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14 March 2025

The Board of Directors
EPS Creative Health Technology Group Limited
Flat A, 17th Floor
Gemstar Tower
23 Man Lok Street
Hung Hom, Kowloon
Hong Kong

Our Ref: NK/BV241211R

Dear Sirs,

Re: Valuation of 51% equity interest of Biotube Co., Ltd.

In accordance with your instruction, we have conducted a valuation of the market value of 51% equity interest of Biotube Co., Ltd. (the "**Business Enterprise**"). It is our understanding that the Business Enterprise is principally engaged in in-house research and development in relation to the projects of (i) autologous sheet tissue for autograft by in-body tissue architecture for the patients of refractory diabetic foot ulcer ("**Biosheet**"); and (ii) autologous tubular tissue for autograft by in-body tissue architecture for the patients of lower extremity peripheral arterial disease ("**Biotube**") in Japan. We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of 51% equity interest of the Business Enterprise as at 31 December 2024 (the "**Valuation Date**").

This report states the purpose of valuation and basis of value, sources of information, identifies the business valued, describes the methodology of our valuation, investigation and analysis, assumptions and limiting conditions, and presents our opinion of value.

1.0 PURPOSE OF VALUATION

This report is being prepared solely for the use of the directors and management (together, the "**Management**") of EPS Creative Health Technology Group Limited (the "**Company**") for internal reference and incorporation into the circular of the Company in connection with proposed disposal of the Business Enterprise. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited. As advised, the Company intends to dispose 51% equity interest of the Business Enterprise.

Peak Vision Appraisals Limited ("**Peak Vision Appraisals**") acknowledges that this report may be used by the Management as one of the sources of information for the proposed disposal of the Business Enterprise and may also be made available to the auditors of the Company for auditing reference only. The proposed disposal, if materialised, and the corresponding transaction price would be the result of negotiations between the transacting parties. The Management should be solely responsible for determining the consideration of the proposed disposal, in which Peak Vision Appraisals is not involved in the negotiation and has no comment on the agreed consideration. Peak Vision Appraisals assumes no responsibility whatsoever to any person other than the Management in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

2.0 BASIS OF VALUE

Our valuation has been prepared in accordance with the HKIS Valuation Standards 2024 published by the Hong Kong Institute of Surveyors (the "**HKIS**"), the RICS Valuation – Global Standards (Effective from 31 January 2025) published by the Royal Institution of Chartered Surveyors (the "**RICS**") and the International Valuation Standards (Effective 31 January 2025) published by the International Valuation Standards Council, where applicable.

Our valuation of the Business Enterprise is based on the going concern premise and conducted on market value basis. **Market Value** 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".

3.0 SOURCES OF INFORMATION

In the course of our valuation, we have had discussion with the Management on the development of the Business Enterprise and the prospect of the biotechnology and medical research industry in Japan. We have also relied on the following major documents and information in the valuation analysis. Some of the information and materials are furnished by the Management. Other information is extracted from public sources such as government sources, Refinitiv, Kroll Cost of Capital Navigator*, etc.

* *Kroll Cost of Capital Navigator is a global cost of capital tool and data delivery platform developed by Kroll Inc. (rebranded from Duff & Phelps LLC in 2022), which is a leading independent corporate investigation, risk consulting and financial advisory solutions provider established in 1972.*

The major documents and information include the following:

- Copies of certificate(s) or license(s) and other relevant information of the Business Enterprise as provided by the Management or extracted from public sources;
- Company profile of the Business Enterprise;
- Historical financial information such as income statements and balance sheet of the Business Enterprise as provided by the Management;
- Operational information of the Business Enterprise as discussed with the Management; and

- Industry and economic data.

As agreed with the Company, a visit to the company premises of the Business Enterprise is not required since the research and development of its products have been majority outsourced to a Contract Research Organization (CRO), and the Business Enterprise's office functions mainly serve as an administrative, project coordination and analysis office. We have been provided with photos of this administrative office. Additionally, we have conducted interviews with the management team of the Business Enterprise. Based on the agreed terms, we will perform our valuation using the information provided.

4.0 LIMITATIONS AND RELIANCE ON INFORMATION

We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

This report is based upon business, financial and other information provided by the Management. We have made reference to or reviewed the above information and data and assumed such information and data are true and accurate without independent verification except as expressly described herein. We have made reasonable enquiries and exercised our judgment on the reasonable use of such information and found no reason to doubt the accuracy or reliability of the information.

Preparation of this report does not imply that Peak Vision Appraisals has audited in any way the financial or other information of the Business Enterprise. It is understood that the financial information provided is prepared in accordance with generally accepted accounting principles and has been prepared in a manner which truly and accurately reflects the financial performances and positions of the Business Enterprise as at the respective financial statement dates.

In arriving at our opinion of value, it is assumed that the projections provided to us are based on the assumptions reflecting the best available estimates, judgment and knowledge of the Management in relation to the proposed operations and are reasonable, reflecting market conditions and economic fundamentals. However, we do not express any opinion regarding the accuracy of the projections provided by the Management.

We do not express an opinion as to whether the actual results of the operations of the Business Enterprise will approximate the projections because assumptions regarding future events by their nature are not capable of independent substantiation. We are making no representation that the business operations will be successful, or that market growth and penetration will be realized.

5.0 BUSINESS REGISTRATION DETAILS

5.1 Business Enterprise

Biotube Co., Ltd. (the Business Enterprise), officially known as "バイオチューブ株式会社", is a company incorporated in Japan on 30 May 2017 with corporate registration number (i.e. 会社法人等番号) 1200-01-206172. The registered office address of the Business Enterprise is 日本東京都中央區新川二丁目13番11号内田ビル4階.

5.2 Shareholding Structure

As confirmed by the Management, the extracted shareholding structure of the Business Enterprise as at the Valuation Date is tabulated as follows:

EPS Creative Health Technology Group Limited
(the Company)

↓ Approximately 51%

Biotube Co., Ltd.
(the Business Enterprise)

Figure 1: Extracted shareholding structure of the Business Enterprise as at the Valuation Date

Source: Management

6.0 BUSINESS OVERVIEW

The Business Enterprise is principally engaged in in-house research and development in relation to the projects of (i) autologous sheet tissue for autograft by in-body tissue architecture for the patients of Refractory diabetic foot ulcer (Biosheet); and (ii) autologous tubular tissue for autograft by in-body tissue architecture for the patients of lower extremity peripheral arterial disease (Biotube). As advised by the Management, Biosheet and Biotube (together, the "**Products**") originated from the development of autologous transplant tissues using in vivo body tissue aplasty (the "**iBTA**") technology by the National Cerebral and Cardiovascular Center of Japan. The Business Enterprise aims to form tubular tissues (i.e. Biotube) or membranous tissue (i.e. Biosheet) by embedding a plastic or metal "mold" under the patient's skin, which can then be used as tissue for transplantation after removal.

6.1 iBTA Technology

The Business Enterprise's core technology is the iBTA technology. When a foreign object is implanted in a living body, a biological reaction called encapsulation occurs in which fibroblasts accumulate around the foreign object and secrete collagen to cover the foreign object. iBTA technology utilizes this phenomenon to create an "autologous tissue" that can be used as a transplant. In other words, by implanting a plastic or metal mold under the patient's skin for a month or two, a tissue body made of the patient's own collagen will be formed. By taking out this tissue and removing it from the mold, it is possible to obtain a tissue that matches the shape of the mold.

Depending on the shape of the mold, tubular tissues (i.e. Biotubes) or membranous tissues (i.e. Biosheets) can be obtained. Biotubes are used to repair defects in blood vessels, etc., whereas Biosheets are used to repair defects in the dura mater, cornea, heart muscle, etc. The Business Enterprise is also developing biovalves which are used to form heart valves.

6.2 Biotubes

As at the Valuation Date, the Business Enterprise has successfully created the Biotubes of various diameters and thicknesses, including microbiotubes with an inner diameter of 0.6 mm in animal experiments. Furthermore, by using a spiral mold, the Business Enterprise has succeeded in producing the Biotubes over 20 cm in length.

Animal experiments have shown that when a biotube is implanted into the femoral artery of a beagle dog, the vascular wall, which is made up of aSMA-positive cells and vascular endothelial cells, is rebuilt in the lumen, and no thrombus or other adhesion occurs. In beagle dogs, long-term patency for up to 8 years has been achieved, with no aneurysm or stenosis observed during that time. In addition, as a result of transplantation into a young dog, the blood vessels made of the transplanted biotube also grow, and one year after transplantation, the diameter increases by up to 1.5 times and the length increases by up to 1.5 times, which is in line with the growth of the dog's body.

6.3 Biosheets

Using the similar iBTA technology of the Biotubes, the Business Enterprise is also developing the Biosheets. Biosheets are made by open cutting the Biotubes. A biosheet with a thickness of 0.5 mm made from goats has superior mechanical properties compared to goat pericardium, and animal experiments using rats have shown that it can be used as a scaffold for myocardial regeneration by patching it into myocardial defects.

6.4 Potential Application

As advised by the Management, some of the potential applications of the Products under development are shown as follows:

Dialysis shunt vascular bypass

In dialysis, it is necessary to remove a large amount of blood, so a blood vessel called a "shunt" is created by anastomosing an artery and a vein. However, shunt vessels can become narrowed for various reasons. For such cases, clinical trials are underway to create artificial blood vessels using the Biotubes and create bypasses in the stenotic areas.

Severe lower limb ischemia

Critical limb ischemia is a condition in which poor circulation due to arteriosclerosis progresses and is a serious disease that can lead to limb amputation or death. There is a surgical method to replace clogged blood vessels with artificial blood vessels, but there is no artificial blood vessel with a small diameter of 5 mm or less that can be used in peripheral arteries below the knee, so it could not be applied to lower limb ischemia. The Business Enterprise's iBTA technology allows the production of such small-diameter biotubes, and the use of biotubes as bypass artificial blood vessels is expected to have therapeutic effects. Since a length of 30 cm or more is required to use as a bypass blood vessel, the Business Enterprise is developing long artificial blood vessels.

6.5 Patents

As advised by the Management, as at the Valuation Date, the Business Enterprise owns several authorized patents (the "**Patents**") related to its products. Details of the Patents granted by the Japan Patent Office are summarized as follows:

文献番号	出願番号	Application date	Publication date	Invention name
特許6978142	特願 2021-141332	31 August 2021	8 December 2021	組織体形成装置、および組織体形成方法
特許6931261	特願 2021-029946	26 February 2021	1 September 2021	組織体形成装置、組織体形成方法、および結合組織体
特許6875691	特願 2020-108916	24 June 2020	26 May 2021	組織体形成装置、組織体形成方法、および 結合組織体
特許6813923	特願 2020-103747	16 June 2020	13 January 2021	体性幹細胞集積組織構造体及びその製造器具
特許6789532	特願 2020-123048	17 July 2020	25 November 2020	血管内留置用ステント
特許6755052	特願 2019-128790	10 July 2019	16 September 2020	結合組織体及びその 製造方法
特許6727637	特願 2020-027293	20 February 2020	22 July 2020	組織体形成装置、組織体形成方法、および 結合組織体

Table 1: Summary of the Patents owned by the Business Enterprise

Source: Management

6.6 Historical Financial Performances and Positions

Based on the financial information provided by the Company, the historical financial performances of the Business Enterprise for the period between 1 April 2024 to 31 December 2024 is as follows:

	From 1 April 2024 to 31 December 2024 *(HK$)*
Revenue	–
Other income	4,873,000
Operating income/expenses	(5,505,000)
Operating profit/(loss)	**(632,000)**

* *Figures above are subject to rounding*

Table 2: Historical performances of the Business Enterprise

Source: Management

As at 31 December 2024, the Business Enterprise had a net asset value of approximately HK$71,359,000.

7.0 INVESTIGATION AND ANALYSIS

Our investigation included discussion with the Management in relation to the biotechnology and medical research industry in Japan, and the development, operations and other relevant information of the Business Enterprise. In addition, we have made relevant inquiries and obtained such further information including financial and business information, and statistical figures from other sources as we consider necessary for the purpose of this valuation. As part of our analysis, we have made reference to the financial information, projections and other pertinent data concerning the Business Enterprise provided to us by the Management.

The valuation of the Business Enterprise requires consideration of all pertinent factors, which affect the operations of the business and its ability to generate future investment returns. The factors considered in this valuation include the following:

- Nature and operations of the Business Enterprise;
- Historical information of the Business Enterprise;
- Financial performances and positions of the Business Enterprise;
- Proposed business development of the Business Enterprise;

- Regulations and rules of the biotechnology and medical research industry in Japan;
- Economic and industry data affecting the biotechnology and medical research industry and other dependent industries;
- Market-derived investment return(s) of similar business; and
- Industry and economic data.

8.0 GENERAL VALUATION APPROACHES AND METHODS

There are three generally accepted approaches to obtain the market value of the Business Enterprise, namely the Market Approach, the Asset Approach and the Income Approach. Under each approach, a number of methods are available which can be used to assess the value of a business subject. Each method uses a specific procedure to determine the business value.

Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the specific characteristics of the subject of the valuation. It is also common practice to employ a number of valuation methods under each approach. Therefore, no single business valuation approach or method is definitive.

8.1 Market Approach

The Market Approach values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative. By adopting this approach, we will first look for an indication of value from the prices of other similar companies or equity interest in companies that were sold recently.

The right transactions employed in analyzing for indications of value need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

The derived multiples (most commonly used are: price to earnings, price to sales and price to book multiple) based on the analysis of those transactions are then applied to the fundamental financial variables of the subject business entity to arrive an indication of value.

8.2 Asset Approach

The Asset Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals the value of its invested capital (equity and debt capital). In other words, the value of the business entity is represented by the fund that has been made available to purchase the business assets needed.

This fund comes from investors who buy stocks of the business entity (equity) and investors who lend fund to the business entity (debt). After collecting the total amounts of fund from equity and debt, and converted into various types of assets of the business entity for its operations the sum of such assets equals the value of the business entity.

From a valuation perspective, we will restate the values of all types of assets of a business entity from book values, i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, we can identify the indicated value of the business entity, or, by applying the accounting principle "assets minus liabilities", to arrive at the value of the equity interest of the business entity.

8.3 Income Approach

The Income Approach focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the life of the business entity.

Based on this valuation principle, the Income Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

9.0 VALUATION ANALYSIS

9.1 Valuation Approaches

In the process of valuing the Business Enterprise, we have taken into consideration the business nature, specialty of its operations, its current condition, and the industry it is participating. Having considered the three general valuation approaches, we consider that the Income Approach would be appropriate and reasonable in the valuation of the market value of the Business Enterprise.

In this valuation, the Market Approach is not adopted as we consider it to be less representative than the Income Approach since the Market Approach may not fully reflect the economic benefits attributable to the Business Enterprise. Compared to the Market Approach, the Income Approach specifically considers the projected income of the Business Enterprise derived from the Products. Meanwhile, there are limited guideline public companies and comparable transactions with similar portfolio risks and rewards to form a reliable basis for our opinion. The Asset Approach is not appropriate as it ignores the future economic benefits of the business as a whole. We have therefore solely relied on the Income Approach in determining our opinion of value.

It is simple adopting the Income Approach to state the value of a business entity in present value terms. This method is well accepted by most analysts and practitioners. One common method under the Income Approach is by looking from the perspective of the firm's investors including shareholders and debtholders. That is the free cash flow available to the business as a whole.

9.2 Projections of the Business Enterprise

According to the Company, as at the Valuation Date, Biotube was undergoing the exploratory clinical trial stage whereas Biosheet was waiting for the final report of its exploratory clinical trial stage. The preparation of confirmatory clinical trial for Biosheet was also initiated. The Company expects the clinical trials of the Products will continue in 2025 and 2026. Projected revenue in 2025 and 2026 are only government subsidies covering portions of the clinical trial expenses. The Company expects the Products will be launched by the end of 2027.

For the projected revenue after the launch of Biosheet up to 31 December 2030, the Company derived the projected revenue by estimating the total number of diabetes patients according to statistics published by the Ministry of Health, Labour and Welfare of Japan, the frequency of lower limb amputation among diabetic patients according to empirical research and with estimated penetration rates. The unit price of Biosheet was determined with reference to one of the approved medical instrument for ulcer treatment.

For the projected revenue after the launch of Biotube up to 31 December 2030, the Company derived the projected revenue by estimating the number of hospitalized patients with obstructive peripheral artery disease according to statistics published by the Ministry of Health, Labour and Welfare of Japan and with estimated penetration rates. The unit price of Biotube was determined with reference to the unit price of general artificial blood vessel in Japan.

In the course of our valuation, we have adopted the projections attributable to the Business Enterprise for the next 6 years ended 31 December prepared by the Company, which are presented as follows:

	Year ended 31 December					
(JPY million)	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Revenue	161	182	330	7,361	11,015	14,497
Less: operating expenses	(220)	(241)	(288)	(6,434)	(9,627)	(12,670)
Operating profit/(loss)	**(59)**	**(59)**	**42**	**927**	**1,388**	**1,827**

* *Figures above are subject to rounding*

** *Our valuation is based on the projections provided by the Management as above. We do not express any opinion regarding the accuracy of the projections provided by the Management*

Table 3: Projected performance of the Business Enterprise

Source: Management

9.3 Discount Rate

In determining the discount rate, we have applied the weighted average cost of capital appropriate for the Business Enterprise, which is based on an estimation of the cost of equity and cost of debt. Based on our analysis, which is set out below, the discount rate as at the Valuation Date was 15.1%, which is a nominal post tax discount rate applied to nominal post tax cash flows.

We have determined the discount rate adopted in the Income Approach based on the weighted average cost of capital ("**WACC**") appropriate for the Business Enterprise. It is the minimum required return that a valuation subject must earn to satisfy its various capital providers including shareholders and debtholders. The WACC is calculated taking into account the relative weights of each component of the capital structure. In the course of our analysis, the discount rate adopted in our valuation follows the formula:

Discount rate = We × Re + Wd × Rd × (1 − T)

in which

Re = cost of equity

Rd = cost of debt

We = portion of equity value to enterprise value

Wd = portion of debt value to enterprise value

T = corporate tax rate

i) ***Cost of equity***

From a modern portfolio management perspective, typical investors are risk-averse and rational. They make all investment decisions based on risk and return of an investment opportunity. The cost of equity, therefore, should account for the risk premium, which is the required additional return over the risk free rate. Additional risk premiums such as country risk premium, size premium and specific risk premium are added to reflect other risk factors concerning the Business Enterprise. All the estimates are supported by public data sources such as Refinitiv and Kroll Cost of Capital Navigator. We have used the capital asset pricing model ("**CAPM**") to determine the appropriate cost of equity of the Business Enterprise.

Cost of equity = risk free rate + equity beta x market risk premium + size premium + country risk premium + specific risk premium

The CAPM states that the required return of the asset is based on the non-diversifiable risk, as represented by the beta, and the market return and the risk free rate. In estimating the beta, we have identified comparable companies based on the criteria that they are engaged in the biotechnology and medical research activities according to The Refinitiv Business Classification and listed in Japan. The 18 selected comparable companies listed as follows are based on exhaustive search according to Refinitiv:

Refinitiv Ticker	Name	Company market capitalization *(HK$ 'million)*	Total debt *(HK$ 'million)*	Geared beta	Debt to equity ratio	Tax rate	Ungeared beta [1]
2160.T	GNI Group Ltd	8,458	373	1.10	4.41%	30.12%	1.06
2183.T	Linical Co Ltd	424	140	0.77	32.94%	48.77%	0.66
2370.T	Medinet Co Ltd	472	0	0.81	0.01%	30.62%	0.81
2395.T	Shin Nippon Biomedical Laboratories Ltd	3,417	1,901	0.97	55.63%	17.08%	0.66
2397.T	DNA Chip Research Inc	216	0	1.25	0.00%	30.62%	1.25
2929.T	Pharma Foods International Co Ltd	1,439	699	0.94	48.57%	59.35%	0.79
4572.T	Carna Biosciences Inc	284	3	0.89	1.11%	30.62%	0.88
4583.T	Chiome Bioscience Inc	892	16	1.05	1.84%	30.62%	1.04
4594.T	BrightPath Biotherapeutics Co Ltd	195	18	1.32	9.02%	30.62%	1.24
4881.T	FunPep Co Ltd	215	0	1.16	0.00%	30.62%	1.16
4884.T	Kringle Pharma Inc	294	0	1.16	0.00%	30.62%	1.16
4890.T	Tsubota Laboratory Inc	490	6	0.51	1.13%	8.18%	0.50
4891.T	TMS Co Ltd	435	0	1.24	0.00%	30.62%	1.24
4892.T	Cyfuse Biomedical KK	182	43	0.72	23.76%	30.62%	0.62
4974.T	Takara Bio Inc	6,222	0	0.75	0.00%	19.18%	0.75
6090.T	Human Metabolome Technologies Inc	179	12	0.58	6.69%	7.12%	0.54
6190.T	PhoenixBio Co Ltd	66	24	0.58	36.14%	55.88%	0.50
7777.T	3-D Matrix Ltd	861	197	0.73	22.90%	30.62%	0.63
Mean					13.56%		0.86
Standard deviation					18.43%		0.27
Mean excluding outliers [2]					5.06%		0.79

* *Figures above are subject to rounding*

Notes:

1. The ungeared beta is derived by the geared beta, tax rate and debt to equity ratio of the respective comparable companies with the formula: Ungeared beta = geared beta/(1 + (1 – tax rate) × debt to equity ratio).

2. Sample values outside one standard deviation of the mean are determined as outliers.

Table 4: Data and figures of the comparable companies that have been considered in our valuation

Source: Refinitiv

The above data and figures were used to determine the WACC of the Business Enterprise. Based on the above table, the mean excluding outliers of the debt to equity ratio is 5.06% whereas the mean excluding outliers of the ungeared beta is 0.79. The ungeared beta needs to be re-geared up again at the comparable companies' industry average capital structure and the corporate income tax of the Business Enterprise with the formula:

Ungeared beta × (1 + (1 − corporate income tax of the Business Enterprise) × comparable companies' industry average debt to equity ratio
= 0.79 × (1 + (1 − 30.62%) × 5.06%)
= 0.82

The resulting geared up beta of 0.82 represents the equity beta to be adopted in our cost of equity calculation shown as follows:

Cost of equity calculation:

(1) Risk free rate[1]	1.10%
(2) Equity beta[2]	0.82
(3) Market risk premium[3]	7.17%
(4) Size premium[4]	2.91%
(5) Country risk premium[5]	0.94%
(6) Specific risk premium[6]	5.00%
Cost of equity	**15.80%**

* *Figures above are subject to rounding*

Notes:

1 This is the 10-year yield of the Japan Government Bond Benchmark Yield Curve, which is a mature market risk free rate.

2 This is the adjusted beta by making reference to publicly listed companies with comparable business nature and operations, which are sourced from Refinitiv.

3 Market risk premium = market rate of return − risk free rate. To derive a long-term, equity risk premium, we refer to the long-horizon expected equity risk premium for the United States (based on historical data), published by Kroll Cost of Capital Navigator. A mature market equity risk premium is used since we derive a stable, long-term discount rate adopted in the valuation; therefore we have adopted the average market return of the United States instead of one from developing equity markets. The country risk premium (in Note 5 below) reflects the expected operating location of the Business Enterprise.

4 Based on the research published by Kroll Cost of Capital Navigator, the CAPM does not fully account for the higher returns of smaller company stocks. According to their research data of historical returns from 1926 – 2023 of micro-cap companies, the size premium (returns in excess of those predicted by CAPM) is 2.91%.

5 This is the increased risk with operating in Japan, where the risk profile is different to the market premium applied in our analysis, including business risk, financial risk, liquidity risk, exchange rate risk & country risk. We refer to the data and methodology derived on Damodaran Online (http://pages.stern.nyu.edu/~adamodar/), updated for 2025, in determining the country risk premium for the Business Enterprise. Damodaran Online is prepared by Aswath Damodaran, who is currently a Professor of Finance at the Stern School of Business at New York University. Mr. Damodaran has published several books, including four books on equity valuation and two on corporate finance. He has also published papers in the Journal of Financial and Quantitative Analysis, the Journal of Finance, the Journal of Financial Economics and the Review of Financial Studies.

6 Considering the specific risk of the Business Enterprise, we have applied an additional risk premium to the cost of equity.

Given the above variables, we have derived the cost of equity of 15.80%.

ii) Cost of debt

The cost of debt represents the estimated required return of debt financing for the Business Enterprise when borrowing or issuing debt (such as corporate bonds). We have estimated the cost of debt by applying the Japan long term prime rate of 1.9%.

iii) Weight of debt

To stay competitive in the industry, it is reasonable to assume that the Business Enterprise, over time, would operate at a debt level close to the average of the weight of debt of its industry comparables. Through the analysis of the industry comparables, the weight of debt is estimated as 5%.

iv) Weight of equity

The weight of equity is estimated as 95% by adopting the same basis as above.

v) Corporate income tax rate

As at the Valuation Date, the corporate income tax rate in Japan was 30.62%.

Based on our foregoing analysis, the discount rate adopted for the valuation of the Business Enterprise is calculated as follows:

Discount rate = 95% x 15.80% + 5% x 1.90% x (1 – 30.62%)
≈ 15.10%

* *Figures above are subject to rounding*

9.4 Corporate Income Tax

We have adopted a tax rate of 30.6%, which was the corporate income tax rate of Japan as at the Valuation Date.

9.5 Non-cash Working Capital Investment

By referring to researches performed by Aswath Damodaran, the non-cash working capital investment is estimated to be approximately 22.8% of the projected annual revenue.

9.6 Success Rate

In the course of our valuation, we have adopted a success rate of 42.5% for the commercialization approval of the Products according to the stage of development of the Products as at the Valuation Date as advised by the Management.

9.7 Maintenance Capital Expenditure

The maintenance capital expenditure is assumed to be the same as depreciation and therefore completely offset by depreciation expense.

9.8 Terminal Growth Rate

The terminal growth rate adopted is 2.0%, which is based on the projected inflation rate sourced from the International Monetary Fund.

9.9 Non-operating Assets and Liabilities

In computing the market value of the Business Enterprise, we have adjusted the cash, debts and other net non-operating assets and liabilities as at the Valuation Date. Based on financial information provided by the Management, the cash, debts and other net non-operating assets and liabilities are as follows:

	(JPY '000)
Cash	29,479
Debts	–
Other net non-operating assets and liabilities	(50,220)

* *Figures above are subject to rounding*

9.10 Lack of Marketability Discount

We have adopted a discount for lack of marketability of approximately 20.4% as ownership interest in closely held companies are typically not readily marketable compared to similar interest in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

The discount of 20.4% was determined with reference to Stout Restricted Stock Study Companion Guide (2024 Edition).

9.11 Valuation summary

A summary of the valuation process is shown as the following discounted free cash flow table:

Currency: JPY '000

Year Date			2025-12-31	2026-12-31	2027-12-31	2028-12-31	2029-12-31	2030-12-31	Terminal cash flow
Revenue			160,510	182,000	330,376	7,360,942	11,014,951	14,497,239	14,787,184
Less: operaating expenses			-219,226	-240,716	-288,000	-6,434,00	-9,627,000	-12,670,000	-12,923,400
Operating profit/(loss)			-58,716	-58,716	42,376	926,942	1,387,951	1,827,239	1,863,784
Less: operating income tax	30.6%		0	0	-12,975	-283,829	-424,991	-559,500	-570,691
Operating profit/(loss) after tax			-58,716	-58,716	29,401	643,113	962,960	1,267,739	1,293,093
Adjustments									
Depreciation & amortization			0	0	0	0	0	0	0
Non-cash working capital investment	22.8%		-76,325	-4,902	-33,846	-1,603,736	-833,512	-794,342	-66,139
Maintenance capital expenditure			0	0	0	0	0	0	0
Free cash flows before Success Rate			-135,041	-63,618	-4,445	-960,623	129,448	473,397	1,226,954
Success Rate			100.0%	100.0%	100.0%	42.5%	42.5%	42.5%	42.5%
Free cash flows after Success Rate			-135,041	-63,618	-4,445	-408,265	55,015	201,194	521,456
Terminal value[1]									3,980,578
Discount period			0.50	1.50	2.50	3.50	4.50	5.50	
Discount factor[2]			0.93	0.81	0.70	0.61	0.53	0.46	
Present value of free cash flows			-125,872	-51,519	-3,128	-249,562	29,218	92,833	1,836,673
Value of operating assets		1,528,643							
Ajustment									
Other net non-operating assets and liablities		-50,220							
		1,478,423							
Lack of marketabilty discount	20.4%	-301,599							
		1,176,824							
Add: Cash		29,479							
Less: Debts		0							
100% equity interest of the Business Enterprise		1,206,303							
51% equity interest of the Business Enterprise		615,215							

Notes:

(1): The terminal value is calculated by terminal free cash flow after success rate/(r-g); whereas r is the discount rate i.e. 15.10% and g is the terminal growth rate i.e.2.0%

(2): The discount factor is calculated by $1/(1 + r)^n$, whereas r is the discount rate i.e. 15.10% and n is the discount period

10.0 VALUATION ASSUMPTIONS

- The knowhow relating to the Products will not be copied or infringed upon in a manner which would materially affect the profitability derived from the Products;

- The Products will be developed and commercialised according to the timetable of the estimated development plan as provided by the Company;

- For the Business Enterprise to continue as a going concern, the Business Enterprise will successfully carry out all necessary activities for the development of its business;

- Key management, competent personnel, professional and technical staff will all be retained to support the ongoing operations of the Business Enterprise;

- The availability of finance will not be a constraint on the forecast growth of the Business Enterprise's operations in accordance with the business plans;

- Market trends and conditions where the Business Enterprise operates will not deviate significantly from the economic forecasts in general;

- The financial information of the Business Enterprise as supplied to us has been prepared in a manner which truly and accurately reflects the financial performances and positions of the Business Enterprise as at the respective financial statement dates;

- There will be no material changes in the business strategy of the Business Enterprise and its operating structure;

- Interest rates and exchange rates in the localities for the operations of the Business Enterprise will not differ materially from those presently prevailing;

- All relevant approvals, business certificates, licences or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the Business Enterprise operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and

- There will be no major changes in the political, legal, technological, economic or financial conditions and taxation laws in the localities in which the Business Enterprise operates or intends to operate, which would adversely affect the revenues and profits attributable to the Business Enterprise.

11.0 LIMITING CONDITIONS

Our conclusion of the market value is derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. This valuation reflects facts and conditions existing as at the Valuation Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report is reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis, are gathered from reliable sources, however, no guarantee is made nor liability assumed for the accuracies.

We have relied to a considerable extent on the information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibility for operational and financial information that has not been provided to us is accepted.

We have not investigated the title to or any legal liabilities against the Business Enterprise and have assumed no responsibility for the title to or any legal liabilities against the Business Enterprise. In forming our opinion, we have assumed that matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings.

To the extent that there are legal issues relating to financial instruments, assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Peak Vision Appraisals assumes no responsibility and offers no legal opinion or interpretation on any issue.

In accordance with our standard practices, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. Furthermore, the report and conclusion of value are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of value represents the consideration based on information furnished by the Management/engagement parties and other sources. No responsibility is accepted to any third party for the whole or any part of its contents.

Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

We would particularly point out that our valuation is based on the information such as company background, business nature, market share, future prospects as well as the business plan and projections of the Business Enterprise provided to us.

12.0 REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Japanese Yen (JPY). The exchange rate adopted in our valuation is approximately HK$1 = JPY20.2330, which was the approximate prevailing exchange rate as at the Valuation Date.

The Management has reviewed and confirmed the factual content and has agreed to the assumptions and limiting conditions of this report.

We hereby confirm that we have no material connection or involvement with the Business Enterprise, the Company and its subsidiaries, associates, affiliates, or the value reported herein and that we are in a position to provide an objective and unbiased valuation.

Peak Vision Appraisals has previously been involved in the valuation of the Business Enterprise and Mr. Nick C. L. Kung has been the signatory to the valuation since 2024. For the subject valuation, Peak Vision Appraisals does not yet adopt a rotation policy, and instead, our valuation will be periodically reviewed by another member of the HKIS and/or the RICS, where applicable.

In accordance with the RICS Valuation – Global Standards (Effective from 31 January 2025), we are also required to draw your attention to the possibility that this valuation may be investigated by the RICS for compliance with such standards.

The proportion of total fees payable by the Company during the preceding year relative to the total fee income of Peak Vision Appraisals is minimal.

13.0 OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed and key assumptions appended above, we are of the opinion that the market value of 51% equity interest of the Business Enterprise as at the Valuation Date was in the sum of **JPY615,215,000 (JAPANESE YEN SIX HUNDRED AND FIFTEEN MILLION TWO HUNDRED AND FIFTEEN THOUSAND ONLY)**.

Yours faithfully,
For and on behalf of
Peak Vision Appraisals Limited

Nick C. L. Kung
MRICS, MHKIS, R.P.S. (GP), RICS Registered Valuer, MCIREA
Director
Corporate Valuations

Chern Sung Lee
CFA, CPA, MRICS
Director
Corporate Valuations

Note: (1) Mr. Nick C. L. Kung is a member of the Royal Institution of Chartered Surveyors (the RICS) and member of the Hong Kong Institute of Surveyors (the HKIS), RICS Registered Valuer, Registered Professional Surveyor (General Practice) and Registered Business Valuer of the Hong Kong Business Valuation Forum (HKBVF) and has more than 20 years of experience in the valuation of business assets and business entities in Hong Kong and overseas.

(2) Mr. Chern Sung Lee is a CFA Charterholder, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Royal Institution of Chartered Surveyors and has more than 10 years of experience in the valuation of business assets and business enterprises in Hong Kong and overseas.