

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares of **FUSEN PHARMACEUTICAL COMPANY LIMITED**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

This circular is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



Fusen Pharmaceutical Company Limited

福森藥業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1652)

**MAJOR TRANSACTION
IN RELATION TO
DEEMED DISPOSAL OF EQUITY INTEREST IN
HENAN FUSEN PHARMACEUTICAL COMPANY LIMITED**

Capitalized terms used in this cover shall have the same meanings as those defined in the section headed “Definitions” in this circular. A letter from the Board is set out on pages 3 to 27 of this circular.

A notice convening an EGM to be held at Units 5906–5912, 59th Floor, The Center, 99 Queen’s Road Central, Hong Kong, on Thursday, 9 July 2026 at 2:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

23 June 2026

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	3
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II — VALUATION REPORT OF THE TARGET COMPANY	II-1
APPENDIX III — GENERAL INFORMATION	III-1
NOTICE OF EGM	EGM-1

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of directors of the Company
“Business Day(s)”	days other than public holidays and weekends of the PRC
“Capital Increase”	subscription of the newly increased registered capital of the Target Company by the Investors with an aggregate amount of RMB300 million in accordance with the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement entered into on 18 June 2026, between the Investors, Nanyang Hengsheng, Wealth Depot (HK) and the Target Company in relation to the Capital Increase
“Company”	Fusen Pharmaceutical Company Limited (福森藥業有限公司), a company incorporated in Cayman Islands with limited liability and whose shares are listed and traded on the Main Board of the Stock Exchange (stock code: 1652)
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Capital Increase Agreement and the transactions contemplated thereunder
“Existing Shareholders”	Nanyang Hengsheng and Wealth Depot (HK)
“Group”	the Company and its subsidiaries
“Henan Fusen” or “Target Company”	Henan Fusen Pharmaceutical Company Limited* (河南福森藥業有限公司), a limited liability company established in the PRC on 10 October 2003 and a wholly-owned subsidiary of the Company
“Henan Xisheng”	Henan Xisheng Industrial Development Co., Ltd.* (河南浙勝產業發展有限責任公司), a limited liability company established under the laws of the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected (as defined under the Listing Rules) with the Company and its connected person(s)
“Investors”	Nanyang Industrial Investment and Henan Xisheng

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“LPD”	18 June 2026, being the latest date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Nanyang Hengsheng”	Nanyang Hengsheng Enterprise Management Services Limited* (南陽衡盛企業管理服務有限公司), a company established in the PRC with limited liability on 12 December 2012 and a wholly-owned subsidiary of the Company
“Nanyang Industrial Investment”	Nanyang Industrial Investment Health Industry Group Co., Ltd.* (南陽產投健康產業集團有限公司), a limited liability company established under the laws of the PRC
“PRC”	the People’s Republic of China and, for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan region
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wealth Depot (HK)”	Wealth Depot (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability on 5 October 2016 and a wholly-owned subsidiary of the Company
“%”	per cent

* *The English translation of Chinese names or words in this circular, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

LETTER FROM THE BOARD



Fusen Pharmaceutical Company Limited

福森藥業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1652)

Executive Directors:

Mr. Cao Zhiming (*Chairman*)
Mr. Hou Taisheng
Ms. Meng Qingfen
Mr. Chi Yongsheng

Registered office:

Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Independent Non-executive Directors:

Mr. Lee Kwok Tung, Louis
Dr. To Kit Wa
Mr. Yu Ho Ming

*Headquarter and principal place of
business in China:*

Urban Industrial Zone
Xichuan County, Henan Province
China
(中國河南省淅川縣城區工業園區)

*Place of business in Hong Kong registered under
Part 16 of the Companies Ordinance:*

Workshop 05 & 06, 15/F,
Hundsun International Centre
44 Heung Yip Road
Aberdeen
Hong Kong

23 June 2026

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO
DEEMED DISPOSAL OF EQUITY INTEREST IN
HENAN FUSEN PHARMACEUTICAL COMPANY LIMITED**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 18 June 2026 in respect of the Capital Increase.

LETTER FROM THE BOARD

The purposes of this circular are to, among other things, provide you with: (i) details of the Capital Increase; (ii) the notice of the EGM; and (iii) other information as required under the Listing Rules, to enable you to make an informed decision on whether to vote for or against the resolution to be proposed at the EGM.

2. THE CAPITAL INCREASE

On 18 June 2026, the Investors, Nanyang Hengsheng, Wealth Depot (HK) and the Target Company entered into the Capital Increase Agreement, pursuant to which the Investors shall make an aggregate cash contribution of RMB300 million to subscribe for the Target Company's newly increased registered capital, representing approximately 34% of the enlarged total registered capital of the Target Company after the Capital Increase. Upon completion of the Capital Increase, the Company will indirectly hold approximately 66% of the enlarged total registered capital of the Target Company, and the Target Company will remain a subsidiary of the Company.

The principal terms of the Capital Increase Agreement are set out below:

Date

18 June 2026

Parties

- (a) Investors: (i) Nanyang Industrial Investment; and
 (ii) Henan Xisheng,

details of which are set out in the paragraph headed "3. GENERAL INFORMATION OF THE PARTIES" of this circular.

- (b) Nanyang Hengsheng and Wealth Depot (HK), which are the wholly-owned subsidiaries of the Company and the existing shareholders of Henan Fusen

(c) Henan Fusen, which is the Target Company

To the best of the Directors' knowledge, information and belief, and after having made all reasonable enquiries, the parties to the Capital Increase Agreement and their ultimate beneficial owners are Independent Third Parties.

The Capital Increase

The Investors will subscribe for the Target Company's newly increased registered capital of RMB39,542,927 with an aggregate cash consideration of RMB300 million, representing approximately 34% of the enlarged registered capital of the Target Company after the Capital Increase. The amount of registered capital to be subscribed by each Investor (and the corresponding portion of its cash contribution to be credited to the capital reserve (capital surplus) of the Target Company) was determined on the basis of the parties' agreed post-Capital Increase shareholding structure, under which the Investors

LETTER FROM THE BOARD

(in aggregate) will hold approximately 34% of the enlarged registered capital of the Target Company (and the Existing Shareholders will hold approximately 66%), with the Investors' cash contributions allocated between registered capital and capital reserve in accordance with PRC law and the Target Company's constitutional documents. Accordingly, the Target Company's registered capital will be increased from RMB76,759,800 to RMB116,302,727, and the Investors will in aggregate subscribe for newly increased registered capital of RMB39,542,927 (i.e. approximately 34% of the enlarged registered capital). The portion of each Investor's cash contribution in excess of the registered capital amount to be subscribed by it will be credited to the capital reserve (capital surplus) of the Target Company. For the purpose of allocating the newly increased registered capital among the Investors, the parties agreed to allocate such registered capital pro rata to the Investors' respective cash contributions (i.e. RMB280 million: RMB20 million), with any rounding differences (if any) adjusted among the Investors so that the aggregate newly increased registered capital subscribed by the Investors equals RMB39,542,927 and the intended post-Capital Increase shareholding percentages are achieved. Upon completion of the Capital Increase, (i) Nanyang Industrial Investment will contribute RMB280 million, of which RMB36,906,732 will be credited as registered capital and RMB243,093,268 will be credited to the capital reserve of the Target Company, and it will hold approximately 31.73% of the enlarged registered capital of the Target Company; and (ii) Henan Xisheng will contribute RMB20 million, of which RMB2,636,195 will be credited as registered capital and RMB17,363,805 will be credited to the capital reserve of the Target Company, and it will hold approximately 2.27% of the enlarged registered capital of the Target Company.

The following table sets out, for illustrative purposes, (i) each Investor's cash contribution, (ii) the portion of such cash contribution credited as registered capital and the portion credited to the capital reserve (capital surplus) of the Target Company, and (iii) the resulting shareholding percentages (by reference to registered capital) immediately after completion of the Capital Increase:

Party	Cash contribution (RMB)	Registered capital (RMB)	Capital reserve/ premium credited (RMB)	Shareholding (by registered capital) (Approx. %)
Nanyang Hengsheng	—	70,880,000	0	60.94%
Wealth Depot (HK)	—	5,879,800	0	5.06%
Nanyang Industrial Investment	280,000,000	36,906,732	243,093,268	31.73%
Henan Xisheng	20,000,000	2,636,195	17,363,805	2.27%
Total	300,000,000	116,302,727	260,457,073	100.00%

LETTER FROM THE BOARD

Consideration and Payment Arrangement

The total amount of the Capital Increase is RMB300 million (the “**Capital Increase Price**”). Within five (5) Business Days after all the conditions precedent specified in the Capital Increase Agreement are satisfied or waived by the Investors and the Payment Notice (as hereinafter defined) being issued to the Investors, each of the Investors shall pay the entire Capital Increase Price in a single installment to the capital increase account (the “**Fund Account**”) opened and designated by the Target Company. The date on which the Investors pay the full Capital Increase Price to the Fund Account shall be the payment date of the Capital Increase Price (the “**Capital Increase Price Payment Date**”).

Basis for Consideration

The Capital Increase Price was determined and agreed after arm’s length negotiations between the parties and represents the parties’ assessment of the value of the Target Company taking into account the following:

- (i) The appraised market value of the entire shareholders’ equity interest of the Target Company as at 31 December 2025 (i.e. the valuation benchmark date) as stated in the valuation report (the “**Valuation Report**”) prepared by Beijing China Enterprise Appraisals Co., Ltd.* (北京中企華資產評估有限責任公司) (the “**Independent Valuer**”), an independent valuer, using the market approach, pursuant to which the value of the entire shareholders’ equity interest of the Target Company was appraised at approximately RMB724.6 million (subject to the assumptions and limitations therein).

The Board has reviewed the Valuation Report, discussed the valuation methodology, key inputs, assumptions, and limitations with the Independent Valuer, and assessed the fairness and reasonableness of the valuation. Please refer to the paragraph headed “Summary of the Valuation Report” and Appendix II to this circular for further details. The Board’s detailed assessment is as follows:

- (a) The Board concurs with the Independent Valuer’s decision to reject the asset-based approach, as it fundamentally fails to capture the intrinsic value of the Target Company’s vital off-balance-sheet intangible assets. The Board also considers the adoption of the market approach utilizing the P/B ratio to be highly appropriate. Given the regulatory uncertainties in the PRC pharmaceutical sector regarding future volume-based procurement renewals, forecasting long-term cash flows under the income approach involves significant subjective risk. Utilizing a P/B multiple anchors the valuation on the solid, verifiable net asset base of the Target Company while applying a market-tested premium from comparable public companies, providing a more reliable, stable, and objective benchmark;
- (b) The Board has reviewed the key assumptions, particularly regarding the continuity of the high-tech enterprise tax rate and the successful renewal of drug approvals and procurement contracts. The Board considers these

LETTER FROM THE BOARD

assumptions to be fair, commercially reasonable, customary for a going-concern pharmaceutical business, and closely aligned with the historical compliance record and management's operational expectations for the Target Company; and

- (c) The appraised market value of approximately RMB724.6 million represents a modest premium of 6.34% over the Target Company's equity attributable to the owners of the company (audited) of approximately RMB681.4 million as at the valuation benchmark date, as shown in the financial statements audited by Henan Zhongjianhua Certified Public Accountants Co., Ltd.* (河南中建華會計師事務所有限公司), an independent auditor, with an unqualified opinion. The Board noted the limitations regarding pending property certificates and insignificant investments, and considers that they do not materially impair the overall fairness of the valuation. Accordingly, the Board is of the view that the valuation, having been determined based on the market approach and reflecting the appraised market value of the Target Company, as well as the assumptions adopted therein, is fair, reasonable, and appropriate, and provides a reliable basis for determining the Capital Increase Price;
- (ii) The latest available financial information of the Target Company, including its audited financial results for the year ended 31 December 2025;
- (iii) The Target Company's capital structure, existing indebtedness and liquidity position; in particular, the Board reviewed, among others, (a) the Target Company's latest balance sheet and working capital position, (b) the level and maturity profile of its existing borrowings and other indebtedness, and (c) its projected funding needs for debt repayment and working capital (details of which are set out in the paragraph headed "Use of Proceeds from the Capital Contribution" of this circular below), and considered that the Capital Increase would strengthen the Target Company's liquidity position and optimise its capital structure. In agreeing the Capital Increase Price, the Board also took into account that, under PRC law and in order to achieve the agreed post-Capital Increase shareholding structure, the Investors' cash contributions would be allocated between registered capital and capital reserve, and that the Capital Increase Price therefore reflects an agreed post-money equity value of the Target Company (details of which are set out in the paragraph headed "The Capital Increase" of this circular above);
- (iv) The expected impact of the Capital Increase and the proposed application of proceeds (including repayment of certain indebtedness and replenishment of working capital); and
- (v) Prevailing market practice for structured capital injections into PRC operating subsidiaries, together with the specific rights and obligations of the parties under the Capital Increase Agreement; in particular, the Board considered that structured capital injections involving PRC state-owned or institutional

LETTER FROM THE BOARD

investors commonly (a) adopt an asset/NAV-referenced pricing approach (or a market approach utilizing Price-to-Book multiples) for asset-heavy operating subsidiaries or where the proceeds are primarily applied towards debt reduction and financing capital expenditure, (b) include customary investor protection arrangements (such as reserved matters, information and governance rights and agreed exit mechanisms), and (c) allocate subscription proceeds partly to registered capital and partly to capital reserve to achieve the agreed post-money ownership. The Board considered that the Capital Increase Price and structure are consistent with such market practice.

Taking into account the factors set out above, and specifically by reference to the Investors' cash contribution of RMB300.0 million for approximately 34% of the enlarged registered capital of the Target Company, the implied post-money equity value of the Target Company is approximately RMB882.4 million (calculated as RMB300.0 million divided by 34%), which results in a negotiated pre-money equity value of approximately RMB582.4 million (after deducting the cash contribution). This negotiated pre-money valuation represents a discount of approximately 19.6% to the appraised market value of approximately RMB724.6 million as stated in the Valuation Report. The Board considers that such discount, which was arrived at after arm's length negotiations, is commercially justifiable and fair and reasonable taking into account the following practical factors: (i) the immediate and substantial liquidity of RMB300.0 million injected into the Target Company as a single lump sum, which is crucial for alleviating the Group's short-term funding pressures (including its net current liabilities position) and securing sufficient working capital to meet the Group's operational requirements; (ii) the fact that the Investors are acquiring a minority interest in a non-listed PRC operating subsidiary with limited liquidity, and the Capital Increase Agreement does not provide the Investors with an unconditional or guaranteed liquidity exit (for example, the exit mechanisms contemplated include transfers (which are subject to negotiation/third-party availability) and targeted capital reduction which requires unanimous agreement and completion of statutory procedures), such that the Investors bear a degree of liquidity and exit uncertainty during the investment period (for details of the said exit mechanism, please refer to the paragraph headed "Exit Arrangements" of this circular below); (iii) the Board also took into account the Investors' PRC state-owned backgrounds and the strategic and practical value that a state-owned institutional shareholder base may bring to the Target Company in the ordinary course of business. In particular, the Board considered that (a) the introduction of state-owned institutional investors as minority shareholders may enhance the Target Company's standing and credibility with key counterparties (including banks, suppliers and business partners) when the Target Company seeks to maintain stable financing arrangements, negotiate financing terms or procure operational support; (b) state-owned institutional investors typically adopt a relatively longer-term investment outlook and more disciplined post-investment monitoring and oversight, which may support the Target Company's efforts to strengthen corporate governance, internal controls and financial discipline (particularly in relation to prudent debt management and maintaining a healthy debt-to-asset ratio) and thereby reduce financing and liquidity risks; and (c) given the Investors' respective state-owned institutional profiles, the Target Company may, subject to commercial needs and applicable procedures, have opportunities to access broader financing channels or resource coordination (for example, introductions

LETTER FROM THE BOARD

to financial institutions and facilitation of discussions on credit facilities or refinancing arrangements), which the Board considered to be relevant in assessing the overall commercial rationale of the transaction and the reasonableness of the Capital Increase Price (including the agreed discount); and (iv) the recent financial performance of the Target Company, which recorded net losses in the financial year ended 31 December 2025. Accordingly, the Board (including the independent non-executive Directors) is of the view that the terms of the Capital Increase Agreement and the transactions contemplated thereunder (including the Capital Increase Price) are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Summary of the Valuation Report

In accordance with the requirements of HKEX Guidance Letter HKEX-GL116-23, details of the Valuation Report are summarised below. Please refer to the full text of the Valuation Report in Appendix II to this circular for further information.

- (i) *Identity, Qualification and Independence of the Valuer:* The Valuation Report was prepared by the Independent Valuer, a qualified professional asset appraisal institution in the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Independent Valuer and its ultimate beneficial owners are Independent Third Parties. For further details, please refer to pages II-3 and II-71 of Appendix II to this circular.
- (ii) *Valuation Approach and Methods Selected:* In preparing the Valuation Report, the Independent Valuer considered the income approach, the market approach, and the asset-based approach. The asset-based approach was not adopted because the Target Company is a pharmaceutical manufacturing enterprise whose enterprise value is reflected not only in its on-balance-sheet tangible assets, but more significantly in the value of off-balance-sheet intangible assets such as its 72 drug approval numbers, production qualifications, brands, sales channels, technical processes, and management teams, which the asset-based approach cannot adequately capture.

The Independent Valuer applied both the income approach and the market approach, but ultimately adopted the market approach (specifically, the guideline public company method) as the final valuation conclusion over the income approach. The rationale is that the income approach relies heavily on forecasts of future revenue and costs, which involve a high degree of uncertainty given that the pharmaceutical industry is facing policy pressures such as the normalization of centralized procurement and medical insurance cost control. The procurement cycle for the Target Company's core products terminates on 31 December 2027, creating material uncertainties for future re-bidding. Conversely, the market approach objectively reflects the enterprise's market value under the current capital market environment and effectively

LETTER FROM THE BOARD

avoids potential valuation deviations caused by subjective future forecasts and short-term policy changes. For further details, please refer to pages II-10, II-58 and II-59 of Appendix II to this circular.

- (iii) *Key Inputs and Selection Criteria for Market Comparables:* Under the market approach, the Price-to-Book (P/B) ratio was selected as the primary value multiple. Given that the Target Company operates in a traditional, asset-intensive pharmaceutical manufacturing industry, there is a strong positive correlation between asset scale and enterprise value. Utilizing the P/B ratio (with net assets as the denominator) effectively mitigates valuation distortions that could be caused by differences in capitalization and expensing of R&D investments, amortization policies for intangible assets, and short-term profit fluctuations among peers. For further details, please refer to pages II-42 and II-43 of Appendix II to this circular.

The comparable listed companies were selected based on the following criteria: (1) A-share listed companies classified under the traditional Chinese medicine sub-sector; (2) principal business comprising the research and development, production and sale of Chinese patent medicines and related products, with pharmaceutical operations accounting for more than 50% of the total business; (3) establishment for at least three years with obtainable publicly available financial data for the recent three years and stable operating history; and (4) comparability with the Target Company in terms of business model, company scale, growth potential and risk characteristics. The Independent Valuer also considered whether the comparable companies were comparable to the Target Company in terms of operating stage, growth profile, operating risk and financial risk. Based on the Independent Valuer's screening of all A-share listed companies satisfying the above criteria, the selected comparable companies represent an exhaustive and representative set of comparable companies. Based on the above criteria, Tailong Pharmaceutical (600222.SH) ("**Tailong**"), Zhenbaodao (603567.SH) ("**Zhenbaodao**") and Panlong Pharmaceutical (002864.SZ) ("**Panlong**") were selected as comparable companies.

The Independent Valuer initially identified five listed companies in the pharmaceutical manufacturing industry through the WIND Industry Center. Two companies were excluded from the final comparable set: one was excluded because it had undergone a back-door listing transaction, which materially affected its share price and historical financial information and therefore distorted comparability; and the other was excluded because, although classified under "pharmaceutical manufacturing" in the WIND system, its principal business had materially shifted according to its 2025 annual report and was no longer sufficiently comparable to the Target Company's product structure, which focuses on Chinese medicine preparations and chemical generic drugs. The Independent Valuer considered that including these two companies would reduce the reliability of the P/B multiples and adjustment coefficients.

LETTER FROM THE BOARD

The P/B ratios of the comparable companies were derived based on the arithmetic mean of their daily weighted average share prices over the 20 trading days immediately preceding the valuation benchmark date divided by their respective net assets per share. The Independent Valuer adopted the 20-trading-day period as it is commonly used in the domestic capital market to represent a recent average trading price. The Independent Valuer considered that such period is sufficiently long to smooth abnormal short-term fluctuations caused by individual trading days, while not being so long as to dilute recent market information. For each trading day, the daily weighted average price was calculated by dividing the total trading turnover for that day by the total number of shares traded for that day, and the arithmetic mean of the daily weighted average prices for the 20 trading days immediately preceding the valuation benchmark date was then adopted. The observed P/B ratios were 2.38 (Tailong), 1.53 (Zhenbaodao) and 2.65 (Panlong).

For the purpose of calculating the P/B ratios on a comparable basis, the Independent Valuer did not adjust the share prices of the comparable companies themselves. Instead, adjustments were made in the calculation of the P/B ratios to exclude the impact of non-operating assets and surplus assets of the comparable companies, so as to align the calculation basis of the comparable companies with that of the Target Company. In this connection, the adjusted market capitalisation and adjusted net assets of the comparable companies were used to calculate the adjusted average share price and net assets per share.

Adjustments were made to reflect differences between the Target Company and the comparable companies across five factors, namely assets under management, profitability, growth capability, risk management capability and operating ratio. Assets under management mainly include indicators such as total assets and net assets attributable to the parent company; profitability mainly includes indicators such as net profit margin, gross profit margin, return on total assets, return on equity, net profit and revenue; growth capability mainly includes indicators such as compound growth rates of revenue, total assets and gross profit margin; risk management capability mainly includes indicators such as debt-to-asset ratio, equity multiplier, financial leverage ratio, current ratio, quick ratio and equity ratio; and operating ratio mainly includes indicators such as total asset turnover, accounts receivable turnover, inventory turnover and current asset turnover.

Each sub-indicator was compared using the Target Company as the benchmark. Where the relevant indicator of a comparable company was inferior to that of the Target Company, the adjustment coefficient was below 100; where the relevant indicator was superior to that of the Target Company, the adjustment coefficient was above 100. For example, for the adjustment of assets under management, larger total assets and net assets attributable to the parent company were considered to indicate stronger risk resilience, and the two sub-indicators were each assigned a 50% weighting. After applying the relevant weighted adjustment, the adjustment coefficients for assets under management

LETTER FROM THE BOARD

were 101 for Tailong, 105 for Zhenbaodao and 101 for Panlong. The adjustment direction and methodology for the other adjustment factors were determined on a similar basis, having regard to objective quantitative indicators and the Independent Valuer's industry experience.

Adjustment coefficients of 0.9611, 0.8979 and 0.8884 were applied to Tailong, Zhenbaodao and Panlong, respectively, resulting in adjusted P/B ratios of 2.28, 1.38 and 2.36. The P/B ratio of the Target Company, based on the weighted average of the adjusted results of the three comparable companies, was 2.01.

A discount rate, for lack of marketability for the pharmaceutical manufacturing industry to which the Target Company belongs, of 37.3% was applied with reference to empirical data on M&A transactions in the PRC capital market for 2025 (sourced from Property Rights Exchange, CVSource and Wind Information).

For the purpose of the market approach calculation, non-operating assets refer to assets that are not directly related to the Target Company's principal business of production and sale of pharmaceuticals and do not contribute to the operating cash flows of the Target Company, such as non-operating related-party balances, external investments, construction and equipment payments, borrowings, idle land and equipment. Surplus assets refer to assets in excess of those required for the normal operations of the Target Company, such as excess cash and external investments.

As at the valuation benchmark date, the Target Company's non-operating assets primarily comprised prepayments for construction and equipment, internal related-party balances and borrowings recorded under other receivables, certain equity investments, and idle land at the Nanyang headquarters with an appraised value of approximately RMB92.5 million. The total amount of non-operating assets was approximately RMB730.2 million. The Target Company's non-operating liabilities primarily comprised construction and equipment payables and internal related-party balances and borrowings recorded under other payables. The total amount of non-operating liabilities was approximately RMB284.8 million. Accordingly, the net value of non-operating assets and non-operating liabilities was approximately RMB445.4 million.

The surplus assets mainly comprised the portion of the Target Company's monetary funds as at the valuation benchmark date which exceeded its minimum cash holding requirement. Based on the Independent Valuer's calculation, the Target Company's monetary funds as at the valuation benchmark date amounted to approximately RMB80.9 million, its minimum cash holding requirement amounted to approximately RMB22.1 million, and the excess cash amounted to approximately RMB58.8 million. The minimum cash holding requirement was determined by reference to the Target Company's monthly cash operating costs and cash turnover period, excluding depreciation and amortisation. In addition, the appraised value of long-term equity

LETTER FROM THE BOARD

investments assessed separately amounted to approximately RMB11.1 million. Accordingly, the total amount of surplus assets was approximately RMB69.9 million.

The value of the entire shareholders' equity interest of the Target Company was appraised at approximately RMB724.6 million (subject to the assumptions and limitations in the Valuation Report), by applying the following formula:

$$\begin{aligned} & \text{adjusted net assets of the Target Company} \times \text{P/B of the Target Company} \times (1 - \text{liquidity discount}) + \text{net value of non-operating assets} + \text{surplus assets} = \\ & (681,378,844.22 - 445,418,640.66 - 69,948,397.44) \times 2.01 \times (1 - 37.3\%) + \\ & 445,418,640.66 + 69,948,397.44 = \text{RMB724,586,737.00} \end{aligned}$$

For further details, please refer to pages II-44 to II-53 of Appendix II to this circular.

- (iv) *Key Assumptions:* The valuation was based on general assumptions (such as going concern and stable macroeconomic environments) and key specific assumptions, including: (1) the Target Company will successfully pass its high-tech enterprise re-assessment upon expiry and continue to enjoy the 15% preferential enterprise income tax rate; (2) the 72 drug approval numbers owned by the Target Company can be successfully renewed upon the expiry of their validity periods; and (3) the Target Company's products that have been selected for the national and provincial centralized procurement lists can be successfully re-selected upon the expiry of the relevant procurement periods.

In relation to the income tax rate assumption, based on the Independent Valuer's on-site verification, the Target Company had been recognised as a high-tech enterprise multiple times and obtained its latest high-tech enterprise qualification in October 2024 for a term of three years, which remained valid as at the valuation benchmark date. Accordingly, for the purpose of the valuation, the Independent Valuer assumed that there would be no material change to the relevant tax policy applicable to the Target Company and that the Target Company would be able to pass the high-tech enterprise reassessment upon expiry of the current recognition period and continue to enjoy the preferential enterprise income tax rate of 15%.

For further details, please refer to pages II-37, II-56 and II-57 of Appendix II to this circular.

- (v) *Scope of Work, Limitations and Information Relied Upon:* The valuation scope covered all assets and liabilities of the Target Company. The valuation relied on the Target Company's audited financial statements for the year ended 31 December 2025, asset lists, site inspection records, and property ownership certificates. The valuation is subject to certain limitations, including: (1) certain buildings and land use rights are subject to mortgages; (2) property ownership certificates for certain buildings have not yet been obtained, though the Target Company has provided written ownership undertakings; and (3) two equity

LETTER FROM THE BOARD

investments were valued at their audited book values due to the Target Company's relatively low shareholding ratio or the investee not having commenced substantive operations, resulting in the unavailability of complete operating data. For further details, please refer to pages II-5, II-14, II-34, and II-59 to II-62 of Appendix II to this circular.

Conditions Precedent

Before the Capital Increase Price Payment Date, certain conditions precedent specified in the Capital Increase Agreement shall be fulfilled (or if applicable, waived by the Investors), and the Target Company, Nanyang Hengsheng and Wealth Depot (HK) shall have provided the Investors with written confirmation letters signed by their respective legal representatives or authorized representatives and affixed with their respective official seals confirming the fulfilment of all conditions precedent as well as relevant supporting documents, and the Target Company shall have issued to the Investors a payment notice (the "**Payment Notice**") for the Capital Increase, affixed with its official seal. Such conditions precedent include the following:

- (i) the Capital Increase Agreement and the transactions contemplated thereunder have been approved by the shareholders of the Company in its general meeting in accordance with the Listing Rules;
- (ii) the transaction documents relating to the Capital Increase have been duly signed and become effective; and from the date of entering into the Capital Increase Agreement up to the Capital Increase Price Payment Date, neither the Target Company nor Nanyang Hengsheng and Wealth Depot (HK) has committed any default, or, if any default has occurred, it has been remedied to the Investors' satisfaction or waived by the Investors;
- (iii) the respective subscribed capital contributions of Nanyang Hengsheng and Wealth Depot (HK) to the Target Company in the aggregate amount of approximately RMB76.8 million has been fully paid up, duly registered with the relevant authorities, and are free from any withdrawal and/or falsification;
- (iv) the Target Company has obtained the respective valid board and shareholders' approval in compliance with the Company Law of the PRC and its articles of association for the approval of the Capital Increase Agreement (including the Capital Increase), the use of capital contribution and the waiver of pre-emptive subscription rights and any other preferential rights (if any) by Nanyang Hengsheng and Wealth Depot (HK) in relation to the Capital Increase;
- (v) except for matters disclosed in writing to the Investors, the representations and warranties of the Target Company, Nanyang Hengsheng and Wealth Depot (HK) as set out in the Capital Increase Agreement shall be and remain to be, as at the date of entering into the Capital Increase Agreement and the Capital Increase Price Payment Date, true, accurate, complete and not misleading in all

LETTER FROM THE BOARD

material respects; the Target Company, Nanyang Hengsheng and Wealth Depot (HK) have duly performed all their respective obligations that are required to be performed prior to the Capital Increase Price Payment Date;

- (vi) no material adverse change has occurred in respect of the business operations, financial condition or assets of the Target Company, Nanyang Hengsheng and/or Wealth Depot (HK) since the date of entering into the Capital Increase Agreement, nor any event reasonably expected to cause a material adverse effect to the group has occurred;
- (vii) there is no potential, ongoing, pending or reasonably foreseeable material litigation, arbitration, administrative penalties or asset preservation measures against the group's core assets;
- (viii) the Investors have engaged a qualified valuer approved by the Target Company which, completed asset valuation of the Target Company to the satisfaction of the Investors and the Target Company, and completed and obtained all necessary approvals or filings in accordance with the state-owned assets supervision requirements;
- (ix) the Target Company, Nanyang Hengsheng and Wealth Depot (HK) have obtained all required internal and external registration, filings, license, consents, authorisations or approval for the Capital Increase; and
- (x) there are no any administrative, judicial or arbitral actions or proceedings exist that would restrict, prohibit, delay or obstruct completion of the Capital Increase, nor are there any circumstances that may render it incapable of being performed, unlawful, voidable or materially adverse to any party to the Capital Increase Agreement.

Except for conditions precedent set out in paragraphs (ii), (v), (vi) and (vii) which can be waived by the Investors, the other conditions precedent are not waivable. As at the LPD, other than the condition precedent set out in paragraph (viii) which has been fulfilled, none of the conditions precedent set out in the Capital Increase Agreement have been fulfilled (or if applicable, waived by the Investors).

Unless the Investors agree with the Target Company and the Existing Shareholders to extend the time for fulfillment of any of the conditions precedent set out in the Capital Increase Agreement (or if applicable, waived by the Investors), if any of such conditions precedent have not been fulfilled within 45 days from the date of entering into the Capital Increase Agreement, the Investors shall have the right to terminate the Capital Increase Agreement by written notice.

Completion

Completion shall take place on the Capital Increase Price Payment Date. From the Capital Increase Price Payment Date, each of the Investors will become a shareholder of the Target Company, and shall, by virtue of its shareholdings in the Target Company,

LETTER FROM THE BOARD

enjoy shareholders' rights and undertake shareholders' obligations. The Target Company, Nanyang Hengsheng and Wealth Depot (HK), with the Investors providing all necessary assistance, shall complete the application documents for commercial registration amendments in relation to the Capital Increase and submit the application for the commercial registration amendments within 30 days after the Capital Increase Price Payment Date, and complete the commercial registration amendments in relation to the Capital Increase.

Following the completion of the Capital Increase, the shareholding structure of the Target Company is as follows:

Shareholders Name	Shareholding Percentage (Approx.)
Nanyang Hengsheng	60.94%
Wealth Depot (HK)	5.06%
Nanyang Industrial Investment	31.73%
Henan Xisheng	2.27%
Total	100%

Before and upon completion of the Capital Increase, the Company indirectly held 100% and will hold 66% of the total equity interest in the Target Company, respectively (assuming that there will be no change in the total registered capital of the Target Company from the date of the Capital Increase Agreement to the date of completion of the Capital Increase). Subsequent to the Capital Increase, the Target Company will remain a subsidiary of the Company.

Post-completion Covenants or Undertakings

From the Capital Increase Price Payment Date and while the Investors hold equity in the Target Company:

- (i) Nanyang Hengsheng and Wealth Depot (HK) undertake not to gift, transfer, sell, or otherwise dispose of their equity interest to any third parties without reaching prior written consensus with the Investors, and to ensure any transferee assume Nanyang Hengsheng's and Wealth Depot (HK)'s obligations under the Capital Increase Agreement;
- (ii) Nanyang Hengsheng and Wealth Depot (HK) undertake not to initiate a merger of the Target Company with any third party without prior written notice to, and consent of, the Investors;
- (iii) The Target Company shall not materially or substantially (where applicable) change its scope of business or nature of operations, material policies, or key existing contracts without the Investors' prior written consent;

LETTER FROM THE BOARD

- (iv) The Target Company, Nanyang Hengsheng and Wealth Depot (HK) (as the case may be) undertake to accept the directors nominated by the Investors in accordance with the Capital Increase Agreement and assist in completing the procedures for the relevant elections. Nanyang Hengsheng and Wealth Depot (HK) shall not propose or vote to remove such directors except in cases of legal disqualification or misconduct;
- (v) The Target Company's audited consolidated debt-to-asset ratio shall not exceed 80% annually, unless otherwise adjusted by written agreement with the Investors; and
- (vi) The Target Company, Nanyang Hengsheng and Wealth Depot (HK) undertake to manage the Target Company's future borrowing and financing activities in accordance with the Capital Increase Agreement, including agreeing with the Investors an annual debt arrangement and financing plan (and applicable gearing limits), and ensuring that any material financing activities outside such plan or in breach of the agreed limits will be subject to the Investors' prior written consent.

The Debt-to-Asset Ratio Covenant

As at 31 March 2026, the unaudited consolidated debt-to-asset ratio of the Target Company was approximately 60.8%.

The Board (including the independent non-executive Directors) considers that the restriction of the Target Company's audited consolidated debt-to-asset ratio to 80% annually (the "**Gearing Covenant**") is fair and reasonable and in the interests of the Company and the Shareholders as a whole based on the following:

(a) Strengthening Financial Discipline and Risk Control

The Gearing Covenant serves as a prudent financial management tool to prevent excessive leverage. By capping the debt-to-asset ratio, the Target Company is encouraged to maintain a healthy capital structure and avoid the erosion of profit margins by high financing costs. This reduces the risk of liquidity crises during market fluctuations and strengthens the overall creditworthiness of the Target Company when negotiating with financial institutions.

(b) Alignment with the Use of Proceeds

A significant portion of the proceeds from the Capital Increase is intended to be used for the repayment of existing debts and the replenishment of working capital. This application of funds is expected to naturally lower the Target Company's current debt-to-asset ratio, thereby providing sufficient headroom for its future operations without breaching the Gearing Covenant.

LETTER FROM THE BOARD

(c) Balance between Investor Protection and Operational Flexibility

The Gearing Covenant is a customary protective provision in large-scale equity investments involving state-owned investors to ensure capital preservation. While it sets a clear ceiling, the arrangement is not a rigid restriction; it allows for adjustments via written agreement with the Investors. This provides a necessary “buffer” for the Target Company to undertake significant strategic investments or financings if required, subject to the consensus of the Investors and the Board.

(d) Reasonable Threshold in the Industry Context

The Board has reviewed the historical financial position of the Target Company and the general gearing levels of pharmaceutical manufacturing enterprises in the PRC. The Board is of the view that a 80% threshold provides ample operational flexibility for the Target Company’s daily business and the progress of its current projects while serving its primary purpose of financial risk oversight.

Preferential Dividend Arrangement

In any fiscal year during which the Investors hold equity interest in the Target Company, the Investors shall be entitled to a preferential/priority cash dividend distribution from the Target Company. Specifically, subject to applicable PRC laws and regulations (including restrictions on profit distribution and availability of distributable profits), the Target Company shall, when making dividend distributions, pay the Investors in priority such amount as is intended to ensure that the Investors achieve a minimum cash dividend yield of not less than 6% per annum. Any shortfall (if the Target Company does not have sufficient distributable profits to pay the preferred dividend in any year) (i) shall be settled by the Target Company’s accumulated undistributed profits (if any) at the material time, provided that the Target Company’s normal investment and operational needs in the foreseeable future would not be affected; and/or (ii) shall be carried forward and accumulated for settlement in subsequent years (subject to distributable profits).

The determination of whether the Target Company has sufficient distributable profits is based on the audited financial statements of the Target Company prepared in accordance with PRC GAAP. Such determination, as well as the approval of the relevant profit distribution plan (including the payment of the preferential dividend and the assessment of the Target Company’s statutory reserves and operational needs) are subject to the Reserved Matters under the Target Company’s articles of association. As a Reserved Matter, any such profit distribution plan must be approved by shareholders representing not less than two-thirds (2/3) of the voting rights. Given that the existing shareholders (including Nanyang Hengsheng and Wealth Depot (HK)) will in aggregate hold approximately 66% of the enlarged registered capital, the approval of any profit distribution plan will practically require the affirmative vote of at least one of the Investors (who in aggregate hold approximately 34% of the enlarged registered capital) to be effective. This governance mechanism ensures that the Investors participate in the fair assessment of the Target Company’s financial capacity to satisfy the preferential dividend entitlement in a given fiscal year and provides a contractual check to ensure such

LETTER FROM THE BOARD

determination is not made unilaterally by the Existing Shareholders. For further details on the “Reserved Matters”, please refer to the paragraph headed “Rights of the Investors — *Shareholders’ Meeting Reserved Matters*” of this circular below.

For the avoidance of doubt, the preferential dividend arrangement is intended to confer a priority entitlement to the Investors and does not deprive the Existing Shareholder(s) (including Nanyang Hengsheng) of their dividend rights. After satisfying the Investors’ preferential dividend entitlement (including any accumulated shortfall where applicable), any remaining distributable profits (if any) may be distributed to all shareholders (including the Existing Shareholder(s)) in accordance with the Target Company’s constitutional documents and applicable PRC laws (e.g. on a pro rata basis or as otherwise agreed by all shareholders).

Rights of the Investors

Shareholders’ Meeting Reserved Matters

From the date of completion of the Capital Increase (inclusive), shareholders of the Target Company shall exercise their voting rights at shareholders’ meetings in proportion to their respective paid-in capital contributions. A shareholders’ meeting may only be validly convened if the Investors attend (whether in person or by other means permitted under applicable PRC laws and regulations, including electronic communication); failing which, any resolution purportedly passed at such meeting shall be invalid and of no effect. Generally, shareholders’ resolutions of the Target Company shall be passed by shareholders representing more than one-half (1/2) of the voting rights. However, for the reserved matters (the “**Reserved Matters**”) set out below, they shall be passed by shareholders representing not less than two-thirds (2/3) of the voting rights. The Reserved Matters are intended to cover issues of fundamental importance, including:

- (i) adoption and amendment of the Target Company’s articles of association;
- (ii) approval of the Target Company’s profit distribution plan and loss-recovery plan;
- (iii) any increase or reduction of the registered capital of the Target Company in any form;
- (iv) merger, division, change of corporate form, dissolution or liquidation of the Target Company;
- (v) the Target Company’s disposal of drug approval numbers/drug registration certificates; disposal of fixed assets, intangible assets (excluding all drug approval numbers/drug registration certificates) or equity interests; provision of external guarantees, external investments or external financings, where the transaction amount of a single transaction exceeds RMB5 million, or the cumulative amount of similar transactions within the same fiscal year exceeds RMB10 million; assumption of indebtedness or provision of financial assistance (directly or indirectly) to connected or non-connected parties (including loans,

LETTER FROM THE BOARD

guarantees, related party transactions and related party fund occupation); and any change of the main business or termination of any core business of the Target Company; and

- (vi) any financing activities that may cause the Target Company's year-end consolidated debt-to-asset ratio to exceed the agreed debt-to-asset ratio threshold.

Following payment of the capital injection by the Investors and prior to the shareholders' meeting approving and adopting the amended articles of association of the Target Company as agreed by the parties in connection with the Capital Increase, any matters requiring shareholders' special resolutions shall require the Investors' prior written consent. Further, following payment of the capital injection by the Investors, but prior to the amended articles of association being approved and adopted and the election of the Investors' nominated directors by the shareholders' meeting, if any matters that would otherwise fall within the authority of the board of directors are required to be resolved by the shareholders' meeting (as a result of such matters being included within the shareholders' meeting's authority), such matters shall be treated as shareholders' resolution matters and shall require approval by shareholders representing not less than two-thirds (2/3) of the voting rights including an affirmative vote by the Investors for the relevant resolution to be passed.

Pursuant to the Capital Increase Agreement, within fifteen (15) calendar days from the Capital Increase Price Payment Date, the articles of association of the Target Company shall be amended to reflect the Capital Increase.

Board Arrangements

The Investors shall have the right to nominate two directors, and Nanyang Hengsheng and Wealth Depot (HK) shall have the right to nominate three directors to the board of directors of the Target Company, with the chairman of the board being a director nominated by Nanyang Hengsheng and Wealth Depot (HK).

At the board level, each director shall have one vote. A board meeting may only be validly convened if more than half of all directors are present; failing which, any resolution purportedly passed at such meeting shall be invalid and of no effect. Generally, board resolutions shall be passed by a simple majority of all directors (one-director-one-vote). However, for the reserved matters (the "**Board Reserved Matters**") set out below, they shall be passed by more than two-thirds (2/3) of all directors (one-director-one-vote). The Board Reserved Matters are intended to cover issues of fundamental importance, including:

- (i) formulation of the Target Company's annual financial budget plan and final accounts plan (including annual debt arrangements and financing plans);
- (ii) formulation of the Target Company's profit distribution plan and loss-recovery plan;

LETTER FROM THE BOARD

- (iii) formulation of plans for increasing or reducing the Target Company's registered capital and issuing corporate bonds;
- (iv) formulation of plans for the Target Company's merger, division, dissolution, or change of corporate form;
- (v) formulation of incentive schemes for the Target Company's senior management and employees; and
- (vi) consideration and approval of any matters relating to directors, supervisors or senior management pursuing any corporate opportunities of the Target Company in accordance with Article 183 of the Company Law of the PRC.

The Board Reserved Matters are intended to operate as customary minority shareholder protection provisions and are limited to matters of fundamental importance, and do not extend to the day-to-day management and operational decisions of the Target Company. The Company will continue to hold approximately 66% equity interest in the Target Company upon completion of the Capital Increase and will retain the ability to control the composition of the board and the ordinary course of decision-making of the Target Company. Having discussed the above arrangements with the Company's auditors, the Directors are of the view that these provisions are protective in nature and are not expected to affect the Company's control over the Target Company for accounting purposes and the Target Company will continue to be consolidated as a subsidiary of the Company following completion of the Capital Increase.

Other Rights of the Investors

The Investors are also entitled to the following rights:

- (i) The Target Company must timely provide the Investors with financial reports (unaudited annual, audited annual, quarterly/half-year), budgets, annual financing plan and other necessary information (if any). The Investors have ongoing rights to access, review, and supervise financial and operational information, including material risk events.
- (ii) Nanyang Hengsheng and Wealth Depot (HK) shall not directly or indirectly transfer or otherwise dispose of their equity interests (or rights to returns) in the Target Company without the Investors' written consent. Employees' acquisition of equity interest in the Target Company and employee shareholding plans require Investors' approval and are subject to the same restrictions. If the Investors' exit cannot be achieved due to Nanyang Hengsheng, Wealth Depot (HK) and/or the Target Company, or in the event that they have breached any obligations, undertakings or warranties under the Capital Increase Agreement (as the case may be), the Investors may freely transfer their equity interests in the Target Company without any restriction, and each of Nanyang Hengsheng and Wealth Depot (HK) waives its preemptive rights. The Investors may transfer equity interests to affiliates or investment vehicles without consent from the Target Company, Nanyang Hengsheng and Wealth Depot (HK).

LETTER FROM THE BOARD

- (iii) If Nanyang Hengsheng and/or Wealth Depot (HK) transfer equity interests in the Target Company to a third party (with the Investors' written consent), the Investors have a right of first refusal on equal terms.
- (iv) If Nanyang Hengsheng and/or Wealth Depot (HK) intends to transfer equity interests in the Target Company to any third party, the Investors may sell a proportionate amount of their equity interests in the Target Company on the same terms to the transferee. If the transferee refuses, Nanyang Hengsheng and/or Wealth Depot (HK) shall not complete the transfer unless it acquires the Investors' equity interests on identical terms simultaneously.
- (v) The Investors' rights under the Capital Increase Agreement shall remain in full force and effect notwithstanding any subsequent changes in their respective shareholding percentages resulting from any future issuance of equity interests, capital increase or other financing by the Target Company.
- (vi) Upon liquidation of the Target Company, after statutory payments and debts, the Investors receive priority distribution of invested capital plus unpaid dividends; remaining assets shall be distributed to Nanyang Hengsheng and Wealth Depot (HK) up to their respective paid-in capital and agreed return; and any surplus is distributed pro rata among all shareholders of the Target Company.

Exit Arrangements

During the period in which the Investors hold equity interests in the Target Company, the Investors may realise an exit through the following mechanisms, subject to the terms of the Capital Increase Agreement, applicable PRC laws and regulatory requirements, and the necessary corporate approvals. The parties have agreed that the exit mechanisms described below are mutually agreed mechanism and do not confer an unconditional right on any party to compel another party to proceed with a particular exit method.

The Existing Shareholders may, during the Investors' equity holding period, propose to acquire all or part of the Investors' equity interests in the Target Company in order to facilitate the Investors' exit. The Existing Shareholders may submit a written request to the Investors for such transfer, and the transfer shall be implemented only with the Investors' consent. The transfer consideration shall be negotiated and agreed among the parties on an arm's length basis and in compliance with applicable PRC laws and regulations (including any applicable pricing, valuation and approval requirements).

The Investors may, during their equity holding period, transfer all or part of their equity interests in the Target Company to third parties on normal commercial terms (including through commercial negotiations with independent third parties), subject to compliance with applicable PRC laws and regulations and any transfer restrictions agreed under the transaction documents. The Target Company and the Existing Shareholders have

LETTER FROM THE BOARD

agreed to provide the Investors with such reasonable assistance and cooperation as may be required for the purpose of effecting such transfer (including completion of internal procedures and registration/filing steps, where applicable).

Subject to unanimous agreement among the parties, the Target Company may effect a targeted capital reduction (including the repurchase and cancellation of all or part of the Investors' equity interests) as an exit mechanism. The capital reduction price shall be negotiated and agreed among the parties in accordance with applicable PRC laws and regulations.

Each of the above exit mechanisms will be carried out by the parties in compliance with the applicable Listing Rules requirements.

Use of Proceeds from the Capital Contribution

Pursuant to the Capital Increase Agreement, the Investors will subscribe for equity interests in Henan Fusen, and the subscription proceeds (net of relevant expenses, if any) will be received and utilised by the Group. The Company expects that the proceeds from the capital injection will be applied mainly as follows: (i) approximately 42.72% for repayment of indebtedness of Henan Fusen and its subsidiary; and (ii) approximately 57.28% for replenishment of general working capital. The indicative allocation among the above items will be finalised by the Group after taking into account Henan Fusen's updated cash flow needs and the repayment schedule of the relevant indebtedness.

In particular, the Board considers it appropriate to apply part of the proceeds towards debt repayment and working capital enhancement in light of the Group's liquidity position as disclosed in its published financial information. The Group reported net current liabilities as at 31 December 2025, and continued to face liquidity pressure as disclosed in its annual results for the financial year ended 31 December 2025. The capital injection is expected to alleviate the short-term funding pressure of the Group, improve its working capital position and support the Group's operational continuity.

Approximately 42.72% of the proceeds from the Capital Increase (equivalent to approximately RMB128.2 million) is intended to be applied towards the repayment of borrowings and settlement of trade-related financing obligations of the Group, comprising:

- (i) approximately RMB58.4 million for the repayment of bank loans with interest rates ranging from 3.80% to 5.50% per annum and maturity dates between May 2026 and June 2027. These borrowings are generally secured by guarantees provided by members of the Group and/or its affiliates, and/or pledges over certain land use rights and properties held by the Group and/or its affiliates; and
- (ii) approximately RMB69.8 million for the settlement of outstanding supply chain financing and trade-related financing payables incurred in the Group's ordinary course of business.

LETTER FROM THE BOARD

The Board considers that the utilization of proceeds for such repayments will optimize the Group's capital structure, reduce its gearing level, and alleviate the Group's overall financial and liquidity pressure.

Approximately 57.28% of the proceeds from the Capital Increase (equivalent to approximately RMB171.8 million) is intended to be applied towards replenishment of general working capital:

- (i) approximately RMB27.0 million for sales expenses;
- (ii) approximately RMB15.7 million for payment of wages and social insurance;
- (iii) approximately RMB39.5 million for procurement payments to suppliers;
- (iv) approximately RMB33.5 million for research and development expenses;
- (v) approximately RMB15.0 million for payment of taxes;
- (vi) approximately RMB5.5 million for payment of traditional Chinese medicine product transfer fee;
- (vii) approximately RMB2.6 million for phase IIA clinical trial for Shi Yi Granules (濕疫顆粒二期臨床IIA); and
- (viii) approximately RMB33.0 million as working capital reserve for the Group's general working capital requirements.

The proposed use of proceeds and the breakdown set out above are based on the Group's current assessment of the Target Company's and the Group's funding needs as at the LPD, having regard to, among others, the Target Company's latest working capital requirements and the repayment schedule of the relevant indebtedness. The actual application of proceeds may be adjusted from time to time subject to the Target Company's operational requirements, changes in its working capital needs, the timing of debt repayments and other factors beyond the Group's control (including market conditions and regulatory or administrative requirements).

LETTER FROM THE BOARD

3. GENERAL INFORMATION OF THE PARTIES

The Company

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. It is an investment holding company. The Group is principally engaged in manufacturing and sale of pharmaceutical products.

Target Company

The Target Company is a limited liability company established under the laws of the PRC, primarily engaged in manufacturing and sale of pharmaceutical products. As at the LPD, the Target Company is a wholly owned subsidiary of the Company.

The following sets out (i) the unaudited financial information of the Target Company for the year ended 31 December 2024; and (ii) the audited financial information of the Target Company prepared in accordance with the PRC Generally Accepted Accounting Principles for the year ended 31 December 2025:

	For the year ended 31 December	
	2025	2024
	(audited)	(unaudited)
	Approx.	Approx.
	(RMB million)	(RMB million)
Total assets	1,489.7	1,551.6
Net assets	681.4	705.0
Revenue	301.1	289.8
Net profit/(loss) before tax	(45.8)	(18.1)
Net profit/(loss) after tax	(45.9)	(18.7)

Nanyang Industrial Investment

Nanyang Industrial Investment is a company established in the PRC with limited liability. To the best of the Directors' knowledge and information, based on the information provided by Nanyang Industrial Investment, it is principally engaged in the provision of elderly care, health and wellness services, rehabilitation support, and related consulting, training, and ancillary services. Nanyang Industrial Investment has a registered capital of RMB1 billion. Nanyang Industrial Investment is a wholly owned subsidiary of Nanyang Industrial Investment Group Co., Ltd.* (南陽產業投資集團有限公司) (“**Nanyang Industrial Investment Group**”), which is in turn ultimately state-owned, being wholly owned by the Nanyang Municipal Finance Bureau. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Nanyang Industrial Investment and its ultimate beneficial owner are Independent Third Parties.

LETTER FROM THE BOARD

Henan Xisheng

Henan Xisheng is a company established in the PRC with limited liability. To the best of the Directors' knowledge and information, based on the information provided by Henan Xisheng, it is principally engaged in the business of providing industrial park and property leasing and management services and related construction works. Henan Xisheng has a registered capital of RMB360 million and is ultimately state-owned. It is owned as to 49% by Xichuan County Finance Bureau* (淅川縣財政局), and 51% by a state-owned enterprise, Nanyang Grain & Agriculture Investment Group Co., Ltd.* (南陽市糧農投資集團有限公司), which is in turn wholly owned by Nanyang Industrial Investment Group. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Henan Xisheng and its ultimate beneficial owner are Independent Third Parties.

4. FINANCIAL IMPACT OF THE CAPITAL INCREASE

The Capital Increase is not expected to generate any gains or losses. As the Company will hold 66% equity interest in the Target Company upon completion of the Capital Increase, the Capital Increase will not result in a change in the control of the Target Company or the consolidation scope of the Target Company's financial statements, as such will not lead to the Group recognizing any gains or losses in profit or loss.

Immediately upon completion of the Capital Increase, the Group's consolidated cash and cash equivalents and total assets are expected to increase by approximately RMB300 million, before taking into account the relevant transaction expenses and the subsequent application of the proceeds from the Capital Increase.

5. REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The Board considers that the Capital Increase is in the interests of the Company and its Shareholders as a whole. The capital injection introduces additional funding to Henan Fusen, enabling it to repay certain indebtedness and strengthen its working capital position. This is expected to improve the financial resilience of Henan Fusen and, by extension, the Group, particularly in a period where the Group's published results reflect a challenging operating environment and continued pressure on liquidity and working capital. In addition, the introduction of the Investors, which are PRC state-owned background investors, may bring strategic and financing support to the Group, and provide additional resources and market credibility in connection with the development and optimisation of the Group's operations.

The Directors consider that the terms of the Capital Increase Agreement are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

6. LISTING RULES IMPLICATIONS

The Capital Increase will constitute a deemed disposal of the equity interest in the Target Company held by the Company under Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to the Capital Increase exceed 25% but all such percentage ratios are less than 75%, the Capital Increase constitutes a major transaction of the Company and are therefore subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

None of the Directors has a material interest in the Capital Increase and hence no Director is required to abstain from voting on the relevant resolution(s) of the Board approving the Capital Increase Agreement and the transactions contemplated thereunder.

7. GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Capital Increase Agreement and the transactions contemplated thereunder.

The voting in respect of the Capital Increase Agreement at the EGM will be conducted by way of poll. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of their associates has any material interest in the Capital Increase Agreement and the transactions contemplated thereunder, and will be required to abstain from voting on the relevant resolution(s) to approve the Capital Increase Agreement and the transactions contemplated thereunder at the EGM.

8. RECOMMENDATION

The Directors are of the view that the terms of the Capital Increase Agreement are fair and reasonable, have been entered into after arm's length negotiation between all parties thereto and determined on normal commercial terms, are in the interests of the Company and its Shareholders as a whole, and they recommend the Shareholders to vote in favour of the resolution(s) at the EGM.

9. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Fusen Pharmaceutical Company Limited
Cao Zhiming
Chairman and Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the financial years ended 31 December 2022, 2023, 2024 and 2025 are published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fusenyy.com) respectively:

- annual report of the Company for the year ended 31 December 2022 published on 28 April 2023 (pages 102 to 190):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0428/2023042801654.pdf>

- annual report of the Company for the year ended 31 December 2023 published on 26 April 2024 (pages 109 to 188):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0426/2024042600451.pdf>

- annual report of the Company for the year ended 31 December 2024 published on 30 April 2025 (pages 131 to 210):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0430/2025043004445.pdf>

- annual report of the Company for the year ended 31 December 2025 published on 30 April 2026 (pages 137 to 220):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0430/2026043000555.pdf>

2. INDEBTEDNESS

As at the close of the business on 30 April 2026, being the latest practicable date for ascertaining certain information related to this indebtedness statement, the Group had outstanding bank borrowings amounted to approximately RMB307,600,000, comprising:

- (i) guaranteed and pledged bank loans of approximately RMB141,600,000, which are:
 - secured by charges/pledges over workshops (including the oral liquid or extraction workshop or TCM (Traditional Chinese Medicine) pre-treatment workshop) or the finished goods warehouse of its subsidiary, or properties (specifically certain residential land and commercial property which are owned by an affiliated company); and
 - guaranteed by the Company's subsidiary, a company wholly owned by Mr. Cao Zhiming ("**Mr. Cao Zhiming**") (an executive Director, the chairman of the Board and the chief executive officer of the Company), and/or affiliated companies;

- (ii) guaranteed but unpledged bank loans of approximately RMB108,500,000, which are guaranteed by affiliated companies or personal guarantees provided by Mr. Cao Zhiming;
- (iii) unguaranteed but pledged bank loans of approximately RMB34,500,000, which are secured by charges over its subsidiary's properties (including certain commercial and industrial properties) and the GSP (Good Storage Practice) warehouse;
- (iv) unguaranteed and unpledged bank loans of approximately RMB3,000,000; and
- (v) guaranteed and pledged letter of credit of approximately RMB20,000,000, which are:
 - secured by charges over its subsidiary's workshops (specifically the oral liquid extraction, TCM pre-treatment and injection extraction workshops); and
 - guaranteed by a company wholly owned by Mr. Cao Zhiming and an affiliated company.

Among the above bank borrowings, those repayable within one year amounted to approximately RMB296,600,000, those repayable after one year but within two years amounted to approximately RMB7,100,000, and those repayable after two years but within five years amounted to approximately RMB3,900,000.

The Group also had lease liabilities amounting to approximately RMB795,000. Those repayable within one year amounted to approximately RMB461,000, and those repayable after one year amounted to approximately RMB334,000.

Save as aforesaid and apart from intra-group liabilities, the Group did not, as at 30 April 2026, have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Group or by third parties) or unsecured; (ii) other loans or indebtedness in the nature of loans including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

Save as disclosed above, the Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since the close of business on 30 April 2026, being the latest practicable date prior to the printing of this circular for determining the Group's indebtedness, and up to the LPD.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that in the absence of any unforeseeable circumstances, taking into account the existing cash and bank balances, the present internal resources and the available banking facilities of the Group, and the proceeds from the capital injection by the Investors, the Group will have sufficient working capital available for its present requirements for at least the next twelve (12) months following the date of this circular. The Company has obtained the relevant confirmations regarding the working capital sufficiency.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is an investment holding company. The Group is principally engaged in manufacturing and sale of pharmaceutical products.

For the financial year ended 31 December 2025 (the “FY2025”), the Group recorded revenue of approximately RMB273.4 million, representing a decrease of about 16.2% compared to RMB326.0 million for the financial year ended 31 December 2024 (the “FY2024”). Net loss narrowed to approximately RMB11.8 million for the FY2025, representing a substantial narrowing of the loss as compared to the net loss of approximately RMB188.8 million for the FY2024, reflecting improved cost control and reduced non-core research and development (R&D) expenditure. The Group’s gross profit margin decreased to approximately 40.2% for the FY2025 from approximately 49.9% for the FY2024, primarily due to the decrease of the selling price during the year.

The Company’s core products, including Shuanghuanglian Oral Solutions and Shuanghuanglian Injections, successfully secured bids under the third batch of National Volume-Based Procurement (VBP) for proprietary Chinese medicines, with the scope of which covering 31 provinces and regions nationwide. The implementation of the third batch of VBP lists only commenced in June 2025 for the majority of provinces and regions, and the benefits thereof have gradually materialised in the second half of 2025 and beyond. The Group’s R&D subsidiary, Jiaheng (Zhuhai Hengqin) Pharmaceutical Technology Company Limited*(嘉亨(珠海横琴)醫藥科技有限公司), currently manages 44 R&D projects, with at least 20 new products anticipated to be launched over the three-year period from 2026 to 2028 in therapeutic areas such as anti-infection and antiviral, cardiovascular, central nervous and hematological diseases, optimising the Company’s product portfolio and revenue streams. On the R&D front, while steadily advancing ongoing projects, the Company has intensified its review and refinement of R&D projects, strategically suspending or reallocating resources from less efficient projects, so as to ensure that the overall R&D expenditure remains controlled within a reasonable range. In 2025, the Company secured approvals for five new products, two of which have already been launched and contributed to revenue. With these additions, new products are steadily emerging as fresh drivers of growth. The operating results of Jiangxi Yongfeng Kangde Pharmaceutical Company Limited, a joint venture in which the Group participates, recorded a remarkable turnaround from loss to profit, shifting from a loss of RMB22.3 million for the FY2024 to a profit of RMB54.4 million in the FY2025, contributing approximately RMB19.5 million to the Group’s profit and serving as a key driver in the improvement of the Company’s overall performance.

As at 31 December 2025, the Group had net current liabilities of approximately RMB382.0 million, with cash and cash equivalents of approximately RMB83.8 million and total debt amounting to approximately RMB300.3 million. As at 31 December 2025, the gearing ratio of the Group was approximately 83.9%. The Directors have confirmed that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future.

Upon completion of the Capital Increase, the capital injection will provide Henan Fusen with additional funding to repay certain indebtedness and strengthen its working capital position. This is expected to enhance the financial resilience of Henan Fusen and, in turn, the Group, particularly given the challenging operating environment and continued pressure on liquidity and working capital. In addition, the participation of the Investors (including PRC state-owned background investors, if applicable) is anticipated to provide strategic and financing support, together with additional resources and market credibility, in connection with the Group's operational development and optimisation, subject to the final terms and implementation arrangements.

Looking ahead, with the continued stabilisation and recovery of core product sales, the gradual formation of scalable sales for newly approved products, the planned launch of six to eight newly approved products in 2026 and the benefits of the capital injection, the Group expects its revenue to gradually stabilise and recover. Overall operating conditions are anticipated to further improve, positioning the Company to gradually enter a new phase of recovery and growth.

This report is prepared in accordance with the Chinese Valuation Standards

ASSET VALUATION REPORT

**ON THE VALUE OF THE ENTIRE SHAREHOLDERS' EQUITY
INTEREST OF HENAN FUSEN PHARMACEUTICAL COMPANY
LIMITED INVOLVED IN THE PROPOSED EXTERNAL CAPITAL
INCREASE PROJECTS OF
NANYANG INDUSTRIAL INVESTMENT GROUP CO., LTD.**

Zhong Qi Hua Ping Bao Zi (2026) No. 8365

(Volume 1 of 1)

Beijing China Enterprise Appraisals Co., Ltd.

16 April 2026

CONTENTS

STATEMENT	II-3
SUMMARY OF THE ASSET VALUATION REPORT	II-5
MAIN TEXT OF THE ASSET VALUATION REPORT	II-7
I. Client, Valued Entity and Other Users of the Asset Valuation Report as Agreed in the Asset Valuation Engagement Contract	II-7
II. Valuation Purpose	II-13
III. Valuation Subject and Valuation Scope	II-14
IV. Type of Value	II-30
V. Valuation Benchmark Date	II-30
VI. Valuation Basis	II-30
VII. Valuation Method	II-34
VIII. Implementation Process and Status of Valuation Procedures	II-53
IX. Valuation Assumptions	II-56
X. Valuation Conclusion	II-58
XI. Explanation of Special Matters	II-59
XII. Explanation of Limitations on the Use of the Asset Valuation Report	II-63
XIII. Date of the Asset Valuation Report.....	II-64
APPENDICES TO THE ASSET VALUATION REPORT	II-65

STATEMENT

- I. This asset valuation report is prepared in accordance with the Basic Standards for Asset Appraisal issued by the Ministry of Finance and the Code of Practice and Code of Ethics on Asset Appraisal issued by the China Appraisal Society.
- II. Our asset valuation firm and our asset valuation professionals shall abide by laws, administrative regulations and asset valuation standards, adhere to the principles of independence, objectivity and impartiality, and shall be responsible for the asset valuation reports issued in accordance with law.
- III. The client or other users of the asset valuation report shall use the asset valuation report in accordance with the provisions of laws and administrative regulations and within the scope of use specified in the asset valuation report. Where the client or other users of the asset valuation report use the asset valuation report in violation of the aforementioned provisions, our asset valuation firm and our asset valuers shall bear no liability.

This asset valuation report shall only be used by the client, other users of the asset valuation report as agreed in the asset valuation engagement contract, and users of the asset valuation report as prescribed by laws and administrative regulations. Save for the above, no other agencies and individuals shall become a user of the asset valuation report.

Our asset valuation firm and our asset valuers remind the users of the asset valuation report that they should have correct interpretation and use of the valuation conclusion, which is not equivalent to the realizable price of the valuation subject, and should not be regarded as a guarantee for the realizable price of the valuation subject.

- IV. The list of assets and liabilities involved in the valuation subject shall be declared by the client and the valued entity and confirmed by them through signatures, seals or other methods permitted by law; the client and other relevant parties shall be legally responsible for the authenticity, completeness and legality of the information provided by them.
- V. The asset valuers have conducted on-site investigations on the valuation subject and its assets involved; paid necessary attention to the legal ownership status of the valuation subject and its assets involved, verified the legal ownership information of the valuation subject and its assets involved, disclosed any identified issues truthfully, and requested the client and other relevant parties to perfect the property rights to meet the requirements for issuing the asset valuation report.
- VI. Our asset valuation firm and our asset valuers have no existing or anticipated interest relationship with the valuation subject or the appraisal results in the asset valuation report, have no existing or anticipated interest relationship with Henan Fusen Pharmaceutical Company Limited and related companies, and have no bias toward relevant parties.

VII. The analysis, judgment and results in the asset valuation report issued by our asset valuation firm are subject to the assumptions and limiting conditions stated in the asset valuation report. Users of the asset valuation report shall fully consider the assumptions, limiting conditions and special notes set out herein and their impact on the valuation conclusion.

VIII. As a general rule, the asset valuers' inspection of tangible assets such as buildings (structures), machinery and equipment is limited only to observation to understand their usage and maintenance conditions, and does not extend to internal areas that are covered, concealed, or difficult to access. We do not possess professional appraisal qualifications nor have we been engaged to conduct professional technical testing and appraisal of the internal quality of the aforementioned assets. Our valuation is based on information provided by the client and other relevant parties. If there are defects in the inherent quality of these valuation subjects, the valuation conclusion may be affected to varying degrees.

SUMMARY OF THE ASSET VALUATION REPORT

Important

The contents of this summary are derived from the full text of the asset valuation report. To understand the details of the valuation engagement and to correctly understand and use the valuation conclusion, you should read the full text of the asset valuation report carefully.

Nanyang Industrial Investment Group Co., Ltd.,

Beijing China Enterprise Appraisals Co., Ltd. (北京中企華資產評估有限責任公司) has been engaged by the Company to appraise the market value of the entire shareholders' equity interest of Henan Fusen Pharmaceutical Company Limited as at the valuation benchmark date in relation to the proposed external capital increase by Nanyang Industrial Investment Group Co., Ltd. (南陽產業投資集團有限公司) in accordance with the laws, administrative regulations and valuation standards and in line with the principles of independence, objectivity and impartiality, and perform the necessary appraisal procedures. The summary of the asset valuation report is set out below:

Valuation Purpose: Pursuant to the “Request for Commencement of Project Initiation for the Capital Increase and Share Expansion of Henan Fusen Pharmaceutical Company Limited (《關於啟動河南福森藥業有限公司增資擴股項目立項工作的請示》)” issued by Nanyang Industrial Investment Group Co., Ltd., Nanyang Industrial Investment Group Co., Ltd. intends to make a capital increase in Henan Fusen Pharmaceutical Company Limited. Beijing China Enterprise Appraisals Co., Ltd. has been specifically engaged to conduct a valuation for the value of the entire equity interest of the shareholders of Henan Fusen Pharmaceutical Company Limited involved in the said matter, so as to provide a value reference opinion for the aforementioned matter based on the appraised market value.

Valuation Subject: The value of the entire equity interest of the shareholders of Henan Fusen Pharmaceutical Company Limited.

Valuation Scope: All assets and liabilities of Henan Fusen Pharmaceutical Company Limited. As at the valuation benchmark date, the assets within the valuation scope consist of current assets, long-term equity investments, fixed assets, etc., with the carrying amount of total assets of RMB1,489,700,000; the liabilities consist of current liabilities and non-current liabilities, with the carrying amount of total liabilities of RMB808,321,200; and the carrying amount of owners' equity is RMB681,378,800.

Valuation Benchmark Date: 31 December 2025

Value Type: Market Value

Valuation Methods: Income approach and market approach

Valuation Conclusion: As at the valuation benchmark date, the carrying amount of the total assets of Henan Fusen Pharmaceutical Company Limited was RMB1,489,700,000, the carrying amount of total liabilities was RMB808,321,200, the carrying amount of owners' equity was RMB681,378,800, the appraised value under the market approach was RMB724,586,700, and the appreciation amount was RMB43,207,900, with an appreciation rate of 6.34%.

This asset valuation report is intended only to provide a value reference for the economic activity described in the asset valuation report, and the period of validity for the use of the valuation conclusion shall be one year from the valuation benchmark date.

Users of the asset valuation report shall fully consider the assumptions, limiting conditions and explanation of special matters set forth in the asset valuation report and their impact on the valuation conclusion.

The above content is extracted from the main text of the asset valuation report. To understand the details of this valuation engagement and to correctly understand and use the valuation conclusion, the main text of the asset valuation report should be read.

MAIN TEXT OF THE ASSET VALUATION REPORT**ON THE VALUE OF THE ENTIRE SHAREHOLDERS' EQUITY INTEREST OF
HENAN FUSEN PHARMACEUTICAL COMPANY LIMITED INVOLVED IN THE
PROPOSED EXTERNAL CAPITAL INCREASE PROJECTS OF NANYANG
INDUSTRIAL INVESTMENT GROUP CO., LTD.**

Nanyang Industrial Investment Group Co., Ltd.,

Beijing China Enterprise Appraisals Co., Ltd. (北京中企華資產評估有限責任公司) has been engaged by the Company to appraise the market value of the entire shareholders' equity interest of Henan Fusen Pharmaceutical Company Limited as at the valuation benchmark date in relation to the proposed external capital increase by Nanyang Industrial Investment Group Co., Ltd. in accordance with the laws, administrative regulations and valuation standards and in line with the principles of independence, objectivity and impartiality, and perform the necessary appraisal procedures. The asset valuation report is set out below:

**I. CLIENT, VALUED ENTITY AND OTHER USERS OF THE ASSET VALUATION
REPORT AS AGREED IN THE ASSET VALUATION ENGAGEMENT
CONTRACT**

The client for this valuation is Nanyang Industrial Investment Group Co., Ltd.; the valued entity is Henan Fusen Pharmaceutical Company Limited; and the other user of the asset valuation report as agreed in the asset valuation engagement contract is the valued entity, Henan Fusen Pharmaceutical Company Limited.

(I) Profile of the client

Name: Nanyang Industrial Investment Group Co., Ltd.

Address: No. 396 Zhangheng East Road, High-tech Zone, Nanyang City

Legal Representative: Hu Mingzhu (胡明柱)

Registered Capital: RMB500,000,000

Type: limited liability company (wholly state-owned)

Business Scope: General items: investment activities with own funds; public utility management services; enterprise management; social and economic consulting services; engineering management services; information technology consulting services; information consulting services (excluding licensed information consulting services); financing consulting services; financial consulting; non-residential real estate leasing; municipal facilities management; sale of coal and coal products (except for items subject to approval according to law, business activities shall be carried out independently with a business license in accordance with the law).

Unified Social Credit Code: 91411300MA45UAP92J

Date of Establishment: 12 October 2018

(II) Profile of the valued entity***1. Company profile***

Name: Henan Fusen Pharmaceutical Company Limited (hereinafter referred to as the “Fusen Pharmaceutical Company”)

Address: Jinhe Development Zone, Xichuan County

Legal Representative: Cao Zhiming (曹智銘)

Registered Capital: RMB76,759,800

Type: limited liability company (investment from Hong Kong, Macau or Taiwan, non-wholly owned)

Business Scope: Licensed items: drug production; medical mask production; drug import and export; health food production; food production; food sales; printing of packaging and decoration printed matter; beverage production (for items subject to approval according to law, business activities may only be carried out after approval by relevant departments, and specific business items shall be subject to the approval documents or licenses of relevant departments). General items: production of traditional Chinese medicine extracts; acquisition of Chinese herbal medicines; sales of health food (pre-packaged); sales of food (only pre-packaged food); primary processing of edible agricultural products; wholesale of edible agricultural products; retail of edible agricultural products; manufacture of medical packaging materials; manufacture of plastic products (except for items subject to approval according to law, business activities shall be carried out independently with a business license in accordance with the law).

Unified Social Credit Code: 91411326753898564K

Date of Establishment: 10 October 2003

2. History and development

Henan Fusen Pharmaceutical Company Limited was established on 10 October 2003, with an initial registered capital of RMB10,880,000. Its shareholding structure at the time of initial establishment was as follows:

Name of Shareholder	Capital Contribution (RMB'0,000)	Percentage of shareholdings
Cao Changcheng (曹長城)	200.00	18.38%
Li Chunkui (李春魁)	120.00	11.03%
Chi Yongsheng (遲永勝)	80.00	7.35%
Hou Taisheng (侯太生)	80.00	7.35%
Meng Qingfen (孟慶芬)	80.00	7.35%
Han Jianzhong (韓建中)	80.00	7.35%
Zhou Shuping (周書平)	80.00	7.35%
Wang Guofan (王國範)	80.00	7.35%
Wang Zuhong (王祖紅)	72.00	6.62%
Zhou Shangfeng (周尚鋒)	72.00	6.62%
Fu Jiancheng (付建成)	72.00	6.62%
Sun Chunlan (孫春蘭)	72.00	6.62%
Total	1,088.00	100.00%

In January 2010, pursuant to the resolutions of the Board, Fusen Pharmaceutical Company increased its registered capital by RMB60,000,000, and the registered capital after the capital increase was changed to RMB70,880,000.

Subsequently, three changes in shareholders took place in August 2012, April 2016, and October 2016. In December 2016, pursuant to the resolutions of the Board, Fusen Pharmaceutical Company was converted from a limited liability company into a Sino-foreign joint venture, and the shareholders of the Company were changed to: the Chinese shareholder Henan Fusen Industrial Co., Ltd. (河南福森實業有限公司) made a capital contribution of RMB70,880,000 in cash (which capital contribution was fully paid up on 10 October 2016), representing 93.34% of the registered capital of the Company, and the foreign shareholder Wealth Depot (Hong Kong) Limited made a capital contribution of RMB5,057,400 in cash, representing 6.66% of the registered capital. After this change, the registered capital of the Company was changed to RMB75,937,400.

In March 2017, pursuant to the resolutions of the Board, Henan Fusen Industrial Co., Ltd. (河南福森實業有限公司) transferred all of its equity interests to Nanyang Hengsheng Enterprise Management Services Limited (南陽衡盛企業管理服務有限公司).

In September 2018, pursuant to the resolutions of the shareholders' meeting, Fusen Pharmaceutical Company increased its registered capital. Following this capital increase and up to the valuation benchmark date, the shareholding structure of the Company was as follows:

Name of shareholder	Capital contribution (RMB'0,000)	Shareholding percentage
Nanyang Hengsheng Enterprise Management Services Limited (南陽衡盛企業管理服務有限公司)	7,088.00	92.34%
Wealth Depot (Hong Kong) Limited	587.98	7.66%
Total	7,675.98	100.00%

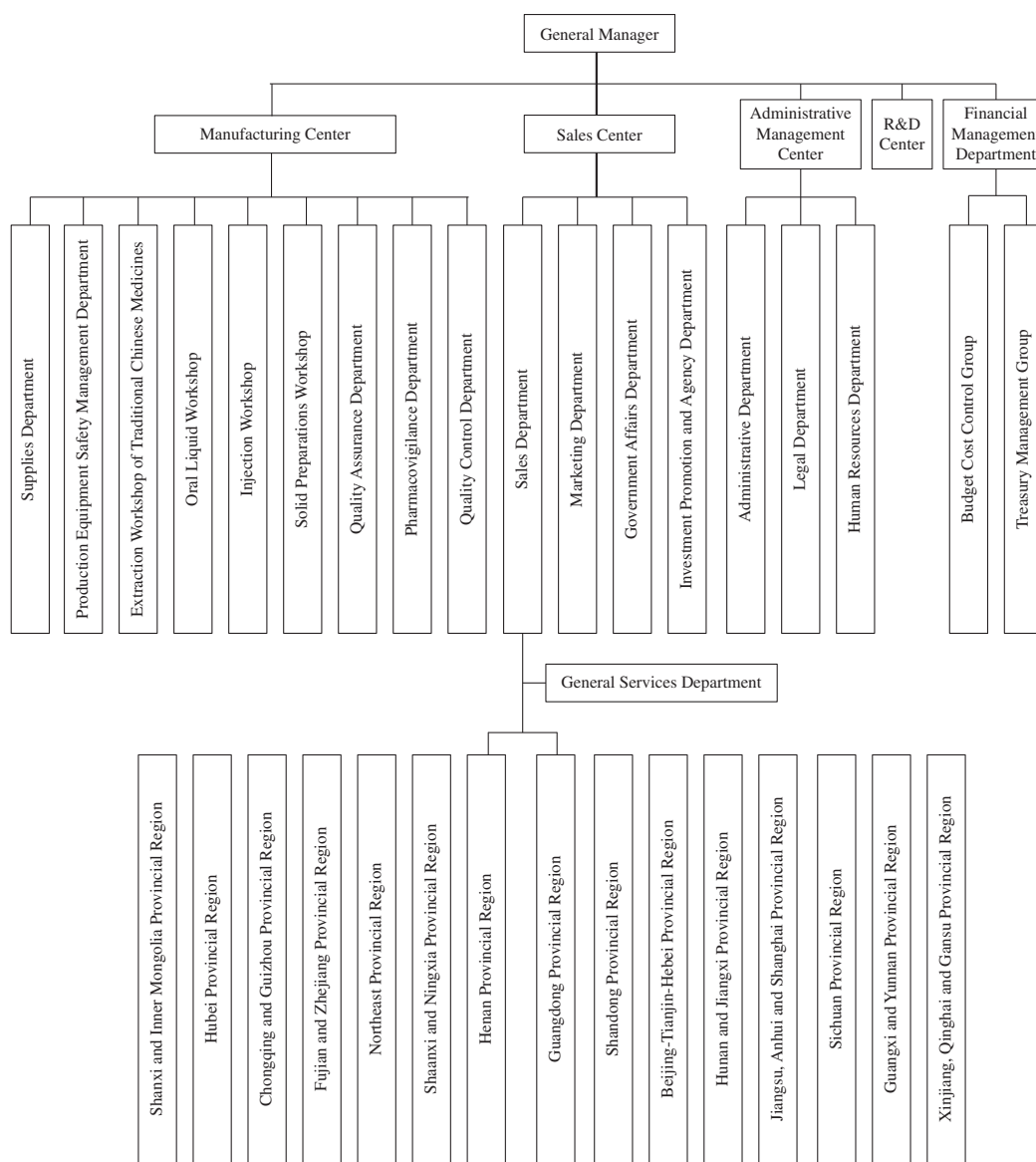
3. *Business performance of the company*

Henan Fusen Pharmaceutical Company Limited was established on 10 October 2003 and is primarily engaged in the pharmaceutical production business, possessing 72 drug approval numbers and capable of producing various dosage forms such as oral liquids, injections, tablets, capsules and granules. Its products include various types of Chinese patent medicines and chemical drugs such as Shuanghuanglian Injection, Bupleurum Injection, Heat-clearing and Detoxicating Oral Liquid, Pulse Vitalizing Tonic Drink, Shuanghuanglian Oral Solution, Tongmai Oral Liquid, Xiaoshuan Oral Liquid, Xiaoer Kechuanling Oral Liquid, Metformin Hydrochloride Sustained-release Tablet, Clarithromycin Extended-release Tablet and Flunarizine Hydrochloride Capsules. Among them, the Shuanghuanglian series products are the leading products of Fusen Pharmaceutical Company. The sales volumes of the individual products, Shuanghuanglian Oral Solution and Shuanghuanglian Injection, have ranked among the top three of similar products nationwide for many consecutive years, making it currently the largest manufacturer of Shuanghuanglian-based cold medicines in China. In order to control the quality of medicinal herbs at the source, in accordance with GAP requirements, Fusen Pharmaceutical Company has established a 10,000-mu *Lonicera japonica* planting base, a fruit-medicine intercropping base and a Chinese medicinal herb processing and warehousing base on the 15,000-mu of land that has been transferred. It has ensured the ecological cultivation, scientific cultivation, and refined management of Chinese medicinal materials, as well as unified procurement and unified processing. The valued entity has been recognized as a High and New Technology Enterprise multiple times in previous years. The High and New Technology Enterprise qualification obtained in October 2024 is valid for three years and remained within the validity period as at the valuation benchmark date. As of the valuation benchmark date, various products of Fusen Pharmaceutical Company have been selected for the national centralized procurement and provincial centralized procurement lists, mainly including Shuanghuanglian Oral Solution being selected for the "Supply List of Selected Varieties for the National Traditional Chinese Medicine Procurement Alliance Centralized Procurement (First Batch of Expansion and Continuation)",

Shuanghuanglian Injection, Xiaoshuan Oral Liquid and Pulse Vitalizing Tonic Drink being selected for the “Supply List of Selected Varieties for the Third Batch of National Traditional Chinese Medicine Procurement Alliance Centralized Procurement”, and Metformin Empagliflozin Tablets (I) being selected for the “Eleventh Batch of National Volume-Based Procurement of Drugs”, among others.

4. *Property rights and management structure of the company*

- (1) Fusen Pharmaceutical Company has established a shareholders’ meeting, has not established a Board, and has appointed 1 director. In accordance with the Articles of Association, the Company has established various departments including production, sales, and administration. The specific organizational structure is as follows:



- (2) As of the valuation benchmark date, Fusen Pharmaceutical Company has 2 subsidiaries, namely Henan Xichuan Fushan Medicinal Packaging Company Limited (河南省淅川伏山藥用包材有限責任公司), Henan Fusen Pharmacy Co., Ltd. (河南福森大藥房有限公司). The details of the subsidiaries are summarized as follows:

No.	Name of investee	Shareholding percentage (%)	Book value (RMB)
1	Henan Xichuan Fushan Medicinal Packaging Company Limited (河南省淅川伏山藥用包材有限責任公司)	100%	2,610,000.00
2	Henan Fusen Pharmacy Co., Ltd. (河南福森大藥房有限公司)	100%	587,250.00

5. Assets, financial and operating conditions for the past three years

The financial conditions of the valued entity for the past three years are set out in the table below (on a parent company basis):

Unit: RMB'0,000

Item	31 December 2023	31 December 2024	31 December 2025
Total Assets	138,535.14	155,159.17	148,970.00
Total Liabilities	65,534.73	84,658.16	80,832.12
Owners' Equity	73,000.41	70,501.01	68,137.88

The operating conditions of the valued entity for the past three years are set out in the table below (on a parent company basis):

Unit: RMB'0,000

Item	2023	2024	2025
Operating Revenue	60,247.03	28,978.57	30,108.65
Total Profit	4,035.61	-1,811.97	-4,583.14
Net Profit	3,389.29	-1,866.22	-4,586.73

The financial statements of the valued entity for the years 2023 to 2024 have not been separately audited; the financial statements for 2025 have been audited by Henan Zhongjianhua Certified Public Accountants Co., Ltd. (河南中建華會計師事務所有限公司), which issued an unqualified opinion.

6. Relationship between the client and the valued entity

The clients for this valuation is Nanyang Industrial Investment Group Co., Ltd., and the valued entity is Henan Fusen Pharmaceutical Company Limited. The clients and the valued entity are the investors and the capital increase investee for this capital increase.

(III) Other users of the asset valuation report as agreed in the asset valuation engagement contract

The other user of the asset valuation report as agreed in the asset valuation engagement contract is the valued entity, Henan Fusen Pharmaceutical Company Limited.

This asset valuation report is for the use of the client, the valued entity, and the users of the asset valuation report as prescribed by national laws and regulations only, and shall not be used or relied upon by any other third party.

II. VALUATION PURPOSE

Pursuant to the “Request for Commencement of Project Initiation for the Capital Increase and Share Expansion of Henan Fusen Pharmaceutical Company Limited (《關於啟動河南福森藥業有限公司增資擴股項目立項工作的請示》)” issued by Nanyang Industrial Investment Group Co., Ltd., Nanyang Industrial Investment Group Co., Ltd. intend to make a capital increase in Henan Fusen Pharmaceutical Company Limited, and has specially engaged Beijing China Enterprise Appraisals Co., Ltd. to conduct a valuation of the value of the entire equity interest of the shareholders of Henan Fusen Pharmaceutical Company Limited involved in this matter, so as to provide a value reference opinion for the aforementioned matter based on the appraised market value.

III. VALUATION SUBJECT AND VALUATION SCOPE

(I) Valuation subject

The valuation subject is the value of the entire equity interest of the shareholders of Henan Fusen Pharmaceutical Company Limited.

(II) Valuation scope

The valuation scope covers all assets and liabilities of Henan Fusen Pharmaceutical Company Limited. As at the valuation benchmark date, the assets within the valuation scope consist of current assets, long-term equity investments, fixed assets, etc., with a book value of total asset of RMB1,489,700,000; the liabilities consist of current liabilities and non-current liabilities, with a book value of total liability of RMB808,321,200; and the book value of owners' equity is RMB681,378,800.

The valuation subject and valuation scope for this engagement are consistent with the valuation subject and valuation scope involved in the economic activity. As at the valuation benchmark date, the book values of the assets and liabilities within the valuation scope have been audited by Henan Zhongjianhua Certified Public Accountants Co., Ltd. (河南中建華會計師事務所有限公司), which issued an unqualified opinion.

1. Status of major assets within the valuation scope

The major assets attributable to Fusen Pharmaceutical Company and its subsidiaries declared for this valuation include inventories, long-term equity investments, buildings (structures), machinery and equipment, vehicles, electronic equipment, intangible assets, etc. Details of the assets are as follows:

(1) Inventories

The inventories included within the scope of this valuation are raw materials and finished goods. Raw materials primarily include forsythia for production, lonicera, baikal skullcap root, extract of lonicera and forsythia, and extract of baikal skullcap root for injection, etc. Apart from certain materials that have exceeded expiration life and are no longer usable or have been eliminated, the other raw materials are in normal condition. Finished goods primarily include various types of medicines that have been inspected and accepted into inventory, such as Heat-Clearing and Detoxification Oral Liquid, Shuanghuanglian Oral Liquid, Shuanghuanglian Injections, Pulse Vitalizing Tonic Drink, Sanhuang Tablet and Bupleurum Injection. Finished goods are in normal condition as at the valuation benchmark date.

(2) *Long-term equity investments and other equity instrument investments*

As of the valuation benchmark date, there were 2 subsidiaries accounted for under the long-term equity investment account of the valued entity, namely Henan Xichuan Fushan Medicinal Packaging Company Limited (河南省淅川伏山藥用包材有限責任公司), Henan Fusen Pharmacy Co., Ltd. (河南福森大藥房有限公司). There were 2 external investments accounted for under the line item of investments in other equity instruments, being the two investments in Nanyang Modern Traditional Chinese Medicine Private Equity Investment Fund (Limited Partnership) (南陽現代中醫藥私募投資基金(有限合夥)) and Beijing Tongfu Fusen Environmental Industry Investment Center (Limited Partnership) (北京通福福森環境產業投資中心(有限合夥)). The details of the subsidiaries are summarized as follows:

No.	Name of investee	Shareholding percentage (%)	Book value (RMB)
1	Henan Xichuan Fushan Medicinal Packaging Company Limited (河南省淅川伏山藥用包材有限責任公司)	100%	2,610,000.00
2	Henan Fusen Pharmacy Co., Ltd. (河南福森大藥房有限公司)	100%	587,250.00
3	Nanyang Modern Traditional Chinese Medicine Private Equity Investment Fund (Limited Partnership) (南陽現代中醫藥私募投資基金(有限合夥))	0.89%	8,925,000.00
4	Beijing Tongfu Fusen Environmental Industry Investment Center (Limited Partnership) (北京通福福森環境產業投資中心(有限合夥))	—	3,000,000.00

(3) *Buildings (Structures)*

The buildings (structures) included in the valuation scope mainly comprise production, living and office premises and their auxiliary facilities, which were mainly completed between 2015 and 2025, and are located in areas including the production plant area of Fusen Pharmaceutical in Xichuan County, Nanyang City, the headquarters office area of Fusen Pharmaceutical in Xichuan County, Nanyang City, and the office of Fusen Pharmaceutical in Zhengdong New District, Zhengzhou City. The building structures mainly include brick-concrete, reinforced concrete, frame and simple structures.

According to the valuers, no final financial accounts were prepared after the completion of the buildings (structures) included in the valuation scope. The assets recorded on the books were listed as individual projects, and have not been consolidated into specific assets. Therefore, during the inventory process, there were instances where the physical buildings did not fully correspond with the accounts. For the purpose of this inspection and verification of buildings, the primary basis is the physical assets observed during on-site inspections, combined with relevant materials provided by the valued entity such as the lists of buildings, factory layout plans and property ownership certificates, shall prevail. Details are as follows:

- ① Production facilities: mainly include chemical injection workshop, traditional Chinese medicine (TCM) injection workshop, TCM solid preparation workshop, injection extraction workshop, oral extraction workshop, TCM pre-treatment workshop, comprehensive finished product warehouse, power center, sewage treatment station, switch station, animal facility, chemical warehouse, etc. The structures are mainly reinforced concrete and steel structures, with a total gross floor area of approximately 107,880.15 square meters, of which 11 items have obtained property ownership certificates, with the registered owner being Henan Fusen Pharmaceutical Company Limited, and all are in normal use.
- ② Living and office premises: mainly include the Entrepreneurship Building office building of the Group's headquarters, office units No. 3001 to 3010, 30/F, No. 90 Zhongxing Road, Zhengdong New District, Zhengzhou City, the storefront of the Technology Apartment, and staff residential buildings, etc. The structures are mainly reinforced concrete, with a total gross floor area of approximately 23,677.85 square meters, of which 12 items have obtained property ownership certificates, with the registered owner being Henan Fusen Pharmaceutical Company Limited, and all are in normal use.

- ③ Structures and other auxiliary facilities: mainly include roads, courtyard walls, gates, wells, guardrails, etc., totalling 33 items, located in the office area within the factory site. The main structures are concrete, brick masonry and steel frame structures, and all are in normal use.

As of the valuation benchmark date, the valued entity has obtained property rights certificates for certain buildings within the valuation scope, with the registered owner being Henan Fusen Pharmaceutical Company Limited. With respect to the buildings for which property ownership certificates have not been obtained, the valued entity has issued a statement on the ownership status, undertaking that the buildings assets within the valuation scope are owned by it and that there is no dispute over the property rights. The relevant parameters such as the area, structure and quantity of the buildings for which certificates have not been obtained were determined based on the relevant information provided by the valued entity, and the valuers have conducted on-site verification.

(4) Machinery and equipment

There are a total of 5,052 pieces of machinery and equipment declared for valuation, mainly including equipment used for production by the valued entity, such as tunnel sterilization dryers, vertical ultrasonic washing machines for oral liquid bottles, automatic granule packaging machines, irregular tablet presses, automatic inspection machines for foreign object in ampoule injections, a 1,200 m³/d wastewater treatment system, and robotic packing and palletising lines. The aforementioned equipment is distributed within the production workshops and office areas of the plant site. The machinery and equipment were purchased after December 2003. As of the valuation benchmark date, the equipment is in normal use and well-maintained, meeting the needs of current production.

(5) Vehicles

The vehicles declared by the enterprise are primarily consist of passenger cars such as Volkswagen Touareg, Audi A8L and Toyota Alphard, totaling 17 vehicles. As of the valuation benchmark date, 2 of these vehicles no longer existed, 1 was pending scrapping, and 1 could not be used on the road as it had not undergone the required annual inspection. The remaining 13 vehicles were all in normal use. This portion of vehicles in normal use has all had vehicle registration certificates, with the registered owners being Henan Fusen Pharmaceutical Company Limited and Henan Jiaheng Pharmaceutical Co., Ltd. (河南嘉亨醫藥有限公司) (an affiliate of Fusen Pharmaceutical).

(6) *Electronic equipment*

The electronic equipment declared this valuation includes air conditioners, computers, printers, office furniture and testing instruments, which were purchased after December 2003 and primarily used for the daily life and office operations of the enterprise. As of the valuation benchmark date, all equipment was in normal use.

(7) *Intangible assets*

The intangible assets declared for this valuation include land use rights, software, patents, copyrights and domain names, details of which are as follows:

- ① The land use rights declared by the enterprise include: the land of the new factory area of Fusen Pharmaceutical, the land of the Entrepreneurship Building at the headquarters of Fusen Pharmaceutical, the idle land adjacent to the land of the Entrepreneurship Building at the headquarters of Fusen Pharmaceutical, and the land of the Nanyang headquarters of Fusen Pharmaceutical. Except for the idle land adjacent to the land of the Entrepreneurship Building at the headquarters of Fusen Pharmaceutical, all the aforementioned land have been obtained state-owned land use certificates or property ownership certificates. According to the state-owned land use certificates or property ownership certificates provided by the valued entity, the registered owner of the valued land parcels is Henan Fusen Pharmaceutical Company Limited, the registered nature is all by way of concession, the registered uses are all for industrial and commercial purposes, and the total registered area is 438,036.87 square meters. Details are set out in the table below:

No.	Property ownership certificate or land use certificate No.	Registered owner	Land parcel name	Acquisition date	Expiry date	Land use	Nature of land	Status of development	Area (m ²)	Remarks
1	Yu (2020) Xichuan County Property Ownership Certificate No. 0000883	Henan Fusen Pharmaceutical Company Limited	Land of the new factory area	2019-04	2069-04	Industrial	State-owned Concession	Five utilities and ground leveling	391,318.26	
2	Yu (2021) Xichuan County Property Ownership Certificate No. 0004409	Henan Fusen Pharmaceutical Company Limited	Idle land behind Chuangye Building	2010-03	2060-03	Industrial	State-owned Concession	Five utilities and ground leveling	19,988.00	
3	None	None	Idle land behind Chuangye Building	2011-12	2061-01	None	None	Five utilities and ground leveling	7,223.61	No information, only accounting vouchers available
4	Yu (2019) Nanyang City Real Estate Right Certificate No. 0017449	Henan Fusen Pharmaceutical Company Limited	Nanyang headquarters land	2018-12	2058-12	Commercial Finance	State-owned Concession	Five utilities and ground leveling	19,507.00	

- ② Software: The software included in the valuation scope is the FounderType font system purchased by the enterprise in 2019, which remains in normal use as of the valuation benchmark date.
- ③ Patents: A total of 72 patent assets were declared, comprising 10 invention patents, 43 utility models and 19 design patents. All patent assets were obtained through independent research and development by the valued entity or collaborative development with other companies, and the valued entity has paid the annual fees on time every year. As the relevant acquisition and construction costs were fully recognized in profit or loss in previous years, no book value was declared. Details are set out in the table below:

No.	Name and content of intangible assets	Type	Right holder	Certificate No.	Application date	Patent status
1	A packaging box flipping device	Invention patent	Henan Fusen Pharmaceutical Company Limited	ZL2016101082192	2016-02	Granted
2	A Yuanhu Pain Relief Oral Liquid establishment of fingerprint and method for content determination and application	Invention patent	Jiaheng (Zhuhai Hengqin) Pharmaceutical Technology Company Limited; Henan Fusen Pharmaceutical Company Limited	ZL2023105657409	2023-05	Granted
3	A traditional Chinese medicine for clearing the throat and relieving sore throat composition and preparation process and use thereof	Invention patent	Henan Fusen Pharmaceutical Company Limited	ZL2015103599851	2015-06	Granted
4	An astragaloside IV molecularly imprinted polymer and preparation method and application thereof	Invention patent	Jiaheng (Zhuhai Hengqin) Pharmaceutical Technology Company Limited; Henan Fusen Pharmaceutical Company Limited	ZL202310799452X	2023-06	Granted

No.	Name and content of intangible assets	Type	Right holder	Certificate No.	Application date	Patent status
5	A traditional Chinese medicine use in the preparation of drugs for the treatment of non-alcoholic fatty liver disease	Invention patent	Jiaheng (Zhuhai Hengqin) Pharmaceutical Technology Company Limited; Henan Fusen Pharmaceutical Company Limited	ZL2022108450063	2022-07	Granted
6	Fingerprint detection method of a Chinese medicine composition of Shuanghuanglian and its application	Invention Patent	Henan Fusen Pharmaceutical Company Limited	ZL2023109814818	2023-08	Granted
7	Quantitative detection method of Ganweikang Tablet and its application	Invention Patent	Jiaheng (Zhuhai Hengqin) Pharmaceutical Technology Company Limited; Henan Fusen Pharmaceutical Company Limited	ZL2023111504468	2023-09	Granted
8	An air purification device for the pharmaceutical industry	Invention Patent	Henan Fusen Pharmaceutical Company Limited	ZL201711074564X	2017-11	Granted
9	A class of indazole skeleton derivatives containing 1,2,3-triazole with specific anti-prostate cancer activity	Invention Patent	Zhengzhou University; Henan Fusen Pharmaceutical Company Limited	ZL2021113928757	2021-11	Granted
10	Preparation process of Yuanhu Pain Relief Oral Liquid	Invention Patent	Henan Fusen Pharmaceutical Company Limited	ZL2006101072021	2006-09	Granted
11	Front-end pre-dewatering device for a high-voltage discharge ozone generator	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL202223459608X	2022-12	Granted

No.	Name and content of intangible assets	Type	Right holder	Certificate No.	Application date	Patent status
12	Compressed air dehumidifying device for a cartoning machine	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2022234572634	2022-12	Granted
13	Packaging box for Compound Ferrous Sulfate Granules	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2022235159460	2022-12	Granted
14	A cleaning and drying device for traditional Chinese medicine	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2017219017696	2017-12	Granted
15	A pulverizing device for traditional Chinese medicine	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2017219017766	2017-12	Granted
16	Press roller structure for conveyor belt of automatic cartoning machine	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2022235866832	2022-12	Granted
17	A transportation device for a sterilization rack	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL202120154045X	2021-02	Granted
18	A gas ring vacuum pump	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL202120167797X	2021-01	Granted
19	A device for preventing plastic tray from swinging during conveying process	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2021203938512	2021-02	Granted
20	An ultra-fine grinding and classifying device for capsule medicines	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2019202519656	2019-02	Granted
21	A mixing and feeding device for pharmaceutical use	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2019202629228	2019-03	Granted

No.	Name and content of intangible assets	Type	Right holder	Certificate No.	Application date	Patent status
22	A feeding and leveling device for plastic trays of injection vials	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2019203087151	2019-03	Granted
23	A conveying mechanism for capsule blister packaging	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2019203483149	2019-03	Granted
24	A drying device for Chinese herbal medicine	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2020204051361	2020-03	Granted
25	A conveying and adjusting device for medicine boxes	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2020204045055	2020-03	Granted
26	A separation and filtration device for compound detection	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2020205315719	2020-04	Granted
27	A suction filtration device for compound production	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2020205311351	2020-04	Granted
28	A stirring device for pharmaceutical production	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2020205311385	2020-04	Granted
29	A cleaning device for the production of pharmaceutical intermediates	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2020205546272	2020-04	Granted
30	Downward pressing device for oral liquid bottles used in light inspection	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2023214874477	2023-06	Granted
31	Coding machine for iron medicine boxes	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2024215144118	2024-06	Granted

No.	Name and content of intangible assets	Type	Right holder	Certificate No.	Application date	Patent status
32	Tunnel sterilization oven with protection mechanism	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2023217739250	2023-07	Granted
33	A sugar feeding device for a sugarization tank	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2023217811893	2023-07	Granted
34	An empty box rejecting device for packaging boxes	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2022219426275	2022-07	Granted
35	A turning and inspection device for packaging boxes	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2022219426504	2022-07	Granted
36	A manual re-inspection device for a fully automatic light inspection machine	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2021217342054	2021-07	Granted
37	A liquid medicine bottle conveying system facilitating manual spot inspection	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL202121735261X	2021-07	Granted
38	Auxiliary push plate mechanism for cartoning	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2024218356058	2024-07	Granted
39	Preparation system for Compound Ferrous Sulfate Granules	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2021217646929	2021-07	Granted
40	Column structure of cartoning machine for Compound Ferrous Sulfate Granules	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2021217646933	2021-07	Granted
41	A filtering and recycling device for Chinese herbal medicine	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2020217816840	2020-08	Granted

No.	Name and content of intangible assets	Type	Right holder	Certificate No.	Application date	Patent status
42	A pressurized conveying device for pharmaceutical agents	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2020217907411	2020-08	Granted
43	A granulator	Utility Model	Jiaheng (Zhuhai Hengqin) Pharmaceutical Technology Company Limited; Henan Fusen Pharmaceutical Company Limited	ZL2022223059090	2022-08	Granted
44	High performance liquid chromatograph	Utility Model	Jiaheng (Zhuhai Hengqin) Pharmaceutical Technology Company Limited; Henan Fusen Pharmaceutical Company Limited	ZL2022223142223	2022-08	Granted
45	Small-scale extraction and concentration unit	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2022223479538	2022-09	Granted
46	Semi-automatic capsule filling machine	Utility Model	Jiaheng (Zhuhai Hengqin) Pharmaceutical Technology Company Limited; Henan Fusen Pharmaceutical Company Limited	ZL2022223478802	2022-09	Granted
47	A transfer box for injection ampoule bottles	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2019217063951	2019-10	Granted
48	A ventilation and air conditioning device for pharmaceutical industrial plant	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2017214572293	2017-11	Granted

No.	Name and content of intangible assets	Type	Right holder	Certificate No.	Application date	Patent status
49	An air purification device for the pharmaceutical industry	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2017214572664	2017-11	Granted
50	Cartoning mechanism for blister packaging boxes	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2023231093242	2023-11	Granted
51	Packaging box for oral liquid	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2023231567592	2023-11	Granted
52	A capsule polishing and sorting device	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL2016201473454	2016-02	Granted
53	A traditional Chinese medicine composition for clearing the throat and relieving sore throat, as well as its preparation process and use	Utility Model	Henan Fusen Pharmaceutical Company Limited	ZL201620147351X	2016-02	Granted
54	Packaging box (Compound Ferrous Sulfate Granules)	Design Patent	Henan Fusen Pharmaceutical Company Limited	ZL2022308680418	2022-12	Granted
55	Packaging box (Shuanghuanglian Oral Solution)	Design Patent	Henan Fusen Pharmaceutical Company Limited	ZL2019302777460	2019-05	Granted
56	Packaging box (Xiao'er Kechuanling Oral Liquid)	Design Patent	Henan Fusen Pharmaceutical Company Limited	ZL2019302779593	2019-05	Granted
57	Packaging box (Pulse Vitalizing Tonic Drink)	Design Patent	Henan Fusen Pharmaceutical Company Limited	ZL2024304040106	2024-06	Granted
58	Packaging box (Yangchun Oral Liquid)	Design Patent	Cao Changcheng	ZL2024304052512	2024-06	Granted

No.	Name and content of intangible assets	Type	Right holder	Certificate No.	Application date	Patent status
59	Packaging box (Ganweikang Tablet)	Design Patent	Henan Fusen Pharmaceutical Company Limited	ZL2021305350182	2021-08	Granted
60	Packaging box	Design Patent	Henan Fusen Pharmaceutical Company Limited	ZL2019305563919	2019-10	Granted
61	Packaging box (Pulse Vitalizing Tonic Drink)	Design Patent	Henan Fusen Pharmaceutical Company Limited	ZL2023307868674	2023-11	Granted
62	Packaging box (Heat- Clearing and Detoxification Oral Liquid)	Design Patent	Henan Fusen Pharmaceutical Company Limited	ZL2023307868706	2023-11	Granted
63	Packaging box (Clarithromycin Extended-release Tablet)	Design Patent	Henan Fusen Pharmaceutical Company Limited	ZL2016301475135	2016-04	Granted
64	Packaging box (Tongmai Oral Liquid)	Design Patent	Henan Fusen Pharmaceutical Company Limited	ZL2016301475154	2016-04	Granted
65	Packaging box (Ganweikang Tablet)	Design Patent	Henan Fusen Pharmaceutical Company Limited	ZL2016301475173	2016-04	Granted
66	Packaging box (Flunarizine Hydrochloride Capsules)	Design Patent	Henan Fusen Pharmaceutical Company Limited	ZL2016301475192	2016-04	Granted
67	Packaging box (Cimetidine Tablets)	Design Patent	Henan Fusen Pharmaceutical Company Limited	ZL2016301475205	2016-04	Granted
68	Packaging box (Bupleurum Injection)	Design Patent	Henan Fusen Pharmaceutical Company Limited	ZL201630147521X	2016-04	Granted

No.	Name and content of intangible assets	Type	Right holder	Certificate No.	Application date	Patent status
69	Packaging box (Metformin Hydrochloride Sustained-release Tablet)	Design Patent	Henan Fusen Pharmaceutical Company Limited	ZL2016301515626	2016-04	Granted
70	Packaging box (Yanning Capsule)	Design Patent	Henan Fusen Pharmaceutical Company Limited	ZL201630151565X	2016-04	Granted
71	Packaging box (Shuanghuanglian Injection)	Design Patent	Henan Fusen Pharmaceutical Company Limited	ZL2016301515734	2016-04	Granted
72	Packaging box for Shuanghuanglian Oral Solution	Design Patent	Henan Fusen Pharmaceutical Company Limited	ZL2016301515749	2017-12	Granted

- ④ Copyrights: A total of 12 copyrights were declared this time, including 3 copyrights in works and 9 software copyrights. As their relevant acquisition and construction costs were all recognized in profit or loss in previous years, no book value has been declared. Details are as follows:

No.	Name and content of intangible assets	Type of intangible assets	Certificate No.	Registered title holder	Date of acquisition
1	Artistic Work — Daguan Yuan	Copyright in work	2011-F-046029	Henan Fusen Pharmaceutical Company Limited	2011-09
2	Artistic Work — Fusen	Copyright in work	2011-F-046030	Henan Fusen Pharmaceutical Company Limited	2011-09
3	Artistic Work — New Energy	Copyright in work	2011-F-046031	Henan Fusen Pharmaceutical Company Limited	2011-09

No.	Name and content of intangible assets	Type of intangible assets	Certificate No.	Registered title holder	Date of acquisition
4	Fusen Injection Uniformity Monitoring System	Software copyright	2012SR030100	Henan Fusen Pharmaceutical Company Limited	2012-04
5	Fusen Injection Substance Rapid Detection System	Software copyright	2012SR030097	Henan Fusen Pharmaceutical Company Limited	2012-04
6	Fusen Injection Pyrogen Control System	Software copyright	2012SR030248	Henan Fusen Pharmaceutical Company Limited	2012-04
7	Fusen Temperature and Humidity Monitoring System	Software copyright	2011SR057892	Henan Fusen Pharmaceutical Company Limited	2011-08
8	Fusen Pulsating Sterilizer Host Computer Control System	Software copyright	2011SR055434	Henan Fusen Pharmaceutical Company Limited	2011-08
9	Fusen Online Near- Infrared Spectroscopic Analysis System	Software copyright	2011SR055495	Henan Fusen Pharmaceutical Company Limited	2011-08
10	Fusen Chinese Medicine Chromatographic Fingerprint Similarity Evaluation Software	Software copyright	2011SR053621	Henan Fusen Pharmaceutical Company Limited	2011-08

No.	Name and content of intangible assets	Type of intangible assets	Certificate No.	Registered title holder	Date of acquisition
11	Fusen Traditional Chinese Medicine Extraction Process Computer Measurement and Control System	Software copyright	2011SR053619	Henan Fusen Pharmaceutical Company Limited	2011-08
12	Fusen Online Real-time Monitoring System	Software copyright	2011SR049093	Henan Fusen Pharmaceutical Company Limited	2011-07

- ⑤ Domain Names: A total of 3 domain names were declared this time, all of which are the official website domain names of the valued entity. As the relevant acquisition and construction costs were fully recognized in profit or loss in previous years, no book value has been declared. The details are as follows:

No.	Name and content of intangible assets	Type of intangible assets	Certificate No.	Registered title holder	Date of acquisition
1	china-fusen.com	Domain Name	Yu ICP Bei No. 2021028871-2	Henan Fusen Pharmaceutical Company Limited	2021-11
2	fusenpharma.com	Domain Name	Yu ICP Bei No. 2021028871-1	Henan Fusen Pharmaceutical Company Limited	2021-10
3	fusenpharma.com	Domain Name	Yu ICP Bei No. 2021028871-3	Henan Fusen Pharmaceutical Company Limited	2021-12

2. The types and quantities of off-balance sheet assets declared by the enterprise.

No off-balance sheet assets were declared this time.

3. Use of conclusions from reports issued by other institutions

This valuation does not involve any assets for which the results of reports from other institutions were cited.

IV. TYPE OF VALUE

In the performance of asset valuation business, when the basic elements of asset valuation, such as the valuation purpose and valuation subject, satisfy the requirements of the definition of market value, market value is generally selected as the value type for the valuation conclusion. Therefore, in consideration of factors such as the purpose of this valuation, market conditions, and the specific conditions of the valuation subject, the value type of the valuation subject is determined to be market value.

Market value refers to the estimated amount for which the valuation subject should exchange on the valuation benchmark date between a willing buyer and a willing seller in an arm's length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.

V. VALUATION BENCHMARK DATE

The valuation benchmark date for this report is 31 December 2025.

The benchmark date for this valuation was determined by the client. The determination of the valuation benchmark date primarily considers the realization of economic behavior and end-of-accounting-period factors. Asset valuation provides a value reference for assets at a specific point in time. Selecting the end of an accounting period as the valuation benchmark date can comprehensively reflect the overall status of the assets of the valuation subject. At the same time, based on the principles of ensuring that valuation results effectively serve the valuation purpose, accurately defining the valuation scope, accurately and efficiently inspecting and verifying assets, and reasonably selecting the basis for valuation, a date relatively close to the planned implementation date of the relevant economic activity is selected as the valuation benchmark date.

VI. VALUATION BASIS

(I) Basis of the economic activity

Document from Nanyang Industrial Investment Group Co., Ltd. titled “Request for Commencement of Project Initiation for the Capital Increase and Share Expansion of Henan Fusen Pharmaceutical Company Limited (《關於啟動河南福森藥業有限公司增資擴股項目立項工作的請示》)”.

(II) Legal and regulatory basis

1. Asset Valuation Law of the People's Republic of China (《中華人民共和國資產評估法》) (passed at the 21st Session of the Standing Committee of the 12th National People's Congress on 2 July 2016);
2. Civil Code of the People's Republic of China (《中華人民共和國民法典》) (passed at the third Session of the 13th National People's Congress on 28 May 2020);

3. Company Law of the People's Republic of China (《中華人民共和國公司法》) (the second amendment adopted at the 7th Session of the Standing Committee of the 14th National People's Congress on 29 December 2023);
4. Law of the PRC on Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》) (the third amendment adopted at the 12th Session of the Standing Committee of the 13th National People's Congress on 26 August 2019);
5. Land Administration Law of the PRC (《中華人民共和國土地管理法》) (the third amendment adopted at the 12th Session of the Standing Committee of the 13th National People's Congress on 26 August 2019);
6. Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the second amendment adopted at the 7th Session of the Standing Committee of the 13th National People's Congress on 29 December 2018);
7. PRC Value-Added Tax Law (《中華人民共和國增值稅法》) (passed at the 13th Session of the Standing Committee of the 14th National People's Congress on 25 December 2024);
8. Law of the People's Republic of China on State-owned Assets of Enterprises (《中華人民共和國企業國有資產法》) (passed at the 5th Session of the Standing Committee of the 11th National People's Congress on 28 October 2008);
9. Interim Regulations on the Supervision and Administration of State-owned Assets of Enterprises (《企業國有資產監督管理暫行條例》) (Order of the State Council No. 378, second amendment on 2 March 2019);
10. Measures for the Financial Supervision and Administration of the Asset Appraisal Industry (《資產評估行業財政監督管理辦法》) (Order of the Ministry of Finance No. 86, as revised by Order of the Ministry of Finance No. 97);
11. Administrative Measures for the Appraisal of State-owned Assets (《國有資產評估管理辦法》) (Order of the State Council No. 91, revised on 29 November 2020);
12. Interim Measures for the Administration of the Appraisal of State-owned Assets of Enterprises (《企業國有資產評估管理暫行辦法》) (Order of the SASAC No. 12);
13. Measures for the Supervision and Administration of the Transactions of State-owned Assets of Enterprises (《企業國有資產交易監督管理辦法》) (Order of the SASAC and the Ministry of Finance No. 32);
14. Notice on Relevant Matters Concerning Strengthening the Administration of Valuation of State-owned Assets of Enterprises (《關於加強企業國有資產評估管理工作有關問題的通知》) (Guo Zi Wei Chan Quan [2006] No. 274);

15. Notice on Issuing the “Detailed Rules for the Implementation of the Administrative Measures for the Appraisal of State-owned Assets” (《關於印發〈國有資產評估管理辦法施行細則〉的通知》) (No. 36 of the State-Owned Assets Office [1992]);
16. The Notice on Relevant Matters Concerning the Examination of Assessment Reports on State-owned Assets of Enterprises (《關於企業國有資產評估報告審核工作有關事項的通知》) (Guo Zi Chan Quan [2009] No. 941);
17. Notice of the Ministry of Finance and State Taxation Administration on Adjusting Value-Added Tax Rates (《財政部稅務總局關於調整增值稅稅率的通知》) (Circular of the Ministry of Finance and the State Taxation Administration [2018] No. 32);
18. Guidelines on the Filing of State-owned Assets Appraisal Projects for Enterprises (《企業國有資產評估項目備案工作指引》) (Guo Zi Fa Chan Quan [2013] No. 64);
19. Announcement on Policies Concerning Deepening the Reform of Value-Added Tax (《關於深化增值稅改革有關政策的公告》) (Announcement of the MOF, SAT and GACC [2019] No. 39);
20. Accounting Standards for Enterprises — Basic Standard (《企業會計準則 — 基本準則》) (Order of the Ministry of Finance No. 33), Decision of the Ministry of Finance on Amending the Accounting Standards for Enterprises — Basic Standard (《財政部關於修改〈企業會計準則 — 基本準則〉的決定》) (Order of the Ministry of Finance No. 76).

(III) Basis of valuation standards

1. Basic Standards for Asset Valuation (《資產評估基本準則》) (Cai Zi [2017] No. 43);
2. Professional Code of Ethics for the Valuation of Assets (《資產評估職業道德準則》) (Zhong Ping Xie [2017] No. 30);
3. Asset Valuation Practice Standards — Asset Valuation Report (《資產評估執業準則 — 資產評估報告》) (Zhong Ping Xie [2018] No. 35);
4. Asset Valuation Practice Standards — Asset Valuation Procedures (《資產評估執業準則 — 資產評估程序》) (Zhong Ping Xie [2018] No. 36);
5. Asset Valuation Practice Standards — Asset Valuation Methods (《資產評估執業準則 — 資產評估方法》) (Zhong Ping Xie [2019] No. 35);
6. Asset Valuation Practice Standards — Asset Valuation Engagement Contracts (《資產評估執業準則 — 資產評估委託合同》) (Zhong Ping Xie [2017] No. 33);

7. Asset Valuation Practice Standards — Asset Valuation Archives (《資產評估執業準則 — 資產評估檔案》) (Zhong Ping Xie [2018] No. 37);
8. Asset Valuation Practice Standards — Enterprise Value (《資產評估執業準則 — 企業價值》) (Zhong Ping Xie [2018] No. 38);
9. Guidelines for Reports on Valuation of State-owned Assets of Enterprises (《企業國有資產評估報告指南》) (Zhong Ping Xie [2017] No. 42);
10. Guidelines for Quality Control of Operational Activities of Asset Valuation Agencies (《資產評估機構業務質量控制指南》) (Zhong Ping Xie [2017] No. 46);
11. Guidance on Types of Value in Asset Valuation (《資產評估價值類型指導意見》) (Zhong Ping Xie [2017] No. 47);
12. Guidance on Legal Title of Asset Valuation Subjects (《資產評估對象法律權屬指導意見》) (Zhong Ping Xie [2017] No. 48).

(IV) Basis of ownership

1. Property ownership certificates;
2. Vehicle Registration Certificates;
3. Patent certificates;
4. Other relevant title certificates.

(V) Basis of pricing

1. The Loan Prime Rate (LPR) announcement published by the National Interbank Funding Center as authorized by the People's Bank of China around the valuation benchmark date;
2. Regulations on Compulsory Scrap Standard for Motor Vehicles (《機動車強制報廢標準規定》) (Ministry of Commerce, NDRC, Ministry of Public Security and Ministry of Environmental Protection Decree [2012] No. 12);
3. Financial statements and audit reports for previous years provided by the enterprise;
4. Asset Valuation Common Data and Parameters Handbook (《資產評估常用數據與參數手冊》);
5. Market quotation information from online searches;
6. Wind Information;

7. Site inspection records of the valuers and other relevant valuation information and materials collected;
8. Other information related to this asset valuation.

(VI) Other reference bases

1. Terminology of Asset Valuation Standards 2020 (《資產評估準則術語2020》) (Zhong Ping Xie [2020] No. 31);
2. Asset Valuation Expert Guidance No. 8 — Verification in Asset Valuation (《資產評估專家指引第8號 — 資產評估中的核查驗證》) (Zhong Ping Xie [2019] No. 39);
3. Accounting Regulatory Risk Alert No. 5 — Asset Valuation for Equity Transactions of Listed Companies (《會計監管風險提示第5號 — 上市公司股權交易資產評估》);
4. The asset list and valuation declaration forms provided by the valued entity;
5. The special audit report issued by Henan Zhongjianhua Certified Public Accountants Co., Ltd. (河南中建華會計師事務所有限公司);
6. Information database of Beijing China Enterprise Appraisals Co., Ltd.

VII. VALUATION METHOD

The income approach is a general term for various valuation methods that determine the value of a valuation subject by capitalizing or discounting its expected income.

The market approach is a general term for valuation methods that determine the value of a valuation subject by comparing the valuation subject with comparable reference objects, based on the market prices of the comparable reference objects.

The asset-based approach is a valuation method that, based on the balance sheet of the valued entity or business entity as at the valuation benchmark date, values the various identifiable assets and liabilities on and off the balance sheet to determine the value of the valuation subject.

Asset Valuation Practice Standards — Enterprise Value (《資產評估執業準則 — 企業價值》) stipulate that when performing enterprise value valuation business, the applicability of the three basic methods, namely the income approach, the market approach and the asset-based approach, shall be analyzed based on the valuation purpose, valuation subject, value type, data collection and other circumstances, in order to select the valuation method(s). Where it is appropriate to adopt different valuation methods for the valuation of enterprise value, asset valuation professionals shall adopt two or more valuation methods.

The valuation methods selected for this valuation are the income approach and the market approach.

(I) Reasons for selecting the income approach

The income approach evaluates assets from the perspective of their expected profitability, which can fully reflect the overall value of an enterprise. The valued entity is an enterprise with a certain degree of profitability. Considering that the valued entity has been established for a long period of time, possesses a well-developed business model, and has relatively clear future development plans and profit models, and that the relevant income and costs can be reasonably forecast, the income period can be reasonably determined, and the risks corresponding to obtaining future expected income can be measured, the income approach is therefore selected for this valuation.

(II) Reasons for selecting the market approach

The valued entity belongs to the pharmaceutical manufacturing industry — specifically the production of traditional Chinese medicines and chemical drug preparations. Taking into account the purpose of this valuation and the principal business of the valued entity, the valuers are able to collect information from the public market on comparable listed companies that are similar in terms of business type, product structure, operating model, etc. and their stock prices, financial data and operating data are available, which satisfies the conditions for adopting the listed company comparable method. Therefore, the listed company comparable method is adopted for this valuation.

(III) Reasons for not selecting the asset-based approach

The valued entity possesses complete accounting records, the ownership of the various assets and liabilities included in the valuation scope is clear, and the relevant information is relatively complete, enabling a reasonable valuation of the value of each asset and liability. However, the value of assets under the asset-based approach is based on the current replacement cost of the valued assets, and the asset-based approach only considers assets measured by the enterprise in accordance with accounting principles. As a pharmaceutical manufacturing enterprise, the enterprise value of the valued entity is reflected not only in its on-balance-sheet tangible assets, but more significantly in the value of off-balance-sheet intangible assets such as drug approval numbers, production qualifications, brands, sales channels, customer resources, technical processes and management teams. The asset-based approach cannot reflect the aforementioned resources actually owned or controlled by the enterprise; therefore, the asset-based approach is not adopted for this valuation.

(IV) Introduction to the income approach

Value of entire equity interest of shareholders = Enterprise value — Value of interest-bearing debt

1. Enterprise value

Enterprise value refers to the sum of the value of the entire equity interest of the shareholders and the value of interest-bearing debt. Based on the asset allocation and utilization of the valued entity, the calculation formula for the enterprise value is as follows:

Enterprise value = Value of operating assets + Value of surplus assets + Value of non-operating assets – Value of non-operating liabilities + Value of long-term equity investments

(1) Value of operating assets

Operating assets refer to the assets and liabilities related to the operations of the valued entity and involved in the forecast of the enterprise's free cash flow after the valuation benchmark date. The calculation formula for the value of operating assets is as follows:

$$P = \sum_{i=1}^n \frac{F_i}{(1+r)^i} + \frac{F_{n+1}}{r \times (1+r)^n}$$

Where: P: Value of the enterprise's operating assets as at the valuation benchmark date;

F_i : Expected enterprise free cash flow in year i after the valuation benchmark date;

F_{n+1} : Annual net cash flow in the terminal period;

r: Discount rate (in this case, the weighted average cost of capital, WACC);

n: Detailed forecast period;

i: Year i of the detailed forecast period.

The calculation formula for enterprise free cash flow is as follows:

Enterprise free cash flow = Earnings before interest and taxes $\times$ (1 – Income tax rate) + Depreciation and amortization – Capital expenditure – Increase in working capital

The calculation formula for the discount rate (weighted average cost of capital, WACC) is as follows:

$$\text{WACC} = K_e \times \frac{E}{E + D} + K_d \times (1 - t) \times \frac{D}{E + D}$$

Where: E: Market value of equity;
D: Market value of interest-bearing debt;
 K_e : Cost of equity capital;
 K_d : Cost of interest-bearing debt;
t: Income tax rate.

The cost of equity capital is calculated using the Capital Asset Pricing Model (CAPM). The calculation formula is as follows:

$$K_e = r_f + \text{MRP} \times \beta_L + r_c$$

Where: r_f : Risk-free rate;
MRP: Market risk premium;
 β_L : Systematic risk coefficient of equity;
 r_c : Company-specific risk adjustment coefficient.

(2) *Value of surplus assets*

Surplus assets refer to assets that exceed the requirements for the enterprise's production and operation on the valuation benchmark date and are not involved in the forecast of the enterprise's free cash flow after the valuation benchmark date. These are valued using the cost method for this valuation.

(3) *Value of non-operating assets and non-operating liabilities*

Non-operating assets and liabilities refer to assets and liabilities that are unrelated to the production and operation of the valued entity and are not involved in the forecast of the enterprise's free cash flows after the valuation benchmark date. These are valued using the cost method for this valuation.

(4) *Value of long-term equity investments*

The value of long-term equity investments is valued separately in this valuation, and the specific methods are as follows:

① Wholly-owned and controlling long-term equity investments

The asset-based approach is adopted for the overall valuation of wholly-owned and controlling long-term equity investments, whereby the value of the entire equity interest of the shareholders of the investee is first valued, and then multiplied by the percentage of equity held to calculate the value of the partial equity interest.

② Non-controlling long-term equity investments

Non-controlling long-term equity investments did not meet the conditions for overall valuation, therefore the valuer, in light of the actual conditions of the investee, obtained the financial statements of the investee as at the valuation benchmark date, and after appropriate analysis of the financial statements of the investee, the valuer determined the value of the non-controlling long-term equity investments by multiplying a reasonable net asset value of the investee by the shareholding percentage.

2. *Value of interest-bearing debts*

Interest-bearing debts represent the liabilities bearing interest payable by the valued entity as at the valuation benchmark date. The value of the interest-bearing debts for this valuation is based on their verified book value.

(V) **Assessment process for key parameters of the income approach**

1. *Operating revenue*

The valued entity is primarily engaged in the pharmaceutical production business, possessing 72 product approval numbers and capable of producing various dosage forms such as oral liquids, injections, tablets, capsules and granules as of the valuation benchmark date. Its products include various types of Chinese patent medicines and chemical drugs such as Shuanghuanglian Injection, Bupleurum Injection, Heat-clearing and Detoxifying Oral Liquid, Pulse Vitalizing Tonic Drink, Shuanghuanglian Oral Solution, Tongmai Oral Liquid, Xiaoshuan Oral Liquid, Xiaoer Kechuanling Oral Liquid, Metformin Hydrochloride Sustained-release Tablet, Clarithromycin Extended-release Tablet and Flunarizine Hydrochloride Capsules. Among them, the Shuanghuanglian series products are the leading products of Fusen Pharmaceutical Company. As of the valuation benchmark date, various products of Fusen Pharmaceutical Company have been selected for the national centralized procurement and provincial centralized procurement lists, mainly including Shuanghuanglian Oral Solution being selected for the “Supply List of Selected Varieties for the National Traditional Chinese Medicine Procurement Alliance

Centralized Procurement (First Batch of Expansion and Continuation)”, Shuanghuanglian Injection, Xiaoshuan Oral Liquid and Pulse Vitalizing Tonic Drink being selected for the “Supply List of Selected Varieties for the Third Batch of National Traditional Chinese Medicine Procurement Alliance Centralized Procurement”, and Metformin Empagliflozin Tablets (I) being selected for the “Eleventh Batch of National Volume-Based Procurement of Drugs”, among others.

Based on historical annual report data, the appraised entity was in a loss-making position from 2024 to 2025. The primary reasons for the losses were the combined effects of cyclical industry adjustments, the appraised entity’s proactive destocking, and high-intensity research and development investment. Although the Company continued to be in a loss-making position in the first half of 2025, with the inclusion of its core products in the national centralized drug procurement in the second half of the year, its revenue has achieved gradual growth, driving a progressive narrowing of the decline in annual revenue. Regarding the forecast of sales revenue, the valuers first verified and analyzed the historical sales data, and conducted interviews and communications with the appraised entity regarding the historical sales data and the forecast data for future years to understand the situation. Secondly, materials such as the major customer regional distribution agreements signed as of the date of the site inspection, the 2026 Marketing Center Distributor Agreement Signing Progress Schedule, the Volume Reporting Statistics for Medical Institutions for the Third National Batch and the First Follow-up Batch of Chinese Patent Medicines, and the Recent Delivery Volume Statistics for Centralized Procurement Products were collected. On this basis, the revenue for future years was forecast by combining the current market status of the pharmaceutical industry, industry development trends, and the historical operating conditions of the appraised entity.

2. Forecast of operating costs

The valued entity is a pharmaceutical manufacturing enterprise. Its core products can be categorized into five major types based on dosage forms: injections, oral liquids, tablets, capsules and granules. The production processes and raw material compositions for products of different dosage forms are relatively mature and stable. In this valuation, the cost of principal business was estimated using the gross profit margin back-calculation method by dosage form. Specifically, the revenue forecast units were first split according to the dosage forms of the enterprise’s products; then, the future annual gross profit margins were forecasted by category based on historical operating data, industry levels, and future business plans; and finally, the cost of principal business was back-calculated based on the predictable operating revenue of the corresponding categories.

3. *Determination of discount rate*

(1) *Determination of risk-free rate of return*

Treasury bond yields are generally considered risk-free, as the risk of non-payment upon holding such bonds to maturity is minimal and negligible. According to the information disclosed by the WIND Information System, the annual yield to maturity of 10-year treasury bonds on the valuation benchmark date was 1.85%, this asset valuation report therefore adopts 1.85% as the risk-free rate of return.

(2) *Determination of equity systematic risk coefficient*

The calculation formula for the equity systematic risk coefficient of the valued entity is as follows:

$$\beta_L = [1 + (1 - t) \times D/E] \times \beta_U$$

Where: β_L : Systematic risk coefficient of levered equity;
 β_U : Systematic risk coefficient of unlevered equity;
 t: The income tax rate of the valued entity;
 D/E: the target capital structure of the valued entity.

Based on the business characteristics of the valued entity, the valuers queried the data of 3 comparable companies listed on the Shanghai and Shenzhen A-share markets through the WIND Information System. The specific data are set out in the table below:

Stock code	Stock short name	D/E	BETA (U)
002864.SZ	Panlong Pharmaceutical (盤龍藥業)	4.93%	0.8831
600222.SH	Tailong Pharmaceutical (太龍藥業)	23.17%	0.9260
603567.SH	Zhenbaodao (珍寶島)	39.14%	0.9384
Average value		22.41%	0.9158

Then, conversions were performed based on the income tax rates and capital structures of comparable listed companies, and their average value of 0.9158 was taken as the BETA value of the valued entity, while the average value of 22.41% of capital structure of the comparable listed companies was taken as the target capital structure of the valued entity.

By substituting the parameters determined above into the calculation formula for the systematic risk coefficient of equity, the systematic risk coefficient of equity of the valued entity is calculated.

$$\begin{aligned}\beta_L &= [1 + (1 - t) \times D/E] \times \beta_U \\ &= 1.0903\end{aligned}$$

(3) *Determination of market risk premium*

Market risk premium is the difference between the market investment return rate and the risk-free return rate. Among which, the market investment return rate as at the valuation benchmark date is based on the stock trading price indices of the Shanghai Stock Exchange and the Shenzhen Stock Exchange, selecting the weighted average of the annualized weekly rates of return from 1992 to 2021; upon calculation, the market investment return rate is 8.79%. The risk-free return rate is taken as 1.85%, being the yield to maturity of 10-year government bonds as at the valuation benchmark date. The market risk premium is 6.94%.

(4) *Determination of the company-specific risk adjustment coefficient*

The company-specific risk adjustment coefficient is determined comprehensively based on an analysis of risks and countermeasures in areas such as the company's operating risk, market risk, management risk, and financial risk. Taking into account the impact of factors such as the business scale, historical operating performance, industry position, operating capability, competitiveness, and internal control of the valued entity on corporate risk, the company-specific risk adjustment coefficient of the company is determined to be 1%.

(5) *Determination of the discount rate for the forecast period*

① Calculation of the cost of equity capital

By substituting the parameters determined above into the calculation formula for the cost of equity capital, the cost of equity capital of the valued entity is calculated.

$$\begin{aligned}K_e &= R_f + \beta \times MRP + R_c \\ &= 10.42\%\end{aligned}$$

② Calculation of the weighted average cost of capital

As at the valuation benchmark date, the interest-bearing debts of the valued entity consisted of long-term borrowings and short-term borrowings. The 1-year and 5-year Loan Prime Rates (LPR) as at the valuation benchmark date and the upward basis point (BP) spread on the long-term and short-term borrowings of the valued entity are taken as the cost of debt capital of the valued entity. Based on calculations, the cost of debt capital $K_d = 4.68\%$. By substituting the parameters determined above into the weighted average cost of capital calculation formula, the weighted average cost of capital of the valued entity is calculated.

$$\begin{aligned} \text{WACC} &= K_e \times \frac{E}{D + E} + K_d \times (1 - t) \times \frac{D}{D + E} \\ &= 9.24\% \end{aligned}$$

Based on the calculation using the above formula, the discount rate is 9.24%.

4. Value of entire equity interest of shareholders

Value of entire equity interest of shareholders = Value of operating assets + Value of non-operating assets – Value of non-operating liabilities + Value of surplus assets + Value of long-term equity investments

$$= 441,500,222.15 + 730,173,698.50 - 284,755,057.84 + 58,803,266.60 + 11,145,130.84 - 227,000,000.00$$

$$= \text{RMB}729,867,260.25$$

$$= \text{RMB}729,867,300$$

(VI) Introduction to the market approach

The market approach primarily includes the guideline public company method and guideline transaction method. Based on the investigation by the valuers, the operating and financial data of listed companies in the same or a similar industry as the valued entity can be found in the capital market. Therefore, the guideline public company method can be adopted for this valuation. The guideline public company method is a specific method of determining the value of the valuation subject by analyzing the operating and financial data of listed companies in the same or a similar industry as the valued entity in the capital market, calculating appropriate value multiples, and conducting a comparative analysis with the valued entity. The guideline public company method generally involves selecting certain public indicators such as price-to-book ratio (PB), price-to-earnings ratio (PE), price-to-sales ratio (PS) and enterprise value-to-EBIT ratio (EV/EBIT) based on the market conditions of the valuation subject for comparison with comparable companies. By comparing factors related to each indicator between the valuation subject and comparable companies, and adjusting for differences in factors affecting such indicators, the price-to-

book ratio (PB), price-to-earnings ratio (PE), price-to-sales ratio (PS) and enterprise value-to-EBIT ratio (EV/EBIT) of the valuation subject are obtained, and the equity value of the target company is calculated accordingly.

PE ratio is primarily applicable to enterprises with sustainable profitability. PS ratio is primarily applicable to service-oriented enterprises with lower cost of sales ratios, or enterprises in traditional industries with similar cost of sales ratios. PB ratio is primarily applicable to industries where the book value of an enterprise's net assets is positive or where the operating conditions is highly correlated with the asset scale. As a traditional pharmaceutical manufacturing enterprise, the valued entity belongs to a typical asset-intensive industry. Its production and operations have a high level of dependency on long-term assets and current assets such as plant, equipment and inventories. There is a strong positive correlation between asset scale and enterprise value. The PB ratio, with net assets as the denominator, can effectively avoid the interference on profit and revenue indicators for pharmaceutical enterprises arising from differences in the capitalization and expensing of R&D investment, variations in amortization policies for intangible assets, fluctuations in non-recurring profit and loss, and differences in capital structure, thus reflecting the enterprise's level of asset accumulation, scale of capital investment and the extent to which the market premium over net book assets in a more stable and reliable manner. At the same time, the book value of net assets is derived from the enterprise's balance sheet, making the data authentic, credible and highly verifiable. Compared to profit indicators, which are significantly affected by the choice of accounting policies and short-term operational fluctuations, it possesses higher stability and comparability. For an enterprise such as Fusen Pharmaceutical with a solid asset base and an asset structure that is highly comparable to that of its industry peers, using the PB ratio highlights the supporting role of its asset scale and capital accumulation in value, avoiding valuation distortion caused by short-term profit fluctuations or changes in revenue structure. Therefore, the PB ratio is selected as the primary value multiple under the market approach for this valuation. The basic valuation approach of the guideline public company method is as follows:

1. Analyze the basic profile of the valued enterprise. This mainly includes enterprise type, date of establishment, place of registration, business structure and market distribution, business model, scale, stage of operation, growth potential, operational risks and financial risks.
2. Identify comparable listed companies. This mainly involves comparing and screening companies based on factors such as business structure, operating model, enterprise scale, asset allocation and utilization, the enterprise's stage of operation, growth potential, operational risks and financial risks.
3. Analyze and compare the key financial indicators of the valued enterprise and comparable enterprises. These mainly include asset scale, operational capacity, growth capacity and financial risk.

4. As differences exist between the selected comparable companies and the valued entity in the various types of financial indicators mentioned above, it is necessary to introduce adjustment coefficient for each indicator to adjust the value ratios, thereby deriving the value multiple of the valued enterprise.
5. Based on the value multiple of the valued enterprise, and taking into account a discount for lack of marketability, the equity value of the valued enterprise is ultimately determined.

The valuation calculation formula is as follows:

Total equity interests of shareholders of the Target Company = Net assets of the Target Company $\times$ P/B of the Target Company $\times$ (1 – liquidity discount) + Net value of non-operating assets + Surplus assets

Where: Net assets of the Target Company = Net assets attributable to the parent company of the Target Company – Net value of non-operating assets – Surplus assets

P/B of the Target Company = Arithmetic mean of the adjusted P/B of the Comparable Companies

Adjusted P/B of the Comparable Company = P/B of the Comparable Company $\times$ P/B adjustment coefficient of the Comparable Company

P/B adjustment coefficient of the Comparable Company = Adjusted coefficient of Π influence factor A_i

Adjusted coefficient of influence factor A_i = Coefficient of the Target Company/Comparable Company

The net value of non-operating assets and the net value of surplus assets are determined with reference to the results of the income approach.

(VII) Market approach calculation process

1. Selection of comparable listed companies

In selecting comparable listed companies, first, the comparable companies and the entity being valued shall belong to the same industry, namely Pharmaceutical and Biological — Traditional Chinese Medicine (SWS Industry Classification), and the comparable companies shall be A-share listed companies; second, the comparable companies shall have been established for at least 3 years and their public financial data for the recent 3 years can be obtained; finally, the comparable companies and the entity being valued shall be substantially equivalent in terms of their business stage, growth potential, operational risk, and financial risk.

(1) Selection of comparable companies

Five listed companies were initially screened through the “Industry Center” in WIND Information. Due to factors such as backdoor listings, delays in industry classification changes, and other influencing factors, the industry classifications of some listed companies are not entirely accurate. Therefore, the main businesses and business scopes of all A-share companies, as well as the names of their primary products based on their 2025 annual reports, were screened. A total of 3 listed companies were selected as comparable companies. The asset size and operating scale of each comparable company are listed as follows:

Unit: RMB'0,000

Stock code	Stock short name	Listing date	Total assets	Net assets	Total revenue	Net profit	Total share capital ('0000 shares)
600222.SH	Tailong Pharmaceutical (太龍藥業)	5 November 1999	364,152.83	166,254.81	175,778.98	6,586.76	57,389
603567.SH	Zhenbaodao (珍寶島)	24 April 2015	1,063,425.52	627,916.34	79,733.59	-136,992.80	94,099.65
002864.SZ	Panlong Pharmaceutical (盤龍藥業)	16 November 2017	232,278.67	168,903.41	114,086.93	9,602.15	10,628.10

Note: Data as at 31 December 2025

(2) Overview of comparable companies

➤ Comparable Company 1: Tailong Pharmaceutical

Company Name: Henan Taloph Pharmaceutical Stock Co., Ltd.

Legal Representative: Wang Rongtao (王榮濤)

Registered Capital: RMB573,886,283

Type of Enterprise: Other joint stock limited company (listed)

Date of Establishment: 31 August 1998

Unified Social Credit Code: 91410000706786295N

Business Scope: Production and sale of pharmaceutical products (limited to operation by the Company and its branches with valid licenses); production and sale of health food; sale of pre-packaged food; cultivation and sale of medicinal plants (in accordance with relevant national regulations); sale of medical devices; sale of sanitary disinfection products (excluding flammable, explosive and hazardous chemicals); sale of cosmetics; consulting services and technical services; and import and export business of self-produced products and related

technologies of the enterprise (except for commodities and technologies restricted by the State for operation by the Company or prohibited from import and export).

Company Profile: The Company was established in 1993 and listed on the Shanghai Stock Exchange in 1999, being the first listed company in the pharmaceutical industry in Henan Province. The Company comprises three core business segments: pharmaceutical preparations, TCM Decoction Piece, and pharmaceutical R&D services. The Company's pharmaceutical preparation business primarily focuses on oral Chinese medicine preparations, with a product portfolio covering multiple therapeutic areas such as the respiratory system, cardiovascular and cerebrovascular systems, digestive system, nervous system and reproductive system, as well as application areas including the elderly, gynecology and pediatrics. Major products include the Shuanghuanglian Oral Liquid series, Shuangjinlian Mixture, Pediatric Compound Gallus Gallus Domesticus Brisson Chewable Tablets, Danshen Oral Liquid, Pulse Vitalizing Tonic Drink, Huoxiang Zhengqi Oral Liquid and Wuzi Yanzong Oral Liquid.

Consolidated Balance Sheets for the Last Five Years

Unit: RMB'0,000

Item	31 December 2025	31 December 2024	31 December 2023	31 December 2022	31 December 2021
Current assets	214,120.42	190,606.06	199,307.36	203,124.03	194,370.71
Non-current assets	150,032.42	158,370.75	158,378.13	156,894.39	184,006.53
Total assets	364,152.83	348,976.80	357,685.49	360,018.41	378,377.24
Current liabilities	187,362.23	179,451.42	165,014.83	172,602.75	164,967.60
Non-current liabilities	10,535.80	6,901.17	30,331.81	26,007.22	35,645.98
Total liabilities	197,898.02	186,352.59	195,346.64	198,609.97	200,613.58
Paid-in capital (or share capital)	57,388.63	57,388.63	57,388.63	57,388.63	57,388.63
Total equity attributable to owners of the Parent	160,435.88	157,472.89	157,849.36	157,047.93	166,050.94
Non-controlling interests	5,818.92	5,151.33	4,489.49	4,360.52	11,712.71
Total equity	166,254.81	162,624.21	162,338.85	161,408.44	177,763.66

Consolidated Income Statements for the Last Five Years

Unit: RMB'0,000

Item	31 December 2025	31 December 2024	31 December 2023	31 December 2022	31 December 2021
Operating revenue	175,778.98	194,142.01	206,990.87	196,069.43	160,451.69
Operating cost	126,556.29	144,456.15	150,518.64	148,861.37	114,145.02
Operating profit	7,770.87	3,571.93	4,416.65	(7,077.93)	3,560.80
Total profit	7,750.56	3,507.43	4,296.25	(8,284.91)	745.00
Less: Income tax	1,163.80	(1,842.12)	(186.68)	(713.31)	67.14
Net profit	6,586.76	5,349.55	4,482.93	(7,571.59)	677.86
Less: Loss or gain attributable to non- controlling interests	587.14	297.01	127.26	(357.57)	78.33
Net profit attributable to owners of the Parent	5,999.61	5,052.53	4,355.67	(7,214.02)	599.54

➤ **Comparable Company 2: Zhenbaodao**

Company Name: Heilongjiang ZBD Pharmaceutical Co., Ltd.

Legal Representative: Yan Jiujiang (閔久江)

Registered Capital: RMB940,372,519

Type of Enterprise: Joint stock limited company (listed, invested or controlled by natural persons)

Date of Establishment: 28 October 1996

Unified Social Credit Code: 91230300130721906W

Business Scope: Licensed items: drug production; entrusted drug production; drug wholesale; drug retail; medical mask production; production of protective equipment for medical personnel (Class II medical devices); Class II medical device production; road freight transport (excluding dangerous goods); drug import and export. General items: acquisition of Chinese herbal medicines; purchase and sale of local Chinese herbal medicines (excluding TCM Decoction Piece); purchase of primary agricultural products; production of daily-use masks (non-medical); sale of daily-use masks (non-medical); retail of medical masks; production of Class I medical devices; sale of Class I medical devices; sale of Class II medical devices; wholesale of medical masks; bidding agency services; import and export of goods; import and export of technology; technical services, technology development, technical consultation, technical exchange, technology transfer and technology promotion

Company Profile: Heilongjiang ZBD Pharmaceutical Co., Ltd. (603567.SH) was founded in 1996. It has 170 drug production approval numbers for a total of 138 varieties, of which 86 are national medical insurance varieties, 31 are national essential drug varieties, and it also has Compound Qinlan Oral Liquid, Xueshuantong Capsules, Lingqi Jia Oral Liquid and Fufang Baitouweng Jiaonang, which are four exclusive varieties.

Consolidated Balance Sheets for the Last Five Years

Unit: RMB'0,000

Item	31 December 2025	31 December 2024	31 December 2023	31 December 2022	31 December 2021
Current assets	514,870.66	719,305.91	716,766.67	638,144.64	667,607.47
Non-current assets	548,554.85	551,957.23	529,820.79	529,402.92	483,000.21
Total assets	1,063,425.52	1,271,263.15	1,246,587.46	1,167,547.55	1,150,607.68
Current liabilities	408,551.86	252,027.61	275,514.12	386,673.77	281,210.89
Non-current liabilities	26,957.32	190,128.97	167,007.87	70,188.55	164,278.17
Total liabilities	435,509.18	442,156.58	442,521.99	456,862.32	445,489.06
Paid-in capital (or share capital)	94,099.65	94,114.06	94,196.36	94,196.36	94,196.36
Total equity attributable to owners of the Parent	628,090.74	780,061.18	754,838.32	709,891.70	704,291.89
Non-controlling interests	(174.40)	49,045.38	49,227.15	793.53	826.72
Total equity	627,916.34	829,106.57	804,065.47	710,685.24	705,118.62

Consolidated Income Statements for the Last Five Years

Unit: RMB'0,000

Item	31 December 2025	31 December 2024	31 December 2023	31 December 2022	31 December 2021
Operating revenue	79,733.59	270,393.43	313,818.66	421,414.89	412,681.39
Operating cost	82,012.19	121,505.40	181,086.94	347,462.79	276,354.63
Operating profit	(159,059.67)	52,325.91	47,324.40	29,752.62	45,611.64
Total profit	(162,740.19)	52,347.19	47,834.57	29,848.45	45,474.60
Less: Income tax	(25,747.39)	8,707.89	1,075.96	10,760.43	12,198.63
Net profit	(136,992.80)	43,639.30	46,758.61	19,088.02	33,275.97
Less: Loss or gain attributable to non-controlling interests	(339.93)	(182.32)	(515.39)	548.95	66.00
Net profit attributable to owners of the Parent	(136,652.87)	43,821.62	47,274.00	18,539.07	33,209.97

➤ **Comparable Company 3: Panlong Pharmaceutical**

Company Name: Shaanxi Panlong Pharmaceutical Group Limited By Share Ltd. (陝西盤龍藥業集團股份有限公司)

Legal Representative: Xie Xiaolin (謝曉林)

Registered Capital: RMB106,280,960

Type of Enterprise: Joint stock limited company (listed, invested or controlled by natural persons)

Date of Establishment: 22 September 1997

Unified Social Credit Code: 91610000223472005U

Business Scope: General items: Import and export of technology; import and export agency; medical research and experimental development; import and export of goods; sale of sanitary products and disposable medical supplies; sale of disinfectants (excluding hazardous chemicals); procurement of Chinese herbal medicines; sale of Class II medical devices; sale of Class I medical devices; production of Class I medical devices; retail of cosmetics; sale of health food (pre-packaged); sale of food (pre-packaged food only); sale of food for special medical purposes; online sale of food (pre-packaged food only) (except for items subject to approval in accordance with the law, business activities shall be conducted independently with the business license in accordance with the law). Licensed items: Import and export of pharmaceuticals; pharmaceutical manufacturing; production of disinfectants (excluding hazardous chemicals); production of sanitary products and disposable medical supplies; commissioned production of pharmaceuticals; production of disinfection equipment; retail of pharmaceuticals; road freight transport (excluding dangerous goods); production of Class II medical devices; production of Class III medical devices; operation of Class III medical devices; production of cosmetics; production of health care products (non-food); sale of health care products (non-food); production of health food; production of food; production of food for special medical purposes; online sales of food (for items subject to approval in accordance with the law, business activities shall only be carried out after approval by relevant departments, and the specific business items shall be subject to the approval results).

Company Profile: Shaanxi Panlong Pharmaceutical Group Limited By Share Ltd. (陝西盤龍藥業集團股份有限公司) was established on 22 September 1997, with Xie Xiaolin (謝曉林) serving as the Chairman. The company was listed on the A-share market of the Shenzhen Stock Exchange in November 2017, with the stock code 002864.SZ. The company's principal business covers medicinal material cultivation, pharmaceutical production, research and

development, sales, and pharmaceutical logistics. It has 23 production lines for tablets, capsules and other dosage forms, as well as a product portfolio of over 100 specifications.

On-balance-sheet for the Past Five Years (on a Consolidated Basis)

Unit: RMB'0,000

Item	31 December 2025	31 December 2024	31 December 2023	31 December 2022	31 December 2021
Current assets	180,277.71	177,152.33	167,780.17	148,194.95	95,644.61
Non-current assets	52,000.96	50,849.97	44,721.81	44,883.74	37,372.85
Total assets	232,278.67	228,002.30	212,501.97	193,078.70	133,017.46
Current liabilities	52,415.22	44,611.03	48,040.72	90,267.77	43,755.49
Non-current liabilities	10,960.05	19,673.00	9,335.32	8,050.56	8,541.25
Total liabilities	63,375.26	64,284.03	57,376.05	98,318.33	52,296.74
Paid-in capital (or share capital)	10,628.10	10,628.10	10,628.10	8,671.36	8,667.00
Total equity attributable to owners of the Parent	168,683.43	163,521.70	154,904.52	92,965.07	79,138.47
Non-controlling interests	219.98	196.57	221.40	1,795.29	1,582.25
Total owners' equity	168,903.41	163,718.28	155,125.92	94,760.37	80,720.72

Income Statement for the Past Five Years (on a Consolidated Basis)

Unit: RMB'0,000

Item	31 December 2025	31 December 2024	31 December 2023	31 December 2022	31 December 2021
Operating revenue	114,086.93	38,151.61	41,274.56	40,800.90	37,027.23
Operating cost	54,907.98	38,151.61	41,274.56	40,800.90	37,027.23
Operating profit	11,012.06	13,836.70	13,485.94	12,302.22	11,252.50
Total profit	10,895.17	13,695.18	12,924.87	11,917.98	10,902.94
Less: Income tax	1,293.01	1,702.71	1,770.36	1,603.28	1,447.26
Net profit	9,602.15	11,992.47	11,154.51	10,314.70	9,455.67
Less: Loss or gain attributable to non-controlling interests	(25.79)	(34.69)	111.29	198.34	138.68
Net profit attributable to owners of the Parent	9,627.94	12,027.16	11,043.22	10,116.35	9,316.99

(3) *Comparison of the basic information of the comparable companies*

The comparable companies selected for this valuation are Tailong Pharmaceutical (600222.SH), Zhenbaodao (603567.SH), and Panlong Pharmaceutical (002864.SZ). Their specific details are as follows:

Business attributes: The main business is the research and development, production and sale of Chinese patent medicines, focusing on Chinese medicine preparations and Chinese herbal pieces/formula granules. For each of the comparable companies, the business of producing and selling Chinese herbal pieces, preparations and related products accounts for more than 50% of their total business, and they have no significant non-pharmaceutical business. Therefore, from the perspective of business attributes, the comparable companies are comparable to the Target Company.

Industry classification: From the perspective of industry classification, the three comparable companies selected for this valuation all belong to the traditional Chinese medicine sub-category of the A-share pharmaceutical manufacturing industry. Their industry policies, regulatory environments and business models are consistent with each other and with those of the industry to which the Target Company belongs, and therefore they are comparable.

Scale benchmark: Based on the financial data of the aforementioned comparable companies, their operating income and net assets attributable to the Parent are in the same order of magnitude as those of the Target Company, with no difference in magnitude. Therefore, from the perspective of the scale benchmark, the comparable companies are comparable to the Target Company.

Operational stability: According to the financial data of the aforementioned comparable companies, the three comparable companies have had no continuous large-scale losses, no material violations of laws and regulations, and no delisting/restructuring/material debt risks in the last three years. Therefore, from the perspective of operational stability, the comparable companies are comparable to the Target Company.

Transaction status: The three comparable companies are all normally listed and traded on the A-share market, with no long-term trading suspensions, and their market capitalisation and trading data are authentic and valid. Therefore, the comparable companies are comparable to the Target Company.

(4) *Comparability verification*

In summary, the selected comparable companies are highly comparable with the Target Company in terms of business structure, company scale, profit model and risk characteristics. The samples are appropriate, complete and balanced, and possess comparability.

2. Determination of the P/B ratio of comparable listed companies

The P/B ratio of the comparable companies are determined based on the arithmetic mean of the daily weighted average prices for the 20 trading days preceding the valuation benchmark date and the net assets per share as at the benchmark date. The specific P/B ratio for the three comparable companies are set out as follows:

Name of comparable companies	Average share prices for the 20 days preceding the benchmark date (RMB) (adjusted)	Net assets per share attributable to the parent company (RMB) (adjusted)	P/B
Tailong Pharmaceutical	7.66	3.22	2.38
Zhenbaodao	9.08	5.92	1.53
Panlong Pharmaceutical	26.90	10.14	2.65

Note: The average share prices and net assets per share of the above comparable listed companies have both been excluded the impact of non-operating assets and surplus assets.

3. Results of adjustments to the comparison of various indicators between the Target Company and comparable companies

In order to comprehensively and thoroughly analyze and present the differences between the valued entity and the comparable companies, with reference to the commonly used evaluation indicator system for core competitiveness, five aspects have been selected as the adjustment factors for this valuation, namely assets under management, profitability, growth capability, risk management capability and operating ratio.

The adjustment coefficients after the comparative analysis of various indicators between the Target Company and the comparable companies are as follows:

Adjustment factors	Fusen Pharmaceutical	Tailong Pharmaceutical	Zhenbaodao	Panlong Pharmaceutical
Assets under management	1.00	0.9901	0.9524	0.9901
Profitability	1.00	0.9901	0.9615	0.9709
Growth capability	1.00	1.0000	0.9901	0.9709
Risk management capability	1.00	1.0000	0.9804	0.9709
Operating ratios	1.00	0.9804	1.0101	0.9804
Adjustment coefficient	1.0000	0.9611	0.8979	0.8884

4. *Determination of the P/B ratio of the Target Company*

After adjusting the P/B ratio of the comparable companies, the P/B ratio of the Target Company was derived by calculating the weighted average of the adjusted results of the three comparable companies. The calculation results are set out in the table below:

Item	Tailong Pharmaceutical	Zhenbaodao	Panlong Pharmaceutical
P/B ratio of comparable companies	2.38	1.53	2.65
Adjustment coefficient	0.9611	0.8979	0.8884
P/B ratio (adjusted)	2.28	1.38	2.36
Average		2.01	

The calculated enterprise multiple (P/B ratio) of the Target Company is 2.01.

5. *Analysis of a discount for lack of marketability*

According to the data analysis and the statistics of M&A cases in the China capital market for 2025 published by the Property Rights Exchange, CVSource and Wind Information, the discount rate for lack of marketability for the pharmaceutical manufacturing industry to which the valued entity belongs is 37.3%.

6. *Valuation results under the public companies method*

Equity value of the Target Company = Adjusted net assets of the Target Company $\times$ P/B of the Target Company $\times$ (1 – liquidity discount) + Net value of non-operating assets + Surplus assets = (681,378,844.22 – 445,418,640.66 – 69,948,397.44) $\times$ 2.01 $\times$ (1 – 37.3%) + 445,418,640.66 + 69,948,397.44

= RMB724,586,737.00

= RMB724,586,700 (rounded)

VIII. IMPLEMENTATION PROCESS AND STATUS OF VALUATION PROCEDURES

The valuers conducted a valuation of the assets relating to the valuation subject from 18 March 2026 to 16 April 2026. The implementation process and status of the main valuation procedures are as follows:

(I) *Acceptance of engagement*

Our firm and the client have reached an agreement on the basic matters of the valuation engagement, such as the valuation purpose, valuation subject and valuation scope, and the valuation benchmark date, as well as the rights and obligations of each party, and have formulated a corresponding valuation plan in consultation with the client.

(II) Preliminary preparation

Upon acceptance of the engagement, the project team formulated a specific valuation work plan and established a valuation team based on the valuation purpose, the characteristics of the valuation subject and the time schedule. At the same time, we prepared a list of information required for the valuation and the application forms according to the actual needs of the project.

(III) On-site investigation

The valuers conducted the necessary verification of the assets and liabilities relating to the valuation subject from 23 March 2026 to 30 March 2026, and carried out the necessary investigation into the operation and management status of the valued entity.

1. Asset verification***(1) Guiding the valued entity in filling out forms and preparing materials to be provided to the asset valuation firm***

The valuers guided the financial and asset management personnel of the valued entity to, on the basis of their self-conducted asset inspection, meticulously and accurately fill in and report the assets included in the valuation scope in accordance with the “Asset Valuation Lists” and their filling requirements and information lists provided by the asset valuation firm, while simultaneously collecting and preparing the title certificates of the assets and documents reflecting their performance, status, economic and technical indicators, etc.

(2) Preliminary review and refinement of the asset valuation lists filled in by the valued entity

The valuers understood the detailed status of the specific assets included in the valuation scope through reviewing relevant information, and then carefully examined various “Asset Valuation Lists” to check for incomplete or incorrect entries, unclear asset items, etc. Based on experience and the relevant information acquired, they also checked for any omissions in the “Asset Valuation Lists” and provided feedback to the valued entity for it to refine the “Asset Valuation Lists”.

(3) On-site inspection

Based on the types, quantities and distribution of assets included in the valuation scope, the valuers, with the cooperation of relevant personnel of the valued entity, conducted on-site inspections of each asset in accordance with the relevant provisions of the asset valuation standards, and adopted different inspection methods based on the different natures and characteristics of the assets.

(4) *Supplementing, amending and refining the asset valuation lists*

Based on the results of the on-site inspection and after thorough communication with relevant personnel of the valued entity, the valuers further refined the “Asset Valuation Lists” to ensure consistency between the accounts, the lists and the actual assets.

(5) *Inspecting title certificates and documents*

The valuers examined the title certificates and documents of the assets included in the valuation scope, such as buildings (structures), machinery and equipment, vehicles and land use rights, and requested the enterprise to verify or provide relevant title explanation documents for cases where the title materials were incomplete or the ownership was unclear.

2. Due diligence

The valuers conducted necessary investigations to fully understand the operational and management status of the valued entity and the risks it faces. The main contents of the investigation were as follows:

- (1) The valued entity’s historical development, major shareholders and their shareholding percentages, necessary ownership and operational and management structure;
- (2) The assets, finances, production and operation management status of the valued entity;
- (3) The business plans, development plans and financial forecast information of the valued entity;
- (4) The previous valuations and transactions of the valuation subject and valued entity;
- (5) Macro and regional economic factors affecting the production and operation of the valued entity;
- (6) The development status and prospects of the industry in which the valued entity operates;
- (7) Other relevant information.

(IV) Data collection

The valuers collected valuation information based on the specific circumstances of the valuation project, including information independently obtained from channels such as the market, information obtained from relevant parties such as the client, and information obtained from government departments, various professional institutions and other relevant departments. The collected valuation information was analyzed, summarized and organized as necessary to form the basis for the valuation.

(V) Valuation and estimation

The valuers, in view of the specific circumstances of the various types of assets and based on the applied valuation methods, selected corresponding formulas and parameters for analysis, calculation and judgment, and formed preliminary valuation conclusion. The project leader compiled the preliminary valuation conclusions of various types of assets, and prepared and formed the preliminary asset valuation report.

(VI) Internal review

In accordance with the provisions of our firm's administrative measures for valuation business processes, the project leader submitted the preliminary asset valuation report to the company for internal review after its completion. Upon the completion of the internal review, without prejudice to the independent judgment of the valuation conclusion, communications were conducted with the client or other relevant parties agreed by the client regarding the contents of the asset valuation report. Upon completion of the above-mentioned asset valuation procedures, the formal asset valuation report was prepared and submitted.

IX. VALUATION ASSUMPTIONS

The assumptions adopted for the analysis and estimation in this asset valuation report are as follows:

- (I) It is assumed that all the valuation subjects are already in the process of being transacted, and the valuation professionals conduct the valuation by simulating the market based on the transaction conditions of the valued assets;
- (II) It is assumed that for assets traded or proposed to be traded in the market, both parties to the asset transaction are in an equal position and have the opportunity and time to obtain sufficient market information. The transaction behavior is voluntary and rational, and both parties are able to make rational judgments on the functions, uses and transaction prices of the assets;
- (III) It is assumed that the valued assets will continue to be used for their current purpose and in their current manner;

- (IV) It is assumed that there are no material changes in the current relevant national laws, regulations and policies, or the national macroeconomic situation, and there are no material changes in the political, economic and social environments of the regions where the parties to this transaction are located;
- (V) It is assumed that the enterprise will continue to operate as a going concern based on the actual condition of the assets as at the valuation benchmark date;
- (VI) It is assumed that the interest rates, exchange rates, tax bases and tax rates, and policy-based levies and fees relevant to the valued entity will not undergo material changes after the valuation benchmark date;
- (VII) It is assumed that the management of the valued entity after the valuation benchmark date will be responsible and stable, and will be capable of discharging their duties;
- (VIII) It is assumed that after the valuation benchmark date, there will be no force majeure or unforeseen factors that would have a material adverse effect on the valued entity;
- (IX) It is assumed that the accounting policies adopted by the valued entity after the valuation benchmark date and the accounting policies adopted in the preparation of this asset valuation report are consistent in all material respects;
- (X) It is assumed that after the valuation benchmark date, the business scope, production methods, production scale, product structure, R&D capabilities and technological advancement of the valued entity will remain consistent with their current status, on the basis of its existing management methods and management level;
- (XI) It is assumed that the cash inflows of the valued entity after the valuation benchmark date are average inflows, and the cash outflows are average outflows;
- (XII) Taking into account that the valued entity has obtained high-tech enterprise certification multiple times in previous years, it is assumed that there will be no significant change to the tax policies followed by the valued entity, and that it can successfully pass the high-tech enterprise re-assessment upon the expiry of its high-tech enterprise recognition period and continue to enjoy the 15% preferential income tax rate;
- (XIII) It is assumed that the 72 drug approval numbers owned by the valued entity as at the valuation benchmark date can be successfully renewed and obtain re-registration approval upon the expiry of their validity periods;
- (XIV) It is assumed that the products of the valued entity that have been selected for the national centralized procurement and provincial centralized procurement lists as at the valuation benchmark date can be successfully selected for subsequent centralized procurement lists upon the expiry of the centralized procurement period;
- (XV) Unless otherwise stated, it is assumed that the company is in full compliance with all relevant laws and regulations.

The valuation conclusion of this asset valuation report is established as at the valuation benchmark date under the aforementioned assumptions. In the event of any material change to the aforementioned assumptions, the signing asset valuers and our asset valuation firm shall not bear any liability for different valuation conclusions derived due to changes in the assumptions.

X. VALUATION CONCLUSION

(I) Valuation result under the income approach

As at the valuation benchmark date, the book value of the total assets of Henan Fusen Pharmaceutical Company Limited was RMB1,489,700,000, the book value of total liabilities was RMB808,321,200, the book value of owners' equity was RMB681,378,800, the value under the income approach was RMB729,867,300, the appreciation amount was RMB48,488,400, and the appreciation rate was 7.12%.

(II) Valuation result under the market approach

As at the valuation benchmark date, the book value of the total assets of Henan Fusen Pharmaceutical Company Limited was RMB1,489,700,000, the book value of total liabilities was RMB808,321,200, the book value of owners' equity was RMB681,378,800, the value under the market approach was RMB724,586,700, the appreciation amount was RMB43,207,900, and the appreciation rate was 6.34%.

(III) Valuation conclusion

The value of the entire shareholders' equity interest under the income approach was RMB729,867,300, and the value of the entire shareholders' equity interest under the market approach was RMB724,586,700, representing a difference of RMB5,280,500, with a variance of 0.73%.

The main reason for the difference between the valuation results under the market approach and the income approach is that the two valuation methods consider different perspectives. The market approach derives value by applying factor adjustments based on comparable listed companies, whereas the income approach considers the enterprise's future profitability. These differing underlying factors lead to different valuation results.

The income approach's forecast of the enterprise's future revenue, costs and expenses relies on a series of assumptions. Meanwhile, the pharmaceutical industry is currently facing policy pressures such as the normalization of centralized procurement and medical insurance cost control, and is significantly affected by factors such as policy changes, the market competition landscape and drug centralized procurement policies. As at the valuation benchmark date, the core products of the valued entity, namely Shuanghuanglian Oral Solutions and Shuanghuanglian Injections, have been selected for the centralized procurement list. The procurement cycle for this centralized procurement terminates on 31 December 2027. Upon the expiry of the centralized procurement period, re-bidding may be required. There are uncertainties as to whether the core products can be selected for the centralized procurement list again and at what prices. Therefore, this leads to a high level of uncertainty in the forecast of future earnings. Compared to the income approach, the market approach, by selecting listed companies comparable to the target company in terms of business structure, product types and scale of operations as

references and using the price-to-book ratio of comparable companies as the core value multiple, can more objectively reflect the level of asset accumulation, the scale of capital investment and the degree of market premium over the book value of net assets of the enterprise. It can objectively reflect the market value of the enterprise under the current capital market environment, thereby effectively avoiding potential deviations in the calculation of enterprise value under the income approach that may arise from factors such as market fluctuations and policy changes.

Based on the above analysis, the valuation conclusion of this asset valuation report adopts the valuation result under the market approach, namely: the valuation result of the entire shareholders' equity interest of Henan Fusen Pharmaceutical Company Limited is RMB724,586,700.

XI. EXPLANATION OF SPECIAL MATTERS

The following are matters identified during the valuation process that may affect the valuation conclusion but are beyond the scope of the valuer's professional standards and expertise to assess and estimate:

- (I) In this asset valuation report, for all tables or textual descriptions using RMB'0,000 as the unit of amount, any discrepancy between the total and the sum of individual items is due to rounding.
- (II) This valuation has utilized the special audit report (Yu Zhong Jian Hua Zhuan Shen Zi [2026] No. 044) issued by Henan Zhongjianhua Certified Public Accountants Co., Ltd. (河南中建華會計師事務所有限公司) on 15 April 2026. We obtained the audit report through legal channels and, after analyzing and forming a judgment on the audit report in accordance with the relevant provisions of the asset valuation standards, prudently utilized the relevant contents of the audit report. The audited financial data in the audit report utilized by us is the basis of the asset valuation; if such financial data changes, the valuation conclusion herein may become invalid. In accordance with the provisions of Article 12 of the Asset Valuation Practice Standards — Enterprise Value (《資產評估執業準則 — 企業價值》), asset valuation professionals have analyzed and judged the financial statements based on the requirements for their use under the valuation methods adopted; however, it is not the responsibility of asset valuation professionals to express a professional opinion on whether the relevant financial statements fairly reflect the financial position as at the valuation benchmark date and the current operating results and cash flows. We shall only bear liability for any improper citation that may exist during the process of utilizing the audit report.
- (III) The valued entity obtained high-tech enterprise qualification in October 2024 with a validity period of three years. The income tax rate and relevant parameters adopted in the valuation process under the income approach are forecast based on the assumption that the valued entity will be able to maintain its high-tech enterprise qualification in the future and continue to enjoy the preferential income tax rate. If the preferential income tax rate enjoyed by the valued entity changes in future years, the valuation conclusion shall be adjusted accordingly.

(IV) As of the valuation benchmark date, according to the mortgage and guarantee contracts and other relevant information provided by the valued entity, certain buildings and land use rights included in the valuation scope are subject to mortgages, and certain equipment is subject to mortgage counter-guarantees. Details of the mortgages are set out in the table below:

Mortgagor	Expiry date	Mortgagee	Name of mortgaged/ guaranteed asset	Mortgaged asset certificate No.
Henan Fusen Pharmaceutical Company Limited	2026-03	Xichuan County Sub-branch of Agricultural Development Bank of China	Room 3010, Jiayi Tower	YU (2018) Zhengzhou City Real Estate Title Certificate No. 0214387
			Room 3009, Jiayi Tower	YU (2018) Zhengzhou City Real Estate Title Certificate No. 0214397
			Room 3008, Jiayi Tower	YU (2018) Zhengzhou City Real Estate Title Certificate No. 0213061
			Room 3007, Jiayi Tower	YU (2018) Zhengzhou City Real Estate Title Certificate No. 0213046
			Room 3006, Jiayi Tower	YU (2018) Zhengzhou City Real Estate Title Certificate No. 0214399
			Room 3005, Jiayi Tower	YU (2018) Zhengzhou City Real Estate Title Certificate No. 0181923
			Room 3004, Jiayi Tower	YU (2018) Zhengzhou City Real Estate Title Certificate No. 0210938
			Room 3003, Jiayi Tower	YU (2018) Zhengzhou City Real Estate Title Certificate No. 0214383
			Room 3002, Jiayi Tower	YU (2018) Zhengzhou City Real Estate Title Certificate No. 0214395
			Room 3001, Jiayi Tower	YU (2018) Zhengzhou City Real Estate Title Certificate No. 0181917
			Chuangye Tower and its land use right	YU (2021) Xichuan County Real Estate Title Certificate No. 0004409
			GSP warehouse and its land use right	YU (2024) Xichuan County Real Estate Title Certificate No. 0009632

Mortgagor	Expiry date	Mortgagee	Name of mortgaged/ guaranteed asset	Mortgaged asset certificate No.
Henan Fusen Pharmaceutical Company Limited	2026-10	China Everbright Bank Co., Ltd. Nanyang Branch	Integrated traditional Chinese medicine warehouse	YU (2024) Xichuan County Real Estate Title Certificate No. 0009633
Henan Fusen Pharmaceutical Company Limited	2026-12	Hua Xia Bank Co., Limited Zhengzhou Branch	Traditional Chinese medicine injection workshop	YU (2023) Xichuan County Real Estate Title Certificate No. 0008429
Henan Fusen Pharmaceutical Company Limited	2026-12	Hua Xia Bank Co., Limited Zhengzhou Branch	Traditional Chinese medicine solid preparation workshop	YU (2023) Xichuan County Real Estate Title Certificate No. 0008430
Henan Fusen Pharmaceutical Company Limited	2026-12	Hua Xia Bank Co., Limited Zhengzhou Branch	Oral liquid workshop No. 1	YU (2023) Xichuan County Real Estate Title Certificate No. 0008431
Henan Fusen Pharmaceutical Company Limited	2028-12	Industrial Bank Co., Ltd. Zhengzhou Branch	Injection extraction workshop Oral extraction workshop	YU (2024) Xichuan County Real Estate Title Certificate No. 0009624 YU (2024) Xichuan County Real Estate Title Certificate No. 0009629
			Traditional Chinese medicine pre- treatment workshop	YU (2024) Xichuan County Real Estate Title Certificate No. 0009631
Henan Fusen Pharmaceutical Company Limited	None	Xichuan County Investment Holding Co., Ltd. (浙川縣投 資控股有限責 任公司)	Equipment production line	None

- (V) As of the valuation benchmark date, the valued entity and its subsidiaries have not obtained property ownership certificates for certain buildings declared for valuation. In this regard, the valued entity has issued a description of the ownership status, undertaking that the buildings within the valuation scope are owned by it and that there are no disputes over the property rights. Furthermore, the final financial accounts for the completed buildings (structures) declared for this valuation have not yet been prepared. The relevant parameters such as the area, structure and quantity of the buildings for which certificates have not been obtained were determined based on relevant materials provided by the valued entity, and the valuers have conducted on-site verification. The impact on the valuation conclusion of any discrepancy between the area for which certificates are to be obtained in the future and the area assessed in this valuation, as well as any potential liabilities (such as unsettled construction payments), has not been considered. Users of the report are hereby advised to pay attention to this matter.
- (VI) The production plant of the valued entity was relocated and reconstructed around 2022. After the completion of the new plant, no final financial accounts for the completed project were prepared. The building assets accounted for on the books are named individual sub-projects and have not been aggregated into specific assets. Therefore, during the inventory count, there were instances where the buildings on the books did not fully correspond to the physical assets. For the inspection and verification of buildings this time, the physical assets inspected on-site, combined with the detailed list of buildings, plant drawings, property ownership certificates and other relevant materials provided by the valued entity, shall prevail. Users of the report are hereby advised to pay attention to this matter.
- (VII) As of the valuation benchmark date, with respect to the external investments of the valued entity and its subsidiaries including Beijing Tongfu Fusen Environmental Industry Investment Center (Limited Partnership) (北京通福福森環境產業投資中心(有限合夥)) and Xichuan County Fengxinruiran Energy Co., Ltd. (浙川縣豐鑫瑞燃能源有限公司), due to the low shareholding percentage of the valued entity or the fact that the investees have not actually commenced business operations, the valued entity was unable to provide the valuers with relevant materials such as the financial statements and operating data of the aforementioned enterprises. In this regard, the valued entity has issued an explanation of the relevant circumstances. For the equity interests in the investment enterprises for which materials could not be obtained, the valued amount has been confirmed based on the audited book value in this valuation. Users of the report are hereby advised to pay attention to this matter.
- (VIII) Pursuant to the Asset Valuation Law of the People's Republic of China (《中華人民共和國資產評估法》) and the Guidance on Legal Title of Asset Valuation Subjects (《資產評估對象法律權屬指導意見》), the client and relevant parties engaging an asset valuation firm shall be responsible for the truthfulness, completeness and legality of the title certificates, financial and accounting information and other materials provided by them. The purpose of performing an asset valuation engagement is to estimate the value of the valuation subject and express a professional opinion. The confirmation of, or expression of an opinion on, the legal

title of the valuation subject is beyond the scope of practice of asset valuation professionals. Asset valuation professionals do not provide any guarantee as to the legal title of the valuation subject.

Users of the asset valuation report should pay attention to the impact of the above special matters on the valuation conclusion.

XII. EXPLANATION OF LIMITATIONS ON THE USE OF THE ASSET VALUATION REPORT

(I) Scope of use of the asset valuation report

1. The users of the asset valuation report are: the client, the valued entity and users prescribed by laws and administrative regulations.
2. The valuation conclusion of the asset valuation report shall be valid for a period of one year from the valuation benchmark date. The client or other users of the asset valuation report shall use the asset valuation report within the validity period of the valuation conclusion as stated therein.
3. Without the written permission of the client, the asset valuation firm and its asset valuation professionals shall not provide the contents of the asset valuation report to any third party or make the same public, except as otherwise provided by laws and administrative regulations.
4. Without the consent of the asset valuation firm, the contents of the asset valuation report shall not be extracted, quoted or disclosed in public media, except as otherwise provided by laws and administrative regulations or as otherwise agreed upon by the relevant parties.
5. This valuation report is to be used only for the valuation purpose specified herein, namely for the client's use in understanding the value of the assets. Should the report be used for other purposes, such as transactions, a valuation firm shall be re-engaged to conduct a valuation based on the specific economic activity.

(II) Where the client or other users of the asset valuation report fail to use the asset valuation report in accordance with the provisions of laws and administrative regulations and the scope of use specified in the asset valuation report, the asset valuation firm and its asset valuation professionals shall not bear any liability.

(III) Save for the client, other users of the asset valuation report as agreed in the asset valuation engagement contract, and users of the asset valuation report as prescribed by laws and administrative regulations, no other institution or individual may become a user of the asset valuation report. This asset valuation report contains several appendices and valuation schedules, all of which also constitute an integral part of this report, but shall only be valid when used simultaneously with the main body of this report.

- (IV) For any use beyond the scope of use, such as by non-users of the asset valuation report who are presented with or otherwise come into possession of this report, our asset valuation firm and our asset valuers shall not bear any obligation or liability therefor, shall not provide further consultation by reason of this report, nor shall they provide testimony or attend hearings in court or other legal proceedings, and reserve the right to pursue non-users of the asset valuation report for any losses caused thereby.
- (V) Users of the asset valuation report shall properly interpret and use the valuation conclusion. The valuation conclusion is not equivalent to the realizable price of the valuation subject, nor shall it be regarded as a guarantee for the realizable price of the valuation subject.
- (VI) An asset valuation report refers to a professional report issued by an asset valuation firm on the value of the valuation subject for a specific purpose as at the valuation benchmark date, after the asset valuation firm and its asset valuation professionals have complied with the requirements of laws, administrative regulations and asset valuation standards and performed the necessary valuation procedures in accordance with the engagement. This report has been signed by the asset valuers undertaking this valuation engagement and affixed with the official seal of the asset valuation firm. If filing is required, it may only be officially used after having been filed with the state-owned assets supervision and administration authorities or the investing enterprise.

XIII. DATE OF THE ASSET VALUATION REPORT

The date of this asset valuation report is 16 April 2026.

Legal Representative: Quan Zhongguang

Asset Valuer: Yuan Chaoyi

Asset Valuer: Qu Wei

Beijing China Enterprise Appraisals Co., Ltd.

16 April 2026

APPENDICES TO THE ASSET VALUATION REPORT

Appendix I: Schedule of Valuation Results;

Table of Valuation Results under the Market Approach

Valuation Benchmark Date: 31 December 2025

Item	Description of Parameters	Fusen Pharmaceutical	Comparable Company 1	Comparable Company 2	Comparable Company 3
Stock code		—	600222.SH	603567.SH	002864.SZ
Short name of the company		Fusen Pharmaceutical	Tailong Pharmaceutical	Zhenbaodao	Panlong Pharmaceutical
Full name of the company			Henan Taloph Pharmaceutical Stock Co., Ltd.	Heilongjiang ZBD Pharmaceutical Co., Ltd.	Shaanxi Panlong Pharmaceutical Group Limited By Share Ltd.
SWS industry			Pharmaceutical and Biological — Traditional Chinese Medicine II — Traditional Chinese Medicine III	Pharmaceutical and Biological — Traditional Chinese Medicine II — Traditional Chinese Medicine III	Pharmaceutical and Biological — Traditional Chinese Medicine II — Traditional Chinese Medicine III
Basic Information	Listing date	—	1999-11-05	2015-04-24	2017-11-16
	Registered address		No. 8 Jinsuo Road, National High and New Technology Industries Development Zone, Zhongyuan District, Zhengzhou City, Henan Province	No. 72 Hongxing Street, Hulin Town, Hulin City, Jixi City, Heilongjiang Province	Panlong Eco-Industrial Park, Zhashui County, Shangluo City, Shaanxi Province
	Largest shareholder		Zhengzhou Tairong Industrial Investment Co., Ltd. (鄭州泰容產業投資有限公司)	Heilongjiang Chuangda Group Co., Ltd. (黑龍江創達集團有限公司)	Xie Xiaolin (謝曉林)
	Latest reporting period	2025/12/31	2026-03-31	2026-03-31	2026-03-31

APPENDIX II
VALUATION REPORT OF THE TARGET COMPANY

	Item	Description of Parameters	Fusen Pharmaceutical	Comparable Company 1	Comparable Company 2	Comparable Company 3
Stock Indicators	Closing price (Benchmark Date)	2025/12/31		6.58	8.93	30.84
	Average share price (Benchmark Date)	2025/12/31		6.57	8.90	30.79
	Average share price (previous 20 days)	Arithmetic mean		7.23	9.84	32.63
	Fluctuation of average price compared to closing price	%		16.4%	1.7%	-12.8%
	Total share capital	RMB'0,000		57,389	94,100	10,628
	Total market capitalisation (adjusted)	Average share price (previous 20 days)		439,464	854,683	285,913
	Total market capitalisation 2 (at closing price on the Benchmark Date)	2025/12/31		377,617	840,310	327,770
	Earnings per share			0.09	0.47	1.13
	Net assets per share			3.22	5.92	10.14
	Item	Description of Parameters	Fusen Pharmaceutical	Tailong Pharmaceutical	Zhenbaodao	Panlong Pharmaceutical
P/B Ratio Valuation	Net assets attributable to the parent company (Benchmark Date)	2025/12/31	68,137.88	184,979.73	556,833.10	107,801.84
	Net assets attributable to the parent company (same period)	2025/12/31	68,138	184,979.73	556,833.10	107,801.84
	Price-to-Book Ratio (PB) (Benchmark Date)	2025/12/31		2.38	1.53	2.65
	Price-to-Book Ratio (PB) (same period)	2025/12/31		2.38	1.53	2.65
	Adjustment coefficients	Adjustment coefficients (automatically calculated score)		0.9611	0.8979	0.8884
	Price-to-Book Ratio (PB) (adjusted)	Price-to-Book Ratio (PB) (same period)		2.28	1.38	2.36

Item	Description of Parameters	Fusen Pharmaceutical	Tailong Pharmaceutical	Zhenbaodao	Panlong Pharmaceutical
			Comparable Company 1	Comparable Company 2	Comparable Company 3
Item			Tailong Pharmaceutical	Zhenbaodao	Panlong Pharmaceutical
	Market price per share		7.2300	9.8400	32.6300
	Earnings per share		0.0880	0.4657	1.1316
	Price-to-Book Ratio (PB) (same period)		2.38	1.53	2.65
	Adjustment coefficients		0.9611	0.8979	0.8884
	Price-to-Book Ratio (PB) (adjusted)		2.28	1.38	2.36
	Average				2.01
Item			Fusen Pharmaceutical		
	Net assets attributable to the parent company (Benchmark Date)	68,137.88		Net value of non-operating assets	44,541.86
	Price-to-Book Ratio (PB) (adjusted)	2.01		Surplus assets	5,880.33
	Liquidity discount	37.30%		Long-term investments valued separately	1,114.51
	Control premium				
	Value of total shareholders' equity	72,458.67			

**Table 1 — Value of Entire Equity Interest of Shareholders —
Income Approach Calculation Summary**
Valuation Benchmark Date: 31 December 2025

Valued Entity: Henan Fusen Pharmaceutical Company Limited

Amount in: RMB'0,000

Item	2026	2027	2028	2029	2030	Perpetual period
I. Total operating revenue	36,786.68	39,905.76	42,755.91	45,223.94	47,293.45	47,293.45
Less: Operating costs	19,808.92	21,454.82	22,963.43	24,278.24	25,386.08	24,922.90
Taxes and surcharges	536.41	575.15	607.57	625.79	636.95	639.10
Selling expenses	8,046.95	8,722.83	9,340.50	9,875.40	10,323.96	10,322.00
Administrative expenses	4,643.41	4,866.72	5,029.10	5,224.66	5,408.50	5,360.18
R&D expenses	1,935.22	2,056.86	2,174.43	2,283.65	2,383.10	2,318.17
Financial expenses	0.00	0.00	0.00	0.00	0.00	0.00
Including: Interest expense	0.00	0.00	0.00	0.00	0.00	0.00
Interest income	0.00	0.00	0.00	0.00	0.00	0.00
Add: Other income	0.00	0.00	0.00	0.00	0.00	0.00
Investment income (losses are indicated by “-”)	0.00	0.00	0.00	0.00	0.00	0.00
Including: Investment income from associates and joint ventures	0.00	0.00	0.00	0.00	0.00	0.00
Gains on net exposure hedging (losses are indicated by “-”)	0.00	0.00	0.00	0.00	0.00	0.00
Gains or losses on changes in fair value (losses are indicated by “-”)	0.00	0.00	0.00	0.00	0.00	0.00
Asset impairment losses (losses are indicated by “-”)	0.00	0.00	0.00	0.00	0.00	0.00
Credit impairment losses (losses are indicated by “-”)	0.00	0.00	0.00	0.00	0.00	0.00
Gains on disposal of assets (losses are indicated by “-”)	0.00	0.00	0.00	0.00	0.00	0.00
II. Operating profit	1,815.79	2,229.39	2,640.88	2,936.19	3,154.86	3,731.10
Add: Non-operating income	0.00	0.00	0.00	0.00	0.00	0.00
Less: Non-operating expenses	0.00	0.00	0.00	0.00	0.00	0.00
III. Total profit	1,815.79	2,229.39	2,640.88	2,936.19	3,154.86	3,731.10
Less: Income tax expense	0.00	0.00	0.00	0.00	0.00	153.87
IV. Net profit	1,815.79	2,229.39	2,640.88	2,936.19	3,154.86	3,577.23
Interest expense * (1-income tax rate)	0.00	0.00	0.00	0.00	0.00	0.00

Item	2026	2027	2028	2029	2030	Perpetual period
V. Net profit before interest and after tax	1,815.79	2,229.39	2,640.88	2,936.19	3,154.86	3,577.23
Add: Depreciation and amortization	2,600.82	2,601.51	2,570.75	2,599.85	2,636.29	2,057.89
Less: Capital expenditure	2,270.21	811.37	956.78	769.87	897.59	1,302.53
Increase or decrease in working capital	1,764.86	586.96	513.62	413.80	309.56	0.00
Add: Others (deductions are indicated by “-”)	0.00	0.00	0.00	0.00	0.00	0.00
VI. Net free cash flow	381.54	3,432.57	3,741.23	4,352.37	4,584.00	4,332.58
Discount rate period	0.50	1.50	2.50	3.50	4.50	0.00
VII. Discount rate	9.24%	9.24%	9.24%	9.24%	9.24%	9.24%
Discount coefficient	0.96	0.88	0.80	0.73	0.67	7.27
VIII. Present value of net cash flow for each year	365.05	3,006.25	2,999.72	3,194.21	3,079.99	31,504.81
IX. Operating value during the forecast period	44,150.02					
Add: Surplus assets	5,880.33					
Non-operating assets	44,541.86					
Value of long-term equity investments assessed individually	1,114.51					
X. Enterprise value	95,686.73					
Less: Interest-bearing liabilities	22,700.00					
XI. Value of entire equity interest of shareholders	72,986.73					
Less: Non-controlling interests	0.00					
XII. Equity attributable to owners of the parent	72,986.73					
Book value of total assets	148,970.00					
Book value of total liabilities	80,832.12					
Equity attributable to owners of the parent	68,137.88					
Valuation under the income approach	72,986.73					

Table 1-1 — Enterprise Value Valuation
Valuation Benchmark Date: 31 December 2025

Valued Entity: Henan Fusen Pharmaceutical Company Limited											Unit: RMB
Item	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Perpetual period
I. Total operating revenue	417,015,787.04	499,590,726.39	602,470,339.72	289,785,706.67	301,086,513.11	367,866,800.00	399,057,600.00	427,559,100.00	452,239,400.00	472,934,500.00	472,934,500.00
Less: Operating costs	167,901,411.21	219,014,658.83	301,943,362.31	124,736,227.25	176,381,351.48	198,089,153.81	214,548,173.17	229,634,282.38	242,782,395.69	253,860,826.06	249,228,974.43
Taxes and surcharges	2,683,548.94	2,942,270.54	3,639,157.95	5,459,709.60	6,530,063.49	5,364,052.86	5,751,496.58	6,075,666.00	6,257,932.14	6,369,459.61	6,391,036.77
Selling expenses	141,465,033.85	181,965,611.38	150,570,884.79	69,687,629.01	37,271,342.36	80,469,520.51	87,228,285.76	93,404,989.24	98,754,042.73	103,239,600.69	103,219,938.74
Administrative expenses	37,029,548.48	42,527,952.05	55,557,022.07	55,457,216.67	46,399,484.48	46,434,050.56	48,667,157.66	50,290,988.86	52,246,629.65	54,084,986.57	53,601,813.70
R&D expenses	16,936,417.39	19,605,629.25	40,644,419.30	37,639,100.40	14,425,859.48	19,352,170.77	20,568,625.46	21,744,334.04	22,836,530.76	23,831,027.95	23,181,682.05
Financial expenses	8,117,321.20	11,750,755.54	12,054,112.23	14,568,983.41	26,539,362.94	0.00	0.00	0.00	0.00	0.00	0.00
Including: Interest expense	0.00	11,157,141.23	11,583,796.08	13,756,398.31	24,984,713.84	0.00	0.00	0.00	0.00	0.00	0.00
Interest income	0.00	-187,553.33	-457,047.93	-6,807.98	-3,504.01	0.00	0.00	0.00	0.00	0.00	0.00
Add: Other income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investment income (losses are indicated by “-”)	0.00	0.00	0.00	1,492,692.99	-491,253.55	0.00	0.00	0.00	0.00	0.00	0.00
Including: Investment income from associates and joint ventures	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gains on net exposure hedging (losses are indicated by “-”)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gains or losses on changes in fair value (losses are indicated by “-”)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Asset impairment losses (losses are indicated by “-”)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Credit impairment losses (losses are indicated by “-”)	0.00	0.00	0.00	0.00	-14,205,820.22	0.00	0.00	0.00	0.00	0.00	0.00
Gains on disposal of assets (losses are indicated by “-”)	0.00	0.00	0.00	-33,489,490.51	-21,199,640.15	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

APPENDIX II

VALUATION REPORT OF THE TARGET COMPANY

Item	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Perpetual period
II. Operating profit											
Add: Non-operating income	42,882,505.97	21,783,848.80	38,061,381.07	-49,759,957.19	-42,357,665.04	18,157,851.50	22,293,861.37	26,408,839.48	29,361,869.04	31,548,599.13	37,311,034.30
Less: Non-operating expenses	17,626,855.49	706,399.20	2,571,101.39	31,744,268.97	26,770,477.46	0.00	0.00	0.00	0.00	0.00	0.00
	3,169,283.49	3,113,077.79	276,424.12	104,022.03	30,244,234.16	0.00	0.00	0.00	0.00	0.00	0.00
III. Total profit											
Less: Income tax expense	57,340,077.97	19,377,170.21	40,356,058.34	-18,119,710.25	-45,831,421.74	18,157,851.50	22,293,861.37	26,408,839.48	29,361,869.04	31,548,599.13	37,311,034.30
	12,622,182.38	1,548,434.28	6,463,129.83	542,464.99	35,861.40	0.00	0.00	0.00	0.00	0.00	1,538,728.74
IV. Net profit											
Interest expense * (1-income tax rate)	44,717,895.59	17,828,735.93	33,892,928.51	-18,662,175.24	-45,867,283.14	18,157,851.50	22,293,861.37	26,408,839.48	29,361,869.04	31,548,599.13	35,772,305.56
	0.00	86,777,260.91	271,215,259.33	13,890,231.23	24,999,583.19	0.00	0.00	0.00	0.00	0.00	0.00
V. Net profit before interest and after tax											
Add: Depreciation and amortization	44,717,895.59	104,605,996.84	305,108,187.84	-4,771,944.01	-20,867,699.94	18,157,851.50	22,293,861.37	26,408,839.48	29,361,869.04	31,548,599.13	35,772,305.56
Less: Capital expenditure	0.00	10,241,879.44	11,171,740.73	10,956,734.48	15,878,197.88	26,008,163.70	26,015,118.79	25,707,471.76	25,998,498.88	26,362,867.19	20,578,854.86
Increase or decrease in working capital	0.00	0.00	0.00	0.00	0.00	22,702,113.58	8,113,713.32	9,567,770.37	7,698,676.66	8,975,916.81	13,025,335.00
Add: Others (deductions are indicated by "-")	0.00	-109,017,045.17	102,592,728.12	-249,122,893.05	266,692,544.54	17,648,551.07	5,869,551.11	5,136,209.01	4,137,961.95	3,095,561.15	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VI. Net free cash flow											
Discount rate period	44,717,895.59	223,864,921.45	213,687,200.45	255,307,683.52	-271,682,046.60	3,815,350.55	34,325,715.74	37,412,331.86	43,523,729.31	45,839,988.36	43,325,825.42
						0.50	1.50	2.50	3.50	4.50	0.00
VII. Discount rate											
Discount coefficient						9.24%	9.24%	9.24%	9.24%	9.24%	9.24%
						0.9568	0.8758	0.8018	0.7339	0.6719	7.2716
VIII. Present value of net cash flow for each year						3,650,527.41	30,062,461.84	29,997,207.68	31,942,064.94	30,799,888.18	315,048,072.09
IX. Operating value during the forecast period						441,500,222.15					
Add: Surplus assets						58,803,266.60					
Non-operating assets						445,418,640.66					
Value of long-term equity assessed individually						11,145,130.84					
X. Enterprise value						956,867,260.25					
Less: Interest-bearing liabilities						227,000,000.00					
XI. Value of entire equity interest of shareholders						729,867,260.25					
Less: Non-controlling interests						0.00					
XII. Equity attributable to owners of the parent						729,867,260.25					

Appendices II to X to this asset valuation report (comprising economic activity documents, special audit report, business licenses, major title certificates, and various letters of undertaking and professional certificates) have been omitted for the purpose of maintaining the conciseness of this circular. The full text of the asset valuation report, including its appendices I, II, IV to X, is available for inspection as a document on display as set out in the section headed “Documents on Display” in Appendix III to this circular. In particular, the Independent Valuer is Beijing China Enterprise Appraisals Co., Ltd. (北京中企華資產評估有限責任公司). The signing asset valuers are certified practising members of the China Appraisal Society and hold valid practising certificates. The asset valuers successfully passed the 2026 annual qualification assessment and are duly qualified to carry out asset valuation engagements in accordance with the relevant PRC regulations and professional standards.*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interest of Directors and chief executive of the Company

As at the LPD, to the best knowledge of the Directors, the interests and short positions of the Directors or chief executive of the Company and their associates in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive of the Company were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (“**Model Code**”) were as follows:

Name of Director	Capacity/nature of interest	Number of shares held (L)	Percentage of the total issued share ^(Note 1)
Mr. Cao Zhiming ^(Note 2)	Interest of a controlled corporation	334,831,000	45.29%
Mr. Hou Taisheng ^(Note 3)	Beneficiary of a trust	13,399,165	1.81%
Ms. Meng Qingfen ^(Note 3)	Beneficiary of a trust	11,809,433	1.60%
Mr. Chi Yongsheng ^(Note 3)	Beneficiary of a trust	12,944,956	1.75%

(L) = Long Position

Note:

1. The percentage is calculated based on the 739,301,000 issued shares of the Company as at the LPD.

2. 154,651,000 Shares are held by One Victory Investments Limited (“**One Victory**”), a company incorporated in the British Virgin Islands. As Mr. Cao Zhiming is the beneficial owner of the entire issued share capital of One Victory, he is therefore deemed to be interested in the 154,651,000 (L) Shares held by One Victory pursuant to the SFO. Following the passing of Mr. Cao Changcheng in October 2024, Fusen Trust, being a trust established pursuant to a deed of settlement (“**Deed of Settlement**”) dated 14 June 2013 entered into between Mr. Cao Zhiming (as settlor) and The Core Trust Company Limited (the “**Trustee**”), underwent certain succession arrangements, of which Mr. Cao Zhiming has exercised his entitlement under the Deed of Settlement and the investment management agreement (“**Investment Management Agreement**”) dated 14 December 2016 entered into between Mr. Cao Zhiming and the Trustee, to remove Mr. Cao Changcheng as investment manager of Fusen Trust by providing 30 days’ prior written notice (the “**Vesting Arrangement**”). The Company was informed by Mr. Cao Zhiming that the Vesting Arrangement has become effective on 23 May 2025, upon which Mr. Cao Changcheng has been removed as the investment manager of Fusen Trust pursuant to the Deed of Settlement and the Investment Management Agreement. Accordingly, the Investment and Management Functions and the power to direct the trustee of Fusen Trust to vote accordingly have been vested in Mr. Cao Zhiming, who is entitled to exercise control and direction over the voting rights attaching to the 180,180,000 Shares held by Fusen Trust through Rayford Global Limited (“**Rayford**”) on trust for certain individual Shareholders as beneficiaries (the “**Fusen Trust Shares**”). As a result of the Vesting Arrangement, Mr. Cao Zhiming’s voting rights in the Company have increased from 154,651,000 Shares (representing approximately 20.92% of the total number of issued Shares) to 334,831,000 Shares (representing approximately 45.29% of the total number of issued Shares).
3. Each of Mr. Hou Taisheng, Mr. Chi Yongsheng, and Ms. Meng Qingfen, who is an executive Director, is a beneficiary under the Fusen Trust, which is entrusted to hold the entire shareholding of Rayford Global Limited (“**Rayford**”) (which holds the Fusen Trust Shares as at 31 December 2025) on trust for certain individual Shareholders as the beneficiaries.

Save as disclosed above, to the best knowledge of the Directors, as at the LPD, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interest of substantial Shareholders of the Company

So far as the Directors are aware, as at the LPD, the following persons (other than the Directors and the chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares of the Company (i) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of

Part XV of the SFO; or (ii) which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares (L)	Percentage of the total issued share ^(Note 1) (%)
Full Bliss ^(Note 2)	Beneficial Owner	206,457,000	27.93
Rayford ^(Note 3)	Beneficial Owner	180,180,000	24.37
TCT (BVI) Limited ^(Note 3)	Nominee of a trustee	185,180,000	25.05
THE CORE TRUST COMPANY LIMITED ^(Note 3)	Trustee	185,180,000	25.05
One Victory	Beneficial owner	154,651,000	20.92
Ms. Zhou Peilin ^(Note 4)	Interest of spouse	334,831,000	45.29

(L) = Long Position

Notes:

1. The percentage is calculated based on the 739,301,000 issued shares of the Company as at the LPD.
2. Full Bliss Holdings Limited (“Full Bliss”) is wholly-owned by the estate of the late Mr. Cao Changcheng, who passed away on 31 October 2024. Mr. Cao Changcheng was the former chairman of the Board, a former executive Director and the father of Mr. Cao Zhiming.
3. The Core Trust Company Limited is the trustee of Fusen Trust, whereby Mr. Hou Taisheng, Ms. Meng Qingfen, Mr. Fu Jiancheng, Mr. Chi Yongsheng and 43 other individuals are the beneficiaries under Fusen Trust. TCT (BVI) Limited acts as the nominee to the trustee of Fusen Trust, and holds 100% of the issued shares of Rayford. TCT (BVI) Limited is wholly owned by The Core Trust Company Limited. Furthermore, Global Talent Alliance Limited, the nominee of the trustee (namely The Core Trust Company Limited) under the restricted share unit scheme of the Company approved and adopted by the Board on 8 November 2021, holds 5,000,000 Shares. Global Talent Alliance Limited is wholly owned by TCT (BVI) Limited, which in turn is wholly owned by The Core Trust Company Limited. As such, The Core Trust Company Limited and TCT (BVI) Limited are deemed to be interested in (i) 180,180,000 Shares held by Rayford; and (ii) the 5,000,000 Shares held by Global Talent Alliance Limited, pursuant to the SFO.
4. Ms. Zhou Peilin is Mr. Cao Zhiming (formerly known as Mr. Cao Dudu)’s spouse and is deemed to be interested in the 334,831,000 Shares in which Mr. Cao Zhiming is interested for the purpose of the SFO.

Save as disclosed above, so far as the Directors are aware, as at the LPD, no person had, or were deemed to have, an interest or short position in the Shares or underlying Shares of the Company (i) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or was a substantial shareholder of the Company.

3. SERVICE CONTRACTS

As at the LPD, none of the Directors had any existing or proposed service contracts with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENTS

As disclosed in the Company's announcement dated 1 December 2023 and circular dated 5 January 2024, Henan Fusen entered into the renewed master Chinese medicine purchase agreement (the “**Renewed Master Chinese Medicine Purchase Agreement**”) with Xichuan Fusen Chinese Medicine Raw Material Plant and Development Limited* (浙川縣福森中藥材種植開發有限公司)(“**Xichuan Fusen**”), pursuant to which Xichuan Fusen agreed to supply, and Henan Fusen agreed to purchase, medicinal herbs for the production of the Group's Shuanghuanglian-based cold medicine products. As at the LPD, Xichuan Fusen was controlled as to 50% by the mother of Mr. Cao Zhiming (“**Mr. Cao Zhiming**”), an executive Director, the chairman of the Board and the chief executive officer of the Company. Having regard to such relationship, the Company regarded Mr. Cao Zhiming as having a material interest in the Renewed Master Chinese Medicine Purchase Agreement. Further details of the transaction are set out in the above-mentioned announcement and circular of the Company.

Save as the related party transactions disclosed herein:

- (a) As at the LPD, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2025 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by, or leased to, any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (b) As at the LPD, none of the Directors was materially interested in any contracts or arrangements which were subsisting as at the LPD and which were significant in relation to the business of the Group.

5. COMPETING INTEREST

So far as the Directors are aware, as at the LPD, none of the Directors and their respective associates has or had any interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

6. MATERIAL ADVERSE CHANGE

The Directors confirm that there has not been any material adverse change in the financial or trading positions of the Group since 31 December 2025, the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the LPD.

7. EXPERT'S QUALIFICATION AND CONSENT

The following sets out the qualification of the expert who has given opinions or advice as contained in this circular:

Name	Qualification
Beijing China Enterprise Appraisals Co., Ltd.* (北京中企華資產評估有限責任公司)	independent valuer

As at the LPD, the above expert:

- (a) did not have any shareholding, direct or indirect, in any members of the Group or any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2025 (being the date to which the latest published audited consolidated financial statements of the Group were made up); and
- (c) had given and had not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report and references to its name and its advice in the form and context in which they respectively appear.

8. LITIGATION

As at the LPD, as far as known to the Directors, no member of the Group was engaged in any litigation, arbitration or claim of material importance to the Group, and no litigation, arbitration or claim of material importance to the Group was pending or threatened against any member of the Group.

9. MISCELLANEOUS

- (a) The registered office of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at Workshop 05 & 06, 15/F, Hundsun International Centre, 44 Heung Yip Road, Aberdeen, Hong Kong.
- (c) The Hong Kong share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

- (d) The company secretary of the Company is Mr. Yeung Yuk Hong. Mr. Yeung holds a bachelor degree of Business Administration (Honours) in Accountancy from the Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Yeung has over 10 years' experience in auditing, accounting, initial public offering and company secretarial matters.

10. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Group within the two years immediately preceding the date of this circular and are or may be material:

- (a) the equity transfer agreement entered into on 19 September 2025 between Henan Xisheng (as purchaser) and Henan Fusen (as vendor) in relation to the disposal of the entire equity interest in Henan Fusen Intelligent Energy Conservation Technology Company Limited* (河南福森智慧節能科技有限公司) for a total consideration of RMB73.0 million, details of which are disclosed in the Company's announcements dated 19 September 2025 and 27 October 2025, respectively; and
- (b) the Capital Increase Agreement.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.fusenyy.com) for a period of 14 days from the date of this circular:

- (a) the Capital Increase Agreement;
- (b) the valuation report as set out in Appendix II to this circular;
- (c) the written consent referred to in the section headed "GENERAL INFORMATION — 7. EXPERT'S QUALIFICATION AND CONSENT" in this Appendix III; and
- (d) the material contracts referred to in the section headed "GENERAL INFORMATION — 10. MATERIAL CONTRACTS" in this Appendix III.

NOTICE OF EGM

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.



Fusen Pharmaceutical Company Limited

福森藥業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1652)

NOTICE OF THE EGM

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Fusen Pharmaceutical Company Limited (the “**Company**”) will be held at Units 5906–5912, 59th Floor, The Center, 99 Queen’s Road Central, Hong Kong, on Thursday, 9 July 2026 at 2:00 p.m., for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (1) the entering into and the performance of the capital increase agreement (the “**Capital Increase Agreement**”) dated 18 June 2026 among Nanyang Hengsheng Enterprise Management Services Limited* (南陽衡盛企業管理服務有限公司), Wealth Depot (Hong Kong) Limited, Nanyang Industrial Investment Health Industry Group Co., Ltd.* (南陽產投健康產業集團有限公司)(“**Nanyang Industrial Investment**”), Henan Xisheng Industrial Development Co., Ltd.* (河南淅勝產業發展有限責任公司) (“**Henan Xisheng**”, together with Nanyang Industrial Investment, the “**Investors**”) and Henan Fusen Pharmaceutical Company Limited* (河南福森藥業有限公司) (the “**Target Company**”), in relation to the subscription of the newly increased registered capital of the Target Company by the Investors with an aggregate amount of RMB300 million in accordance with the Capital Increase Agreement (the “**Capital Increase**”), and the transactions contemplated thereunder (including the Capital Increase) be and are hereby approved, confirmed and ratified; and

NOTICE OF EGM

- (2) any one or more of the directors of the Company be and are hereby authorised to do all such further acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents which in their opinion may be necessary or desirable and take all steps which in their opinion may be necessary, desirable or expedient.”

By Order of the Board
Fusen Pharmaceutical Company Limited
Cao Zhiming
Chairman and Executive Director

Hong Kong, 23 June 2026

Notes:

1. Details of the above resolution is set out in the Circular. Unless the context otherwise requires, terms used herein shall have the same meanings as defined in the Circular.
2. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on behalf of him/her. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
3. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 6 July 2026 to Thursday, 9 July 2026, both days inclusive, during which period no transfer of shares will be registered. The record date for determining the entitlement of shareholders of the Company to attend and vote at the EGM will be Thursday, 9 July 2026. In order to be eligible to attend and vote at the EGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 3 July 2026.
4. To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM (i.e. before 2:00 p.m. on Tuesday, 7 July 2026) or any adjournment thereof.
5. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding of such share.
6. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the EGM.

As at the date of this notice, the Board of the Company comprises Mr. Cao Zhiming (Chairman), Mr. Hou Taisheng, Mr. Chi Yongsheng and Ms. Meng Qingfen as executive Directors and Mr. Lee Kwok Tung Louis, Dr. To Kit Wa and Mr. Yu Ho Ming as independent non-executive Directors.