

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial information, included in the Accountants’ Report in Appendix I to this document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with the IFRS Accounting Standards (“IFRSs”).

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. In evaluating our business, you should carefully consider the information provided in the section headed “Risk Factors” in this document.

OVERVIEW

We are a leading pharmaceutical company focused on the CKM sector in China. In 2025, with a market share of 11.3%, we ranked second in terms of in-hospital sales revenue of cardiovascular drugs in China, according to Frost & Sullivan. As of the Latest Practicable Date, we ranked second among domestic companies by the number of marketed NMEs and pipeline candidates in or beyond the IND stage for CKM syndrome, according to the same source.

CKM syndrome is a systemic disorder characterized by pathophysiological interactions among metabolic risk factors, CKD, and the cardiovascular system, leading to multiorgan dysfunction and a high rate of adverse cardiovascular outcomes. In 2025, the global prevalence of CKM syndrome reached 88.9% among adults, according to Frost & Sullivan. Because CKM conditions are chronic in nature, patients require long-term—often lifelong—treatment. Well-established originator products for CKM conditions often translate into strong patient retention and an extended commercial lifespan. As of the Latest Practicable Date, we had 44 marketed drugs, including six innovative drugs—XinLiTan (approved in 2013), FuLiTan (approved in 2024), XinLiTing (approved in 2024), XinChaoTuo (approved in 2025), FuLiAn (approved in 2025), and EnNaLuo (first approved in 2023, label expanded in 2025). Their rapid market uptake has been instrumental in driving our growth. Our revenue from sales of innovative drugs as a percentage of our total revenue from sales of pharmaceuticals increased from 30.1% in 2023 to 37.7% in 2024, and further increased to 52.1% in 2025. For the six months ended June 30, 2026, our revenue from sales of innovative drugs as a percentage of our total revenue from sales of pharmaceuticals was 54.8%, an increase from 50.5% for the same period of 2025.

We achieved solid financial performance during the Track Record Period. Our total revenue increased by 19.2% from RMB3,365.3 million in 2023 to RMB4,012.2 million in 2024, and further increased by 8.5% to RMB4,352.7 million in 2025. For the six months ended June 30, 2026, our total revenue was RMB2,479.1 million, an increase of 16.3% from RMB2,131.0 million for the same period of 2025. Our net profit increased by 4.2% from RMB580.8 million in 2023 to RMB605.2 million in 2024, and further increased by 7.9% to RMB652.8 million in 2025. For the six months ended June 30, 2026, our net profit was RMB390.5 million, an increase of 4.0% from RMB375.4 million for the same period of 2025.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board. All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2026, together with the relevant transitional provisions, have been early adopted by us in the preparation of the historical financial information throughout the Track Record Period.

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Our historical financial information has been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that our performance and results of operations have been, and will continue to be, affected by the following major factors:

Growth of the Global and China’s CKM Sector

We believe that the overall growth of the global and Chinese pharmaceutical markets, particularly in the CKM sector, has had and will continue to have a significant impact on our revenue growth. In 2025, the global prevalence of CKM syndrome reached 88.9% among adults, according to Frost & Sullivan. Low control rates of CKM conditions are strongly linked to increased mortality. CKM syndrome is a leading cause of mortality worldwide, with an at-risk population of over 1 billion each year, according to the same source. In 2025, the size of the global and Chinese CKM drug market reached US\$507.8 billion and US\$89.8 billion, respectively, according to Frost & Sullivan. Looking forward, in 2030, the size of the global and Chinese CKM drug market is expected to reach US\$751.7 billion and US\$139.6 billion, respectively, representing a CAGR of 8.2% and 9.2%, respectively, according to the same source. For more information on the recent trends and drivers for the CKM drug markets in China and globally, see the section headed “Industry Overview.”

Our Ability to Continuously Replenish and Enhance Our Product Portfolio

Our ability to continuously develop and bring to market new drugs and medical devices and further enhance our product portfolio is crucial for sustaining our growth momentum and achieving long-term success. As of the Latest Practicable Date, we had 44 marketed drugs, including six innovative drugs. In recent years, sales of innovative drugs have become our major growth driver. We believe that innovative drugs generally offer higher margins and advantages in rapid market penetration and benefit from patent protection that provides a long exclusivity period. Our revenue from sales of innovative drugs as a percentage of our total revenue from sales of pharmaceuticals increased from 30.1% in 2023 to 37.7% in 2024, and further increased to 52.1% in 2025. For the six months ended June 30, 2026, our revenue from sales of innovative drugs as a percentage of our total revenue from sales of pharmaceuticals was 54.8%, an increase from 50.5% for the same period of 2025.

We are continuing to replenish our innovative product portfolio by leveraging our advanced technology platforms and end-to-end clinical development capabilities. As of the Latest Practicable Date, we had 79 pipeline innovative drugs at various stages of development. As product candidates progress through development and approach commercialization, our results of operations will depend on our ability to successfully launch and market these products. However, our ability to successfully develop, commercialize, and increase the market penetration for our new innovative drugs is subject to a number of risks and uncertainties, many of which are beyond our control. To enhance market acceptance and accelerate sales growth of our commercialized products, we plan to strengthen our engagement with patients, physicians, reputable research institutions and experts to build clinical recognition of our differentiated innovative products.

Our Ability to Enter Medical Insurance Programs and Compete in the Centralized Procurement Process for Pharmaceutical Procurement by Public Medical Institutions in China

The market adoption and sales volume of our products are affected by their inclusion in government-sponsored medical insurance programs. Under China’s public medical insurance programs, patients are entitled to reimbursement for all or a portion of the cost of pharmaceutical products listed in the NRDL, the provincial medical insurance catalogs, or critical illness medical

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insurance catalogs at provincial or local levels, depending on the particular program applicable to them. Pharmaceutical products included in these programs are subject to relevant pricing regulation. However, the inclusion of a pharmaceutical product in national, provincial, or other government-sponsored medical insurance programs typically can drive its market adoption. As of the Latest Practicable Date, 32 out of our 44 marketed drugs, including all of our commercialized innovative drugs, had been included in the NRDL. Overall, the benefits of having our drugs included in China’s national and provincial medical insurance programs significantly outweighed the countervailing factors during the Track Record Period. We believe these benefits will continue to support our business expansion in the foreseeable future.

China implements a centralized procurement process for the procurement of pharmaceuticals listed in medical insurance catalogs or those consumed in large volumes and commonly prescribed for clinical uses by the public medical institutions. Bids submitted through this process are generally considered based on factors including price competitiveness, clinical effectiveness, product quality, and the qualifications and reputation of the manufacturer. If we win the bids, our relevant drugs will be sold to public medical institutions at the bid prices, which are the primary determinant of prices at which we sell our products to our distributors. This process could result in downward pricing pressure on us. In addition, even if we win the bids, the procurement volume could be subject to uncertainty due to regulatory adjustments and variances among different areas. Furthermore, some of our commercialized generics sold to public medical institutions in China are also affected by the VBP scheme. The VBP scheme aims to achieve lower prices for pharmaceuticals with mature, high-volume clinical usage through sufficient competition in the bidding process for large-volume procurement. While the VBP scheme sometimes allows us to sell our products in large volumes, it generally places downward pressure on the prices at which we sell our products to our distributors. To mitigate such impact, we continue to diversify our product matrix by introducing new innovative drugs. For details, see “Risk Factors—Risks Related to Our Business and Industry—We may experience difficulties in our sales efforts as a result of pricing regulations or other policies that are intended to reduce healthcare costs, which could adversely affect our operations, revenue and profitability.”

Our Ability to Effectively Control Costs and Expenses

Our profitability has benefitted from our ability to effectively control costs and expenses. We have established end-to-end in-house capabilities from R&D to manufacturing, marketing, and sales, which enable us to cost-effectively develop and commercialize pharmaceutical products. Our cost of sales primarily consists of cost of raw materials, salaries and benefits, and depreciation and amortization. We manage costs through continuous process optimization and various cost-control measures, including a multi-phase annual budgeting process, a performance system tied to profit and cost-effectiveness, and strict procurement procedures. Due in part to our cost control efforts, our cost of sales as a percentage of our total revenue decreased from 31.7% in 2023 to 28.4% in 2024, and further decreased to 25.4% in 2025. Our cost of sales as a percentage of our total revenue remained relatively stable at 24.5% and 25.4% in the six months ended June 30, 2025 and 2026, respectively.

Selling and distribution expenses are a significant component of our operating expenses. For a chronic disease medication, the initial launch represents a critical, time-limited window to establish long-term prescribing habits and patient loyalty. To capitalize on this window, we will continue to execute a phased, targeted approach that fuels the commercial success of our product portfolio, as more drug candidates advance toward regulatory submission. In 2023, 2024, 2025, and the six months ended June 30, 2025 and 2026, selling and distribution expenses as a percentage of our total revenue were 30.2%, 36.7%, 40.5%, 39.2%, and 41.1%, respectively. To maintain an optimal level of selling and distribution expenses, we carefully plan our allocation of sales and

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marketing resources. In addition, we review and adjust our budgets based on sales targets. We also implement performance evaluation tied to cost-effectiveness, and track and analyze our sales and distribution expenses incurred as compared with the budget.

To maintain a sustainable roll-out of innovative drugs, we have invested heavily in research and development. In 2023, 2024, 2025, and the six months ended June 30, 2025 and 2026, our research and development costs as a percentage of our total revenue were 12.2%, 10.5%, 12.4%, 11.0%, and 10.9%, respectively. Our research and development costs as a percentage of our total operating expenses (including selling and distribution expenses, administrative expenses and research and development costs) were 23.3%, 19.0%, 20.5%, 19.0%, and 18.6%, for the same periods, respectively. We carry out R&D activities in a cost-effective manner. We only approve R&D projects after feasibility analysis with respect to technological, clinical, market, and financial potential, and our R&D team conducts periodic review of ongoing projects. We also tightly control our materials and outsourcing expenses through bidding process. In addition, we include cost control as a key performance indicator for our R&D heads at different levels. As a result, we are able to continue investing in research and development activities to propel our long-term sustainable growth while maintaining healthy profitability.

Our Ability to Establish Collaborations with Global Partners

Leveraging our strong pipeline of innovative drugs, we intend to explore out-licensing opportunities and other collaborations with global partners in the future to augment our commercial success globally. Out-licensing collaboration is expected to have a relatively high gross profit margin and improve our overall profitability.

Our results of operations have also been, and we expect them to continue to be, affected by our collaborations with third parties. For example, we have pursued, and may continue to pursue, in-licensing or other collaboration opportunities with third parties in the discovery and development of potential drug candidates. For more details on our material in-licensing arrangements, see “Business—Material Collaboration and Licensing Agreements.” However, there can be no assurance that such licensing and collaboration arrangements will deliver the intended results. In addition, the payments we made under the in-licensing agreements, including upfront and development milestone payments, sales milestone payments, and royalties, increase our costs.

MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our historical financial information. Some of our accounting policies involve the use of accounting estimates which, by definition, may differ from the actual results. Management also needs to exercise judgment in applying our accounting policies. Judgments and estimates are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on us and that are believed to be reasonable under the circumstances. We did not change our assumptions or estimates during the Track Record Period and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. Our material accounting policies and significant judgments and estimates, which are important for understanding our financial condition and results of operations, are set forth in further detail in Notes 2.3 and 3 to the Accountants’ Report included in Appendix I to this document.

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RESULTS OF OPERATIONS

The following table sets forth our selected consolidated statements of profit or loss for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,					
	2023		2024		2025		2025		2026			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%		
	(unaudited)											
Revenue	3,365,343	100.0	4,012,232	100.0	4,352,661	100.0	2,130,968	100.0	2,479,136	100.0		
Cost of sales	(1,065,462)	(31.7)	(1,138,057)	(28.4)	(1,105,077)	(25.4)	(522,903)	(24.5)	(630,861)	(25.4)		
Gross profit	2,299,881	68.3	2,874,175	71.6	3,247,584	74.6	1,608,065	75.5	1,848,275	74.6		
Other income and gains, net	201,993	6.0	178,067	4.4	301,026	6.9	85,360	4.0	63,510	2.6		
Selling and distribution expenses	(1,015,589)	(30.2)	(1,472,870)	(36.7)	(1,762,546)	(40.5)	(836,375)	(39.2)	(1,019,523)	(41.1)		
Administrative expenses	(330,644)	(9.8)	(323,155)	(8.1)	(329,042)	(7.6)	(169,339)	(7.9)	(166,533)	(6.7)		
Research and development costs	(409,194)	(12.2)	(421,240)	(10.5)	(539,332)	(12.4)	(235,264)	(11.0)	(270,957)	(10.9)		
(Provision)/reversal of impairment losses on financial assets, net	(2,417)	(0.1)	(6,443)	(0.2)	(4,807)	(0.1)	(13,842)	(0.6)	2,035	0.1		
Other expenses	(67,221)	(2.0)	(173,590)	(4.3)	(193,471)	(4.4)	(9,680)	(0.5)	(43,283)	(1.7)		
Finance costs	(19,591)	(0.6)	(17,287)	(0.4)	(22,219)	(0.5)	(9,646)	(0.5)	(9,369)	(0.4)		
Share of loss of associates	(15,457)	(0.5)	(5,141)	(0.1)	(41,285)	(0.9)	(2,668)	(0.1)	(6,310)	(0.3)		
Profit before tax	641,761	19.1	632,516	15.8	655,908	15.1	416,611	19.6	397,845	16.0		
Income tax expense	(60,932)	(1.8)	(27,360)	(0.7)	(3,124)	(0.1)	(41,241)	(1.9)	(7,368)	(0.3)		
Profit for the year/period	580,829	17.3	605,156	15.1	652,784	15.0	375,370	17.6	390,477	15.8		
Attributable to:												
Owners of the Company	580,066	17.2	601,569	15.0	651,505	15.0	365,079	17.1	387,092	15.6		
Non-controlling interests	763	0.0	3,587	0.1	1,279	0.0	10,291	0.5	3,385	0.1		
	580,829	17.3	605,156	15.1	652,784	15.0	375,370	17.6	390,477	15.8		

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

We primarily generate revenue from contracts with customers, which mainly consists of revenue from sales of innovative drugs, other pharmaceuticals, and medical devices. The following table sets forth a breakdown of our total revenue by offering category, in absolute amounts and as a percentage of our total revenue, for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,					
	2023		2024		2025		2025		2026			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	(unaudited)	
Contracts with customers	3,362,629	99.9	4,009,185	99.9	4,350,914	100.0	2,129,963	100.0	2,478,376	100.0		
Innovative drugs	922,025	27.4	1,357,280	33.9	1,998,579	45.9	957,072	44.9	1,213,952	49.0		
Other pharmaceuticals	2,142,081	63.7	2,246,815	56.0	1,837,776	42.2	936,575	44.0	1,000,022	40.3		
Generics	1,640,868	48.8	1,693,263	42.2	1,304,319	30.0	687,339	32.3	632,660	25.5		
Biosimilars	87,205	2.6	141,079	3.5	212,335	4.9	96,445	4.5	162,534	6.6		
APIs and intermediates ⁽¹⁾	414,008	12.3	412,473	10.3	321,122	7.4	152,791	7.2	204,828	8.3		
Medical devices	215,563	6.4	305,407	7.6	379,939	8.7	182,034	8.5	203,076	8.2		
Others ⁽²⁾	82,960	2.5	99,683	2.5	134,620	3.1	54,282	2.5	61,326	2.5		
Other sources⁽³⁾	2,714	0.1	3,047	0.1	1,747	0.0	1,005	0.0	760	0.0		
Total	3,365,343	100.0	4,012,232	100.0	4,352,661	100.0	2,130,968	100.0	2,479,136	100.0		

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Notes:

- (1) An intermediate is a material generated during the synthesis of an API that requires further reaction or purification before becoming the API. It is a transitional product in the manufacturing process and does not possess final pharmacological activity.
- (2) Revenue from others primarily includes our revenue generated from license of intellectual property and rendering pharmaceuticals processing services and R&D technology services to our business partners. We entered into technology transfer agreements with three private pharmaceutical companies in Chinese Mainland in May 2020, December 2020, and June 2021, respectively. Under these agreements, we transferred all rights to three noncore generic and biosimilar drugs for a total consideration of RMB115.7 million, RMB114.4 million of which has been recognized as revenue. For details, see Note 5 to the Accountants’ Report in Appendix I to this document.
- (3) Revenue from other sources primarily includes our rental income.

In 2023, 2024, 2025, and the six months ended June 30, 2025 and 2026, our revenue from exports to overseas markets accounted for 2.7%, 3.2%, 2.0%, 2.1%, and 1.8% of our total revenue for the respective periods, which was primarily generated from sales of cefepime to emerging markets, such as India, Brazil, and Egypt.

The following table sets forth a breakdown of our total sales revenue of pharmaceuticals by therapeutic area, in absolute amounts and as a percentage of our total sales revenue of pharmaceuticals, for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
CKM	1,897,108	61.9	2,345,453	65.1	2,899,107	75.6	1,421,989	75.1	1,722,861	77.8
Anti-infectives	966,603	31.5	1,022,060	28.4	593,465	15.5	303,034	16.0	256,022	11.6
Orthopedics	92,047	3.0	147,111	4.1	217,759	5.7	99,444	5.3	164,351	7.4
Others ⁽¹⁾	108,348	3.5	89,471	2.5	126,024	3.3	69,181	3.7	70,741	3.2
Total sales revenue of pharmaceuticals	3,064,106	100.0	3,604,095	100.0	3,836,355	100.0	1,893,647	100.0	2,213,975	100.0

Note:

- (1) Other therapeutic areas primarily include oncology, urology, neuroscience, and anti-allergy.

Cost of Sales

Our cost of sales consists of (i) cost of raw materials for our products, (ii) salaries and benefits for employees involved in our production, (iii) depreciation and amortization, and (iv) others, which mainly include production-related utility costs and sales-based royalties under our in-licensing agreements. Depreciation and amortization primarily include amortization of other intangible assets subsequent to the launch of our products, and depreciation of property, plant and equipment and right-of-use assets used in our production.

The following table sets forth a breakdown of our cost of sales by nature, in absolute amounts and as a percentage of our total cost of sales, for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Cost of raw materials . . .	499,776	46.9	526,155	46.2	439,462	39.8	211,624	40.5	272,985	43.3
Salaries and benefits . . .	164,536	15.4	170,438	15.0	174,290	15.8	83,812	16.0	94,571	15.0
Depreciation and amortization	304,603	28.6	338,683	29.8	351,933	31.8	170,301	32.6	178,712	28.3
Others	96,547	9.1	102,781	9.0	139,392	12.6	57,166	10.9	84,593	13.4
Total	1,065,462	100.0	1,138,057	100.0	1,105,077	100.0	522,903	100.0	630,861	100.0

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Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit as a percentage of our revenue. The following table sets forth a breakdown of our gross profit and gross profit margin by offering category for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2023		2024		2025		2025		2026	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Contracts with customers . . .	2,298,425	68.4	2,872,552	71.6	3,246,678	74.6	1,607,615	75.5	1,847,791	74.6
Innovative drugs	740,597	80.3	1,086,199	80.0	1,663,897	83.3	798,633	83.4	1,012,310	83.4
Other pharmaceuticals	1,378,035	64.3	1,518,624	67.6	1,225,378	66.7	633,154	67.6	653,796	65.4
Medical devices	161,467	74.9	248,304	81.3	310,232	81.7	155,394	85.4	157,495	77.6
Others	18,326	22.1	19,425	19.5	47,171	35.0	20,434	37.6	24,190	39.4
Other sources	1,456	53.6	1,623	53.3	906	51.9	450	44.8	484	63.7
Total	2,299,881	68.3	2,874,175	71.6	3,247,584	74.6	1,608,065	75.5	1,848,275	74.6

Other Income and Gains, Net

Our other income and gains, net consist of (i) government grants, (ii) interest income from bank deposits, (iii) investment income on financial assets at FVTPL, (iv) fair value gains on financial assets at FVTPL, (v) exchange differences, net, primarily related to our bank balances and other assets denominated in foreign currencies, and (vi) others.

Our government grants are financial subsidies from local government authorities. They are typically subject to certain conditions, and we are only able to recognize government grants as other income when certain conditions are fulfilled. During the Track Record Period, our government grants primarily included amortization of deferred income for the current period, tax credit, and government subsidy for clinical trials of our innovative drugs. Certain of our government grants are one-off in nature. There were no unfulfilled conditions or contingencies relating to the grants we received and recognized as other income during the Track Record Period. Financial assets at FVTPL primarily include our structured bank deposits and wealth management products offered by licensed banks and financial institutions. For details, see “—Discussion of Selected Items from Consolidated Statements of Financial Position—Financial Assets at Fair Value through Profit or Loss.”

The following table sets forth a breakdown of our other income and gains, net, for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)				
Other income:					
Interest income	68,644	52,608	58,676	30,422	20,674
Government grants	79,198	53,855	102,909	27,345	15,331
Additional deduction of value added tax . .	11,748	19,617	11,844	7,451	3,681
Investment income on financial assets at FVTPL	29,973	33,737	34,901	13,882	13,204
Total other income	189,563	159,817	208,330	79,100	52,890
Gains:					
Fair value gains on financial assets at FVTPL	8,093	14,513	36,718	5,734	9,681
Gain on partial disposal of investment in an associate	—	—	54,178	—	—
Foreign exchange differences, net	3,006	1,685	—	—	—
Others	1,331	2,052	1,800	526	939
Total gains	12,430	18,250	92,696	6,260	10,620
Total	201,993	178,067	301,026	85,360	63,510

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Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) marketing expenses associated with our various marketing and promotion activities, (ii) salaries and benefits for our sales and marketing staff, (iii) travel expenses and office allowance for our sales and marketing staff, (iv) depreciation and amortization relating to fixed assets for selling and distribution purposes, (v) share-based payments for our sales and marketing staff, and (vi) other miscellaneous expenses.

The following table sets forth a breakdown of our selling and distribution expenses, in absolute amounts and as a percentage of our total selling and distribution expenses, for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Marketing expenses	565,074	55.6	915,641	62.2	1,134,306	64.4	547,566	65.5	671,371	65.9
Salaries and benefits	402,838	39.7	498,346	33.8	576,531	32.7	263,452	31.5	325,611	31.9
Travel expenses and office allowance	30,710	3.0	40,730	2.8	36,580	2.1	18,220	2.2	18,374	1.8
Depreciation and amortization	6,065	0.6	5,999	0.4	6,634	0.4	3,230	0.4	3,399	0.3
Share-based payments	7,686	0.8	8,038	0.5	6,906	0.4	3,256	0.4	288	0.0
Others	3,216	0.3	4,116	0.3	1,589	0.1	651	0.1	480	0.0
Total	1,015,589	100.0	1,472,870	100.0	1,762,546	100.0	836,375	100.0	1,019,523	100.0

Administrative Expenses

Our administrative expenses primarily consist of (i) salaries and benefits for our administrative staff, (ii) taxes and surcharges, (iii) professional service fees, primarily related to audit, consultancy, and legal services provided to us, (iv) depreciation and amortization relating to our fixed assets for administrative use, (v) office allowance and travel expenses for our administrative staff, (vi) share-based payments for our administrative staff, and (vii) others, which mainly include repairs and maintenance expenses.

The following table sets forth a breakdown of our administrative expenses, in absolute amounts and as a percentage of our total administrative expenses, for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Salaries and benefits	153,079	46.3	150,761	46.7	156,690	47.6	82,466	48.7	82,650	49.6
Taxes and surcharges	43,558	13.2	50,865	15.7	60,220	18.3	29,590	17.5	37,507	22.5
Professional service fee	46,824	14.2	37,561	11.6	30,115	9.2	18,343	10.8	10,651	6.4
Depreciation and amortization	30,701	9.3	27,764	8.6	28,693	8.7	14,431	8.5	14,839	8.9
Office allowance and travel expenses	23,893	7.2	26,327	8.1	24,645	7.5	11,817	7.0	12,817	7.7
Share-based payments	12,256	3.7	7,413	2.3	12,277	3.7	6,374	3.8	1,239	0.7
Others	20,333	6.1	22,464	7.0	16,402	5.0	6,318	3.7	6,830	4.1
Total	330,644	100.0	323,155	100.0	329,042	100	169,339	100.0	166,533	100.0

FINANCIAL INFORMATION

Research and Development Costs

Our research and development costs consist of (i) direct costs of research and development, primarily including costs of materials, such as reagents and consumables, and experimental testing and other service fees, in relation to our preclinical studies and clinical development, (ii) salaries and benefits for our research and development staff, (iii) depreciation and amortization of fixed assets used for research and development purposes, (iv) share-based payments for our research and development staff, and (v) others, which include IP registration fees, travel expenses and other R&D related miscellaneous expenses.

The following table sets forth a breakdown of our research and development costs, in absolute amounts and as a percentage of our total research and development costs, for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Direct costs of research and development	194,698	47.6	188,089	44.7	294,265	54.6	116,438	49.5	130,999	48.3
Salaries and benefits . . .	152,400	37.2	159,617	37.9	171,857	31.9	83,104	35.3	100,124	37.0
Depreciation and amortization	32,823	8.0	38,873	9.2	43,558	8.1	22,504	9.6	21,611	8.0
Share-based payments . . .	3,952	1.0	2,078	0.5	2,042	0.4	1,342	0.6	2,080	0.8
Others	25,321	6.2	32,583	7.7	27,610	5.1	11,876	5.0	16,143	6.0
Total	409,194	100.0	421,240	100.0	539,332	100.0	235,264	100.0	270,957	100.0

(Provision)/Reversal of Impairment Losses on Financial Assets, Net

In 2023, 2024, 2025, and the six months ended June 30, 2025, we recorded impairment losses on financial assets, net, of RMB2.4 million, RMB6.4 million, RMB4.8 million, and RMB13.8 million, respectively. For the six months ended June 30, 2026, we recorded reversal of impairment losses on financial assets, net, of RMB2.0 million.

Other Expenses

Our other expenses primarily consist of (i) impairment of goodwill primarily arising from our acquisition of subsidiaries, (ii) impairment of other intangible assets, primarily related to development expenditures, (iii) donations, and (iv) others, which primarily include losses on disposal of assets.

The following table sets forth a breakdown of our other expenses for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(unaudited)</i>				
Impairment of goodwill . . .	49,615	—	—	—	—
Impairment of other intangible assets	1,029	157,294	151,149	—	—
Donations	13,048	13,660	27,105	4,346	32,229
Exchange differences, net .	—	—	10,480	3,405	10,088
Others	3,529	2,635	4,737	1,929	966
Total	67,221	173,590	193,471	9,680	43,283

FINANCIAL INFORMATION

Finance Costs

Our finance costs consist of the interest accrued on (i) put option liabilities, which represent the rights of investors in our subsidiary, Shenzhen Salubris Medtech Co., Ltd. (“**Salubris Medtech**”), to request us to redeem their shares upon the condition set out in the investment agreement with respect to their capital contributions (the “**redemption liabilities**”), (ii) bank loans, and (iii) lease liabilities. For details of our redemption liabilities, see Note 32 to the Accountants’ Report in Appendix I to this document. The following table sets forth a breakdown of our finance costs for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Interest on put option liabilities	14,096	14,672	16,772	7,460	7,740
Interest on bank loans and discounted bills	4,232	1,468	4,650	1,759	1,189
Interest on lease liabilities	1,263	1,147	797	427	440
Total	19,591	17,287	22,219	9,646	9,369

Share of Losses of Associates

Our share of losses of associates during the Track Record Period was primarily in relation to our investments in Sichuan Jinjiang Electronics Technology Co., Ltd. (“**Sichuan Jinjiang**”), a company focusing on the R&D, production, and sales of high-end, innovative medical devices for diagnosis and ablation in the field of cardiac electrophysiology. We recorded our share of losses of associates of RMB15.5 million, RMB5.1 million, RMB41.3 million, RMB2.7 million, and RMB6.3 million in 2023, 2024, 2025, and the six months ended June 30, 2025 and 2026, respectively. For details, see Note 18 to the Accountants’ Report in Appendix I to this document.

Income Tax Expenses

Our income tax expenses consist of current income tax and deferred income tax. We are subject to income tax on an entity basis on profits arising in or derived from the respective jurisdictions in which each group member is domiciled and operates. The following table sets forth a breakdown of our income tax expenses for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Current income tax	74,059	83,265	69,403	32,494	45,508
Deferred income tax	(13,127)	(55,905)	(66,279)	8,747	(38,140)
Total	60,932	27,360	3,124	41,241	7,368

Our effective income tax rate (representing income tax expenses as a percentage of profit before tax) was 9.5%, 4.3%, 0.5%, 9.9%, and 1.9% in 2023, 2024, 2025, and the six months ended June 30, 2025 and 2026, respectively. For details of our tax treatments, see Note 10 to the Accountants’ Report in Appendix I to this document.

DISCUSSION OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2026 Compared to Six Months Ended June 30, 2025

Revenue

Our revenue increased by 16.3% from RMB2,131.0 million for the six months ended June 30, 2025 to RMB2,479.1 million for the same period of 2026, primarily due to an RMB348.4 million increase in revenue from contracts with customers.

FINANCIAL INFORMATION

Revenue from contracts with customers

Our revenue from contracts with customers increased by 16.4% from RMB2,130.0 million for the six months ended June 30, 2025 to RMB2,478.4 million for the same period of 2026, primarily attributable to an RMB320.3 million increase in revenue generated from sales of pharmaceuticals.

- *Innovative drugs.* Revenue generated from our sales of innovative drugs increased by 26.8% from RMB957.1 million for the six months ended June 30, 2025 to RMB1,214.0 million for the same period of 2026, primarily due to the increased sales of innovative drugs, such as FuLiTan, EnNaLuo and XinChaoTuo. The increase in sales of FuLiTan and XinChaoTuo was mainly driven by expanded hospital coverage following their inclusion in the NRDL in November 2024 and December 2025, respectively. The increase in sales of EnNaLuo was mainly driven by its increased adoption among physicians due to its favorable efficacy and safety profiles.
- *Other pharmaceuticals.* Revenue generated from our sales of other pharmaceuticals increased by 6.8% from RMB936.6 million for the six months ended June 30, 2025 to RMB1,000.0 million for the same period of 2026. The increase was primarily attributable to (i) an RMB66.1 million increase in revenue from sales of biosimilars due to their higher market adoption, and (ii) an RMB52.0 million increase in revenue from sales of APIs and intermediates, as certain originator drug manufacturers were not awarded contracts in China’s VBP scheme, boosting market opportunities for domestic generic drug manufacturers, which in turn fueled their demand for upstream APIs and intermediates.
- *Medical devices.* Revenue generated from our sales of medical devices increased by 11.6% from RMB182.0 million for the six months ended June 30, 2025 to RMB203.1 million for the same period of 2026, primarily due to the increased sales of Maurora.
- *Others.* Revenue generated from our sales of others increased by 13.0% from RMB54.3 million for the six months ended June 30, 2025 to RMB61.3 million for the same period of 2026, primarily due to our increased pharmaceuticals processing and R&D services rendered to our business partners in response to their increased demand.

Revenue from other sources

Our revenue from other sources decreased by 24.4% from RMB1.0 million for the six months ended June 30, 2025 to RMB0.8 million for the same period of 2026, primarily due to the decrease in our rental income.

Cost of Sales

Our cost of sales increased by 20.6% from RMB522.9 million for the six months ended June 30, 2025 to RMB630.9 million for the same period of 2026, primarily attributable to an RMB61.4 million increase in cost of raw materials, which was in line with our increased product sales.

Gross Profit and Gross Profit Margin

As a result of the changes in our revenue and cost of sales described above, our gross profit increased by 14.9% from RMB1,608.1 million for the six months ended June 30, 2025 to RMB1,848.3 million for the same period of 2026. Our overall gross profit margin remained relatively stable at 75.5% and 74.6% for the six months ended June 30, 2025 and 2026, respectively.

Other Income and Gains, Net

Our other income and gains, net, decreased by 25.6% from RMB85.4 million for the six months ended June 30, 2025 to RMB63.5 million for the same period of 2026. This decrease was primarily attributable to (i) an RMB12.0 million decrease in government grants, primarily due to the decrease in government grants related to assets as certain fixed assets had been fully depreciated as of June 30, 2026, and (ii) an RMB9.7 million decrease in interest income resulting from a lower level of bank deposit balance and a decreased interest rate.

FINANCIAL INFORMATION

Selling and Distribution Expenses

Our selling and distribution expenses increased by 21.9% from RMB836.4 million for the six months ended June 30, 2025 to RMB1,019.5 million for the same period of 2026. This increase was primarily attributable to (i) an RMB123.8 million increase in marketing expenses, due to our marketing and promotion efforts for our products, such as XinChaoTuo (approved in May 2025 and included in the NRDL in December 2025), and (ii) RMB62.2 million increase in salaries and benefits for our sales and marketing staff, due to increased sales and marketing headcount.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB169.3 million and RMB166.5 million for the six months ended June 30, 2025 and 2026, respectively.

Research and Development Costs

Our research and development costs increased by 15.2% from RMB235.3 million for the six months ended June 30, 2025 to RMB271.0 million for the same period of 2026. This increase was primarily attributable to (i) an RMB17.0 million increase in salaries and benefits due to increased R&D headcount, and (ii) an RMB14.6 million increase in direct costs of research and development due to increased number of our research and development projects, driven by our continuous commitment and efforts in R&D and innovation.

Reversal/(Provision) of Impairment Losses on Financial Assets, Net

We recorded reversal of impairment losses on financial assets, net, of RMB2.0 million for the six months ended June 30, 2026, as compared to provision of impairment losses on financial assets, net, of RMB13.8 million for the same period of 2025. The change was primarily due to our settlement of certain trade receivable with relatively longer aging period. See “—Discussion of Selected Items from Consolidated Statements of Financial Position—Trade and Bills Receivables.”

Other Expenses

Our other expenses increased significantly from RMB9.7 million for the six months ended June 30, 2025 to RMB43.3 million for the same period of 2026, primarily due to our increased donations.

Finance Costs

Our finance costs remained relatively stable at RMB9.6 million and RMB9.4 million for the six months ended June 30, 2025 and 2026, respectively.

Share of Losses of Associates

Our share of losses of associates increased from RMB2.7 million for the six months ended June 30, 2025 to RMB6.3 million for the same period of 2026, primarily related to our investment in Sichuan Jinjiang.

Income Tax Expenses

Our income tax expenses decreased by 82.1% from RMB41.2 million for the six months ended June 30, 2025 to RMB7.4 million for the same period of 2026, primarily due to an increase in our deferred income tax.

Profit for the Period

As a result of the foregoing, we recorded a profit for the period of RMB375.4 million and RMB390.5 million for the six months ended June 30, 2025 and 2026, respectively.

FINANCIAL INFORMATION

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

Revenue

Our revenue increased by 8.5% from RMB4,012.2 million in 2024 to RMB4,352.7 million in 2025, primarily due to an RMB341.7 million increase in revenue from contracts with customers.

Revenue from contracts with customers

Our revenue from contracts with customers increased by 8.5% from RMB4,009.2 million in 2024 to RMB4,350.9 million in 2025, primarily attributable to an RMB232.3 million increase in our revenue generated from sales of pharmaceuticals.

- *Innovative drugs.* Revenue generated from our sales of innovative drugs increased by 47.2% from RMB1,357.3 million in 2024 to RMB1,998.6 million in 2025 due to the increased sales of innovative drugs, such as XinLiTan, EnNaLuo and FuLiTan. The increase in sales of XinLiTan was mainly driven by (i) its improved market adoption due to its favorable efficacy and safety profiles, and (ii) our strengthened commercialization initiatives, including our combination of in-house sales and marketing and third-party marketing services and expansion of sales channels, to broaden our market coverage. The increase in sales of EnNaLuo was mainly driven by (i) EnNaLuo’s expanded hospital coverage as a result of the overall increased adoption of HIF-PHI in the field of non-dialysis CKD by physicians, (ii) EnNaLuo’s growing recognition among physicians due to its superior efficacy and safety among HIF-PHI, and (iii) our enhanced sales and marketing efficiency in the CKD field. The increase in sales of FuLiTan was mainly driven by (i) its expanded hospital coverage following its inclusion in the NRDL in November 2024; and (ii) FuLiTan’s enhanced recognition among physicians due to its strong efficacy in hypertension management.
- *Other pharmaceuticals.* Revenue generated from our sales of other pharmaceuticals decreased by 18.2% from RMB2,246.8 million in 2024 to RMB1,837.8 million in 2025, primarily attributable to an RMB388.9 million decrease in revenue from sales of generics. Failure of our generics to secure VBP inclusion, or the addition of competitors’ generics to the VBP scheme in certain provinces, could limit our generics’ market access or reduce market share in affected regions. Additionally, in November 2024, the NHSA issued a guidance capping price differences among VBP-included generics under the same generic name within threefold. These factors led to the decrease in our sales revenue of generics.
- *Medical devices.* Revenue generated from our sales of medical devices increased by 24.4% from RMB305.4 million in 2024 to RMB379.9 million in 2025, primarily due to the increased sales of Maurora.
- *Others.* Revenue generated from our sales of others increased by 35.0% from RMB99.7 million in 2024 to RMB134.6 million in 2025, primarily due to our increased pharmaceuticals processing and R&D services rendered to our business partners in response to their increased demand.

Revenue from other sources

Our revenue from other sources decreased by 42.7% from RMB3.0 million in 2024 to RMB1.7 million in 2025, primarily due to the decrease in our rental income.

Cost of Sales

Our cost of sales remained relatively stable at RMB1,138.1 million in 2024 and RMB1,105.1 million in 2025.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin

As a result of the changes in our revenue and cost of sales described above, our gross profit increased by 13.0% from RMB2,874.2 million in 2024 to RMB3,247.6 million in 2025. Our overall gross profit margin increased from 71.6% in 2024 to 74.6% in 2025, primarily due to (i) economies of scale of our innovative drugs as their sales ramped up, and (ii) the increased revenue contribution by innovative drugs and medical devices, which command higher gross profit margins compared to other pharmaceuticals.

Other Income and Gains, Net

Our other income and gains, net increased by 69.1% from RMB178.1 million in 2024 to RMB301.0 million in 2025. This increase was primarily attributable to an RMB49.1 million increase in government grants with no unfulfilled conditions or contingencies.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 19.7% from RMB1,472.9 million in 2024 to RMB1,762.5 million in 2025. This increase was primarily attributable to (i) an RMB218.7 million increase in marketing expenses, due to our marketing and promotion efforts for our products, such as EnNaLuo (first approved in 2023, label expanded in 2025), XinChaoTuo (approved in 2025) and FuLiTan (approved in 2024), and (ii) an RMB78.2 million increase in salaries and benefits for our sales and marketing staff, due to the increased sales and marketing headcount.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB323.2 million in 2024 and RMB329.0 million in 2025.

Research and Development Costs

Our research and development costs increased by 28.0% from RMB421.2 million in 2024 to RMB539.3 million in 2025. This increase was primarily attributable to an RMB106.2 million increase in direct costs of research and development due to increased number of our research and development projects, driven by our continuous commitment and efforts in R&D and innovation.

Impairment Losses on Financial Assets, Net

We recorded impairment losses on financial assets, net of RMB4.8 million in 2025, representing a 25.4% decrease from RMB6.4 million in 2024. The decrease was primarily due to our settlement of certain trade receivable with relatively longer aging period. See “—Discussion of Selected Items from Consolidated Statements of Financial Position—Trade and Bills Receivables.”

Other Expenses

Our other expenses increased by 11.5% from RMB173.6 million in 2024 to RMB193.5 million in 2025, due to our increased donations and loss on disposal of assets.

Finance Costs

Our finance costs increased by 28.5% from RMB17.3 million in 2024 to RMB22.2 million in 2025. This increase was primarily attributable to an RMB3.2 million increase in interest on bank loans and discounted bills as a result of higher balance of bank loans.

Share of Losses of Associates

Our share of losses of associates increased from RMB5.1 million in 2024 to RMB41.3 million in 2025, primarily related to our investment in Sichuan Jinjiang.

FINANCIAL INFORMATION

Income Tax Expenses

Our income tax expenses decreased by 88.6% from RMB27.4 million in 2024 to RMB3.1 million in 2025, primarily due to an increase in the pre-tax deduction of our research and development expenses.

Profit for the Year

As a result of the foregoing, we recorded a profit for the year of RMB605.2 million and RMB652.8 million in 2024 and 2025, respectively.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

Our revenue increased by 19.2% from RMB3,365.3 million in 2023 to RMB4,012.2 million in 2024, primarily due to an RMB646.6 million increase in revenue from contracts with customers.

Revenue from contracts with customers

Our revenue from contracts with customers increased by 19.2% from RMB3,362.6 million in 2023 to RMB4,009.2 million in 2024, primarily attributable to an RMB540.0 million increase in our revenue generated from sales of pharmaceuticals.

- *Innovative drugs.* Revenue generated from our sales of innovative drugs increased by 47.2% from RMB922.0 million in 2023 to RMB1,357.3 million in 2024. This increase was primarily attributable to (i) increased sales of existing innovative drugs, such as XinLiTan, mainly due to its enhanced market adoption driven by our strengthened commercialization initiatives, including our combination of in-house sales and marketing and third-party marketing services to broaden our market coverage, and (ii) the commercialization of EnNaLuo in the second half of 2023 and its inclusion in the NRDL in December 2023.
- *Other pharmaceuticals.* Revenue generated from our sales of other pharmaceuticals increased by 4.9% from RMB2,142.1 million in 2023 to RMB2,246.8 million in 2024. This increase was primarily attributable to (i) an RMB53.9 million increase in the revenue generated from increased sales of our biosimilars due to their higher market adoption, and (ii) an RMB52.4 million increase in the revenue generated from our generics driven by higher demand for antibiotics.
- *Medical devices.* Revenue generated from our sales of medical devices increased by 41.7% from RMB215.6 million in 2023 to RMB305.4 million in 2024, primarily due to the increased sales of Maurora.
- *Others.* Revenue generated from our sales of others increased by 20.2% from RMB83.0 million in 2023 to RMB99.7 million in 2024, primarily due to our increased pharmaceuticals processing and R&D services rendered to our business partners in response to their increased demand.

Revenue from other sources

Our revenue from other sources increased by 12.3% from RMB2.7 million in 2023 to RMB3.0 million in 2024, primarily due to the increase in our rental income.

Cost of Sales

Our cost of sales increased by 6.8% from RMB1,065.5 million in 2023 to RMB1,138.1 million in 2024, primarily attributable to (i) an RMB34.1 million increase in depreciation and amortization due to the increase in our other intangible assets as a result of the launch of EnNaLuo in the second half of 2023, and (ii) an RMB26.4 million increase in cost of raw materials, which was in line with our increased product sales.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin

As a result of the changes in our revenue and cost of sales described above, our gross profit increased by 25.0% from RMB2,299.9 million in 2023 to RMB2,874.2 million in 2024. Our overall gross profit margin increased from 68.3% in 2023 to 71.6% in 2024, primarily due to (i) economies of scale of our innovative drugs as their sales ramped up, and (ii) the increased revenue contribution by innovative drugs and medical devices, which command higher gross profit margins compared to other pharmaceuticals.

Other Income and Gains, Net

Our other income and gains, net decreased by 11.8% from RMB202.0 million in 2023 to RMB178.1 million in 2024. This decrease was primarily attributable to (i) an RMB25.3 million decrease in government grants, primarily due to the decreased government subsidy for clinical trials of our innovative drugs that we received, and (ii) an RMB16.0 million decrease in interest income resulting from a lower level of bank deposit balance and a decreased interest rate.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 45.0% from RMB1,015.6 million in 2023 to RMB1,472.9 million in 2024. This increase was primarily attributable to an RMB350.6 million increase in marketing expenses, due to (i) our marketing and promotion efforts for newly-launched products, such as EnNaLuo and FuLiTan, and (ii) our increased marketing and promotion activities for XinLiTan, in line with its sales revenue growth.

Administrative Expenses

Our administrative expenses decreased slightly by 2.3% from RMB330.6 million in 2023 to RMB323.2 million in 2024. This decrease was primarily attributable to an RMB9.3 million decrease in professional service fee for corporate consultation.

Research and Development Costs

Our research and development costs remained relatively stable at RMB409.2 million in 2023 and RMB421.2 million in 2024, respectively.

Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets, net increased from RMB2.4 million in 2023 to RMB6.4 million in 2024. The change was primarily due to the increase in the carrying amount of our trade receivables and the associated provision for bad debts. See “—Discussion of Selected Items from Consolidated Statements of Financial Position—Trade and Bills Receivables.”

Other Expenses

Our other expenses increased by 158.2% from RMB67.2 million in 2023 to RMB173.6 million in 2024. This increase was primarily attributable to an RMB156.3 million increase in impairment of other intangible assets due to our termination of certain research and development projects. In particular, we voluntarily terminated (i) the clinical development of a drug candidate for the treatment of COVID-19, as the pandemic subsided, and (ii) the clinical development of a drug candidate indicated for the prevention and treatment of thrombosis, due to unfavorable results observed in overseas clinical trials of similar drugs conducted by other companies.

Finance Costs

Our finance costs decreased by 11.8% from RMB19.6 million in 2023 to RMB17.3 million in 2024. This decrease was primarily attributable to an RMB2.8 million decrease in interest on bank loans and discounted bills as a result of our lower average balance of bank loans in 2024.

Share of Losses of Associates

Our share of losses of associates decreased by 66.7% from RMB15.5 million in 2023 to RMB5.1 million in 2024, primarily related to our investment in Sichuan Jinjiang.

FINANCIAL INFORMATION

Income Tax Expenses

Our income tax expenses decreased by 55.1% from RMB60.9 million in 2023 to RMB27.4 million in 2024, primarily due to an increase in our deferred income tax.

Profit for the Year

As a result of the foregoing, we recorded a profit for the year of RMB580.8 million and RMB605.2 million in 2023 and in 2024, respectively.

NET CURRENT ASSETS

The following table sets forth our current assets, current liabilities and net current assets as of the dates indicated:

	As of December 31,			As of June 30,	As of July 31,
	2023	2024	2025	2026	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets					
Inventories	490,857	506,756	548,193	567,719	578,571
Trade and bills receivables . . .	467,399	516,752	721,387	807,457	691,302
Prepayments, other receivables and other assets	73,441	103,873	93,402	119,876	136,124
Financial assets at fair value through profit or loss	718,239	1,419,597	1,224,701	1,042,962	1,052,914
Financial assets at fair value through other comprehensive income	77,984	49,114	129,159	121,265	58,847
Restricted bank deposits	1,612	17,203	21,666	25,054	25,053
Time deposits	163,327	303,110	897,713	329,932	369,955
Cash and cash equivalents . . .	1,320,363	1,108,207	946,766	910,244	1,497,208
Total current assets	3,313,222	4,024,612	4,582,987	3,924,509	4,409,974
Current liabilities					
Trade and bills payables	118,413	93,524	146,995	121,754	132,930
Contract liabilities	29,414	38,220	48,145	45,514	48,083
Other payables and accruals . . .	605,838	844,373	1,523,735	1,593,732	1,576,913
Interest-bearing bank loans . . .	40,000	120,000	263,341	155,183	280,089
Lease liabilities	10,927	9,704	5,864	7,129	6,477
Income tax payable	10,492	7,146	25,963	12,936	3,645
Total current liabilities	815,084	1,112,967	2,014,043	1,936,248	2,048,137
Net current assets	2,498,138	2,911,645	2,568,944	1,988,261	2,361,837

Our net current assets increased from RMB2,498.1 million as of December 31, 2023 to RMB2,911.6 million as of December 31, 2024, primarily due to an RMB629.0 million increase in the net sum of increase in financial assets at fair value through profit or loss, increase in time deposits, and decrease in cash and cash equivalents. This factor was partially offset by an RMB238.5 million increase in other payables and accruals.

Our net current assets decreased from RMB2,911.6 million as of December 31, 2024 to RMB2,568.9 million as of December 31, 2025, primarily due to an RMB679.4 million increase in other payables and accruals, mainly in relation to our redemption liabilities, which were classified as current liabilities. This factor was partially offset by an RMB238.3 million increase in the net sum of decrease in financial assets at fair value through profit or loss, increase in time deposits, and decrease in cash and cash equivalents.

Our net current assets decreased from RMB2,568.9 million as of December 31, 2025 to RMB1,988.3 million as of June 30, 2026, primarily due to an RMB786.0 million decrease in the sum of decreases in financial assets at fair value through profit or loss, time deposits, and cash and cash equivalents, partially offset by an RMB108.2 million decrease in interest-bearing bank loans.

Our net current assets increased from RMB1,988.3 million as of June 30, 2026 to RMB2,361.8 million as of July 31, 2026, primarily due to an RMB636.9 million increase in the sum of increases in financial assets at fair value through profit or loss, time deposits, and cash and cash equivalents, partially offset by (i) an RMB124.9 million increase in interest-bearing bank loans and (ii) an RMB116.2 million decrease in trade and bills receivables.

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DISCUSSION OF SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories primarily consist of raw materials, work in progress, and finished goods. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	124,811	109,217	149,162	150,215
Work in progress	139,045	182,327	188,039	192,644
Finished goods	223,550	209,733	209,127	220,403
Goods in transit	3,451	5,479	1,865	4,457
Total	490,857	506,756	548,193	567,719

Our inventories increased slightly by 3.2% from RMB490.9 million as of December 31, 2023 to RMB506.8 million as of December 31, 2024, primarily due to an RMB43.3 million increase in work in progress, mainly because as of December 31, 2024, some of our products remained in production and had not reached the finished goods phase.

Our inventories increased by 8.2% from RMB506.8 million as of December 31, 2024 to RMB548.2 million as of December 31, 2025, primarily due to an RMB39.9 million increase in raw materials. Our inventories further increased by 3.6% from RMB548.2 million as of December 31, 2025 to RMB567.7 million as of June 30, 2026, primarily due to an RMB11.3 million increase in finished goods. These increases were mainly driven by our strategic inventory buildup to support anticipated sales growth of products, in line with our revenue growth.

We purchase raw materials in accordance with our production and inventory plans, taking into consideration various factors including raw materials’ shelf-lives, required lead times, and our quality standards for raw materials. At the same time, we closely monitor our inventory levels and keep appropriate levels of stock for different products. We did not experience any material shortage or accumulation of inventory during the Track Record Period.

The following table sets forth an aging analysis of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	483,359	513,855	515,233	539,899
1 to 2 years	13,054	18,128	40,800	27,942
Over 2 years	4,911	9,643	12,900	23,831
Impairment	(10,467)	(34,870)	(20,740)	(23,953)
Total	490,857	506,756	548,193	567,719

We recognize impairment of our inventories if their expected net realizable value is lower than their cost. We recorded higher impairment of inventories in 2024, primarily related to our medical devices as they were still in the phase of sales ramp-up.

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The following table sets forth our inventory turnover days for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,
	2023	2024	2025	2026
Inventory turnover days ⁽¹⁾	181	167	183	166

Note:

- (1) Calculated as the average of the beginning and ending balances of inventory for the year/period divided by the cost of sales for the same year/period and multiplied by 365 days for a full-year period or 181 days for the six months ended June 30, 2026.

Our inventory turnover days decreased from 181 days in 2023 to 167 days in 2024, primarily attributable to faster turnover of antibiotics in 2024 due to their higher demand.

Our inventory turnover days increased from 167 days in 2024 to 183 days in 2025, primarily due to our strategic inventory buildup to support anticipated sales growth.

Our inventory turnover days decreased from 183 days in 2025 to 166 days for the six months ended June 30, 2026, as the cost of goods sold outpaced the increase in our inventory growth during the same period, in line with our sales growth.

As of July 31, 2026, RMB110.7 million (before impairment), or 18.7%, of our gross inventories as of June 30, 2026 had been utilized or sold.

Trade and Bills Receivables

Our trade and bills receivables are primarily amounts due from our customers in our ordinary course of business, less impairment. The following table sets forth a breakdown of our trade and bills receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	486,822	541,678	743,134	807,108
Bills receivables	—	—	6,933	27,349
Impairment	(19,423)	(24,926)	(28,680)	(27,000)
Total	467,399	516,752	721,387	807,457

We recognize impairment of our trade and bills receivables under the expected credit loss model. Impairment of our trade and bills receivables increased during the Track Record Period, which was in line with the increase in the gross carrying amount of our trade and bills receivables during the same period.

Our trade and bills receivables increased by 10.6% from RMB467.4 million as of December 31, 2023 to RMB516.8 million as of December 31, 2024, and further increased by 39.6% from RMB516.8 million as of December 31, 2024 to RMB721.4 million as of December 31, 2025. Our trade and bills receivables increased by 11.9% from RMB721.4 million as of December 31, 2025 to RMB807.5 million as of June 30, 2026. These increases were in line with our increased sales.

Our payment terms with some of our customers are on credit, and the credit period is generally within 97 days. We seek to maintain strict control over our outstanding receivables, and we have implemented a credit control policy to minimize credit risk. Overdue balances are reviewed regularly by management. We do not hold any collateral or other credit enhancements over our trade receivable balances. Our trade receivables are non-interest-bearing.

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The following table sets forth an aging analysis of trade and bills receivables presented based on the respective revenue recognition dates, as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	449,343	508,331	720,705	802,553
Over 1 year	18,056	8,421	682	4,904
Total	467,399	516,752	721,387	807,457

The following table sets forth our trade and bills receivables turnover days for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,
	2023	2024	2025	2026
Trade and bills receivables turnover days ⁽¹⁾	54	47	54	58

Note:

- (1) Calculated as the average of the beginning and ending balances of trade and bills receivables for the year/period divided by revenue for that year/period and multiplied by 365 days for a one-year period or 181 days for the six months ended June 30, 2026.

Our trade and bills receivables turnover days remained relatively stable at 54 days, 47 days, 54 days, and 58 days in 2023, 2024, 2025, and the six months ended June 30, 2026, respectively. The trade and bills receivables turnover days in each year/period during the Track Record Period were in line with the credit term we generally provide to our customers.

As of July 31, 2026, RMB386.3 million (before impairment), or 46.3%, of our gross trade and bills receivables as of June 30, 2026 had been subsequently settled.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily consist of (i) prepayments, primarily to our raw material and R&D service suppliers, (ii) other receivables and deposits, (iii) prepaid income taxes, (iv) [REDACTED], and (v) value-added tax recoverable. The following table sets forth a breakdown of prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	30,613	60,248	46,940	43,229
Other receivables and deposits	23,025	25,159	32,500	25,244
Prepaid income taxes	8,700	14,057	30	12,434
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Value-added tax recoverable	12,259	5,664	7,315	11,257
	74,597	105,128	95,026	121,137
Impairment allowance	(1,156)	(1,255)	(1,624)	(1,261)
Total	73,441	103,873	93,402	119,876

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Our prepayments, other receivables and other assets increased by 41.4% from RMB73.4 million as of December 31, 2023 to RMB103.9 million as of December 31, 2024, primarily attributable to an RMB29.6 million increase in prepayments, which was in line with our increased sales and procurement.

Our prepayments, other receivables and other assets decreased by 10.1% from RMB103.9 million as of December 31, 2024 to RMB93.4 million as of December 31, 2025, primarily attributable to (i) an RMB14.0 million decrease in prepaid income taxes, and (ii) an RMB13.3 million decrease in prepayments due to our settlement of prepayments for R&D services and certain raw materials in 2025.

Our prepayments, other receivables and other assets increased by 28.3% from RMB93.4 million as of December 31, 2025 to RMB119.9 million as of June 30, 2026, primarily attributable to (i) an [REDACTED] in [REDACTED] and (ii) an RMB12.4 million increase in prepaid income taxes.

As of July 31, 2026, RMB32.0 million, or 26.4%, of our prepayments, other receivables and other assets as of June 30, 2026 had been subsequently settled.

Financial Assets at Fair Value through Profit or Loss

The following table sets forth a breakdown of our financial assets at fair value through profit or loss as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Current portion of financial assets at fair value through profit or loss				
Structured deposits	567,260	956,577	781,091	749,475
Wealth management products	150,979	463,020	443,610	293,487
Subtotal	718,239	1,419,597	1,224,701	1,042,962
Non-current portion of financial assets at fair value through profit or loss				
Wealth management products	—	50,000	—	—
Unlisted equity investments, at fair value	276,380	297,505	318,583	352,796
Subtotal	276,380	347,505	318,583	352,796
Total	994,619	1,767,102	1,543,284	1,395,758

Current portion of our financial assets at fair value through profit or loss consists of structured deposits and wealth management products to be matured within one year. Non-current portion of financial assets at fair value through profit or loss consists of (i) wealth management products to be matured in over one year, and (ii) our investments in unlisted companies at fair value.

Current portion of our financial assets at fair value through profit or loss increased by 97.6% from RMB718.2 million as of December 31, 2023 to RMB1,419.6 million as of December 31, 2024, due to our increased purchases of wealth management products as well as increased structured deposits. Current portion of our financial assets at fair value through profit or loss decreased by 13.7% from RMB1,419.6 million as of December 31, 2024 to RMB1,224.7 million as of December 31, 2025, primarily because part of our structured deposits matured. Current portion of our financial assets at fair value through profit or loss decreased by 14.8% from RMB1,224.7 million as of December 31, 2025 to RMB1,043.0 million as of June 30, 2026, primarily because certain wealth management products matured or redeemed.

Non-current portion of our financial assets at fair value through profit or loss increased by 25.7% from RMB276.4 million as of December 31, 2023 to RMB347.5 million as of December 31, 2024, primarily due to our increased purchases of wealth management products. Non-current

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portion of our financial assets at fair value through profit or loss decreased by 8.3% from RMB347.5 million as of December 31, 2024 to RMB318.6 million as of December 31, 2025, primarily because our non-current wealth management products matured. Non-current portion of our financial assets at fair value through profit or loss increased by 10.7% from RMB318.6 million as of December 31, 2025 to RMB352.8 million as of June 30, 2026, primarily due to our additional investments in industrial investment fund.

Upon [REDACTED], our investments in wealth management products will be subject to compliance with the applicable requirements under Chapter 14 of the Listing Rules. Our investment strategies are mainly focused on financial products of reputable banks and other financial institutions characterized by low risk and high liquidity, which offer stable returns. We make investment decisions based on our capital needs, taking into account the duration, expected returns and risks of the financial products. With respect to the control mechanisms in making such investments, our finance department maintains controls to safeguard investment decisions. We have in place an investment policy and conduct ongoing investment management and monitoring to guarantee compliance with our policy. Our Board reviews and determines the limit of funds used for cash management. Management’s approval is required before we enter into any agreement for purchase of financial products. Our finance team comprises seasoned professionals with diverse expertise. They possess in-depth knowledge of investment products, market trends, and risk management strategies.

Financial Assets at Fair Value through Other Comprehensive Income

The following table sets forth our financial assets at fair value through other comprehensive income as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Current portion of financial assets at fair value through other comprehensive income				
Bills receivable, at fair value	77,984	49,114	129,159	121,265
Non-current portion of financial assets at fair value through other comprehensive income				
Unlisted equity investments, at fair value	234,799	265,347	217,307	217,307
Total	312,783	314,461	346,466	338,572

Current portion of our financial assets at fair value through other comprehensive income consists of bills receivables at fair value. Our bills receivable represent short-term bank acceptance notes received from our customers in lieu of cash payments. The fluctuations in our bills receivable at fair value were primarily driven by the amount of our bills receivables under sales contracts, as well as our use of bill discounting.

Non-current portion of financial assets at fair value through other comprehensive income consists of our investments in non-listed companies at fair value. Our unlisted equity investments at fair value remained relatively stable as of December 31, 2023, December 31, 2024, December 31, 2025, and June 30, 2026.

Trade and Bills Payables

Our trade and bills payables primarily represent amounts due to our raw material suppliers and service providers. Our trade and bills payables are non-interest-bearing and are normally settled within a period of three months after the invoice date and are extendable to a longer period.

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The following table sets forth a breakdown of our trade and bills payables as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	118,413	93,524	146,681	120,742
Bills payables	—	—	314	1,012
Total	118,413	93,524	146,995	121,754

Our trade payables decreased by 21.0% from RMB118.4 million as of December 31, 2023 to RMB93.5 million as of December 31, 2024, primarily due to our increased purchase of raw materials for antibiotics towards the end of 2023 in response to their higher demand.

Our trade payables increased by 56.8% from RMB93.5 million as of December 31, 2024 to RMB146.7 million as of December 31, 2025, primarily due to our increased procurement of raw materials in anticipation of our sales growth.

Our trade payables decreased by 17.7% from RMB146.7 million as of December 31, 2025 to RMB120.7 million as of June 30, 2026, primarily due to (i) a lower level of purchases received but not yet settled as of June 30, 2026 compared to December 31, 2025; and (ii) reduced new purchases of raw materials for certain products with relatively smaller sales volume, prioritizing the use of existing stock.

Our bills payables represent short-term bank acceptance notes we issued to our suppliers in lieu of cash payments, which are typically due within 180 days from the date of issuance. Our bills payables increased from RMB0.3 million as of December 31, 2025 to RMB1.0 million as of June 30, 2026 due to increased number of suppliers who accept this payment method.

The following table sets forth an aging analysis of our trade and bills payables presented based on the invoice date as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	117,683	92,465	145,504	120,746
Over 1 year	730	1,059	1,491	1,008
Total	118,413	93,524	146,995	121,754

The following table sets forth our trade and bills payables turnover days for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,
	2023	2024	2025	2026
Trade and bills payables turnover days ⁽¹⁾ . . .	50	34	40	39

Note:

- (1) Calculated using the arithmetic mean of the opening and closing balances of trade payables for the year/period divided by cost of sales for that year/period and multiplied by 365 days for a one-year period or 181 days for the six months ended June 30, 2026.

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Our trade and bills payables turnover days decreased from 50 days in 2023 to 34 days in 2024, primarily because towards the end of 2023, we increased our purchase of raw materials for antibiotics due to their higher demand, leading to higher carrying amount of trade and bills payables as of December 31, 2023 as compared to December 31, 2024.

Our trade and bills payables turnover days remained relatively stable at 34 days, 40 days, and 39 days in 2024, 2025, and the six months ended June 30, 2026, respectively.

As of July 31, 2026, RMB53.6 million, or 44.1%, of our trade and bills payables as of June 30, 2026 had been subsequently settled.

Other Payables and Accruals

Our other payables consist of (i) accrued expenses, (ii) payroll payables, (iii) payables for purchases of items of property, plant and equipment, (iv) payables for acquisition of subsidiaries, related to our capital investments in Butler Biotechnology (Shenzhen) Co., Ltd. (“Butler”), which was completed in June 2025, (v) other tax payables, (vi) sales rebates payables, (vii) other payables, primarily including deposits from our distributors, and (viii) other non-current liabilities due within one year, representing our redemption liabilities, the triggering event of which would occur within one year, and our contractual obligation to be fulfilled within one year. For details of the underlying acquisition agreement related to our capital investments in Butler and details of our redemption liabilities and contractual obligation, see Note 38 and Note 32, respectively, to the Accountants’ Report in Appendix I to this document.

The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued expenses	238,339	423,974	601,377	673,932
Payroll payables	224,374	262,958	257,523	197,357
Payables for purchases of items of property, plant and equipment	34,257	18,495	26,672	42,289
Payables for acquisition of subsidiaries	—	—	30,000	—
Other tax payables	29,151	32,319	57,258	52,808
Sales rebates payables	33,986	12,373	34,283	54,499
Other payables	45,731	94,254	100,749	121,696
Other non-current liabilities due within one year	—	—	415,873	451,151
Total	605,838	844,373	1,523,735	1,593,732

Our other payables and accruals increased by 39.4% from RMB605.8 million as of December 31, 2023 to RMB844.4 million as of December 31, 2024, primarily attributable to an increase in accrued expenses of RMB185.6 million. This increase was mainly in relation to our sales and marketing initiatives, in line with the growth in our selling and distribution expenses.

Our other payables and accruals increased by 80.5% from RMB844.4 million as of December 31, 2024 to RMB1,523.7 million as of December 31, 2025, primarily attributable to an RMB415.9 million increase in Salubris Medical liabilities, which were our redemption liabilities.

Our other payables and accruals increased by 4.6% from RMB1,523.7 million as of December 31, 2025 to RMB1,593.7 million as of June 30, 2026, primarily attributable to an RMB72.6 million increase in accrued expenses. This increase was mainly in relation to our sales and marketing initiatives, in line with the growth in our selling and distribution expenses.

As of July 31, 2026, RMB308.6 million, or 19.4%, of our other payables and accruals as of June 30, 2026 had been subsequently settled.

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Contract Liabilities

Our contract liabilities primarily consist of short-term advance payments received from our customers in relation to our sales of pharmaceuticals and medical devices, as well as our development and manufacturing services.

As of December 31, 2023, 2024, 2025, and June 30, 2026, we had contract liabilities of RMB29.4 million, RMB38.2 million, RMB48.1 million, and RMB45.5 million, respectively. The increases in our contract liabilities from December 31, 2023 to December 31, 2024 and from December 31, 2024 to December 31, 2025 were generally in line with our sales growth. Our contract liabilities decreased from December 31, 2025 to June 30, 2026, as we recognized revenue from certain development services based on the contract’s schedule.

We recognize contract liabilities as revenue when we perform under the contract (i.e., transfer control of the related goods or services to the customer). As of July 31, 2026, RMB10.7 million, or 23.4%, of our contract liabilities as of June 30, 2026 had been subsequently recognized as revenue.

Goodwill

The net carrying amount of goodwill was RMB10.9 million, RMB10.9 million, RMB219.5 million, and RMB219.5 million as of December 31, 2023, 2024, 2025, and June 30, 2026, respectively. We determine impairment of goodwill by assessing the recoverable amount of the cash-generating unit(s) (“CGU”) to which the goodwill relates. Where the recoverable amount of the cash-generating unit(s) is less than the carrying amount, an impairment loss is recognized.

We perform an impairment test of goodwill at least on an annual basis. During the Track Record Period, we recognized an impairment loss of goodwill in 2023, which was related to the parathyroid hormone (“PTH”) (1-34) CGU. PTH 1-34 has been used as a therapeutic for postmenopausal women with osteoporosis who are at high risk for fracture. Prior to the Track Record Period, an impairment of goodwill of RMB26.6 million was recognized, due to the adjustment in the commercialization of PTH products. As of December 31, 2023, due to further decrease in revenue of this CGU in 2023, an additional impairment provision of RMB49.6 million was recognized. As of December 31, 2023, a full impairment of goodwill had been recognized for this CGU.

The recoverable amount of this CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by our management. The following table sets forth the pre-tax discount rate applied to the cash flow projections, the revenue growth rate, EBIT margin and the terminal growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five-year period. The values assigned to the key assumptions on EBIT margin, discount rates and growth rates are consistent with our management’s past experience and external information sources.

As of December 31, 2023

Compound revenue growth rate	(28.86%)
EBIT margin	53.24%
Pre-tax discount rate	13.41%
Terminal growth rate	0%

For details of impairment testing of goodwill, including the sensitivity analysis and headroom for relevant cash-generating unit, see Note 16 to the Accountants’ Report in Appendix I to this document.

Other Intangible Assets

We had other intangible assets of RMB2,492.4 million, RMB2,694.7 million, RMB3,138.5 million, and RMB3,359.6 million as of December 31, 2023, 2024, 2025, and June 30, 2026, respectively. For details, see Note 17 to the Accountants’ Report in Appendix I to this document.

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Our other intangible assets primarily included non-patent technologies and deferred development costs. Deferred development costs are the capitalized expenditures incurred in the development phase of each program. Deferred development costs are transferred into non-patent technologies upon the commercial production of the underlying products, and will be amortized over their estimated commercial lives.

We perform an impairment test on an annual basis for non-patent technologies with impairment indicators and the deferred development costs which were not yet available for use by comparing their carrying amounts with the recoverable amounts.

With respect to non-patent technologies, in 2023 and 2024, according to the impairment test, we recognized impairment losses of RMB1.0 million and RMB20.2 million for our development programs, respectively. The recoverable amounts of non-patent technologies were determined based on the fair value less costs of disposal, which were determined using a discounted cash flow valuation model based on a financial budget approved by our management. The following table sets forth the key assumptions used in the valuation model. The discount rate used reflects specific risks relating to non-patent technologies and the revenue growth rate used has been determined with the consideration of the market where non-patent technologies are located and the profitability of the Group.

	As of December 31,	
	2023	2024
Pre-tax discount rate	13.41%	13.00%
Compound revenue growth rate	(28.86)%	7.33%

With respect to deferred development costs, in 2024 and 2025, according to the impairment test, we recognized impairment loss of RMB137.1 million and RMB151.1 million, respectively, due to unsatisfactory clinical trial results. The recoverable amounts of the deferred development costs were determined based on the fair value less costs of disposal, which were determined using a discounted cash flow valuation model based on a financial budget approved by our management covering the estimated economic life of corresponding products. The following table sets forth the key assumptions used in the valuation model. The discount rate used reflects specific risks relating to deferred development costs and the revenue growth rate used is consistent with our management’s past experience and external information sources.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
Pre-tax discount rate	14.92%-16.36%	15.08%-16.41%	14.99%-16.76%	13.00%-15.59%
Compound revenue growth rate	9.82%-68.84%	9.82%-52.83%	9.82%-65.82%	13.91%-70.77%

As of December 31, 2023, 2024, and 2025, and June 30, 2026, the headroom for deferred development costs in total was RMB673.5 million, RMB536.5 million, RMB824.3 million, and RMB1,217.8 million. We have performed a sensitivity test with key assumptions of discount rate and expected revenue. Should the discount rate increase by 1% or expected revenue decrease by 5%, the headroom would decrease no more than 15% as of December 31, 2023, 2024, and 2025, and June 30, 2026.

In the opinion of our Directors, no reasonably possible changes in any of the key assumptions would cause the recoverable amounts of non-patent technologies and deferred development costs to be materially lower than the carrying amounts.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

During the Track Record Period, our use of cash primarily related to operating activities, capital expenditure, and dividend distribution. We have historically financed our operations primarily through cash flows generated from our operations and borrowings.

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The following table sets forth a summary of our cash flows information for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash flows from operating activities	839,443	1,186,258	1,052,438	425,428	466,348
Net cash flows (used in)/from investing activities .	(1,370,821)	(1,525,552)	(744,822)	(148,516)	131,677
Net cash flows from/(used in) financing activities . .	(705,504)	121,841	(453,859)	(522,735)	(618,553)
Net decrease in cash and cash equivalents	(1,236,882)	(217,453)	(146,243)	(245,823)	(20,528)
Cash and cash equivalents at beginning of year/period .	2,550,976	1,318,161	1,104,655	1,104,655	944,307
Effect of foreign exchange rate changes, net	4,067	3,947	(14,105)	(4,490)	(14,712)
Cash and cash equivalents at end of year/period . .	1,318,161	1,104,655	944,307	854,342	909,067

Net Cash Flows From Operating Activities

For the six months ended June 30, 2026, our net cash flows from operating activities were RMB466.3 million, primarily attributable to (i) profit before tax of RMB397.8 million, and (ii) amortization of other intangible assets of RMB134.6 million. The foregoing was partially offset by (i) increase in trade receivables of RMB84.4 million and (ii) income tax paid of RMB71.7 million.

In 2025, our net cash flows from operating activities were RMB1,052.4 million, primarily attributable to (i) profit before tax of RMB655.9 million, (ii) amortization of other intangible assets of RMB260.3 million, (iii) depreciation of property, plant and equipment of RMB157.3 million, and (iv) impairment of other intangible assets of RMB151.1 million. The foregoing was partially offset by increase in trade and bills receivables of RMB208.4 million.

In 2024, our net cash flows from operating activities were RMB1,186.3 million, primarily attributable to (i) profit before tax of RMB632.5 million, (ii) amortization of other intangible assets of RMB238.8 million, (iii) depreciation of property, plant and equipment of RMB151.5 million, and (iv) impairment of other intangible assets of RMB157.3 million. The foregoing was partially offset by (i) income tax paid of RMB94.5 million and (ii) interest income of RMB52.6 million.

In 2023, our net cash flows from operating activities were RMB839.4 million, primarily attributable to (i) profit before tax of RMB641.8 million, (ii) amortization of other intangible assets of RMB205.9 million, and (iii) depreciation of property, plant and equipment of RMB143.4 million. The foregoing was partially offset by (i) decrease in other payables and accruals of RMB220.7 million and (ii) income tax paid of RMB103.8 million.

Net Cash Flows (Used in)/From Investing Activities

For the six months ended June 30, 2026, our net cash flows from investing activities were RMB131.7 million, primarily attributable to proceeds from disposal of financial assets at FVTPL of RMB1,595.5 million. The foregoing was partially offset by payment for acquisition of financial assets at FVTPL of RMB1,405.5 million.

In 2025, our net cash flows used in investing activities were RMB744.8 million, primarily attributable to (i) payment for acquisition of financial assets at FVTPL of RMB3,036.2 million, (ii) additions to other intangible assets of RMB678.1 million, and (iii) additions of time deposits of RMB264.8 million. The foregoing was partially offset by (i) proceeds from disposal of financial assets at FVTPL of RMB3,240.3 million and (ii) proceeds from maturity of time deposits of RMB321.9 million.

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In 2024, our net cash flows used in investing activities were RMB1,525.6 million, primarily attributable to (i) payment for acquisition of financial assets at FVTPL of RMB3,003.8 million, (ii) additions to other intangible assets of RMB484.1 million, and (iii) additions of time deposits of RMB326.6 million. The foregoing was partially offset by (i) proceeds from disposal of financial assets at FVTPL of RMB2,292.8 million and (ii) proceeds from maturity of time deposits of RMB166.0 million.

In 2023, our net cash flows used in investing activities were RMB1,370.8 million, primarily attributable to (i) payment for acquisition of financial assets at FVTPL of RMB1,317.7 million, (ii) additions of time deposits of RMB790.0 million, and (iii) additions to other intangible assets of RMB573.9 million. The foregoing was partially offset by proceeds from disposal of financial assets at FVTPL of RMB1,440.5 million.

Net Cash Flows From/(Used in) Financing Activities

For the six months ended June 30, 2026, our net cash flows used in financing activities were RMB618.6 million, primarily attributable to (i) dividends paid to equity shareholders of RMB613.1 million, (ii) repayment of bank loans of RMB161.2 million, and (iii) payment for purchase of own shares of RMB113.7 million. The foregoing was partially offset by new bank loans of RMB302.6 million.

In 2025, our net cash flows used in financing activities were RMB453.9 million, primarily attributable to (i) dividends paid to equity shareholders of RMB557.4 million and (ii) repayment of bank loans of RMB187.0 million. The foregoing was partially offset by new bank loans of RMB311.7 million.

In 2024, our net cash flows from financing activities were RMB121.8 million, primarily attributable to (i) proceeds from grant and vesting of shares of RMB601.9 million and (ii) new bank loans of RMB119.3 million. The foregoing was partially offset by dividends paid to equity shareholders of RMB545.7 million.

In 2023, our net cash flows used in financing activities were RMB705.5 million, primarily attributable to (i) dividends paid to equity shareholders of RMB545.7 million and (ii) repayment of bank loans of RMB358.6 million. The foregoing was partially offset by new bank loans of RMB223.7 million.

Working Capital Sufficiency

Taking into account the financial resources available to us, including cash flows from operating activities, our existing cash and cash equivalents, and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have available sufficient working capital for our present requirements that is for at least the next 12 months from the date of this document.

Capital Expenditure

Our capital expenditures principally comprise purchases of items of property and equipment, additions to leasehold land and purchases of other intangible assets. We have funded our capital expenditures during the Track Record Period mainly from cash generated from operating activities. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate.

The following table sets forth a breakdown of our capital expenditures during the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Purchases of items of property and equipment	97,066	140,753	252,719	110,036
Additions to leasehold land	—	—	43,246	—
Purchases of other intangible assets	573,933	484,060	678,135	346,318
Total	670,999	624,813	974,100	456,354

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Capital Commitments

As of December 31, 2023, 2024, 2025, and June 30, 2026, we had capital commitments of RMB5.1 million, RMB1.2 million, RMB94.5 million, and RMB116.0 million, respectively. Our capital commitments were mainly related to the construction of our manufacturing facilities for biosimilars and APIs.

INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,	As of July 31,
	2023	2024	2025	2026	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current					
Interest-bearing bank loans	40,000	120,000	263,341	155,183	280,089
Lease liabilities	10,927	9,704	5,864	7,129	6,477
Subtotal	50,927	129,704	269,205	162,312	286,566
Non-current					
Interest-bearing bank loans	—	—	—	246,841	610,794
Lease liabilities	12,539	4,175	20,980	19,089	19,413
Subtotal	12,539	4,175	20,980	265,930	630,207
Total	63,466	133,879	290,185	428,242	916,773

Lease Liabilities

We are the lessee in respect of certain properties held under leases for our offices and manufacturing facilities during the Track Record Period. For any lease with a term of more than 12 months, unless the underlying asset is of low value, we recognize a right-of-use asset representing our right to use the underlying leased asset and a lease liability representing our obligation to make lease payments.

As of December 31, 2023, 2024, 2025, June 30, 2026, and July 31, 2026, our lease liabilities, including both current and non-current portions, amounted to RMB23.5 million, RMB13.9 million, RMB26.8 million, RMB26.2 million, and RMB25.9 million, respectively.

Interest-bearing Bank Loans

We had interest-bearing bank loans, including both current and non-current portions, of RMB40.0 million, RMB120.0 million, RMB263.3 million, RMB402.0 million, and RMB890.9 million as of December 31, 2023, December 31, 2024, December 31, 2025, June 30, 2026, and July 31, 2026, respectively.

As of July 31, 2026, we had unutilized banking facilities of RMB1,102.7 million. During the Track Record Period and up to the Latest Practicable Date, we did not violate any material covenant in our borrowings or experience any default in payment of our borrowings, nor did we experience any difficulty in obtaining bank or other borrowings.

Indebtedness Statement and Contingent Liabilities

Except as disclosed above, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, borrowings, indebtedness, guarantees or other material contingent liabilities as of July 31, 2026, being the latest practicable date for our indebtedness statement. Our Directors confirm that as of the Latest Practicable Date, there was no material change in our indebtedness since July 31, 2026. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any material default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date.

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RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Details of our related party transactions during the Track Record Period are set out in Note 41 to the Accountants’ Report in Appendix I to this document. Our Directors are of the view that each of the related party transactions set out in Note 41 to the Accountants’ Report in Appendix I to this document was conducted in the ordinary course of business on an arm’s length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our transactions with related parties during the Track Record Period did not distort our results of operations or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

The table below sets forth our key financial ratios as of the dates indicated or for the periods indicated:

	As of/For the Year Ended December 31,			As of/For the Six Months Ended June 30,
	2023	2024	2025	2026
Current ratio ⁽¹⁾	4.1	3.6	2.3	2.0
Quick ratio ⁽²⁾	3.5	3.2	2.0	1.7
Gross profit margin (%) ⁽³⁾	68.3	71.6	74.6	74.6
Net profit margin (%) ⁽⁴⁾	17.3	15.1	15.0	15.8

Notes:

- (1) Current ratio is calculated as total current assets divided by total current liabilities.
- (2) Quick ratio is calculated as total current assets less inventories divided by total current liabilities.
- (3) Gross profit margin represents gross profit as a percentage of total revenue.
- (4) Net profit margin represents profit for the year/period as a percentage of total revenue.

Our current ratio decreased from 4.1 as of December 31, 2023 to 3.6 as of December 31, 2024, then decreased to 2.3 as of December 31, 2025, and further decreased to 2.0 as of June 30, 2026. Our quick ratio decreased from 3.5 as of December 31, 2023 to 3.2 as of December 31, 2024, then decreased to 2.0 as of December 31, 2025, and further decreased to 1.7 as of June 30, 2026. These decreases were primarily because the increase in our current liabilities outpaced the increase in our current assets or current assets less inventories (as the case may be), mainly as a result of (i) the increase in other payables and accruals due to our redemption liabilities that were classified as current liabilities, and our increased selling and distribution expenses, and (ii) increases in our interest-bearing bank loans due to our operational and capital needs.

For a more comprehensive discussion of the factors affecting our gross profit margin and net profit margin during the Track Record Period, see “—Discussion of Results of Operations.”

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any off-balance sheet transactions. Neither have we entered into any financial guarantees or other relevant commitments. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners’ equity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging with us.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

Our principal financial instruments comprise interest-bearing bank loans, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and cash and time deposits. The main purpose of these financial instruments is to raise finance for our operations. We have various other financial assets and liabilities, such as trade receivables and trade and bills payables, which arise directly from our operations. The main risks arising from our financial instruments are foreign currency risk, credit risk and liquidity risk.

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Foreign Currency Risks

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which we conduct business may affect our financial condition and results of operations. If the RMB had weakened (strengthened) against the U.S. dollar by 5%, our profit before tax would have increased (decreased) by RMB18.8 million, RMB19.5 million, RMB21.9 million, and RMB19.3 million in 2023, 2024, 2025, and the six months ended June 30, 2026, respectively.

Credit Risk

We trade only with recognized and creditworthy parties. It is our policy that all customers who wish to trade on credit terms are subject to credit assessment procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant. The credit risk of our other financial assets, which comprise cash and cash equivalents, time deposits, restricted bank deposits, financial assets included in prepayments, other receivables and other assets and other non-current liabilities, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting financial obligations due to shortage of funds. We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both our financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

For details, see Note 45 to the Accountants’ Report in Appendix I to this document.

DIVIDENDS

After the completion of the [REDACTED], we may distribute dividends in the form of cash or by other means permitted by our Articles of Association. A decision to declare or to pay dividends in the future and the amount of dividends will be at the discretion of our Board and will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory restrictions on our declaration and payment of dividends and other factors that our Board may consider important. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws.

According to applicable PRC laws and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations: recovery of the losses incurred in the previous year; allocations to the statutory reserve equivalent to 10% of our profit after tax; and allocations to a discretionary common reserve of certain percentage of our profit after tax that is approved by a Shareholders’ meeting.

Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years. Pursuant to our Articles of Association, the amount of the dividends distributed in a year should be at least 10% of our profits for the year that are available for distribution, the amount of the dividends distributed in every three years should be at least 30% of our average profits for these three years that are available for distribution, subject to certain specified conditions. Apart from the principles for profit distribution set out in our Articles of Association, we had not adopted any formal dividend policy or specified dividend pay-out ratio as of the Latest Practicable Date.

In April 2023, 2024, and 2025, and May 2026, we declared dividends of RMB545.7 million, RMB545.7 million, RMB557.4 million, and RMB613.1 million in respect of the years ended December 31, 2022, 2023, 2024, and 2025, respectively. As of the Latest Practicable Date, we had paid these dividends in full.

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DISTRIBUTABLE RESERVES

As of June 30, 2026, we had retained profits of RMB5,659.1 million, which were available for distribution to Shareholders.

[REDACTED]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there had been no material adverse change in our financial or trading position or prospects since June 30, 2026, being the latest balance sheet date of our consolidated financial statements in the Accountants’ Report in Appendix I to this document.

DISCLOSURE UNDER THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules.