



The Board of Directors
Sunshine Lake Pharma Co., Ltd.
No. 368 Zhen'an Middle Road
Chang'an Town, Dongguan City
Guangdong Province
People's Republic of China

10 May 2024

Dear Sirs,

**PROPOSED PRE-CONDITIONAL PRIVATISATION OF
YICHANG HEC CHANGJIANG PHARMACEUTICAL CO., LTD.
BY SUNSHINE LAKE PHARMA CO., LTD.
BY WAY OF MERGER BY ABSORPTION OF
YICHANG HEC CHANGJIANG PHARMACEUTICAL CO., LTD.**

We refer to the announcement of even date jointly issued by Sunshine Lake Pharma Co., Ltd. and YiChang HEC ChangJiang Pharmaceutical Co., Ltd. in connection with the Merger (the **Rule 3.5 Announcement**). Unless otherwise defined, capitalised terms used herein have the same meaning as defined in the Rule 3.5 Announcement.

Pursuant to the requirements of the Takeovers Code, the Offeror has appointed China Sunrise Capital Limited (the **Valuation Adviser**) to provide an estimate of value of the Offeror H Shares, contained in the letter dated 10 May 2024 addressed to you from the Valuation Adviser as set out in the Rule 3.5 Announcement (the **Estimate of Value**). The Valuation Adviser is licensed for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.

As the appraised value of the Offeror H Shares stated in the Estimate of Value was partly derived from the discounted cash flow method, the Estimate of Value constitutes a profit forecast under Rule 10 of the Takeovers Code (the **Profit Forecast**).

We, in our capacity as the financial adviser solely to the Offeror in connection with the Merger, are required to:

- (a) pursuant to the requirements of Rule 10 of the Takeovers Code, discuss the assumptions with the Offeror and the Valuation Adviser and satisfy ourselves that the Profit Forecast has been made with due care and consideration; and
- (b) pursuant to the requirements of Rule 11.1(b) of the Takeovers Code, report on the Estimate of Value and the qualifications and experience of the Valuation Adviser.

OUR REVIEW

For the purpose of providing this letter, we have conducted the following due diligence:

In respect of the Profit Forecast

- (a) reviewed the Profit Forecast;
- (b) discussed with you the valuation methodologies, the qualifications, the bases and assumptions adopted in the Profit Forecast, and the reasons thereof;
- (c) discussed with Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the industry consultant engaged by you in connection with the Listing (the *Industry Consultant*) the valuation methodologies of companies in the same industry as the Company and the market conditions of such industry;
- (d) considered the letter from KPMG dated 10 May 2024 addressed to you regarding their opinion on whether, so far as the calculations are concerned, the discounted future cash flows have been properly compiled on the basis of the assumptions set out in the Estimate of Value; and

In respect of the Estimate of Value

- (a) conducted reasonable checks to assess the relevant qualifications, experience and expertise of the Valuation Adviser, including reviewing the supporting documents on the qualifications of the Valuation Adviser and discussing with the Valuation Adviser on its qualifications, experience and expertise.
- (b) reviewed the Estimate of Value; and
- (c) discussed, from the perspective of the financial adviser, with the Valuation Adviser, the Estimate of Value and the bases and assumptions underlying the Estimate of Value.

Based on the information provided by the Valuation Adviser, you and your management team as at the date of this letter as well as the opinion of KPMG, without giving any other opinion or expressing any other view on the Estimate of Value and the Profit Forecast, for which you and the Valuation Adviser are solely responsible, we are satisfied that the Estimate of Value and Profit Forecast have been made after due care and consideration and that the qualifications, bases and assumptions therein have been made with due care and objectivity and on a reasonable basis. Based on the information provided by the Valuation Adviser, we are also satisfied that the Valuation Adviser is suitably qualified and experienced to prepare the Estimate of Value and that reliance could fairly be placed on the Valuation Adviser's work.

We have not independently verified the computations leading to the determination of the Estimate of Value and have assumed the computations to be true, accurate and complete. The valuation of non-publicly traded securities is inherently imprecise and subject to the underlying assumptions, which are in turn subject to uncertainties and affected by market conditions. In addition, our view is necessarily based on valuation methodologies of companies in the same industry as the Company and the market conditions of such industry as we understand from the

Industry Consultant (which we assume is true, accurate and complete), wider prevailing economic, market and other conditions which generally affect the value of companies and securities as in effect and the financial conditions of the Offeror available to us as at the date of this letter. It should be understood that subsequent developments may affect our view expressed herein and that subject to Rule 9.1 of the Takeovers Code, we do not have any obligation to update, revise or reaffirm this view.

GENERAL

This letter has been provided to the directors of the Offeror only and solely for the purposes of Rules 10 and 11.1(b) of the Takeovers Code and shall not be used or relied upon for any other purpose whatsoever. It is not addressed to and may not be relied upon by any third party for any purpose whatsoever and we expressly disclaim any duty or liability to any third party with respect to the contents of this letter.

We are not the independent appraiser of the Estimate of Value, which was determined by the Valuation Adviser. We are acting as the financial adviser solely to the Offeror in connection with the Merger. We will not be responsible to any person other than the Offeror for providing advice in connection with the Merger, nor will we owe any responsibility to any person other than the Offeror.

In providing this letter, we express no opinion or recommendation to any person as to how such person should act on any matters relating to the Merger or as to the fairness of the financial terms of the Merger. Independent Shareholders are recommended to seek their own independent financial advice.

Yours faithfully,

For and on behalf of

China International Capital Corporation Hong Kong Securities Limited



David CHING

Executive Director