DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

SUPPLEMENTAL ANNOUNCEMENT

DISCLOSEABLE TRANSACTION SUBSCRIPTION OF REGISTERED CAPITAL IN THE TARGET COMPANY

Reference is made to the announcement of Daisho Microline Holdings Limited (the "**Company**") dated 28 March 2025 (the "**Announcement**") in relation to, among other things, the Capital Injection. Unless otherwise required by the context, the terms used in this announcement shall have the same meaning as those defined in the Announcement.

In addition to the information contained in the Announcement, the Board would like to provide supplemental information on the Capital Injection to the Shareholders and potential investors of the Company as follows:

THE BASIS OF THE PROFIT GUARANTEE

The formula for the Profit Guarantee is determined based on the aggregate projected after-tax net profits for the year 2025 to 2028 of RMB70,000,000, which is determined based on the net profit forecast prepared by the Target Company taking into account, among other things, the historical consultation fee data, prevailing market benchmarks, estimated growth in the number of patients and members and planned capital investments over the years, and is equivalent to an average projected after-tax net profit of RMB17,500,000 each year. The price-earnings ratio of 9.14 is obtained by dividing the valuation amount of RMB160,000,000 by the average projected after-tax net profit of RMB17,500,000 and is adopted as benchmark for calculation for the Profit Guarantee. For further details of the calculation of the Profit Guarantee, please refer to the paragraph headed "Profit Guarantee" in the Announcement, which sets out the formula for calculation of the amount of compensation to be paid in cash by the Target Shareholders in the event that the actual aggregate net profit after tax of the Target Company falls short of the guaranteed profit under the Profit Guarantee.

The Board is positive on the profit generating capacity of the Target Group to achieve the Profit Guarantee because the Board is confident on the prospects of the operations of the Target Group and the qualifications of the professional team of the Target Group, who are authoritative experts from top tier domestic medical institutions in the PRC, including Peking Union Medical College Hospital and Peking University First Hospital, with more than 30 years of clinical experience, industry resources and connections, which can be transformed into potential client pool for the Target Group. Furthermore, the Target Group has been going through the initial stage of heavy upfront investment and refining of its business model and is expected to enter into the subsequent stage of rapid development, whereby it will reap the results of its investment. From late 2024 to early 2025, the Target Group has entered into five cooperation agreements with hospitals, clinics, insurance companies and the subsidiary of a leading technology conglomerate company listed in Hong Kong for a term of 1 to 4 years, pursuant to which the Target Group will promote and sell its products and services on the counterparties' platform and the sale proceeds of products and/or service fees will be shared among the parties with around 15% to 20% of the sale proceeds to be shared to the counterparties, and therefore the Target Group is expected to be well on track to achieve the Profit Guarantee in the coming years.

DETAILS OF THE VALUATION OF THE TARGET COMPANY

The valuation of the Target Company was conducted by BonVision International Appraisals Limited (the "**Valuer**") with 28 February 2025 (the "**Valuation Date**") as the valuation date. The Valuer arrived at the market value of the Target Company as RMB160,000,000.

Valuation Methodology

The Valuer had considered three generally accepted approaches in the valuation, namely (i) the income-based approach; (ii) the market-based approach; and (iii) the asset-based approach. In the process of valuing the Target Company, the Valuer has taken into account of the operation, financial information and nature of the Target Company and decided to adopt the income-based approach for the following reasons:

a) the market-based approach was not adopted since the financials of the Target Company was not normalised;

b) the asset-based approach was also not adopted because it could not capture the future earning potential of the Target Company; and

c) with regard to the business development and operation status of the Target Company, the Valuer considered that the Target Company is at development stage. Having considered the future development and the uniqueness of the business operation of the Target Company, the future earnings potential of the Target Company with its company specific assumptions can be better reflected under the income-based approach.

Taking into account the factors above, the income-based approach is considered as an appropriate valuation approach for valuation of the Target Company.

Key assumptions underlying the Financial Projections

The valuation was mainly based on the projections of the future cash flows. The Target Company's revenue is primarily generated from outpatient services, basic membership services, monthly chronic disease management services, and physical examinations. The projected income of the Target Company was mainly determined based on the unit fee per outpatient and healthcare management service.

The projected sales for 2026 to 2030 are RMB35,575,572, RMB48,796,798, RMB58,310,877, RMB73,075,238 and RMB83,428,047 respectively, which is based on the sales forecast prepared by the Target Company and provided to the Company.

From the sales forecast prepared by the Target Company, the revenues of the Target Company are mainly derived from its healthcare service business and the number of patients has been on an increasing trend historically. The revenue of the Target Company are RMB1,876,060, RMB1,955,891 and RMB1,813,069 for the year ended 31 December 2022, 2023 and 2024. The increase in the number of patients is expected to continue, which would attribute to an increase in the projected revenues with the same unit price. Demand in the market is expected to grow on an annual basis over the forecast period as the number of chronic disease patients is expected to grow due to aging population in China and in view of the "Healthy China 2030" policies of the PRC government to promote the rapid development of the medical, aged care and healthcare industries. With reference to the "14th Five-Year National Health Plan" published by the State Council, the scale of China's macro health industry is expected to exceed RMB20 trillion in 2030.

As such, the number of patients is expected to grow annually over the forecast period in line with the expansion of the overall market demand. The unit fee of outpatient is forecasted with reference to general market price based on seniority of the physician. The annual basic membership service unit fee is determined based on the cost of one multidisciplinary consultation, the services of a private doctor, and the time cost spent by the health assistants on the member. The monthly management service unit fee for chronic diseases is determined based on the actual number of multidisciplinary consultations, the time required for proactive management, and the system costs incurred. Reference is also made to the unit price of other private medical institutions. Following 2030, the revenue is expected to grow at an annual rate of 2.00%. The gross margin is estimated to be approximately 70% for the year 2030, whereas the gross margin for year 2022, 2023 and 2024 is 37.10%, 32.17% and 11.91%, respectively.

The gross margin is estimated as set out below:

	Year 2026	**Year 2027**	**Year 2028**	**Year 2029**	**Year 2030**	**Terminal**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Revenue	35,575,572	48,796,798	58,310,877	73,075,238	83,428,047	85,096,608
Cost of Goods Sold	11,048,445	15,207,383	18,187,363	21,763,339	26,054,511	26,575,601
Gross Profit	24,527,127	33,589,415	40,123,514	51,311,899	57,373,536	58,521,007
Gross Profit Margin	68.94%	68.84%	68.81%	70.22%	68.77%	68.77%

The major expenses of the Target Company were referenced to general market data and the historical data. The sales and marketing expense was expected to be 6.85% of total revenue in 2026 to 5.26% in 2030, and the administrative expense was expected to be 9.09% of the total revenue in 2026 to 3.95% in 2030, with reference to management expectation.

In relation to the income tax, the Target Company subject to the China corporate tax rate of 25.00%.

Valuation Assumptions

Details of the key assumptions underlying the valuation report are set out below:

General Assumptions

a) There will be sufficient supply of technical staff in the industry in which the Target Company operates, and the Target Company will retain competent management, key personnel and technical staff to support its ongoing operations and developments.

b) There will be no major change in the current taxation laws in the localities in which the Target Company operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with.

c) There will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Company operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Company.

d) Interest rates and exchange rates in the localities for the operation of the Target Company will not differ materially from those presently prevailing.

Specific Assumptions

a) The valuation of the Target Company is based on its capital structure as at the Valuation Date and does not reflect the capital injection subsequent to the Valuation Date.

b) The projections outlined in the financial information provided are assumed to be capable of reflecting future market conditions and economic fundamentals, and are assumed to be materialised.

c) The Target Company would be operated and developed as planned by its management throughout the forecasted period, and the development would be in line with the financial projection.

d) All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Company operates or intends to operate were assumed to be successfully obtained.

e) Saved for those liabilities reported in the financial statements of the Target Company, it is not subject to any liabilities, interest-bearing loans and encumbrances that would impair its value as at the Valuation Date.

f) There will be no material changes in the Target Company's mode of operation during the forecast period.

Key Inputs adopted in the Valuation

Discount rate of 17.80% as at 28 February 2025 has been adopted by the Valuer in the valuation, which was determined by using the weighted average cost of capital (WACC). The WACC of the Target Company is the minimum required return that the Target Company must earn to satisfy its various capital providers including shareholders and debt holders. The WACC calculation takes into account the relative weights of debt and equity.

A summary of the key parameters of the WACC of the Target Company adopted is set out below:

Key parameters

a)	Risk-free Rate	1.77%
b)	Market Risk Premium	4.98%
c)	Beta Coefficient	1.08
d)	Size Premium	2.91%
e)	Firm Specific Risk Premium	10.00%
f)	Cost of Equity	20.08%
g)	Cost of Debt	13.60%
h)	Weight of Equity Value to Enterprise Value	76.92%
i)	Weight of Debt Value to Enterprise Value	23.08%
j)	Corporate Tax Rate	25.00%
	WACC	17.80%

Notes:

a) The risk-free rate adopted was the yield rate of China 10-year government bond as at the Valuation Date extracted from S&P Capital IQ.

b) The market risk premium adopted was the market risk premium of China as extracted from Damodaran.

c) The beta coefficient adopted was the median adjusted beta of the comparable companies as at the Valuation Date as extracted from S&P Capital IQ.

d) The size premium adopted was the size premium for micro-cap companies with reference to the size premium study published by Duff & Phelps.

e) The firm specific risk premium adopted was to reflect the business risks and the forecast risks of the Target Company.

f) The cost of equity was determined based on Capital Asset Pricing Model (CAPM).

g) The cost of debt adopted was the 5-year China Prime Rate as at the Valuation Date plus the firm specific risk premium.

h) The weight of equity value to enterprise value adopted was based on the managerial expectation.

i) The weight of debt value to enterprise value adopted was based on managerial expectation.

j) The corporate tax rate adopted was the corporate tax rate in China.

Hence, the WACC of 17.80% was adopted as the discount rate of the Target Company as at the Valuation Date.

The adopted terminal growth rate is the China inflation rate of 2.00% with reference to the IMF as at the Valuation Date.

The Valuer has computed the present value of the expected free cash flow using the expected free cash flow (which is obtained by aggregating the expected net profit, the depreciation and amortisation expenses and subtracting the change in working capital and the capital expenditure, based on the forecast prepared by the Target Company) and the discount rate. By discounting the projected free cash flows of the Target Company using its WACC, the computation yields a present value of RMB203,966,707 as at the Valuation Date.

Marketability Discount

Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. With reference to the result of the restricted stock study published in "Stout Restricted Stock Study" by Stout Risius Ross, LLC, a discount on lack of marketability of 15.60% was adopted in arriving at the market value of the Target Company as at the Valuation Date.

Based on the valuation assumptions and input, the Valuer has arrived at the present value of cash flow of RMB203,966,707, adjusted with net surplus cash of RMB74,082, net non-operating liabilities of RMB11,896,181 and long-term investment of RMB2,732,000 in arriving at the equity value of the Target Company. The equity value of RMB194,876,608 was then further adjusted with discount on lack of marketability of 15.60% in arriving at the market value of the Target Company of RMB164,475,857, which is rounded down to RMB160,000,000.

Sensitivity Analysis of Changes in Key Inputs to the Appraised Value of the Target Company

Details of the sensitivity analysis in respect of the discount rate and marketability discount adopted in the valuation based on the key inputs are set out below:

Scenario	Discount Rate	Market Value *(RMB)*	Change in Market Value *(RMB)*	Percentage Change in Market Value
Benchmark discount rate +1%	18.80%	153,790,380	–10,685,477	–6.50%
Benchmark discount rate +0.5%	18.30%	158,966,656	–5,509,201	–3.35%
Benchmark discount rate	17.80%	164,475,857	0	0.00%
Benchmark discount rate – 0.5%	17.30%	170,350,692	5,874,835	3.57%
Benchmark discount rate – 1%	16.80%	176,628,293	12,152,436	7.39%

Scenario	Discount on Lack of Marketability	Market Value *(RMB)*	Change in Market Value *(RMB)*	Percentage Change in Market Value
Discount on Lack of Marketability +1%	16.60%	162,527,091	–1,948,766	–1.18%
Discount on Lack of Marketability +0.5%	16.10%	163,501,474	–974,383	–0.59%
Discount on Lack of Marketability	15.60%	164,475,857	0	0.00%
Discount on Lack of Marketability –0.5%	15.10%	165,450,240	974,383	0.59%
Discount on Lack of Marketability –1%	14.60%	166,424,623	1,948,766	1.18%

The Board's view on the Valuation

The Directors (including the independent non-executive Directors) consider that the income-based approach, the key assumptions, the quantitative inputs, methodology and valuation analyses adopted by the Valuer are fair and reasonable as the Valuer advised that these are in line with market practices. As such, the Board is of the view that the market value of the Target Company in the amount of RMB160,000,000 as determined by the Valuer is fair and reasonable.

INFORMATION ON THE TARGET GROUP

The Target Company is a company established in the PRC on 20 August 2019 and the Target Group is principally engaged in the operation of artificial intelligence medical system assisting high-end medical resource integrated health management platform.

In 2020, the Target Group established Shenzhen Qianing Health Management Center in Shenzhen Bay. In 2023, Shenzhen Qianing Health Management Center entered into a cooperation agreement with the Chiron Medical Group in Hong Kong for the provision of offshore medical referral services. Throughout 2024, the operation of the Target Group continued to expand in Shenzhen and to Beijing.

The Target Group operates an online-merge-offline health management services with expert resources and precision medical scenarios as the core of its multi-disciplinary consultation methodology, which relies on expert network of top domestic tertiary hospitals to build an all-around and full-cycle service system covering disease prevention, diagnosis, treatment and rehabilitation, forming an innovative paradigm for the supply-side of medical resources. Its product matrix is also multi-faceted with a basic layer, advanced layer and system layer. The basic layer comprises expert outpatient services, corporate physical examination report interpretation special sessions and other offline activities. The advanced layer comprises single-disciplinary and multi-disciplinary joint consultation services. The system layer comprises periodic chronic disease management.

The Target Group provides one-off services and periodic chronic disease management services to individual clients. A one-off service is the online or offline consultation with an expert specialist, whereas the periodic chronic disease management services offer annual basic membership and monthly management services, including sub-health management services, women's health management services, chronic disease management services and disease management services.

The Target Group also provides one-off or corporate event services to its corporate clients. A one-off service is the online or offline consultation with an expert specialist with corporate discount, whereas corporate event services include annual corporate health management services, corporate physical examination report interpretation and other offline corporate activities.

The Target Group also has cooperated with its hospital partners to jointly establish and operate outpatient department and health management centre to provide expert outpatient clinics with single consultation or periodic consultation and management services.

The value-added aspect of the Target Group's operations lies with its connection with medical institutes and insurance companies to provide clients with comprehensive medical and insurance service products.

REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION

Despite the different principal activities of the Group and the Target Company and the Target Company's continued net loss and net liabilities, the Board is of the view that the Capital Injection is in the interests of the Company and its Shareholders as a whole having taking into account that the Group has been actively seeking for investment and growth opportunities as disclosed in the annual report of the Company for the year ended 31 March 2020. Since then, the Group has made various investments, including the acquisition of approximately 2.02% of the entire issued share capital of Pine Care Group Limited, whose shares were listed on the Stock Exchange until 28 February 2024, through Virtus HealthTech Holdings Limited ("**Virtus HealthTech**"), a direct wholly-owned subsidiary of the Company, on 24 September 2020. One of the directors of Virtus HealthTech is Dr. Li Ming, who is also a doctor specialising in internal medicines. For further details, please refer to the Company's announcement dated 24 September 2020. It is the long-term strategy of the Group to diversify into other areas such as the healthcare industry.

As the Group has been seeking to diversify its income sources, and coupled with the protective measures enshrined in the Capital Injection Agreement, including but not limited to the Profit Guarantee, the Rights of First Refusal, the Tag-along Right, the Compensation on Disposal and the Put Option, which provides a full range of compensatory and exit mechanism for the Company should the performance of the Target Group falls short of the Company's expectation, the Board is of the view that the Capital Injection provides an excellent opportunity for the Group to tap into the healthcare industry and further explore the healthcare market and as such, is in the interest of the Company and its Shareholders as a whole.

Save as disclosed above, the contents of the Announcement remain unchanged and shall continue to be valid for all purposes. This announcement is supplemental to and should be read in conjunction with the Announcement.

By order of the Board
Daisho Microline Holdings Limited
Lee Man Kwong
Chairman

Hong Kong, 30 May 2025

As of the date of this announcement, the Board comprises one executive Director, namely, LEE Man Kwong, two non-executive Directors, namely, WONG Siu Hung, Patrick and YAU Pak Yue and three independent non-executive Directors, namely, CHAN Yau Ching, Bob, LEUNG Hoi Ming and LIN Ying