. Accordingly, the services provided by the Target Group with no alternative use are considered to be performance obligation satisfied over time.

For the performance obligations that are satisfied over time and the Target Group uses the output method to determine revenue recognition, the key judgment is that the units produced or services transferred to date relative to the remaining units or services promised under the contract best depict the Target Group's performance in transferring control of goods or services.

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

(b) *Provision of ECL for trade receivables*

The Target Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Target Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Target Group's trade receivables and contract assets are disclosed in Note 32.

5. SEGMENT INFORMATION

The chief operating decision maker ("CODM") is identified as executive director of the Target Company. The Target Group has identified its operating segment based on the regular internal financial information reported to the CODM for their decisions about resources allocation and review of performance. For the Track Record Period, the CODM have considered the only operating segment of the Target Group to be the provision of clinical research services.

No segment assets and liabilities are presented as they were not regularly provided to the CODM for the purpose of performance assessment and resources allocation.

Geographical information

The following is an analysis of the Target Group's revenue by the geographical locations of service render.

	Year ended 31 December			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
The PRC	294,214	211,285	152,799	73,001	84,849
	<u>294,214</u>	<u>211,285</u>	<u>152,799</u>	<u>73,001</u>	<u>84,849</u>

During the Track Record Periods, all of the Target Group's non-current assets are located in the PRC.

Information about major customers

No revenue from services provided to a single customer accounted for 10% or more of total revenue of the Target Group during the Track Record Period.

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

6. REVENUE

The Target Group's principal activities are the provision of clinical research service. The amounts of revenue recognized during the Track Record Period are as follows:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Overtime					
Laboratory testing services	294,214	211,285	152,799	73,001	84,849
	<u>294,214</u>	<u>211,285</u>	<u>152,799</u>	<u>73,001</u>	<u>84,849</u>

All revenue of the Target Group listed above are recognized over time as the Target Group's performance does not create an asset with an alternative future use since the Target Group cannot redirect the asset for use on another customer, and the contract terms specify the Target Group has an enforceable right to payment for performance completed to date.

Transaction Price Allocated to Future Performance Obligations

IFRS 15 requires that the Target Group to disclose the aggregate amount of transaction price that is allocated to each performance obligation that has not yet been satisfied as at year-end/period-end. The guidance provides certain practical expedients that limit this requirement and, therefore, for the vast majority of contracts, the Target Group does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which revenue is recognized at the amount to which the Target Group has the right to invoice for services performed.

For the service contracts for which the Target Group does not recognize revenue at the amount to which the Target Group has the right to invoice for services performed, management has assessed whether there are any contracts with an original expected length greater than one year. While contracts do occasionally extend beyond one year, the timing of the services performed is contingent upon when the customer provides items for testing, and is not subject to a contractual term. Accordingly, for these contracts management is unable to determine whether the original contract term will exceed one year and has not disclosed the related unsatisfied performance obligations.

7. OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Interest income	326	2,054	1,294	505	140
Government grants related to income	8,512	6,017	6,009	3,645	2,069
	<u>8,838</u>	<u>8,071</u>	<u>7,303</u>	<u>4,150</u>	<u>2,209</u>

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

8. OTHER GAINS AND LOSSES, NET

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Fair value change on financial assets measured at FVTPL (Note 23)	–	–	75	28	289
Loss on disposal of property, plant and equipment	–	(36)	–	–	–
Others	(61)	(76)	(196)	(94)	(34)
	<u>(61)</u>	<u>(112)</u>	<u>(121)</u>	<u>(66)</u>	<u>255</u>

9. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Interest expense on lease liabilities	356	162	78	40	34
	<u>356</u>	<u>162</u>	<u>78</u>	<u>40</u>	<u>34</u>

10. PROFIT BEFORE TAX

Profit before income tax expense is arrived at after charging/(crediting):

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Auditor's remuneration	719	511	605	270	232
Depreciation of property, plant and equipment	11,428	12,016	10,491	5,850	4,236
Depreciation of right-of-use assets	3,837	3,838	3,881	1,866	1,006
Amortization of intangible assets	1,109	1,924	1,545	650	763
Staff costs (including director's remuneration):					
– Salaries and other benefits	25,065	29,662	25,056	11,238	10,151
– Share-based payment expenses	7,141	2,767	(211)	(2,735)	(99)
	<u>32,206</u>	<u>32,429</u>	<u>24,845</u>	<u>8,503</u>	<u>10,052</u>

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

11. INCOME TAX EXPENSE

The income tax expense in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current tax:					
– PRC Enterprise Income Tax (“EIT”)	8,045	2,348	689	1,045	662
Deferred tax:					
– Current year/period (Note 19)	1,275	(456)	120	80	193
Total income tax expense	<u>9,320</u>	<u>1,892</u>	<u>809</u>	<u>1,125</u>	<u>855</u>

The group entity incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits for the years ended December 31, 2022, 2023, 2024 and six months ended June 30, 2025. On March 21, 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Target Group's Hong Kong subsidiary with estimated assessable profits for its annual year ending on or after April 1, 2018.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the standard EIT rate of the PRC subsidiaries is 25%, except for the Target Company and Teddy Wuxi which were accredited as a “High and New Technology Enterprise” pursuant to the PRC tax resolutions and entitled to a preferential tax rate of 15% during the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit before income tax expense	68,166	34,120	10,981	5,765	14,275
Tax at the applicable tax rate	10,225	5,118	1,647	865	2,141
Tax effect of income not taxable for tax purpose	(890)	(2,584)	(343)	(266)	(958)
Effect of research and development expenses that are additionally deducted (note)	(1,677)	(1,704)	(2,058)	(1,092)	(822)
Tax effect of expenses not deductible for tax purpose	1,321	731	1,511	1,356	339
Effect of deductible temporary differences not recognised	341	331	52	262	155
Total income tax expense	<u>9,320</u>	<u>1,892</u>	<u>809</u>	<u>1,125</u>	<u>855</u>

Note: The Target Company and Teddy Wuxi were accredited as High and New Technology Enterprise, and entitled additional EIT deduction on the research and development expenses.

No deferred tax asset has been recognized in relation to deductible temporary differences of RMB2,273,000, RMB2,207,000, RMB347,000 and RMB1,033,000 as at December 31, 2022, 2023, 2024 and June 30, 2025 respectively relating to the depreciation charges as it is not material.

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

12. DIRECTOR'S EMOLUMENTS

Details of the emoluments paid or payable to the director of the Target Group for the services provided to the Target Group during the Track Record Period are as follows:

Year ended December 31, 2022

	Director's fee <i>RMB'000</i>	Salaries and other benefits <i>RMB'000</i>	Performance- based bonus <i>RMB'000</i>	Share-based compensation <i>RMB'000</i>	Total <i>RMB'000</i>
Executive Director	33	2,921	526	539	4,019

Year ended December 31, 2023

	Director's fee <i>RMB'000</i>	Salaries and other benefits <i>RMB'000</i>	Performance- based bonus <i>RMB'000</i>	Share-based compensation <i>RMB'000</i>	Total <i>RMB'000</i>
Executive Director	100	3,732	65	1,064	4,961

Year ended December 31, 2024

	Director's fee <i>RMB'000</i>	Salaries and other benefits <i>RMB'000</i>	Performance- based bonus <i>RMB'000</i>	Share-based compensation <i>RMB'000</i>	Total <i>RMB'000</i>
Executive Director	–	2,178	181	1,933	4,292

Six months ended June 30, 2024 (Unaudited)

	Director's fee <i>RMB'000</i>	Salaries and other benefits <i>RMB'000</i>	Performance- based bonus <i>RMB'000</i>	Share-based compensation <i>RMB'000</i>	Total <i>RMB'000</i>
Executive Director	–	1,436	91	313	1,840

Six months ended June 30, 2025

	Director's fee <i>RMB'000</i>	Salaries and other benefits <i>RMB'000</i>	Performance- based bonus <i>RMB'000</i>	Share-based compensation <i>RMB'000</i>	Total <i>RMB'000</i>
Executive Director	–	737	89	1,107	1,933

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

13. FIVE HIGHEST PAID INDIVIDUALS

The five individuals with the highest emoluments in the Target Group during the Track Record Period include one director of the Target Company, details of whose remuneration are set out in Note 12 above. The emoluments of the remaining four highest paid individuals during the Track Record Period were as follows:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Salaries and other benefits	5,589	4,742	3,644	2,129	1,970
Performance-based bonus	817	198	571	–	–
Share-based compensation	832	1,270	1,323	417	789
	<u>7,238</u>	<u>6,210</u>	<u>5,538</u>	<u>2,546</u>	<u>2,759</u>

The emoluments of the five highest paid individuals were within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
				(Unaudited)	
HK\$nil to HK\$1,000,000	2	1	2	4	4
HK\$1,000,001 to HK\$1,500,000	<u>2</u>	<u>3</u>	<u>2</u>	<u>–</u>	<u>–</u>
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Target Group to the director of the Target Company or the five highest paid individuals (including director and employees) as an inducement to join or upon joining the Target Group or as compensation for loss of office. None of the director of the Target Company has waived any emoluments during the Track Record Period.

14. DIVIDEND

The interim dividends were approved and paid during the Track Record Period are as follows:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Interim dividend declared and paid	<u>–</u>	<u>30,000</u>	<u>50,000</u>	<u>–</u>	<u>–</u>

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

15. PROPERTY, PLANT AND EQUIPMENT

The Target Group	Furniture, fixtures and equipment <i>RMB'000</i>	Transportation equipment <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
COST					
As at January 1, 2022	34,931	419	15,339	1,410	52,099
Additions	10,670	–	1,699	4,157	16,526
Disposals	(7)	–	–	–	(7)
Transfer from construction in progress	–	–	4,827	(4,827)	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at December 31, 2022 and January 1, 2023	45,594	419	21,865	740	68,618
Additions	4,690	–	184	104	4,978
Disposals	(617)	–	–	–	(617)
Transfer from construction in progress	–	–	133	(133)	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at December 31, 2023 and January 1, 2024	49,667	419	22,182	711	72,979
Additions	2,883	–	733	527	4,143
Disposals	(1,683)	–	–	–	(1,683)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at December 31, 2024 and January 1, 2025	50,867	419	22,915	1,238	75,439
Additions	2,306	–	–	138	2,444
Disposals	(24)	–	–	–	(24)
Transfer from construction in progress	–	–	1,376	(1,376)	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at June 30, 2025	53,149	419	24,291	–	77,859
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

The Target Group	Furniture, fixtures and equipment <i>RMB'000</i>	Transportation equipment <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
ACCUMULATED DEPRECIATION					
As at January 1, 2022	12,238	38	10,365	–	22,641
Provided for the year	6,661	80	4,687	–	11,428
Disposals	(2)	–	–	–	(2)
As at December 31, 2022 and January 1, 2023	18,897	118	15,052	–	34,067
Provided for the year	7,703	79	4,234	–	12,016
Disposals	(443)	–	–	–	(443)
As at December 31, 2023 and January 1, 2024	26,157	197	19,286	–	45,640
Provided for the year	7,367	79	3,045	–	10,491
Disposals	(1,569)	–	–	–	(1,569)
As at December 31, 2024 and January 1, 2025	31,955	276	22,331	–	54,562
Provided for the period	3,668	40	528	–	4,236
Disposals	(19)	–	–	–	(19)
As at June 30, 2025	35,604	316	22,859	–	58,779
NET BOOK VALUE					
As at December 31, 2022	26,697	301	6,813	740	34,551
As at December 31, 2023	23,510	222	2,896	711	27,339
As at December 31, 2024	18,912	143	584	1,238	20,877
As at June 30, 2025	17,545	103	1,432	–	19,080

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

The Target Company	Furniture, fixtures and equipment <i>RMB'000</i>	Transportation equipment <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Total <i>RMB'000</i>
COST				
As at January 1, 2022	18,937	419	937	20,293
Additions	2,032	–	685	2,717
	<hr/>	<hr/>	<hr/>	<hr/>
As at December 31, 2022 and January 1, 2023	20,969	419	1,622	23,010
Additions	1,748	–	139	1,887
Disposals	(614)	–	–	(614)
	<hr/>	<hr/>	<hr/>	<hr/>
As at December 31, 2023 and January 1, 2024	22,103	419	1,761	24,283
Additions	934	–	–	934
Disposals	(1,612)	–	–	(1,612)
	<hr/>	<hr/>	<hr/>	<hr/>
As at December 31, 2024 and January 1, 2025	21,425	419	1,761	23,605
Additions	4	–	–	4
Disposals	(24)	–	–	(24)
	<hr/>	<hr/>	<hr/>	<hr/>
As at June 30, 2025	21,405	419	1,761	23,585
	<hr/>	<hr/>	<hr/>	<hr/>
ACCUMULATED DEPRECIATION				
As at January 1, 2022	10,479	38	277	10,794
Provided for the year	2,961	80	290	3,331
	<hr/>	<hr/>	<hr/>	<hr/>
As at December 31, 2022 and January 1, 2023	13,440	118	567	14,125
Provided for the year	2,598	79	479	3,156
Disposals	(442)	–	–	(442)
	<hr/>	<hr/>	<hr/>	<hr/>
As at December 31, 2023 and January 1, 2024	15,596	197	1,046	16,839
Provided for the year	1,999	79	462	2,540
Disposals	(1,524)	–	–	(1,524)
	<hr/>	<hr/>	<hr/>	<hr/>
As at December 31, 2024 and January 1, 2025	16,071	276	1,508	17,855
Provided for the period	792	40	137	969
Disposals	(19)	–	–	(19)
	<hr/>	<hr/>	<hr/>	<hr/>
As at June 30, 2025	16,844	316	1,645	18,805
	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE				
As at December 31, 2022	7,529	301	1,055	8,885
	<hr/>	<hr/>	<hr/>	<hr/>
As at December 31, 2023	6,507	222	715	7,444
	<hr/>	<hr/>	<hr/>	<hr/>
As at December 31, 2024	5,354	143	253	5,750
	<hr/>	<hr/>	<hr/>	<hr/>
As at June 30, 2025	4,561	103	116	4,780
	<hr/>	<hr/>	<hr/>	<hr/>

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

16. INVESTMENTS IN SUBSIDIARIES

	As at December 31,			As at
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Unlisted investment, at cost	30,000	30,000	70,200	70,000

The particulars of the directly and indirectly held subsidiaries of the Target Company are set out in Note 1.

17. RIGHT-OF-USE ASSETS

For the years ended December 31, 2022, 2023, 2024 and six months ended June 30, 2025, the Target Group leases various offices equipment, and machineries for its operations. Lease contracts are entered into for fixed term of 2 years to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The carrying amounts of the Target Group's right-of-use assets and the movements during the year/period are as follows:

The Target Group	Properties leased for own use RMB'000	Experiment equipment RMB'000	Total RMB'000
COST			
As at January 1, 2022	8,890	940	9,830
Additions	2,607	—	2,607
As at December 31, 2022 and January 1, 2023	11,497	940	12,437
Write-off	(5,258)	—	(5,258)
Termination	—	(851)	(851)
As at December 31, 2023 and January 1, 2024	6,239	89	6,328
Additions	4,221	—	4,221
Write-off	(6,521)	(89)	(6,610)
As at December 31, 2024, January 1, 2025 and June 30, 2025	3,939	—	3,939
ACCUMULATED DEPRECIATION			
As at January 1, 2022	2,440	77	2,517
Provided for the year	3,642	195	3,837
As at December 31, 2022 and January 1, 2023	6,082	272	6,354
Provided for the year	3,698	140	3,838
Write-off	(5,258)	—	(5,258)
Termination	—	(338)	(338)

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

The Target Group	Properties leased for own use <i>RMB'000</i>	Experiment equipment <i>RMB'000</i>	Total <i>RMB'000</i>
As at December 31, 2023 and January 1, 2024	4,522	74	4,596
Provided for the year	3,866	15	3,881
Write-off	(6,521)	(89)	(6,610)
As at December 31, 2024 and January 1, 2025	1,867	–	1,867
Provided for the period	1,006	–	1,006
As at June 30, 2025	2,873	–	2,873
Net book value			
As at December 31, 2022	5,415	668	6,083
As at December 31, 2023	1,717	15	1,732
As at December 31, 2024	2,072	–	2,072
As at June 30, 2025	1,066	–	1,066
The Target Company	Properties leased for own use <i>RMB'000</i>	Experiment equipment <i>RMB'000</i>	Total <i>RMB'000</i>
COST			
As at January 1, 2022	4,493	89	4,582
Additions	765	–	765
As at December 31, 2022 and January 1, 2023	5,258	89	5,347
Write-off	(5,258)	–	(5,258)
As at December 31, 2023 and January 1, 2024	–	89	89
Additions	4,005	–	4,005
Write-off	(282)	(89)	(371)
As at December 31, 2024, January 1, 2025 and June 30, 2025	3,723	–	3,723

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

The Target Company	Properties leased for own use <i>RMB'000</i>	Experiment equipment <i>RMB'000</i>	Total <i>RMB'000</i>
ACCUMULATED DEPRECIATION			
As at January 1, 2022	1,344	24	1,368
Provided for the year	1,929	25	1,954
As at December 31, 2022 and January 1, 2023	3,273	49	3,322
Provided for the year	1,985	25	2,010
Write-off	(5,258)	–	(5,258)
As at December 31, 2023 and January 1, 2024	–	74	74
Provided for the year	2,096	15	2,111
Write-off	(282)	(89)	(371)
As at December 31, 2024 and January 1, 2025	1,814	–	1,814
Provided for the period	955	–	955
As at June 30, 2025	2,769	–	2,769
Net book value			
As at December 31, 2022	1,985	40	2,025
As at December 31, 2023	–	15	15
As at December 31, 2024	1,909	–	1,909
As at June 30, 2025	954	–	954

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

18. INTANGIBLE ASSETS

The Target Group	Software RMB'000
COST	
As at January 1, 2022	5,009
Additions	2,503
Write-off	(1)
As at December 31, 2022 and January 1, 2023	7,511
Additions	860
As at December 31, 2023 and January 1, 2024	8,371
Additions	1,022
Transfer from construction in progress	712
As at December 31, 2024, January 1, 2025 and June 30, 2025	10,105
ACCUMULATED AMORTIZATION	
As at January 1, 2022	1,562
Provided for the year	1,109
Write-off	(1)
As at December 31, 2022 and January 1, 2023	2,670
Provided for the year	1,924
As at December 31, 2023 and January 1, 2024	4,594
Provided for the year	1,545
As at December 31, 2024 and January 1, 2025	6,139
Provided for the period	763
As at June 30, 2025	6,902
Net book value	
As at December 31, 2022	4,841
As at December 31, 2023	3,777
As at December 31, 2024	3,966
As at June 30, 2025	3,203

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

The Target Company	Software RMB'000
COST	
As at January 1, 2022	2,045
Additions	422
Write-off	(1)
	<hr/>
As at December 31, 2022 and January 1, 2023	2,466
Additions	421
	<hr/>
As at December 31, 2023 and January 1, 2024	2,887
Additions	872
	<hr/>
As at December 31, 2024, January 1, 2025 and June 30, 2025	3,759
	<hr/>
ACCUMULATED AMORTIZATION	
As at January 1, 2022	1,262
Provided for the year	381
Write-off	(1)
	<hr/>
As at December 31, 2022 and January 1, 2023	1,642
Provided for the year	896
	<hr/>
As at December 31, 2023 and January 1, 2024	2,538
Provided for the year	303
	<hr/>
As at December 31, 2024 and January 1, 2025	2,841
Provided for the period	138
	<hr/>
As at June 30, 2025	2,979
	<hr/>
Net book value	
As at December 31, 2022	824
	<hr/> <hr/>
As at December 31, 2023	349
	<hr/> <hr/>
As at December 31, 2024	918
	<hr/> <hr/>
As at June 30, 2025	780
	<hr/> <hr/>

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

19. DEFERRED TAXATION

The Target Group	As at December 31,			As at
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Deferred tax assets	2,411	2,867	2,747	2,554
	2,411	2,867	2,747	2,554

The Target Group	Doubtful debts	Share-based payments	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2022	463	769	2,454	3,686
Credited/(charged) to profit or loss	171	146	(1,592)	(1,275)
As at December 31, 2022 and January 1, 2023	634	915	862	2,411
Credited/(charged) to profit or loss	(25)	566	(85)	456
As at December 31, 2023 and January 1, 2024	609	1,481	777	2,867
Credited/(charged) to profit or loss	229	(24)	(325)	(120)
As at December 31, 2024 and January 1, 2025	838	1,457	452	2,747
Credited/(charged) to profit or loss	18	(64)	(147)	(193)
As at June 30, 2025	856	1,393	305	2,554

The Target Company	As at December 31,			As at
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Deferred tax assets	1,265	1,677	1,685	1,511
	1,265	1,677	1,685	1,511

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

The Target Company	Doubtful debts RMB'000	Share-based payments RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2022	399	558	265	1,222
Credited/(charged) to profit or loss	101	199	(257)	43
As at December 31, 2022 and January 1, 2023	500	757	8	1,265
Credited/(charged) to profit or loss	51	371	(10)	412
As at December 31, 2023 and January 1, 2024	551	1,128	(2)	1,677
Credited/(charged) to profit or loss	(125)	120	13	8
As at December 31, 2024 and January 1, 2025	426	1,248	11	1,685
Credited/(charged) to profit or loss	(48)	(107)	(19)	(174)
As at June 30, 2025	378	1,141	(8)	1,511

20. INVENTORIES

The Target Group	As at December 31,			As at June 30,
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Consumables	18,778	12,786	9,588	21,536

The Target Company	As at December 31,			As at June 30,
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Consumables	6,125	4,232	1,817	1,636

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

21. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND LOAN RECEIVABLES

The Target Group

	As at December 31,			As at
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Trade receivables				
– third parties	53,234	46,255	37,379	37,704
– related parties	11,037	23,001	18,534	14,196
Less: loss allowance for trade receivables	(3,066)	(4,700)	(4,975)	(4,890)
	<u>61,205</u>	<u>64,556</u>	<u>50,938</u>	<u>47,010</u>
Other receivables				
– third parties	1,440	1,319	1,304	1,275
Less: loss allowance for other receivables	(72)	(66)	(65)	(64)
	<u>1,368</u>	<u>1,253</u>	<u>1,239</u>	<u>1,211</u>
Prepayments				
– third parties	1,583	1,830	4,725	1,439
– related parties	2	1	225	194
	<u>1,585</u>	<u>1,831</u>	<u>4,950</u>	<u>1,633</u>
Value added tax recoverable	<u>403</u>	<u>196</u>	<u>950</u>	<u>1,552</u>
Trade and other receivables and prepayments	<u>64,561</u>	<u>67,836</u>	<u>58,077</u>	<u>51,406</u>
Loan receivables				
– related party (Note (a))	<u>–</u>	<u>–</u>	<u>10,000</u>	<u>10,000</u>

Note (a): The loan receivables are unsecured, interest-bearing at 6% per annum and repayable on October 31, 2025.

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

The Target Group allows a credit period ranging from 30 to 90 days to its customers. The following is an aging analysis of trade receivables (net of loss allowance), presented based on the invoice dates, at the end of the reporting period:

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	58,111	58,638	44,456	39,182
91 to 180 days	2,618	4,777	3,624	2,640
181 days to 1 year	476	875	2,440	3,918
Over 1 year	–	266	418	1,270
	<u>61,205</u>	<u>64,556</u>	<u>50,938</u>	<u>47,010</u>

Movements in lifetime ECL that has been recognized for trade receivables in accordance with the simplified approach set out in IFRS 9 for each of the Track Record Period are set out below:

	RMB'000
As at January 1, 2022	1,115
ECL provided	<u>1,951</u>
As at December 31, 2022 and January 1, 2023	3,066
ECL provided	<u>1,634</u>
As at December 31, 2023 and January 1, 2024	4,700
ECL provided	<u>275</u>
As at December 31, 2024 and January 1, 2025	4,975
ECL reversed	<u>(85)</u>
As at June 30, 2025	<u><u>4,890</u></u>

Details of impairment assessment of trade receivables are set out in Note 32.

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

The Target Company

	As at December 31,			As at
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Trade receivables				
– third parties	40,055	33,256	20,244	19,345
– related parties	10,578	21,715	15,474	11,714
Less: loss allowance for trade receivables	(2,272)	(2,960)	(2,440)	(2,061)
	<u>48,361</u>	<u>52,011</u>	<u>33,278</u>	<u>28,998</u>
Other receivables				
– third parties	917	595	571	605
Less: loss allowance for other receivables	(46)	(30)	(29)	(30)
	<u>871</u>	<u>565</u>	<u>542</u>	<u>575</u>
Prepayments				
– third parties	992	940	702	805
– related parties	2	1	225	194
	<u>994</u>	<u>941</u>	<u>927</u>	<u>999</u>
Value added tax recoverable	<u>403</u>	<u>196</u>	<u>600</u>	<u>21</u>
Trade and other receivables and prepayments	<u>50,629</u>	<u>53,713</u>	<u>35,347</u>	<u>30,593</u>
Loan receivables				
– related party (Note (a))	<u>–</u>	<u>–</u>	<u>10,000</u>	<u>10,000</u>

Note (a): The loan receivables are unsecured, interest-bearing at 6% per annum and repayable on October 31, 2025.

The Target Company allows a credit period ranging from 30 to 90 days to its customers. The following is an aging analysis of trade receivables (net of loss allowance), presented based on the invoice dates, at the end of the reporting period:

	As at December 31,			As at
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Within 90 days	46,351	48,356	30,118	26,329
91 to 180 days	2,010	3,209	1,623	1,235
181 days to 1 year	–	413	1,226	978
Over 1 year	<u>–</u>	<u>33</u>	<u>311</u>	<u>456</u>
	<u>48,361</u>	<u>52,011</u>	<u>33,278</u>	<u>28,998</u>

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

Movements in lifetime ECL that has been recognized for trade receivables in accordance with the simplified approach set out in IFRS 9 for each of the Track Record Period are set out below:

	<i>RMB'000</i>
As at January 1, 2022	610
ECL provided	<u>1,662</u>
As at December 31, 2022 and January 1, 2023	2,272
ECL provided	<u>688</u>
As at December 31, 2023 and January 1, 2024	2,960
ECL reversed	<u>(520)</u>
As at December 31, 2024 and January 1, 2025	2,440
ECL reversed	<u>(379)</u>
As at June 30, 2025	<u><u>2,061</u></u>

Details of impairment assessment of trade receivables are set out in Note 32.

22. UNBILLED REVENUE

The Target Group

	As at December 31,			As at
	2022	2023	2024	June 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unbilled revenue				
– third parties	56,210	56,366	46,174	55,123
– related parties	1,220	1,632	–	–
Less: loss allowance for unbilled revenue	<u>(1,259)</u>	<u>(1,014)</u>	<u>(720)</u>	<u>(860)</u>
	<u><u>56,171</u></u>	<u><u>56,984</u></u>	<u><u>45,454</u></u>	<u><u>54,263</u></u>

Movements in lifetime ECL that has been recognized for unbilled revenue in accordance with the simplified approach set out in IFRS 9 for each of the Track Record Period are set out below:

	<i>RMB'000</i>
As at January 1, 2022	1,408
ECL reversed	<u>(149)</u>
As at December 31, 2022 and January 1, 2023	1,259
ECL reversed	<u>(245)</u>
As at December 31, 2023 and January 1, 2024	1,014
ECL reversed	<u>(294)</u>
As at December 31, 2024 and January 1, 2025	720
ECL provided	<u>140</u>
As at June 30, 2025	<u><u>860</u></u>

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

Generally, significant payment terms are disclosed within the contents of a given contract and are in the form of either milestone payment terms representing a percentage of the total budgeted contract price or corresponding directly with the value to the customer of the Target Group's performance. Revenues recognized in excess of billings are recognized as contract assets and disclosed in the consolidated statements of financial position as unbilled revenue.

Details of impairment assessment of unbilled revenue are set out in Note 32.

The Target Company

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Unbilled revenue				
– third parties	35,339	37,897	23,759	26,775
– related parties	–	–	–	–
Less: loss allowance for unbilled revenue	(792)	(682)	(371)	(418)
	<u>34,547</u>	<u>37,215</u>	<u>23,388</u>	<u>26,357</u>

Movements in lifetime ECL that has been recognized for unbilled revenue in accordance with the simplified approach set out in IFRS 9 for each of the Track Record Period are set out below:

	RMB'000
As at January 1, 2022	1,262
ECL reversed	<u>(470)</u>
As at December 31, 2022 and January 1, 2023	792
ECL reversed	<u>(110)</u>
As at December 31, 2023 and January 1, 2024	682
ECL reversed	<u>(311)</u>
As at December 31, 2024 and January 1, 2025	371
ECL provided	<u>47</u>
As at June 30, 2025	<u><u>418</u></u>

Generally, significant payment terms are disclosed within the contents of a given contract and are in the form of either milestone payment terms representing a percentage of the total budgeted contract price or corresponding directly with the value to the customer of the Target Group's performance. Revenues recognized in excess of billings are recognized as contract assets and disclosed in the consolidated statements of financial position as unbilled revenue.

Details of impairment assessment of unbilled revenue are set out in Note 32.

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

23. FINANCIAL ASSETS AT FVTPL

The Target Group

	As at December 31,			As at
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
Financial assets at FVTPL				RMB'000
– Wealth management products (note)	–	–	–	24,135

Note: The Target Group entered into a series of contracts with banks and other financial institutions in the PRC. The investments are yield enhancement deposits with expected but not guaranteed rates of return. The director of the Target Group considered the wealth management products shall be classified as financial assets at FVTPL as they are acquired for the purpose of selling or repurchasing in the near term. The amount paid for the wealth management products approximates its fair value at the end of each reporting period.

24. CASH AND CASH EQUIVALENTS

The Target Group

	As at December 31,			As at
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
Cash and cash equivalents (note (a))	70,474	101,855	85,577	71,726
Time deposits with original maturity within six months (note (b))	60,000	20,000	20,000	20,000
	130,474	121,855	105,577	91,726

The Target Company

	As at December 31,			As at
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
Cash and cash equivalents (note (a))	55,984	69,129	45,793	44,236
Time deposits with original maturity within six months (note (b))	60,000	20,000	20,000	20,000
	115,984	89,129	65,793	64,236

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

Notes:

- (a) Cash and cash equivalents represent cash at banks and in hand. Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.
- (b) Time deposits with original maturity within six months represent fixed deposits with maturity less than six months from the date of acquisition which carried interest at prevailing market rates ranging from 2.15% to 2.25%, 2.05% to 2.88%, 1.8% to 2.88% and 1.8% to 2.88% as December 31, 2022, 2023, 2024 and June 30, 2025, respectively.
- (c) The cash and equivalents of the Target Group and Target Company were mainly dominated in RMB and held in the Mainland China. RMB is not a freely convertible currency. Under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sale and Payment of Foreign Exchange Regulations, the Target Group and Target Company are permitted to exchange RMB for foreign currencies through banks that are authorized to conduct foreign exchange business.

25. TRADE AND OTHER PAYABLES

The Target Group

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
– third parties	31,167	23,231	19,031	26,461
– related parties	20	248	2,278	1,327
	<u>31,187</u>	<u>23,479</u>	<u>21,309</u>	<u>27,788</u>
Other payables				
– third parties	144	500	951	500
Salary and bonus payables	12,506	8,643	8,245	6,145
Other taxes payable	<u>5,296</u>	<u>3,976</u>	<u>3,703</u>	<u>3,743</u>
	<u>49,133</u>	<u>36,598</u>	<u>34,208</u>	<u>38,176</u>

Payment terms with suppliers are mainly on credit ranging from 30 to 90 days from invoice date. The following is an age analysis of trade payables presented based on invoice date at the end of each of the Track Record Period:

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	25,368	10,067	8,998	20,680
91 days to 1 year	5,775	12,229	8,703	6,346
Over 1 year	<u>44</u>	<u>1,183</u>	<u>3,608</u>	<u>762</u>
	<u>31,187</u>	<u>23,479</u>	<u>21,309</u>	<u>27,788</u>

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

The Target Company

	As at December 31,			As at
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Trade payables				
– third parties	19,737	24,101	14,037	6,662
– related parties	20	248	1,277	874
	<u>19,757</u>	<u>24,349</u>	<u>15,314</u>	<u>7,536</u>
Other payables				
– third parties	144	500	951	500
Salary and bonus payables	7,901	5,516	5,036	3,743
Other taxes payable	<u>4,938</u>	<u>3,292</u>	<u>2,126</u>	<u>2,175</u>
	<u>32,740</u>	<u>33,657</u>	<u>23,427</u>	<u>13,954</u>

Payment terms with suppliers are mainly on credit ranging from 30 to 90 days from invoice date. The following is an age analysis of trade payables presented based on invoice date at the end of each of the Track Record Period:

	As at December 31,			As at
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Within 90 days	16,147	15,864	8,222	5,720
91 days to 1 year	3,578	7,689	3,859	1,470
Over 1 year	<u>32</u>	<u>796</u>	<u>3,233</u>	<u>346</u>
	<u>19,757</u>	<u>24,349</u>	<u>15,314</u>	<u>7,536</u>

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

26. ADVANCES FROM CUSTOMERS

The Target Group

	As at December 31,			As at
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Advances from customers				
– third parties	22,929	16,745	22,844	28,821
– related parties	186	204	333	328
	<u>23,115</u>	<u>16,949</u>	<u>23,177</u>	<u>29,149</u>
	As at December 31,			As at
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
At January 1	17,944	23,115	16,949	23,177
Amounts included in advances from customers that was recognized as revenue during the year/period	(17,944)	(23,115)	(16,949)	(23,177)
Cash received in advance of performance and not recognized as revenue during the year/period	<u>23,115</u>	<u>16,949</u>	<u>23,177</u>	<u>29,149</u>
At December 31/June 30	<u>23,115</u>	<u>16,949</u>	<u>23,177</u>	<u>29,149</u>

Amounts received in accordance with contracted payment schedules but in excess of revenues earned are recognized as contract liabilities and disclosed in the consolidated statements of financial position as advances from customers. Changes in advances from customers primarily relate to the Target Group's performance of services under the related contracts.

The Target Company

	As at December 31,			As at
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Advances from customers				
– third parties	13,571	12,402	14,098	12,452
– related parties	186	204	174	244
	<u>13,757</u>	<u>12,606</u>	<u>14,272</u>	<u>12,696</u>

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

	As at December 31,			As at
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
At January 1	19,349	13,757	12,606	14,272
Amounts included in advances from customers that was recognized as revenue during the year/period	(19,349)	(13,757)	(12,606)	(14,272)
Cash received in advance of performance and not recognized as revenue during the year/period	13,757	12,606	14,272	12,696
At December 31/June 30	13,757	12,606	14,272	12,696

27. LEASE LIABILITIES

The Target Group

	As at December 31,			As at
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Within one year	4,185	1,421	2,060	606
Within a period of more than one year but not exceeding two years	1,544	–	56	–
Within a period of more than two years but not exceeding five years	127	–	–	–
More than five years	–	–	–	–
	5,856	1,421	2,116	606
Less: Amounts due for settlement with 12 months shown under current liabilities	(4,185)	(1,421)	(2,060)	(606)
Amounts due for settlement after 12 months shown under non-current liabilities	1,671	–	56	–

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

The Target Company

	As at December 31,			As at
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Within one year	2,250	–	1,952	495
Within a period of more than one year but not exceeding two years	–	–	–	–
Within a period of more than two years but not exceeding five years	–	–	–	–
More than five years	–	–	–	–
	<u>2,250</u>	<u>–</u>	<u>1,952</u>	<u>495</u>
Less: Amounts due for settlement with 12 months shown under current liabilities	<u>(2,250)</u>	<u>–</u>	<u>(1,952)</u>	<u>(495)</u>
Amounts due for settlement after 12 months shown under non-current liabilities	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

28. SHARE CAPITAL

All shares issued by the Target Company are fully paid domestic shares. The par value is RMB1.00. The Target Company's number of shares issued and their nominal value are as follows:

	Number of shares	Authorised share capital
	'000	RMB'000
Authorised:		
At of January 1, 2022	–	–
Effect of converting the Target Company into a joint stock company (Note a)	<u>60,623</u>	<u>60,623</u>
At of December 31, 2022, January 1, 2023, December 31, 2023, January 1, 2024, December 31, 2024, January 1, 2025 and June 30, 2025	<u>60,623</u>	<u>60,623</u>
	Number of shares	Share capital
	'000	RMB'000
Issued and fully paid:		
As of January 1, 2022	–	45,813
Issuance of new shares	–	14,810
Effect of converting the Company into a joint stock company (Note a)	<u>60,623</u>	<u>–</u>
At of December 31, 2022, January 1, 2023, December 31, 2023, January 1, 2024, December 31, 2024, January 1, 2025 and June 30, 2025	<u>60,623</u>	<u>60,623</u>

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

Note:

- (a) On May 11, 2022, the Target Company was converted into a joint stock company with limited liability, converting the total registered capital of RMB60,623,000 into 60,623,000 shares with a nominal value of RMB1.0 each, which were subscribed by all the then shareholders in proportion to their respective equity interest in the Target Company before the conversion. All of the retained earnings and statutory reserve with total amount of RMB65,440,000 are reallocated to share premium upon completion of the share reform.

29. RESERVES

The amounts of the Target Group's reserves and the movements therein for the Track Record Period are presented in the consolidated statements of changes in equity on pages II-8 of this report.

Summary to the Target Company's reserve is as follows:

	Share premium <i>RMB'000</i> (a)	Statutory reserve <i>RMB'000</i> (b)	Equity-settled share-based compensation reserve <i>RMB'000</i> (c)	Retained earnings <i>RMB'000</i> (d)	Total <i>RMB'000</i>
As at January 1, 2022	6,909	6,154	4,138	56,878	74,079
Profit for the year	–	–	–	34,136	34,136
Transfer to statutory reserve	–	3,414	–	(3,414)	–
Recognition of equity-settled share-based compensation	–	–	5,779	–	5,779
Issuance of new shares (Note 28)	24,154	–	–	–	24,154
Reallocation of reserves upon share reform (Note 28)	65,440	(6,159)	–	(59,281)	–
As at December 31, 2022 and January 1, 2023	96,503	3,409	9,917	28,319	138,148
Profit for the year	–	–	–	7,618	7,618
Transfer to statutory reserve	–	762	–	(762)	–
Recognition of equity-settled share-based compensation	–	–	911	–	911
Dividend paid (Note 14)	–	–	–	(30,000)	(30,000)
As at December 31, 2023 and January 1, 2024	96,503	4,171	10,828	5,175	116,677
Profit for the year	–	–	–	47,722	47,722
Transfer to statutory reserve	–	4,772	–	(4,772)	–
Recognition of equity-settled share-based compensation	–	–	2,115	–	2,115
Dividend paid (Note 14)	–	–	–	(50,000)	(50,000)

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	Share premium <i>RMB'000</i> (a)	Statutory reserve <i>RMB'000</i> (b)	Equity-settled share-based compensation reserve <i>RMB'000</i> (c)	Retained earnings/ (accumulated losses) <i>RMB'000</i> (d)	Total <i>RMB'000</i>
As at January 1, 2025	96,503	8,943	12,943	(1,875)	116,514
Profit for the period	–	–	–	7,252	7,252
Transfer to statutory reserve	–	725	–	(725)	–
Recognition of equity-settled share-based compensation	–	–	(408)	–	(408)
As at June 30, 2025	<u>96,503</u>	<u>9,668</u>	<u>12,535</u>	<u>4,652</u>	<u>123,358</u>
As at December 31, 2023 and January 1, 2024	96,503	4,171	10,828	5,175	116,677
Profit for the period	–	–	–	3,772	3,772
Transfer to statutory reserve	–	377	–	(377)	–
Recognition of equity-settled share-based compensation	–	–	1,145	–	1,145
As at June 30, 2024 (unaudited)	<u>96,503</u>	<u>4,548</u>	<u>11,973</u>	<u>8,570</u>	<u>121,594</u>

Notes:

(a) Share premium

Share premium represents the excess of issuing price over the nominal values of ordinary shares, after deducting issuing expenses that have been charged to equity.

(b) Statutory reserve

In accordance with the articles of association of subsidiaries established in the PRC, these subsidiaries are required to transfer 10% of the profit after taxation to the statutory reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve shall be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

(c) Equity-settled share-based compensation reserve

The amount represents the recognition of the equity-settled share-based compensation of the Target Company in respect of share incentive plan, details of which are set out in Note 30.

(d) Retained earnings

Cumulative net gains and losses recognized in profit or loss.

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

30. SHARED-BASED PAYMENTS

Share Incentive Plan

The Target Company adopted a share incentive plan in 2018 to 2022 (the “Scheme”) for the primary purpose of attracting, retaining and motivating the employees of the Target Company. Under the Scheme, employees may subscribe to restricted shares of the Target Company through an employee shareholding platform.

After accepting the granted restricted shares, employees are required to contribute corresponding funds ranged from RMB2.22 to RMB6.66 per share to the Target Company's employee shareholding platform. Each restricted share has a contractual term of 3 years and vesting on the three calendar years after grant date. If a participant's employment relationship with the Target Company is terminated, the subscribed restricted shares shall be returned to the platform, and the platform shall refund the subscription payments made by the employee.

As at December 31, 2022, 2023, 2024 and June 30, 2025, the share incentive plan outstanding restricted shares in respect of an aggregate of 6,947,000 shares, 5,765,000 shares, 4,329,000 shares and 2,051,000 shares of the Target Company respectively to participants pursuant to the Scheme.

Set out below are details of the movements of the outstanding restricted shares granted under the Scheme during the Track Record Period:

	Number of Restricted Shares Granted '000
Outstanding as of January 1, 2022	3,646
Granted during the year	3,782
Forfeited during the year	(481)
	<hr/>
Outstanding as of December 31, 2022 and January 1, 2023	6,947
Forfeited during the year	(1,182)
	<hr/>
Outstanding as of December 31, 2023 and January 1, 2024	5,765
Granted during the year	2,079
Forfeited during the year	(3,089)
Vested during the year	(426)
	<hr/>
Outstanding as of December 31, 2024 and January 1, 2025	4,329
Forfeited during the period	(896)
Vested during the period	(1,382)
	<hr/>
Outstanding as of June 30, 2025	<u>2,051</u>

The estimated fair value of the underlying incentive shares awarded was approximately RMB\$10 per share on the grant date was determined by using market approach with reference to financial ratios of comparable entities. Changes in variables and assumptions may result in changes in the fair values of the share awards.

Under the share incentive plan, share-based payments of RMB7,141,000, RMB2,767,000, RMB(211,000), RMB(2,735,000) and RMB(99,000) were recognized in the consolidated statements of profit or loss and other comprehensive income, with a corresponding credit to the equity, for the years ended December 31, 2022, 2023, 2024 and six months ended June 30, 2024 and 2025, respectively.

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

31. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Target Group

The following table shows the carrying amounts of financial assets and liabilities of the Target Group:

	As at December 31,			As at
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Financial assets:				
Financial assets at amortized cost	193,047	187,664	167,754	149,947
Financial assets at FVTPL	—	—	—	24,135
	<u>193,047</u>	<u>187,664</u>	<u>167,754</u>	<u>174,082</u>
Financial liabilities:				
Financial liabilities at amortized cost	<u>37,187</u>	<u>25,400</u>	<u>24,376</u>	<u>28,894</u>

The Target Company

The following table shows the carrying amounts of financial assets and liabilities of the Target Company:

	As at December 31,			As at
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Financial assets:				
Financial assets at amortized cost	<u>165,216</u>	<u>141,705</u>	<u>109,613</u>	<u>103,809</u>
Financial liabilities:				
Financial liabilities at amortized cost	<u>22,151</u>	<u>24,849</u>	<u>18,217</u>	<u>8,531</u>

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's major financial assets and liabilities include trade and other receivables, unbilled revenue, loan receivables, cash and cash equivalents, financial assets at FVTPL, trade and other payables, and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Target Group's activities expose it primarily to currency risk and interest rate risk. There had been no change in the Target Group's exposure to these risks or the manner in which it managed and measured the risks during each of the reporting period.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Target Group. At the end of each reporting period, the Target Group's maximum exposure to credit risk which cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position.

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

In order to minimize credit risk, the Target Group has tasked its finance team to develop and maintain the Target Group's credit risk grading to categorize exposures according to their degree of risk of default.

Management uses publicly available financial information and the Target Group's own historical repayment records to rate its major customers and other debtors. The Target Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate exposure is spread amongst approved counterparties.

For trade receivables and unbilled revenue, the Target Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Target Group determines the ECL on these items by using a provision matrix within lifetime ECL (not credit impaired) estimated based on the financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The Target Group's current credit risk grading framework comprises the following categories:

Category	Description
Current	The counterparty has an invoice that is current at reporting date
Within 90 days	The counterparty has an invoice that is past due within 90 days of the reporting date
91 to 180 days	The counterparty has an invoice that is past due within 91 to 180 days of the reporting date
181 days to 1 year	The counterparty has an invoice that is past due within 181 days to 1 year at reporting date
Over 1 year	The counterparty has an invoice that is past due over 1 year at reporting date

The following table details the risk profile of trade receivables and unbilled revenue:

The Target Group

As at December 31, 2022

	Not credit impaired		Credit impaired			Total
	Current	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	
ECL rate	1.77%	4.10%	19.77%	23.47%	–	3.55%
Gross carrying amount (RMB'000)	79,472	34,792	6,815	622	–	121,701
Lifetime ECL (RMB'000)	(1,405)	(1,427)	(1,347)	(146)	–	(4,325)
	<u>78,067</u>	<u>33,365</u>	<u>5,468</u>	<u>476</u>	<u>–</u>	<u>117,376</u>

As at December 31, 2023

	Not credit impaired		Credit impaired			Total
	Current	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	
ECL rate	1.56%	3.13%	18.40%	23.42%	28.42%	4.49%
Gross carrying amount (RMB'000)	75,478	34,605	11,982	4,538	651	127,254
Lifetime ECL (RMB'000)	(1,177)	(1,084)	(2,205)	(1,063)	(185)	(5,714)
	<u>74,301</u>	<u>33,521</u>	<u>9,777</u>	<u>3,475</u>	<u>466</u>	<u>121,540</u>

APPENDIX II ACCOUNTANTS' REPORT ON THE TARGET GROUP

As at December 31, 2024

	Not credit impaired		Credit impaired			
	Current	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
ECL rate	1.65%	2.73%	19.87%	22.26%	28.43%	5.58%
Gross carrying amount (RMB'000)	57,332	27,217	8,036	4,726	4,776	102,087
Lifetime ECL (RMB'000)	(944)	(744)	(1,597)	(1,052)	(1,358)	(5,695)
	56,388	26,473	6,439	3,674	3,418	96,392

As at June 30, 2025

	Not credit impaired		Credit impaired			
	Current	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
ECL rate	1.56%	2.47%	17.57%	23.14%	28.57%	5.37%
Gross carrying amount (RMB'000)	57,898	31,221	5,629	7,728	4,547	107,023
Lifetime ECL (RMB'000)	(903)	(771)	(989)	(1,788)	(1,299)	(5,750)
	56,995	30,450	4,640	5,940	3,248	101,273

The Target Company

As at December 31, 2022

	Not credit impaired		Credit impaired			
	Current	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
ECL rate	1.56%	4.68%	18.72%	–	–	3.56%
Gross carrying amount (RMB'000)	55,954	24,425	5,593	–	–	85,972
Lifetime ECL (RMB'000)	(873)	(1,144)	(1,047)	–	–	(3,064)
	55,081	23,281	4,546	–	–	82,908

As at December 31, 2023

	Not credit impaired		Credit impaired			
	Current	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
ECL rate	1.56%	3.13%	17.57%	23.43%	28.40%	3.92%
Gross carrying amount (RMB'000)	61,122	21,355	7,532	2,292	567	92,868
Lifetime ECL (RMB'000)	(953)	(668)	(1,323)	(537)	(161)	(3,642)
	60,169	20,687	6,209	1,755	406	89,226

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As at December 31, 2024

	Not credit impaired		Credit impaired			
	Current	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
ECL rate	1.59%	2.46%	17.57%	23.78%	28.43%	4.73%
Gross carrying amount (RMB'000)	37,403	13,466	3,854	3,083	1,671	59,477
Lifetime ECL (RMB'000)	(595)	(331)	(677)	(733)	(475)	(2,811)
	36,808	13,135	3,177	2,350	1,196	56,666

As at June 30, 2025

	Not credit impaired		Credit impaired			
	Current	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
ECL rate	1.48%	2.51%	17.22%	24.97%	29.32%	4.29%
Gross carrying amount (RMB'000)	36,257	15,257	1,498	2,571	2,251	57,834
Lifetime ECL (RMB'000)	(536)	(383)	(258)	(642)	(660)	(2,479)
	35,721	14,874	1,240	1,929	1,591	55,355

For the purposes of impairment assessment, loan receivables, other receivables and other financial assets that are subject to impairment are considered to have low credit risk as the counterparties to these items have a high credit rating. Accordingly, for the purpose of impairment assessment for these assets, the loss allowance is measured at an amount equal to 12-month ECL. In determining the ECL for loan receivables, other receivables and other financial assets that are subject to impairment, the directors have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the loan receivables, other receivables and other financial assets that are subject to impairment occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The director considered that the ECL allowance is insignificant as at December 31, 2022, 2023, 2024 and June 30, 2025.

In order to minimize the credit risk, management has designated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the director reviews the recoverability of each significant trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the director considers that the Target Group's credit risk is significantly reduced.

The Target Group has concentration of credit risk with respect to trade receivables as 49.9%, 52.79%, 52.8% and 56.21%, of the total trade receivables was due from the Target Group's top five customers as December 31, 2022, 2023, 2024 and June 30, 2025.

The Target Group has concentration of credit risk on liquid funds which are deposited with several banks. However, the credit risk on bank balances is limited because majority of the counterparties are banks with good reputation or banks with good credit rating.

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Liquidity risk

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

The following table details the Target Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The table includes both interest and principal cash flows.

The Target Group

	Weighted average interest rate	On demand or less than one year <i>RMB'000</i>	One to two years <i>RMB'000</i>	Over two years <i>RMB'000</i>	Total undiscounted cash flows <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
As at December 31, 2022						
Trade and other payables	N/A	31,331	–	–	31,331	31,331
Lease liabilities	4.75%	4,463	1,662	136	6,261	5,856
		<u>35,794</u>	<u>1,662</u>	<u>136</u>	<u>37,592</u>	<u>37,187</u>
As at December 31, 2023						
Trade and other payables	N/A	23,979	–	–	23,979	23,979
Lease liabilities	4.75%	1,526	–	–	1,526	1,421
		<u>25,505</u>	<u>–</u>	<u>–</u>	<u>25,505</u>	<u>25,400</u>
As at December 31, 2024						
Trade and other payables	N/A	22,260	–	–	22,260	22,260
Lease liabilities	4.75%	2,108	59	–	2,167	2,116
		<u>24,368</u>	<u>59</u>	<u>–</u>	<u>24,427</u>	<u>24,376</u>
As at June 30, 2025						
Trade and other payables	N/A	28,288	–	–	28,288	28,288
Lease liabilities	4.75%	620	–	–	620	606
		<u>28,908</u>	<u>–</u>	<u>–</u>	<u>28,908</u>	<u>28,894</u>

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The Target Company

	Weighted average interest rate	On demand or less than one year <i>RMB'000</i>	One to two years <i>RMB'000</i>	Over two years <i>RMB'000</i>	Total undiscounted cash flows <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
As at December 31, 2022						
Trade and other payables	N/A	19,901	–	–	19,901	19,901
Lease liabilities	4.75%	2,292	–	–	2,292	2,250
		<u>22,193</u>	<u>–</u>	<u>–</u>	<u>22,193</u>	<u>22,151</u>
As at December 31, 2023						
Trade and other payables	N/A	24,849	–	–	24,849	24,849
		<u>24,849</u>	<u>–</u>	<u>–</u>	<u>24,849</u>	<u>24,849</u>
As at December 31, 2024						
Trade and other payables	N/A	16,265	–	–	16,265	16,265
Lease liabilities	4.75%	1,989	–	–	1,989	1,952
		<u>18,254</u>	<u>–</u>	<u>–</u>	<u>18,254</u>	<u>18,217</u>
As at June 30, 2025						
Trade and other payables	N/A	8,036	–	–	8,036	8,036
Lease liabilities	4.75%	501	–	–	501	495
		<u>8,537</u>	<u>–</u>	<u>–</u>	<u>8,537</u>	<u>8,531</u>

Fair value measurements of financial instruments

Some of the Target Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Target Group uses market-observable data to the extent it is available.

	December 31, 2022	Fair value at December 31, 2023	December 31, 2024	June 30, 2025	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets						
Wealth management products	–	–	–	24,135	Level 2	Discounted cash flows – Future cash flows are estimated based on expected return, discounted at a rate that reflects risk of underlying assets

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Currency risk

Currency risk refers to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk to the Target Group is minimal as most of the Target Group's transactions are carried out in functional currency of the respective entities.

Most subsidiaries of the Target Company operate in PRC and business of subsidiaries is mainly in PRC. The Target Group is not exposed to currency risk primarily through financial assets and financial liabilities that are denominated in a currency other than the functional currency of a subsidiary of the Target Company to which they relate.

The Target Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

33. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these consolidated financial statements, the Target Group has following transactions and balances with related parties:

(1) Related party transactions

Nature of transaction	Year ended December 31,			Six months ended	
	2022	2023	2024	June 30, 2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Entities controlled by the ultimate controlling shareholder:					
Revenue					
Hangzhou Tigermed Consulting Co Ltd	30,219	18,364	9,983	4,100	5,926
Hongkong Tigermed Co., Limited	1,104	3,205	4,111	2,385	269
Shanghai Tigermed Medical Consulting Co., Ltd.	299	65	50	—	—
Mosim Co., Ltd	420	—	—	—	—
Hangzhou Hezheng Pharmaceutical Co., LTD.	285	281	188	95	66
Beijing Canny Consulting, Inc.	4	—	—	—	—
Beijing Taya Ltd	15	—	—	—	—
Hangzhou Dian Medical Laboratory Center Co. LTD.	—	53	—	—	—
Hangzhou Simo Co., Ltd	—	—	1	—	—
	<u>32,346</u>	<u>21,968</u>	<u>14,333</u>	<u>6,580</u>	<u>6,261</u>

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	Nature of transaction	Year ended December 31,			Six months ended June 30,	
		2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Entities controlled by the ultimate controlling shareholder:	Cost of service					
Mosim Co., Ltd		45	—	—	—	—
Hangzhou Tigermed Consulting Co Ltd		491	599	513	189	309
Shanghai Tigermed Medical Consulting Co., Ltd.		38	—	—	—	—
Hangzhou Simo Co., Ltd		112	—	2	—	—
Beijing Taya Ltd		—	36	42	7	16
Frontage Laboratories (Shanghai) Co., Ltd		—	—	298	139	—
Mosim Co., Ltd		744	186	—	—	—
Hangzhou Tigermed Consulting Co Ltd		2	—	—	—	23
Shanghai Tigermed Medical Consulting Co., Ltd.		2	—	—	—	—
Hangzhou Simo Co., Ltd		24	—	1,397	100	1,353
Beijing Taya Ltd		137	19	33	29	—
		1,595	840	2,285	464	1,701

(2) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Target Group. The remuneration of the director and other members of key management of the Target Group during the current and prior year/period was as follows:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Director's fee, salaries and other benefits	2,954	3,832	2,178	1,436	737
Performance-based bonus	526	65	181	91	89
Share-based compensation	539	1,064	1,933	313	1,107
	<u>4,019</u>	<u>4,961</u>	<u>4,292</u>	<u>1,840</u>	<u>1,933</u>

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34. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Lease liabilities <i>RMB'000</i>
As at January 1, 2022	7,091
Financing cash flows	
– Interest paid on lease liabilities	(356)
– Repayment of lease liabilities	(3,842)
Other changes	
– Interest expense recognized	356
– Recognition of lease liabilities	2,607
	<hr/>
As at December 31, 2022 and January 1, 2023	5,856
Financing cash flows	
– Interest paid on lease liabilities	(162)
– Repayment of lease liabilities	(3,922)
Other changes	
– Interest expense recognized	162
– Termination	(513)
	<hr/>
As at December 31, 2023 and January 1, 2024	1,421
Financing cash flows	
– Interest paid on lease liabilities	(78)
– Repayment of lease liabilities	(3,526)
Other changes	
– Interest expense recognized	78
– Recognition of lease liabilities	4,221
	<hr/>
As at December 31, 2024 and January 1, 2025	2,116
Financing cash flows	
– Interest paid on lease liabilities	(34)
– Repayment of lease liabilities	(1,510)
Other changes	
– Interest expense recognized	34
	<hr/>
As at June 30, 2025	<hr/> <hr/> 606

35. CAPITAL MANAGEMENT

The Target Group's capital management objectives include:

- (a) to safeguard the Target Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;
- (b) to support the Target Group's stability and growth; and
- (c) to provide capital for the purpose of strengthening the Target Group's risk management capability.

The Target Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder's returns, taking into consideration the future capital requirements of the Target Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Management regards total equity attributable to owners of the Target Company as capital. The amount of capital as at December 31, 2022, 2023, 2024 and June 30, 2025 amounted to approximately RMB231,266,000, RMB236,243,000, RMB196,202,000 and RMB209,523,000 respectively.

Set out below is the management discussion and analysis of the Target Group for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025.

BUSINESS OVERVIEW

The Target Company is a joint stock company established in the PRC with limited liability. The Target Group is principally engaged in clinical trial technical services, clinical trial related services and laboratory services.

FINANCIAL REVIEW

Revenue

The Target Group's principal activities are the provision of clinical research service. The amounts of revenue recognised are as follows:

	Year ended December 31,			Six months ended	
	2022	2023	2024	June 30, 2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Overtime					
Laboratory testing					
services	294,214	211,285	152,799	73,001	84,849
	<u>294,214</u>	<u>211,285</u>	<u>152,799</u>	<u>73,001</u>	<u>84,849</u>

The following is an analysis of the Target Group's revenue by the geographical locations of service render.

	Year ended December 31,			Six months ended	
	2022	2023	2024	June 30, 2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
The PRC	294,214	211,285	152,799	73,001	84,849
	<u>294,214</u>	<u>211,285</u>	<u>152,799</u>	<u>73,001</u>	<u>84,849</u>

Revenue of the Target Group decreased by 28.2% from approximately RMB294.2 million for the year ended December 31, 2022 to approximately RMB211.3 million for the year ended December 31, 2023. The decrease was mainly due to the decreased demand from COVID-19 vaccine project.

Revenue of the Target Group decreased by 27.7% from approximately RMB211.3 million for the year ended December 31, 2023 to approximately RMB152.8 million for the year ended December 31, 2024. The decrease was mainly due to the weak global investment and financing environment in the biopharmaceutical field. Specifically, facing uncertain market conditions and regulatory environment, investors exercised greater caution in assessing project returns and risks. Coupled with increasing pressure on profit margins, investors tended to focus toward cost-effective solutions, accelerated timelines, and more targeted drug development pipelines, which reduced overall investments in broader and more resource-intensive initiatives. Additionally, trade barriers and changes in international policies created significant operational challenges for biopharmaceutical companies. This constrained their ability to pursue global strategies and investments, further impacting the Target Group's revenue.

Revenue of the Target Group increased by 16.2% from approximately RMB73.0 million for the six months ended June 30, 2024 to approximately RMB84.8 million for the six months ended June 30, 2025. The increase was mainly due to the increased demand from HPV vaccine project.

Cost of services

Cost of services of the Target Group consists of direct labor costs, cost of raw materials and overhead. Direct labor costs primarily consist of salaries, bonuses and social security costs for the employees. Cost of raw materials primarily consists of costs incurred for the purchase of raw materials used in rendering of services. Overheads primarily consist of depreciation charges of the facilities and equipment used in rendering the Target Group's services, shipping expenses, utilities and maintenance.

Cost of services of the Target Group decreased by 30.3% from approximately RMB184.9 million for the year ended December 31, 2022 to approximately RMB128.9 million for the year ended December 31, 2023. The decrease was in line with the decreased revenue.

Cost of services of the Target Group decreased by 17.5% from approximately RMB128.9 million for the year ended December 31, 2023 to approximately RMB106.4 million for the year ended December 31, 2024. The decrease was in line with the decreased revenue.

Cost of services of the Target Group increased by 9.4% from approximately RMB50.9 million for the six months ended June 30, 2024 to approximately RMB55.7 million for the six months ended June 30, 2025. The increase was in line with the increased revenue, partially offset by the cost savings and improved capacity utilization.

Gross profit and gross profit margin

The gross profit of the Target Group amounted to approximately RMB109.4 million, RMB82.3 million, RMB46.4 million, RMB22.1 million and RMB29.1 million for the year ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively, representing gross profit margin of approximately 37.2%, 39.0%, 30.4%, 30.2% and 34.3% for the year ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively.

Gross profit margin of the Target Group increased from approximately 37.2% for the year ended December 31, 2022 to approximately 39.0% for the year ended December 31, 2023. This increase was mainly driven by the continued contribution from COVID-19 vaccine projects, which saw an improvement in profit margin compared to 2022. Although revenue from COVID-19 vaccine projects decreased in 2023 due to reduced demand, the implementation of cost reduction and efficiency improvement measures led to a higher profit margin for these projects. This improvement in the profitability of COVID-19 vaccine projects contributed to the overall increase in the gross profit margin.

Gross profit margin of the Target Group decreased from approximately 39.0% for the year ended December 31, 2023 to approximately 30.4% for the year ended December 31, 2024, which was mainly contributed by the fierce competition due to weak global investment and financing environment in the biopharmaceutical field. The decline in gross profit was driven by the challenging investment and financing environment in the biopharmaceutical field shaped by investors that were more attentive to project returns and risks, with global economic pressures forcing companies to prioritize cost efficiency and limit spending on new projects or expanded operations. These factors, combined with geopolitical challenges in key international markets, significantly weakened the global investment and financing environment for biopharmaceutical companies, adversely affecting the Target Group's performance.

Gross profit margin of the Target Group increased from approximately 30.2% for the six months ended June 30, 2024 to approximately 34.3% for the six months ended June 30, 2025, which was mainly contributed by implementation of cost reduction and efficiency improvement measures to enhance efficiency.

Other income

Other income of the Target Group amounted to approximately RMB8.8 million, RMB8.1 million, RMB7.3 million, RMB4.2 million and RMB2.2 million for the year ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively, which mainly represented interest income and government grants related to income.

Research and development expenses

The Target Group's research and development activities mainly focused on (i) developing technologies and methodologies to continue to enhance the services; and (ii) improving the quality and efficiency of the services.

The Target Group's research and development expenses amounted to approximately RMB10.4 million, RMB18.4 million, RMB14.0 million, RMB7.3 million and RMB5.5 million for the year ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively.

Selling and marketing expenses

The Target Group's selling and marketing expenses amounted to approximately RMB4.3 million, RMB6.4 million, RMB4.7 million, RMB2.2 million and RMB2.7 million for the year ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively, which mainly represented salaries, bonuses and social security costs for the employees.

Administrative expenses

The Target Group's administrative expenses amounted to approximately RMB33.7 million, RMB29.9 million, RMB23.9 million, RMB9.7 million and RMB9.1 million for the year ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively, which mainly represented salaries, bonuses and social security costs for the employees, share-based compensation expense, depreciation and amortization expenses and utilities and office charges.

Income tax expense

The Target Group's income tax expense amounted to approximately RMB9.3 million, RMB1.9 million, RMB0.8 million, RMB1.1 million and RMB0.9 million for the year ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively, which were in line with the change in pretax income.

Net profit and net profit margin

The net profit of the Target Group amounted to approximately RMB58.8 million, RMB32.2 million, RMB10.2 million, RMB4.6 million and RMB13.4 million for the year ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively, representing net profit margin of approximately 20.0%, 15.3%, 6.7%, 6.4% and 15.8% for the year ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively.

Property, plant and equipment

The property, plant and equipment of the Target Group amounted to approximately RMB34.6 million, RMB27.3 million, RMB20.9 million and RMB19.1 million as at December 31, 2022, 2023, 2024 and June 30, 2025, respectively, which mainly consists of experimental equipment for rendering services.

Trade and other receivables and prepayment

The trade and other receivables and prepayment of the Target Group amounted to approximately RMB64.6 million, RMB67.8 million, RMB58.1 million and RMB51.4 million as at December 31, 2022, 2023, 2024 and June 30, 2025, respectively, which mainly consists of Trade receivables. The Target Group allows a credit period ranging from 30 to 90 days to its customers.

Unbilled revenue

The unbilled revenue of the Target Group amounted to approximately RMB56.2 million, RMB57.0 million, RMB45.5 million and RMB54.3 million as at December 31, 2022, 2023, 2024 and June 30, 2025, respectively. The unbilled revenue are transferred to trade receivables when the rights become unconditional.

Trade and other payables

The trade and other payables of the Target Group amounted to approximately RMB49.1 million, RMB36.6 million, RMB34.2 million and RMB38.2 million as at December 31, 2022, 2023, 2024 and June 30, 2025, respectively. Payment terms with suppliers are mainly on credit ranging from 30 to 90 days from invoice date.

Advances from customers

The advances from customers of the Target Group amounted to approximately RMB23.1 million, RMB16.9 million, RMB23.2 million and RMB29.1 million as at December 31, 2022, 2023, 2024 and June 30, 2025, respectively. Changes in advances from customers primarily relate to the Target Group's performance of services under the related contracts.

Current ratio

As of December 31, 2022, 2023, 2024 and June 30, 2025, the current ratio, which was calculated on the basis of the amount of current assets divided by current liabilities of the Target Group, was 341%, 470%, 385% and 369% as at December 31, 2022, 2023, 2024 and June 30, 2025, respectively.

Employment and remuneration policy

As of June 30, 2025, the Target Group had 244 employees. Staff costs (including directors' remuneration) of the Target Group amounted to approximately RMB23.2 million, RMB18.8 million, RMB14.7 million, RMB5.2 million and RMB5.7 million for the year ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively. Staff remuneration is determined with reference to market terms and the performance, qualification and experience of the individual employee.

The Target Group's staff costs decreased steadily over the three years ended December 31, 2022, 2023, and 2024. The decrease was mainly due to the decrease in share-based payment expenses related to forfeiture of restricted shares. For the six months ended June 30, 2025, the Target Group's staff costs increased slightly compared to the same period in 2024, which was relatively stable.

Liquidity and financial resources and borrowings

The Target Group finances its operations primarily through cash generated from its operating activities. As of June 30, 2025, the Target Group had cash and cash equivalents of approximately RMB91.7 million. Most of the Target Group's cash and cash equivalents were denominated in RMB.

As the Target Group did not have any bank borrowings as at December 31, 2022, 2023, 2024 and June 30, 2025, the gearing ratio, which was calculated on the basis of the amount of total bank borrowings divided by the total equity attributable to owners of the Target Group, was nil, nil, nil and nil as at December 31, 2022, 2023, 2024 and June 30, 2025, respectively.

Capital structure

As of December 31, 2022, 2023, 2024 and June 30, 2025, the capital structure of the Target Group comprised issued share capital and reserves.

Material acquisitions and disposals

The Target Group did not have any material acquisitions or disposal of subsidiaries, associates or joint ventures for the year ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively.

Significant investment and future plans for material investments and capital assets

During the three years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2025, the Target Group had no significant investments. As of June 30, 2025, the Target Group did not have plans for material investments and capital assets.

Segment information

During the three years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2025, the Target Group had only one reportable segment.

Charges on the Target Group's assets

As of December 31, 2022, 2023, 2024 and June 30, 2025, none of the assets of the Target Group were pledged.

Foreign exchange exposure

The majority of the Target Group's transactions are denominated in Renminbi. Certain cash and cash equivalents, trade receivables and trade payables of the Target Group are denominated in foreign currencies, including US\$ and Euro. The Target Group does not have a foreign currency hedging policy and did not use any financial instruments to hedge foreign exchange risk. However, the Target Group will continue to closely monitor its exposure to currency movement and take proactive measures should the need arise.

Contingent liabilities and guarantees

As of December 31, 2022, 2023, 2024 and June 30, 2025, the Target Group did not have any material contingent liabilities or guarantees.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of Frontage Holdings Corporation (the “Company”) and its subsidiaries (collectively hereinafter referred to as the “Group”) and Teddy Clinical Research Laboratory (Shanghai) Limited (the “Target Company”) and its subsidiaries (collectively hereinafter referred to as the “Target Group”) (the Group and the Target Group are collectively referred to as the “Enlarged Group”) as at June 30, 2025 (the “Unaudited Pro Forma Financial Information”), which has been prepared in accordance with paragraph 4.29(7) of the Listing Rules and on the basis of the notes set forth below for the purpose of illustrating the effects of the acquisition of 100% equity interest in the Target Company (the “Acquisition”), on the Group’s assets and liabilities as at June 30, 2025 as if the Acquisition had been completed on June 30, 2025.

The Unaudited Pro Forma Financial Information has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at June 30, 2025 included in the published interim report dated August 28, 2025 of the Company for the six months ended June 30, 2025 and the audited consolidated statement of financial position of the Target Group as at June 30, 2025 as set out in the Accountant’s Report in Appendix II to the circular of the Company dated December 15, 2025 (the “Circular”) after giving effect to the unaudited pro forma adjustments relating to the Acquisition that are factually supportable and directly attributable to the Acquisition as if the Acquisition had been completed as at June 30, 2025.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on June 30, 2025. Neither does the Unaudited Pro Forma Financial Information purports to predict the future financial position of the Enlarged Group.

The Unaudited Pro Forma Financial Information should be read in conjunction with the published financial information of the Group as set out in Appendix I to this Circular, the audited financial information of the Target Group as set out in Appendix II to this Circular and other financial information included elsewhere in this Circular.

APPENDIX IV	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP
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1. Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group

	The Group as at June 30, 2025 (Unaudited) USD'000 (Note 1)	The Target Group as at June 30, 2025 RMB'000 (Note 2)	The Target Group as at June 30, 2025 USD'000 (Note 3)	Pro forma adjustments			Unaudited pro forma Enlarged Group USD'000
				USD'000 (Note 4)	USD'000 (Note 5)	USD'000 (Note 6)	
Non-current assets							
Property, plant and equipment	124,113	19,080	2,665	139	–	–	126,917
Right-of-use assets	51,557	1,066	149	–	–	–	51,706
Goodwill	189,298	–	–	13,058	–	–	202,356
Intangible assets	26,618	3,203	447	9,105	–	–	36,170
Interest in an associate	6,859	–	–	–	–	–	6,859
Financial assets at fair value							
through profit or loss	3,007	–	–	–	–	–	3,007
Restricted bank deposits	300	–	–	–	–	–	300
Other long-term deposits	890	–	–	–	–	–	890
Deferred tax assets	9,370	2,554	357	–	–	–	9,727
Deposits paid for acquisition of property, plant and equipment	–	982	137	–	–	–	137
	<u>412,012</u>	<u>26,885</u>	<u>3,755</u>	<u>22,302</u>	<u>–</u>	<u>–</u>	<u>438,069</u>
Current assets							
Inventories	2,967	21,536	3,008	–	–	–	5,975
Trade and other receivables and prepayments	73,814	51,406	7,181	–	–	–	80,995
Loan receivables	–	10,000	1,397	–	–	–	1,397
Unbilled revenue	21,004	54,263	7,580	–	–	–	28,584
Financial assets at fair value							
through profit or loss	–	24,135	3,371	–	–	–	3,371
Income tax recoverable	401	142	20	–	–	–	421
Restricted bank deposits	408	–	–	–	–	–	408
Cash and cash equivalents	33,662	91,726	12,813	(12,464)	(7,543)	(371)	26,097
	<u>132,256</u>	<u>253,208</u>	<u>35,370</u>	<u>(12,464)</u>	<u>(7,543)</u>	<u>(371)</u>	<u>147,248</u>

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

	The Group as at June 30, 2025 (Unaudited) USD'000 (Note 1)	The Target Group as at June 30, 2025 RMB'000 (Note 2)	The Target Group as at June 30, 2025 USD'000 (Note 3)	Pro forma adjustments			Unaudited pro forma Enlarged Group USD'000 (Note 6)
				USD'000 (Note 4)	USD'000 (Note 5)		
Current liabilities							
Trade and other payables	21,142	38,176	5,333	–	–	–	26,475
Advances from customers	28,369	29,149	4,072	–	–	–	32,441
Bank borrowings	44,516	–	–	–	30,174	–	74,690
Income tax payable	2,036	666	93	–	–	–	2,129
Amounts due to shareholders	210	–	–	–	–	–	210
Lease liabilities	10,070	606	85	–	–	–	10,155
	<u>106,343</u>	<u>68,597</u>	<u>9,583</u>	<u>–</u>	<u>30,174</u>	<u>–</u>	<u>146,100</u>
Net current assets	<u>25,913</u>	<u>184,611</u>	<u>25,787</u>	<u>(12,464)</u>	<u>(37,717)</u>	<u>(371)</u>	<u>1,148</u>
Total assets less current liabilities	<u>437,925</u>	<u>211,496</u>	<u>29,542</u>	<u>9,838</u>	<u>(37,717)</u>	<u>(371)</u>	<u>439,217</u>
Non-current liabilities							
Bank borrowings	34,112	–	–	–	–	–	34,112
Deferred government grant	1,967	1,973	276	–	–	–	2,243
Deferred tax liabilities	12,266	–	–	1,387	–	–	13,653
Lease liabilities	48,145	–	–	–	–	–	48,145
	<u>96,490</u>	<u>1,973</u>	<u>276</u>	<u>1,387</u>	<u>–</u>	<u>–</u>	<u>98,153</u>
Net Assets	<u><u>341,435</u></u>	<u><u>209,523</u></u>	<u><u>29,266</u></u>	<u><u>8,451</u></u>	<u><u>(37,717)</u></u>	<u><u>(371)</u></u>	<u><u>341,064</u></u>

Notes:

- The financial information of the Group is extracted from the unaudited condensed consolidated statement of financial position of the Group as at June 30, 2025 as set out in the published interim report of the Company dated August 28, 2025 for the six months ended June 30, 2025.
- The financial information of the Target Group are extracted from the audited consolidated statement of financial position of the Target Group as at June 30, 2025 as set out in the accountant's report of the Target Group in Appendix II to this Circular.
- For the purpose of the Unaudited Pro Forma Financial Information, the consolidated statement of financial position of the Target Group is translated from RMB into US\$ at the exchange rate of RMB1 = USD0.13968 (the exchange rate published by the People's Bank of China on June 30, 2025). Such translation is for illustration purpose only, and does not constitute a representation that any amount has been, could have been, or may otherwise be exchanged or converted, or vice versa, at the above rate.

APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

4. Under International Financial Reporting Standard 3 Business Combinations (“IFRS 3”) issued by the International Accounting Standards Board, the Group will apply the acquisition method to account for the Acquisition in its consolidated financial statements.

In accordance with the sale and purchase agreement, the aggregate consideration (the “Consideration”) for the Acquisition is RMB270,000,000 (equivalent to approximately USD37,717,000) fully settled by cash. The Consideration was funded as to 20% by the Group’s internal resources and 80% through a bank acquisition loan.

For the purpose of preparing the Unaudited Pro Forma Financial Information, the pro forma goodwill arising on the Acquisition as if the Acquisition had been completed as at June 30, 2025 is as follows:

	<i>USD’000</i>			
Consideration				37,717
	Carrying amount of net assets acquired <i>USD’000</i>	Repurchase of shares <i>USD’000</i> (note (i))	Fair value adjustments <i>USD’000</i>	Fair value of net identified assets acquired <i>USD’000</i>
Property, plant and equipment (note (ii))	2,665	–	139	2,804
Right-of-use Asset	149	–	–	149
Intangible assets (note (iii))	447	–	9,105	9,552
Deferred tax assets	357	–	–	357
Deposits paid for acquisition of property, plant and equipment	137	–	–	137
Inventories	3,008	–	–	3,008
Trade and other receivables and prepayments	7,181	–	–	7,181
Loan receivables	1,397	–	–	1,397
Unbilled revenue	7,580	–	–	7,580
Financial assets at fair value through profit or loss	3,371	–	–	3,371
Income tax recoverable	20	–	–	20
Cash and cash equivalents	12,813	(12,464)	–	349
Trade and other payables	(5,333)	–	–	(5,333)
Advances from customers	(4,072)	–	–	(4,072)
Tax payables	(93)	–	–	(93)
Lease liabilities	(85)	–	–	(85)
Deferred government grant	(276)	–	–	(276)
Deferred tax liabilities	–	–	(1,387)	(1,387)
Fair value of net identified assets acquired				24,659
Goodwill arising from the Acquisition				13,058

Notes:

- (i) Prior to the completion of the Acquisition, the Target Company will repurchase all shares held by the shareholding platforms. The repurchased shares will subsequently be cancelled, resulting in a reduction of the registered capital of the Target Company. The cost of share repurchase is approximately RMB89,222,000, equivalent to USD12,464,000 fully settled by cash.
- (ii) The unaudited pro forma fair value adjustments on property, plant and equipment are mainly related to leasehold improvement of the Target Group, the fair value of which is estimated based on reassessment of replacement cost and useful life.

- (iii) The unaudited pro forma fair value adjustments on intangible assets are mainly related to customer relationship of the Target Group, the fair value of which is estimated based on multi-period excess earnings method.

Since the fair values of the identifiable net assets of the Target Group as at the date of the completion of the Acquisition may be materially different from their respective values used in the preparation of the Unaudited Pro Forma Financial Information, the final amounts of the assets, liabilities and goodwill to be recognised in connection with the completion of the Acquisition may be materially different from the estimated amounts as shown above, accordingly, this Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group following the completion of the Acquisition.

No adjustments have been made to adjust any trading results or other transactions of the Group or the Target Group entered into subsequent to June 30, 2025.

The amount of goodwill recognised at the acquisition date may also change if the fair values of the Target Group's assets and liabilities deviate from preliminary assessments. If the recoverable amount of the Target Group (the cash-generating units to which goodwill will be allocated) falls below its carrying amount at completion, the associated goodwill will be impaired. Conversely, if the fair value of the Target Group's net identifiable assets exceeds the fair value of the total consideration transferred, a gain on a bargain purchase will be recognised.

In accordance with the Group's accounting policy, goodwill is initially recognised at cost and subsequently measured at cost less accumulated impairment losses. The Group performs annual impairment tests (or more frequently if triggering events occur) by comparing the recoverable amount of the relevant cash-generating units with their carrying amounts. If the recoverable amount is lower, an impairment loss is recognised, first by reducing the carrying amount of allocated goodwill.

From the completion date, goodwill is allocated to the cash-generating units expected to benefit from acquisition synergies, irrespective of whether other assets or liabilities are assigned to those units.

For the purposes of Unaudited Pro Forma Financial Information as of June 30, 2025, management of the Group has conducted an impairment assessment in accordance with International Accounting Standard 36 Impairment of Assets ("IAS 36"). This assessment evaluates whether the carrying amount of goodwill plus the Target Group's net identifiable assets exceed the recoverable amount being fair value less cost of disposal, of its underlying business. The Directors are of the view that, after performing the impairment assessment, there are no indications of impairment related to the goodwill arising from the Acquisition as set out in the Unaudited Pro Forma Financial Information.

5. Pursuant to the sales and purchases agreement dated October 10, 2025, the Group has conditionally agreed to acquire and the vendors conditionally agreed to sell the entire issued share capital of the Target Company in accordance with the terms and conditions of the agreement at the consideration of RMB270,000,000, equivalent to approximately USD37,717,000. The Group shall settle the consideration fully in cash. The consideration will be funded as to 20%, approximately USD7,543,000, by the Group's internal resources and 80%, approximately USD30,174,000, through a bank acquisition loan.
6. This unaudited pro forma adjustment represents the estimated acquisition related costs of approximately USD371,000, which includes audit, legal, valuation and other professional services relating to the Acquisition.

APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

B. ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.



Tel : +852 2218 8288
Fax : +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

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

TO THE DIRECTORS OF FRONTAGE HOLDINGS CORPORATION

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Frontage Holdings Corporation (the "Company") and its subsidiaries (the "Group") and Teddy Clinical Research Laboratory (Shanghai) Limited (the "Target Company") and its subsidiaries (the "Target Group") (collectively the "Enlarged Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at June 30, 2025 (the "Statement") and related notes as set out on pages IV-1 to IV-5 of the investment circular dated December 15, 2025 (the "Circular") in connection with the acquisition of 100% equity interest in Target Company (collectively referred to as the "Acquisition") by the Company. The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IV-1 to IV-5 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's financial position as at June 30, 2025 as if the Acquisition had taken place at June 30, 2025. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited consolidated statement of financial position as at June 30, 2025 as set out in the published interim report of the Company for the six months ended June 30, 2025 on which review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of the unaudited pro forma financial information included in a circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the entity as if the a significant event or transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at June 30, 2025 would have been as presented.

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

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited

Certified Public Accountants

Hong Kong, December 15, 2025

**Asia-Pacific Consulting and Appraisal Limited**

Flat/RM A 12/F ZJ 300,
300 Lockhart Road,
Wan Chai, Hong Kong

15 December 2025

The Board of Directors
Frontage Holdings Corporation
700 Pennsylvania Drive
Exton, PA 19341, USA

Dear Sirs,

In accordance with the instructions received from Frontage Holdings Corporation (the “Company”), we have undertaken a valuation exercise which requires Asia-Pacific Consulting and Appraisal Limited (“APA”) to express an independent opinion on the market value of 100% equity interest of Teddy Clinical Research Laboratory (Shanghai) Ltd. (the “Target Company”) taking into account the effect of the completion of the repurchase and capital reduction as at 30 June 2025 (the “Valuation Date”).

The purpose of this valuation is for circular reference of the Company.

We will not accept any responsibility or liability to any person other than the Company in respect of, or arising out of, the contents of this report may be shown. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

Our valuation was carried out on a market value basis which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion”.

INTRODUCTION

The Target Company and its subsidiaries (collectively, the “Target Group”) mainly engage in providing clinical trial services, laboratory service and clinical research services to pharmaceutical companies, biotechs and research institutions.

As at the Valuation Date, details of the Target Company and its key subsidiaries are set out below:

- the Target Company is a joint stock company established in the PRC with limited liability and is principally engaged in clinical trial technical services, clinical trial related services and laboratory services.
- Teddy Clinical Research Laboratory (Wuxi) Limited is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Target Company, which is principally engaged in clinical research services.
- Teddy Clinical Research Laboratory (Hong Kong) Limited is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Target Company, which is principally engaged in clinical research services.

As of the Valuation Date, the Target Company has an issued share capital of RMB60,623,376 with the following shareholding structure:

Name of shareholders	Number of Shares
Hangzhou Tigermed Consulting Co., Ltd.	26,169,326
Jiaxing Xinge Medical Consulting Co., Ltd.	19,000,000
Wuxi Guanhe Corporate Management Partnership (L.P.) ("Wuxi Guanhe")	10,000,000
Wuxi Guanhe II Investment Partnership (L.P.) ("Wuxi Guanhe II")	2,727,025
Wuxi Guanhe III Corporate Management Partnership (L.P.) ("Wuxi Guanhe III")	1,636,215
Wuxi Guanhe IV Corporate Management Partnership (L.P.) ("Wuxi Guanhe IV")	1,090,810
Total	60,623,376

On 1 August 2025, the Target Company and Wuxi Guanhe, Wuxi Guanhe II, Wuxi Guanhe III and Wuxi Guanhe IV (collectively, the "Shareholding Platforms") entered into a repurchase agreement (the "Share Repurchase"), in which the Target Company agreed to repurchase all shares held by the Shareholding Platforms at a total consideration of RMB89,221,647.76 (the "Consideration for Share Repurchase"). The repurchased shares will subsequently be canceled, resulting in a reduction of registered capital of the Target Company to RMB45,169,326. The repurchase and capital reduction had been completed on 13 October 2025.

The Company intends to purchase the entire issued share capital of the Target Company upon completion of the Target Company's aforementioned repurchase and capital reduction. If this transaction is completed, the Target Company will become a wholly-owned subsidiary of the Company. Based on the above information, the equity interest to be acquired by the Company in the transaction is the total equity interest of the Target Company excluding the shares owned by the Shareholding Platforms as at the Valuation Date. In this exercise, the value of 100% equity interest of the Target Company taking into account the effect of the completion of the repurchase and capital reduction is calculated by the total equity interest of the Target Company as at the Valuation Date, which is derived from guideline public company method, minus the value of the shares owned by the Shareholding Platforms, which is reference to the Consideration for Share Repurchase.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below are extracted from the consolidated financial statements of the Target Group provided by the management of the Company:

	6 months ended 30 June 2024	Year ended 31 December 2024	6 months ended 30 June 2025	For last twelve months
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(a)	(b)	(c)	(d)=(c)+(b)-(a)
Revenue	73,001	152,799	84,849	164,647
EBIT	1,721	3,877	11,845	14,001
Net Profit	4,640	10,172	13,420	18,952

As of the Valuation Date, the Target Company has initiated the deregistration of Teddy Clinical Research (Shanghai) Limited ("Teddy Clinical Research") and this had been completed on 28 July 2025. Set out below are extracted from the financial statements of Teddy Clinical Research provided by the management of the Company:

	6 months ended 30 June 2024	Year ended 31 December 2024	6 months ended 30 June 2025	For last twelve months
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(a)	(b)	(c)	(d)=(c)+(b)-(a)
Revenue	–	–	5.00	5.00
EBIT	–	(0.04)	4.99	4.95
Net Profit	0.02	(0.05)	4.64	4.57

The consolidated financial figures after adjusting the revenue and expenses in Teddy Clinical Research are as follows:

	6 months ended 30 June 2024	Year ended 31 December 2024	6 months ended 30 June 2025	For last twelve months
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(a)</i>	<i>(b)</i>	<i>(c)</i>	<i>(d)=(c)+(b)-(a)</i>
Revenue	73,001	152,799	84,844	164,642
EBIT	1,721	3,877	11,840	13,996
Net Profit	4,640	10,172	13,415	18,947

VALUATION METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches, namely market approach, cost approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

Given the characteristics of the Target Company, there are substantial limitations for the income approach and the cost approach for valuing the underlying asset. Firstly, income approach result would be more dependent on long term financial forecast internally prepared by the management, which is unobservable input and requires subjective assumptions. Secondly, the cost approach does not directly incorporate information about the economic benefits contributed by the Target Company.

In view of the above, we have adopted the market approach for the valuation. The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparables. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few assumptions. It also introduces objectivity in the application as publicly available inputs are used.

In this valuation exercise, the market value of 100% equity interest in the Target Company was developed through the application of the market approach technique known as the guideline public company method. This method requires the research of comparable companies' benchmark multiples and proper selection of a suitable multiple to derive the market value of the Target Company. We have considered price-to-sales ("P/S"), price-to-earnings ("P/E"), enterprise value-to-sales ("EV/S"), and enterprise value-to-earnings before interests, taxes ("EV/EBIT") multiples.

The P/S and EV/S multiples are commonly used in the valuation of start-up enterprises; however, they ignore the profitability of a company.

According to the consolidated financial statements provided by the management, the Target Group is under continuous profitability, EBIT and net profit for the last twelve months as at the Valuation Date are both positive.

Based on the aforesaid analyses and in order to reflect the latest operation status of the Target Group, it is considered that the suitable multiple in this valuation is P/E and EV/EBIT multiples.

The market value of the Target Company is calculated by using P/E and EV/EBIT multiples of the comparable companies and then take into account of market liquidity discount and control premium as the appropriate adjustment.

BASIS OF OPINION

We have conducted our valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council. The valuation procedures employed include a review of legal status and economic condition of the Target Group and an assessment of key assumptions, estimates, and representations made by the proprietor. All matters essential to the proper understanding of the valuation are disclosed in this report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The nature of business and historical financial performance of the Target Group;
- Financial and business risk of the business including continuity of income;
- Consideration and analysis on the micro and macro economy affecting the subject business; and
- Other operational and market information in relation to the Target Group's business.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the Target Company.

VALUATION ASSUMPTIONS

In determining the market value of the equity interest in the Target Company, we make the following key assumptions:

- All relevant legal approvals and business certificates or licenses to operate the business in which the Target Company and its subsidiaries operate or intend to operate have been or would be officially obtained and renewable upon expiry;
- There will be no major change in the political, legal, economic and social environment in which the Target Company and its subsidiaries operate or intend to operate;
- Interest rates and exchange rates in the localities for the operation of the Target Company and its subsidiaries will not differ materially from those presently prevailing;
- It is assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;
- The financial and operational information about the Target Company and its subsidiaries provided by the Company and the Target Company is accurate and it is relied to a considerable extent on such information in arriving at the opinion of value; and
- There are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value.

MARKET MULTIPLE

In determining the price multiple, the initial selection criteria include the followings:

- the comparable companies are publicly listed;
- the comparable companies are in the life sciences tools and services industry;
- the comparable companies primarily operate as contract research organizations with relevant segments accounting for more than 80% of their respective total revenues for the latest available financial data; and
- the P/E and/or EV/EBIT ratios of the comparable companies are available as at the Valuation Date.

In setting the selection criteria, the following factors were considered:

- the publicly listed companies' financial data are reliable and can be readily available;
- the companies generate more than 80% of their revenue from contract research services within the life sciences tools and services industry closely align with the business of the Target Group which generates all its revenue as a CRO with providing clinical trial services, laboratory service and clinical research services;
- the Target Group generates positive net income and EBIT for the last twelve months as at the Valuation Date.

The above selection criteria ensure both the availability of data and high comparability of business operations.

In view of the above considerations and analysis, we consider the comparable companies selected based on the above criteria are fair and representative.

As sourced from Capital IQ, a reliable third-party database service provider designed by Standard & Poor's (S&P), an exhaustive list of comparable companies satisfying the above criteria was obtained and the details of these comparable companies are shown below:

Stock Code	Company Name	Company Description
SZSE:300404	Boji Medical Technology Co., Ltd.	Boji Medical Technology Co., Ltd. provides professional contract research services for research and development, and production of drugs and medical devices to pharmaceutical enterprises in China and internationally. It offers pre-clinical research, clinical research, and other consulting services. The company also provides clinical drug production, product test, pilot test scale-up, process verification batch production, and drug registration and approval services. Boji Medical Technology Co., Ltd. was founded in 1998 and is headquartered in Guangzhou, China.
SZSE:301520	Anhui Wanbang Pharmaceutical Technology Co., Ltd.	Anhui Wanbang Pharmaceutical Technology Co., Ltd. provides drug research and development and clinical trial services for drug manufacturers and marketing authorization holders in China. The company was founded in 2006 and is based in Hefei, China.

Stock Code	Company Name	Company Description
KOSDAQ: A223250	DreamCIS, Inc.	DreamCIS, Inc. provides clinical research services in South Korea. It offers clinical development services; biostatic, data and project management, pharmacovigilance, medical writing, site start up, clinical monitoring, Dreamtrial, IWRS, and quality assurance services; medical device development services; and regulatory consulting services. The company was founded in 2000 and is headquartered in Seoul, South Korea. DreamCIS, Inc. operates as a subsidiary of Hangzhou Tigermed Consulting Co., Ltd.
SEHK:1521	Frontage Holdings Corporation	Frontage Holdings Corporation, a contract research organization, provides laboratory and related services to pharmaceutical, biotechnology, and agrochemical companies. It offers drug discovery services. The company also provides drug metabolism and pharmacokinetics (DMPK); safety and toxicology; early phase clinical services; and bioequivalence and related services. Further, the company provides laboratory testing services, such as bioanalysis, biomarkers, genomics, CMC Analytical testing, and central laboratory services. It operates in the United States, Canada, the People's Republic of China, Europe, India, Japan, South Korea, and Australia. The company was incorporated in 2018 and is headquartered in Exton, Pennsylvania. Frontage Holdings Corporation operates as a subsidiary of Hongkong Tigermed Co., Limited.
SZSE:301333	R&G PharmaStudies Co., Ltd.	R&G PharmaStudies Co., Ltd. operates as a clinical trial outsourcing service provider in China and internationally. The company offers drug clinical research and development integrated services for pharmaceutical companies and scientific research institutions. Its services include clinical trial operations, clinical trial site management, biological sample testing, data management and statistical analysis, clinical trial consulting, and clinical pharmacology services. The company was founded in 2008 and is headquartered in Beijing, China.

Stock Code	Company Name	Company Description
TSE:2395	Shin Nippon Biomedical Laboratories, Ltd.	Shin Nippon Biomedical Laboratories, Ltd., a contract research organization, engages in the transactional research and medipolis businesses in Japan and internationally. It offers non-clinical studies. The company also engages in the investigator brochure preparation support, clinical trial protocol creation support, clinical trial medical institution, investigational drug allocation, clinical trial request/contract, monitoring, quality management, data management, statistical analysis work, comprehensive report creation support, electronic application support, regulatory affairs consulting, and creating informed consent documents support services. In addition, it provides site management organization services for clinical trials; clinical contract research organization services; and translational research services, including research and development of vaccines and therapeutic drugs, antibody drugs, nucleic acid drugs, peptide drugs, gene therapy, and regenerative medicines. Shin Nippon Biomedical Laboratories, Ltd. was founded in 1957 and is headquartered in Kagoshima, Japan.
BSE:524394	Vimta Labs Limited	Vimta Labs Limited provides contract research and testing services in India and internationally. The company offers drug discovery, development, and drug life cycle management support services in the areas of preclinical research, clinical research, and analytical services for biopharmaceutical companies; preclinical research and testing services for medical device companies; and contract research and testing for agrochemical and specialty chemical companies. It also provides food testing and analytical development services and a testing laboratory for water, alcoholic, and non-alcoholic beverages. Vimta Labs Limited was founded in 1984 and is headquartered in Hyderabad, India.

Stock Code	Company Name	Company Description
BSE:511509	Vivo Bio Tech Limited	Vivo Bio Tech Limited provides drug development and discovery services to pharmaceutical and biotech companies worldwide. The company offers services in the areas of in vivo and in vitro toxicity studies, pharmacological investigations, pharmacokinetic and toxic kinetic studies, genotoxicity screening, and analytical services. It also supplies SPF lab animals; breeds and distributes rodent models; and offers custom rodent models, and stem cell products, as well as lab animal diets. In addition, the company provides regulatory and non-regulatory IND preclinical services; screening and evaluating molecules for various pharmacological properties; and designs and develops of syngeneic/xenograft models for evaluation of anti-cancer agents. Vivo Bio Tech Limited was incorporated in 1987 and is based in Hyderabad, India.
KOSDAQ: A383930	DT&CRO CO., Ltd.	DT&CRO CO., Ltd. operates as a full-service CRO provider in South Korea. It conducts a series of consigned studies ranging from non-clinical GLP toxicity, PK, and efficacy tests required for licensing of pharmaceuticals, chemicals, health functional foods, cosmetics, and medical devices to analysis, bioactivity, clinical trials, and licensing consulting. DT&CRO CO., Ltd. was founded in 2017 and is based in Yongin, South Korea.
SHSE:688710	Shanghai InnoStar Bio-tech Co., Ltd.	Shanghai Innostar Biotechnology Co., Ltd. provides services for drug research and development in China and internationally. The company's services mainly cover three major areas: early biopharmaceutical drugability evaluation, non-clinical research, and clinical testing and translational research. It was founded in 2010 and is headquartered in Shanghai, China.

Stock Code	Company Name	Company Description
AIM:HVO	hVIVO plc	hVIVO plc operates as a pharmaceutical service and contract research company in the United Kingdom, Europe, and North America. The company is involved in the testing of vaccines and antivirals using human challenge clinical trials; and provision of laboratory services, including assay development, cell based assays, molecular, immunology, virology, clinical field trial logistics, and biomarker analysis services. The company offers services to big pharma and biotech organizations. hVIVO plc is headquartered in London, the United Kingdom.
ENXTPA: ALECR	Eurofins-Cerep SA	Eurofins-Cerep SA provides various drug discovery services to pharmaceutical, biopharmaceutical, and biotechnology companies France and internationally. The company's research services include compound management, and high-throughput screening and profiling. Eurofins-Cerep SA was founded in 1989 and is based in Celle-Lévescault, France.
SHSE:688621	Beijing Sun-Novo Pharmaceutical Research Co., Ltd.	Beijing Sun-Novo Pharmaceutical Research Co., Ltd., engages in the research and development of drugs in China. The company operates external preparation platform that focuses on the research and development of new drugs and generic drugs for skin external preparations. It also offers SMO, clinical quality management, data management and statistical analysis, project management, test center, clinical research center, clinical trials, TMF Document management, quality control, medical writing, medical monitoring, and pharmacovigilance services; and registration-related services for chemical drugs, biological products, and medical device products. Beijing Sun-Novo Pharmaceutical Research Co., Ltd. was founded in 2009 and is based in Beijing, China.

Stock Code	Company Name	Company Description
SHSE:603127	Joinn Laboratories (China) Co., Ltd.	Joinn Laboratories (China) Co., Ltd. provides preclinical and non-clinical services in the United States, the People's Republic of China, and internationally. It operates through three segments: Non-Clinical Studies Services; Clinical Trial and Related Services; and Sales of Research Models. The Non-Clinical Studies Services segment offers drug safety assessment, DMPK studies, and pharmacology and efficacy studies. The Clinical Trial and Related Services segment provide clinical CRO services, co-managed phase I clinical research units, and bioanalytical services. The Sales of Research Models segment provides design, production, breeding and sales of research models, non-human primates, and rodents. The company also offers cell-based assay services. Joinn Laboratories (China) Co., Ltd. was founded in 1995 and is headquartered in Beijing, China.
SZSE:300347	Hangzhou Tigermed Consulting Co., Ltd.	Hangzhou Tigermed Consulting Co., Ltd., together with its subsidiaries, provides contract research organization services in the People's Republic of China and internationally. It operates through Clinical Trial Solutions; and Clinical-related and Laboratory Services segments. It also provides medical imaging, pharmacovigilance, medical translation, quality assurance, GMP and medical device consulting, central laboratories, functional services, recruitment management, EDC cloud-based system, and remote follow-up center services; and post-marketing clinical research solution. In addition, the company offers patient recruitment, investment management, medical registration, pharmaceuticals and regulations consulting, drug safety, bioequivalence, and third-party training services, as well as chemistry, management, and controls services. Hangzhou Tigermed Consulting Co., Ltd was incorporated in 2004 and is headquartered in Hangzhou, the People's Republic of China.

Stock Code	Company Name	Company Description
NasdaqGS: ICLR	ICON Public Limited Company	<p>ICON Public Limited Company, a clinical research organization, provides outsourced development and commercialization services in Ireland, rest of Europe, the United States, and internationally. The company specializes in the strategic development, management, and analysis of programs that support various stages of the clinical development process from compound selection to Phase I-IV clinical studies. It also provides clinical development services, including all phases of development, peri and post approval, data solutions, and site and patient access services; clinical trial management, consulting, and contract staffing services; and commercial services comprising clinical development strategy, planning and trial design, full study execution, and post-market commercialization. In addition, the company offers laboratory services, including bioanalytical, biomarker, vaccine, good manufacturing practice, and central laboratory services, as well as full-service and functional service partnerships to customers. Further, the company provides adaptive trials, cardiac safety solutions, clinical and scientific operations, consulting and advisory, commercial positioning, decentralized and hybrid clinical trials, early clinical, laboratories, language services, medical imaging, real world intelligence, site and patient, and strategic solutions. It serves pharmaceutical, biotechnology, and medical device industries, as well as government and public health organizations. ICON Public Limited Company was incorporated in 1989 and is headquartered in Dublin, Ireland.</p>

Stock Code	Company Name	Company Description
NYSE:IQV	IQVIA Holdings Inc.	<p>IQVIA Holdings Inc. provides clinical research services, commercial insights, and healthcare intelligence to the life sciences and healthcare industries in the Americas, Europe, Africa, and the Asia-Pacific. It operates through three segments: Technology & Analytics Solutions, Research & Development Solutions, and Contract Sales & Medical Solutions. The Technology & Analytics Solutions segment offers a range of cloud-based applications and related implementation services; real world solutions that enable life sciences and provider customers to generate and disseminate evidence, which informs health care decision making and improves patients' outcomes; and strategic and implementation consulting services, such as advanced analytics and commercial processes outsourcing services. The Research & Development Solutions segment offers project management and clinical monitoring; clinical trial support; strategic planning and design services; and patient and site centric solutions, as well as central laboratory, genomic, bioanalytical, ADME, discovery, and vaccine and biomarker laboratory services. The Contract Sales & Medical Solutions segment provides health care provider and patient engagement services, and scientific strategy and medical affairs services. It serves pharmaceutical, biotechnology, device and diagnostic, and consumer health companies. The company is based in Durham, North Carolina.</p>

Stock Code	Company Name	Company Description
NasdaqGS: MEDP	Medpace Holdings, Inc.	Medpace Holdings, Inc. provides clinical research-based drug and medical device development services in North America, Europe, and Asia. The company offers a suite of services supporting the clinical development process from Phase I to Phase IV in various therapeutic areas. It provides clinical development services to the pharmaceutical, biotechnology, and medical device industries; and development plan design, coordinated central laboratory, project management, regulatory affairs, clinical monitoring, data management and analysis, pharmacovigilance new drug application submissions, and post-marketing clinical support services. In addition, the company offers bio-analytical laboratory services, clinical human pharmacology, imaging services, and electrocardiography reading support for clinical trials. Medpace Holdings, Inc. was founded in 1992 and is based in Cincinnati, Ohio.
NYSE:CRL	Charles River Laboratories International, Inc.	Charles River Laboratories International, Inc. provides drug discovery, non-clinical development, and safety testing services in the United States, Europe, Canada, the Asia Pacific, and internationally. It operates through three segments: Research Models and Services (RMS), Discovery and Safety Assessment (DSA), and Manufacturing Solutions (Manufacturing). The RMS segment produces and sells rodents, and purpose-bred rats and mice for use by researchers. The DSA segment offers early and in vivo discovery services for the identification and validation of novel targets, chemical compounds, and antibodies through delivery of preclinical drug and therapeutic candidates ready for safety assessment; and safety assessment services, such as toxicology, pathology, safety pharmacology, bioanalysis, drug metabolism, and pharmacokinetics services. The Manufacturing segment provides in vitro methods for conventional and rapid quality control testing of sterile and non-sterile pharmaceuticals and consumer products. This segment offers specialized testing of biologics that are outsourced by pharmaceutical and biotechnology companies. The company was founded in 1947 and is headquartered in Wilmington, Massachusetts.

Source: Capital IQ

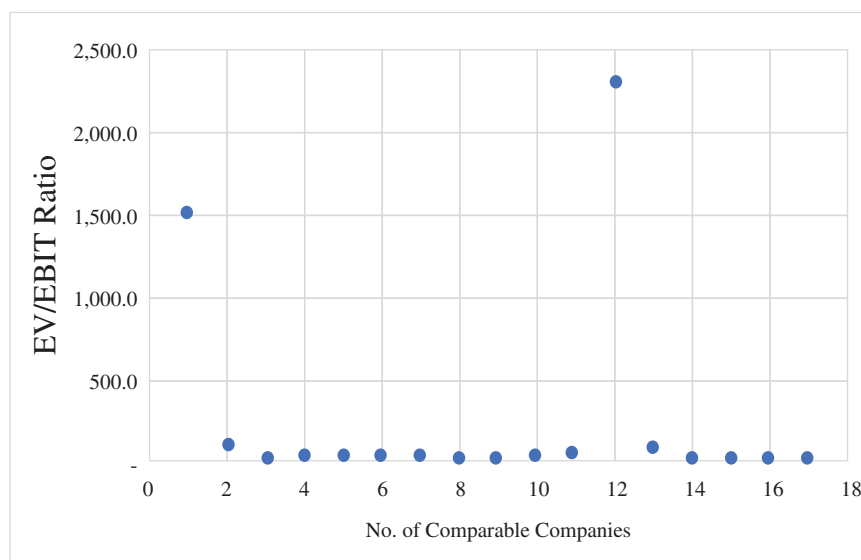
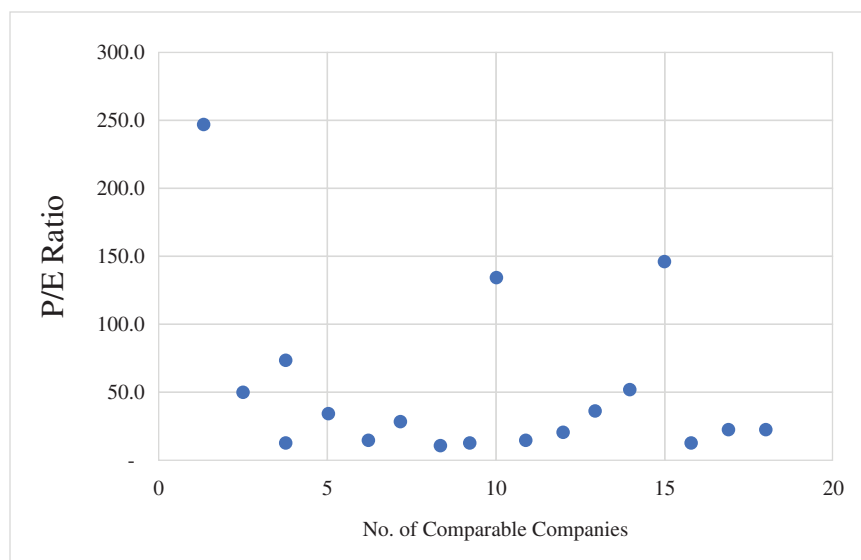
The detailed information of the comparable companies is listed in the following table:

Company Code	Market Capitalization	EV	Earning	EBIT	P/E Ratio*	Percentage of Revenue EV/ Contributed by CRO	
						EBIT* Ratio	Business
	(USD MM)	(USD MM)	(USD MM)	(USD MM)			
SZSE:300404	489.8	455.7	2.0	0.3	246.89	1,520.22	92%
SZSE:301520	401.2	237.0	8.0	2.4	50.15	97.41	87%
KOSDAQ:A223250	59.0	40.8	4.7	4.7	12.45	8.61	91%
SEHK:1521	275.8	322.9	3.8	12.4	71.93	26.02	96%
SZSE:301333	634.9	395.2	19.9	17.4	31.85	22.67	100%
TSE:2395	410.0	582.7	35.1	19.3	11.68	30.14	97%
BSE:524394	233.1	230.3	8.6	11.0	27.25	21.03	100%
BSE:511509	8.6	14.7	1.0	1.4	8.71	10.35	100%
KOSDAQ:A383930	36.9	58.8	3.2	-2.8	11.63	N.A.	100%
SHSE:688710	685.6	502.1	5.2	-0.4	132.94	N.A.	99%
AIM:HVO	102.5	70.6	7.2	9.6	14.16	7.33	100%
ENXTPA:ALECR	122.0	106.1	7.2	4.5	16.86	23.78	100%
SHSE:688621	761.0	740.2	22.1	20.6	34.36	35.85	100%
SHSE:603127	2,076.6	1608.5	42.5	0.7	48.81	2,283.73	100%
SZSE:300347	6,048.3	6,566.0	41.3	91.8	146.56	71.55	98%
NasdaqGS:ICLR	11,558.1	14,581.9	794.2	1,167.7	14.55	12.49	100%
NYSE:IQV	27,263.1	40,618.1	1,237.0	2,273.0	22.04	17.87	95%
NasdaqGS:MEDP	9,020.8	8,974.5	418.3	477.5	21.57	18.79	100%
NYSE:CRL	7,452.3	9,622.5	-67.0	534.9	N.A.	17.99	81%

Source: Capital IQ

Notes:

1. Enterprise Value = market capitalization + net debt + minority interest
2. Net Debt = total loans/borrowings – total cash and cash equivalents & short-term investment
3. The following diagram shows the distribution of the P/E and EV/EBIT ratios of the comparable companies, with X-axis represents the number of comparable companies and Y-axis represents the level of the ratios. The visualization highlights that values on P/E ratio of 246.89 deviates significant from the rest of the dataset, and EV/EBIT ratios 1,520.22 and 2,283.73 deviate significant from the rest of the dataset. Therefore, comparable company Boji Medical Technology Co., Ltd. (SZSE: 300404) was identified as an outlier and excluded in both P/E and EV/EBIT ratios; Joynn Laboratories (China) Co., Ltd. (SHSE:603127) was identified as an outlier and excluded in EV/EBIT ratios.



The list of the comparable companies shown below was identified and we are of the opinion that each of them is considered as a fair and representative sample. Further details of these comparable companies with available P/E and EV/EBIT ratios are shown as follows:

Company Code	Company Name	P/E Ratio as at the Valuation Date	EV/EBIT Ratio as at the Valuation Date
SZSE:301520	Anhui Wanbang Pharmaceutical Technology Co., Ltd.	50.15	97.41
KOSDAQ:A223250	DreamCIS, Inc.	12.45	8.61
SEHK:1521	Frontage Holdings Corporation	71.93	26.02
SZSE:301333	R&G PharmaStudies Co., Ltd.	31.85	22.67

Company Code	Company Name	P/E Ratio as at the Valuation Date	EV/EBIT Ratio as at the Valuation Date
TSE:2395	Shin Nippon Biomedical Laboratories, Ltd.	11.68	30.14
BSE:524394	Vimta Labs Limited	27.25	21.03
BSE:511509	Vivo Bio Tech Limited	8.71	10.35
KOSDAQ:A383930	DT&CRO CO., Ltd.	11.63	N.A.
SHSE:688710	Shanghai InnoStar Bio-tech Co., Ltd.	132.94	N.A.
AIM:HVO	hVIVO plc	14.16	7.33
ENXTPA:ALECR	Eurofins-Cerep SA	16.86	23.78
SHSE:688621	Beijing Sun-Novoo Pharmaceutical Research Co., Ltd.	34.36	35.85
SHSE:603127	Joinn Laboratories (China) Co., Ltd.	48.81	Outlier
SZSE:300347	Hangzhou Tigermed Consulting Co., Ltd.	146.56	71.55
NasdaqGS:ICLR	ICON Public Limited Company	14.55	12.49
NYSE:IQV	IQVIA Holdings Inc.	22.04	17.87
NasdaqGS:MEDP	Medpace Holdings, Inc.	21.57	18.79
NYSE:CRL	Charles River Laboratories International, Inc.	N.A.	17.99
<i>Average</i>		39.85	28.12
<i>Median</i>		22.04	21.03

DISCOUNT FOR LACK OF MARKETABILITY (“DLOM”)

The level of a company value can be described as: the marketable minority interest value which refers to the price quoted in public market less the DLOM equals to the non-marketable minority interest value representing the non-controlling shareholder of a private company.

A factor to be considered in valuing closely held companies is the marketability of an interest in such businesses. Marketability is defined as the ability to convert the business interest into cash quickly, with minimum transaction and administrative costs, and with a high degree of certainty as to the amount of net proceeds. There is usually a cost and a time lag associated with locating interested and capable buyers of interests in privately-held companies, because there is no established market of readily-available buyers and sellers. All other factors being equal, an interest in a publicly traded company is worth more because it is readily marketable. Conversely, an interest in a private-held company is worth less because no established market exists.

Most of the businesses or financial interests that we are valuing do not enjoy immediate liquidity. we thus face the task of making an adjustment from the value we have estimated from the transactions observed in the market approach to account for the lack of marketability of the business or business interest that we are valuing. That adjustment is what we refer to as the discount for lack of marketability.

In this valuation exercise, we have assessed the DLOM using the put option method, which is one of the most commonly used theoretical models. The concept is that when comparing a public share and a private share, holder of a public share has the ability to sell the shares (i.e. a put option) to the stock market right away. The estimated DLOM is determined by “Black-Scholes option pricing model” (“BS Model”) with the following parameters:

Parameter	Value	Remarks
Spot Price (“S”)	1.00	The spot price is set to be 1.00 in the valuation to calculate DLOM.
Exercise Price (“K”)	1.00	According to the study, the put option is at-the-money, such that the exercise price should equal the spot price.
Volatility (“σ”)	52%	With reference to the median of historical volatilities of the comparable companies as of the Valuation Date which was calculated based on the historical 2-year trading prices, as sourced from Capital IQ.
Risk Free Rate (“r”)	1.36%	Annual yield rate on 2-years China government bond yield.
Target event expected (“t”) period	2-year	As there is no specific indication of the time to maturity, it is assumed that a liquidity event period will be 2 years which is an approximation of holding period that assuming a market participant who owns a company would trade that company.

The mathematical formula for the put option using BS Model is $P = Ke^{-rt}N(-d_2) - SN(-d_1)$

Where:

P = price of a European put option which represents the DLOM,

S = spot price of underlying asset,

K = strike price,

$d_1 = [\ln(S/K) + (r + \sigma^2/2) * t] / [\sigma * t^{(1/2)}]$,

$d_2 = d_1 - \sigma * t^{(1/2)}$,

r = risk-free rate,

t = time to maturity,

N = a normal distribution,

By using the put option method and based on the above assumptions, the estimated DLOM is around 27%. Based on the above analysis, a 27% DLOM is applied in this case.

CONTROL PREMIUM

Control premium is an amount by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest a business enterprise that reflects the power of a control. Both factors recognize that control owners have rights that minority owners do not and that the difference in those rights and, perhaps more importantly, how those rights are exercisable and to what economic benefits, cause a differential in the per-share value of a control ownership block versus a minority ownership block.

The control premium adopted in this valuation is around 14%, with reference to the median of control premium of closed equity acquisition transactions, involving change of control, in the life sciences tools and services industry searched from Capital IQ within 10 years prior to the Valuation Date.

CALCULATION OF VALUATION RESULT

Under the guideline public company method, the market value depends on the market multiples of the comparable companies, sourced from Capital IQ, as at the Valuation Date and we have taken into account of DLOM and control premium of the Target Company that the Company will hold 100% of the equity interest in the Target Company upon completion of this acquisition, which is a controlling interest in the Target Company. The calculation of the market value of the equity interest in the Target Company taking into account the effect of the completion of the repurchase and capital reduction as at the Valuation Date is as follows:

	As at	
	30 June 2025	
	<i>RMB'000</i>	
(a) Equity Value under P/E Ratio		
Median P/E Ratio	22.04	(i)
Earning for LTM ended 30 June 2025 of the Target Group	18,947	(ii)
Equity Value of the Target Company (<i>rounded</i>)	418,000	(iii)
Adjusted DLOM at 27%	(1-27%)	(iv)
Adjusted Control Premium at 14%	(1+14%)	(v)
100% Equity Value of the Target Company (<i>rounded</i>)	348,000	(vi)

Note: iii=i*ii and vi=iii*iv*v

As at
30 June 2025
RMB'000

(b) Equity Value under EV/EBIT Ratio		
Median EV/EBIT Ratio	21.03	(i)
EBIT for LTM ended 30 June 2025 of the Target Group	13,996	(ii)
Enterprise Value of the Target Company (<i>rounded</i>)	294,000	(iii)
Adjusted DLOM at 27%	(1-27%)	(iv)
Adjusted Control Premium at 14%	(1+14%)	(v)
Adjusted Enterprise Value of the Target Company (<i>rounded</i>)	245,000	(vi)
Less: Net Debt	-125,861	(vii)
100% Equity Value of the Target Company (<i>rounded</i>)	371,000	(viii)

Note: iii=i*ii, vi=iii*iv*v and viii=vi-vii

vii=total loans/borrowings - loan receivables - financial assets at fair value through profit or loss - cash and cash equivalents
= 0 - 10,000 - 24,135 - 91,726 = -125,861

(c) Equity Value taking into account the effect of the completion of the repurchase and capital reduction	
100% Equity Value of the Target Company pre the repurchase and capital reduction (<i>average equity value of (a) and (b)</i>)	359,500
Less: the Consideration for Share Repurchase	89,222
100% Equity Value of the Target Company taking into account the effect of the completion of the repurchase and capital reduction (<i>rounded</i>)	270,000

VALUATION COMMENT

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Target Company, the Company and Asia-Pacific Consulting and Appraisal Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Target Company over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

OPINION OF VALUE

Based on the results of our investigations and analyses, we are of the opinion that the market value of 100% equity interest of the Target Company taking into account the effect of the completion of the repurchase and capital reduction as at the Valuation Date is reasonably stated approximately at the amount of **RMB270,000,000 (RENMINBI TWO HUNDRED AND SEVENTY MILLION YUAN)**.

Yours faithfully,
for and on behalf of
Asia-Pacific Consulting and Appraisal Limited

Jack W. J. Li
CFA, MRICS, MBA
Partner

Note: Jack W. J. Li is a Chartered Surveyor who has over 15 years' experience in the valuation of assets in the PRC, Hong Kong and the Asia-Pacific region.

David G.D Cheng
MRICS
Partner

Note: David G.D. Cheng is a Chartered Surveyor who has over 20 years' experience in the valuation of assets in the PRC, Hong Kong and the Asia-Pacific region.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As of the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules, were as follows:

Long Positions in the Shares and underlying Shares

Name of Director/ chief executive	Capacity/Nature of interest	Number of Shares and underlying Shares	Approximately percentage of shareholding interest ⁽²⁾
Dr. Song Li ⁽¹⁾	Beneficial owner/Trustee	177,541,320	8.72%
Dr. Zhongping Lin	Beneficial owner	9,785,026	0.48%
Dr. Wentao Zhang	Beneficial owner	5,200,000	0.26%

Notes:

- (1) As of the Latest Practicable Date, Dr. Song Li is the beneficial owner of 40,733,050 Shares and is the founder and a trustee of each of The Linna Li GST Exempt Trust, The Wendy Li GST Exempt Trust and The Yue Monica Li GST Exempt Trust, which, as of the Latest Practicable Date, hold 45,600,090 Shares, 45,602,090 Shares and 45,606,090 Shares respectively.
- (2) The percentage is for illustrative purpose only, subject to rounding error, and is calculated based on the number of 2,035,724,910 Shares in issue as of the Latest Practicable Date.

Save as disclosed above and to the best knowledge of the Directors, as of the Latest Practicable Date, none of the Directors or the chief executives of the Company had any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

B. Substantial Shareholders' Interests in Shares and Underlying Shares of the Company

As of the Latest Practicable Date, so far as the Directors are aware, the following persons (other than a Director or chief executive of the Company) and entities had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept by the Company under section 336 of the SFO:

Interests and Long Positions in Shares

Name of substantial Shareholder	Capacity/Nature of interest	Number of Shares	Approximately percentage of shareholding interest⁽²⁾
Hongkong Tigermed	Beneficial owner	1,088,484,090	53.47%
Hangzhou Tigermed ⁽¹⁾	Interest of controlled corporation/Beneficial owner	1,314,504,090	64.57%

Notes:

- (1) Hangzhou Tigermed held 226,020,000 Shares as beneficial owner. Hongkong Tigermed is a wholly-owned subsidiary of Hangzhou Tigermed. Therefore, Hangzhou Tigermed is deemed to be interested in the 1,088,484,090 Shares held by Hongkong Tigermed for the purpose of the SFO.
- (2) The percentage is for illustrative purpose only, subject to rounding error, and is calculated based on the number of 2,035,724,910 Shares in issue as of the Latest Practicable Date.

Save as disclosed above and to the best knowledge of the Directors, as of the Latest Practicable Date, no other persons (other than a Director or chief executive of the Company) or entities had any interests or short positions in the Shares or underlying Shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept by the Company under section 336 of the SFO.

3. COMPETING INTERESTS

Pursuant to Rule 8.10 of the Listing Rules, the following Director has declared interests in the following businesses (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group as of the Latest Practicable Date:

Mr. Hao Wu is an executive director of Hangzhou Tigermed, which engages in the provision of one-stop and professional clinical research services for innovative drugs, medical devices and biotechnology related products to domestic and international enterprises engaged in providing innovative drugs and medical devices. The business of Hangzhou Tigermed is likely to compete with the research, analytical and development services business of the Group.

Save as disclosed above, as of the Latest Practicable Date, none of the Directors had an interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

4. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

As of the Latest Practicable Date, none of the Directors had any interests, directly or indirectly, in any assets which have been, since December 31, 2024 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As of the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group subsisting at the date of this circular which is significant in relation to the businesses of the Enlarged Group.

5. DIRECTORS' SERVICE CONTRACTS

As of the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with any member of the Enlarged Group (excluding contracts expiring or terminable by the Enlarged Group within one year without payment of any compensation (other than statutory compensation)).

6. MATERIAL LITIGATION

So far as the Company is aware, as of the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors pending or threatened by or against any member of the Enlarged Group.

7. MATERIAL CONTRACTS

Save for the Share Transfer Agreement and the repurchase agreement in relation to the Repurchase and Capital Reduction, no material contract (not being a contract entered into in the ordinary course of business) has been entered into by any member of the Enlarged Group within the two years immediately preceding the date of this circular.

8. MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors confirm that there have not been any material adverse change in the financial or trading positions of the Group since December 31, 2024, the date to which the latest published audited consolidated financial statements of the Company were made up.

9. EXPERTS' QUALIFICATION AND CONSENT

The following sets for the qualification of the experts who have given opinions contained in this circular:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Asia-Pacific Consulting and Appraisal Limited	independent professional valuer
BDO Limited	Certified Public Accountants

Each of the experts mentioned above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters, reports and/or opinions and the references to its names (including its qualifications) included herein in the form and context in which it is included.

As of the Latest Practicable Date, each of the experts mention above (a) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and the Target Group; and (b) was not interested, directly or indirectly, in any assets which have been or are proposed to be acquired or disposed of by or leased to any member of the Group and the Target Group since December 31, 2024, being the date to which the latest published audited accounts of the Company were made up.

10. MISCELLANEOUS

- (a) The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands;
- (b) The address of the principal place of business of the Company in Hong Kong is Room 1920, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong;
- (c) The Company's branch share registrar is Tricor Investor Services Limited, whose address is 17/F, Far East Finance Center, 16 Harcourt Road, Hong Kong; and
- (d) The company secretary of the Company is Ms. Karen Ying Lung Chang, a Hong Kong solicitor.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.frontagelab.com) for a period of 14 days from the date of this circular:

- (a) the Share Transfer Agreement;
- (b) the letter from Gram Capital, the Independent Financial Adviser, as set out on pages 22 to 48 of this circular;
- (c) the accountants' report on the Target Group issued by BDO Limited as set out in Appendix II to this circular;
- (d) the report on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular;
- (e) the Valuation Report, which is set out in Appendix V to this circular; and
- (f) the letters of consent from each of the experts referred to in the section headed "Experts' Qualification and Consent" in this appendix.

NOTICE OF THE EGM



FRONTAGE HOLDINGS CORPORATION

方達控股公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1521)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Frontage Holdings Corporation (the “**Company**”) will be held at Building 2, No. 1227 Zhangheng Road, Zhangjiang Hi-Tech Park, Shanghai, China on Wednesday, January 7, 2026 at 10:00 a.m. to consider and if thought fit, transact the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT**

- (a) the share transfer agreement (the “**Share Transfer Agreement**”) dated October 10, 2025 entered into by Frontage Laboratories (Shanghai) Co., Ltd.* (方達醫藥技術(上海)有限公司), Hangzhou Tigermed Consulting Co., Ltd. (杭州泰格醫藥科技股份有限公司) and Jiaxing Xinge Medical Consulting Co., Ltd.* (嘉興欣格醫藥科技有限公司) and the proposed transactions and other matters contemplated thereunder, be and are hereby confirmed, approved and ratified; and
- (b) any one of the directors of the Company be and is hereby authorized to do all such acts and things incidental to the Share Transfer Agreement and the relevant ancillary agreements as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Share Transfer Agreement, the relevant ancillary agreements and the transactions contemplated thereunder.”

By order of the Board
Frontage Holdings Corporation
Dr. Song Li
Chairman

Hong Kong, December 15, 2025

NOTICE OF THE EGM

Notes:

1. The resolution at the above meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules. The results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him/her. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. A proxy need not be a shareholder of the Company.

If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him/her.

3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for the holding of the above meeting (i.e. no later than 10:00 a.m. on Monday, January 5, 2026 (Hong Kong time)) or any adjourned meeting (as the case may be). Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. The record date for determining the eligibility of the shareholders of the Company for attending and voting at the above meeting will be Wednesday, January 7, 2026. For the purpose of determining the entitlement of shareholders to attend and vote at the above meeting, the register of members of the Company will be closed from Friday, January 2, 2026 to Wednesday, January 7, 2026, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the meeting, all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, December 31, 2025.

In the event that the above meeting is adjourned to a date later than Wednesday, January 7, 2026 because of bad weather or other reasons, the book closure period and record date for determination of entitlement to attend and vote at the above meeting will remain the same as stated above.

5. Where there are joint holders of any shares carrying voting rights, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at any meeting the vote of the most senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names of the joint holders appear in the register of members of the Company in respect of the joint holding.
6. In the case of any inconsistency between the Chinese translation and the English text hereof, the English text shall prevail.

As of the date of this notice, the board comprises Dr. Song Li, Dr. Wentao Zhang and Dr. Zhongping Lin as executive directors; Ms. Zhuang Yin and Mr. Hao Wu as non-executive directors; and Mr. Yifan Li, Mr. Erh Fei Liu and Dr. Jingsong Wang as independent non-executive directors.

* *For identification purposes only*