

INITIATION OF COVERAGE REPORT

Sihuan Pharmaceutical Holdings Group Ltd.

Reframing the Narrative: A Deep Value Re-rating Path for a Transforming Platform—
 Aesthetics Leader + Innovative Drug Pioneer, an Undervalued Transformation Case

Core Investment Thesis

Sihuan Pharmaceutical is approaching a critical inflection point where the results of its strategic transformation are starting to materialize. Powered by its dual-engine model—medical aesthetics and innovative therapeutics—the company returned to profitability in 1H25 with attributable net profit of RMB103 million. With a current market capitalization of ~HK\$11.5 billion (RMB10.4 billion), the combined value of its medical aesthetics segment (~RMB18 billion) and cash reserves (RMB3.89 billion) already exceeds its market value.

Meanwhile, the innovative drug business remains significantly undervalued. Its subsidiary Xuanzhu Biopharmaceutical has seen its market value surge above HK\$30 billion following its Hong Kong listing—creating a “subsidiary surpassing parent” valuation anomaly. This divergence highlights the structural mispricing of Sihuan’s diversified business portfolio. As the medical aesthetics segment scales and the innovative pipeline enters commercialization, we expect a systemwide rerating of the company’s valuation framework.

Valuation Dislocation and the Path to Re-rating

The market’s valuation discount stems from the complexity of Sihuan’s diversified structure. Traditional pharmaceutical valuation frameworks do not fully capture the company’s hybrid model, and thus we believe a “conglomerate discount” has been applied. However, key shifts are creating a window for this discount to unwind:

Change 1: Re-rating of the medical aesthetics platform value. The market still treats Sihuan’s aesthetics segment as a product-led business, overlooking its evolution into a platform with full-spectrum R&D, nationwide channel penetration, and AI-enhanced capability. This structural shift merits a platform-company premium.

Change 2: Commercialization momentum and equity value realization in innovative therapeutics. Both Xuanzhu Biopharmaceutical and Huisheng Biopharmaceutical are entering a phase of accelerated commercialization. Xuanzhu’s spin-off has only partially unlocked value; Huisheng’s intrinsic worth is not yet priced in. Further capital market actions—such as a potential Huisheng listing—could catalyze a broader revaluation.

Change 3: Cash reserves materially misaligned with market cap. With RMB3.89 billion in cash—nearly 30% of its market cap—this disconnect is unsustainable. Robust cash flow from the generics business provides additional capital for reinvestment and M&A.

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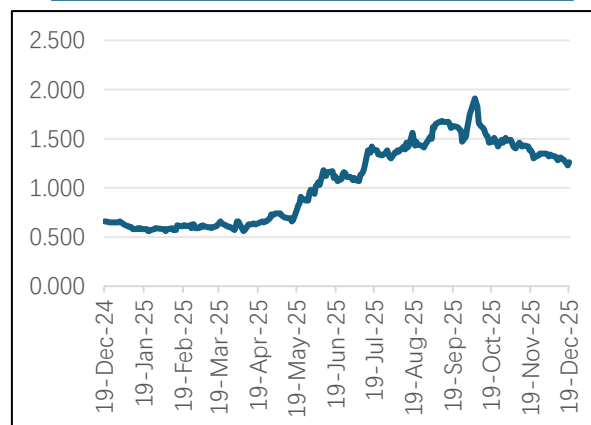
KEY DATA

Exchange: HKEX
 Ticker: 460
 Current Price: HK\$1.26
 52-Week Range: HK\$0.53-HK\$1.92
 Average Volume (3M): 122.90M
 Shares Outstanding (MM): 9,154
 Market Capitalization (\$MM): HK\$11,534
 Fiscal Year-End: December

FINANCIALS

In RMB Million	FY23A	FY24A	FY25E	FY26E
Revenue	1,861	1,901	2,319	3,239
Gross Profit	1,296	1,242	1,519	2,089
EBIT	162	-138	425	813
IFRS Net Income	-54	-217	152	459

PRICE PERFORMANCE



Industry Positioning and Competitive

1) Medical Aesthetics: Building a Full-Chain Platform

Sihuan's aesthetics platform, Meiyuan Space, now spans neurotoxins, HA fillers, biostimulators (PLLA, PCL), energy-based devices, and more. Core product Letybo® has achieved nearly 20% domestic market share. Newly approved biostimulators (Qingyan® and Huiyuanzhen&Sifuyan®) are ramping quickly and forming a portfolio of cash-generating and high-growth assets.

On the R&D front, the company is building synthetic biology and regenerative material platforms, while leveraging AI-driven development with dProtein Pharmaceutical. Its wet-lab/dry-lab closed-loop system aims to break through high-end collagen and next-gen biomaterial bottlenecks.

Channels are expanding rapidly with a dual model of direct + distributor coverage across 370+ cities and 7,300+ clinics, including strategic partners. Over 200 offline physician trainings were conducted in 1H25, reinforcing professional penetration and brand recognition.

2) Innovative Therapeutics: Accelerated Value Realization of Hidden Assets

Xuanzhu Biopharmaceutical

With strong capabilities in the fields of digestive diseases, oncology, and non-alcoholic steatohepatitis (NASH), Xuanzhu has three approved innovative drugs:

- Anaprazole Sodium (PPI) – China's only domestically developed PPI, with Phase III clinical trials for a new indication underway.
- Bireociclib (CDK4/6 inhibitor) – China's only approved CDK4/6 monotherapy for advanced HR+/HER2- breast cancer; rapid market acceptance and significant market potential; included in the 2025 NRDL for the first time; the new indication for first-line treatment currently under New Drug Application (NDA) review.
- Derozac (ALK inhibitor) – potent systemic and intracranial anti-tumor efficacy; also beneficial for patients resistant to first-generation and some second-generation ALK inhibitors; first prescription expected in this year.

Huisheng Biopharmaceutical

Focusing on diabetes and its complications, its core product Insulin Degludec and Insulin Aspart Injection and innovative drug SGLT-2 inhibitor Ganagliflozin tablets, have growing hospital penetration (1800+ and ~3000, respectively).

The company's semaglutide has an NDA accepted for its diabetes indication, and its obesity indication has completed Phase III enrollment. Innovative drug P052 injection (GLP-1R/GCGR dual target) approved for IND for the treatment of T2DM, overweight/obesity.

3) Generics: The Core Cash-Flow Anchor

Despite VBP pressure (1H25 revenue declined 15.8% YoY to RMB500 million), segment profit still rose 1.2% to RMB170 million—providing stable cash flow to support transformation.

Relative Valuation: A Clear Undervaluation

1) Medical aesthetics

Sihuan's aesthetics revenue grew 81.3% YoY—well above industry growth of 20–

2) Innovative drugs

With cash equal to ~30% of market cap (vs. typical 10–15% for global peers), Sihuan is significantly under-leveraged. Innovation revenue surged 96.6% YoY in 1H25. With steady growth of Anaprazole Sodium, Bireociclib and Dirozalkib, and introduction of semaglutide in 2026–2027, we expect accelerated value realization.

Catalysts include:

- Continued commercialization of approved drugs
- Pipeline breakthroughs (e.g., semaglutide, P052 injection (GLP-1R/GCGR dual target), new generation drug for weight loss and muscle building, NG-350A oncolytic virus)
- Improved capital efficiency
- Potential further spin-offs

Risks include VBP pressure and R&D underperformance.

Figure 1: Sihuan's Revenue and Key Drivers 2022-1H25.

Revenue in RMB Million	2022	2023	2024	1H2025	Key drivers
Medical Aesthetics	150	450	744	585	Letybo, Persnica, Sylfirm X, new approvals
% of Revenue	7%	24%	39%	51%	
YoY %		200%	65%	81%	
Innovative Drugs & Others	61	12	58	58	Anaprazole Sodium, Bireociclib, Dirozalkib, Ganagliflozin, Insulin Degludec and Insulin Aspart Injection, Insulin Degludec Injection approvals
% of Revenue	3%	1%	3%	5%	
YoY %		-80%	383%	97%	
Generics	1,970	1,399	1,099	503	Procurement impact, margin resilience
% of Revenue	90%	75%	58%	44%	
YoY %		-29%	-21%	-16%	
Total	2181	1,861	1,901	1,146	Aesthetics expansion, innovation ramp-up
YoY %		-15%	2%	21%	

Source: GLH Research; Company filings.

Figure 2: Sihuan's Path Towards A Leading Dual-Engine Healthcare Platform.

Strategic Stage	Year / Period	Milestone / Event	Strategic Significance
Generics Foundation (2001–2010)	2001–2010	Company founded; 2010 HKEX listing	Established as a major generics player, focusing on cardiovascular drugs
Transition to Dual-Engine (2012–2020)	2012	Acquisition of Xuanzhu Biopharmaceutical	Entered innovative drug R&D, oncology and digestive focus
	2014	Exclusive licensing from Hugel (botulinum toxin, HA filler)	First entry into medical aesthetics
	2019	Founding of Huisheng Biopharmaceutical	Built full-spectrum diabetes and complications drug platform
Execution & Harvest	2021	Launch of Letybo® (botulinum toxin)	Formal entry into medical aesthetics; foundation for Meiyang Space
	2022–2023	Launch of Persnica (HA filler), Karlian (PLLA gel), Anaprazole Sodium (PPI)	Dual-engine strategy formalized; first innovative drug approval
	2024	Approval of innovative drug Huiyoujing (SGLT-2 inhibitor), insulin biosimilars of Insulin Degludec and Insulin Aspart Injection, and Insulin Degludec Injection innovative drug	Aesthetics revenue RMB744m (+65% YoY)
	2025 H1	Approvals of Huiyanzhen & Sifuyan (PLLA filler), Qingyan (PLLA filler), innovative drug Bireociclib (CDK4/6 inhibitor), Dirozalkib (ALK inhibitor)	Entered commercialization harvest phase; group revenue +21% YoY, NPAT swing to profit
	2026E	Skin booster aesthetic products expected approval; Bireociclib+AI indication expected approval; Semaglutide (T2DM) expected approval	Dual-engine commercialization accelerates; oncology and metabolic drugs begin scaling revenue
	2027E	Further skin booster/collagen aesthetics launches; Anaprazole Sodium (RE) expected approval; Semaglutide (obesity) progress; diabetes complications pipeline expansion	Aesthetics pipeline diversifies further; sustainable dual growth trajectory

Source: GLH Research; Company filings.

Business Highlights and Market Potential

1) Medical Aesthetics — Evolution of Meiyuan Space and Commercial Breakout

Development Trajectory

Sihuan Pharmaceutical formally entered the medical aesthetics sector in 2014 through an exclusive licensing agreement with Korea’s Hugel for botulinum toxin and hyaluronic-acid fillers. The launch of Letybo® in China in 2021 marked the company’s official entry into the market, backed by pharmaceutical-grade R&D and commercialization capabilities.

Between 2021 and 2023, the company expanded its aesthetics portfolio with a series of new products, including: Karlian® (PLLA gel), Persnica® (HA filler), and Sylfirm X® (dual-wave RF microneedling system), approved by both the U.S. FDA and China NMPA.

This systematic expansion established Sihuan as a major platform-style player among listed aesthetics companies.

Pipeline Matrix

Among domestic listed peers, Sihuan now has one of the broadest product portfolios in medical aesthetics, spanning: Botulinum toxin, HA fillers, Biostimulators (PLLA, PCL), Collagen-based regenerative materials, Combination “skin booster” injectables, PHA and hydroxyapatite regenerative injectables, Energy-based devices and skin-management systems. More than 30 pipeline projects are currently under development, including next-generation skin-booster injectables and synthetic bio-materials.

Figure 3: Meiyuan Space Pipeline Diagram (As of June 30, 2025).

Product	Category	Developer / Partner	Indication / Use	Launch / Approval	Key Differentiation	Commercialization Status
Letybo®	Botulinum toxin	Hugel (Korea), exclusive China rights	Dynamic wrinkles	Launched 2021	99.5% purity, comparable to Botox, stable duration	Nationwide coverage via Meiyuan Space; rapid adoption in Tier-1 clinics
Persnica®	HA filler	Hugel (Korea), exclusive license	Wrinkle filling, contouring	Launched	HEXALink™ monophasic crosslinking → natural & durable	Broad distribution; accepted in mid/high-end aesthetic clinics
Huiyuanzhen&Sifuyan®	PLLA filler	In-house (Sihuan)	Facial volumization, collagen stimulation	NMPA approved Apr 2025	Long-lasting effect (>12m), regenerative	Early launch
Qingyan®	PCL filler	In-house (Sihuan)	Collagen regeneration, face shaping	NMPA approved Mar 2025	Polycaprolactone microspheres, dual effect	Domestic second mover; marketed as “少女针”
Sylfirm X®	Dual-wave RF microneedling device	Exclusive Greater China agent (Korea VIOL)	Anti-aging, pigmentation, acne	NMPA Class III approved Mar 2024; FDA 510(k)-cleared	First dual-wave RF (PW+CW); precision therapy	Adopted in >200 premium clinics; strong doctor KOL endorsement
CELLBOOSTER®	Mesotherapy injectables	Swiss partner (Sihuan began investing in the Swiss company), exclusive agency rights	Skin rejuvenation, hydration	Under-Development	High purity, CE-marked	Used as adjunct therapy in Tier-2/3 institutions
Pipeline (overview)	Collagen, Hydroxyapatite, rhCollagen, new-gen water-light injectables	In-house	Anti-aging, regenerative	Predinical–Clinical	>30 projects	Target approvals: collagen (2026), water-light (2027)

Source: GLH Research; Company filings.

Market Expansion and Strengthening Competitive Moats

China’s aesthetic medicine market has grown rapidly on the back of rising disposable income, evolving beauty standards, and the expansion of younger consumer demographics.

According to Frost & Sullivan, the market grew from RMB 99.3bn in 2017 to RMB 189.1bn in 2021 (CAGR 17.5%), and is projected to reach RMB 638bn by 2030 (CAGR 14.5%), outpacing the global average (10.9%).

Non-surgical, minimally invasive procedures—such as neurotoxins, fillers, biostimulators, and energy-based devices—are expected to remain the core growth engine, reaching RMB 416bn by 2030 (CAGR 14.9%).

Penetration Rates Indicate Substantial Long-Term Headroom

China still has relatively low penetration compared with global benchmarks: China (2020): 21 treatments per 1,000 people; United States: ~50 treatments; Korea: 70+ treatments. The demographic structure is particularly favorable: 74% of Chinese medical aesthetics consumers are 20–35 years old, and users aged below 25 are expected to grow at 16.5% CAGR from 2021–2026, driven by “preventive aesthetics” and early anti-aging demand.

Regulatory Tightening Favors Scaled, Compliant Leaders

Since April 2024, the NMPA has tightened regulations, reclassifying products such as mesotherapy injectables and RF devices as Class III medical devices. This shift: Raises compliance barriers; Favors companies with capital strength, strong clinical capabilities, and complete regulatory pipelines; Accelerates industry consolidation. As a result, Sihuan, with its platform-level portfolio and regulatory sophistication, is positioned to gain market share as weaker players exit.

Outlook

We expect the medical aesthetics segment to remain Sihuan's core earnings engine through 2027, supported by: Commercial launches of new products (collagen materials, advanced skin-booster injectables), Continued channel penetration in lower-tier markets, Margin expansion driven by product mix upgrades. With China's aesthetic medicine market forecast to reach RMB 638bn by 2030, increasing regulatory barriers and consolidation trends will further strengthen the competitive positioning of compliance-focused leaders like Sihuan Pharmaceutical.

2) Innovative Drug Business — Xuanzhu Biopharmaceutical and Huisheng Biopharmaceutical Enter the Harvest Phase

Subsidiary 1: Xuanzhu Biopharmaceutical

Since its founding in 2008, Xuanzhu has consistently advanced at least one drug candidate into clinical trials annually. Today, the company has built three core technology platforms covering small molecule drugs, biologics, and clinical development, with a pipeline of over 10 investigational molecules targeting digestive diseases, oncology, and non-alcoholic steatohepatitis (NASH).

Currently, the company has successfully obtained regulatory approvals for three key innovative drugs, marking Xuanzhu's transformation from a research-oriented biotechnology company to a commercialization-driven biopharmaceutical company.

Flagship Drug 1: Anaprazole Sodium (Anjiuwei)

As China's first and only domestically developed proton pump inhibitor (PPI), Anaprazole features differentiated metabolic characteristics and excellent safety profile. Its new indication for treating reflux esophagitis has entered Phase III clinical trials, and market penetration is expected to significantly expand upon its market launch.

Flagship Drug 2: Bireociclib (Xuanyuening)

Bireociclib has been approved for two indications:

1. Monotherapy for adult patients with HR+/HER2- advanced or metastatic breast cancer whose disease has progressed after ≥ 2 lines of endocrine therapy and ≥ 1 line of chemotherapy;
2. In combination with fulvestrant for adult patients whose disease has progressed after prior endocrine therapy.

It is currently the only CDK4/6 inhibitor approved in China for monotherapy of end-stage HR+/HER2- breast cancer, meeting an important unmet clinical need. Its New Drug Application (NDA) for first-line treatment in combination with an aromatase inhibitor has been accepted and is expected to be approved in 2026. Bireociclib will eventually cover the entire patient population of HR+/HER2- advanced breast cancer.

Flagship Drug 3: Dirozalkib (Xuanfeining; XZP-3621)

Dirozalkib has been approved for the treatment of ALK-positive advanced non-small cell lung cancer (NSCLC). In the Phase III DIAMOND-2 study presented at CSCO 2025, the drug demonstrated rapid onset of action, potent systemic and intracranial efficacy, and durable response. With an excellent safety profile (primarily grade 1-2 gastrointestinal adverse events), Dirozalkib is well suited for long-term treatment and is expected to be commercially available for the first time this year.

Transition to BioPharma and Internationalization

On October 15, 2025, Xuanzhu successfully listed on the Hong Kong Stock Exchange under Chapter 18A, enhancing its global visibility and expanding its financing channels. With its integrated R&D engine, progressive product pipeline, and global development capabilities, Xuanzhu is consolidating its position as one of China's leading innovative pharmaceutical companies.

Figure 4: Xuanzhu Biopharmaceutical Pipeline (as of Sep 2025).

治疗领域 Therapeutic area	候选药物 Candidates	靶点 Target	药物类别 Drug categories	自主/合作 Internal/ External	临床适应症 Clinical indications	合作伙伴 Partners	当前阶段 Current Stage					
							临床前 Pre-clinical	IND	I期 Phase I	II期 Phase II	III期 Phase III	NDA
消化 Digestion	KIP-2571 安普唑唑钠 KIP-2571 Anaprazole Sodium	PPI	小分子抑制剂 Innovative small molecule drug	自主研发 Self-developed	十二指肠溃疡 Duodenal ulcer 成人反流性食管炎 Adult reflux esophagitis							
	XZP-3287 雷西利 XZP-3287 Bireociclib	CDK4/6	小分子抑制剂 Innovative small molecule drug	自主研发 Self-developed	HR+/HER2-晚期乳腺癌(内分泌耐药) HR+/HER2-advanced breast cancer (endocrine resistant) HR+/HER2-晚期乳腺癌(内分泌耐药) HR+/HER2-advanced breast cancer (endocrine resistant) HR+/HER2-局部晚期或转移性乳腺癌 HR+/HER2-locally advanced or metastatic breast cancer HR+/HER2-早期乳腺癌辅助治疗(内分泌耐药) Adjuvant therapy for HR+/HER2-early breast cancer (endocrine resistant)							
	XZP-3821	ALK	小分子抑制剂 Innovative small molecule drug	自主研发 Self-developed	ALK抑制剂 ALK inhibitor 一线治疗ALK+晚期NSCLC First-line treatment for ALK+ advanced NSCLC ALK抑制剂小细胞肺癌患者的一线治疗 Post-operative adjuvant therapy for patients with ALK+ NSCLC							
	KW602	CD30融合蛋白 CD30 fusion protein	生物类似药 Innovative biological drug	收购 Acquisition	胃癌(HER2阴性, 弥漫性) Stomach cancer (HER2-negative, diffuse)	Beigong Xiang						
	KW501	HER2/HER3-4DC	生物类似药 Innovative biological drug	自主研发 Self-developed	HER2+和HER3-4DC受体阳性乳腺癌、胃癌等 HER2+ and HER3-4DC receptor-positive breast cancer, gastric cancer, etc.							
	XZP-787	PARP1 抑制剂 PARP1 inhibitors	小分子抑制剂 Innovative small molecule drug	自主研发 Self-developed	胃癌(弥漫性、肠系膜、脂肪肉瘤、神经鞘瘤等) Stomach cancer (diffuse, mesenteric, sarcoma, neurofibroma, etc.)							
	XZP-694	USP1 抑制剂 USP1 inhibitors	小分子抑制剂 Innovative small molecule drug	自主研发 Self-developed	胃癌(弥漫性、肠系膜、脂肪肉瘤、神经鞘瘤等) Stomach cancer (diffuse, mesenteric, sarcoma, neurofibroma, etc.)							
	XZB-008	AXL	小分子抑制剂 Innovative small molecule drug	收购 Acquisition	胃癌 Stomach cancer 骨髓增生异常综合征/急性髓系白血病 Myelodysplastic syndrome/acute myelogenous leukemia	SINOGEN						
XZP-687	DNAK	小分子抑制剂 Innovative small molecule drug	自主研发 Self-developed	胃癌 Stomach cancer								
NG-350A	CD40	生物类似药 Innovative biological drug	收购 Acquisition	胃癌(弥漫性、肠系膜) Stomach cancer (diffuse, mesenteric)	AKAMIS							
NASH NASH	XZP-580	FXR	小分子抑制剂 Innovative small molecule drug	自主研发 Self-developed	非酒精性脂肪性肝炎 Non-alcoholic steatohepatitis							
	XZP-609	KHK	小分子抑制剂 Innovative small molecule drug	自主研发 Self-developed	非酒精性脂肪性肝炎 Non-alcoholic steatohepatitis							
海外授权或转让产品 Products (In Licensed or Transferred Out)												
其他 Others	KW118	HER2	生物类似药 Innovative biological drug	转让 Transfer	胃癌(弥漫性、肠系膜、脂肪肉瘤、神经鞘瘤等) Stomach cancer (diffuse, mesenteric, sarcoma, neurofibroma, etc.)	默沙东 Merck						
	XZP-655 格列齐特片 XZP-655 Gliclazide tablets	SGLT-2 抑制剂 SGLT-2 inhibitors	小分子抑制剂 Innovative small molecule drug	转让 Transfer	2型糖尿病 Type 2 diabetes	礼来 Eli Lilly						
	KIP-501 西替鲁单抗 KIP-501 Cixutumumab	表皮生长因子受体 EGFR inhibitor	小分子抑制剂 Innovative small molecule drug	转让 Transfer	晚期肺癌 Advanced lung cancer	阿斯利康 AstraZeneca						
	XZP-589	PDE6	小分子抑制剂 Innovative small molecule drug	转让 Transfer	肺动脉高压 Pulmonary arterial hypertension (PAH)	礼来 Eli Lilly						

Source: GLH Research; Company filings.

International Partnerships — Unlocking a Second Growth Curve

An important strategic milestone is the collaboration between Xuanzhu and Akamis Bio, through which Xuanzhu has obtained a license to develop NG-350A, a next-generation oncolytic virus therapy developed on the T-SIGn® platform. NG-350A, administered intravenously, delivers an adenovirus vector encoding a CD40 agonist monoclonal antibody directly to the tumor site, thereby activating an immune response.

In overseas Phase I clinical trials, NG-350A demonstrated encouraging safety and efficacy in the treatment of rectal and pancreatic cancer. In October 2025, NG-350A received Fast Track designation from the US FDA, accelerating its development to address a significant unmet medical need.

If commercialization is successful, NG-350A is expected to become the first approved CD40 agonist-based therapy in China, with peak annual sales potentially exceeding RMB 1 billion, assuming a market penetration rate of 10-15%. More advanced therapies, including cell therapies, are anticipated in the future, further enhancing Xuanzhu's innovation momentum.

Commercial Strategy — Channels, Reimbursement, and Indication Expansion

Channel Expansion

Dedicated sales teams have been deployed for digestive and oncology therapeutics. Leveraging Sihuan's strong presence in digestive disease markets, Anaprazole has rapidly expanded coverage to 1,000+ hospitals nationwide.

Reimbursement and Indication Growth

Key products have been incorporated into the National Reimbursement Drug List (NRDL) to enhance patient accessibility.

- For Bireociclib: after approval for second-line and monotherapy indications, it is pursuing first-line and early-stage breast cancer indications.
- For Dirozalkib: following approval in first-line lung cancer, combination regimens are being explored to broaden its patient base.

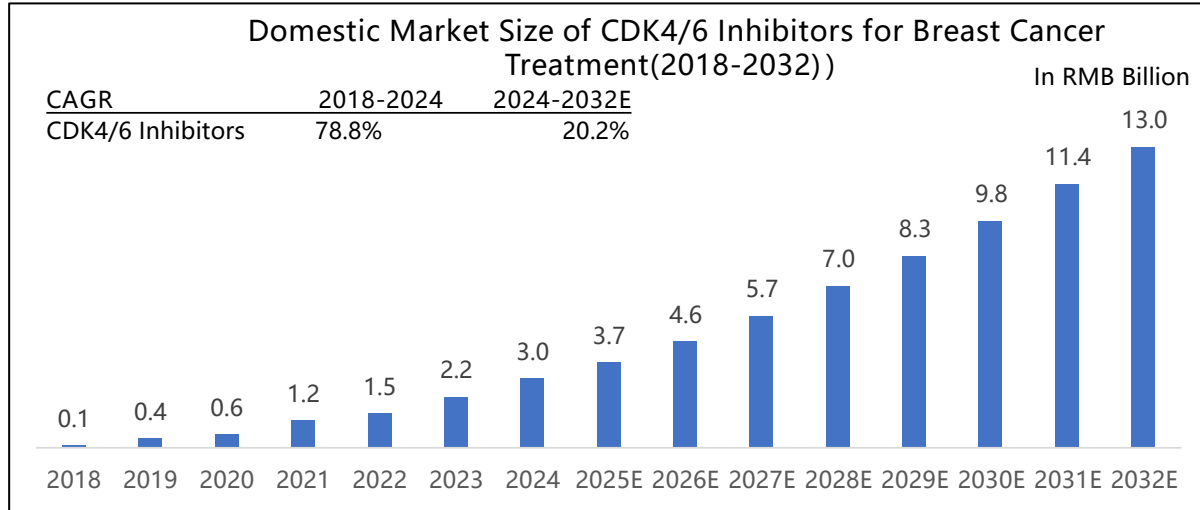
Dual drivers—reimbursement + expanded indications—will accelerate commercial ramp-up.

Market Opportunity in Oncology

Breast cancer is now the most common cancer among Chinese women, with ~375,000 new HR+/HER2- cases annually. NSCLC represents over 80% of lung cancer diagnoses. By 2030, the potential domestic market size is expected to exceed RMB17 billion, including RMB9.8 billion for CDK4/6 inhibitors and RMB7.8 billion for ALK inhibitors.

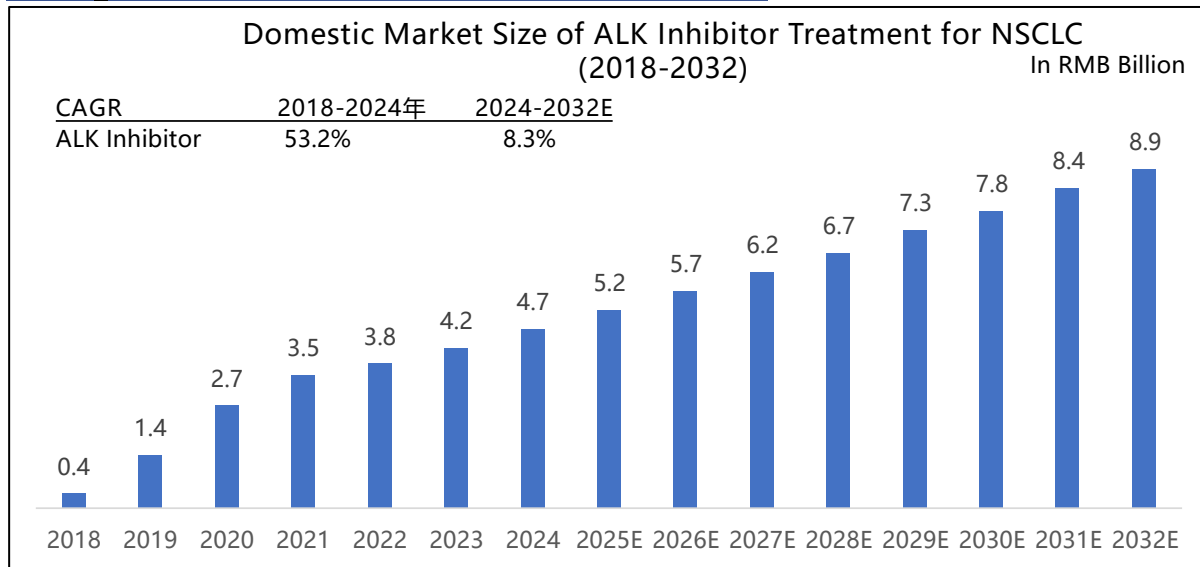
Demand for cost-effective, domestically produced alternatives to imported therapies remains strong.

Figure 5: Domestic Market Size of CDK4/6 Inhibitors for Breast Cancer Treatment.



Source: GLH Research; Company filings.

Figure 6: Domestic Market Size of ALK Inhibitor Treatment for NSCLC.



Source: GLH Research; Company filings.

Subsidiary 2: Huisheng Biopharmaceutical

Huisheng Biopharmaceutical focuses on diabetes and related complications, developing a comprehensive pipeline across the full disease continuum—including SGLT-2 inhibitors, DPP-4 inhibitors, all insulin categories, GLP-1 analogues, and multiple mechanisms for complications treatments. Its goal is to deliver a closed-loop therapeutic solution for diabetes management.

Key Product 1: Ganagliflozin (Huiyoujing)

A Class 1 innovative SGLT-2 inhibitor for Type 2 diabetes, offering improved safety and more stable glycemic control.

Key Product 2: Insulin Degludec and Insulin Aspart Injection (Huiyoujia)

A next-generation soluble premixed insulin, approved as the first biosimilar domestically.

Key Product 3: Insulin Degludec Injection (Huiyouda)

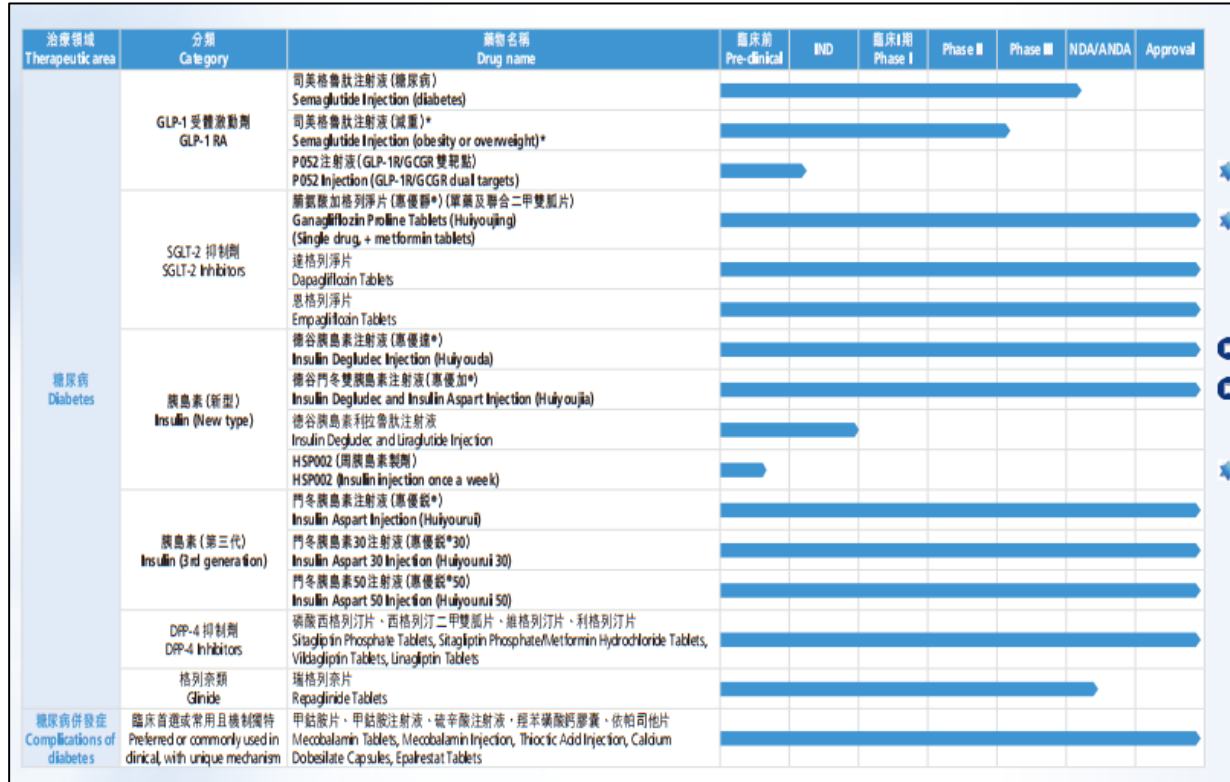
A next-generation long-acting insulin, also approved as the first biosimilar in domestic.

Key Product 4: Semaglutide Injection

The NDA for the diabetes indication has been accepted, while the obesity indication has completed Phase III enrollment and is currently in follow-up.

Huisheng’s hospital coverage expanded to 1,800+ hospitals, providing a strong base for future commercialization.

Figure 7 Huisheng Biopharmaceutical’s Pipeline as of 1H25.



Source: GLH Research; Company filings.

Market Outlook for Metabolic Diseases

China has the world’s largest diabetes population—exceeding 148 million in 2024 (International Diabetes Federation). Rising obesity prevalence further expands treatment needs.

GLP-1 receptor agonists and SGLT-2 inhibitors are becoming standard of care for diabetes and weight management. The domestic GLP-1RA market is expected to grow at 30%+ CAGR to 2030, driven by penetration into both diabetes and obesity indications.

By 2027, innovative drugs are expected to contribute over 20% of Sihuan’s total revenue, strengthening its position as a dual-engine innovator.

Figure 8: Top 10 countries or regions by number of adults (ages 20-79) diabetes patients in 2024 and 2050.

2024			2050		
Rank	Country or Territory	Number of People with diabetes (millions)	Rank	Country or Territory	Number of People with diabetes (millions)
1	China	148.0	1	China	168.3
2	India	89.8	2	India	156.7
3	United States of America	38.5	3	Pakistan	70.2
4	Pakistan	34.5	4	United States of America	43.0
5	Indonesia	20.4	5	Indonesia	28.6
6	Brazil	16.6	6	Egypt	24.7
7	Bangladesh	13.9	7	Brazil	24.0
8	Mexico	13.6	8	Bangladesh	23.1
9	Egypt	13.2	9	Mexico	19.9
10	Japan	10.8	10	Turkey	14.1

Source: GLH Research; Company filings.

3) Generic Drug Business — A Cash-Flow Anchor Under VBP and a Strategic Support for Transformation

Development Trajectory

Since Sihuan Pharmaceutical was founded in 2001, the generics business has been its foundational pillar. The company established strong market positions across cardiovascular, central nervous system (CNS), and anti-infective therapeutic areas, with hospital coverage exceeding 16,000 institutions nationwide.

Before 2019, generics revenue remained at a high level. However, the introduction of Volume-Based Procurement (VBP) and the National Key Monitoring Drug List placed the segment under pricing pressure, resulting in subsequent revenue contraction.

Pipeline Layout

Sihuan currently has nearly 100 marketed products and 30 products under development. In 1H25 alone, nine new products received regulatory approval across cardiovascular, CNS, and anesthesiology categories.

A core product, Cinepazide Maleate Injection, has strong real-world evidence (large-scale confirmatory RCTs with high evidence levels) and is the only vasodilator recommended in the 2023 China Guidelines for the Diagnosis and Treatment of Acute Ischemic Stroke, positioning it favorably for future clinical adoption.

Outlook

Although revenue pressure persists due to VBP, we believe the generics segment has already reached a cyclical bottom. From 2026 to 2027, generics revenue is expected to stabilize, supported by product expansion and improved operational efficiency.

More importantly, the generics business continues to function as a stable cash-flow engine, providing financial resilience for Sihuan's strategic investments in medical aesthetics and innovative therapeutics. This predictable cash generation helps secure the company's long-term sustainable development and mitigates risks associated with its transformation toward higher-margin, innovation-driven growth engines.

Financial Performance

2024–2025: Profitability Turning Point Emerging

Sihuan Pharmaceutical generated RMB 1.901 billion in revenue in 2024, up 2.2% YoY—marking the company's first top-line recovery since its business restructuring. Although the company still recorded a net loss of RMB 217 million, the loss narrowed significantly from RMB 341 million in 2023.

The improvement reflects the fading impact of one-off expenses as well as stabilization in the generics segment. Meanwhile, the medical aesthetics business delivered strong momentum, with revenue up 65% YoY to RMB 744 million, and the innovative drug segment reported RMB 58 million in revenue, up 388% YoY, underscoring the growing contribution of high-margin growth drivers.

1H25: Strong Growth Momentum Sustained

In 1H25, the company reported RMB 1.146 billion in revenue (+21% YoY) and net profit attributable to shareholders of RMB 103 million (+407% YoY). Segment breakdown:

- Medical aesthetics: Revenue RMB 585 million (+81% YoY), segment profit RMB 310 million (+215% YoY).
- Innovative drugs: Revenue RMB 58 million (+97% YoY), with losses narrowing as Bireociclib and Dirozalkib enter commercialization.
- Generics: Revenue RMB 503 million (-16% YoY); however segment profit increased to RMB 168 million (+1% YoY), with segment margin rising to 68%.

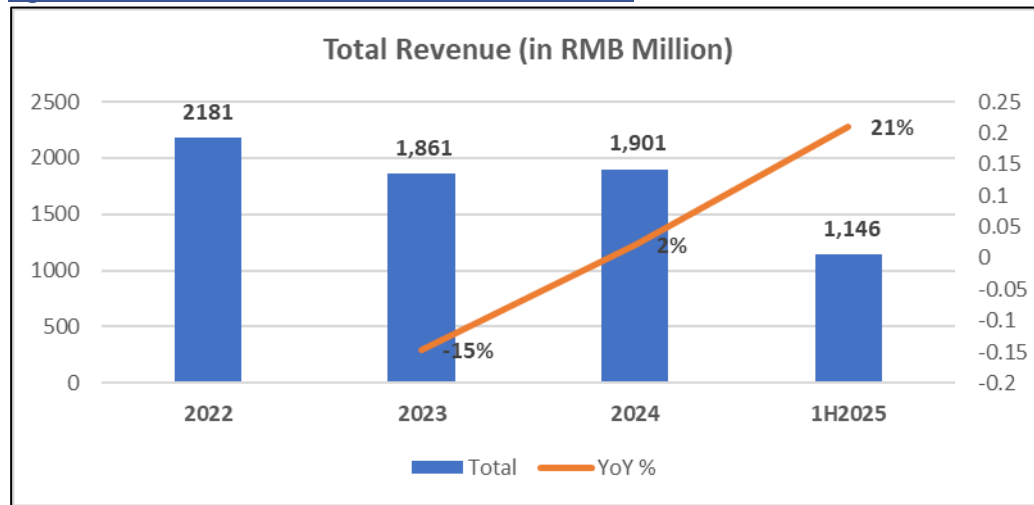
These results confirm that 2024 was the year of structural transition, while 2025 marks a clear inflection point toward sustained profitability.

Margin Expansion and Operating Leverage

Gross margin improved from 65% in 2024 to 73% in 1H25, driven by a higher contribution from medical aesthetics and innovative drugs.

Operating profit reached RMB 264 million in 1H25, compared with a loss of RMB 138 million in the same period of 2024. As revenue scale increases and sales/marketing costs are gradually absorbed, operating leverage continues to strengthen, laying the foundation for sustained margin expansion.

Figure 9: Sihuan's Total Revenue and Growth 2022-1H25.



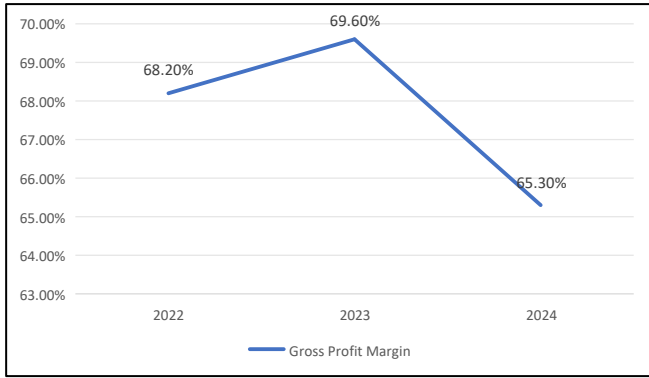
Source: GLH Research; Company filings.

Figure 10: Sihuan's Segment Profit 2022-1H25.

Segment Profit in RMB Millions	2022	2023	2024	1H2025
Medical Aesthetics	4	92	251	310
YoY %		2200%	173%	215%
Innovative Drugs & Others	-1,400	-676	-948	-274
YoY %		N/A	N/A	N/A
Generics	-16	564	357	168
YoY %		N/A	-37%	1%
Total	-1412	-20	-341	204

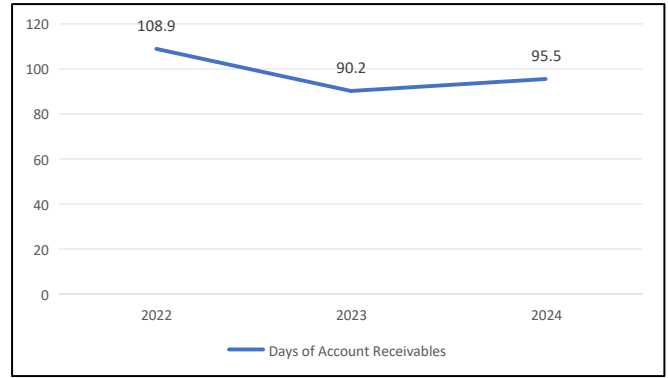
Source: GLH Research; Company filings.

Figure 11: Gross Profit Margin in 2022-2024.



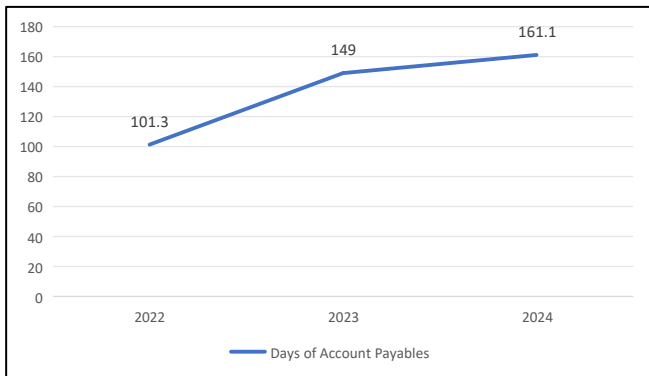
Source: GLH Research; Company filings.

Figure 12: No. of Days of Account Receivables in 2022-2024.



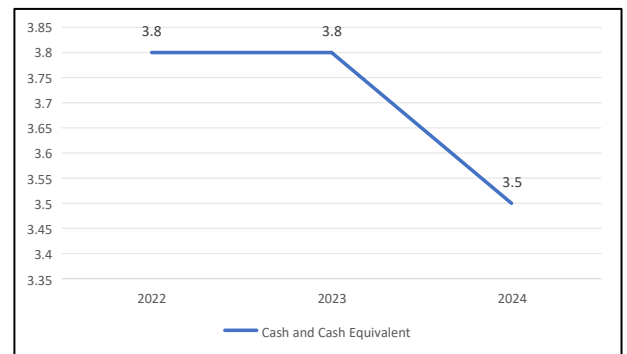
Source: GLH Research; Company filings.

Figure 13: No. of Days of Account Payables in 2022-2024.



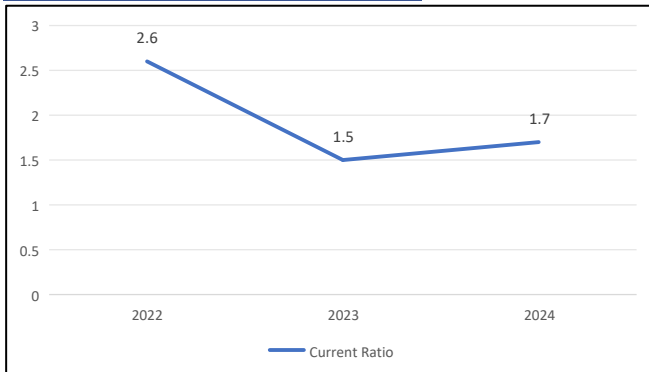
Source: GLH Research; Company filings.

Figure 14: Cash and Cash Equivalent in 2022-2024 (In RMB Billion).



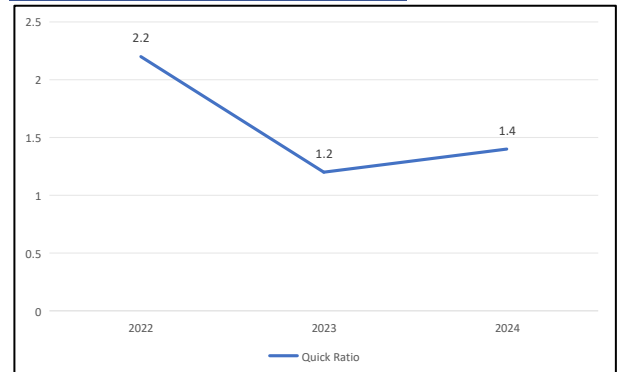
Source: GLH Research; Company filings.

Figure 15: Current Ratio in 2022-2024.



Source: GLH Research; Company filings.

Figure 16: Quick Ratio in 2022-2024.



Source: GLH Research; Company filings.

Valuation Conclusion

The core of Sihuan Pharmaceutical's valuation disconnect lies in the market's delayed recognition of its evolving platform model in medical aesthetics and the accelerating value realization in innovative therapeutics (Xuanzhu and Huisheng).

We forecast Sihuan's revenue to reach RMB 2.32 billion in 2025 (+22% YoY) and RMB 3.24 billion in 2026 (+40% YoY), driven primarily by sustained expansion in the medical aesthetics segment and the commercial ramp-up of Bireociclib and Dirozalkib.

Net profit is projected to increase from RMB 103 million in 1H25 to RMB 460 million in 2026, with gross margin expected to remain above 65% as the business mix continues shifting toward higher-value segments.

As the medical aesthetics business evolves into a "technology + channel + ecosystem" platform, and innovative therapeutics enter the commercialization harvest stage, Sihuan is transitioning from a restructuring story to a growth-led re-rating candidate.

Despite this, the market continues to apply a legacy valuation lens suited to traditional pharmaceutical companies, overlooking the fact that Sihuan has already transformed into a dual-engine platform: aesthetic medicine + innovative drug incubator. The extreme valuation anomaly—where cash and the aesthetics segment together already cover the company’s entire market cap—presents a compelling long-term entry opportunity for investors.

We believe sustained execution and commercialization visibility will act as key catalysts driving a systematic rerating.

Figure 17: Company’s Financials 2023 – 2026E.

Unit: Million RMB	2023	1H24	2H24	2024	1H25	2H25E	2025E	2026E
Revenue	1,861	950	951	1,901	1,146	1,173	2,319	3,239
Cost of sales	-565	-341	-318	-659	-389	-411	-800	-1,150
Gross profit	1,296	609	633	1,242	757	762	1,519	2,089
Other income	198	108	140	248	100	151	252	256
Other gains - net	216	60	63	124	22	70	93	110
Distribution expenses	-442	-213	-217	-430	-231	-264	-495	-564
Administrative expenses	-469	-240	-505	-745	-212	-304	-516	-590
Research and development expenses	-578	-196	-278	-474	-153	-230	-383	-431
Other expenses	-59	-18	-84	-102	-19	-25	-44	-58
Operating (Loss)/Profit	162	109	-247	-138	264	161	425	813
Finance expenses	-269	-132	-142	-275	-105	-122	-227	-301
Share of profits and losses of investments accounted for using the equity method	-54	4	-19	-15	-2	-2	-5	-10
Loss before tax	-161	-19	-409	-428	157	36	193	501
Income tax expense	-96	-49	5	-43	-91	-5	-96	-75
Loss For The Year	-258	-68	-404	-472	66	31	97	426
Loss Attributable to Non-controlling interests	-204	-35	-220	-255	-36	-19	-55	-32
Loss Attributable to Owners of the Company	-54	-33	-183	-217	103	49	152	459

Source: GLH Research; Company filings.

Risk Factors

1) R&D and Commercialization Risks

Sihuan’s future growth relies heavily on the successful development and commercialization of its innovative drug and medical aesthetics pipelines. Drug development is inherently long-cycle and capital-intensive, with high uncertainty.

Risks include:

- Insufficient clinical efficacy
- Safety concerns
- Delays in patient enrollment
- Regulatory review setbacks or extended approval timelines

Failure to meet regulatory requirements or clinical endpoints could delay or derail product launches, lead to sunk R&D costs, and reduce the company’s ability to capture market opportunities. Even after approval, weaker-than-expected adoption could negatively impact performance.

2) Medical Aesthetics Commercial Execution Risks

While Sihuan has rapidly launched multiple aesthetics and innovative products, its commercialization track record in these areas is still short compared with established competitors with decades of brand equity, physician loyalty, and entrenched distribution networks.

Given the consumer-driven and highly fragmented nature of the aesthetics industry, scaling requires continuous investment in:

- Marketing
- Physician education
- Clinic partnerships
- Repeat-consumption ecosystems

Underperformance in channel expansion or promotional effectiveness could delay volume ramp-up and extend payback periods for new product investments.

3) Policy and Regulatory Risks

China's pharmaceutical and aesthetics sectors operate within dynamic regulatory environments.

For pharmaceuticals:

- VBP expansion
- Tightening hospital cost-control measures
- Adjustments to reimbursement or key monitoring lists

may pressure pricing and margins.

For medical aesthetics:

- Stricter NMPA device/drug classification
- Advertising compliance requirements
- Practitioner qualification rules

may slow adoption or increase operating costs.

Any unfavorable changes could impact Sihuan's sales growth, profitability, or strategic flexibility.

4) Delayed Valuation Re-rating Risk

Given the company's multi-segment structure, the market may take longer to reassess its value compared with single-focus peers. The valuation recovery process depends on consistent financial delivery. Short-term volatility in earnings or market sentiment could delay re-rating progress despite underlying business improvements.

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