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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**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 licensed securities dealer, a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in PuraPharm Corporation Limited, 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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This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

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**PuraPharm**

**PURAPHARM CORPORATION LIMITED**

**培力農本方有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1498)**

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO  
THE PATENT LICENCE AGREEMENT  
INVOLVING THE ISSUE OF CONSIDERATION SHARES  
UNDER SPECIFIC MANDATE;  
(2) SUBSCRIPTION OF NEW SHARES BY THE SUBSCRIBER  
UNDER SPECIFIC MANDATE; AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



**SUNNY FORTUNE CAPITAL LIMITED**

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A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 32 to 33 of this circular. A letter from Sunny Fortune Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 34 to 53 of this circular.

A notice convening the EGM to be held at 2/F, 35-45B Bonham Strand, Sheung Wan, Hong Kong on Friday, 24 October, 2025 at 10 a.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether you are able to attend the EGM or not, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, 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. not later than 10 a.m. on Wednesday, 22 October, 2025) or any adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude a Shareholder from attending and voting in person at the EGM or any adjournment thereof should you so desire, and in such event, the instrument appointing a proxy shall be deemed to be revoked. For the avoidance of doubt, holders of treasury shares (if any) shall abstain from voting at the EGM of the Company.

References to time and dates in this circular are to Hong Kong time and dates.

3 October 2025

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the meanings as set out below:*

“Announcement”	the announcement of the Company dated 25 July 2025 in relation to the Patent Licence Agreement and the Subscription Agreement
“associate(s)”	has the same meaning as defined in the Listing Rules
“Board”	the board of the Directors
“BN101E Project”	a project, applying the Patents, focuses on developing an anti-inflammatory botanical drug for treating rheumatoid arthritis (RA), leveraging compounds derived from <i>Cimicifuga sp.</i> historically used for inflammation and arthritis
“Business Day”	a day (not being a Saturday, Sunday, public holiday in Hong Kong or any day on which a tropical cyclone warning no. 8 or above, a “black” rainstorm warning or “extreme conditions” announced by the Government of Hong Kong is in force in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) when banks generally are open in Hong Kong for the transaction of general banking business
“CCMG”	concentrated Chinese medicine granules
“Company”	PuraPharm Corporation Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are traded on the main board of the Stock Exchange (stock code: 1498)
“Consideration Share(s)”	93,488,372 new Shares to be allotted and issued by the Company to the Licensor as payment of the Consideration
“Consideration Shares Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM to grant authority to the Directors for the allotment and issue of Consideration Shares to the Licensor pursuant to the Patent Licence Agreement
“Controlling Shareholder”	has the same meaning as defined in the Listing Rules
“Director(s)”	the director(s) of the Company
“connected person(s)”	has the meaning ascribed to it in the Listing Rules

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## DEFINITIONS

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“connected transaction”	has the meaning ascribed to it in the Listing Rules
“EGM”	the extraordinary general meeting of the Company to be convened to consider, if thought fit, to approve (i) the Patent Licence Agreement, grant of Consideration Shares Specific Mandate and the transaction contemplated under the Patent Licence Agreement and (ii) the Subscription Agreement, grant of Subscription Shares Specific Mandate and the transaction contemplated under the Subscription Agreement
“FDA”	Food and Drug Administration of the U.S
“Group”	the Company and its subsidiaries from time to time
“Hong Kong Dollars” or “HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising the independent non-executive Directors, who have no direct or indirect interest in the Patent Licence Agreement, namely, Prof. Tsui Lap Chee and Dr. Hung Ting On, John, which has been established to make recommendations to the Independent Shareholders in respect of the Patent Licence Agreement (and the transactions contemplated thereunder) and the grant of the Consideration Shares Specific Mandate
“Independent Financial Adviser”	Sunny Fortune Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to whether the Patent Licence Agreement and the transactions contemplated thereunder is fair and reasonable and as to voting

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## DEFINITIONS

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“Independent Shareholders”	the Shareholders who do not have any material interests in the transactions under the Subscription Agreement and/or the Patent Licence Agreement and who are not required to abstain under the Listing Rules from voting at the EGM for the resolution(s) approving the Patent Licence Agreement (and the transactions contemplated thereunder) and the grant of Consideration Shares Specific Mandate and Subscription Shares Specific Mandate
“Independent Third Party(ies)”	independent third party(ies), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, who is/are not connected with the Company and its connected persons
“Independent Valuer”	Asia-Pacific Consulting and Appraisal Limited, the independent professional valuer
“Issue Price”	the issue price of HK\$0.43 per Consideration Share
“Last Trading Day”	24 July 2025, being the last full trading day for the Shares before the date of the Announcement published by the Company announcing the entering into of the Patent Licence Agreement and the Subscription Agreement
“Latest Practicable Date”	26 September 2025, being the latest practicable date prior to the publication of this circular for ascertaining certain information contained in this circular
“Licence Agreement Completion”	the commencement of the licence of the Licensed IP and the completion of the issue of the Consideration Shares pursuant to the Patent Licence Agreement
“Licensed IP”	the Patents as well as the data, documents and know-how in respect of or in connection with the Patents and BN101E Project
“Licensor”	BAGI Research Limited, a company with limited liability incorporated in Hong Kong which is indirectly wholly owned by BAGI Group Limited which in turn is controlled by Mr. Chan (a connected person of the Company)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Long Stop Date for the Licence Agreement”	31 October 2025 or such other date as the Company and the Licensor may agree in writing
“Long Stop Date for the Subscription”	31 October 2025 or such other date as the Company and the Subscriber may agree in writing
“Mr. Chan”	Mr. Chan Yu Ling, Abraham, the chairman of the Board, the chief executive officer of the Company, an executive Director and a Controlling Shareholder and the spouse of Ms. Man
“Ms. Man”	Ms. Man Yee Wai, Viola, an executive Director of the Company and the spouse of Mr. Chan
“Patents”	certain patents for two uses, namely, (i) treating inflammation and modulating immune responses and (ii) isolation of cimracemate A, registered in jurisdictions including China, the U.S., Canada, Australia, Japan, Europe and Hong Kong, including any continuations, continuations in part, extensions, reissues, divisions, and including any patents, supplementary protection certificates and similar rights that are based on or derive priority from the foregoing
“Patent Co-ownership Agreement”	the patent co-ownership and commercialisation agreement dated 7 July 2022 and entered into by Versitech, the Licensor and the holding companies of the Licensor which provides, among other things, the rights and obligations in respect of the Patents of the Licensor and Versitech as joint owners of the Patents
“Patent Licence Agreement”	the patent licence agreement dated 25 July 2025 and entered into by the Licensor and the Company
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of US\$0.001 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Share Award Scheme”	the share award scheme adopted by the Company on 22 February 2016

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## DEFINITIONS

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“Subscriber”	Providence Discovery Fund, a sub fund of Providence Strategic Discovery OFC
“Subscription”	the subscription for the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 25 July 2025 and entered into between the Company and the Subscriber in respect of the Subscription
“Subscription Completion”	the completion of the Subscription pursuant to the Subscription Agreement
“Subscription Price”	the subscription price of HK\$0.43 per Subscription Share
“Subscription Shares”	46,512,000 new Shares to be subscribed by the Subscriber and issued by the Company at the Subscription Price pursuant to the Subscription Agreement
“Subscription Shares Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM to grant authority to the Directors for the allotment and issue of Subscription Shares to the Subscriber pursuant to the Subscription Agreement
“Subsidiary”	has the meaning ascribed to it in the Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCM”	traditional Chinese medicine
“Trustee”	TMF Trust (HK) Limited, being the trustee of the Share Award Scheme
“U.S.”	United States of America
“US\$”	United States dollars, the lawful currency of the U.S.
“Valuation Report”	the valuation report made by the Independent Valuer on the Licensed IP, the full text of which is set out in Appendix I to this circular
“Versitech”	Versitech Limited, a company incorporated in Hong Kong with limited liability
“%”	Per cent.

\* for identification purposes only

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## LETTER FROM THE BOARD

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**PuraPharm**

**PURAPHARM CORPORATION LIMITED**

**培力農本方有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1498)**

*Executive Directors:*

Mr. Chan Yu Ling, Abraham (*Chairman*)

Ms. Man Yee Wai, Viola

Dr. Tsoi Kam Biu, Alvin

*Non-executive Director*

Mr. Leung Stephen Kwok Keung

*Independent non-executive Directors*

Dr. Hung Ting On, John

Dr. Leung Lim Kin, Simon

Prof. Tsui Lap Chee

*Registered Office*

P.O. Box 31119 Grand Pavilion

Hibiscus Way, 802 West Bay Road

Grand Cayman

KY1-1205, Cayman Islands

*Headquarter and principal place of  
business in Hong Kong*

Units 201-207

2/F., Wireless Centre, Phase One

Hong Kong Science Park

Tai Po, New Territories

Hong Kong

3 October 2025

*To the Shareholders*

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO  
THE PATENT LICENCE AGREEMENT  
INVOLVING THE ISSUE OF CONSIDERATION SHARES  
UNDER SPECIFIC MANDATE;  
(2) SUBSCRIPTION OF NEW SHARES BY THE SUBSCRIBER  
UNDER SPECIFIC MANDATE; AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**I. INTRODUCTION**

Reference is made to the Announcement of the Company dated 25 July 2025, in which the Company announced that the Company and the Licensor entered into the Patent Licence Agreement, pursuant to which the Licensor has conditionally agreed to grant to the Company an exclusive non-transferable licence of the Licensed IP. In consideration of the grant of the



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## LETTER FROM THE BOARD

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Licensed IP, the Company has conditionally agreed to allot and issue the Consideration Shares at issue price of HK\$0.43 per Consideration Share to the Licensor as a one-off non-refundable licence fee of HK\$40,200,000.

On the same date, the Company also entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue the 46,512,000 Subscription Shares at the Subscription Price of HK\$0.43 per Subscription Share to the Subscriber. The gross Subscription proceeds will be HK\$20,000,160.

The Subscription Agreement and the Patent Licence Agreement are inter-conditional upon one another.

The purpose of this circular is to provide you with, among other things, (i) further details of the Patent Licence Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee in relation to the Patent Licence Agreement; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Patent Licence Agreement and the transactions contemplated thereunder; (iv) the Valuation Report; (v) the Subscription Agreement and the transactions contemplated thereunder; and (vi) a notice of the EGM.

### THE PATENT LICENCE AGREEMENT

The principal terms of the Patent Licence Agreement are set out below:

#### Date

25 July 2025 (after trading hours)

#### Parties

- (i) the Licensor; and
- (ii) the Company (as licensee)

#### Subject matter

Subject to the terms and conditions under the Patent Licence Agreement, the Licensor shall grant an exclusive non-transferable licence of the Licensed IP to the Company, pursuant to which the Company shall be entitled to research, design, develop, manufacture, or have manufactured, use and sell or otherwise supply the products manufactured by the Company using the Licensed IP on a worldwide basis.

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## LETTER FROM THE BOARD

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The terms of the Patent Licence Agreement shall commence on the date of the Licence Agreement Completion and shall remain in effect until the expiration or abandonment of all of the Patents, unless earlier terminated in accordance with the provisions of the Patent Licence Agreement.

The Company shall have the right to sub-license the Licensed IP to one or more of the Company's Subsidiaries for the purpose as set out in the Patent Licence Agreement, and on terms and conditions to be agreed by the Company and its relevant Subsidiary(ies).

But the Company shall have no right to further grant sub-licenses to any parties (apart from the Company's Subsidiaries) of any of the rights granted to the Company under the Patent Licence Agreement, to use or apply the Licensed IP together with any persons (apart from the Company's Subsidiaries) whatsoever in any circumstances, unless with the prior written consent of the Licensor.

There was no prior acquisition cost for the Licensed IP because the Licensed IP was developed by the Licensor and The University of Hong Kong which owns and controls the entire share capital of Versitech.

### **Licence fee**

A one-off non-refundable licence fee of HK\$40,200,000, which shall be fully settled by the Company by the allotment and issue, credited as fully paid, of 93,488,372 Consideration Shares to the Licensor under the Consideration Shares Specific Mandate at the Issue Price of HK\$0.43 per Consideration Share at the Licence Agreement Completion.

The amount of licence fee, and the form of paying the fee, were arrived at after arm's length negotiations between the parties to the Patent Licence Agreement on normal commercial terms and was determined after taken into account the following:

- (i) the factors and circumstances set out in the section headed "Reasons for and benefits of the Patent Licence Agreement and issue of the Consideration Shares" in this circular; and
- (ii) the value of the Licensed IP (being HK\$40,200,000) as at 31 May 2025 (the "**Valuation Date**"), appraised by the Independent Valuer based on cost approach, details of which are set out in Appendix I to this circular.

The Board has carefully considered the Independent Valuer's explanation of the three commonly accepted valuation methodologies for assessing the value of the Licensed IP, the market approach, income approach, and cost approach. The Independent Valuer has highlighted the practical challenges in applying the market and income approaches, particularly due to the absence of directly comparable market transactions, the uncertainties surrounding key assumptions and the fact that the Licensed IP remains in its early development stage.

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## LETTER FROM THE BOARD

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In light of these constraints, the Board has thoroughly evaluated the Independent Valuer's adoption of the cost approach as the primary valuation methodology and concurs with the rationale supporting this selection. The Board agrees that, in the absence of direct market comparables and given the speculative nature of future income projections, the cost approach offers a more objective, transparent, and defensible framework for this valuation. This approach estimates the replacement cost of an asset with similar functionality and service potential, based on actual and anticipated expenditures, including collaboration fees, outsourced development, labour, rental, overheads, and a reasonable return on those costs.

The Board considers the cost approach to be appropriate and commercially sound in this context, as it avoids the uncertainties inherent in forecasting future cash flows and mitigates the risk of over-valuation or under-valuation due to market volatility or lack of direct comparable precedents. The Board has reviewed the assumptions, cost components, and valuation parameters in detail and is satisfied that they are reasonable and well-supported. Accordingly, the Board endorses the use of the cost approach in the Valuation Report.

Having considered the above and the Valuation Report, the Directors (excluding members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee on pages 32 to 33 of this circular) are of the view that (a) the Patent Licence Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Licensor, (b) the methodology, assumptions and parameters adopted in the Valuation Report are fair and reasonable, (c) the terms of the Patent Licence Agreement (including the one-off non-refundable licence fee) are fair and reasonable, and (d) the transactions contemplated under the Patent Licence Agreement are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

### **Consideration Shares**

At the Licence Agreement Completion, the Consideration Shares shall be allotted and issued, free from encumbrances, pursuant to the Consideration Shares Specific Mandate, credited as fully paid, and shall rank *pari passu* in all respects among themselves and with the Shares in issue on the date of the Licence Agreement Completion. The allotment and issue of the Consideration Shares under the Consideration Shares Specific Mandate are subject to, among other conditions precedent set out below, the approval of the Independent Shareholders at the EGM.

An aggregate of 93,488,372 Consideration Shares to be issued to the Licensor will represent approximately 23.61% of the issued share capital of the Company as at the Latest Practicable Date and approximately 17.45% of the issued share capital of the Company as enlarged by the allotment and issue of both the Consideration Shares and the Subscription Shares.

The total nominal value of the Consideration Shares will be US\$93,488.37.

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## LETTER FROM THE BOARD

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The Issue Price of HK\$0.43 per Consideration Share, which represents:

- (1) a discount of approximately 5.5% to the closing price of HK\$0.455 per Share as quoted on the Last Trading Day;
- (2) a discount of approximately 5.5% to the average closing price of HK\$0.455 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day;
- (3) a discount of approximately 7.9% to the average closing price of HK\$0.467 per Share as quoted on the Stock Exchange for the last 20 trading days up to and including the Last Trading Day;
- (4)
  - (i) a premium approximately 53% to the audited consolidated net asset value of approximately HK\$0.281 per Share as at 31 December 2024, calculated based on the audited consolidated net asset value of the Group attributable to owners of the Company of HK\$111,198,000 as at 31 December 2024 divided by the total number of the Shares in issue as at the Latest Practicable Date;
  - (ii) a premium approximately 67.3% to the unaudited consolidated net asset value of approximately HK\$0.257 per Share as at 30 June 2025, calculated based on the unaudited consolidated net asset value of the Group attributable to owners of the Company of HK\$101,656,000 as at 30 June 2025 divided by the total number of the Shares in issue as at the Latest Practicable Date; and
- (5) a discount of approximately 4.4% to the closing price of HK\$0.45 per Share as quoted on the Latest Practicable Date.

The Issue Price was arrived at after arm's length negotiations among the parties to the Patent Licence Agreement after taking into account, among others, the prevailing market price of the Shares, the financial performance of the Group and the current market conditions.

An application will be made to the Stock Exchange by the Company for the listing of, and permission to deal in, the Consideration Shares.

### **Conditions precedent**

The Licence Agreement Completion shall be subject to the fulfilment or, where applicable, waiver of the following conditions:

- (1) the transactions under the Patent Licence Agreement, including but not limited to, the allotment and issue of the Consideration Shares having been approved by the Independent Shareholders at the EGM to be held in accordance with the requirements of the Listing Rules;

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## LETTER FROM THE BOARD

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- (2) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares, which may only be subject to conditions as are customarily stipulated by the Stock Exchange for listing of shares, and such approval not having been revoked;
- (3) all conditions precedent for the Subscription Completion having been satisfied or waived (where applicable);
- (4) each of the representations, warranties and/or undertakings contained in or referred to or as set out in the Patent Licence Agreement remaining to be true, accurate and not misleading in all respects; and
- (5) all necessary consents from any relevant governmental or regulatory authorities or other relevant third parties in connection with the entering into and performance of the terms of the Patent Licence Agreement and the transactions contemplated thereunder having been obtained.

In the event that the above conditions precedent have not been fulfilled (or otherwise waived) on or before the Long Stop Date for the Licence Agreement, (i) the Patent Licence Agreement shall lapse and become null and void; and (ii) neither the Company nor the Licensor shall have any obligations save for liabilities for any antecedent breaches in connection with the Patent Licence Agreement.

None of the above conditions precedent are capable of being waived by the Company or the Licensor. As at the Latest Practicable Date, none of the above conditions precedent have been fulfilled.

Save for the consents to be granted by certain minority shareholders of the Licensor, the approval of the Independent Shareholders at the EGM and the listing approval to be granted by the Listing Committee of the Stock Exchange, the Company has not identified any other consent which has to be sought as part of the conditions precedent as at the Latest Practicable Date.

### **Licence Agreement Completion**

Subject to the above-mentioned conditions precedent having been satisfied, the Licence Agreement Completion will take place on a Business Day on or before the Long Stop Date for the Licence Agreement as agreed by the Licensor and the Company, and such completion date shall also be the date of the Subscription Completion.

**As the Licence Agreement Completion is subject to the satisfaction of the conditions precedent in the Patent Licence Agreement, the transactions contemplated under the Patent Licence Agreement may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

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## LETTER FROM THE BOARD

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### Early termination

If the Company and/or its sub-licensee(s) brings a formal legal action against the Licensor and/or Versitech to challenge the validity, patentability, enforceability and/or non-infringement of any of the Licensed IP or assists another party in bringing such a patent challenge against the Licensor and/or Versitech, then the Licensor may terminate the licence granted therein and/or require the Company to terminate its sub-licence(s) granted to the Company's sub-licensee(s) immediately.

The Patent Licence Agreement may be terminated prior to its expiration by mutual agreement between the Company and the Licensor.

### Reasons for and benefits of the Patent Licence Agreement and issue of the Consideration Shares

The Company, founded in 1998, is a Hong Kong-based market leader in modernising and internationalising TCM. It specialises in research, development, production, and sales of CCMG products under its brand “Nong's®”. The Group also operates one of the largest TCM clinic chain in Hong Kong. With innovative insights and advanced technologies, it develops over-the-counter healthcare products, including Oncozac® and Immuzac®.

The Patents were jointly developed between the Licensor and The University of Hong Kong and co-owned by Versitech and the Licensor. Versitech is the commercialisation arm of The University of Hong Kong and its entire issued shares capital is owned by the university. Under the Patent Co-ownership Agreement, the Licensor shall have the exclusive right to grant licenses with respect to the Patents.

The BN101E Project, applying the Patents, focuses on developing an anti-inflammatory botanical drug for treating Rheumatoid Arthritis, leveraging compounds derived from *Cimicifuga sp.* historically used for inflammation and arthritis. Pre-clinical studies, including collagen antibody-induced arthritis mouse models, have demonstrated its ability to reduce inflammation, disease severity, and inflammatory cell infiltration in joints. The BN101E project has achieved significant milestones, including securing patents for its extraction protocol, obtaining approval for Phase II clinical trials in Canada, and submitting a Pre-Investigational new drug application to the FDA. It is positioned as a disease-modifying anti-rheumatic drug alternative to methotrexate with potentially fewer immunosuppressive side effects. Such achievements in Rheumatoid Arthritis drug development paves that way for the BN101E Project to extend its research on drugs for other autoimmune diseases.

The medication developed by using the Patents, is not limited to use in traditional Chinese medicine and may also be applicable in conventional Western medical practice.

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## LETTER FROM THE BOARD

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Obtaining the licence in respect of the Licensed IP (including the intellectual property rights in the BN101E Project) will represent an important strategic business expansion for the Group to support its long-term vision of modernising traditional medicine through scientific validation and technological advancement. The Group expects that such move will drive sustainable revenue growth, establish a foothold in the high-value Western pharmaceutical market, broaden market reach, and deliver enhanced value to shareholders through increased competitiveness and global expansion. When developed, the licensed products will be indigenously developed local branded drugs and will foster Hong Kong as a leading hub in branded drug and Chinese medicine development.

The Patent Licence Agreement also enhances the Group's research and development capabilities and leverage on the screening technologies and botanical drug expertise of the BN101E Project, and is in line with the development strategy and the ordinary and usual course of business of the Group.

The Group's business plan for the Licensed IP focuses on the development of a botanical drug for Rheumatoid Arthritis. This initiative combines the therapeutic principles of TCM with modern pharmaceutical standards, aiming to address a significant unmet medical need across global markets. The plan is structured in two phases, with Phase 1 focusing on product development in Hong Kong and Canada. In Hong Kong, the drug will be developed as a prescription adjuvant therapy through a multi-phase clinical trial process over approximately six years, with an estimated investment of HK\$8.6 million. In Canada, the product will be positioned as a Class 3 Natural Health Product, supported by sample preparation, a two-year clinical trial, and product registration, totaling HK\$5.7 million. Phase 2 of the plan targets the U.S. market, where the Group intends to license the drug to major pharmaceutical firms following toxicology testing and submission of an Investigational New Drug application to the FDA. This phase is projected to span two years and require an investment of HK\$3.25 million. The licensing strategy is designed to generate global royalty income while leveraging partners' research, development, and distribution capabilities for rapid market penetration.

As reported in articles by Allied Market Research.com and BioSpace.com concerning the rheumatoid arthritis drugs market, the global Rheumatoid Arthritis market was valued at US\$57.92 billion in 2019, with the addressable market expected to reach US\$62.93 billion by 2027. Currently, there is no cure for Rheumatoid Arthritis, only disease-modifying antirheumatic drugs (DMARDs) and biologics are available to manage symptoms, slow disease progression, and prevent joint damage; however, these drugs often have side effects from long-term consumption. Initial results from the Licensed IP indicate that this new drug may have the potential to inhibit inflammatory pathways of disease development, all the while being a product derived from natural botanical sources (i.e. no synthetic chemicals) with an excellent safety profile.

The development of this drug derived from the Licensed IP leverages the extensive historical and clinical heritage of TCM, combined with rigorous modern pharmaceutical development to offer an adjuvant therapy, to be used on top of existing orthodox treatments, for

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## LETTER FROM THE BOARD

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Rheumatoid Arthritis patients. As Rheumatoid Arthritis is a chronic autoimmune disease with significant treatment limitations and unmet needs in existing Western medicines, such as high costs, adverse effects, and incomplete efficacy, this developed product is expected to uniquely combine efficacy, safety, and cost-effectiveness. This positions the Group with a unique opportunity to capture a broad patient base in Hong Kong, Greater China, and potentially other international markets where TCM-derived medicines are gaining acceptance. Leveraging the Group's established position as a leading manufacturer of Chinese Medicine products in Hong Kong with a strong research & development foundation that bridges the history of Chinese Medicine with the innovations of modern western science, the Licensed IP is expected to achieve business expansion, drive revenue growth and enhance shareholders' value through several key initiatives:

### ***Development into a Prescription Medicine in Hong Kong***

The development of the drug into a specialized western prescription medication in Hong Kong is a key milestone that would not only benefit the patients in Hong Kong, but also highlight Hong Kong as a serious player in the global medical space.

To begin with, existing Rheumatoid Arthritis treatments and synthetic drugs in Hong Kong incur substantial healthcare costs and frequent side effects that may limit long-term usage. The development of this novel product aims to reduce these burdens by providing an adjuvant therapy (on top of existing orthodox treatments) with fewer adverse effects, supported by evidence of efficacy.

Furthermore, Hong Kong's evolving regulatory framework is increasingly supportive of TCM innovation, allowing simplified approval pathways for Chinese medicine drugs that meet clinical and safety standards, thus facilitating faster time-to-market and reducing regulatory overhead, ultimately accelerating time to commercialization.

The successful development of this 'home-grown' drug would provide patients with a proven, cost-effective, and safe adjuvant on top of the existing drugs on the market today – with the first-mover's advantage and Licensed IP, it is expected to be a go-to prescription drug for Rheumatoid Arthritis patients, rapidly gaining a majority share of the domestic market, while also providing the potential to efficiently expand into Greater China as well. The Licensor has no rights over the products developed by the Company under the Licenced IP.



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## LETTER FROM THE BOARD

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### ***Completion of Clinical Development and Market Entry into Canada***

With clinical trial application approval already obtained in Canada, the Company plans to complete Phase 2 clinical trials in Canada, the success of which would enable the Company to sell the product as a Class 3 Natural Health Product in Canada. This would establish an initial revenue stream and brand presence in the North American market. With the Canadian Rheumatoid Arthritis drugs market valued around US\$4.8 billion in 2022 and with expectations to grow to around US\$6.6 billion by 2030, entry to this market will present a huge revenue generating opportunity, especially with the uniqueness of this drug and the positive publicity that would arise from the clinical trial being conducted with the renowned research team at the University of Toronto.

The Company believes that the integration of the Licensed IP as a defining moment in its strategic evolution, positioned it as a global leader in the medical and health sectors. By transforming traditional medicine into regulated prescription drugs, the Company is set to become a pioneer in a rapidly growing pharmaceutical niche, bridging traditional and modern healthcare. This unique positioning can enhance brand value, attract investor interest, and open new revenue channels.

Moreover, the Licensed IP portfolio provides the Company with significant competitive advantages and supports long-term revenue generation through direct sales, licensing, and partnerships. It supports diversification of the Company's product offerings and expansion into high-growth international markets, thereby enhancing shareholder value through increased earnings potential, stronger market positioning, and long-term business sustainability.

In the future, the granting of the Licensed IP represents a transformative milestone for the Company, accelerating its growth trajectory, generating substantial revenue streams, and delivering meaningful value to the Shareholders by leveraging Licensed IP that harmonizes the legacy of Chinese Medicine with the rigor of Western pharmaceutical innovation.

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## LETTER FROM THE BOARD

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The Company expects to secure approximately HK\$19.80 million in net proceeds from the Subscription, which will be strategically allocated across the three target markets, Hong Kong, Canada, and the U.S. The funding will cover the projected development cost of HK\$17.55 million, with the remaining HK\$2.25 million reserved as general working capital to accommodate unforeseen expenses or regulatory requirements for the above-mentioned development plans. The Company anticipates launching the business plan by the end of 2032 and, based on preliminary estimates, intends to allocate the net proceeds from the Subscription as follows:

Intended use of proceeds	Estimated Duration	Allocation of net proceeds (HK\$')	Expected timeline of full utilisation of the net proceed balance (%)
Phase 1 clinical trial to be conducted in Hong Kong	14 months	\$700,000	4%
Phase 2 clinical trial to be conducted in Hong Kong	26 months	\$3,200,000	16%
Phase 3 clinical trial to be conducted and New Drug Application in Hong Kong	32 months	\$4,700,000	24%
clinical trial sample and registration as Class 3 Natural Health Product in Canada	32 months	\$5,700,000	29%
Toxicology Testing and Investigational New Drug Submission in U.S.	24 months	\$3,250,000	16%
General working capital to accommodate unforeseen expenses or regulatory requirements		\$2,250,000	11%
<b>Total</b>		<b><u>\$19,800,000.00</u></b>	<b><u>100%</u></b>

In addition to the net proceeds from the Subscription, the Company expects to supplement its funding through ongoing operational revenue and plans to seek support from government innovation initiatives, including the Innovation and Technology Fund and the Innovation and Technology Support Programme administered by the Innovation & Technology Commission.

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## LETTER FROM THE BOARD

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Having taken into account the following factors, the Board is of the view that the consideration payable to the Licensor by way of issuance of the Consideration Shares is fair and reasonable and in the interest of the Company and its Shareholders as a whole: (i) the Group preserves its cash resources and avoids any immediate cashflow burden, allowing it to allocate capital toward research, development, and expansion activities; (ii) aligns the interests of the Licensor with those of the Company and its shareholders, fostering a stronger strategic partnership and encouraging long-term collaboration in the development and commercialisation of the BN101E Project and other future innovations; and (iii) the equity-based transaction enhances market confidence by demonstrating the Group's commitment to value creation without incurring debt or reducing operational liquidity. It supports the Group's long-term vision of modernising traditional medicine through scientific validation and technological advancement, while facilitating entry into the high-value Western pharmaceutical market. Overall, the issuance of the Consideration Shares is a prudent and synergistic approach that reinforces the Group's competitiveness, broadens its market reach, and delivers sustainable value to Shareholders.

In relation to the issue of the Consideration Shares as consideration, the Directors are mindful of the possible downward trend in the Share price and the potential dilution effect on existing Shareholders. The Directors acknowledge that any issuance of new Shares may result in a reduction of existing Shareholders' proportionate interests in the Company. However, having carefully considered the financial position and strategic needs of the Group, the Directors believe that the dilution impact is justifiable and in the overall interests of the Shareholders. In particular, the issue of the Consideration Shares enables the Group to avoid further debt financing, which would otherwise increase the Group's gearing ratio and potentially constrain its financial flexibility and liquidity. As at 30 June 2025, the gearing ratio of the Group, which is calculated by dividing total interest-bearing bank and other borrowings by total equity, was 3.3. Such constraints could adversely affect the Group's operations, profitability, and long-term growth prospects.

Furthermore, the Directors consider that the Patent Licence Agreement and the transactions contemplated thereunder represent a strategic investment that is expected to enhance the Group's technological capabilities and competitive position, thereby contributing to future revenue growth and profitability. The anticipated increase in profit attributable to the Group is expected to benefit all Shareholders over the long term. Accordingly, the Directors are of the view that the short-term dilution and downward pressure on the Share price are outweighed by the long-term value creation and strategic benefits to the Group and its Shareholders as a whole.

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## LETTER FROM THE BOARD

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### THE SUBSCRIPTION AGREEMENT

#### Date

25 July 2025

#### Parties

- (i) The Company as issuer; and
- (ii) The Subscriber.

#### The Subscriber

The Subscriber is a sub fund of Providence Strategic Discovery OFC, which is an open-ended fund incorporated in Hong Kong. The investment manager of the Subscriber is Providence Capital Group Limited, a licensed corporation in Hong Kong to carry out Type 9 (asset management) activities under the SFO. The ultimate beneficial owner of Providence Capital Group Limited is Mr. Dong Zimeng.

The Subscriber may designate one of its wholly-owned Subsidiaries to subscribe for the Subscription Shares under the Subscription Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Subscriber (or if designated, its wholly-owned Subsidiary) and its ultimate beneficial owner(s) (if applicable) are Independent Third Parties.

#### Number of Subscription Shares

An aggregate of 46,512,000 Subscription Shares, which represents approximately 11.75% of the issued share capital of the Company as at the Latest Practicable Date and approximately 8.68% of the issued share capital of the Company as enlarged by the allotment and issue of both the Consideration Share and the Subscription Shares.

The nominal value of the Subscription Shares will be US\$46,512.

#### Subscription Price

The Subscription Price of HK\$0.43 per Subscription Share, which represents:

- (1) a discount of approximately 5.5% to the closing price of HK\$0.455 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (2) a discount of approximately 5.5% to the average of the closing prices of HK\$0.455 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day; and

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## LETTER FROM THE BOARD

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- (3) a discount of approximately 4.4% to the closing price of HK\$0.45 per Share as quoted on the Latest Practicable Date.

The gross Subscription proceeds will be HK\$20,000,160.

The net Subscription Price, after deduction of relevant expenses, is approximately HK\$0.4257 per Subscription Share. The net proceeds from the Subscription are expected to be approximately HK\$19.80 million. The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber, taking into account, among others, the recent trading performance of the Shares. The Directors consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Rights of the Subscription Shares**

The Subscription Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of the Subscription Completion.

### **Subscription Shares Specific Mandate**

The Subscription Shares will be allotted and issued pursuant to the Subscription Shares Specific Mandate to be sought from the Independent Shareholders at the EGM.

### **Use of the Subscription proceeds**

The Company undertakes to the Subscriber to use the Subscription proceeds on the commercialisation of the intellectual property rights under the Patent Licence Agreement.

### **Conditions precedent**

The Subscription is conditional upon:

- (1) the transactions under the Subscription Agreement, including but not limited to, the allotment and issue of the Subscription Shares, having been approved by the Independent Shareholders at the EGM;
- (2) the granting of approval by the Stock Exchange for the listing of, and the permission to deal in, the Subscription Shares which may only be subject to conditions as are customarily stipulated by the Stock Exchange for the listing of shares, and such approval not having been revoked;

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## LETTER FROM THE BOARD

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- (3) In respect of the Subscription Agreement and the transactions contemplated thereunder, all necessary approvals and consents by government and regulatory authorities having been obtained, and all relevant regulatory requirements (including but not limited to those under the Listing Rules and all relevant regulatory requirements in Hong Kong) having been complied with and satisfied;
- (4) all conditions precedent for the Licence Agreement Completion having been satisfied or waived (where applicable);
- (5) no material adverse change or prospective material adverse change in the Group's business, operations, financial conditions or prospects has occurred since the date of the Subscription Agreement;
- (6) the warranties given by the Company under the Subscription Agreement having remained true and accurate in all material respects;
- (7) the warranties given by the Subscriber under the Subscription Agreement having remained true and accurate in all material respects; and
- (8) the Subscriber having been satisfied with the results of the due diligence investigation on the business, assets, liabilities and financial position of the Group and having notified the Company of the same.

The Company and the Subscriber shall use their respective best endeavours to procure the fulfilment of the above conditions precedent (so far as it is within its power and practicable to do so) as soon as practicable and in any event at or before the Long Stop Date for the Subscription.

The Subscriber may at any time waive in writing condition (5), condition (6) and/or condition (8) above and such waiver may be made subject to such terms and conditions as may be determined by the Subscriber. The Company may at any time waive in writing condition (7) above. None of the other conditions precedent is capable of being waived by the Company or the Subscriber.

If the conditions precedent have not been fulfilled or waived by the Subscriber or the Company (as the case may be) on or before the Long Stop Date for the Subscription, the Subscription Agreement shall lapse, whereupon all rights and obligations of the Company and the Subscriber shall cease to have effect except in respect of any accrued rights and obligations of the parties thereto and shall be without prejudice to the continued application of certain clauses of the Subscription Agreement such as confidentiality, announcement, notices, expenses and governing law and jurisdiction

As at the date of the Latest Practicable Date, none of the above conditions precedent has been fulfilled or waived (where applicable).

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## LETTER FROM THE BOARD

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### Subscription Completion

Subject to the above-mentioned conditions precedent having been satisfied or waived (where applicable), the Subscription Completion will take place on a Business Day on or before the Long Stop Date for the Subscription as agreed by the Company and the Subscriber, or at such other time as may be agreed by the Company and the Subscriber. The date of the Subscription Completion shall also be the date of the Licence Agreement Completion.

**As the Subscription Completion is subject to the satisfaction of the conditions precedent in the Subscription Agreement, the transactions contemplated under the Subscription Agreement may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

### Undertakings

The Company undertakes to the Subscriber that (i) from 30 June 2025 until and including the date of the Subscription Completion, the Company shall not issue, grant or agree to issue or grant any Shares, other securities, or options over or rights to acquire, convert into or redeem any Shares or other securities, except (a) the issue of Shares upon due exercise of options granted as at the date hereof under the Company's share option scheme adopted on 12 June 2015 (b) the issue of new Shares pursuant to the Patent Licence Agreement or (c) as the Subscriber may otherwise agree; and (ii) for a period of one year following the date of the Subscription Completion, the Company shall not issue, grant or agree to issue or grant any Shares, other securities, or options over or rights to acquire, convert into or redeem any Shares or other securities, at a price lower than the Subscription Price except (a) the issue of Shares upon due exercise of options granted as at the date hereof under the Company's share option scheme adopted on 12 June 2015 or (b) the Subscriber may otherwise agree.

Under the Subscription Agreement, the Company shall appoint up to one person nominated by the Subscriber and accepted by the Company's Nomination Committee as non-executive Director on a day not later than the date of the Subscription Completion.

The Subscriber's nomination rights is a term of investment that was arrived at after arm's length negotiations between the Company and the Subscriber. In reaching such agreement, the Company had considered the following factors:

- (a) the proposed appointment of the non-executive Director nominated by the Subscriber is subject to the relevant requirements imposed under the articles of association of the Company and the Listing Rules;

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## LETTER FROM THE BOARD

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- (b) the appointment procedures in respect of the non-executive Director nominated by the Subscriber will be in line with the relevant nomination and appointment procedures adopted by the Company. Upon identification and nomination of a candidate by the Subscriber, and following receipt of a written notice specifying the proposed candidate, the Company shall arrange for meetings of the Board and the nomination committee to be convened to consider and approve the appointment, subject to compliance with applicable laws, the Listing Rules, and the Company's articles of association. The appointment shall further be subject to evaluation and recommendation by the nomination committee based on its objective criteria, and final approval by the Board;
- (c) the non-executive Director nominated by the Subscriber is subject to the retirement by rotation and re-election at the annual general meeting of the Company and the Shareholders are, pursuant to the articles of association of the Company, entitled to remove any Director (including the non-executive Director nominated by the Subscriber) by way of ordinary resolutions;
- (d) the Subscriber has extensive investment experience and the non-executive Director to be nominated by the Subscriber will bring valuable expertise relevant to the Company's business; and
- (e) the non-executive Directors nominated by the Subscriber is expected to facilitate introduction of potential investors to the Company to support the Group's development and growth.

Accordingly, this arrangement is in the interests of the Company and the Shareholders as a whole and does not constitute a special right granted to the Subscriber. The Company has no obligation to appoint a nominated person who is not considered as appropriate by the Board or the nomination committee. As at the Latest Practicable Date, no candidate has been identified to be nominated as the non-executive Director by the Subscriber.

### **Application for listing**

The Company will make an application to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

### **Reasons for and benefits of the Subscription Agreement**

Upon the Licence Agreement Completion, the Company intends to initiate the research and development of products incorporating the Licensed IP. To commence the initial phase of this initiative, the Company requires funding. The proceeds from the Subscription will provide the necessary financial resources to expedite this first stage of the commercialisation of the Licensed IP.



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## LETTER FROM THE BOARD

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The Subscriber's participation signifies confidence in the Company's long-term strategic direction and the commercial viability of the Licensed IP, while also enabling the Company to broaden its shareholder base.

The Patent Licence Agreement and the Subscription Agreement are inter-conditional, and the completion of the two agreements will be conducted on the same Business Day. From the Company's standpoint, the availability of funds upon the commencement of the Patent Licence Agreement is critical to initiate the first phase of commercialisation. Conversely, the Subscriber has committed to investing in the Company only upon the Company obtaining the licence under the Patent Licence Agreement.

The Board has evaluated alternative fundraising methods, including debt financing, rights issues, and open offers. Debt financing would impose additional interest burdens on the Group, increase the Group's gearing ratio and require extensive due diligence and prolonged negotiations with the financier. As such, debt financing would be uncertain and time-consuming. In respect of a rights issue or open offer, Mr. Chan and his associates (holding approximately 57.11% of the issued Shares) indicated that they would not participate in such exercise, leaving it highly uncertain as to whether the Company would be able to raise sufficient funds from other Shareholders, since the trading volume of the Shares is not usually high. Further, the Company had attempted in 2024 to raise fund via a placing of Shares on a best-endeavour basis (as set out in the Company's announcements dated 28 March 2024 and 5 April 2024), but eventually the placing agreement was terminated by the placing agent (as set out in the Company's announcement dated 12 April 2024) due to unfavourable market sentiment and limited investor appetite under the offered terms. Given such recent incident, it would not be a reliable fund raising strategy to pursue a rights issue or open offer in view of the uncertainty to secure any underwriter or placing agent (even on a best-endeavour basis) to take up unsubscribed Shares.

As the Subscriber has indicated its confidence in the Group's business development plan utilising the Licenced IP and was therefore willing to invest in the Company via the Subscription, the Board considered the Subscription is the best available option for the Company under the current circumstances.

The Directors (including the independent non-executive Directors) are of the view that the Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscriber and that the terms of the Subscription Agreement are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE COMPANY, THE LICENSOR AND THE SUBSCRIBER

#### The Company

The Company is a company incorporated in the Cayman Islands with limited liability.

The principal activity of the Company is investment holding and its subsidiaries have been principally engaged in the research and development, production and sale of CCMG products and Chinese healthcare products, plantation and trading of raw Chinese herbs, and the manufacture and sale of TCM decoction pieces as well as the rendering of Chinese medical diagnostic services.

#### The Licensor

The Licensor is a company incorporated in Hong Kong with limited liability and is principally engaged in the research and development of the active components of herbs specifically for application in western medicine.

Licensor is an indirect wholly-owned subsidiary of BAGI Group Limited which, together with its subsidiaries (including the Licensor) (the “**BAGI group**”), is a clinical-stage bioscience group focused on the development of botanical drugs derived from medicinal fungi and plants with a long history of use in traditional medicine. Founded by Mr. Chan and Professor Allan Lau, the BAGI group utilises its proprietary Bio-Activity Guided Identification platform and collaborates with leading academic institutions such as the University of Hong Kong, The Chinese University of Hong Kong, and the University of Toronto. The BAGI group has built a robust pipeline of clinical drug candidates targeting rheumatoid arthritis, influenza, and cancer metastasis, supported by a portfolio of 45 granted patents. Its research emphasises evidence-based development, combining advanced molecular biology techniques with traditional knowledge to produce standardised, clinically validated therapeutics. Such botanical drugs offer multi-target mechanisms, proven safety profiles, and cost-effective production advantages, positioning the BAGI group to address significant unmet medical needs in both domestic and international markets.

All the shares in the Licensor are held by BAGI Holdings Limited (a company incorporated in the British Virgin Islands) which is in turn wholly-owned by BAGI Group Limited. BAGI Holdings Limited is principally engaged in investment holdings.

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## LETTER FROM THE BOARD

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BAGI Group Limited is a company incorporated in the Cayman Islands and is principally engaged in investment holdings. The shares in BAGI Group Limited are directly held (i) as of 55.89% by BAGI Investment Limited which is wholly owned by Mr. Chan; (ii) as of 27.25% by BAGI Global Limited which is owned as to approximately 52.54%, 3.39%, 33.90% and 10.17% respectively by Mr. Chan, Mr. Robert Miller, Chung Mei Investment Limited (which is wholly owned by Mr. Sebastian Man, a brother-in-law of Mr. Chan) and Dr. Tsoi Kam Biu, Alvin, an executive Director; (iii) as of 5.08% by BAGI Partners Limited which is owned as to 27.27%, 27.27%, 27.27% and 18.19% respectively by Mr. James Li, Ms. Cindy Yang, Mr. Stanley Chik and Ms. Maureen Lau; (iv) as of 4.16% by Versitech which is wholly owned by The University of Hong Kong; and (v) as of 0.46% by RKCL Holding Limited which is owned as to 50% by Dr. Leung Lim Kin, Simon, an Independent Non-executive Director, and 25% each by two of his associates. The remaining approximately 7.16% of the shares in BAGI Group Limited are directly held by three other companies and 3 individuals as to approximately 4.62%, 1.16%, 0.46%, 0.46%, 0.23% and 0.23% respectively. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, save for and except Mr. Chan, Chung Mei Investment Limited, Mr. Sebastian Man, Dr. Tsoi Kam Biu, Alvin and Dr. Leung Lim Kin, Simon, all other ultimate beneficial owners of the Licensors are Independent Third Parties.

### **The Subscriber**

The Subscriber is a sub-fund of Providence Strategic Discovery OFC, which is an open-ended fund incorporated in Hong Kong. The limited partnership interests in the Subscriber are held by the following persons: (1) Mr. Zhang Erjun, an individual investor, holds 34.88%; (2) Protoss Global Opportunities Fund, which is an exempted company incorporated in the Cayman Islands with limited liability and is principally engaged in investment fund business, holds 27.91%. It is ultimately beneficially owned by Mr. Bi Wei; (3) Mr. Zheng Jinzhou, an individual investor, holds 16.28%; (4) JL Capital Holdings Limited, which is a limited company incorporated in the British Virgin Islands and is principally engaged in investment holding, holds 11.63%. It is ultimately beneficially owned by Mr. Wang Yiding; and (5) Mr. Dong Zimeng, an individual investor, holds 9.30%.

Providence Capital Group Limited (“PCG”) is an asset management company licensed by the Hong Kong Securities and Futures Commission to conduct Type 9 (Asset Management) regulated activity in Hong Kong, and is the investment manager of Subscriber. Mr. Dong Zimeng, as the founder and ultimate beneficial owner of PCG, has nearly 16 years of extensive experience in investment management, mergers and acquisitions, corporate finance and capital markets. Mr. Dong Zimeng previously served as the CEO of Shenzhen Capital International Company Limited, the CEO of Co-High Investment Management Limited, and an Investment Director at the China-ASEAN Fund. Mr. Dong Zimeng holds master’s and bachelor’s degrees in engineering from the University of Warwick. As of the Latest Practicable Date, the Subscriber’s aggregated assets under management was approximately HK\$100 million.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are Independent Third Parties.

## LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the issue and allotment of the Consideration Shares and the Subscription Shares (assuming that there is no other change in the issued share capital of the Company from Latest Practicable Date to the Licence Agreement Completion and the Subscription Completion):

	As at the Latest Practicable Date		Immediately after the issue and allotment of the Consideration Shares and the Subscription Shares <sup>(5)(6)</sup>	
	No. of Shares	Approximate %	No. of Shares	Approximate %
<b>Mr. Chan and his associates</b>				
Mr. Chan	40,008,267	10.11%	40,008,267	7.47%
PuraPharm Corporation Limited <sup>(1)(2)</sup>	76,349,750	19.29%	76,349,750	14.25%
Fullgold Development Limited <sup>(7)</sup>	81,929,000	20.69%	81,929,000	15.29%
Gold Sparkle Limited <sup>(4)</sup>	19,576,080	4.94%	19,576,080	3.65%
Ms. Man <sup>(3)</sup>	8,226,050	2.08%	8,226,050	1.54%
Sub-Total	226,089,147	57.11%	226,089,147	42.19%
The Licensor	–	–	93,488,372	17.45%
Dr. Tsoi Kam Biu, Alvin (executive Director)	2,527,000	0.64%	2,527,000	0.47%
Dr. Leung Lim Kin, Simon (independent non-executive Director)	18,000	0.011%	18,000	0.003%
Shares held under the Share Award Scheme	844,335	0.21%	844,335	0.16%
<b>Public Shareholders</b>				
The Subscriber	–	–	46,512,000	8.68%
Other Shareholders	166,418,793	42.03%	166,418,793	31.05%
<b>Total</b>	<b>395,897,275</b>	<b>100%</b>	<b>535,897,647</b>	<b>100%</b>

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## LETTER FROM THE BOARD

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### *Notes*

- (1) Mr. Chan and Ms. Man beneficially own 50% and 50% of the issued share capital of Joint Partners Investments Limited, which in turn wholly owns the entire issued share capital of PuraPharm Corporation Limited which is a company incorporated in the British Virgin Islands.
- (2) PuraPharm Corporation Limited is wholly owned by Joint Partners Investments Limited. By virtue of the SFO, Joint Partners Investments Limited is deemed to be interested in the Shares held by PuraPharm Corporation Limited.
- (3) Ms. Man is the spouse of Mr. Chan. By virtue of the SFO, Ms. Man is deemed to be interested in the Shares held by Mr. Chan.
- (4) Mr. Chan beneficially owns the entire issued share capital of Gold Sparkle Limited, which in turn owns 19,576,080 Shares. By virtue of the SFO, Mr. Chan is deemed to be interested in the Shares held by Gold Sparkle Limited.
- (5) All interests are calculated based on the total Shares in issue as at the Latest Practicable Date, being 395,897,275 Shares.
- (6) The Patent Licence Agreement and the Subscription Agreement are inter-conditional, and the Licence Agreement Completion and the Subscription Completion will be conducted on the same Business Day.
- (7) Mr. Chan beneficially owns the entire issued share capital of Fullgold Development Limited (“**Fullgold**”), which in turn owns 81,929,000 Shares. By virtue of the SFO, Mr. Chan is deemed to be interested in the Shares held by Fullgold.

### **EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD**

The Company has not conducted any equity fund-raising activities in the past 12 months immediately preceding the Latest Practicable Date.

### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the Patent Licence Agreement exceeds 5% but all of them are less than 25%, the transactions under the Patent Licence Agreement constitute a discloseable transaction for the Company and are therefore subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, the Licensor is a company indirectly wholly owned by BAGI Group Limited which in turn is controlled by Mr. Chan. As Mr. Chan is the chairman of the Board, the chief executive officer of the Company, an executive Director and a Controlling Shareholder, he is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Patent Licence Agreement will constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders’ approval requirements at the EGM under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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As the Licensor is a company indirectly wholly owned by BAGI Group Limited which in turn is controlled by Mr. Chan. Mr. Chan and Ms. Man, the spouse of Mr. Chan, are therefore deemed to have material interests in the Patent Licence Agreement and the Subscription Agreement. Further, Dr. Tsoi Kam Biu, Alvin, a director of the Licensor and also an executive Director, is also deemed to have a material interest in the Patent Licence Agreement and the Subscription Agreement. Mr. Chan, Ms. Man and Dr. Tsoi Kam Biu, Alvin have abstained from voting on the relevant Board resolution approving the transactions contemplated under the Patent Licence Agreement and the Subscription Agreement. Save for the above, to the best knowledge, information and belief of the Directors after having made all reasonable enquiries, no other Director has a material interest in the Patent Licence Agreement and the Subscription Agreement and will be required to abstain from voting on the relevant Board resolutions to approve these agreements.

As disclosed in the above section titled “INFORMATION ON THE COMPANY, THE LICENSOR AND THE SUBSCRIBER – The Licensor”, holders of ultimate beneficial interests in the Licensor who also hold Shares are deemed to have a material interest in the Patent Licence Agreement and the Subscription Agreement. Such Shareholders are (i) Mr. Chan (holding of 40,008,267 Shares, representing approximately 10.11% of the issued Shares), (ii) his associates, namely, his spouse Ms. Man (holding of 8,226,050 Shares, representing approximately 2.08% of the issued Shares), PuraPharm Corporation Limited (holding of 76,349,750 Shares, representing approximately 19.29% of the issued Shares), Fullgold Development Limited (holding of 81,929,000 Shares, representing approximately 20.69% of the issued Shares) and Gold Sparkle Limited (holding of 19,576,080 Shares, representing approximately 4.94% of the issued Shares), (iii) Dr. Tsoi Kam Biu, Alvin (holding of 2,527,000 Shares, representing approximately 0.638% of the issued Shares), and (iv) Dr. Leung Lim Kin, Simon (holding of 18,000 Shares, representing approximately 0.005% of the issued Shares), and those Shareholders shall be required to abstain from voting on the proposed resolution(s) to approve the Patent Licence Agreement, the Subscription Agreement and the respective transactions contemplated thereunder at the EGM, in accordance with the Listing Rules.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Patent Licence Agreement or the Subscription Agreement and will be required to abstain from voting on these agreements at the EGM.

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## LETTER FROM THE BOARD

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### **INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising independent non-executive Directors who have no direct or indirect interest in the Patent Licence Agreement has been established, to advise the Independent Shareholders regarding the Patent Licence Agreement and the transactions contemplated thereunder. Following the appointment of a new independent non-executive Director on 29 August 2025 and taking into account the deemed interest of Dr. Leung Lim Kin, Simon in the Patent Licence Agreement, the composition of the Independent Board Committee has been updated. The current members of the Independent Board Committee are Prof. Tsui Lap Chee and Dr. Hung Ting On, John.

Sunny Fortune Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Patent Licence Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on whether to vote in favour of the resolution to be proposed for approving the Patent Licence Agreement and the transactions contemplated thereunder at the EGM. Such appointment has been approved by the Independent Board Committee pursuant to the Listing Rules.

### **EGM AND PROXY ARRANGEMENT**

The Company will convene the EGM on Friday, 24 October 2025 at 10 a.m. at 2/F, 35-45B Bonham Strand, Sheung Wan, Hong Kong, Hong Kong. Ordinary resolutions will be proposed at the EGM to consider and, if thought fit, to approve the Patent Licence Agreement (including the grant of the Licence Agreement Specific Mandate) and the Subscription Agreement (including the grant of the Subscription Specific Mandate).

The notice of the EGM is set out on pages EGM-1 to EGM-4 of this circular.

Pursuant to 13.39(4) of the Listing Rules, all votes of the Shareholders at the EGM will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

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## LETTER FROM THE BOARD

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In accordance with the Listing Rules, Mr. Chan and his associates, including his spouse, namely Ms. Man, as well as Dr. Tsoi Kam Biu, Alvin and his associates (if holding any Shares or otherwise controlling any voting rights), shall be required to abstain from voting on the proposed resolution(s) to approve the Patent Licence Agreement, the Subscription Agreement and the respective transactions contemplated thereunder at the EGM. Save as disclosed above, to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Patent Licence Agreement or the Subscription Agreement and will be required to abstain from voting on these agreements at the EGM.

Pursuant to Rule 17.05A of the Listing Rules, the trustee holding unvested shares of a share scheme, whether directly or indirectly, shall abstain from voting on matters that require shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given. Accordingly, the Trustee, holding of 844,335 Shares, representing approximately 0.21% of the issued Shares, will be required to abstain from voting for all the resolutions approving the Patent Licence Agreement, the Subscription Agreement and the transactions contemplated thereunder respective at the EGM.

### **CLOSURE OF REGISTER OF MEMBERS**

The record date for determining the entitlement of the Shareholders to attend and vote at the EGM will be Friday, 24 October, 2025.

In order to ascertain the entitlement to attend and to vote at the EGM, the register of members will be closed from Tuesday, 21 October 2025 to Friday, 24 October 2025 (both dates inclusive), the period during which no transfer of the Shares will be effected. In order to be eligible to attend and vote at the EGM, all completed share transfer instruments accompanied by the relevant share certificates shall be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Monday, 20 October 2025.

### **RECOMMENDATIONS**

You are advised to read carefully the letter from the Independent Board Committee on pages 32 to 33 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 34 to 53 of this circular, consider that the terms and conditions of the Patent Licence Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and the transactions contemplated under the Patent Licence Agreement are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.



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## LETTER FROM THE BOARD

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Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to approve the Patent Licence Agreement and the transactions contemplated thereunder at the EGM.

The Board (including all the independent non-executive Directors, but excluding Mr. Chan, Ms. Man and Dr. Tsoi Kam Biu, Alvin, who are regarded as having a material interest in the transactions contemplated under the Patent Licence Agreement and the Subscription and therefore have abstained from voting on the relevant board resolutions of the Company) considers that the terms of the Patent Licence Agreement, the Subscription and transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the relevant resolution in relation to the Patent Licence Agreement (including the grant of the Licence Agreement Specific Mandate) and the Subscription (including the grant of the Subscription Specific Mandate) to be proposed at the EGM.

### ADDITIONAL INFORMATION

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

Yours faithfully,  
For and on behalf of the Board  
**PuraPharm Corporation Limited**  
**Chan Yu Ling, Abraham**  
*Chairman and executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter of the Independent Board Committee to the Independent Shareholders in respect of the Patent Licence Agreement and the transactions contemplated thereunder for inclusion in this circular.*



**PuraPharm**

**PURAPHARM CORPORATION LIMITED**

**培力農本方有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1498)**

3 October 2025

*To the Independent Shareholders,*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE PATENT LICENCE AGREEMENT  
INVOLVING THE ISSUE OF CONSIDERATION SHARES  
UNDER SPECIFIC MANDATE**

We refer to the circular dated 3 October 2025 (“**Circular**”) of the Company of which this letter forms part. Terms defined in the Circular have the same meanings when used herein unless the context otherwise requires.

We have been formed to advise the Independent Shareholders on, amongst other matters, the fairness and reasonableness of the Patent Licence Agreement and the transactions contemplated thereunder, including the Consideration Shares.

Sunny Fortune Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on their fairness and reasonableness, whether the Patent Licence Agreement and the transactions contemplated thereunder, including the issue of Consideration Shares are in the interests of the Company and the Shareholders as a whole and how the Shareholders should vote regarding the resolution to be proposed at the EGM in relation to them.

We wish to draw your attention to (i) the Letter from the Board as set out on pages 6 to 31 of the Circular; (ii) the Letter from the Independent Financial Adviser as set on pages 34 to 53 of the Circular; and (iii) the additional information as set out in the appendices to the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered, among other things, the terms and conditions of the Patent Licence Agreement (including the transactions contemplated thereunder), the issue of the Consideration Shares, the grant of the Consideration Shares Specific Mandate, the Valuation Report, and the advice of the Independent Financial Adviser, we consider that the Patent Licence Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Licensor, and that the methodology, assumptions and parameters adopted in the Valuation Report are fair and reasonable, and that the terms of the Patent Licence Agreement, including the one-off non-refundable licence fee are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and that the transactions contemplated under the Patent Licence Agreement are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve (i) the Patent Licence Agreement (including the transactions contemplated thereunder); (ii) the issue of the Consideration Shares; and (iii) the grant of the Consideration Shares Specific Mandate.

Yours faithfully,  
for and on behalf of the  
**Independent Board Committee**

**Prof. Tsui Lap Chee**  
*Independent*  
*non-executive Director*

**Dr. Hung Ting On, John**  
*Independent*  
*non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the full text of the letter of advice from Sunny Fortune Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect to the Discloseable and Connected Transaction in relation to the Patent Licence Agreement involving the Issue of Consideration Shares under Specific Mandate.*



*To the Independent Shareholders,*

Dear Sirs and Madams,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE  
PATENT LICENCE AGREEMENT  
INVOLVING THE ISSUE OF CONSIDERATION SHARES  
UNDER SPECIFIC MANDATE**

### INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the Discloseable and Connected Transaction in relation to the Patent Licence Agreement involving the Issue of Consideration Shares under Specific Mandate, details of which are contained in the circular issued by the Company dated 3 October 2025 (the “**Circular**”), of which this letter forms a part. Sunny Fortune Capital Limited has been appointed to advise the Independent Board Committee as to whether the transactions contemplated under the Patent Licence Agreement and the issue price are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Independent Shareholders as a whole; and how the Independent Shareholders should vote on the resolutions to approve the Discloseable and Connected Transaction in relation to the Patent Licence Agreement at the EGM.

The terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise required.

On 25 July 2025 (after trading hours), the Company and the BAGI Research Limited (the “**Licensor**”) entered into the Patent Licence Agreement, pursuant to which the Licensor has conditionally agreed to grant to the Company an exclusive non-transferable licence of the Licensed IP. In consideration of the grant of the Licensed IP, the Company has conditionally agreed to allot and issue the Consideration Shares to the Licensor as a one-off non-refundable licence fee.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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With reference to the Board Letter, as at the Latest Practicable Date, the Licensor is indirectly wholly owned by BAGI Group Limited which in turn is controlled by Mr. Chan. As Mr. Chan is the chairman of the Board, the chief executive officer of the Company, an executive Director and a Controlling Shareholder, he is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Patent Licence Agreement will constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

The Board has established the Independent Board Committee comprising two of the independent non-executive Directors, namely, Dr. Hung Ting On, John and Prof. Tsui Lap Chee, which has been established to make recommendations to the Independent Shareholders, for the purpose of advising the Patent Licence Agreement (and the transactions contemplated thereunder) and the grant of Consideration Shares under Specific Mandate.

As at the Latest Practicable Date, we did not have any interests or relationships with the Group and the Licensor that could be reasonably regarded as relevant to the independence of us, and hence are independent from the Company pursuant to Rule 13.84 of the Listing Rules. There was no engagement between the Group and us in the last two years and we are not aware of change in any circumstances that would affect our independence. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangement exists whereby we have received or will receive any fees or benefits from the Company or any of its subsidiaries. Accordingly, we consider ourselves eligible to give independent advice in respect of the Discloseable and Connected Transaction in relation to the Patent Licence Agreement involving the Issue of Consideration Shares.

### **BASIS OF OUR OPINION AND RECOMMENDATION**

In formulating our recommendation, we have relied on the information and facts supplied to us by the Company and have assumed that any information and representations made to us are true, accurate and complete in all respects as at the date hereof and that they may be relied upon. We have also assumed that all information, representations, statements and opinions contained or referred to in the Circular are complete in all respects, fair and reasonable and have relied on them.

We have been advised by the Directors that no material facts have been omitted and we are not aware of any facts or circumstances which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors nor do we have any reason to suspect any material facts or information have been omitted or withheld. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable inquiries, that, to the best of their knowledge, opinions expressed in the Circular have been arrived at after due enquiry and careful consideration, true and accurate and there are no

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have researched and considered market data and trends which we regard as relevant to form a reasonable basis for our advice. We believe that we have reviewed sufficient information to reach an informed view in order to provide a reasonable basis for our advice. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company or the Group. We have not carried out any independent verification of the information provided, opinion expressed or representations made by the Directors of the Company.

We have not made any independent evaluation or appraisal of the Licensed IP of the Group, and we have not been furnished with any such evaluation or appraisal, save and except for the valuation report of the Licensed IP (the “**Valuation Report**”) as set out in Appendix I to the Circular. The Valuation Report was prepared by the Independent Valuer. Since we are not experts in the valuation of assets, we have relied upon the Valuation Report and conducted our due diligence for the consideration of the Licensed IP as at 31 May 2025.

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 and its respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the transaction. 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.

This letter is issued as our opinion and recommendation to the Independent Board Committee and the Independent Shareholders solely for their consideration of: (i) whether the transactions terms contemplated under the Patent Licence Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders; (ii) whether the consideration share issue price is fair and reasonable; and (iii) the entering into of the licence agreement are conducted in the ordinary and usual course of the business and are in the interests of the Company and the Shareholders as a whole. Save for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS

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

#### I. Background information of the Group

The Company, founded in 1998, is a Hong Kong-based market leader in modernising and internationalising TCM. It specialises in research, development, production, and sales of CCMG products under its brand “Nong’s®”. The Group also operates one of the largest TCM clinic chain in Hong Kong. With innovative insights and advanced technologies, it develops over-the-counter healthcare products, including Oncozac® and Immuzac®.

Set out below a summary of the recent consolidated financial information of the Group for the three years ended 31 December 2024 as extracted from the annual report of the Company for the year ended 31 December 2022 (“FY2022”) (the “2022 Annual Report”) and annual report of the Company for the year ended 31 December 2023 (“FY2023”) (the “2023 Annual Report”) and annual report of the Company for the year ended 31 December 2024 (“FY2024”) (the “2024 Annual Report”):

	FY2022 HKD'000	FY2023 HKD'000	FY2024 HKD'000
Revenue	448,069	406,859	382,090
– China concentrated Chinese medicine granule	117,751	50,807	24,763
– Hong Kong concentrated Chinese medicine granule	192,094	208,428	207,591
– Chinese healthcare products	78,858	81,987	84,302
– Chinese medicine clinics	46,112	53,727	56,313
– Plantation	13,254	11,910	9,121
Gross profit	262,704	216,629	205,142
Finance costs	(24,183)	(27,407)	(23,714)
(Net loss)/net profit	(120,214)	(106,081)	(35,439)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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	FY2022 <i>HKD'000</i>	FY2023 <i>HKD'000</i>	FY2024 <i>HKD'000</i>
Non-current assets	530,501	494,395	447,284
Current assets	485,996	349,568	268,441
<b>Total assets</b>	<b>1,016,497</b>	<b>843,963</b>	<b>715,725</b>
Current liabilities	665,406	571,089	491,067
Non-current liabilities	92,802	119,638	113,460
<b>Total liabilities</b>	<b>758,208</b>	<b>690,727</b>	<b>604,527</b>
<b>Net asset</b>	<b>258,289</b>	<b>153,236</b>	<b>111,198</b>
Restricted cash and pledged deposits	31,183	27,095	25,480
Cash and cash equivalents	75,831	20,126	12,794
Interest-bearing bank and other borrowings	458,820	385,116	339,710

As disclosed in the 2023 Annual Report and 2024 Annual Report, the Group achieved revenue of approximately HK\$406.9 million in FY2023, representing a decrease of approximately HK\$41.2 million or 9.2% compared with approximately HK\$448.1 million in FY2022, and achieved revenue of approximately HK\$382.1 million in FY2024, representing a decrease of approximately HK\$24.8 million or 6.1% compared with approximately HK\$406.9 million in FY2023, these decreases were mainly attributable to the decrease in revenue from China CCMG business as a result of the implementation of the new policy of national standards for CCMG and the decrease in FY2023 were also attributable to: (i) the hospitals and clinics delayed the purchase cycle and resumed in second quarter of 2023 and (ii) with the cost of CCMG produced under the prescribed national standards higher than before.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group recorded a net loss of approximately HK\$35.4 million in FY2024, representing a decrease of approximately HK\$70.7 million or 66.6% compared with a net loss of approximately HK\$106.1 million in FY2023. As disclosed in the 2024 Annual Report, such significant decrease in the audited consolidated net loss was mainly attributable to: (i) the reduction in the impairment loss on property, plant and equipment and goodwill related to the Group's plantation segment; (ii) the reduction in the fair value loss of the biological assets related to the Group's plantation segment since it had been fully impaired during the year ended 31 December 2023; and (iii) the significant reduction in administrative expenses and selling and distribution expenses as a result of the cost control activities for the Group's operation. The Group recorded a net loss of approximately HK\$106.1 million in FY2023, representing a decrease of approximately HK\$14.1 million or 11.8% compared with a net loss of approximately HK\$120.2 million in FY2022. As disclosed in the 2023 Annual Report, such net loss is mainly attributed to: (i) the implementation of the new policy of national standards for CCMG, which has led to a slowdown in the CCMG business in China and a decrease in revenue; and (ii) the impairment loss on biological assets related to the Group's plantation segment recognised for the year ended 31 December 2023 in the amount of approximately HK\$16.8 million, as compared with the fair value loss on biological assets of approximately HK\$36.7 million last year.

As disclosed in the 2023 Annual Report and 2024 Annual Report, the Group's cash and cash equivalents decreased from approximately HK\$75.8 million in FY2022 to approximately HK\$20.1 million in FY2023 with a decrease of approximately HK\$55.7 million or 73.5%. As advised by the Directors, this decrease was mainly attributable to the repayment of the interest-bearing bank and other borrowings. It was further decreased to approximately HK\$12.8 million in FY2024 with a decrease of approximately HK\$7.3 million or 36.4%, which was mainly attributed to a loss effect of foreign exchange rate changes. The Group's interest-bearing bank and other borrowings decreased from approximately HK\$458.8 million in FY2022 to approximately HK\$385.1 million in FY2023 with a decrease of approximately HK\$73.7 million or 16.1%, and further decreased to approximately HK\$339.7 million in FY2024 with a decrease of approximately HK\$45.4 million or 11.8%. Such decrease was mainly attributable to the repayment of bank borrowings. The Group's net asset decreased from approximately HK\$258.3 million in FY2022 to approximately HK\$153.2 million in FY2023 with a decrease of approximately HK\$105.1 million or 40.7%, and further decreased to approximately HK\$111.2 million in FY2024 with a decrease of approximately HK\$42.0 million or 27.4%, which was mainly due to the net loss in FY2023 and FY2024. The Group was in a net debt position of approximately HK\$301.4 million (calculated by interest-bearing bank and other borrowings minus restricted cash and pledged deposits and cash and cash equivalents) as at 31 December 2024.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### II. The Patent Licence Agreement

#### A. *Reasons for and benefits of the Patent Licence Agreement*

The Patents were jointly developed between the Licensor and The University of Hong Kong and co-owned by Versitech and the Licensor. Versitech is the commercialisation arm of The University of Hong Kong and its entire issued shares capital is owned by such university. Under the Patent Co-ownership Agreement, the Licensor shall have the exclusive right to grant licenses with respect to the Patents.

The BN101E Project, applying the Patents, focuses on developing an anti-inflammatory botanical drug for treating Rheumatoid Arthritis, leveraging compounds derived from *Cimicifuga sp.* historically used for inflammation and arthritis. Pre-clinical studies, including collagen antibody-induced arthritis mouse models, have demonstrated its ability to reduce inflammation, disease severity, and inflammatory cell infiltration in joints. The BN101E Project has achieved significant milestones, including securing patents for its extraction protocol, obtaining approval for Phase II clinical trials in Canada, and submitting a Pre-Investigational new drug application to the FDA. It is positioned as a disease-modifying anti-rheumatic drug alternative to methotrexate with potentially fewer immunosuppressive side effects. Such achievements in Rheumatoid Arthritis drug development paves that way for the BN101E Project to extend its research on drugs for other autoimmune diseases.

The medication developed by using the Patents, is not limited to use in traditional Chinese medicine and may also be applicable in conventional western medical practice.

Obtaining the licence in respect of the Licensed IP (including the intellectual property rights in the BN101E Project) will represent an important strategic business expansion for the Group to support its long-term vision of modernising traditional medicine through scientific validation and technological advancement. The Group expects that such move will drive sustainable revenue growth, establish a foothold in the high-value Western pharmaceutical market, broaden market reach, and deliver enhanced value to shareholders through increased competitiveness and global expansion. When developed, the licensed products will be indigenously developed local branded drugs and will foster Hong Kong as a leading hub in branded drug and Chinese medicine development. The Patent Licence Agreement also enhances the Group's research and development capabilities and leverage on the screening technologies and botanical drug expertise of the BN101E Project.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Taking into account the above factors, the executive Directors consider, the transaction in respect of the Licensed IP (including the intellectual property rights in the BN101E Project) will enhance the Group's research and development capabilities and leverage on the screening technologies and botanical drug expertise of the BN101E Project, and the payment of the licence fee for the Licensed IP by way of issue of the Consideration Shares to the Licensor will not create any cashflow burden to the Group. Therefore, this transaction is in line with the Company's development strategy and is conducted in the ordinary and usual course of business of the Group.

### ***B. Principal terms of the Patent Licence Agreement***

The principal terms of the Patent Licence Agreement are set forth below:

#### *(i) Scope of the Patent Licence Agreement*

The Patent Licence Agreement was entered into on 25 July 2025 between the Company and the BAGI Research Limited (as licensor). The Licensor shall grant an exclusive non-transferable licence of the Licensed IP to the Company for further research, design, develop, manufacture, or have manufactured, use and sell or otherwise supply the products manufactured by the Company using the Licensed IP on a worldwide basis.

The Company shall have the right to sub-license the Licensed IP to one or more of the Company's subsidiaries for the purpose as set out in the Patent Licence Agreement, and on terms and conditions to be agreed by the Company and its relevant Subsidiary(ies).

But the Company shall have no right to further grant sub-licenses to any parties (apart from the Company's Subsidiaries) of any of the rights granted to the Company under the Patent Licence Agreement, to use or apply the Licensed IP together with any persons (apart from the Company's Subsidiaries) whatsoever in any circumstances, unless with the prior written consent of the Licensor.

#### *(ii) Terms*

The terms of the Patent Licence Agreement shall commence on the date of the Licence Agreement Completion and shall remain in effect until the expiration or abandonment of all of the Patents, unless earlier terminated in accordance with the provisions of the Patent Licence Agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *(iii) Background information of the Patent – BN101E*

The BN101E Project, applying the Patents, focuses on developing an anti-inflammatory botanical drug for treating Rheumatoid Arthritis, leveraging compounds derived from *Cimicifuga sp.* historically used for inflammation and arthritis. The BN101E Project has achieved significant milestones, including securing patents for its extraction protocol, obtaining approval for Phase II clinical trials in Canada, and submitting a Pre-Investigational new drug application to the FDA.

### *(iv) Consideration and payment terms*

The total consideration for the BN101E Project is a one-off non-refundable licence fee of HKD40.2 million, which shall be fully settled by the Company by the allotment and issue, credited as fully paid, of 93,488,372 Consideration Shares to the Licensor under the Consideration Shares Specific Mandate at the Issue Price of HK\$0.43 per Consideration Share at the Licence Agreement Completion. For the details of the issue price, please refer to the below “Issue price” section.

As advised by the Directors that: (i) the Patent Licence Agreement is entered into upon normal commercial terms following arm’s length negotiations between the Company and the Licensor; (ii) the terms of the Patent Licence Agreement (including the one-off non-refundable licence fee) are fair and reasonable; (iii) the Group preserves its cash resources and avoids any immediate cashflow burden, allowing it to allocate capital toward research, development, and expansion activities; (iv) aligns the interests of the Licensor with those of the Company and its shareholders, fostering a stronger strategic partnership and encouraging long-term collaboration in the development and commercialisation of the BN101E Project and other future innovations; and (v) the equity-based transaction enhances market confidence by demonstrating the Group’s commitment to value creation without incurring debt or reducing operational liquidity. As part of our due diligence, we have reviewed the 2024 Annual Report, and note that: (i) the Group had HK\$12.8 million of cash and cash equivalents as at 31 December 2024; (ii) the Group’s gearing ratio was 3.3 as at 30 June 2025; (iii) the Group had HK\$339.7 million of interest-bearing bank and other borrowings as at 31 December 2024; and (iv) the Group recorded HK\$23.7 million of finance costs in FY2024. Therefore, the Group would not consider using cash as a settlement as it would be prudent to reserve its cash for operational use and not resort to additional bank borrowings for the transaction as it might create additional financial burden for the Company given the current cash balance and gearing ratio and might adversely impact the Company’s financial position. In view of the above, we consider that the consideration paid by the issuance of the consideration shares can preserve cash for future development without further deteriorating the financial position of the Company. Therefore, we are of the view that the payment terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(v) Conditions precedent*

The Licence Agreement Completion shall be subject to the fulfilment or, where applicable, waiver of the following conditions:

- (i) the transactions under the Patent Licence Agreement, including but not limited to, the allotment and issue of the Consideration Shares having been approved by the Independent Shareholders at the EGM to be held in accordance with the requirements of the Listing Rules;
- (ii) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares, which may only be subject to conditions as are customarily stipulated by the Stock Exchange for listing of shares, and such approval not having been revoked;
- (iii) all conditions precedent for the Subscription Completion having been satisfied or waived (where applicable);
- (iv) each of the representations, warranties and/or undertakings contained in or referred to or as set out in the Patent Licence Agreement remaining to be true, accurate and not misleading in all respects; and
- (v) all necessary consents from any relevant governmental or regulatory authorities or other relevant third parties in connection with the entering into and performance of the terms of the Patent Licence Agreement and the transactions contemplated thereunder having been obtained.

In the event that the above conditions precedent have not been fulfilled (or otherwise waived) on or before the Long Stop Date for the Licence Agreement, (i) the Patent Licence Agreement shall lapse and become null and void; and (ii) neither the Company nor the Licensor shall have any obligations save for liabilities for any antecedent breaches in connection with the Patent Licence Agreement.

None of the above conditions precedent are capable of being waived by the Company or the Licensor. As at the Latest Practicable Date, none of the above conditions precedent have been fulfilled.

*(vi) Licence Agreement Completion*

Subject to the above-mentioned conditions precedent having been satisfied, the Licence Agreement Completion will take place on a Business Day on or before the Long Stop Date for the Licence Agreement as agreed by the Licensor and the Company, and such completion date shall also be the date of the Subscription Completion.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### III. The Consideration

To assess the fairness and reasonableness of the consideration, we obtained the Valuation Report prepared by the Independent Valuer and noted that the valuation of the Licensed IP is HKD40.2 million as at 31 May 2025. Details of the Valuation Report are set out in Appendix I to the Circular.

We reviewed the Valuation Report and performed due diligence enquired with the Independent Valuer, including but not limited to, (i) the terms of engagement of the Independent Valuer with the Company; (ii) the Independent Valuer's qualification in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Independent Valuer for conducting the Valuation Report. From the mandate letter and other relevant information provided by the Independent Valuer and based on our discussion with them, we were satisfied with the terms of engagement of the Independent Valuer as well as their qualification for preparation of the Valuation Report. The Independent Valuer also confirmed that they are independent to the Group and the BAGI Research Limited.

Upon our enquiry, the Independent Valuer advised us that, after having assessed the appropriateness of possible methodologies for different valuation approaches and circumstances and facts specific to Licensed IP, the Independent Valuer considered that the cost approach is the most appropriate valuation methodologies and combine with below with reference.

With reference to the Valuation Report:

- There are generally three accepted approaches, namely market approach, income approach and cost approach;
- The market approach requires market transactions of comparable assets as an indication of value. However, there is no active and open trading market for the target asset, in particular, drug development is highly sophisticated and involves multidimensional factors to evaluate their similarities, such as stage of development, molecular structure, physiochemical property, pharmacological mechanism of action, clinical attributes and so on, it is difficult to find exactly comparable transactions for similar assets at this early stage;
- The income approach requires subjective assumptions to which the valuation is highly sensitive. Since the drug to be developed through the subject asset is still in early stage of development, the time for commercialization and income generation is highly uncertain, it is difficult to make reliable financial projections;
- The cost approach directly reflects the costs required to rebuild the asset to its current condition. Therefore, cost approach has been adopted in the Valuation.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As disclosed in the Letter from the Board, the Directors have carefully considered the Independent Valuer's explanations of the three commonly accepted valuation methodologies for assessing the value of the Licensed IP, the market approach, income approach and cost approach. The Independent Valuer has highlighted the practical challenges in applying the market and income approaches, particularly due to the absence of directly comparable market transactions, the uncertainties surrounding key assumptions and the fact that the Licensed IP remains in its early development stage.

In light of these constraints, the Directors have thoroughly evaluated the Independent Valuer's adoption of the cost approach as the primary valuation methodology and concur with the rationale supporting this selection. The Directors agree that, in the absence of direct market comparables and given the speculative nature of future income projections, the cost approach offers a more objective, transparent, and defensible framework for this valuation. This approach estimates the replacement cost of an asset with similar functionality and service potential, based on actual and anticipated expenditures, including collaboration fees, outsourced development, labour, rental, overheads, and a reasonable return on those costs.

The Directors consider the cost approach to be appropriate and commercially sound in this context, as it avoids the uncertainties inherent in forecasting future cash flows and mitigates the risk of over-valuation or under-valuation due to market volatility or lack of direct comparable precedents. The Directors have reviewed the assumptions, cost components, and valuation parameters in detail and is satisfied that they are reasonable and well-supported. Accordingly, the Directors endorse the use of the cost approach in the Valuation Report.

Based on the above, and as advised by the Directors that due to a lack of recent similar transactions in the early-stage market and the unavailability to make reliable and accurate forecast of income, there was insufficient market and income information available for valuation purpose. Having considered that (i) there are no similar transactions in this early-stage market based on our desktop search and discussion with the Independent Valuer; and (ii) the income approach requires to adopt more subjective assumptions for compiling its long-term financial projection and the valuation result would be greatly sensitive to any changes in assumptions, the market approach and the income approach were not feasible. As such, we consider the cost approach avoids the uncertainties inherent in forecasting future cash flows and mitigates the risk of over-valuation or under-valuation due to market volatility or lack of direct comparable precedents, therefore it is the most appropriate approach to value the Licensed IP. In addition, as other valuation approaches are not appropriate for valuing the Licensed IP, we did not cross-check the valuation with other approaches.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We further reviewed and enquired into the Independent Valuer on the methodologies adopted and the basis and assumptions adopted in the Valuation Report in order for us to understand the Valuation Report. We also discussed the key assumptions and parameters under the Valuation Report, including: (a) the cost component including collaboration cost, outsourcing cost, labour cost, rental cost and other overheads; and (b) the required return rate. Please refer to the below table with reference to the Valuation Report.

Type of Cost	Amount in HKD'000
Collaboration Cost	13,150
Outsourcing Cost	4,410
Labour Cost	12,710
Rental Cost	2,020
Other Overheads	2,380
<b>Subtotal</b>	<b>34,670</b>
Required Return Rate	16%
Required Return	5,547
<b>Fair Value of the Licensed IP</b>	<b>40,200</b> (rounded)

We have reviewed the Valuation Report and discussed with the Independent Valuer in respect of the key assumptions and parameters adopted for performing the Valuation. We understand from the Independent Valuer that the assumptions and parameters are commonly adopted in other valuations under cost approach. Specifically, the calculation of cost components based on the actual costs pertinent to the development of the Licensed IP, which can be substantiated through original agreements, contracts and relevant documentation, thereby providing a more practical and reliable estimation of costs compared to using opportunity cost or market quote, which involve more assumptions and estimations. We also consider the assumptions and parameters adopted in the Valuation Report are general in nature and are not aware of any material facts which lead us to doubt the assumptions and parameters adopted by the Independent Valuer. In view of the above, we consider that the assumptions and parameters adopted by the Independent Valuer are fair and reasonable.

As advised by the Independent Valuer, they obtained and reviewed documents including the agreements, contracts, payslips and invoices, which can cover more than 80% of the total costs, of which covered the core and important cost components of the Valuation. As part of our due diligence, we obtained and reviewed the schedule of the cost incurred and we randomly selected the samples across each type of cost as stated above, including the collaboration agreements with HKU, service agreements, contracts, lease agreement, employee payslips, etc., and we noted there are no material differences comparing with the schedule. Therefore, we consider that the documents and information relied on by the Independent Valuer are accurate and complete.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Independent Valuer applied the required return rate for the purpose of arriving at the valuation. The required return rate refers to operating profit to total cost ratio calculated based on the 2024 historical operating margin of the 20 comparable companies (“**Comparable Companies**”) selected by the Independent Valuer, the operating margin of the Comparable Companies ranging from 1% to 25% and have a median of approximately 14%. As advised by the Independent Valuer, the Comparable Companies are selected with reference to various criteria, including: (i) publicly listed; (ii) operating in the life sciences tools and services industry; (iii) recording positive operating profit in FY2024; and (iv) primarily operating as a contract research organization with relevant segments accounting for more than approximately 50% of their total revenues in FY2024. For details of the Comparable Companies please refer to the Valuation Report (Appendix I) to the Circular.

We reviewed and discussed with the Independent Valuer on the selection basis. We understand that the publicly listed companies’ financial data can be obtained from the public channel, and as advised by the Independent Valuer that the second and the fourth criteria above would help to identify companies with operation in the similar industry of the Group. Also, in order to reduce the impact of the short-term changes in the performance of the Comparable Companies on the valuation results, the Independent Valuer has also selected Comparable Companies which recorded net profit in FY2024 only as they are more relevant to current economic and market factors and competitive dynamics. In addition, as advised by the Independent Valuer, these above screening were performed through Capital IQ, which is a commonly used and reliable third-party database service provider. In view of the above, we consider that the selection basis adopted by the Independent Valuer is fair and reasonable.

We have further reviewed the business of the Comparable Companies in their annual reports and Capital IQ, and we consider the business of the Comparable Companies are similar to the Company and are suitable to be a relevant benchmark. Having consider that (i) the selection basis is fair and reasonable; and (ii) the business of the Comparable Companies is similar to the Company, we concur with the Independent Valuer on the selection basis without performing an independent selection.

We further cross checked the Comparable Companies based on above selection basis and extracted public information including financial information disclosed on Capital IQ or the relevant stock exchanges to compare the operating profit to total cost ratio for the Comparable Companies identified by the Independent Valuer, and noted that the operating margins adopted by the Independent Valuer in the Valuation Report are consistent with those disclosed publicly.

During our discussion with the Independent 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 the above, we concur with the Independent Valuer that the methodology, assumptions and parameters adopted in the Valuation Report for deriving the fair value and the licence fee for the Licensed IP are fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### IV. Issue Price

The Issue Price of HK\$0.43 per Consideration Share, which represents:

- (i) a discount of approximately 5.5% to the closing price of HK\$0.455 per Share as quoted on the Last Trading Day;
- (ii) a discount of approximately 5.5% to the average closing price of HK\$0.455 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 7.9% to the average closing price of HK\$0.467 per Share as quoted on the Stock Exchange for the last 20 trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 53% to the audited consolidated net asset value of approximately HK\$0.281 per Share as at 31 December 2024, calculated based on the audited consolidated net asset value of the Group attributable to owners of the Company of HK\$111,198,000 as at 31 December 2024 divided by the total number of the Shares in issue as at the Latest Practicable Date;
- (v) a premium of approximately 67.3% to the unaudited consolidated net asset value of approximately HK\$0.257 per Share as at 30 June 2025, calculated based on the unaudited consolidated net asset value of the Group attributable to owners of the Company of HK\$101,656,000 as at 30 June 2025 divided by the total number of the Shares in issue as at the Latest Practicable Date; and
- (vi) a discount of approximately 4.4% to the closing price of HK\$0.45 per Share as quoted on the Latest Practicable Date.

In order to assess the fairness and reasonableness of the Issue Price, we performed the following assessments.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### A. *Share price performance*

In order to assess the fairness and reasonableness of the Issue Price, we reviewed the daily closing prices of the Shares as quoted on the Stock Exchange from 25 July 2024 up to and including the Agreement Date (the “**Review Period**”), being a period of approximately one year up to and including the Agreement Date. The daily closing prices of the Shares during the Review Period are illustrated as follows:

**Historical daily closing price per Share**



*Source: The Stock Exchange's website*

During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.445 recorded on 22 July 2025 and HK\$0.790 recorded on 7 October 2024, and there were no abnormal price fluctuations during the Review Period. The issue price represents a discount of approximately 10.5% to the average closing price of HK\$0.48 per Share as quoted on the Stock Exchange for the last 3 months up to the date of agreement which fairly represents the recent market price of the stock, and it is within the range of the Latest Discount/Premium Market Range and the 5-Days Discount/Premium Market Range of below “B. Comparable Transactions”.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### **B. Comparable transactions**

As part of our analysis, we further identified transactions involving the transaction for acquisition purposes by way of issue of consideration shares (the “**Comparable Transactions**”) which were announced by companies listed on the Stock Exchange during the period from 1 April 2025 up to the Agreement Date (being the latest quarter up to the Agreement Date with an approximate 4 months period up to and including the Agreement Date), which include sufficient amount of recent companies for the analysis and exclude longer timeframes where market conditions may have differed. To the best of our knowledge and as far as we are aware of, we found 14 transactions which met the said criteria and they are exhaustive as far as we are aware of.

Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the Comparable Transactions and we have not conducted any independent verification with regard to the businesses and operations of such companies.

Company name (stock code)	Date of announcement	Involving connected transaction	Consideration shares under general or specific mandate	Premium/ (discount) of the issue price over/to the closing price per share on the date of agreement (%)	Premium/ (discount) of the issue price over/to the closing price per share for the five trading days prior to date of agreement (%)	Size of Consideration shares to the issued share capital (after enlarged by the Consideration shares)	Dilution to the existing shareholders
USPACE Technology Group Limited (1725.HK)	21 July 2025	Yes	Specific	(19.23%)	(20.25%)	4.90%	3.94%
Virtual Mind Holding Company Limited (1520.HK)	14 July 2025	Yes	Specific	(33.33%) <sup>2</sup>	(39.02%) <sup>2</sup>	4.51%	3.80%
Fengyinhe Holdings Limited(8030.HK)	9 July 2025	No	General	(19.0%)	(15.80%)	2.90%	NA <sup>1</sup>
GOGOX Holdings Limited (2246.HK)	12 June 2025	No	General	(0.62%)	(1.40%)	4.70%	2.93%
OSL Group Limited (863.HK)	2 June 2025	No	General	3.59%	0.00%	1.46%	1.02%
Hope Life International Holdings Limited (1683.HK)	29 May 2025	No	General	(4.48%)	(5.60%)	9.85%	9.85%
China Rare Earth Holdings Limited (769.HK)	28 May 2025	No	General	(2.60%)	(4.10%)	14.30%	9.90%
Planetree International Development Limited (613.HK)	8 May 2025	No	General	(20.00%)	12.00%	1.56%	0.52%
Adicon Holdings Limited (9860.HK)	6 May 2025	No	General	(12.15%)	(6.67%)	3.85%	1.50%
Kingkey Financial International (Holdings) Limited (1468.HK)	28 April 2025	No	Specific	(16.57%)	(18.89%)	28.89%	28.89% <sup>2</sup>
Noiz Group Limited (8163.HK)	28 April 2025	No	General	12.36% <sup>2</sup>	24.69%	12.96%	9.22%
China NT Pharma Group (1011.HK)	28 April 2025	No	Specific	(22.41%)	28.21% <sup>2</sup>	28.95% <sup>2</sup>	5.25%
Envision Greenwise Holdings Limited (1783.HK)	10 April 2025	No	General	11.80%	8.90%	0.33% <sup>2</sup>	0.16% <sup>2</sup>
Maximum				11.80%	24.69%	28.89%	9.90%
Minimum				(22.41%)	(20.25%)	1.46%	0.52%
Average				(9.24%)	(2.47%)	8.17%	4.79%
Median				(12.15%)	(4.10%)	4.70%	3.87%
The Transaction			Specific	(6.52%)	(5.29%)	17.45%	8.15%

Source: The Stock Exchange’s website

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- Note: 1. The shareholding structure is not disclosed in the Announcement.
2. The highest and lowest were considered to be outliers and were not taken into account in the calculation of maximum, minimum and average.

We noted from the above table that (i) the issue prices of the Comparable Transactions ranged from a discount of approximately 22.41% to a premium of approximately 11.80% with an average discount of approximately 9.24% to the respective closing prices of the shares on the date of agreement (the “**Latest Discount/Premium Market Range**”); and (ii) the issue prices of the Comparable Transactions ranged from a discount of approximately 20.25% to a premium of approximately 24.69% with average discount of approximately 2.47% to the respective closing prices of the shares for the five trading days prior to date of agreement (the “**5-Days Discount/Premium Market Range**”).

As illustrated in the table above, we noted that:

- (i) The discount on the date of agreement of approximately 6.52% is within the Latest Discount/Premium Market Range, the 5-days discount of approximately 5.29% is also within the 5-Days Discount/Premium Market Range;
- (ii) The discount on the date of agreement and 5-days discount are close to the average of the Comparable Transactions; and
- (iii) The discount on the date of agreement is slightly lower than the median of the Comparable Transactions and 5-days discount is close to the median of the Comparable Transactions.

Although the discount/premium of the Comparable Transactions shows a relatively wide range, we believe it still reflects the market practice for the subscription exercise. In particular, the median of the Comparable Transactions is likely to demonstrate the most prevailing price, as it is unaffected by extreme values and serves as a reliable measure of central tendency. Based on the foregoing analysis, we consider the Issue Price of HK\$0.43 to be fair and reasonable.

We noted from the above table that the size of consideration shares to the issued share capital (after enlarged by the consideration shares) (the “**Size of Consideration Shares**”) of the Comparable Transactions ranged from 1.46% to 28.89%. The size of consideration shares of this transaction is approximately 17.45%, which is within the range of the size of consideration shares of the Comparable Transactions.

The consideration shall be paid by the issuance of the consideration shares and hence the Group can preserve its cash resources and avoids any immediate cashflow burden, allowing it to allocate capital toward research, development, and expansion activities. Taking into account the principal terms as set out above, we consider that the terms of the Patent Licence Agreement are fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Directors believe that the dilution impact is justifiable and in the overall interests of the Shareholders. In particular, the issue of the Consideration Shares enables the Group to avoid further debt financing, which would otherwise increase the Group's gearing ratio and potentially constrain its financial flexibility and liquidity. Such constraints could adversely affect the Group's operations, profitability, and long-term growth prospects. Furthermore, the Directors consider that the Patent Licence Agreement and the transactions contemplated thereunder represent a strategic investment that is expected to enhance the Group's technological capabilities and competitive position, thereby contributing to future revenue growth and profitability. The anticipated increase in profit attributable to the Group is expected to benefit all Shareholders over the long term. Accordingly, the Directors are of the view that the short-term dilution and downward pressure on the Share price are outweighed by the long-term value creation and strategic benefits to the Group and its Shareholders as a whole.

Upon the issue of the Consideration Shares and assuming no other change in the issued share capital of the Company, the shareholding interests of the existing public shareholders would be diluted by approximately 8.15% from approximately 42.68% to 34.53%, while this dilution is closer to the high-end of the range of the dilution to the existing public shareholders of the Comparable Transactions with the range from 0.52% to 9.90%. It is still within reasonable bound and the transaction is expected to broaden the Group's product offering and contributing to future growth and profitability, we consider that the dilution effect will be outweighed by the Company long-term development. Based on the above and in view of (i) the reasons for and benefits of the Patent Licence Agreement, including broadening the product offering of the Group and enhancing the Group's technological capabilities and competitive position; (ii) the terms of the Patent Licence Agreement being fair and reasonable; (iii) the Group's current net debt position; and (iv) the anticipated increase in profit attributable to the Group by the Licenced IP, we are of the view that the aforementioned level of dilution to the existing public shareholders is acceptable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the above principal factors, we are of the view that: (i) the transactions terms contemplated under the Patent Licence Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders; (ii) the consideration share issue price is fair and reasonable; and (iii) the entering into of the licence agreement are conducted in the ordinary and usual course of the business and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to approve the Discloseable and Connected Transaction in relation to the Patent Licence Agreement involving the Issue of Consideration Shares under Specific Mandate at the EGM, as detailed in the notice of the EGM set out at the Circular.

Yours faithfully,  
For and on behalf of  
**Sunny Fortune Capital Limited**  
**Wong Shin Yee, Freda**  
*Managing Partner*

*Ms. Wong Shin Yee, Freda is a licensed person under the SFO to engage in, among others, Type 6 (advising on corporate finance) regulated activity and has over 20 years of experience in investment banking and corporate finance.*

*The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this document received from Asia-Pacific Consulting and Appraisal Limited, an independent valuer, in connection with its valuation as at 31 May 2025 of the patents and BN101E Project in BAGI Research Limited.*



**Asia-Pacific Consulting and Appraisal Limited**

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

3 October 2025

The Board of Directors

**PuraPharm Corporation Limited**

Units 201-207, 2/F

Wireless Centre, Phase One

Hong Kong Science Park

Tai Po, New Territories, Hong Kong

Dear Sirs,

In accordance with the instructions received from PuraPharm Corporation Limited (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 the patents (as set out in Appendix I) as well as the data, documents and know-how in respect of or in connection with the patents and BN101E Project (means the project as set out in Appendix II) (the “**Licensed IP**”) in BAGI Research Limited (“**BAGI**”) as at 31 May 2025 (the “**Valuation Date**”).

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

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**

BAGI is a clinical stage bioscience company that develops drugs derived from active compounds found in medical fungi and plants. BAGI started research in collaboration with the University of Hong Kong (HKU) in 2007 and discovered BN101E as potential anti-inflammatory drug in 2009. Patent application on the compounds and uses thereof for treating inflammation and modulating immune response was submitted in 2009 and has been granted in 2013. BAGI obtained a clinical trial certificate in Canada for BN101E in 2020. BAGI completed seed round of financing in 2022 in order to support further development of BN101E. Pre-IND application was submitted in the US in late 2022, but FDA requested additional toxicology data of *Cimicifuga sp.*, which is the source of the active components of the drug.

The Company and BAGI have entered into a Patent Licence Agreement, pursuant to which BAGI will grant an exclusive non-transferable licence of the Licensed IP to the Company.

## **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 the 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 asset.

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 Licensed IP, there are substantial limitations for the income approach and the market approach for valuing the underlying asset. Firstly, the market approach requires market transactions of comparable assets as an indication of value. However, there is no active and open trading market for the Licensed IP, in particular, drug development is highly sophisticated and involves multi-dimensional factors to evaluate their similarities, such as stage of development, molecular structure, physiochemical property, pharmacological mechanism of action, clinical attributes and so on, it is difficult to find the comparable transactions for similar assets at its early stage. Secondly, the income approach requires subjective assumptions to which the valuation is highly sensitive. Since the drug to be developed through the Licensed IP is still in early stage of development, the probability of success, the timeframe for commercialization and income generation are highly uncertain, and it is very difficult to make reliable financial projections in this exercise.

In view of the above, we have adopted the cost approach for the valuation. Cost approach rests on replacement cost of a similar asset or an asset providing similar service potential or utility. The replacement costs were based on actual costs include collaboration cost, outsourcing cost, labour cost, rental cost, overheads and required return on the included costs.

#### **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 the development progress and historical cost incurred in producing the Licensed IP, 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 nature of the Licensed IP;
- The cost pertinent to the development of the Licensed IP; and
- Other development, operational and market information in relation to the Licensed IP.

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 Licensed IP.

#### **GENERAL ASSUMPTIONS**

In determining the market value of the Licensed IP, we make the following general assumptions:

- It is assumed that there will be no material changes in the international financial environment, global economic environment and national macroeconomic conditions, and that there will be no material change in the political, economic and social environment in which the appraised entity operates;
- It is assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honoured;
- The financial and operational information provided by the Company and BAGI 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. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

**MAJOR ASSUMPTIONS AND PARAMETERS****Replacement Cost**

The replacement costs include collaboration cost, outsourcing cost, labour cost, rental cost, overheads and required return on the included costs. Major assumptions and parameters related to market value of the Licensed IP are listed below:

Type of Cost	Notes
Collaboration Cost	Based on the information provided by BAGI and with reference to the signed agreements
Outsourcing Cost	Based on information provided by BAGI and with reference to the signed contracts
Labour Cost	Based on information provided by BAGI and with reference to the payslips
Rental Cost	Based on information provided by BAGI and with reference to the rental agreements
Other Overheads	Based on information provided by BAGI and with reference to sampled invoices

**Required Rate of Return**

The required rate of return refers to historical operating profit to total cost ratio of the comparable companies. In determining the required return rate, comparable companies are selected under the following criteria:

1. the comparable companies are publicly listed;
2. the comparable companies operate in the life sciences tools and services industry;
3. the comparable companies recorded positive operating profit in 2024 ;
4. the comparable companies primarily operate as contract research organizations with relevant segments accounting for more than 50% of their total revenues in 2024.

Companies selected under these criteria mainly offer R&D services business that are similar to the R&D works relating to the Licensed IP. The publicly available data and common profit margins in the industry of the comparable companies provide a reasonable basis to derive the required rate of return for the Licensed IP.

As sourced from Capital IQ, a reliable third-party database service provider designed by Standard & Poor's (S&P), firstly, a list of comparable companies was screened based on the first two criteria; secondly, companies recorded positive operating margin in 2024 were selected; thirdly, we went through companies' annual reports and official websites to find out if the company satisfies the last criterion; finally, according to the research and study carried out above, an exhaustive list of comparable companies satisfying all the above criteria was obtained on a best effort basis and the details of these comparable companies are shown below:

Company Name (Stock Code)	Company Description	Market Capitalization (USD mm) as of 31 December 2024	Percentage of revenue contributed by CRO business
Charles River Laboratories International, Inc. (NYSE: CRL)	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.	9,440	81%
Eurofins-Cerep SA (ENXTPA: ALECR)	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.	102	100%

Company Name (Stock Code)	Company Description	Market Capitalization (USD mm) as of 31 December 2024	Percentage of revenue contributed by CRO business
Frontage Holdings Corporation (SEHK: 1521)	Frontage Holdings Corporation, a contract research organization, provides laboratory and related services to pharmaceutical, biotechnology, and agrochemical companies. It offers drug discovery services comprising medicinal chemistry, pharmacology, and efficacy, as well as absorption, distribution, metabolism, and excretion (ADME) screening. The company also provides drug metabolism and pharmacokinetics (DMPK); safety and toxicology; early phase clinical services; and bioequivalence and related services, such as pharmacology, medical writing, and regulatory support. In addition, it offers pharmaceutical product development services, including intermediate and active pharmaceutical ingredient (API) synthesis, process and formulation development, and clinical trial material manufacturing. 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.	464	100%

Company Name (Stock Code)	Company Description	Market Capitalization (USD mm) as of 31 December 2024	Percentage of revenue contributed by CRO business
hVIVO plc (AIM: HVO)	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. It has a portfolio of human challenge study models for conditions, such as RSV, influenza, COVID-19, hMPV, HRV, asthma, malaria, and COPD. In addition, the company offers specialized virology and immunology laboratory, which offers a suite of services to support pre-clinical and clinical respiratory drug; and vaccine discovery and development. Further, it provides preclinical and early clinical research services; sales and marketing services; data management; and statistics services, as well as drug development consultancy and services. The company offers services to big pharma and biotech organizations. The company was formerly known as Open Orphan Plc and changed its name to hVIVO plc in October 2022. hVIVO plc is headquartered in London, the United Kingdom.	175	100%

Company Name (Stock Code)	Company Description	Market Capitalization (USD mm) as of 31 December 2024	Percentage of revenue contributed by CRO business
ICON Public Limited Company (NasdaqGS: ICLR)	<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, pre 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 bionalytical, 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>	17,314	100%



Company Name (Stock Code)	Company Description	Market Capitalization (USD mm) as of 31 December 2024	Percentage of revenue contributed by CRO business
IQVIA Holdings Inc. (NYSE: IQV)	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.	35,667	55%

Company Name (Stock Code)	Company Description	Market Capitalization (USD mm) as of 31 December 2024	Percentage of revenue contributed by CRO business
Jeevan Scientific Technology Limited (BSE: 538837)	Jeevan Scientific Technology Limited engages in the clinical research and data management businesses in India. The company's services include BA/BE studies that comprise bioanalytical and clinical services, pharmacokinetic and bio-statistics, and glucose clamping; clinical trial services, such as medical writing, clinical trial management and monitoring, drug safety, clinical data management, biostatistics and statistical programming, and quality assurance; and pharmacovigilance services, including ICSR management, aggregate safety reports, risk management plan, signal detection, medical information call center, and other integrated services. It also exports its products. The company was formerly known as Jeevan Softech Limited and changed its name to Jeevan Scientific Technology Limited in March 2011. The company was incorporated in 1999 and is based in Hyderabad, India.	9	100%
Medpace Holdings, Inc. (NasdaqGS: MEDP)	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.	10,303	100%

Company Name (Stock Code)	Company Description	Market Capitalization (USD mm) as of 31 December 2024	Percentage of revenue contributed by CRO business
Pharmaron Beijing Co., Ltd. (SZSE: 300759)	Pharmaron Beijing Co., Ltd., together with its subsidiaries, provides drug research and development, and production services to the life sciences industry in North America, Europe, Japan, Mainland China, and internationally. The company offers laboratory chemistry services, including medicinal and synthetic chemistry, chemistry for new modalities, radiolabelling and radiosynthesis, analytical and purification chemistry, DNA-encoded libraries, cheminformatics, and computer-aided drug design; bioscience services, such as structural biology, in vitro biology, DMPK, in vivo pharmacology, and compound management services; chemistry, manufacturing, and controls services. It also provides clinical development services, including integrated radio labelled science, clinical development, and clinical trial recruitment services; safety assessment, integrated drug discovery, and bioanalysis services; and biologics and cell and gene therapy services, comprising biologics laboratory, biologics CDMO, cell and gene therapy laboratory, and gene therapy CDMO services. Pharmaron Beijing Co., Ltd. was incorporated in 2004 and is headquartered in Beijing, the People's Republic of China.	5,733	72%
R&G PharmaStudies Co., Ltd. (SZSE: 301333)	R&G PharmaStudies Co., Ltd. provides clinical research outsourcing services for device companies and scientific research institutions in China and internationally. The company offers clinical trial operation services, clinical trial site management services, and biological sample testing services. It is a for analyzing and detecting the biological samples collected during a clinical trial, and to determine the concentration of the original drug and/or metabolites. It also offers data management and statistical analysis services, clinical trial consulting services, and clinical pharmacology services. R&G PharmaStudies Co., Ltd. was founded in 2008 and is headquartered in Beijing, China.	652	100%

Company Name (Stock Code)	Company Description	Market Capitalization (USD mm) as of 31 December 2024	Percentage of revenue contributed by CRO business
Shanghai Innostar Biotechnology Co., Ltd. (SHSE: 688710)	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. The screening and discovery services include early efficacy screening, early pharmacoscreening, early-stage toxicity prediction and screening, isotope labeling, and imaging. Non-clinical assessment encompasses pharmacodynamics, pharmacokinetics, safety evaluation, and consulting services for global applications for clinical trials and new drug registration. Clinical development services include the Clinical Bioanalysis Platform and the Biomarkers and Translational Research Platform. The company works with various drug categories, including chemical products such as peptide drugs, PROTAC/molecular glue, and molecular glues. In the biologics category, it includes ADCs, antibody drugs, therapeutic vaccines, and prophylactic vaccines. For cell and gene therapeutics, the company offers cell therapy products, gene therapy products, nucleic acid drugs, and oncolytic virus drugs. Radiopharmaceuticals include radiopharmaceutical drug development services, and the company also works with traditional Chinese medicines, focusing on traditional Chinese medicine innovations. It was founded in 2010 and is headquartered in Shanghai, China.	686	100%

Company Name (Stock Code)	Company Description	Market Capitalization (USD mm) as of 31 December 2024	Percentage of revenue contributed by CRO business
Vimta Labs Limited (BSE: 524394)	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 to support manufacturers, processors, farmers, retailers, traders, exporters, and regulators; and a testing laboratory for water, alcoholic, and non-alcoholic beverages. In addition, the company offers environmental regulatory services, such as impact assessments and post project monitoring, to various industries, including power, infrastructure, cement, oil and gas, and mining, etc.; and EMI/EMC testing for electronic and electrical products/components. It provides solutions to agriculture, biologics and biosimilars, home and personal care, medical device, specialty chemicals, food, electrical and electronics, nutraceuticals, water and beverages, pharmaceuticals, crop care, environment, health and safety, and packaging industries. Vimta Labs Limited was founded in 1984 and is headquartered in Hyderabad, India.	258	100%

Company Name (Stock Code)	Company Description	Market Capitalization (USD mm) as of 31 December 2024	Percentage of revenue contributed by CRO business
Vivo Bio Tech Limited (BSE: 511509)	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. The company was formerly known as Sunshine Factors & Exports Limited and changed its name to Vivo Bio Tech Limited in September 2002. Vivo Bio Tech Limited was incorporated in 1987 and is based in Hyderabad, India.	7	100%

Company Name (Stock Code)	Company Description	Market Capitalization (USD mm) as of 31 December 2024	Percentage of revenue contributed by CRO business
Shin Nippon Biomedical Laboratories, Ltd. (TSE: 2395)	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, including single/repeated dose toxicity studies, antigenicity studies, skin sensitization studies, genotoxicity studies, carcinogenicity studies, local irritation studies, inhalation toxicity studies, TK studies, characteristic studies, stability studies, dependence studies, reproductive and developmental toxicity studies, safety pharmacological studies, and pharmacokinetic 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. Further, the company is involved in the operates geothermal power generation; operates hotel accommodation facilities; and wellbeing businesses, as well as provides cleaning, clerical work, and welfare services. Shin Nippon Biomedical Laboratories, Ltd. was founded in 1957 and is headquartered in Kagoshima, Japan.	442	98%
Anhui Wanbang Pharmaceutical Technology Co., Ltd. (SZSE: 301520)	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.	352	90%

Company Name (Stock Code)	Company Description	Market Capitalization (USD mm) as of 31 December 2024	Percentage of revenue contributed by CRO business
Beijing Sun-Novo Pharmaceutical Research Co., Ltd. (SHSE: 688621)	Beijing Sun-Novo Pharmaceutical Research Co., Ltd., a contract research company, 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; children's clinical data bridging research center; pediatric drug research and development platform; pediatric drug delivery dosage research and development platform; respiratory tract drug delivery and topical preparation platforms; polypeptide and other drug molecular design and development platform; genotoxic impurity detection platform; technology platform for slow and controlled release preparations; drug synthesis platform; and synthesis technology platform. 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. In addition, the company operates quantitative pharmacology platform that use technology on pharmacokinetics, pharmacodynamics, body function, disease mechanism and test process, and other information for quantitative research; and mass spectrometry, immunological analysis, cell biology, and molecular biology platforms that provide biological analysis services for large and small molecular drugs, as well as operates as a Contract Research Organization for Professional Peptide Drug Research and Development. Beijing Sun-Novo Pharmaceutical Research Co., Ltd. was founded in 2009 and is based in Beijing, China.	578	99%



Company Name (Stock Code)	Company Description	Market Capitalization (USD mm) as of 31 December 2024	Percentage of revenue contributed by CRO business
Boji Medical Technology Co., Ltd. (SZSE: 300404)	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. In addition, it engages in the screening, evaluation, verification, and trading of phased technological achievements formed in the process of new drug research and development. The company was formerly known as Guangzhou Boji Medical & Biotechnological Co., Ltd. and changed its name to Boji Medical Technology Co., Ltd. in September 2021. Boji Medical Technology Co., Ltd. was founded in 1998 is headquartered in Guangzhou, China.	454	92%

Company Name (Stock Code)	Company Description	Market Capitalization (USD mm) as of 31 December 2024	Percentage of revenue contributed by CRO business
Hangzhou Tigermed Consulting Co., Ltd. (SZSE: 300347)	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. The company offers preclinical development services, including medicinal chemistry, compound screening, DMPK, safety and toxicology, bioanalytical, and formulation research and development services; and clinical development services, such as medical writing, clinical monitoring, regulatory affairs, data management and statistical analysis, decentralized clinical trials, clinical development strategy, site management, medical device/in vitro diagnostics, multi-region clinical trial, and vaccine clinical trial services. 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 solutions, such as site identification and selection, central monitoring, project team management, vendor management, and SAS project management services. 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.	6,012	98%

Company Name (Stock Code)	Company Description	Market Capitalization (USD mm) as of 31 December 2024	Percentage of revenue contributed by CRO business
Joinn Laboratories (China) Co., Ltd. (SHSE: 603127)	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 provides 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 (CBA) services. Joinn Laboratories (China) Co., Ltd. was founded in 1995 and is headquartered in Beijing, China.	1,558	100%
WuXi Biologics (Cayman) Inc. (SEHK: 2269)	WuXi Biologics (Cayman) Inc., an investment holding company, provides end-to-end solutions and services for biologics discovery, development, and manufacturing for biologics industry in the People's Republic of China, North America, Europe, Singapore, Japan, South Korea, and Australia. It operates through two segments: Biologics and XDC. The company provides a suite of solutions for biologic discovery, from concept to IND, that seamlessly transits to CMC and downstream process development through its contract research, development, and manufacturing organization platforms. It engages in the provision of consultation services in relation to the biopharmaceutical technology, international sales contracting services, testing and development of testing technologies, sales and marketing services, production and sales of medicals, and biologics clinical and manufacturing services; production and sale of medicals; vaccine contract development and manufacturing organization (CDMO) and related business; and engages in investment and material supplier activities. The company was incorporated in 2014 and is headquartered in Wuxi, China.	9,282	58%

Source: Capital IQ, annual reports and official website of the comparable companies.

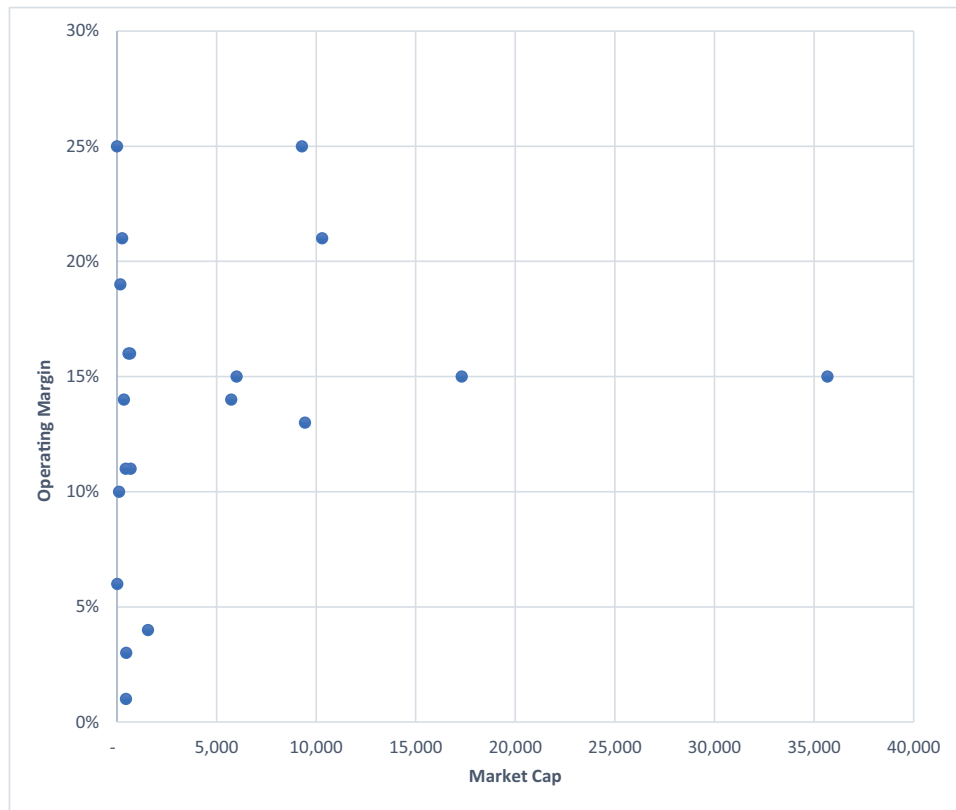
Further details of the 2024 operating margin of these comparable companies are shown as follows:

Company Code	Company Name	Operating Margin for FY2024
NYSE:CRL	Charles River Laboratories International, Inc.	13%
ENXTPA:ALECR	Eurofins-Cerep SA	10%
SEHK:1521	Frontage Holdings Corporation	3%
AIM:HVO	hVIVO plc	19%
NasdaqGS:ICLR	ICON Public Limited Company	15%
NYSE:IQV	IQVIA Holdings Inc.	15%
BSE:538837	Jeevan Scientific Technology Limited	6%
NasdaqGS:MEDP	Medpace Holdings, Inc.	21%
SZSE:300759	Pharmaron Beijing Co., Ltd.	14%
SZSE:301333	R&G PharmaStudies Co., Ltd.	16%
SHSE:688710	Shanghai Innostar Biotechnology Co., Ltd.	11%
BSE:524394	Vimta Labs Limited	21%
BSE:511509	Vivo Bio Tech Limited	25%
TSE:2395	Shin Nippon Biomedical Laboratories, Ltd.	11%
SZSE:301520	Anhui Wanbang Pharmaceutical Technology Co.,Ltd.	14%
SHSE:688621	Beijing Sun-Novoo Pharmaceutical Research Co., Ltd.	16%
SZSE:300404	Boji Medical Technology Co., Ltd.	1%
SZSE:300347	Hangzhou Tigermed Consulting Co., Ltd.	15%
SHSE:603127	Joinn Laboratories(China)Co., Ltd.	4%
SEHK:2269	WuXi Biologics (Cayman) Inc.	25%
	Minimum	1%
	Maximum	25%
	Average	14%
	<b>Median (adopted)</b>	<b>14%</b>
	<b>Applied Required Return</b>	<b>16%</b>

Source: Capital IQ

Notes:

- The required rate of return is the operating profit to total cost ratio, which is calculated based on the operating margin ("OP%") as  $1/(1-OP\%)-1$ .
- As per table above, the operating margins of the comparable companies range from 1% to 25%. The following diagram is an analysis of the distribution of the operating margins and also the correlation between each comparable company's operating margin and its market capitalization as of 31 December 2024.



*Visualization of the data shows:*

- (i) no operating margin point deviates significant from the rest of the dataset;
- (ii) the correlation between market capitalization and operating margin is low.

*Therefore, in this exercise, no comparable company is identified as an outlier and excluded from the above comparable companies list.*

## CALCULATION OF VALUATION RESULT

Under the replacement cost method, the market value depends on the costs to redevelop the Licensed IP, and we have taken into account the required rate of return. The calculation of the market value of the Licensed IP in BAGI Research Ltd as at the Valuation Date is as follows:

<b>Type of Cost</b>	<b>Amount in HKD'000</b>
Collaboration Cost	13,150
Outsourcing Cost	4,410
Labour Cost	12,710
Rental Cost	2,020
Other Overheads	2,380
Subtotal	34,670
Required Return Rate	16%
Required Return	5,547
<b>Fair Value of the Licensed IP</b>	<b>40,200</b> <i>(rounded)</i>

## 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 BAGI, the Company and Asia-Pacific Consulting and Appraisal Limited.

We do not intend to express any opinion on matters that require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the assets 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 the Licensed IP as at the Valuation Date is reasonably stated approximately at the amount of **HKD 40,200,000 (HONGKONG DOLLAR FORTY MILLION TWO HUNDRED THOUSAND)**.

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.

## APPENDIX I – PATENTS

<b>HKU's Ref. No.</b>	<b>Country/ Jurisdiction</b>	<b>Application No.</b>	<b>Patent No./ Publication No.</b>	<b>Title</b>
IP00384	U.S.	12/647,843	US 8,377,987	Compounds and uses thereof for treating inflammation and modulating immune responses
	Australia	2009336592	AU 2009336592	
	Canada	2,749,575	CA 2749575	
	China	200980158058.6	CN 102348668	
	Japan	2011544934	JP 5778583	
	U.S.	13/769,644	US 9,174,916	
IP00385	U.S.	13/379,008	US 8,633,332	Efficient isolation of cimracemate A, and methods of use
	European Patent Office	10791704.9	EP 2445859	
	Australia	2010264200	AU 2010264200	Method for isolating cimracemate A
	Canada	2766002	CA 2766002	
	China	201080037200.4	CN 102625791	
	Hong Kong	12110182.3	HK 1169380	
	Japan	2012515578	JP 5773997	



**APPENDIX II – BN101E PROJECT****(A) Background and development progress**

- i. Discovery of BN101E as potential anti-inflammatory drug (published in J Med Chem) in Q4 2009
- ii. Obtained 2 patents (one covering 6 countries and the other covering 6 countries and EU including FR,DE,IT,ES,GB,CH,and DK)
- iii. Patent 1 is about the application of *Cimicifuga sp.* and the active compound (cimracemate A) in the treatment of rheumatoid arthritis, while the other focuses on the identification of the most effective extraction method for producing *Cimicifuga sp.* product that contain the maximum concentration of cimracemate A
- iv. Agreement with University of Toronto to run Clinical Trials for BN101E in Q2 2018
- v. Obtained Clinical Trial Certificate in Canada for BN101E in Q2 2020
- vi. Submitted Pre-IND application to US FDA for BN101E in Q4 2022

**(B) How the drug/mechanisms work and what is unique about this product**

- i. The product contains three anti-inflammatory compounds (cimracemate A, isoferulic acid and cimifugin) that can inhibit cytokines e.g. TNF-alpha and IL-6 productions
- ii. This is different from existing drugs that may only target one of the cytokines. Furthermore, this drug is derived from *Cimicifuga sp.* and possesses an outstanding safety profile
- iii. Primary function reduces inflammation

**(C) Possible usage in medicine**

- i. Reduce inflammation
- ii. Reduce disease score of rheumatoid arthritis
- iii. To reduce the TNF-alpha, which is a major cytokine in rheumatoid arthritis

**(D) Official registrations applied and/or completed**

- i. The two patents were granted.
- ii. The product has been registered in Canada (NPN 80087899).

## 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 Company. 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 in the Shares and underlying Shares

As at the Latest Practicable Date, the interests and short positions of the Directors and/or chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were 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 in which they were deemed or taken 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 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 as adopted by the Company, to be notified to the Company and the Stock Exchange were as follows:

Name	Nature of Interest	Total Number of Shares Held (Long Position)	Total Number of Underlying Shares of Shareholding	
			Options <sup>(Note 8)</sup>	Approximate % <sup>(Note 9)</sup>
Mr. Chan	Interest in controlled corporations	177,854,830 <sup>(Notes 1, 2 and 3)</sup>	–	44.92%
	Beneficial owner	40,008,267	9,500,456	10.11%
	Interest of spouse	8,226,050 <sup>(Note 4)</sup>	8,038,550	2.08%
	Beneficiary of a trust	30,000 <sup>(Note 7)</sup>	–	0.008%
Ms. Man Yee Wai, Viola	Interest in controlled corporations	76,349,750 <sup>(Note 5)</sup>	–	19.29%
	Beneficial owner	8,211,050	8,038,550	2.07%
	Interest of spouse	141,543,347 <sup>(Note 6)</sup>	9,500,456	35.75%
	Beneficiary of a trust	15,000 <sup>(Note 7)</sup>	–	0.004%
Dr. Tsoi Kam Biu, Alvin	Beneficial ownership	2,527,000	2,422,000	0.638%
	Beneficiary of a trust	45,000 <sup>(Note 7)</sup>	–	0.011%

Name	Nature of Interest	Total Number of Shares Held (Long Position)	Total Number of Underlying Shares of Shareholding	
			Options <sup>(Note 8)</sup>	Approximate % (Note 9)
Dr. Leung Lim	Beneficial ownership	18,000	–	0.005%
Kin, Simon	Beneficiary of a trust	2,000 <sup>(Note 7)</sup>	–	0.001%
Prof. Tsui Lap	Beneficial ownership	18,000	–	0.005%
Chee	Beneficiary of a trust	2,000 <sup>(Note 7)</sup>	–	0.001%

Notes:

1. Mr. Chan beneficially owns 50% of the issued share capital of Joint Partners Investments Limited (“**Joint Partners**”), which in turn wholly owns the entire issued capital of PuraPharm Corporation Limited, a limited liability company incorporated in the British Virgin Islands on 5 May 1998. PuraPharm Corporation Limited owns 76,349,750 Shares. By virtue of the SFO, Mr. Chan is deemed to be interested in the Shares held by PuraPharm Corporation Limited.
2. Mr. Chan beneficially owns the entire issued share capital of Fullgold Development Limited (“**Fullgold**”), which in turn owns 81,929,000 Shares. By virtue of the SFO, Mr. Chan is deemed to be interested in the Shares held by Fullgold.
3. Mr. Chan beneficially owns the entire issued share capital of Gold Sparkle Limited, which in turn owns 19,576,080 Shares. By virtue of the SFO, Mr. Chan is deemed to be interested in the Shares held by Gold Sparkle Limited.
4. Mr. Chan is the spouse of Ms. Man. By virtue of the SFO, Mr. Chan is deemed to be interested in the Shares held by Ms. Man.
5. Ms. Man beneficially owns 50% of the issued share capital of Joint Partners, which in turn wholly owns the entire issued capital of PuraPharm Corporation Limited. PuraPharm Corporation Limited owns 76,349,750 Shares. By virtue of the SFO, Ms. Man is deemed to be interested in the Shares held by PuraPharm Corporation Limited.
6. Ms. Man is the spouse of Mr. Chan. By virtue of the SFO, Ms. Man is deemed to be interested in the Shares held by Mr. Chan.
7. These shares represent Shares granted to such directors pursuant to the Share Award Scheme, which are held on trust by the Trustee until the Shares are vested.
8. The underlying share options were not taken into account in calculating the percentage of the shareholding.
9. All interests are calculated based on the total Shares in issue as at the Latest Practicable Date, being 395,897,275 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required (i) 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 in which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

**(b) Substantial Shareholders' Interests in Shares and Underlying Shares of the Company**

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

Name of entity	Nature of Interest	Total Number of Shares Held	Approximate % of Shareholding (Note 4)
PuraPharm Corporation Limited	Beneficial ownership	76,349,750 <sup>(Note 1)</sup>	19.29%
Joint Partners	Interest of controlled corporations <sup>(Note 1)</sup>	76,349,750 <sup>(Notes 1 and 2)</sup>	19.29%
Fullgold	Beneficial ownership	81,929,000 <sup>(Note 3)</sup>	20.69%

*Notes:*

1. Mr. Chan and Ms. Man beneficially own 50% and 50% of the issued share capital of Joint Partners, which in turn wholly owns the entire issued share capital of PuraPharm Corporation Limited.
2. PuraPharm Corporation Limited is wholly owned by Joint Partners. By virtue of the SFO, Joint Partners is deemed to be interested in the Shares held by PuraPharm Corporation Limited.
3. Mr. Chan beneficially owns the entire issued share capital of Fullgold, which in turn owns 81,929,000 Shares. By virtue of the SFO, Mr. Chan is deemed to be interested in the Shares held by Fullgold.
4. All interests are calculated based on the total Shares in issue as at 30 June 2025, being 395,897,275 Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

### **3. DISCLOSURE OF OTHER INTERESTS OF THE DIRECTORS**

#### **(a) Competing interests**

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors or their respective close associates had any interests in any business which compete or are likely to compete with the business of the Group.

#### **(b) Interests in assets**

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

#### **(c) Interests in contracts or arrangements**

As at the Latest Practicable Date, save for the Patent Licence Agreement (excluding Mr. Chan, Ms. Man and Dr. Tsoi Kam Biu, Alvin who are deemed to have material interests) and the personal guarantee arrangements in the aggregate amount of approximately HK\$34 million given by Mr. Chan in respect of the general banking facilities granted to the Group pursuant to the SME Financing Guarantee Scheme, there was no other contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

#### **(d) Service contracts**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

#### 4. MATERIAL ADVERSE CHANGE

Reference is made to the profit warning announcement of the Company dated 24 July 2025, which disclosed that the Company may record a net loss of approximately HK\$24 million for the six months ended 30 June 2025, as compared to the consolidated net loss of approximately HK\$18.7 million recorded for the corresponding period ended 30 June 2024. The increase in net loss is mainly attributable to the decrease in revenue and an increase in the cost of goods sold, which put pressure on the gross profit of the Group during the 2025 interim period. The decrease in revenue was principally due to the slowing down of consumption in Hong Kong and keen market competition, while the cost of goods sold increases due to higher raw material prices, environmental challenges and decrease in production volume.

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

#### 5. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who has given opinions or advice which are contained in this circular:

Name	Qualification
Sunny Fortune Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Asia-Pacific Consulting and Appraisal Limited	Independent Valuer

As at the Latest Practicable Date, none of the experts above had any shareholding, directly or indirectly in any member of the Group, nor did any of them have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did any of them have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired to disposed of by or leased to any member of the Group since 31 December 2024, being the date to which the latest published audited financial statements of the Group were made up.

Each of experts above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters and/or reports and/or references to its name in the form and context in which they respectively appear.

## **6. MISCELLANEOUS**

- (a) The registered office of the Company is situated at P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands.
- (b) The headquarter and principal place of business of the Company in Hong Kong is situated at Units 201-207, 2/F., Wireless Centre, Phase One, Hong Kong Science Park, Tai Po, New Territories, Hong Kong
- (c) The share registrar of the Company is Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wan Chai, Hong Kong.
- (d) The company secretary of the Company is Ms. Chan Charmayne.
- (e) The authorised representatives of the Company are Mr. Chan Yu Ling, Abraham and Ms. Chan Charmayne.
- (f) The English texts of this circular shall prevail over the Chinese texts.

## **7. DOCUMENTS ON DISPLAY**

The following documents are available on the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://www.purapharm.com>) for a period of 14 days from the date of this circular:

- (a) the Patent Licence Agreement;
- (b) the Subscription Agreement;
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;
- (d) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" of this circular;

- (e) the Valuation Report as set out in Appendix I to this circular;
- (f) the written consents referred to in the paragraph headed “Qualification and consent of experts” in this Appendix II; and
- (g) this circular.



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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**PuraPharm**

**PURAPHARM CORPORATION LIMITED**

**培力農本方有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1498)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of PuraPharm Corporation Limited (the “Company”) will be held at 2/F, 35-45B Bonham Strand, Sheung Wan, Hong Kong on Friday, 24 October 2025 at 10 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as an ordinary resolution of the Company.

### **ORDINARY RESOLUTIONS**

#### **1. THE PATENT LICENCE AGREEMENT**

**“THAT:**

- (i) the Patent Licence Agreement dated 25 July 2025 (a copy of which has been produced at the meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification) in relation to, among other things, the granting the exclusive non-transferable licence of the Licensed IP by the Licensor to the Company, the terms thereof and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (ii) subject to the fulfillment (or waiver, as the case may be) of the conditions precedent and upon the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Consideration Shares to be issued by the Company in satisfaction of the one-off non-refundable licence fee of HK\$40,200,000 payable by the Company under the Patent Licence Agreement, the Directors be and are hereby granted the specific mandate to allot and issue the Consideration Shares and take all such steps and do all such acts as may be necessary or expedient in order to give effect to the same; and

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (iii) any one Director (or one Director and the secretary of the Company or any two Directors or such other person or persons (including a Director) as the Board may appoint, in case of execution of documents under seal) be and is hereby authorised to sign, execute and deliver all such documents and to do all such acts or things which he/she/they consider(s) necessary, desirable or expedient to implement, or to give effect to the transactions contemplated under the Patent Licence Agreement.”

### 2. THE SUBSCRIPTION AGREEMENT

“THAT:

- (i) the Subscription Agreement dated 25 July 2025 (a copy of which has been produced at the meeting and marked “B” and initialed by the chairman of the meeting for the purpose of identification) in relation to, among other things, the Subscription of 46,512,000 Subscription Shares in the capital of the Company by the Subscriber at the subscription price of HK\$0.43 per Subscription Share, the terms thereof and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (ii) subject to the fulfillment (or waiver, as the case may be) of the conditions precedent and upon the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Subscription Shares to be issued by the Company to the Subscriber under the Subscription Agreement, the Directors be and are hereby granted the specific mandate to allot and issue the Subscription Shares and take all such steps and do all such acts as may be necessary or expedient in order to give effect to the same; and
- (iii) any one Director (or one Director and the secretary of the Company or any two Directors or such other person or persons (including a Director) as the Board may appoint, in case of execution of documents under seal) be and is hereby authorised to sign, execute and deliver all such documents and to do all such acts or things which he/she/they consider(s) necessary, desirable or expedient to implement, or to give effect to the transactions contemplated under the Subscription Agreement.”

By Order of the Board  
**PuraPharm Corporation Limited**  
**Chan Yu Ling, Abraham**  
*Chairman and Executive Director*

Hong Kong, 3 October 2025

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

1. All resolutions at the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. 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 member of the Company entitled to attend and vote at the EGM shall be entitled to appoint another person as his/her 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 and vote on his/her behalf at the EGM. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.
3. For determining the entitlement of the member of the Company to attend and vote at the EGM, the register of members of the Company will be closed from 21 October 2025 to 24 October 2025, both days inclusive, during which no transfer of the Shares will be effected. In order to be entitled to attend and vote at the EGM, all share transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 20 October 2025.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
5. To be valid, the instrument appointing a proxy and (if required by the Company) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be).
6. Where there are joint holders of any shares, any one of such joint holders may vote at the EGM, 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 be present at the EGM, the vote of the senior 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 stand in the register of members of the Company in respect of the joint holding.
7. Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the EGM if the member so wish and in such event, the instrument appointing a proxy should be deemed to be revoked. For the avoidance of doubt, holders of treasury shares (if any) shall abstain from voting at the EGM of the Company.
8. A form of proxy for use at the EGM is enclosed with the circular of the Company dated 3 October 2025.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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9. If tropical cyclone warning signal no. 8 or above, or a black rainstorm warning or “extreme conditions” caused by super typhoon is in effect at any time after 10:00 a.m. on Friday, 24 October 2025, the EGM will be postponed and further announcement for details of alternative meeting arrangements will be made. The EGM will be held as scheduled even when tropical cyclone warning signal no. 3 or below is hoisted, or an amber or red rainstorm warning signal is in force. You should make your own decision as to whether you would attend the meeting under bad weather conditions and if you should choose to do so, you are advised to exercise care and caution.
10. References to time and dates in this notice are to Hong Kong time and dates.

*As at the date of this notice, the executive Directors of the Company are Mr. Chan Yu Ling, Abraham, Ms. Man Yee Wai, Viola and Dr. Tsoi Kam Biu, Alvin; the non-executive Director of the Company is Mr. Leung Stephen Kwok Keung; and the independent non-executive Directors of the Company are Dr. Leung Lim Kin, Simon, Prof. Tsui Lap Chee and Dr. Hung Ting On, John.*