

Asia-Pacific Consulting and Appraisal Limited
Flat/RM A 12/F Kiu Fu Commercial Bldg,
300 Lockhart Road,
Wan Chai, Hong Kong

22 November 2024

The Board of Directors
Universal Health International Group Holding Limited
Room 2404, 24th Floor, World-Wide House,
19 Des Voeux Road Central,
Central
Hong Kong

Dear Sirs,

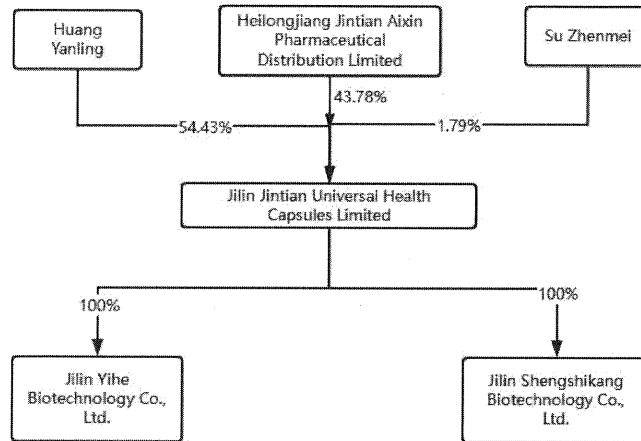
In accordance with the instructions received from Universal Health International Group Holding Limited (the “**Company**”), we have undertaken a valuation exercise which requires Asia-Pacific Consulting and Appraisal Limited (“**APA**”) to express an independent opinion on the market value of 100% equity interest of Jilin Jintian Universal Health Capsules Limited and its two subsidiaries (the “**Target Company**” or “**Jilin Jintian**”) as at 31 October 2024 (the “**Valuation Date**”).

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

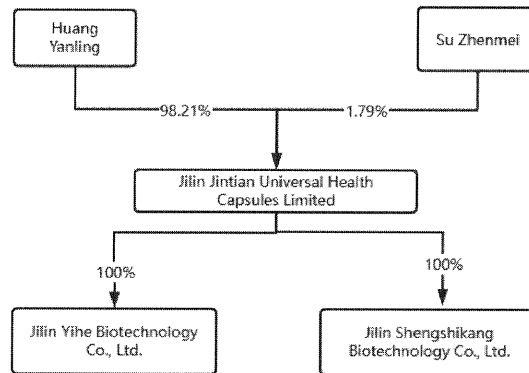
Our valuation was carried out on a market value basis which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted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

INTRODUCTION

Jilin Jintian, incorporated on 6 November 2007 with the registered share capital of RMB166 million in the PRC, is an associate of the Company, in which the Company, through its wholly owned subsidiary namely Heilongjiang Jintian Aixin Pharmaceutical Distribution Limited owns 43.78% equity interest of Jilin Jintian as of the Valuation Date. Jilin Jintian’s principal businesses comprise manufacturing, sales and research and development of hollow capsules in Northeastern China. The capital structure of the Target Company as at the Valuation Date is shown as follows:



APA understands that Heilongjiang Jintian Aixin Pharmaceutical Distribution Limited (the “**Seller**”) intends to enter into an equity transfer agreement (the “**Equity Transfer Agreement**”) with Huang Yanling, the majority shareholder of the Target Company (the “**Buyer**”). Pursuant to the Equity Transfer Agreement, the Seller will dispose 43.78% equity interest of the Target Company to the Buyer (the “**Transaction**”). After the Transaction, the Company is no longer the shareholder of the Target Company and the Buyer will hold 98.21% equity interest in the Target Company, the capital structure of the Target Company after the Transaction is shown as follows:



FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is extracted from the audited financial statements for year ended 30 June 2022, 30 June 2023, 30 June 2024 and the unaudited financial statements for the four months ended 31 October 2024 of the Target Company:

| | For year ended 30 June 2022 RMB'000 Audited | For year ended 30 June 2023 RMB'000 Audited | For year ended 30 June 2024 RMB'000 Audited | Four months ended 31 October 2024 RMB'000 Unaudited |
|---------------|---|---|---|---|
| Revenue | 37,459 | 10,741 | 19,086 | 5,237 |
| (Loss) Profit | (3,711) | (47,873) | 3,959 | 612 |

According to the financial statement, the Target Company reported a book value of the total assets of RMB100.53 million, and the book value of net assets was RMB92.79 million as at the Valuation Date.

As at the Valuation Date, the total assets, total liabilities and net assets of the Target Company are as follows:

| | Unaudited Book Value RMB'000 |
|----------------------------------|---------------------------------|
| Property, plant and equipment | 10,705 |
| - Buildings and Structures | 10,705 |
| - Machinery and Equipment | - |
| Right-of-use assets | 54,952 |
| - Land use rights | 54,952 |
| Total non-current assets | 65,657 |
| Inventories | 1,521 |
| Trade receivables | 5,035 |
| Other receivables | 17 |
| Cash and cash equivalents | 28,298 |
| Total current assets | 34,871 |
| Other payables | 7,608 |
| Income tax payable | 130 |
| Total current liabilities | 7,738 |
| Total Equity | 92,790 |

VALUATION METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches, namely market approach, asset-based 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.

Asset-based approach refers to the valuation methodology to determine the value of the subject on a reasonable basis by valuating an enterprise's value contribution to the overall on-balance-sheet and off-balance-sheet assets and liabilities, based on the balance sheet of the subject as at the Valuation Date. The asset-based approach is a hybrid valuation method, this method requires us to conduct valuations for each individual assets and liabilities of the subject entity. The asset-based approach is commonly adopted in the area of share investment portfolio situation or there are substantial limitations on using market approach and income approach.

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.

For valuation of the Target Company, the asset-based approach is more appropriate than the income approach and the market approach, because: (a) income approach result would be more dependent on long term financial forecast internally prepared by the management, which is unavailable under current situation that: firstly, in the last several years, the sales of the Target Company dropped substantially due to declining market demand and it is not expected to be recovered in the foreseeable future as at the Valuation Date; secondly, the Target Company's equipment capacity utilization rate has been below 20% since year 2023; thirdly, given the current operation condition of the Target Company and highly uncertainty of its future order quantity, it is very difficult to prepare a reliable financial projection of the Target Company as at the Valuation Date. Based on the above analysis, the income approach is not appropriate in this case; (b) in light of the current situation of the Target Company, there are no comparable public companies and transactions available as of the Valuation Date, thus the market approach is not appropriate in this case.

Furthermore, the Target Company belongs to capital-intensive industry and the core assets are machinery and equipment, properties and land. Thus, the asset-based approach was applied in this exercise to determine the market value of the equity interest of the Target Company. This method requires us to conduct a valuation of individual assets and liabilities, based on the balance sheet of the Target Company.

In this report, we had considered the type of assets and liabilities and their conditions when determining their market values and adopted appropriate valuation methodology. The details are summarized as follows:

Cash at bank and on hand

Based on unaudited book values checking with bank statements and cash count sheet.

Inventories

Inventory includes raw materials, work in progress, and finished goods. The market values of the finished goods are derived by multiplying their quantities with their corresponding market prices and minus the corresponding taxes and fees. According to the information provide by the management, the other various inventories, mainly raw material, were purchased within one year as at the Valuation Date, and the market price of those assets are stable in the period. In this exercise, the market value of the other various inventories is determined based on the book value.

Buildings and Structures

The replacement cost method was adopted for the appraisal of the buildings and structures. Under the replacement cost method, the appraised value of buildings and structures determined by calculating the full replacement price based on the construction work volume of the buildings and structures and the existing fixed standards or pricing regulations, construction fees and loan interest rates according to the information on construction work and the information on completion and settlement, then the residue ratio was determined based on the useful life of buildings and the on-site survey of buildings.

Machinery and Equipment

For vehicles with an active secondary market, the market comparison approach was adopted. The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised vehicles relative to the market comparative.

For other machinery and equipment which without an active secondary market, in accordance with the principle of continuous use and based on the market price as at the Valuation Date, the replacement cost method was adopted to determine the fair value of these machinery and equipment in this valuation.

The basic formula is:

$$\text{Appraisal Value} = \text{Full Replacement Cost} \times \text{Integrated Residue Ratio}$$

$$\text{Full Replacement Cost} = \text{Equipment purchase price} + \text{Freight and miscellaneous expenses}$$

$$\text{Integrated Residue Ratio} = (1 - \text{Physical Deterioration ratio}) \times (1 - \text{Functional obsolescence ratio}) \times (1 - \text{Economic obsolescence ratio})$$

The full replacement cost was combined with estimates of any additional material costs, such as electrical wiring, piping, foundations, support structures, and insulation and finishes; direct costs, including import duty, and freight and handling charges; installation costs; general contractors' costs; and indirect costs, such as engineering, design, and purchasing.

The physical deterioration of the assets was assessed by determining its effective age. In determining the effective age of the equipment, we have considered the observed condition in relation to its chronological age; whether or not maintenance was adequate for the period of use; and the effects of any technological changes on the equipment's life expectancy. Effective age is the apparent age based on the observed condition and the amount of wear and tear experienced during its life.

Decrease in useful life is normally quantified through an age-life analysis which measures the loss in value due to the reduction in normal useful life, which is the first cause in measuring physical depreciation. Considering both the reduced useful life and the decline in utility enables us to quantify the physical depreciation of the asset. In this case, physical deterioration ratio is calculated by dividing the effective age by the useful life of the asset.

Functional obsolescence is the impairment of functional capacity or efficiency caused by factors inherent in the property. These factors include but are not limited to such items as changes in current technology, discovery of new and improved materials, improved manufacturing processes, under- or over-capacities, production rates, and highest and best use. In this case, no technology, materials, processing, capacities experienced significant change or improvement, thus the functional obsolescence ratio is considered to be zero.

Economic obsolescence is the loss in value or usefulness of a property caused by factors external

to the assets. These factors include increased cost of raw materials, labour or utilities, reduced demand for the product; increased competition; environmental or other regulation; or similar factors. In this case, indicators show external factors caused the decreasing usefulness of the assets, thus the economic obsolescence ratio is considered to be 80%.

Right-of-use assets - Land use right

In view of the subject of valuation, types of values, purposes of valuation of this valuation and the information collected by the valuer, the market comparison approach was selected for land use rights in this valuation. Under the market comparison approach, the subject land was compared against similar land properties in recent market transactions close to the Valuation Date which can replace the subject land based on the market substitution principle, with appropriate revisions made to the transaction price of similar land properties, in order to estimate the objective and reasonable price of the subject land.

Other assets and liabilities

We valued trade receivables, other receivables, other payables and income tax payable based on unaudited book values, together with checking and verifying, by inquiry and confirmation, calculation and recheck the relevant account books, and original documents etc.

BASIS OF OPINION

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

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

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

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

VALUATION ASSUMPTIONS

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

- All relevant legal approvals and business certificates or licenses to operate the business in which the Target Company operates or intends to operate would be renewable upon expiry. It is a reasonable estimation based on normal business practice, which does not need to be supported by legal opinion;
- There will be no major change in the political, legal, economic and social environment in which the Target Company operates or intends to operate;
- The financial and operational information provided by the Company accurate and reliable;

- There are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value;
- The current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of the Company through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed;
- It is assumed the continuation of prudent management of the Target Company over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued;
- the Target Company will successfully carry out all necessary activities for the development of its business as a going concern;
- Key management, competent personnel and technical staff to support the ongoing operations of the Target Company; and
- The competitive advantages and disadvantages of the Company do not change significantly during the period under consideration.

VALUATION COMMENT

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the valuation assumptions set out above. 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 Company and Asia-Pacific Consulting and Appraisal Limited.

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

CALCULATION OF VALUATION RESULT

Under the asset-based approach, the calculation of the market value of the 100% equity interest in the Target Company as at the Valuation Date is as follows:

| | Book Value (Unaudited) RMB '000 | Market Value RMB '000 |
|---------------------------------|---------------------------------------|--------------------------|
| Property, plant and equipment | 10,705 | 13,530 |
| - Buildings and Structures | 10,705 | 11,376 <i>Note 1</i> |
| - Machinery and Equipment | - | 2,154 <i>Note 2</i> |
| Right-of-use assets | 54,952 | 57,420 |
| - Land use rights | 54,952 | 57,420 <i>Note 1</i> |
| Total non-current assets | 65,657 | 70,950 (a) |
| Inventories | 1,521 | 1,488 |
| Trade receivables | 5,035 | 5,035 |
| Other receivables | 17 | 17 |
| Cash and cash equivalents | 28,298 | 28,298 |
| Total current assets | 34,871 | 34,838 (b) |
| Other payables | 7,608 | 7,608 |

| | | |
|----------------------------------|---------------|-------------------------------|
| Income tax payable | 130 | 130 |
| Total current liabilities | 7,738 | 7,738 (c) |
| Total Equity | 92,790 | 98,050 (e)=(a)+(b)-(c) |

Note 1:

The valuation certificate of the property interests held by the Target Company is as follows:

| Property | Description and tenure | Particulars of occupancy | Market value in existing state as at the Valuation Date <i>RMB</i> |
|---|---|---|---|
| 3 parcels of land, 7 buildings and various structures located at Huinan Economic Development Zone, Huinan County, Tonghua City, Jilin Province, The PRC | <p>The property comprises 7 buildings and various ancillary structures erected on 3 parcels of land with a total site area of approximately 52,205.00 sq.m. completed in various stages from 2008 to 2020.</p> <p>The 7 buildings have a total gross floor area of approximately 22,928.07 sq.m., mainly including industrial buildings and ancillary management buildings.</p> <p>The structures mainly include roads, greening.</p> <p>The land use rights of the property have been granted for a term of 50 years with the expiry date of 30 January 2057 for industrial use.</p> | The property is currently occupied by the Target Company as production workshop and other ancillary facilities. | 68,796,000 |

- Pursuant to 7 Real Estate Title Certificates – Ji (2020) Hui Nan Xian Bu Dong Chan Quan Di Nos. 0006872, 0006873, 0006875, and Ji (2024) Hui Nan Xian Bu Dong Chan Quan Di Nos. 0003600, 0003601, 0003602 and 0003603, the land use rights of 3 parcels of land with a total site area of approximately 52,205.00 sq.m. have been granted to the Target Company for a term expiring on 30 January 2057 for industry use, and 7 buildings with a total gross floor area of approximately 22,928.07 sq.m. are owned by the Target Company. The details are set out as follows:

| No. | Usage | Gross Floor Area (sq.m.) |
|-----|---------------------|--------------------------|
| 1 | Production workshop | 2,424.51 |
| 2 | Office Building | 2,241.34 |
| 3 | Production workshop | 2,424.51 |
| 4 | Production workshop | 3,521.10 |
| 5 | Production workshop | 10,027.62 |
| 6 | Boiler Building | 189.95 |
| 7 | Research Building | 2,099.04 |
| | Total | <u>22,928.07</u> |

- The total market value RMB68,796,000 consists of market value of land use rights RMB57,420,000 and depreciated replacement cost of buildings and structures RMB11,376,000.

Note 2:

There are 61 items of capsule production line specialized equipment and office electronic equipment. Each item was valued separately in this exercise, and the market value of this account is the sum of the market value of 61 items. The differences between the book value and market value are mainly attributable to that the machinery and equipment has been written down to zero book value during the industry downturn by the management based on International Accounting Standard 36- Impairment of Assets.

OPINION OF VALUE

Based on the results of our investigations and analyses, we are of the opinion that the market value of 100% equity interest of the Target Company as at the Valuation Date is reasonably stated approximately at the amount of **RMB 98,050,000 (RENMINBI NINETY-EIGHT MILLION FIFTY THOUSAND YUAN ONLY)**.

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 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.