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Jenscare
健世科技

Jenscare Scientific Co., Ltd.
寧波健世科技股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 9877)

SUPPLEMENTAL ANNOUNCEMENT

DISCLOSEABLE TRANSACTION IN RELATION TO THE PROPOSED SALE OF EQUITY INTEREST IN THE TARGET COMPANY

Reference is made to the announcement of Jenscare Scientific Co., Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") dated November 28, 2023 (the "**Announcement**") and the circular of the Company dated November 29, 2023 (the "**Circular**") in relation to, among other things, the proposed sale of equity interest in the Target Company. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as defined in the Announcement and the Circular.

In addition to the information as set forth in the Announcement and the Circular, the Company would like to provide additional information with respect to the Disposal to the Shareholders and potential investors of the Company as follows:

1. VALUATION METHOD OF THE CONSIDERATION

As disclosed in the Announcement and the Circular, the consideration for the proposed sale of equity interests in the Target Company is RMB500 million (equivalent to approximately HK$547.47 million). The consideration was determined through arm's length negotiations among the parties to the proposed Equity Transfer Agreement based on the product portfolio, prospects, and the registered capital of the Target Company, as well as the appraised value of the Sale Shares held by the Company in the Target Company of approximately RMB497 million (equivalent to approximately HK$544.19 million) as at the Valuation Benchmark Date according to the Valuation Report (the "**Valuation**") as appraised by the Valuer and other factors as set out in the paragraph headed "Reasons for and benefits of entering into the proposed Equity Transfer Agreement and use of proceeds" in the Announcement and the Circular.

Valuation Method and Reasons for Adoption

The income approach was adopted for the calculation of the appraised value of the Sale Shares. Given that the Target Company has already realized profits, the expected returns could be quantified and the expected return period and the risk borne by the expected returns closely related to discounting could also be predicted, the Valuer considered that the income approach was appropriate for the Valuation.

The market approach refers to the appraisal method that determines the value of the valuation target by comparing the valuation target with comparable listed companies or comparable transaction cases. The Valuer did not adopt the market approach for the valuation as there are few valuations in the market of comparable companies with business operations similar to those of the Target Company.

Further, the asset-based approach assesses the value of all recognizable assets and liabilities of the Target Company on a fair value basis and algebraically adds up the total value, without taking into account the value of goodwill, research and development, operations and other non-recognizable intangible assets. The Valuer did not adopt the asset-based method for the valuation given that the Target Company is a technology-based and asset-light company and its core competitive strengths lie in its research and development capability. Most of these intangible assets do not have a value in the books and are difficult to value accurately and individually, and as a result the asset-based approach was not considered suitable for the valuation.

As the discounted cash flow method under the income approach was adopted by the Valuer in the preparation of the Valuation Report, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules, and the requirements of Rule 14.60A and 14.62 of the Listing Rules are therefore applicable.

Key Valuation Inputs

The key parameters and valuation inputs adopted in the Valuation included the (i) discount rate; (ii) perpetual growth rate; (iii) operating income growth rate; and (iv) lack of control discount rate.

The discount rate of 12% for the Valuation was derived by the Valuer through the weighted average cost of capital ("**WACC**") methodology by utilizing expected return on equity, expected rate of return on claims, equity value, value of claims, and income tax rate. The expected return on equity was calculated using the capital asset pricing model ("**CAPM**").

The adopted perpetual growth rate was 2%, being the average of the PRC's consumer price index increase between 2013 to 2022.

The estimated operating income growth rate ranged from 5% to 20% in the following four years from 2024 to 2028. The Directors considered that the projected operating income growth rates provided by the Target Company were consistent with the past financial performance of the Target Company, where the estimated growth rate and estimated long-term growth rate were in the reasonable range.

The lack of control discount rate was based on the average PE multiples corresponding to cases of minority equity interests transactions and the average PE multiples corresponding to control transactions. The discount rate of 7.55%, which was the average for the past five years, was applied as the lack of control discount rate for this Valuation.

Principal Assumptions

A number of valuation assumptions were established in order to support the Valuer's concluded opinion of the appraised value of the Sale Shares held by the Company in the Target Company. The principal assumptions, including commercial assumptions, adopted by the Valuer as the basis of the Valuation include:

(1) the Target Company will continue to operate in accordance with its existing business and operation model, and the Target Company's operating conditions remain unchanged;

(2) the industry in which the Target Company operates will maintain a stable development trend, and there is no material change in the relevant laws, regulations, systems and social, political and economic policies which the Target Company currently adheres to;

(3) there will be no material change in interest rates and exchange rates related to the operation of the Target Company;

(4) there will be even cashflows in the income and expenditure of the Target Company in the future;

(5) the Target Company's core management team will be retained to support its ongoing operations and management, and will not engage in competing businesses;

(6) the rates of tax payable by the Target Company will remain consistent; and

(7) the valuation was subject to consideration of lack of control discount because the Company held 22.48% of the equity interests in the Target Company.

Directors' Assessment on the Valuation

For the reasons described above, the Valuer considered, and the Directors concur, that out of the three generally accepted valuation approaches (namely, market approach, cost approach and income approach), the income approach is the most appropriate in this case. The Directors have discussed with the Valuer the different aspects upon which the Valuation was prepared (including the principal and commercial assumptions) and have reviewed the Valuation and are of the view that the methodology chosen and assumptions made by the Valuer are fair and reasonable. The Directors have confirmed that the Valuation has been made after due and careful enquiry by them.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the (i) Valuer has no conflict of interest as regards the Company, the Purchaser and the Target Company and their respective connected persons, and has no personal interest in the success of the Disposal; and (ii) the responsible persons of the Valuer have between 4 to 6 years of experience in valuation and are qualified asset valuers certified by the China Appraisal Society (中國資產評估議會). The Directors are of the view that the Valuer is independent and properly qualified and has sufficient experience to perform the valuation of the Target Company.

The consideration was determined through arm's length negotiations among the parties to the proposed Equity Transfer Agreement based on the product portfolio, prospects, and the registered capital of the Target Company, as well as the appraised value of the entire equity interest held by the Company in the Target Company as at the Valuation Benchmark Date according to the Valuation Report as appraised by the Valuer. Therefore, the Directors consider the consideration for the Disposal is fair and reasonable.

2. INFORMATION ON THE PURCHASER

As disclosed in the Announcement and the Circular, the Purchaser, a limited liability company established under the laws of the PRC on November 6, 2023, is wholly owned by AUT-VII HK Holdings Limited, a limited company incorporated in Hong Kong. AUT-VII HK Holdings Limited is wholly owned by AUT-VII HOLDINGS LIMITED, whose sole shareholder is AUT-II Holdings Limited. AUT-II Holdings Limited is wholly owned by Hillhouse Investment Management V, L.P., which is in turn majority held by HILLHOUSE FUND V, L.P.. The investment manager of Hillhouse Fund V, L.P. is Hillhouse Investment Management, Ltd. ("**Hillhouse Investment**").

Founded in 2005, Hillhouse Investment is a global private equity firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse Investment's investment approach. Hillhouse Investment partners with exceptional entrepreneurs and management teams to create value, often with a focus on innovation and growth. Hillhouse Investment invests in the fields of healthcare, business services, broad consumption and industrials, and manages assets on behalf of institutional clients from across the globe.

As a result, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons as defined under the Listing Rules.

3. CONFIRMATIONS

Ernst & Young, acting as the Company's reporting accountants (the "**Reporting Accountants**"), has reported on the arithmetical accuracy of the calculations of the discounted cash flow forecast, which does not involve the adoption of accounting policies, as adopted in the preparation of the Valuation Report issued by the Valuer.

A report from the Reporting Accountants dated December 20, 2023 in compliance with Rule 14.62(2) of the Listing Rules and a letter from the Board dated December 20, 2023 in compliance with Rule 14.62(3) of the Listing Rules have been submitted to the Stock Exchange, the texts of which are included in Appendix I and Appendix II to this announcement, respectively.

4. EXPERTS AND CONSENTS

The qualifications of the experts who have given their opinion and advice included in this announcement are as follows:

Name	Qualification
Shanghai Lixin Appraisal Co., Ltd. (上海立信資產評估有限公司)	Professional valuer
Ernst & Young	Certified Public Accountants, Hong Kong

To the best of the Directors' knowledge, information and belief and after having made all reasonable enquiries, each of the Valuer and the Reporting Accountants is a third party independent of the Group and its connected persons. As at the date of this announcement, each of the Valuer and the Reporting Accountants does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the Valuer and the Reporting Accountants has given and has not withdrawn its written consent to the issue of this announcement with inclusion of its name, statements and all references to its name (including its qualification) in the form and context in which they are included.

All other information as set out in the Announcement and the Circular remain unchanged and shall continue to be valid for all purposes, while this announcement is supplemental to and should be read in conjunction with the Announcement and the Circular.

For the purpose of this announcement, the exchange rate of HK$1.00 to RMB0.91329 has been used for currency translation, where applicable. Such conversion is for illustrative purposes and does not constitute representations that any amount in HK$ or RMB has been, could have been or may be converted at this or any other rate.

By order of the Board
Jenscare Scientific Co., Ltd.
Mr. LV Shiwen
Chairman and Executive Director

Hong Kong, December 20, 2023

As at the date of this announcement, the executive Directors are Mr. LV Shiwen and Mr. PAN Fei; the non-executive Directors are Mr. TAN Ching, Mr. ZHENG Jiaqi, Ms. XIE Youpei and Mr. CHEN Xinxing; and the independent non-executive Directors are Dr. LIN Shoukang, Ms. DU Jiliu and Dr. MEI Lehe.

APPENDIX I – LETTER FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF STARWAY MEDICAL TECHNOLOGY, INC.

The following is the text of a report received from the Reporting Accountants, Ernst & Young, for the purpose of incorporation in this announcement.

To the Directors of Jenscare Scientific Co., Ltd.

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the "**Forecast**") on which the valuation dated 24 November 2023 prepared by Shanghai Lixin Appraisal Co., Ltd. in respect of the market value of the equity interest in Starway Medical Technology, Inc. (the "**Target**") as at 30 June 2023 is based. The valuation is set out in the announcement of Jenscare Scientific Co., Ltd. (the "**Company**") dated 20 December 2023 (the "**Announcement**") in connection with the disposal of equity interest in the Target. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' responsibilities

The directors of the Company (the "**Directors**") are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the "**Assumptions**"), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in the section headed "VALUATION METHOD OF THE CONSIDERATION" of the Announcement.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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

Reporting Accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Ernst & Young
Certified Public Accountants
Hong Kong
20 December 2023

APPENDIX II – LETTER FROM THE BOARD RELATING TO THE PROFIT FORECAST

The following is the text of a letter from the Board for the purpose of incorporation in this announcement.

December 20, 2023

Listing Division
The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square
8 Connaught Place Central
Hong Kong

Dear Sirs,

Re: Discloseable Transaction – Proposed Sale of Equity Interest in the Target Company

We, Jenscare Scientific Co., Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") (stock code: 9877) refer to the announcement of the Company dated November 28, 2023 (the "**Announcement**"), the circular of the Company dated November 29, 2023 (the "**Circular**") and the supplemental announcement of the Company dated December 20, 2023 (the "**Supplemental Announcement**") of which this letter forms part. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as defined in the Announcement, Circular, and Supplemental Announcement.

We refer to the Valuation conducted by Shanghai Lixin Appraisal Co., Ltd. (上海立信資產評估有限公司), an independent valuer. The Valuation adopts an income approach (which is based on the discounted cash flow method) and is regarded as a profit forecast under Rule 14.61 of the Listing Rules. We have discussed with the Valuer the different aspects upon which the Valuation was prepared (including the principal and commercial assumptions) and have reviewed the Valuation and are of the view that the methodology chosen and assumptions made by the Valuer are fair and reasonable.

Pursuant to Rule 14.62 of the Listing Rules, we have also engaged Ernst & Young, acting as the Company's reporting accountants, to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (which does not involve the adoption of accounting policies), and considered the report from Ernst & Young which was prepared in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants, as set out in Appendix I to the Supplemental Announcement.

On the basis of the above, we confirm that the Valuation has been made after due and careful enquiry by us.

Yours faithfully,
By order of the Board
Jenscare Scientific Co., Ltd.
Mr. LV Shiwen
Chairman and Executive Director