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廣州白雲山医药集团股份有限公司

GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO., LTD.

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

(H Share Stock Code: 00874)

DISCLOSABLE TRANSACTION
ACQUISITION OF 100% EQUITY INTEREST IN THE TARGET COMPANY

ACQUISITION

The Board is pleased to announce that on 17 December 2025, the Buyer (GP Corp., a subsidiary of the Company) entered into the Equity Transfer Agreement and the Supplementary Agreement with the Seller (Hai Zheng, an independent third party of the Company). Pursuant to the Equity Transfer Agreement and the Supplementary Agreement, the Buyer has agreed to acquire, and the Seller has agreed to sell, 100% of the equity interest in the Target Company for a consideration of RMB500.50 million. Upon completion of the Acquisition, the Buyer will hold a 100% equity interest in the Target Company.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As the highest of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in relation to the transaction contemplated under the Equity Transfer Agreement and the Supplementary Agreement exceeds 5% but is less than 25%, the transaction constitutes a disclosable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules, but is exempt from the shareholders' approval requirement.

INTRODUCTION

The Board is pleased to announce that on 17 December 2025, the Buyer (GP Corp., a subsidiary of the Company) entered into the Equity Transfer Agreement and the Supplementary Agreement with the Seller (Hai Zheng, an independent third party of the Company). Pursuant to the Equity Transfer Agreement and the Supplementary Agreement, the Buyer has agreed to acquire, and the Seller has agreed to sell, 100% of the equity interest in the Target Company for a consideration of RMB500.50 million. Upon completion of the Acquisition, the Buyer will hold a 100% equity interest in the Target Company.

EQUITY TRANSFER AGREEMENT AND SUPPLEMENTARY AGREEMENT

The principal terms of the Equity Transfer Agreement and Supplementary Agreement are summarized as below:

Date: 17 December 2025

Parties: Buyer: GP Corp.

Seller: Hai Zheng

The Target of the Transfer: 100% of the equity interest in the Target Company held by the Seller (the "**Target Equity**")

Consideration and Terms of Payment:

(i) The Target Equity was publicly listed for sale on the Taizhou Exchange. Pursuant to the results of the public bidding, the Seller has agreed to transfer the Target Equity under the Equity Transfer Agreement to the Buyer for a consideration of RMB500.50 million. Following the confirmation of the Buyer as the transferee, the bid deposit paid by the Buyer in accordance with the requirements of the Seller and the Taizhou Exchange (RMB86 million, currently held by the Taizhou Exchange) will be applied as part of the consideration.

(ii) The consideration shall be paid by the Buyer in a lump sum. The remaining amount after deduction of the deposit (i.e., RMB 414.50 million) shall be remitted to the account designated by the Taizhou Exchange within five business days from the effective date of the Equity Transfer Agreement.

If, in accordance with applicable laws and regulations, the Acquisition is required to be reviewed or approved by the relevant authorities, the Buyer will transfer the remaining amount of the consideration after deduction of the deposit to the account designated by the Taizhou Exchange upon obtaining such review and approval.

(iii) If the Acquisition is required to be reviewed or approved by the relevant authorities (e.g., anti-monopoly review), the Buyer shall submit the review application to the regulatory authorities within twenty business days from the day following the delivery to the Buyer of the shareholders' resolution of the Seller approving the transfer of the Target Equity and shall obtain the official document acknowledging acceptance of the application.

(iv) Upon submission of the Equity Transfer Agreement to the Taizhou Exchange and its coming into effect, the Taizhou Exchange will, within five business days of receiving the full consideration from the Buyer and all transaction service fees from both parties, issue the Certificate of Ownership Transfer to both the Buyer and the Seller. Within five business days after issuing the Certificate of Ownership Transfer, the Taizhou Exchange will transfer the full consideration in a single lump sum to the account designated by the Seller.

Transition Period Arrangements:

(i) The transition period refers to the period from the date of signing the Equity Transfer Agreement to the date of completion of the Acquisition ("**Transition Period**").

(ii) During the Transition Period, the Seller shall exercise careful and bona fide management of the Target Company and its assets. The Seller shall ensure and facilitate the normal operation of the Target Company. The Seller shall promptly notify the Buyer of any material adverse events occurring during the Transition Period and take appropriate measures to address them.

(iii) During the Transition Period, the Seller and the Target Company undertake not to enter into, amend, modify or terminate any contracts or transactions relating to the Target Company, nor to dispose of any of its assets, except in the ordinary course of the Target Company's business.

Completion:

(i) The Buyer and the Seller shall perform, or assist in performing, their obligations to make filings with the relevant authorities, and shall use their best endeavours to cooperate with any reasonable requests or enquiries raised by such authorities in order to obtain their approval of the Equity Transfer Agreement and the equity transfer thereunder.

(ii) Upon the issuance of the equity transfer certificate by the Taizhou Exchange in respect of the equity transfer under the Equity Transfer Agreement, and the Buyer having strictly performed and completed the requirements set out in paragraphs (i) and (ii) under the section "Guarantees and Counter-Guarantees" below, including but not limited to executing the relevant agreements or providing counter-guarantee letters to the Seller, the Seller shall, within five business days from the date on which all of the foregoing conditions are satisfied, cause the Target Company to complete the registration of the change of equity with the registration authority (the Seller agrees that, if applicable, the name of the Target Company may be changed in accordance with relevant regulations when completing such registration). The Buyer shall provide the necessary assistance and cooperation, and the date on which the registration authority completes the registration of the change of equity shall be deemed the date of completion of the property transfer (the "**Completion Date**").

(iii) Within 15 business days from the Completion Date, the Seller and Buyer shall agree on the specific date and venue to complete the closing matters in relation to the transfer of the property right. The Seller shall compile a "List of Assets and Materials" containing the ownership certificates, approvals, financial statements, asset lists, economic and legal documents, secretarial and personnel files, construction engineering drawings, technical assets and other document materials related to the Target Equity, and deliver the same to the Buyer for verification and acceptance.

(iv) The Seller shall be responsible for the completeness and accuracy of the above-mentioned schedules and documents provided, as well as for their consistency with the corresponding target, and shall bear all legal liabilities arising from any concealment or misrepresentation.

(v) The Seller shall, within 15 business days from the Completion Date, transfer the assets, control, and management of the Target Company to the Buyer, who shall assume management and control of the Target Company.

Guarantees and Counter-Guarantees:

(i) From the Completion Date, all guarantee obligations and liabilities of the Seller under any and all guarantees, warranties, mortgages, pledges, or other forms of credit enhancement measures (collectively, the "**Historical Guarantees**") provided by the Seller to any bank, other financial institutions, or other creditors (collectively, the "**Creditors**") on behalf of the Target Company prior to the execution of this Equity Transfer Agreement shall be fully transferred to the Buyer. The parties shall jointly execute agreements for the transfer of the Historical Guarantees with the Creditors.

(ii) Until the guarantee obligations and liabilities under the Historical Guarantees have been transferred from the Seller to the Buyer, or if any Creditor refuses to accept such transfer, the Buyer shall provide the Seller with sufficient counter-guarantees. Such counter-guarantees shall be in the form of an irrevocable, continuing, unconditional, and joint and several counter-guarantee letter satisfactory to the Seller, or a counter-guarantee agreement entered into with the Seller, to be provided before the Target Company submits the equity transfer registration with the relevant registration authority. The counter-guarantees shall cover all liabilities, losses, and expenses (including, without limitation, amounts claimed by the Creditors, legal fees, and litigation costs) that the Seller may incur in respect of any Historical Guarantees not yet transferred to the Buyer, and shall remain effective until such Historical Guarantees have been fully transferred to the Buyer or the Seller's guarantee obligations and liabilities have been fully released.

As at the date of this announcement, the specific arrangements regarding the Historical Guarantees, including the guarantees to be assumed by the Company for the benefit of the Target Company and/or the counter-guarantees to be provided to the Seller after completion of the Acquisition have not yet been determined. The Company will, in due course, comply with the necessary procedures under its articles of association and the Listing Rules, and submit the matters to the board of directors and, if applicable, the Shareholders' meeting for approval.

Conditions Precedent:

(i) The transfer of the Target Equity is subject to the approval of the Seller's shareholders' meeting. If such approval is not obtained, the Buyer shall have the right to terminate the Equity Transfer Agreement and the Supplementary Agreement and require the Seller to refund all amounts already paid by the Buyer (including but not limited to the consideration, transaction service fees, deposits, etc.) and to compensate the Buyer for any direct losses incurred as a result (including but not limited to interest on the use of funds and necessary expenses, reasonable legal fees incurred for protecting rights, litigation fees, preservation fees, verification fees, travel expenses, and other necessary costs).

(ii) If the Acquisition is subject to antitrust review and approval, the Buyer shall use reasonable commercial efforts to procure the obtaining of the aforesaid review and approval. If, within six months from the day following the delivery to the Buyer of the shareholders' resolution of the Seller approving the transfer of the Target, the Acquisition has not obtained the final approval of the relevant authorities, the Seller shall have the right to unilaterally terminate the Equity Transfer Agreement and the Supplementary Agreement by written notice to the Buyer. In such case, the Buyer shall, within 10 business days upon receipt of the termination notice from the Seller, pay to the Seller an amount equivalent to 10% of the total transfer consideration under the Equity Transfer Agreement as liquidated damages.

Effectiveness of the Agreement:

The Equity Transfer Agreement and the Supplementary Agreement shall take effect from the date of publication of this announcement.

Basis for Determining the Consideration

The Target Equity was offered for sale by the Seller through a public listing process on the Taizhou Exchange. GP Corp., a subsidiary of the Company, was the final successful bidder in the public listing process and successfully bid for the Target Equity at a price of RMB500.50 million. The consideration of the Acquisition was formed after multiple rounds of public bidding, representing a premium over the listing floor price. In determining the consideration, the Company has taken into account the expected benefits to the Group upon completion of the Acquisition as set out in the section titled "Reasons for and Benefits of the Acquisition" in this announcement. The public listing process was conducted in strict compliance with the relevant laws and regulations of the PRC.

Valuation

The listing floor price of the Target Equity was RMB430.00 million, which was determined by the Seller with reference to the valuation of the entire equity interests of the Target Company as of 31 May 2025 (being RMB392.2339 million) conducted by an independent Valuer commissioned by the Seller using the asset-based approach. A summary of the valuation of the Target Equity, including the valuation methods, key assumptions, input parameters, and valuation results, is set out in the Appendix to this announcement.

Qualification of the Valuer is as follows:

Name	**Qualification**
Zhongqin Assets Appraisal Co., Ltd.	PRC Professional valuer

As of the date of this announcement, the above expert has issued its consent to the publication of this announcement, the reproduction of its report in the form and context contained herein and the citation of its name, and has not withdrawn such consent to date.

As of the date of this announcement, the above expert does not hold any equity interests in any member companies of the Group, nor does it have any rights (whether enforceable at law or not) to subscribe for or nominate others to subscribe for the securities of any member companies of the Group.

As of the date of this announcement, the above expert does not have any direct or indirect interests in any assets acquired, sold, or leased by any member company of the Group, or in any assets that any member company of the Group intends to acquire, sell, or lease to any member company of the Group since 31 December 2024 (i.e., the date of preparation of the Group's most recently published audited financial statements).

INFORMATION ON THE TARGET COMPANY

Zhejiang Pharmaceutical Industry Company is a pharmaceutical distribution enterprise in Zhejiang Province, mainly engaging in the wholesale of various pharmaceutical products. Hai Zheng holds 100% equity interest in Zhejiang Pharmaceutical Industry Company and is the sole shareholder of Zhejiang Pharmaceutical Industry Company.

Financial Data of the Target Company

Based on the audited consolidated financial statements of the Target Company prepared in accordance with the PRC Accounting Standards for Business Enterprises for the financial year ended 31 December 2023, 31 December 2024 and the unaudited consolidated financial statements for the period ended 30 September 2025, the profit before and after taxation and the book value of the Target Equity as at 31 December 2023, 31 December 2024 and 30 September 2025 are set out below:

Item	As at 30 September 2025 *(RMB10,000)*	As at 31 December 2024 *(RMB10,000)*	As at 31 December 2023 *(RMB10,000)*
Profit before tax	4,821.14	6,076.94	6,280.75
Profit after tax	2,921.61	2,988.02	4,533.76
The book value of the equity of the Target Company	36,228.05	70,809.22	87,772.76
The book value of equity attributable to the Target Equity	36,228.05	70,809.22	87,772.76
The book value of total assets of the Target Company	171,218.71	210,039.00	211,107.83

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company notes that the consideration for the Acquisition represents a certain premium over the valuation. After taking into account the following factors, the Company considers the consideration to be reasonable and in line with the long-term development strategy of the Company and GP Corp.:

(i) The Target Company is located in the Yangtze River Delta Region, a developed pharmaceutical market, and is one of the top six high-quality pharmaceutical distribution enterprises in Zhejiang Province. The Target Company has long been deeply engaged in the Zhejiang market, accumulating a rich customer base, with annual sales exceeding RMB4.0 billion in the most recent year, and has promising prospects;

(ii) The Acquisition is beneficial for GP Corp. to obtain a mature customer network in Zhejiang Province and surrounding areas, further optimise its industrial layout in the East China region, and enhance both the breadth and depth of its coverage of the domestic end-market.

In summary, the Company considers that the Acquisition is in line with the long-term development strategy of the Company and GP Corp., and that the transaction is of positive significance to the Group's business expansion and value enhancement. Upon completion of the Acquisition, it is expected to further consolidate the Company's market position in the East China region, optimise its industrial layout, enhance coverage of the end-market, and create sustainable long-term value for shareholders.

In addition, the consideration for the Acquisition was determined through public listing on a property rights exchange and multiple rounds of open bidding. The process was open and transparent, and the listing procedures were strictly conducted in accordance with the relevant laws and regulations of PRC. The funds required for the Acquisition shall be sourced from GP Corp.'s own capital, which will not affect the normal production and operation of the Company, nor will it have any adverse impact on the Company's financial or operational condition. There is no situation that would harm the interests of the Company or its minority shareholders.

Based on the factors disclosed above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition are fair and reasonable, are on normal commercial terms, and are in the overall interests of the Company and its shareholders.

INFORMATION OF THE BUYER

GP Corp. is a non-wholly-owned subsidiary of the Company established in the PRC, in which the Company holds approximately 90.92% equity interest. GP Corp. and its subsidiaries are principally engaged in the distribution and retail of a wide range of pharmaceutical products and dedicated to providing supply chain services to its upstream and downstream partners along the pharmaceutical industry value chain. It mainly provides comprehensive, integrated distribution services to hospitals and other medical institutions, distributors and retail pharmacies in the PRC.

INFORMATION OF THE SELLER

Hai Zheng is a state-controlled enterprise listed on the Shanghai Stock Exchange, with stock code 600267 and primarily engages in chemical pharmaceuticals, biological pharmaceuticals, veterinary pharmaceuticals, traditional Chinese medicines, commercial distribution, and other businesses. To the best of the knowledge, information, and belief of the Directors after making all reasonable enquiries, Hai Zheng and its ultimate beneficial owners are third parties independent of the Company.

INFORMATION OF THE COMPANY

The Company is principally engaged in: (1) the research and development(R&D), manufacturing and sales of Chinese patent medicine, Western medicine, chemical raw materials, natural medicine, biological medicine and chemical raw materials intermediates; (2) the wholesale, retail and import and export business of Western medicine, Chinese medicine and medical equipment; (3) the R&D, production and sales of great health products; and (4) the health industry investment in medical care, health management, health maintenance and elderly care, etc.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As the highest of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in relation to the transaction contemplated under the Equity Transfer Agreement and the Supplementary Agreement exceeds 5% but is less than 25%, the transaction constitutes a disclosable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules, but is exempt from the shareholders' approval requirement.

Shareholders and potential investors should note that the Equity Transfer Agreement and the Supplementary Agreement only set out the parties' intention to proceed with the transaction and the principal terms thereof and the Acquisition is subject to the fulfillment of certain conditions before it can be completed. Shareholders and potential investors are advised to exercise caution when dealing in the Company's securities.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

"Acquisition" or "Equity Transfer"	the transaction pursuant to which the Buyer has agreed to acquire, and the Seller has agreed to sell, the 100% equity interest in the Target Company
"Appraisal Report"	Appraisal Report on the Value of the Entire Equity Interest of Zhejiang Pharmaceutical Industry Company Co., Ltd.* (浙江省醫藥工業有限公司) Involved in the Proposed Equity Transfer of Zhejiang Hai Zheng Pharmaceutical Holdings Company Limited* (浙江海正藥業股份有限公司) issued by Zhongqin Assets Appraisal Co., Ltd
"Board"	the board of Directors of the Company
"Buyer" or "GP Corp."	Guangzhou Pharmaceuticals Company Limited * (廣州醫藥股份有限公司), a subsidiary of the Company
"Company"	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited * (廣州白雲山醫藥集團股份有限公司), a joint stock company established in the PRC with limited liability, the H Shares and A Shares of which are listed and traded on the Main Board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
"Director(s)"	director(s) of the Company

"Equity Transfer Agreement"	the equity interests transfer agreement in relation to the Acquisition entered into between the Buyer and the Seller on 17 December 2025
"Group"	The Company and its subsidiaries
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China
"Seller" or "Hai Zheng"	Zhejiang Hai Zheng Pharmaceutical Holdings Company Limited
"Shareholder(s)"	holder of the shares of the Company
"Supplementary Agreement"	the supplementary agreement in relation to the Acquisition entered into between the Buyer and the Seller on 17 December 2025
"Taizhou Exchange"	Taizhou Property Exchange Co., Ltd.
"Target Company" or "Zhejiang Pharmaceutical Industry Company"	Zhejiang Pharmaceutical Industry Company Co., Ltd.* (浙江省醫藥工業有限公司), a wholly-owned subsidiary of Hai Zheng
"Valuer"	Zhongqin Assets Appraisal Co., Ltd.
"%"	percent

By order of the Board of
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

Guangzhou, the PRC, 17 December 2025

As at the date of this announcement, the Board comprises Mr. Li Xiaojun, Mr. Chen Jiehui, Ms. Cheng Ning, Mr. Cheng Hongjin, Mr. Tang Heping and Mr. Li Hong as executive directors, and Mr. Chen Yajin, Mr. Huang Min, Mr. Wong Lung Tak Patrick and Ms. Sun Baoqing as independent non-executive directors.

APPENDIX – FURTHER INFORMATION ON THE APPRAISAL

The following content is extracted from the Asset Appraisal Report issued by the appraiser Valuer for inclusion in this announcement. In case of any inconsistency between the English and Chinese versions of this Appendix, the Chinese version shall prevail. Unless otherwise specified, all amounts set out in this Appendix are in Renminbi.

I. APPRAISAL ASSUMPTIONS AND CONDITIONS

(I) General Assumptions

1. Transaction Assumption

It is assumed that the assets to be appraised are already in the process of transaction, and the appraiser conducts valuation by simulating the market based on the transaction conditions of the assets to be appraised. The transaction assumption is the most fundamental prerequisite assumption for conducting asset appraisal.

2. Open Market Assumption

It is assumed that the assets to be appraised will be traded in a relatively well-developed open market, where both parties to the transaction are in an equal position, and both have the opportunity and time to obtain sufficient market information to make rational judgments on the function, use, and transaction price of the assets.

3. Going Concern Assumption

It is assumed that the enterprise, as an operating entity, will continue its operations in accordance with its business objectives under the external environment in which it operates. The enterprise's management is responsible and capable of fulfilling its responsibilities; the enterprise operates legally and can obtain appropriate profits to maintain its going concern capability. For various operating assets of the enterprise, they can continue to be used in their current use, manner, scale, frequency, and environment, or continue to be used with certain modifications, and the appraisal methods, parameters, and bases are determined accordingly.

(II) Specific Assumptions

1. There will be no major changes in the current relevant national laws, regulations, policies, national macroeconomic situation, and social and economic environment in the region where the assets to be appraised are located; no major changes in industry policies, laws and regulations, management systems, tax policies, and credit interest rates; and no major changes in the enterprise's key management personnel, employee team, management level, core business, and operation methods compared with the appraisal benchmark date.

2. There will be no major changes in the enterprise's business model and profit model to be appraised; it is assumed that the enterprise's management is responsible and capable of fulfilling their duties to maintain the normal operation of the enterprise. It is assumed that the enterprise's management will continue to operate in accordance with its established development goals and strategies in the future operating years, and the enterprise will not deviate from its established development track due to personal reasons.

3. Regarding the legal description or legal matters of the assets to be appraised in this appraisal report (including their ownership or encumbrance restrictions), the appraiser conducts a general investigation in accordance with the requirements of the standards. Except as disclosed in the work report, it is assumed that the ownership of the assets appraised during the appraisal process is sound and tradable in the market; at the same time, there are no liens, easements, infringements, or other encumbrance restrictions.

4. It is assumed that the information and data are true and complete. For the information and data provided by the client and other parties on which all or part of the value appraisal conclusions in this appraisal report are based, the appraiser has only conducted an independent review in accordance with the appraisal procedures, but does not make any guarantee regarding the authenticity and accuracy of such information and data.

5. Assumption of No Defects, Contingencies, or Other Matters: For any defects, contingencies, or other matters existing in the enterprise that may affect the asset appraisal conclusions, if the relevant parties such as the entity to be appraised fail to provide them as required by the appraiser, and the appraiser cannot obtain such information even after performing the appraisal procedures, it shall be deemed that there are no defects, contingencies, or other matters in the enterprise to be appraised. The appraisal institution and appraisers shall not bear relevant responsibilities.

6. The entity to be appraised will operate continuously in accordance with the law, and its business scope, operation method, and decision-making procedures will remain consistent with the current situation.

7. The accounting policies to be adopted by the entity to be appraised in the future will be substantially consistent in all material aspects with the accounting policies as of the appraisal benchmark date.

8. During the existence of the entity to be appraised, there will be no large-scale contingent liabilities caused by external guarantees or other matters.

9. There will be no other force majeure or unforeseeable factors that cause significant adverse impacts on the appraisal object and the assets involved.

10. It is assumed that cash flows occur evenly.

11. It is assumed that there will be no major changes in interest rates, exchange rates, tax bases and tax rates, and policy-related fees and charges.

II. REASONS FOR SELECTING THE ASSET-BASED APPROACH

The asset-based approach in enterprise value appraisal refers to an appraisal method that takes the balance sheet of the entity to be appraised as of the appraisal benchmark date as the basis, reasonably appraises the value of all on-balance sheet and identifiable off-balance sheet assets and liabilities of the enterprise, and determines the value of the appraisal object.

This appraisal involves the equity transfer of the company. The asset-based approach reflects the enterprise's value from the perspective of enterprise acquisition and construction, and provides a basis for the operation and management and assessment of the enterprise after the realization of the economic behavior. Therefore, the asset-based approach is selected for this appraisal.

III. INTRODUCTION TO THE ASSET-BASED APPROACH

1. Current Assets

(1) Monetary Funds

Monetary funds consist of bank deposits and other monetary funds.

For bank deposits and other monetary funds, when verifying the deposit accounts, the appraisers obtained the bank statements and bank deposit reconciliation statements of each bank account as of the benchmark date, checked the difference between the bank deposit records and the bank statement balances as of the appraisal benchmark date, reviewed the proper preparation of the reconciliation statements, and conducted confirmation procedures. After the above verification, it is determined that the book value of the RMB-denominated bank deposits as of the benchmark date shall be used as the appraised value; the appraised value of foreign currency deposits shall be confirmed based on the verified foreign currency amount multiplied by the foreign exchange rate as of the appraisal benchmark date.

(2) Receivables Financing

For the appraisal of receivables financing, the appraisers reviewed the notes receivable registration book of the entity to be appraised, and verified the type, serial number, issue date, face amount, transaction contract, and the name of the payer, acceptor, and endorser (individual or entity), maturity date and other information of each note receivable one by one. The appraised value is confirmed based on the verified book value.

(3) Claim-Type Assets

For the appraisal of accounts receivable and other receivables, on the basis of verifying the receivables, the appraisers used historical data and current investigation results to conduct a detailed analysis of the amount, duration and cause of the arrears, collection status, and the financial status, credit standing, and operation and management of the debtors. The individual identification method and aging analysis method are used to estimate the appraisal risk loss:

- If there is sufficient reason to believe that the entire amount can be collected, the appraisal risk loss is 0;

- If there is conclusive evidence indicating that the amount cannot be collected, the appraisal risk loss is 100%;

- If it is highly likely that part of the amount cannot be collected and the uncollectible amount is difficult to determine, the appraisal risk loss is estimated based on aging analysis with reference to the enterprise's accounting method for calculating bad debt provisions.

In accordance with the above standards, the appraisal risk loss is determined, and the appraised value is determined by subtracting the appraisal risk loss from the total amount of receivables. The bad debt provision is appraised as zero.

(4) Prepayments

For the appraisal of prepayments, the appraisers reviewed the relevant cooperation contracts or agreements, and understood the services received and the situation from the appraisal benchmark date to the on-site appraisal work date. No circumstances such as bankruptcy, cancellation of the counterparty, or failure to provide services on time in accordance with the contract were found. The verified book value is used as the appraised value.

(5) Inventories

All inventories are finished goods. The appraisers investigated and understood the sales model, supply-demand relationship, and market price information of the finished goods from the entity to be appraised, sampled the recent sales contracts as of the appraisal benchmark date, and conducted a sample count of the finished goods together with the inventory management personnel of the entity to be appraised.

As of the appraisal benchmark date, the finished goods (inventory goods) of the entity to be appraised are normal sales finished goods (inventory goods). The appraised value is determined based on their sales price minus sales expenses and all taxes. Meanwhile, the provision for inventory write-down is confirmed as 0.

Appraised value of finished goods = Quantity of finished goods × Tax-exclusive sales unit price of finished goods × [1 – Rate of sales taxes and surcharges – Rate of sales expenses – Sales profit margin × Income tax rate – Net profit margin × Net profit discount rate]

(6) Other Current Assets

By examining account books and various original vouchers, and combining with relevant contracts and agreements, the appraisers verified the authenticity of the business content and the accuracy of the book value of other current assets. The appraised value is confirmed based on the verified book value after inventory checking.

(7) Non-Current Assets Maturing Within One Year

By examining account books and various original vouchers, and combining with relevant contracts and agreements, the appraisers verified the authenticity of the business content and the accuracy of the book value of non-current assets maturing within one year. The appraised value is confirmed based on the verified book value after inventory checking.

2. Investment Property

Based on the purpose of this appraisal and the characteristics of the appraisal object, there are market transaction cases of similar buildings and land in the area where the assets to be appraised are located, and comparable instances are easily obtainable. The market approach can well reflect the fair value of the real estate. The appraisers determined to adopt the market approach for this appraisal after considering the appraisal object, appraisal purpose, value type, and data collection.

The basic idea of the market approach for real estate appraisal is: in accordance with the substitution principle, compare and analyze the appraised property with the transaction prices of similar properties traded in the market recently as of the benchmark date, and appropriately adjust the transaction prices based on factors such as transaction conditions, transaction date, regional factors, and property conditions to derive the value of the appraised property as of the appraisal benchmark date.

The basic formula is as follows:

$P = Pb \times A \times B \times C \times D \times E$

Where:

P – Appraised value of the property to be appraised;
Pb – Price of comparable transaction cases;
A – Transaction condition adjustment coefficient;
B – Transaction date adjustment coefficient;
C – Regional factor adjustment coefficient;
D – Individual factor adjustment coefficient;
E – Income condition adjustment coefficient.

3. Fixed Assets

3.1 Market Approach for Appraising Building No. 9 Office Building at No. 27 Wenbei Lane, Shihuqiao New Village (Building and Structure)

The basic idea of the market approach for real estate appraisal is: in accordance with the substitution principle, compare and analyze the appraised property with the transaction prices of similar properties traded in the market recently as of the benchmark date, and appropriately adjust the transaction prices based on factors such as transaction conditions, transaction date, regional factors, and property conditions to derive the value of the appraised property as of the appraisal benchmark date.

The basic formula is as follows:

$P = Pb \times A \times B \times C \times D \times E$

Where:

P – Appraised value of the property to be appraised;
Pb – Price of comparable transaction cases;
A – Transaction condition adjustment coefficient;
B – Transaction date adjustment coefficient;
C – Regional factor adjustment coefficient;
D – Individual factor adjustment coefficient;
E – Income condition adjustment coefficient.

3.2 Cost Approach for Appraising Fuyang Warehouse (Building and Structure)

Appraised value = Full replacement cost × Depreciation rate

(1) Determination of Full Replacement Cost

Based on the appraisal purpose, in accordance with the going concern principle and using market prices as the basis, combined with the characteristics of the buildings and structures to be appraised and the collected data, the cost approach is mainly used to appraise the buildings and structures.

The full replacement cost of buildings usually includes: comprehensive construction and installation cost, pre-construction and other expenses, capital cost, and deductible value-added tax. The formula for calculating the full replacement cost of buildings is as follows:

Full replacement cost = Comprehensive construction and installation cost + Pre-construction and other expenses + Capital cost – Deductible value-added tax

1. Comprehensive construction and installation cost

For large-scale, high-value, and important buildings (structures), the budget (final account) adjustment method is used to determine the comprehensive construction and installation cost. Specifically, based on the as-built drawings and relevant data of the buildings (structures) to be appraised and the verified final account engineering quantity, the pre-tax construction and installation cost and tax-inclusive construction and installation cost as of the benchmark date are calculated respectively in accordance with the current engineering budget quota and comprehensive rate.

For general buildings (structures), the benchmark unit cost is determined by category based on factors affecting the construction price, such as structural type, span, floor height, and decoration level. The unit cost reflects the cost of this type of building (structure) under the normal construction level, construction quality, and general decoration standards in the region as of the appraisal benchmark date. On this basis, the unit cost is adjusted accordingly based on the characteristics of the buildings (structures) (such as different floor heights, spans, special decorations, and construction difficulty) and on-site investigation results to determine the pre-tax construction and installation cost and tax-inclusive construction and installation cost.

2. Determination of pre-construction and other expenses

In accordance with the relevant national (industry) charging regulations and combined with the actual situation of the construction project location as of the appraisal benchmark date, the property owner is regarded as an independent construction project, and the pre-construction and other expenses are determined based on the scale of the enterprise's fixed assets.

3. Capital cost

The capital cost is calculated based on the reasonable construction period of the property owner, using the sum of the comprehensive construction and installation cost, pre-construction and other expenses as the base, and assuming uniform investment of funds. The formula for calculating the capital cost is as follows:

Capital cost = (Tax-inclusive comprehensive construction and installation cost + Pre-construction and other expenses) × Capital cost rate × Reasonable construction period/2

4. Deductible value-added tax

In accordance with the provisions of relevant documents, for house-type assets that meet the conditions for value-added tax deduction, the deductible value-added tax is calculated.

(2) Determination of Depreciation Rate

The depreciation rate is calculated using the age-life method and the observation method with different weights.

Depreciation rate = Depreciation rate by age-life method × 40% + Depreciation rate by observation method × 60%

1. Depreciation rate by age-life method

The depreciation rate of buildings is determined based on the economic service life, actual service life, and remaining service life of the buildings to be appraised. The formula is as follows:

Depreciation rate by age-life method = Remaining service life/(Actual service life + Remaining service life) × 100%

2. Depreciation rate by observation method

The appraisers conduct on-site investigations on the usage status of the buildings to be appraised, investigate and understand the maintenance and renovation of the buildings, conduct on-site inspections of the main structural parts, decoration parts, and facility parts of the buildings, and determine the depreciation rate by combining the building damage grade and the corresponding weight coefficients of different structural parts.

Depreciation rate by observation method = Total score of structural parts × Weight + Total score of decoration parts × Weight + Score of equipment parts × Weight

3.3 Cost Approach for Appraising Equipment-Type Assets

Asset appraisal professionals review the relevant contracts, invoices, and related accounting vouchers based on the equipment appraisal list provided by the enterprise, pay necessary attention to the ownership of the assets, analyze the depreciation policy and accrual process, organize professional and technical personnel to conduct on-site inspections, review the operation and maintenance records and production statistics of key equipment, and conduct detailed on-site inspections and identification of large-scale key equipment.

Based on the characteristics of the equipment and the collected data, asset appraisal professionals mainly use the cost approach for appraisal. The basic formula is as follows:

Appraised value = Full replacement cost × Depreciation rate

(1) Determination of Full Replacement Cost

1. Determination of full replacement cost of equipment

The full replacement cost of machinery and equipment consists of equipment purchase cost, transportation expenses, installation and commissioning expenses, other expenses, and capital cost.

In accordance with the Notice of the Ministry of Finance and the State Taxation Administration on Adjusting the Value-Added Tax Rate (Cai Shui [2018] No. 32), since January 1, 2009, the input value-added tax incurred on the purchase or self-manufacture (including expansion and installation) of fixed assets can be deducted from the output value-added tax in accordance with the relevant provisions of the Interim Regulations of the People's Republic of China on Value-Added Tax (Decree No. 691 of the State Council) and the Implementation Rules of the Interim Regulations of the People's Republic of China on Value-Added Tax (Decree No. 65 of the Ministry of Finance and the State Taxation Administration). Therefore, for productive machinery and equipment, the input value-added tax incurred on the purchase of the equipment shall be deducted when calculating the full replacement cost.

The basic formula is as follows:

Full replacement cost = Equipment purchase cost + Transportation expenses + Foundation expenses + Installation and commissioning expenses + Pre-construction and other expenses + Capital cost – Deductible value-added tax

- The equipment purchase cost is mainly determined through market inquiries, reviewing relevant equipment quotation materials, and based on the relevant price data collected by asset appraisal professionals; for some equipment purchased recently, the purchase cost is determined based on the enterprise's purchase price after verifying the relevant accounting vouchers; for some equipment without market prices, the replacement cost is determined by referring to the purchase price of similar equipment in accordance with the substitution principle, or by using the price index method if the degree of technological progress is small; for non-standard equipment, the purchase cost is determined by the replacement cost calculation method.

- Transportation expenses are determined by calculating a reasonable percentage of the equipment purchase cost based on the specific conditions of each equipment, distinguishing the equipment purchase location and transportation difficulty, and with reference to the industry standards for relevant equipment and combined with local market practices.

- Installation and commissioning expenses are determined by calculating a certain percentage of the equipment purchase cost based on technical indicators such as the characteristics, weight, and installation difficulty of the equipment. For small-scale equipment that does not require installation, installation and commissioning expenses are not considered.

- Other expenses related to engineering construction refer to the necessary expenses incurred in re-purchasing and constructing all fixed assets under current conditions, excluding land-related expenses and expenses for purchasing tools, utensils, and furniture. They generally include: project owner's management fees, survey and design fees, construction drawing budget preparation fees, project supervision fees, and joint trial operation and commissioning fees. During the appraisal process, these expenses are determined through analysis and calculation in accordance with the current national and local policy-based charging standards and combined with market practices.

- Pre-construction and other expenses refer to the other engineering construction expenses calculated in accordance with national and relevant industry regulations, including project owner's management fees, engineering construction supervision fees, survey and design fees, and environmental assessment fees. The calculation base is the sum of the equipment purchase cost, transportation expenses, foundation expenses, and installation and commissioning expenses.

- Capital cost refers to the interest cost of the construction funds invested during the reasonable period of engineering construction. During the appraisal process, it is determined by calculating based on the bank loan interest rate announced by the People's Bank of China, combined with the reasonable construction period and assuming uniform investment of funds. The basic formula is as follows:

  Capital cost = (Equipment purchase cost + Transportation expenses + Installation and commissioning expenses + Other expenses related to engineering construction) × Interest rate × (Reasonable construction period/2)

For general equipment and electronic equipment that require a short period to form fixed assets, have a small value, do not require installation, and have low transportation expenses, the full replacement cost is comprehensively determined with reference to their purchase price and combined with specific circumstances. For equipment that is beyond its service life or to be scrapped, the appraised value is determined based on the second-hand price or residual value.

The electronic equipment appraised this time mainly includes computers, printers, and air conditioners used in the company's business. The suppliers of these equipment are responsible for delivery and installation, and the equipment price is low. Therefore, other engineering construction expenses and capital cost are not considered.

2. Determination of full replacement cost of vehicles

In accordance with the Notice of the Ministry of Finance and the State Taxation Administration on Adjusting the Value-Added Tax Rate (Cai Shui [2018] No. 32), since January 1, 2009, the input value-added tax incurred on the purchase or self-manufacture (including expansion and installation) of fixed assets can be deducted from the output value-added tax in accordance with the relevant provisions of the Interim Regulations of the People's Republic of China on Value-Added Tax (Decree No. 691 of the State Council) and the Implementation Rules of the Interim Regulations of the People's Republic of China on Value-Added Tax (Decree No. 65 of the Ministry of Finance and the State Taxation Administration). Therefore, for vehicles, the input value-added tax incurred on the purchase of the vehicles shall be deducted when calculating the full replacement cost.

The full replacement cost of vehicles is determined based on the market sales price of similar vehicles in the vehicle's location as of the appraisal benchmark date, plus the corresponding vehicle purchase tax, vehicle inspection, and license plate fees. The basic formula is as follows:

Full replacement cost = Vehicle purchase price (tax-exclusive) + Vehicle purchase tax + Vehicle inspection and license plate fees

(2) Determination of Depreciation Rate

1. Determination of depreciation rate of equipment

For important and key machinery and equipment, the depreciation rate is determined by the weighted average of the depreciation rate by age-life method and the depreciation rate by on-site inspection method. The basic formula is as follows:

Depreciation rate = Depreciation rate by age-life method × 40% + Depreciation rate by on-site inspection method × 60%

Based on the on-site inspection results, asset appraisal professionals evaluate the remaining service life of the equipment by combining factors such as the actual technical status, manufacturing quality, normal load rate, maintenance conditions, modification status, and working environment and conditions of the equipment, and calculate and determine the depreciation rate by age-life method by combining the actual service life of the equipment. The basic formula is as follows:

Depreciation rate by age-life method = Remaining service life/(Actual service life + Remaining service life) × 100%

Through detailed on-site inspections of the equipment, asset appraisal professionals formulate the identification and scoring standards based on the on-site inspection and identification results and the main components of the equipment. By identifying and scoring each main component, the depreciation rate by on-site inspection method of the equipment is calculated based on the scoring results of each component. The basic formula is as follows:

Depreciation rate by on-site inspection method = Σ Individual scores

For general equipment and electronic equipment that require a short period to form fixed assets, have a small value, do not require installation, and have low transportation expenses, the depreciation rate by age-life method is used as the depreciation rate of the equipment.

2. Determination of depreciation rate of vehicles

① Determination of theoretical depreciation rate (N1)

The theoretical depreciation rate is determined based on the vehicle's mileage and service life in accordance with the lower-of-the-two principle. The calculation formulas are as follows:

Depreciation rate by age-life method = Remaining service life/(Actual service life + Remaining service life) × 100%

Depreciation rate by mileage method = (Prescribed mileage – Actual mileage)/Prescribed mileage × 100%

N1 = MIN (Depreciation rate by age-life method, Depreciation rate by mileage method)

② Determination of inspection depreciation rate (N2)

The appraisers conduct on-site inspections of the vehicle's appearance (whether there is damage to the structure), engine operation (whether it is normal), circuit (whether it is unobstructed), braking performance (whether it is reliable), and exhaust emission standards (whether they are met). Based on the theoretical depreciation rate, an adjustment coefficient "a" for the on-site inspection depreciation rate is determined for the equipment. The adjusted rate is the on-site inspection depreciation rate N2 of the equipment:

N2 = Theoretical depreciation rate + Adjustment coefficient for on-site inspection depreciation rate = N1 + a

Determination of comprehensive depreciation rate (N):

N = Theoretical depreciation rate × 40% + Inspection depreciation rate × 60% = N1 × 40% + N2 × 60%

3. Determination of depreciation rate of electronic equipment

The depreciation rate of electronic equipment is generally calculated using the age-life method. The basic calculation formula is as follows:

Depreciation rate = Remaining service life/(Remaining service life + Actual service life) × 100%

For electronic equipment with fast update and replacement, rapid price changes, and large functional depreciation, the depreciation rate is comprehensively determined based on factors such as the economic service life of the equipment and the technical update speed of the product.

(3) Determination of Appraised Value

Appraised value = Full replacement cost × Comprehensive depreciation rate

4. Right-of-Use Assets

The appraisers verified the legality, rationality, and authenticity of the right-of-use assets; the appraisal is determined based on the value of the assets and rights that the asset holder still owns after the realization of the appraisal date and that do not overlap with other appraisal objects. The appraisers reviewed relevant payment vouchers and other materials, and used the verified book value as the appraised value.

5. Intangible Assets

(1) Intangible Assets – Other Intangible Assets

All other intangible assets within the scope of this appraisal are in-book software. The appraisers verified the other intangible assets declared by the enterprise by reviewing the relevant contracts and invoices of the intangible assets, understanding the usage status on-site, and analyzing the amortization period and amortization amount of the intangible assets. In this appraisal, the appraised value of the software is determined based on the original book value of the software and the remaining benefit period of amortization.

(2) Intangible Assets – Land Use Rights

The commonly used appraisal methods for land use rights include the market comparison method, income capitalization method, residual method, cost approach, and benchmark land price coefficient correction method. Based on the characteristics of the land use rights, the type of appraised value, and the data collection situation, the market comparison method is selected for appraising the land use rights in this appraisal.

The market comparison method is an appraisal method that, in accordance with the substitution principle in the market, compares the land parcel to be appraised with similar real estate with substitution that has been traded in the market recently as of the benchmark date, and appropriately adjusts the transaction price of the similar real estate to estimate the objective and reasonable price of the land parcel to be appraised.

In accordance with the substitution principle, the valuation object is compared with similar real estate with substitution that has been traded in the market recently as of the appraisal benchmark date. Based on the known transaction price of the latter, the comparable land price is adjusted and evaluated with reference to factors such as the transaction time, transaction conditions, transaction method, land use period, regional factors, and individual factors of the valuation object. Finally, the price of the valuation object as of the appraisal benchmark date is estimated based on the comparable land price of the similar traded real estate.

The calculation formula is as follows:

$V = VB \times A \times B \times C \times D \times E$

Where:

V – Price of the land parcel to be appraised;
VB – Price of comparable instances;
A – Transaction condition index of the land parcel to be appraised/Transaction condition index of comparable instances;
B – Land price index of the valuation benchmark date for the land parcel to be appraised/Land price index of the transaction date for comparable instances;
C – Regional factor condition index of the land parcel to be appraised/Regional factor condition index of comparable instances;
D – Individual factor condition index of the land parcel to be appraised/Individual factor condition index of comparable instances;
E – Equity status condition index of the land parcel to be appraised/Equity status condition index of comparable instances.

6. Long-Term Deferred Expenses

The appraisers verified the legality, rationality, and authenticity of the long-term deferred expenses, and understood the expense expenditure and remaining situation; the appraisal is determined based on the value of the assets and rights that the asset holder still owns after the realization of the appraisal purpose and that do not overlap with other appraisal objects. The appraisers reviewed relevant payment vouchers and other materials, and used the verified book value as the appraised value.

7. Deferred Tax Assets

Deferred tax assets are deferred taxes formed by the provision for bad debts of assets. The appraised value of deferred tax assets is the verified book value.

8. Liabilities

Asset appraisal professionals verify the liability items based on the liability appraisal list provided by the enterprise through procedures such as reviewing accounting vouchers, examining contracts, and analytical review; if the liability is expected to result in an outflow of economic benefits from the enterprise, the verified book value is used as the appraised value; if the liability is not an actual liability borne by the enterprise, it is calculated based on the actual liability borne.

IV. CONCLUSION AND ANALYSIS OF THE ASSET-BASED APPROACH

(I) Appraisal Conclusion of the Asset-Based Approach

As of the appraisal benchmark date (May 31, 2025), the total assets of Zhejiang Pharmaceutical Industry Company declared for appraisal are RMB2,052,130.4 thousand, liabilities are RMB1,699,549.6 thousand, and total shareholder's equity is RMB352,580.8 thousand; after appraisal, the appraised value of total assets is RMB2,091,783.4 thousand, liabilities are RMB1,699,549.6 thousand, and the value of total shareholder's equity is RMB392,233.9 thousand. The appraisal appreciation of total shareholder's equity is RMB39,653.0 thousand, with an appreciation rate of 11.25%. The summary of the asset appraisal conclusion is as follows, and the detailed appraisal conclusion is shown in the asset appraisal detailed list.

Asset Appraisal Conclusion Summary Table

Appraisal Benchmark Date: May 31, 2025

Unit: RMB10,000

	Item	Book Value (A)	Appraised Value (B)	Appreciation/ Depreciation (C=B-A)	Appreciation/ Depreciation Rate (D=C/A ×100%)
1	Current Assets	195,427.39	196,648.76	1,221.37	0.62%
2	Non-Current Assets	9,785.65	12,529.58	2,743.93	28.04%
3	Among which: Available-for-Sale Financial Assets	–	–	–	–
4	Held-to-Maturity Investments	–	–	–	–
5	Long-Term Receivables	–	–	–	–
6	Long-Term Equity Investments	–	–	–	–
7	Investment Property	1,114.55	1,032.04	-82.51	-7.40%
8	Fixed Assets	6,562.23	9,176.37	2,614.14	39.84%
9	Construction in Progress	–	–	–	–
10	Engineering Materials	–	–	–	–
11	Disposal of Fixed Assets	–	–	–	–
12	Biological Assets for Production	–	–	–	–
13	Oil and Gas Assets	–	–	–	–
14	Right-of-Use Assets	–	–	–	–
15	Intangible Assets	393.23	605.53	212.30	53.99%
16	Right-of-Use Assets	234.88	234.88	–	–
17	Goodwill	–	–	–	–
18	Long-Term Deferred Expenses	14.18	14.18	–	–
19	Deferred Tax Assets	1,466.58	1,466.58	–	–
20	Other Non-Current Assets	–	–	–	–
21	Total Assets	205,213.04	209,178.34	3,965.30	1.93%
22	Current Liabilities	169,558.40	169,558.40	–	–
23	Non-Current Liabilities	116.56	116.56	–	–
24	Total Liabilities	169,954.96	169,954.96	–	–
25	Net Assets (Shareholder's Equity)	35,258.08	39,223.39	3,965.30	11.25%

(II) Comparison of the Appraisal Results of the Asset-Based Approach with the Book Value and the Reasons for Changes

Compared with the declared book value, the total shareholder's equity has an appraisal appreciation of RMB39,653.0 thousand, with an appreciation rate of 11.25%.

After analysis, the main reasons for the appraisal appreciation/depreciation are as follows:

1. Reasons for inventory appreciation: The sales price of the enterprise's products is higher than the cost price, resulting in the appreciation of inventory.

2. Reasons for investment property depreciation: The market price of the enterprise's real estate as of the benchmark date is lower than the unit price at the time of purchase, resulting in the depreciation of the real estate.

3. Reasons for the appreciation of fixed assets – buildings: The market price or construction cost of the enterprise's real estate as of the benchmark date is higher than the unit price at the time of construction, resulting in the appreciation of the real estate.

4. Reasons for the appreciation of equipment-type assets under buildings: The appraised economic service life of equipment-type assets is generally longer than the enterprise's accounting depreciation period, resulting in the increase of equipment-type assets.

5. Reasons for the appreciation of intangible assets: The market price of the enterprise's land as of the benchmark date is higher than the land value at the time of purchase, resulting in the appreciation of the land.