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Application Proof of



Zhejiang Jingxin Pharmaceutical Co., Ltd.

浙江京新藥業股份有限公司

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

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Zhejiang Jingxin Pharmaceutical Co., Ltd.

浙江京新藥業股份有限公司

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

[REDACTED]

Number of [REDACTED] under : [REDACTED] H Shares (subject to the
the [REDACTED] [REDACTED])

Number of [REDACTED] : [REDACTED] H Shares (subject to
reallocation)

Number of [REDACTED] : [REDACTED] H Shares (subject to
reallocation and the [REDACTED])

[REDACTED] : [REDACTED] per H Share, plus brokerage of
1%, SFC transaction levy of 0.0027%, AFRC
transaction levy of 0.00015% and Stock
Exchange trading fee of 0.00565% (payable
in full on [REDACTED] and subject to
refund)

Nominal value : RMB[1.00] per H Share

[REDACTED] : [REDACTED]

Sole Sponsor, [REDACTED]



CITIC SECURITIES

[REDACTED]

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The [REDACTED] is expected to be fixed by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]), and our Company on or before [REDACTED], but in any event no later than 12:00 noon on [REDACTED]. The [REDACTED] will be not more than [REDACTED] per [REDACTED] and is currently expected to be not less than [REDACTED] per [REDACTED]. If, for any reason, the [REDACTED] (for themselves and on behalf of the [REDACTED]), and our Company are unable to reach an agreement on the [REDACTED] by 12:00 noon on [REDACTED], the [REDACTED] will not become unconditional and will lapse immediately. [REDACTED] for [REDACTED] are required to pay, on [REDACTED], the [REDACTED] of [REDACTED] per [REDACTED] together with brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, subject to refund if the [REDACTED] should be less than [REDACTED] per [REDACTED].

The [REDACTED] (for themselves and on behalf of the [REDACTED]), may, with consent of our Company, reduce the number of [REDACTED] and/or the indicative [REDACTED] range below that stated in this document at any time on or prior to the morning of the last day for lodging [REDACTED] under the [REDACTED]. In such a case, notices of the reduction in the number of [REDACTED] and/or the indicative [REDACTED] range will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at <http://www.jingxinpharm.com/> as soon as practicable but in any event not later than the morning of the day which is the last day for lodging [REDACTED] under the [REDACTED]. For further information, please refer to the sections headed “Structure of the [REDACTED]” and “How to Apply for [REDACTED]” in this document.

The obligations of the [REDACTED] under the [REDACTED] to [REDACTED] for, and to procure [REDACTED] for the [REDACTED] for, the [REDACTED], are subject to termination by the [REDACTED] (for themselves and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. Further details of such circumstances are set out in the section headed “[REDACTED].” It is important that you refer to that section for further details.

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[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

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This document is issued by our Company solely in connection with the [REDACTED] and the [REDACTED] and does not constitute an [REDACTED] to sell or a solicitation of an [REDACTED] to buy any security other than the [REDACTED] by this document pursuant to the [REDACTED]. This document may not be used for the purpose of marketing, and does not constitute, an [REDACTED] or [REDACTED] in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the [REDACTED] and sale of the [REDACTED] in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this document to make your [REDACTED] decision. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorized by us, the Sole Sponsor, [REDACTED], any of our or their respective directors or any other person or party involved in the [REDACTED].

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SUMMARY

This summary aims to give you an overview of the information contained in this document and should be read in conjunction with the full text of this document. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document, including our financial statements and the accompanying notes, before you decide to [REDACTED] in the [REDACTED]. There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in “Risk Factors” in this document. You should read that section carefully before you decide to [REDACTED] in the [REDACTED].

OVERVIEW

We are a pharmaceutical group strategically focused on two core therapeutic areas: (i) central nervous system (“CNS”) disorders, and (ii) cardiovascular and cerebrovascular diseases. As of the Latest Practicable Date, Dimdazenil (Junoenil®), was our sole approved innovative drug. In addition to Dimdazenil, we are advancing selected drug candidates in our focus therapeutic areas, including JX2201, a Category 1 innovative drug candidate for the treatment of elevated lipoprotein(a) levels.

We generate revenue primarily from the sale of our marketed products, comprising (i) drugs, including generic drugs, innovative drug (Dimdazenil), traditional Chinese medicine (“TCM”) and biologics, (ii) active pharmaceutical ingredients (“APIs”), and (iii) medical equipment. During the Track Record Period, sales of drugs accounted for the majority of our revenue.

We use the cash flow generated from our marketed products to support our research and development, clinical development and commercialization activities. We are advancing our pipeline primarily in CNS disorders and cardiovascular and cerebrovascular diseases, leveraging our in-house R&D, manufacturing and commercialization capabilities. In 2025, we generated total revenue of RMB4,069.4 million and net profit of RMB771.7 million, and our R&D investment was RMB368.0 million. We intend to continue investing in R&D at a considerably high level to advance our innovation strategy and further our growth.

Our development trajectory follows the evolution of China’s pharmaceutical industry over the past three decades. We began with a focus on intermediates and APIs, and subsequently expanded downstream into drugs. Over time, we have built a product portfolio spanning generic drugs, TCM and biologics, APIs and medical equipment. In recent years, we have allocated R&D resources to selected drug candidates in CNS and cardiovascular and cerebrovascular diseases. In 2023, we successfully launched Dimdazenil, a Category 1 innovative drug approved in China for the treatment of insomnia.

OUR STRENGTHS

- Clinical and market insight in CNS and cardiovascular/cerebrovascular diseases supported by selected R&D and clinical execution experience
- Sustained CNS and cardiovascular market presence with diversified marketed products and experience in the commercialization of Dimdazenil
- A diversified product portfolio and integrated business footprint with a proven track record and sustained cash flow contribution from our existing business
- Integrated R&D, manufacturing, quality management and commercialization capabilities
- An experienced management team with experience in pharmaceutical operations, research and development and commercialization

SUMMARY

OUR STRATEGY

- Continue disciplined R&D investment and advance selected drug candidates in our focus therapeutic areas
- Continue to focus on CNS and cardiovascular disease and advance key programs with disciplined execution
- Further expand external collaborations and in-licensing as part of our dual-engine model
- Strengthen our commercialization and sales network

OUR PORTFOLIO ASSETS

Our business model combines the sales of our marketed products with the continued advancement of our pipeline. We view innovative drugs as a driver of our strategic upgrade and long-term growth, and we are advancing our portfolio, supported by our integrated R&D, manufacturing and commercialization capabilities. During the Track Record Period, the majority of revenue from our drugs business was derived from generic drugs. We also generate revenue from Dimdazenil, APIs, TCM and biologics and medical equipment, which together provide recurring cash flow to support our R&D and commercialization activities.

Generic drugs: We maintain a broad portfolio of marketed products comprising generic drugs. Generic drugs constitute a substantial component of our marketed portfolio and provide stable revenue contribution and broad market coverage, supporting continued investment in innovation strategy. Our generic drug portfolio is primarily focused on (i) psychiatric and neurological drugs and (ii) cardiovascular and cerebrovascular drugs, with additional products in other therapeutic categories. These products provide stable revenue contribution, broad market coverage across hospitals and retail channels, and operating leverage to support continued R&D investment.

Innovative drugs: Dimdazenil, our sole approved innovative drug, is our marketed insomnia therapy and represents a milestone in our business upgrade. In addition to Dimdazenil, we are developing selected drug candidates in our two focus therapeutic areas, (i) CNS disorders and (ii) cardiovascular and cerebrovascular diseases, and prioritize indications with meaningful needs and attractive clinical and commercial potential. Our innovative pipeline is anchored by Dimdazenil (Junoenil®), our commercialized insomnia therapy and a key milestone in our transition toward a broader product portfolio comprising both generic drugs and innovative drugs.

Traditional Chinese medicine and biologics: We commercialize TCM and biologics, primarily in the digestive category.

APIs and medical equipment: We generate revenue from sales of APIs to formulation enterprises and other downstream manufacturers, leveraging our manufacturing capabilities and quality systems to support scale and cost competitiveness. We also use certain self-produced APIs as raw materials in the manufacture of a number of our own drugs. We also generate revenue from medical equipment sales, which are primarily direct, supplemented by limited distributor sales, supported by appropriate quality and after-sales processes.

SUMMARY

RESEARCH AND DEVELOPMENT

Research and development is the fundamental pillar of our business and is critical to our ongoing transformation, long-term growth and competitiveness in the pharmaceutical industry. As of the Latest Practicable Date, we had three in-house R&D centers located in Xinchang, Hangzhou and Shanghai, through which we conducted our principal pharmaceutical R&D activities.

MANUFACTURING

We operate manufacturing for drugs, APIs and medical equipment primarily in-house through our production bases and manufacturing subsidiaries, supported by standard operating procedures and internal controls covering production planning, raw materials management, in-process controls, equipment calibration and maintenance, deviation handling and change management, and we apply product-specific production processes aligned with the applicable regulatory requirements for each category.

As of June 30, 2026, our manufacturing facilities for products occupied an aggregate site area of approximately 1,214,117 sq.m. and had an aggregate GFA of approximately 409,357 sq.m. As of the Latest Practicable Date, we operated ten manufacturing facilities in the PRC, which cover all of our product categories, and one manufacturing facility in South Korea for medical equipment. The following tables set forth the designed production capacity, actual production volume and utilization rates of the production lines used at these facilities, by production base, as of the dates and for the periods indicated.

Product pipeline	Year ended December 31,									Six months ended June 30,		
	2023			2024			2025			2026		
	Designed production capacity	Actual production volume	Utilization rate (%)	Designed production capacity	Actual production volume	Utilization rate (%)	Designed production capacity	Actual production volume	Utilization rate (%)	Designed production capacity	Actual production volume	Utilization rate (%)
Generic drugs												
(in million tablets)	10,720.0	8,250.0	77.0	16,218.0	11,259.0	69.4	19,190.0	13,060.0	68.1	9,590.0	5,882.0	61.3
Dimdazenil												
(in million tablets)	N/A	N/A	N/A	2.0	1.2	57.5	30.0	18.0	59.9	20.0	18.0	90.0
APIs ⁽³⁾ (in tonnes)	5,125.0	3,396.0	66.3	11,125.0	5,188.7	46.6	11,125.0	7,420.4	66.7	5,562.5	4,490.1	80.7
TCM (in thousand boxes)	6,750.0	3,215.0	47.6	6,750.0	3,754.1	55.6	6,750.0	2,378.7	35.2	3,375.0	841.6	24.9
Biologics (in million tablets)	560.0	480.0	85.7	560.0	360.0	64.3	560.0	510.0	91.1	280.0	210.0	75.0
Medical equipment												
(in ten thousand units)	25.7	15.6	60.8	25.7	19.5	76.0	26.7	21.6	80.9	13.4	10.7	79.9

For further details of our manufacturing facilities and utilization rate, please see “Business — Manufacturing.”

SALES AND MARKETING

We primarily generate demand for our pharmaceutical products through our in-house sales and marketing team, which is responsible for academic promotion, market access and other commercialization activities, including engagement with healthcare professionals, product positioning, and channel management. We also collaborate with Independent Third Parties to enhance brand recognition, expand market coverage and improve product availability in certain regions and channels. In addition, we market and sell our APIs and medical equipment through a combination of direct sales and, where appropriate, distributor arrangements, with a focus on customer coverage, sales efficiency and compliance with applicable regulatory and industry requirements.

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The following table sets forth a breakdown of our revenue by distribution channels for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentage)</i>									
	<i>(unaudited)</i>									
Direct sales	1,339,253	33.5	1,436,388	34.5	1,375,031	33.8	721,382	35.8	656,863	33.1
Distributors	2,659,582	66.5	2,722,163	65.5	2,694,330	66.2	1,295,161	64.2	1,330,321	66.9
Total	3,998,835	100.0	4,158,551	100.0	4,069,361	100.0	2,016,543	100.0	1,987,184	100.0

The following table sets forth a breakdown of the number of generic drugs that generated revenue during the Track Record Period by core disease areas for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
CNS disorders	17	21	20	19
Cardiovascular and cerebrovascular diseases	15	23	27	28
Digestive diseases	4	5	6	8
Infectious diseases	13	14	12	12
Other diseases	11	17	22	21
Total	60	80	87	88

During the Track Record Period, we primarily generated revenue from the sales of 66 approved drug products, including 41 generic drugs, one innovative drug, and 24 TCM and biologics.

CUSTOMERS

In 2023, 2024, 2025 and the six months ended June 30, 2026, our revenue was primarily derived from the sales of our drugs, APIs and medical equipment. We sell a substantial portion of our products to third-party distributors, who are our direct customers and are responsible for subsequently selling and delivering our products to hospitals, other medical institutions and pharmacies. In 2023, 2024, 2025 and the six months ended June 30, 2026, our revenue from the five largest customers in each year during the Track Record Period was RMB1,163.2 million, RMB1,394.7 million, RMB1,404.9 million and RMB678.0 million, respectively, accounting for approximately 29.1%, 33.5%, 34.5% and 34.2% of our total revenue for the respective year. In the same years, our revenue from our largest customer in each year during the Track Record Period was RMB606.3 million, RMB661.9 million, RMB684.6 million and RMB340.9 million, respectively, accounting for approximately 15.2%, 15.9%, 16.8% and 17.2% of our total revenue for the respective year. See “Business — Customers.”

SUPPLIERS

During the Track Record Period, our suppliers primarily consisted of chemicals, packaging materials, APIs and other ancillary materials intermediates. In 2023, 2024, 2025 and the six months ended June 30, 2026, purchases from our five largest suppliers in each year during the Track Record Period were RMB318.0 million, RMB372.2 million, RMB349.4 million and RMB193.0 million, respectively, accounting for approximately 16.3%, 17.0%, 18.4% and 19.9% of our total purchases for

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the respective year. In the same years, purchases from our largest supplier in each period during the Track Record Period were RMB81.2 million, RMB105.7 million, RMB95.8 million and RMB77.5 million, respectively, accounting for approximately 4.2%, 4.8%, 5.0% and 8.0% of our total purchases for the respective year. See “Business — Suppliers.”

COMPETITION

We operate in a highly competitive industry. While we believe that our drug candidates, technology platforms and management team provide us with significant competitive advantages, we face potential competition from many others who are working to develop therapies targeting the same indications. These include multinational specialty pharmaceutical companies, academic institutions, government agencies and research institutions. Any drug candidates that we successfully develop and commercialize will compete with both existing drugs and any new drugs that may become available in the future.

QUALITY CONTROL

We have implemented comprehensive quality control procedures and protocols that span the entire production lifecycle from raw material sourcing through manufacturing to the delivery of drugs. In strict compliance with applicable PRC laws and regulations, including the Pharmaceutical Administration Law of the People’s Republic of China (《中華人民共和國藥品管理法》) and the Good Manufacturing Practice for Medical Products (《藥品生產質量管理規範》), we have established a quality management system covering our drugs, APIs and traditional Chinese medicine products, which is aligned with GMP requirements.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Company is controlled by a group of shareholders led by Mr. LYU Gang, our executive Director, chairperson of the Board and the general manager of our Company.

More specifically, our Company is directly held as to approximately 20.77% directly by Mr. LYU Gang and 15.68% by Jingxin Holding. Jingxin Holding is owned as to 51.00% by Mr. LYU Gang and 49.00% by Jinzhi Investment. Jinzhi Investment is owned as to 60.00% by Mr. LYU Gang and 40.00% by Ms. ZHANG Liling, the spouse of Mr. LYU Gang.

As such, Mr. LYU Gang, Ms. ZHANG Liling, Jingxin Holding and Jinzhi Investment are considered our Controlling Shareholders and controlled approximately 36.44% of our total issued share capital as of the Latest Practicable Date.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and that no changes are made to the issued share capital of the Company since the Latest Practicable Date up to the [REDACTED]), our Controlling Shareholders will, directly and indirectly, continue to control in aggregate approximately [REDACTED] of our total issued share capital. See “Relationship with Our Controlling Shareholders” for more details.

SUMMARY OF FINANCIAL INFORMATION

The summary of the key financial information set forth below have been derived from and should be read in conjunction with our consolidated financial statements, including the accompanying notes, set forth in the Accountants’ Report in Appendix I to this document, as well as the information set forth in the section headed “Financial Information.”

SUMMARY

TOP TEN COMMERCIALIZED PRODUCTS

For purposes of the disclosure below, our top ten commercialized products are the ten commercialized products that generated the highest revenue in 2025, being the latest year of the Track Record Period. These products comprised generic drugs, innovative drug (Dimdazenil), APIs, biologics and TCM products. In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, these products generated aggregate revenue of RMB1,602.4 million, RMB1,867.0 million, RMB1,950.6 million, RMB950.7 million and RMB930.3 million, respectively, representing 40.1%, 44.9%, 47.9%, 47.1% and 46.8% of our total revenue for the same periods. None of our medical equipment products ranked among our top ten commercialized products by revenue in 2025. The table below sets forth a brief introduction to these products.

Product	Category	Principal indication/ use and principal sales jurisdictions	First market approval/launch and centralized procurement/VBP status
Levetiracetam	Generic drug	Epilepsy; PRC	First approved in 2014; included in relevant centralized procurement/VBP arrangements since December 2018, with the current relevant nationwide continuation procurement period from March 2026 to December 2028
Bacillus Licheniformis Live Capsules	Biologic	Enteritis, diarrhea and intestinal flora imbalance; PRC	First approved in 2008; included in relevant centralized procurement/VBP arrangements since April 2025
Rosuvastatin Calcium Tablets	Generic drug	Hypercholesterolemia; PRC	First approved in July 2008; included in relevant centralized procurement/VBP arrangements since December 2018
Dimdazenil	Innovative drug	Insomnia disorder; PRC	First launched in January 2024; not included in centralized procurement/VBP arrangements as of the Latest Practicable Date
Amlodipine Besylate Tablets	Generic drug	Hypertension and angina; PRC	First approved in July 2010; included in relevant centralized procurement/VBP arrangements since December 2018
Enrofloxacin	API	Quinolone antibacterial API; global	First approved in China in 2008; centralized procurement/VBP arrangements are not applicable to this API product
Levofloxacin	API	Quinolone antibacterial API; global	First approved in China in 2011; centralized procurement/VBP arrangements are not applicable to this API product
Ciprofloxacin Hydrochloride	API	Quinolone antibacterial API; global	First approved in China in 2006; centralized procurement/VBP arrangements are not applicable to this API product
Cefuroxime Axetil Tablets	Generic drug	Respiratory, urinary and skin/soft tissue infections; PRC	First approved in August 2010; included in relevant centralized procurement/VBP arrangements since September 2019
Kangfuxin Oral Liquid	TCM and biologics	Gastric/duodenal ulcer and wound healing uses; PRC	First approved in July 1990; included in relevant centralized procurement/VBP arrangements since December 2021

SUMMARY

SUMMARY OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>	
Revenue	3,998,835	4,158,551	4,069,361	2,016,543	1,987,184
Cost of sales	(2,032,050)	(2,143,031)	(2,107,204)	(1,026,738)	(1,033,755)
Gross profit	1,966,785	2,015,520	1,962,157	989,805	953,429
Other income	118,741	184,443	110,502	56,711	52,850
(Impairment losses)/reversal of impairment losses under ECL model, net	(5,138)	(14,574)	(5,861)	(7,541)	2,027
Impairment of property, plant and equipment	—	—	(2,755)	—	(5,520)
Impairment loss on investment in an associate	(12,328)	—	—	—	—
Impairment loss of goodwill	—	—	(12,880)	—	(19,900)
Selling and marketing expenses	(783,527)	(692,264)	(600,792)	(309,613)	(273,255)
Administrative expenses	(215,538)	(230,391)	(226,702)	(99,164)	(100,129)
Research and development costs	(400,935)	(383,485)	(367,983)	(184,913)	(164,773)
Other gains and losses, net	53,529	(26,865)	18,130	14,288	(28,278)
Finance costs	(7,315)	(7,743)	(3,955)	(3,299)	(1,557)
Share of results of associates	(6,042)	(658)	(471)	(511)	(336)
Profit before tax	708,232	843,983	869,390	455,763	414,558
Income tax expenses	(84,623)	(124,854)	(97,659)	(58,058)	(56,580)
Profit for the year/period from continuing operations	623,609	719,129	771,731	397,705	357,978
Discontinued operations					
Loss for the year from discontinued operation	(191)	—	—	—	—
Profit for the year/period	623,418	719,129	771,731	397,705	357,978

SUMMARY

Revenue

Revenue by Business Line

During the Track Record Period, we derived revenue from the (i) drugs, (ii) APIs, (iii) medical equipment and (iv) others.

Among our drugs, products for CNS disorders and cardiovascular and cerebrovascular diseases constituted our core disease-area products, and also includes products for other therapeutic areas, such as digestive diseases and infectious diseases. The table below sets forth our revenue breakdown by business line, with revenue from drugs further broken down by disease areas, in amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentage)</i>										
<i>(unaudited)</i>										
Drugs										
— CNS disorders	629,098	15.7	671,584	16.1	832,198	20.5	369,623	18.3	387,568	19.5
— Cardiovascular and cerebrovascular diseases	682,866	17.1	840,505	20.2	801,245	19.7	373,289	18.5	409,450	20.6
— Digestive diseases	434,808	10.9	413,273	9.9	397,378	9.8	203,508	10.1	178,136	9.0
— Infectious diseases	229,925	5.7	236,924	5.7	195,447	4.8	92,221	4.6	75,699	3.8
— Other diseases	349,693	8.8	360,006	8.8	242,812	5.9	136,626	6.8	111,681	5.6
Subtotal	2,326,390	58.2	2,522,292	60.7	2,469,080	60.7	1,175,267	58.3	1,162,534	58.5
APIs	956,307	23.9	876,296	21.1	814,196	20.0	452,608	22.4	417,171	21.0
Medical equipment	637,246	15.9	687,233	16.5	696,253	17.1	349,311	17.3	375,445	18.9
Others	78,892	2.0	72,730	1.7	89,832	2.2	39,357	2.0	32,034	1.6
Total	3,998,835	100.0	4,158,551	100.0	4,069,361	100.0	2,016,543	100.0	1,987,184	100.0

In addition, our drugs comprised three sub-product types, namely (i) generic drugs, (ii) innovative drug (Dimdazenil), and (iii) TCM and biologics. The table below sets forth our revenue breakdown by business line, with revenue from drugs further broken down by sub-product types, in amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentage)</i>										
<i>(unaudited)</i>										
Drugs										
Generic drugs	1,704,584	42.7	1,872,177	45.0	1,765,516	43.4	854,402	42.4	806,095	40.6
Innovative drug (Dimdazenil)	—	—	23,421	0.6	194,753	4.8	55,263	2.7	152,875	7.7
TCM and biologics	621,806	15.5	626,694	15.1	508,811	12.5	265,602	13.2	203,564	10.2
APIs	956,307	23.9	876,296	21.1	814,196	20.0	452,608	22.4	417,171	21.0
Medical equipment	637,246	15.9	687,233	16.5	696,253	17.1	349,311	17.3	375,445	18.9
Others ⁽¹⁾	78,892	2.0	72,730	1.7	89,832	2.2	39,357	2.0	32,034	1.6
Total	3,998,835	100.0	4,158,551	100.0	4,069,361	100.0	2,016,543	100.0	1,987,184	100.0

SUMMARY

Note:

- (1) Others mainly include lease income, representing a recurring and stable source of income generated from our ordinary course of leasing operations. Such lease income is received from both subsidiaries of Jingxin Holding and other Independent Third Parties.

During the Track Record Period, the fluctuations in our revenue were primarily attributable to changes in the sales volume and average selling prices of our drugs, APIs and medical equipment. Our revenue increased from RMB3,998.8 million in 2023 to RMB4,158.6 million in 2024, mainly driven by higher sales volume of certain generic drugs under the VBP schemes and increased customer demand for our medical equipment under our international customized equipment customers. Our revenue subsequently decreased to RMB4,069.4 million in 2025, primarily due to lower average selling prices of certain drugs under the VBP schemes and certain APIs amid intensified market competition, partially offset by the significant increase in sales volume of Dimdazenil following its inclusion in the national NRDL. Our revenue decreased by 1.5% from RMB2,016.5 million in the six months ended June 30, 2025 to RMB1,987.2 million in the six months ended June 30, 2026, primarily due to lower revenue from generic drugs, TCM and biologics and from sales of APIs to external customers, partially offset by higher revenue from Dimdazenil and medical equipment. For details, see “Financial Information — Period to Period Comparison of Results of Operations.”

Cost of Sales

During the Track Record Period, our cost of sales primarily consisted of (i) material cost, (ii) manufacturing expenses, (iii) labor cost and (iv) others. Our cost of sales amounted to RMB2,032.1 million, RMB2,143.0 million, RMB2,107.2 million, RMB1,026.7 million and RMB1,033.8 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.

Gross Profit and Gross Profit Margin

Our gross profit increased from RMB1,966.8 million in 2023 to RMB2,015.5 million in 2024, and subsequently decreased to RMB1,962.2 million in 2025, generally in line with the fluctuations in our revenue. Our overall gross profit margin remained relatively stable at 49.2%, 48.5% and 48.2% in 2023, 2024 and 2025, respectively. The slight fluctuations primarily reflected changes in the gross profit margins and revenue contribution of our different product categories, including lower average selling prices of certain drugs, APIs and medical equipment, partially offset by a more favorable product mix in 2025 due to the increased contribution from Dimdazenil, which had a higher gross profit margin. Our gross profit decreased by 3.7% from RMB989.8 million in the six months ended June 30, 2025 to RMB953.4 million in the six months ended June 30, 2026, while our overall gross profit margin remained relatively stable at 49.1% and 48.0% for the respective periods. The decrease in our overall gross profit margin primarily reflected lower margins from APIs due to lower average selling prices of our API products. For details, see “Financial Information — Period to Period Comparison of Results of Operations.”

Other Income

During the Track Record Period, our other income primarily included (i) government subsidies, (ii) interest income, (iii) input VAT preferential tax reductions and (iv) preferential tax treatments and tax-related refunds. Our other income amounted to RMB118.7 million, RMB184.4 million, RMB110.5 million, RMB56.7 million and RMB52.9 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively. The 6.8% decrease in our other income in the six months ended June 30, 2026 compared with the corresponding period in 2025 was primarily due to lower input VAT preferential tax reductions and interest income, partially offset by higher government subsidies.

Profit for the Period

Our profit for the year increased by 15.4% from RMB623.4 million in 2023 to RMB719.1 million in 2024. Despite the decrease in our gross profit from RMB2,015.5 million in 2024 to RMB1,962.2 million in 2025, we recorded a 7.3% increase in profit for the year to RMB771.7 million in 2025,

SUMMARY

primarily due to the decrease in selling and marketing expenses from RMB692.3 million to RMB600.8 million, the decrease in research and development costs from RMB383.5 million to RMB368.0 million, the change from net other losses of RMB26.9 million to net other gains of RMB18.1 million, and the decrease in income tax expenses from RMB124.9 million to RMB97.7 million. Our profit for the period decreased by 10.0% from RMB397.7 million in the six months ended June 30, 2025 to RMB358.0 million in the six months ended June 30, 2026.

Discontinued Operations

During the Track Record Period, we recorded a loss for the year from discontinued operations of RMB191,000 in 2023, primarily due to the deregistration of our subsidiaries.

SUMMARY OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which has been extracted from our audited consolidated financial statements included in Appendix I to this Document.

	As of December 31,			As of
	2023	2024	2025	June 30,
				2026
	<i>(RMB in thousands)</i>			
Total non-current assets	4,632,822	5,590,181	4,822,728	4,059,161
Total current assets	3,353,734	2,889,135	3,300,802	3,896,001
Total assets	7,986,556	8,479,316	8,123,530	7,955,162
Total current liabilities	2,074,757	2,134,521	1,906,908	1,657,905
Total non-current liabilities	371,644	343,250	346,355	345,431
Net current assets	1,278,977	754,614	1,393,894	2,238,096
Net assets	5,540,155	6,001,545	5,870,267	5,951,826

We recorded net current assets of RMB754.6 million as of December 31, 2024, as compared to net current assets of RMB1,279.0 million as of December 31, 2023. The change was primarily due to (i) a decrease in cash and cash equivalents of RMB988.9 million and (ii) a decrease in time deposits with original maturities over three months of RMB479.0 million, reflecting our treasury management arrangements, partially offset by (i) an increase in financial assets at fair value through profit or loss of RMB676.7 million, (ii) an increase in trade receivables of RMB176.4 million and (iii) an increase in inventories of RMB140.0 million.

We recorded net current assets of RMB1,393.9 million as of December 31, 2025, as compared to net current assets of RMB754.6 million as of December 31, 2024. The change was primarily due to (i) an increase in time deposits with original maturities over three months of RMB689.3 million and (ii) an increase in cash and cash equivalents of RMB225.5 million, partially offset by a decrease in financial assets at fair value through profit or loss of RMB508.7 million.

We recorded net current assets of RMB2,238.1 million as of June 30, 2026, as compared to net current assets of RMB1,393.9 million as of December 31, 2025. The change was primarily due to (i) an increase in financial assets at fair value through profit or loss of RMB313.1 million and (ii) an increase in time deposits with original maturities over three months of RMB365.8 million, partially offset by (i) a decrease in financial assets at fair value through other comprehensive income of RMB67.6 million, (ii) a decrease in trade receivables of RMB56.9 million; and (iii) a decrease in cash and cash equivalents of RMB33.0 million.

Our net assets increased by 8.3% from RMB5,540.2 million as of December 31, 2023 to RMB6,001.5 million as of December 31, 2024, primarily due to the profit for the year of RMB719.1 million, partially offset by the dividends approved and paid in respect of the previous year of RMB261.5 million in 2024.

SUMMARY

Our net assets decreased by 2.2% from RMB6,001.5 million as of December 31, 2024 to RMB5,870.3 million as of December 31, 2025, primarily due to the repurchase of shares of RMB608.8 million and the dividends approved and paid in respect of the previous year of RMB288.5 million in 2025, partially offset by the profit for the period of RMB771.7 million in 2025.

Our net assets increased by 1.4% from RMB5,870.3 million as of December 31, 2025 to RMB5,951.8 million as of June 30, 2026, primarily due to the profit for the period of RMB358.0 million, partially offset by the dividends approved and paid in respect of the previous period of RMB288.4 million in the six months ended June 30, 2026.

LIQUIDITY AND CAPITAL RESOURCES

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

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Net cashflow from operating activities	792,838	726,163	781,347	476,911
Net cashflow (used in)/from investing activities	(737,592)	(1,437,862)	367,106	(150,980)
Net Cash flow used in financing activities	(245,609)	(280,164)	(915,749)	(342,323)
Cash and cash equivalents at the beginning of year/period	1,463,667	1,276,018	287,145	512,632
Effects of exchange rate changes on cash and cash equivalents	2,714	2,990	(7,217)	(16,558)
Cash and cash equivalents at end of year/period	1,276,018	287,145	512,632	479,682

See “Financial Information — Liquidity and Capital Resources — Cash Flow.”

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios 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
Net profit margin (%) ⁽¹⁾	15.6	17.3	19.0	18.0
Current ratio ⁽²⁾	1.62	1.35	1.73	2.35

Notes:

- (1) Net profit margin equals net profit for the year/period divided by revenue for the year/period and multiplied by 100%.
- (2) Current ratio equals current assets divided by current liabilities as of the same date.

SUMMARY

FUTURE PLANS AND USE OF [REDACTED]

We estimate that the net [REDACTED] from the [REDACTED], after deducting [REDACTED], fees and estimated expenses payable by us in connection with the [REDACTED], will be approximately [REDACTED], assuming an [REDACTED] of [REDACTED] per Share (being the mid-point of the indicative [REDACTED] range of [REDACTED] to [REDACTED] per Share), and assuming the [REDACTED] is not exercised. We currently intend to apply the net [REDACTED] from the [REDACTED] for several purposes.

- Approximately [REDACTED], or [REDACTED], of the net [REDACTED] will be used to fund the research and development activities of our products and drug candidates;
- Approximately [REDACTED], or [REDACTED], of the net [REDACTED] will be used to fund the enhancement of our marketing networks and market expansion across key therapeutic areas;
- Approximately [REDACTED], or [REDACTED], of the net [REDACTED] will be used to fund potential acquisitions, in-licensing, technology introduction and/or collaboration development to expand our pipeline; and
- Approximately [REDACTED], or [REDACTED], of the net [REDACTED] will be used for working capital and other general corporate purposes to support our daily operations and future business development.

See “Future Plans and Use of [REDACTED]”.

[REDACTED]

SUMMARY

RISK FACTORS

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. Some of the major risks that we face include: (i) Certain of our products are subject to pricing regulation or other policies that are intended to reduce healthcare costs; (ii) If we are unable to compete effectively, we may lose market share and our revenue and profitability could be materially and adversely affected; (iii) We are largely dependent on sales of our marketed products. If we are unable to maintain or increase the sales volume, pricing levels and profit margins of our main products, our revenue and profitability could be adversely affected; (iv) If we fail to maintain or expand an effective distribution network for our products, or if we are unable to further expand our distribution channel, our business and sales of the relevant products could be adversely affected; (v) If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize our drugs or drug candidates, or experience significant delays in doing so, our business will be materially harmed; (vi) Clinical drug development involves a lengthy and expensive process with an uncertain outcome, and unsuccessful clinical trials or procedures relating to products under development or failure to demonstrate safety and efficacy of our drug candidates to the satisfaction of regulatory authorities could have a material adverse effect on our prospects; and (vii) We invest substantial resources in research and development in order to develop our drugs and drug candidates and enhance our technologies, which we may not be able to do successfully.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. We estimate that our [REDACTED] expenses will be approximately [REDACTED] (assuming an [REDACTED] of [REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range) and no exercise of the [REDACTED]), representing [REDACTED] of the gross [REDACTED] (based on the mid-point of our indicative [REDACTED] range for the [REDACTED] and assuming that the [REDACTED] is not exercised) of the [REDACTED]. During the Track Record Period, we incurred [REDACTED] expenses of [REDACTED], of which [REDACTED] was charged to profit or loss, and the remaining amount is expected to be recognized as a deduction in equity directly upon the [REDACTED]. We expect to incur additional [REDACTED] expenses of approximately [REDACTED], of which approximately [REDACTED] is expected to be recognized in the consolidated statements of profit or loss as administrative expenses. Approximately, [REDACTED] is expected to be recognized as a deduction in equity directly upon the [REDACTED]. Our Directors do not expect such expenses to materially impact our results of operations in [2026]. By nature, our [REDACTED] expenses are composed of (i) [REDACTED] of approximately [REDACTED], and (ii) [REDACTED] related expenses of approximately [REDACTED], which consisted of fees and expenses of legal advisors and Reporting Accountant of approximately [REDACTED] and other fees and expenses of approximately [REDACTED].

SUMMARY

DIVIDENDS AND DIVIDEND POLICY

We paid dividends to our Shareholders of RMB258.3 million, RMB258.3 million, RMB284.9 million and RMB284.8 million in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively. See Note 16 to the Accountants’ Report in Appendix I to this Document. At our Shareholders’ general meeting held in May 2026, we declared a cash dividend of RMB287.3 million, which was paid in full in June 2026. The difference of RMB2.5 million was attributable to dividends paid in respect of our employee stock ownership plan.

After completion of the [REDACTED], our Shareholders will be entitled to receive any dividends we declare. We have adopted a formal dividend policy, pursuant to which the declaration and payment of dividends will be determined by our Board. We do not have a pre-determined dividend payout ratio. We may distribute dividends by way of shares or cash, or a combination of both. Pursuant to applicable laws in the PRC and our Articles of Association, the declaration and payment of dividends will be determined at the discretion of our Board, taking into account our results of operations, cash flows, financial condition, capital requirements and other relevant factors, and will be subject to our constitutional documents, applicable PRC laws and the approval of the Shareholders’ meeting

We will, in principle, distribute cash dividends to our Shareholders at least on an annual basis in accordance with our Articles of Association and the applicable laws and regulations in the PRC and Hong Kong. Pursuant to our Articles of Association, subject to the principles of profit distribution and the requirements of our ordinary course of business and long-term development, where the conditions for cash dividends are satisfied, the aggregate amount of cash dividends distributed by us in any consecutive three years shall be no less than 30% of the average distributable profits realized in such three years, and we do not currently have any pre-determined dividend payout ratio.

Our future declarations of dividends may not be in line with our historical declaration of dividends and will be subject to the approval by the Shareholders’ meeting. See “Risk Factors — Risks Relating to the [REDACTED].”

OUR LISTING ON THE SHENZHEN STOCK EXCHANGE

Since July 2004, our Company has been listed on the Shenzhen Stock Exchange. Since the commencement of our Track Record Period and as of the Latest Practicable Date, we have complied with all laws and regulations applicable to our listing on the Shenzhen Stock Exchange in all material respects and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the [REDACTED] attention in relation to our compliance record on the Shenzhen Stock Exchange. Our PRC Legal Advisor is of the view that the confirmation of our Directors above with regard to our compliance records is accurate and reasonable. Based on the independent due diligence conducted by the Sole Sponsor, nothing has come to the Sole Sponsor’s attention that would cause them to disagree with the Directors’ confirmation with regard to the compliance records of the Company on the Shenzhen Stock Exchange.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this Document, there had been no material adverse change in our business, financial condition and results of operations since June 30, 2026, which is the end date of the periods reported on in the Accountants’ Report as set out in Appendix I to this Document, and there is no event since June 30, 2026 which would materially affect the information in the Accountants’ Report as set out in Appendix I to this Document.

DEFINITIONS

In this document unless the context otherwise requires the following terms shall have the following meanings. Certain technical terms are explained in the section headed “Glossary” in this document.

“A Share(s)”	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange and traded in Renminbi
“Accountants’ Report”	the accountants’ report for the three financial years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026 prepared by BDO Limited, the text of which is set out in Appendix I to this Document
“affiliate”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Articles” or “Articles of Association”	the articles of association of our Company, as amended, which shall become effective on the [REDACTED], a summary of which is set out in Appendix V to this Document
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of our Company
“business day”	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“CAGR”	compound annual growth rate
	[REDACTED]
“China”, “PRC” or “Chinese mainland”	the People’s Republic of China, unless the context requires otherwise, excluding, for the purpose of this Document only, the regions of Hong Kong, Macau and Taiwan of the People’s Republic of China
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company”, “our Company” or “the Company”	Zhejiang Jingxin Pharmaceutical Co., Ltd. (浙江京新藥業股份有限公司), a joint stock company established in the PRC with limited liability on February 13, 1999, the A Shares of which have been listed on the Shenzhen Stock Exchange (stock code: 002020)
“Company Law” or “PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Mr. LYU Gang (呂鋼), Ms. ZHANG Liling (張莉玲), Jingxin Holding and Jinzhi Investment
“CSDC”	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
“CSDC (Hong Kong)”	China Securities Depository and Clearing (Hong Kong) Company Limited
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“Extreme Conditions”	the occurrence of “extreme conditions” as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
“EAR”	the Export Administration Regulations (15 C.F.R. Parts 730–774) administered by the BIS.
	[REDACTED]
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
“Frost & Sullivan Report”	a commissioned industry report prepared by Frost & Sullivan
	[REDACTED]
“Group”, “our Group”, “the Group”, “we”, or “us”	the Company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time

DEFINITIONS

“Guide”	the Guide for New Listing Applicants issued by the Stock Exchange (as amended, supplemented or otherwise modified from time to time).
“H Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is/are to be [REDACTED] for and [REDACTED] in HK dollars and to be [REDACTED] on the Stock Exchange [REDACTED]
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong [REDACTED]

DEFINITIONS

[REDACTED]

“IEEPA” the International Emergency Economic Powers Act (50 U.S.C. §§1701–1708) of the United States.

“IFRS” International Financial Reporting Standards

“Independent Third Party(ies)” any entity(ies) or person(s) who is not a connected person of our Company within the meaning of the Hong Kong Listing Rules

[REDACTED]

“International Sanctions Legal Advisor” Ashurst Perkins Coie Tokyo, our legal advisor as to international sanctions and trade restrictions in connection with the [REDACTED].

[REDACTED]

“Jingxin Holding” Jingxin Holding Group Co., Ltd. (京新控股集團有限公司), a company established in the PRC with limited liability on January 27, 2010, and one of the Controlling Shareholders

“Jinzhi Investment” Zhejiang Jinzhi Investment Co., Ltd. (浙江金至投資有限公司), a company established in the PRC with limited liability on February 11, 2010, and one of the Controlling Shareholders

DEFINITIONS

[REDACTED]

“Latest Practicable Date” [September 10], 2026, being the latest practicable date for ascertaining certain information in this Document before its publication

[REDACTED]

“Listing Committee” the Listing Committee of the Stock Exchange

[REDACTED]

“Listing Rules” the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

“Main Board” the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange

“Memorandum and Articles of Association” the Memorandum of Association and Articles of Association

“MOF” or “Ministry of Finance” Ministry of Finance of the PRC (中華人民共和國財政部)

“MOFCOM” Ministry of Commerce of the PRC (中華人民共和國商務部)

“NDRC” the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

“Nomination Committee” the nomination committee of the Board

[REDACTED]

DEFINITIONS

[REDACTED]

“PBOC” People’s Bank of China (中國人民銀行), the central bank of the PRC

“PRC Legal Advisor” AllBright Law Offices, being the legal advisor to the Company as to PRC laws

[REDACTED]

“Primary Sanctioned Activity” has the meaning ascribed to it under Chapter 4.4 of the Guide, and means any activity in a Sanctioned Country or (i) with; or (ii) directly or indirectly benefiting, or involving the property or interests in property of, a Sanctioned Target by a listing applicant incorporated or located in a Relevant Jurisdiction or which otherwise has a nexus with such jurisdiction with respect to the relevant activity, such that it is subject to the relevant sanctions law or regulation.

[REDACTED]

“R&D” research and development

“Regulation S” Regulation S under the U.S. Securities Act

“Relevant Jurisdiction” has the meaning ascribed to it under Chapter 4.4 of the Guide, and means any jurisdiction that is relevant to the applicant and has sanctions related law or regulation restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assets of certain countries, governments, persons or entities targeted by such law or regulation. Relevant to the Group, these include the United States (“U.S.”), the United Kingdom (“UK”), the European Union (“EU”), Australia, Canada and the United Nations (“UN”)

“Remuneration and Appraisal Committee” the remuneration and appraisal committee of the Board

“RMB” or “Renminbi” Renminbi, the lawful currency of the PRC

DEFINITIONS

“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“Sanctioned Country”	has the meaning ascribed to it under Chapter 4.4 of the Guide, and means any country or territory subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of the Relevant Jurisdiction
“Sanctioned Target”	has the meaning ascribed to it under Chapter 4.4 of the Guide, and means any person or entity (i) designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (ii) that is, or is owned or controlled by, a government of a Sanctioned Country; or (iii) that is the target of sanctions under the law or regulation of a Relevant Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (i) or (ii).
“SAT”	the State Administration of Taxation (國家稅務總局)
“SCNPC”	Standing Committee of the National People’s Congress, the permanent body of the National People’s Congress of the PRC
“Secondary Sanctionable Activity”	has the meaning ascribed to it under Chapter 4.4 of the Guide, and means certain activity by a listing applicant that may result in the imposition of sanctions against the Relevant Person(s) by a Relevant Jurisdiction (including designation as a Sanctioned Target or the imposition of penalties), even though the listing applicant is not incorporated or located in that Relevant Jurisdiction and does not otherwise have any nexus with that Relevant Jurisdiction.
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Securities Law” or “PRC Securities Law”	the Securities Law of the PRC (《中華人民共和國證券法》), as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 per share, comprising A Shares and H Shares
“Shareholder(s)”	holder(s) of our Share(s)

DEFINITIONS

“Shenzhen-Hong Kong Stock Connect”	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shenzhen Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shenzhen
“Sole Sponsor”	the sole sponsor as named in “Directors and Parties Involved in the [REDACTED]” [REDACTED]
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Strategy and ESG Committee”	the strategy and ESG committee of the Board
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026
“Trial Measures”	the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (境內企業境外發行證券和上市管理試行辦法), promulgated by the CSRC on February 17, 2023 [REDACTED]
“United States” or the “U.S.”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States [REDACTED]

DEFINITIONS

“%”

Percent

In this Document, the terms “associate,” “close associate,” “connected person,” “core connected person,” “connected transaction,” “controlling shareholder” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Unless otherwise stated, [53,654,095] treasury shares held by the Company as of the Latest Practicable Date have been included in the total number of issued shares of the Company as of the Latest Practicable Date and immediately after completion of the [REDACTED].

Certain amounts and percentage figures included in this Document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or entities have been included in this Document in both the Chinese and English languages; the English versions are for identification purposes only and in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY

This glossary contains certain technical terms used in this document in connection with us and our business. Such terms and their meaning may not correspond to standard industry definitions or usage.

“ADR”	adverse drug reaction. A noxious and unintended response to a medicinal product occurring at doses normally used in humans for prophylaxis, diagnosis or therapy of disease, or for modification of physiological function.
“Alzheimer’s Disease”	progressive neurodegenerative disorder characterized by cognitive decline, memory impairment and deterioration in daily functioning, and commonly associated with pathological changes in the brain, including the accumulation of amyloid- β plaques and neurofibrillary tangles.
“APIs”	active pharmaceutical ingredients. The biologically active substances in drug products that are intended to provide pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment or prevention of disease.
“Apo(a)”	apolipoprotein(a), the distinctive apolipoprotein component of lipoprotein(a) that contributes to its atherothrombotic properties.
“ApoB100”	apolipoprotein B100, the main structural protein of low-density lipoprotein; in lipoprotein(a), Apo(a) is covalently linked to ApoB100 via a disulfide bond.
“ASCVD”	atherosclerotic cardiovascular disease.
“Benzodiazepines”	a class of psychoactive medicines that act as positive allosteric modulators of the gamma-aminobutyric acid type A (GABA_ α) receptor, producing sedative, anxiolytic, anticonvulsant and muscle-relaxant effects. They are commonly prescribed for conditions such as insomnia and anxiety, but may be associated with risks including tolerance, dependence and withdrawal.
“bFGF”	basic fibroblast growth factor; a growth factor associated with tissue repair and wound healing.
“BZD”	benzodiazepine; a class of medicines commonly used for sedation, anxiolysis and insomnia treatment.
“Cariprazine hydrochloride”	a dopamine partial agonist antipsychotic used for schizophrenia and bipolar disorder indications; referenced as a first generic version program in the PRC.

GLOSSARY

“Category 1 innovative drug”	a drug classified as a Class 1 chemical innovative drug under PRC regulatory practice, generally referring to a new drug not marketed worldwide.
“Category 3 drug”	a chemical drug classified as Category 3 under the PRC drug registration classification system.
“Centralized tender process”	a provincial/municipal procurement mechanism in the PRC under which public hospitals purchase medicines at bid prices through centralized online procurement platforms.
“CMC”	chemistry, manufacturing and controls; activities relating to pharmaceutical development, manufacturing process development, quality research, analytical methods, specifications and related regulatory documentation.
“CNS”	central nervous system.
“Consistency evaluation”	the PRC generic drug quality and efficacy consistency evaluation program assessing equivalence of a generic to a reference listed drug.
“CRO”	contract research organization; a service provider that supports clinical trial operations and related development activities.
“Dimdazenil”	a novel orally administered benzodiazepine-class sedative-hypnotic approved in the PRC for the short-term treatment of insomnia; marketed under the brand name Junoenil in the PRC.
“DPNP”	Diabetic Peripheral Neuropathic Pain; a type of chronic neuropathic pain caused by peripheral nerve damage associated with diabetes mellitus, typically presenting as burning, tingling or shooting pain, numbness or hypersensitivity in the extremities.
“Epilepsy”	a chronic neurological disorder characterized by recurrent seizures arising from abnormal neuronal activity.
“FDA”	the U.S. Food and Drug Administration
“GABA”	gamma-aminobutyric acid; a principal inhibitory neurotransmitter in the central nervous system.
“GABA _α ”	as used in this document, refers to the GABA- α receptor and/or its alpha subunit-containing receptor complexes.
“GMP”	Good Manufacturing Practice; quality standards governing pharmaceutical and medical equipment manufacturing processes.

GLOSSARY

“IND”	Investigational New Drug; an application/authorization to conduct clinical trials of a drug candidate (including, in the PRC, an IND application).
“Insomnia”	a sleep disorder characterized by difficulty initiating or maintaining sleep, early awakening, reduced sleep quality and impaired daytime functioning.
“LDL”	low-density lipoprotein.
“Levetiracetam”	a second-generation anti-epileptic drug used for various seizure types; the active ingredient of the Company’s Jiyike tablets.
“Lp(a)”	lipoprotein(a); an LDL-like lipoprotein particle with an attached Apo(a) component, associated with cardiovascular risk.
“MCP-1”	monocyte chemoattractant protein-1; a chemokine involved in inflammatory pathways.
“NBZD”	non-benzodiazepine hypnotic; a class of insomnia medicines often referred to as “Z-drugs.”
“NMPA”	the National Medical Products Administration of the PRC, the competent authority responsible for, among other things, the registration, review and approval of pharmaceuticals and medical equipment, and the supervision of drug manufacturing, distribution and post-marketing safety.
“NRDL”	National Reimbursement Drug List of the PRC. A list published and periodically updated by the competent PRC authorities that sets out pharmaceutical products eligible for reimbursement under the PRC basic medical insurance schemes, which may affect pricing, reimbursement scope and hospital adoption.
“OTC”	over-the-counter. Medicines that may be sold to consumers without a prescription from a licensed healthcare professional, subject to applicable regulatory requirements
“PAI-1”	plasminogen activator inhibitor-1.
“PCSK9”	proprotein convertase subtilisin/kexin type 9, a protein involved in regulating LDL receptor activity and LDL cholesterol levels.
“PD”	Parkinson’s disease.
“PI”	principal investigator; the physician or researcher responsible for conducting a clinical trial at a clinical site.

GLOSSARY

“Pitavastatin”	a statin used for hypercholesterolemia; referenced for the Company’s pitavastatin calcium dispersible tablets.
“PSG”	polysomnography.
“QA”	quality assurance; the function responsible for ensuring that processes are designed and followed to meet quality requirements.
“QC”	quality control; the function responsible for testing and inspecting raw materials, intermediates and finished products to confirm they meet specifications.
“Schizophrenia”	a chronic psychiatric disorder commonly characterized by positive symptoms, negative symptoms and cognitive impairment.
“SDN”	Specially Designated Nationals designated pursuant to U.S. sanctions programs
“siRNA”	small interfering RNA; a double-stranded RNA molecule that can silence gene expression via RNA interference.
“SMO”	site management organization; a service provider that supports clinical trial site operations and patient enrollment.
“TCM”	traditional Chinese medicine.
“TST”	total sleep time; a polysomnography-derived measure of total time spent asleep.
“Two-Invoice System”	a PRC policy intended to streamline pharmaceutical distribution chains for sales to public medical institutions, generally limiting invoicing to two invoices from manufacturer to distributor and distributor to medical institution.
“VBP”	volume-based procurement; a PRC procurement mechanism using centralized, large-volume purchasing to reduce drug prices in exchange for committed volumes.
“VLPO”	ventrolateral preoptic area; a region in the hypothalamus involved in sleep regulation.
“WASO”	wake after sleep onset; a polysomnography-derived measure of time awake after initially falling asleep.
“WHO”	the World Health Organization, a specialized agency of the United Nations responsible for international public health.
“Z-drugs”	non-benzodiazepine hypnotic medicines, including agents such as zolpidem, zopiclone and zaleplon.

FORWARD-LOOKING STATEMENTS

We have included in this document forward looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward looking statements.

This Document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this Document. Forward-looking statements can be identified by words such as “may,” “will,” “should,” “would,” “could,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “continue,” “seek,” “estimate” or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our projections, business strategy and development activities as well as other capital spending, financing sources, the effects of regulation, expectations concerning future operations, margins, profitability and competition. The foregoing is not an exclusive list of all forward-looking statements we make.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. We caution you therefore against placing undue reliance on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- our business prospects;
- our business strategies and plans to achieve these strategies;
- future developments, trends and conditions in and competitive environment for the industries and markets in which we operate;
- general economic, political and business conditions in locations where we operate;
- our financial condition and performance;
- our capital expenditure plans;
- changes to the regulatory environment, policies, operating conditions of and general outlook in the industries and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory licenses or permits;
- the amount and nature of, and potential for, future development of our business;
- the actions of and developments affecting our competitors;

FORWARD-LOOKING STATEMENTS

- the actions of and developments affecting our major customers and suppliers; and
- certain statements in the sections headed “Risk Factors,” “Industry Overview,” “Regulatory Overview,” “Business,” “Financial Information,” “Relationship with Our Controlling Shareholder” and “Future Plans and Use of [REDACTED]” with respect to trends in interest rates, foreign exchange rates, prices, volumes, operations, margins, risk management and overall market trends.

Any forward-looking statement made by us in this Document speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this Document are qualified by reference to this cautionary statement.

RISK FACTORS

An [REDACTED] in our H Shares involves a high degree of risk. You should carefully consider all of the information about risks, together with other information contained in this Document, including our consolidated financial statements and related notes below, before you decide to [REDACTED] our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material and adverse effect on our business, financial condition and results of operations. In any such case, the [REDACTED] of our H Shares could decline, and you may lose all or part of your [REDACTED]. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section titled “Forward-Looking Statements” of this Document.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to our financial position; (iii) risks relating to laws and regulations; and (iv) risks relating to the [REDACTED]. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Certain of our products are subject to pricing regulation or other policies that are intended to reduce healthcare costs.

In China, prices of pharmaceutical products are currently determined mainly by market competition, without being subject to price ceilings set by the NDRC. However, for a pharmaceutical product to be included on the NRDL, a ceiling of such product’s reimbursable amount under the national medical insurance will be determined based on negotiation with the government. In addition, pharmaceutical products included in the National Essential Drug List (the “NEDL”) are generally prioritized for procurement and use by medical institutions, which may facilitate market access and increase sales volume. There is no assurance that such market-based pricing mechanism will result in higher product pricing compared to government-controlled pricing, as competition from other manufacturers, particularly those offering the same products at more competitive prices may force us to lower price of our existing marketed products and may also impact the prices of our drug candidates once commercialized in China. Increased competition may further intensify pricing pressure. Any changes in price control or reimbursement policies, which we may not be able to predict or control, could create uncertainties affecting our product prices, revenue and profitability.

PRC government authorities have implemented policies that aim to further increase the affordability of pharmaceutical products, including policies relating to the NEDL, the centralized tender process and the volume-based procurement (VBP) scheme. For further details, see “Business — Pricing — Centralized Tender Process and Volume-based Procurement.” During the Track Record Period, we primarily generated revenue from the sales of 66 approved drug products, including 41 generic drugs, one innovative drug, and 24 TCM and biologics. In addition, if PRC government authorities implement other reform on the current centralized procurement system for pharmaceutical products or revise other policies affecting pharmaceutical prices, the retail prices of our marketed products may be subject to further downward adjustments, and our retail prices, our revenue and profitability could be adversely affected.

RISK FACTORS

If we are unable to compete effectively, we may lose market share and our revenue and profitability could be materially and adversely affected.

The majority of the pharmaceutical products we sell to our distributors are ultimately sold to public hospitals and other medical institutions in China. Our bids are generally evaluated based on factors such as price relative to substitute products and their clinical effectiveness, as well as the quality of our products and services, among other things. If we are successful in winning bids, the relevant products will be sold at the bid prices, which is a primary determinant of the prices at which we sell such products to our distributors. The centralized tender process can create pricing pressure among substitute products or products that are perceived to be substitute products. See “Business — Pricing” for details.

Our sales and profitability depend on our ability to successfully differentiate our products and price our bids in a manner that enables us to succeed in centralized tenders at profitable levels. If we are unable to do so, our revenue associated with the sale of the affected pharmaceutical products to relevant public hospitals may be adversely affected, which may negatively impact our market share and results of operations. If our products are not selected in centralized tenders in one or more regions, our sales of the relevant products to public hospitals in those regions may encounter difficulties, and our market share, revenues and profitability could be adversely affected.

In addition, we operate in a highly competitive and rapidly changing industry. Large multinational pharmaceutical companies, specialty pharmaceutical companies and other research institutions have commercialized or are commercializing, or are pursuing the development of, drugs for the treatment of CNS, cardiovascular and digestive and other diseases and other indications for which we are developing our drugs and drug candidates.

We are largely dependent on sales of our marketed products. If we are unable to maintain or increase the sales volume, pricing levels and profit margins of our main products, our revenue and profitability could be adversely affected.

As of June 30, 2026, we had a diversified portfolio of marketed products across three principal therapeutic areas, namely CNS, cardiovascular and digestive, as well as other therapeutic areas. During the Track Record Period, our products were primarily sold in the PRC. Our revenue generated from the PRC accounted for 82.6%, 79.7%, 78.9%, 77.2% and 78.8% of our total revenue in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively. If we are unable to maintain the sales volumes, pricing levels or profit margins of these marketed products, our revenue and profitability could be materially and adversely affected.

If the performance of our existing marketed products declines, our revenue could decrease materially, which may limit our ability to invest in new product development and adversely affect our long-term growth. Our sales volumes, pricing and profitability may be negatively impacted by reduced medical insurance coverage, government pricing controls, intensified competition and centralized procurement outcomes for PRC public hospitals, competitor substitute products, raw material supply disruptions or cost increases, product quality or safety issues. Many of these factors are outside our control, and any such adverse change could materially and adversely affect our operations, revenue and profitability.

If we fail to maintain or expand an effective distribution network for our products, or if we are unable to further expand our distribution channel, our business and sales of the relevant products could be adversely affected.

We rely on our network of distributors to sell our products. As of the Latest Practicable Date, our distribution network comprised more than 1,500 distributors across more than 21 provinces in China. In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, sales to our distributors amounted

RISK FACTORS

to RMB2,659.6 million, RMB2,722.2 million, RMB2,694.3 million, RMB1,295.2 million and RMB1,330.3 million, respectively, accounting for 66.5%, 65.5%, 66.2%, 64.2% and 66.9% of our revenue from sales of products, respectively. Our distributors may, among other things, fail to distribute our products as contemplated, breach contractual restrictions, including selling expired products, selling outside designated territories or hospitals, fail to maintain required licenses or comply with regulatory requirements, or violate anti-corruption, anti-bribery, competition or other laws.

Any such violation could harm our reputation, expose us to liabilities and disrupt our distribution network, materially and adversely affecting our business, financial condition, results of operations and document. In addition, as our distributors are generally non-exclusive and our agreements are typically for one year, we must continually renew these arrangements and face risks that distributors may not renew or may terminate their relationships, and any disruption or inability to build or maintain distributor relationships could negatively affect our ability to sell our products.

If we are unable to conduct effective promotion or maintain a qualified sales force, our sales and business prospects could be adversely affected.

Successful sales and marketing are crucial for us to increase the market penetration of our launched products, expand our coverage of hospitals and other medical institutions and promote new products in the future. If we are unable to increase or maintain the effectiveness and efficiency of our sales and marketing activities, our sales volumes and business prospects could be adversely affected.

Moreover, our ability to attract, motivate and retain a sufficient number of qualified sales professionals is especially important because we primarily rely on our in-house sales force to market and sell our products. Competition for experienced marketing, promotion and sales personnel is intense. If we are unable to attract, motivate and retain a sufficient number of marketing, promotion and sales professionals, sales volume of our products may be adversely affected and we may be unable to expand our hospital coverage or increase our market penetration as contemplated.

If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize our drugs or drug candidates, or experience significant delays in doing so, our business will be materially harmed.

Our long-term growth will depend on the successful development, regulatory approval and commercialization of our drugs and drug candidates, in which we have invested and expect to continue investing our financial resources. The success of our programs depends on, among other things, (i) the successful completion of preclinical and clinical studies and generation of favorable safety and efficacy data, (ii) obtaining regulatory approvals, (iii) the ability of contract research organizations and other third parties to conduct clinical trials in compliance with our protocols and applicable laws and to preserve the integrity of trial data, (iv) obtaining, maintaining, protecting and enforcing intellectual property and regulatory exclusivity, and avoiding infringement or misappropriation of third-party rights, (v) successfully launching and commercializing any approved products and achieving market acceptance, and (vi) obtaining sufficient supplies of any competitor products needed for use in clinical trials.

If we do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays in our ability to obtain approval for and/or to successfully commercialize our drugs and drug candidates, which could materially and adversely affect our revenue growth and future profitability.

Clinical drug development involves a lengthy and expensive process with an uncertain outcome, and unsuccessful clinical trials or procedures relating to products under development or failure to demonstrate safety and efficacy of our drug candidates to the satisfaction of regulatory authorities could have a material adverse effect on our prospects.

RISK FACTORS

Clinical testing is expensive, may take many years to complete, and is inherently uncertain. During the Track Record Period, our research and development costs amounted to RMB400.9 million, RMB383.5 million, RMB368.0 million, RMB184.9 million and RMB164.8 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, of which clinical trials expenses amounted to RMB103.4 million, RMB81.8 million, RMB62.5 million, RMB30.6 million and RMB22.8 million, respectively, representing 25.8%, 21.3%, 17.0%, 16.5% and 13.9% of our total research and development costs, respectively. There can be no assurance that these trials or procedures will be completed in a timely or cost-effective manner or result in a commercially viable product or expanded indication. Any failure to complete these trials or procedures in a timely and cost-effective manner could have a material adverse effect on our prospects.

The successful and timely completion of clinical trials in accordance with their protocols depends, among other things, on our ability to enroll a sufficient number of patients who remain in the trial until its conclusion. We may experience difficulties in patient enrolment for a variety of reasons, such as the size and nature of the patient population, the design of the trial, our ability to recruit investigators with the appropriate competencies and experience, the availability of approved therapies or other competing drug candidates. Even if we are able to enroll a sufficient number of patients in our clinical trials, delays in patient enrolment may result in increased costs or may affect the timing or outcome of the planned clinical trials, which could prevent completion of these trials and adversely affect our ability to advance the development of our drug candidates.

Clinical trial failure can occur at any stage, and results from preclinical studies, early-stage trials or interim analyses may not predict later-stage or final outcomes. Safety and efficacy results may also vary across trials of the same drug candidate due to differences in protocols, patient populations and participant dropout. To obtain regulatory approval, we must conduct extensive clinical trials to demonstrate the safety and efficacy of our drugs and drug candidates in humans. If trial results are negative or only modestly positive for proposed indications, raise safety concerns, or if our drug candidates cause adverse events, we may face delays in, or failure to obtain, regulatory approvals, be required to conduct additional trials or testing, or be required to include enhanced labeling, medication guides, or risk evaluation and mitigation measures. We may also fail to obtain approval for all intended indications, be subject to restrictions on distribution or use, face product liability claims, and be unable to obtain reimbursement for the drug.

If our drugs or drug candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results in future clinical trials, we would have expended a significant amount of capital to progress the relevant drugs or drug candidates to that stage, and would not realize any revenue on such drug candidate if it then ultimately failed to receive regulatory approval due to poor clinical trial results. Such an uncompensated expenditure could materially adversely affect our business, financial condition, results of operations and prospects.

We invest substantial resources in research and development in order to develop our drugs and drug candidates and enhance our technologies, which we may not be able to do successfully.

The global pharmaceutical market is constantly evolving, and we must keep pace with new technologies and methodologies to maintain our competitive position. During the Track Record Period, our research and development costs amounted to RMB400.9 million, RMB383.5 million, RMB368.0 million, RMB184.9 million and RMB164.8 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, representing 10.0%, 9.2%, 9.0%, 9.2% and 8.3% of our revenue for the same periods. We expect to continue to invest significant amounts of capital resources to develop our drug candidates and enhance our technologies that will allow us to advance our pipeline drugs and enhance the scope and quality of our products. We intend to continue to strengthen our technical capabilities in drug discovery, development, and manufacturing, which are capital and time intensive. We cannot assure you that we will be able to develop, improve or adapt to new technologies and methodologies, successfully identify new technological opportunities, develop and bring new or

RISK FACTORS

enhanced products to market, obtain sufficient patent or other intellectual property protection for such new or enhanced products or obtain the necessary regulatory approvals in a timely and cost-effective manner, or, if such products are introduced, that those products will achieve market acceptance. Any failure to do so may render our efforts obsolete, which could significantly reduce demand for our products and harm our business and prospects.

We engage with third parties for certain aspects of our business, and the inability of any of these parties to reliably, timely or cost-effectively provide us with their obligated services could materially harm the timing of bringing our products to market and accordingly adversely affect our business.

We rely on third parties, such as collaboration partners, medical institutions, clinical investigators, and contract laboratories, in the development of our drug candidates and in the conduct of clinical trials for our drug candidates. We are also dependent upon third parties for the commercialization or distribution of products or drug candidates. Our business will be harmed if business, economic conditions or future developments in laws and regulations in the PRC, U.S. or other jurisdictions result in deteriorations our service providers’ operations and consequently a reduction of their provision of services to us. If these parties, whom we do not control, do not successfully carry out their contractual duties or regulatory obligations or meet expected deadlines, or if our collaboration partners do not have the ability or the resources to successfully complete their objectives, or choose not to continue their relationship with us, our development efforts could be delayed, suspended or terminated, or our commercialization efforts may be delayed, impaired or terminated. If the quality or accuracy of the data they obtain through third parties is compromised due to the failure to adhere to our clinical protocols or regulatory requirements or for other reasons, our preclinical or clinical activities could be delayed and we may not be able to obtain regulatory approval for our drug candidates.

We also maintain relationships with principal investigators, leading hospitals and academic institutions to support our R&D activities and may enter into collaborations, in-licensing or out-licensing arrangements to advance our pipeline and commercialization strategy. These relationships and arrangements may not generate the expected clinical, commercial or strategic benefits, and relevant parties may cease to cooperate with us, cooperate with our competitors, change their priorities or resources, delay or terminate development activities, develop competing products, or become involved in intellectual property or other disputes with us. Such arrangements may also require significant expenditures, involve non-recurring charges, dilute existing Shareholders if financed through equity issuances, divert management attention or require us to relinquish some control over development or commercialization. Any failure to maintain effective third-party relationships or realize the expected benefits from collaborations or licensing arrangements could materially and adversely affect our business, financial condition, results of operations and prospects.

If our products are not manufactured to the necessary quality standards, it could harm our business and reputation, and our revenue and profitability could be adversely affected.

Product safety and quality is critical to our business. Our products and manufacturing processes are required to meet certain quality standards. See “Business — Manufacturing and Quality Control” for further details. We cannot eliminate the risk of errors, defects or failure, and product contamination. In addition, the mere publication of information or speculation asserting that any of our products contains or has contained any contaminants, over which we have no control, could damage our reputation and have a material adverse effect on us, regardless of whether such information or speculation has any factual basis. We may fail to detect or cure quality defects as a result of a number of factors, many of which are outside our control, including: (i) manufacturing errors; (ii) technical or mechanical malfunctions in the manufacture process; (iii) human error or malfeasance by our quality control personnel; (iv) tampering by third parties; and (v) quality issues with the raw materials we purchase or produce.

RISK FACTORS

Delays in completing and receiving regulatory approvals for our manufacturing facilities could delay our development plans or commercialization efforts.

We operate ten manufacturing sites in China and one manufacturing site in South Korea. As of June 30, 2026, the construction works of our new production base in Shandong had passed completion inspection. The installation of process equipment at the Shandong facility will be implemented in phases. Our manufacturing facilities and our manufacture process will be subject to ongoing, periodic inspection by the NMPA or other comparable regulatory agencies to ensure compliance with GMP, which is usually the pre-requisite to obtain marketing approval in the respective jurisdictions. Failure to comply with applicable regulations could lead to increased expense and result in sanctions being imposed on us, including fines, injunctions, civil penalties, requirement to suspend or put on hold one or more of our clinical trials, failure of regulatory authorities to grant marketing approval of our drug candidates, delays, suspension or withdrawal of approvals, supply disruptions, license revocation, seizures or recalls of products or drug candidates, operating restrictions and criminal prosecutions, any of which could harm our business.

If we suffer substantial disruption to any of our production facilities or encounter problems in manufacturing our products, our business and results of operations could be adversely affected.

The operation of our production sites and production safety may be interrupted by events largely outside our control, including fire, flood, earthquakes, power outages, fuel shortages, mechanical breakdowns, terrorist attacks, wars and other natural disasters, as well as loss of licenses, certifications or permits, changes in governmental planning for the relevant land or surrounding areas, and regulatory changes.

If any production site is materially disrupted, we may be unable to replace equipment or inventory, or shift production to alternative sites or third-party contractors in a legal, timely or cost-effective manner, or at all. While we maintain property insurance for our facilities and equipment, we do not maintain business interruption insurance, and our coverage may be insufficient to cover losses from significant disruptions. In addition, manufacturing issues may arise due to equipment malfunctions, failure to follow protocols, raw material problems, delays in constructing new sites or expanding existing sites, regulatory constraints on capacity, changes in product mix, physical limitations, and environmental or other external factors. Any such disruption or manufacturing problem could prevent us from meeting market demand or fulfilling contractual obligations, and materially and adversely affect our business, revenues and profitability.

Our operations are dependent on the supply of certain raw materials. If the supply of raw materials decreases or the cost increases, or there are disruptions in the supply chain, our ability to conduct our business could be materially impaired and our operations, revenue and profitability could be adversely affected.

Raw materials and other material costs accounted for a significant portion of our total cost of sales during the Track Record Period. In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our material cost amounted to RMB1,483.5 million, RMB1,521.2 million, RMB1,412.5 million, RMB697.5 million and RMB674.9 million, respectively, representing 73.0%, 71.0%, 67.0%, 67.9% and 65.4% of our total cost of sales for the same periods, respectively. In order to manufacture our products, we must obtain sufficient quantities of high-quality raw materials at commercially acceptable prices and in a timely manner. During the Track Record Period, we sourced raw materials, including but not limited to chemical raw materials, traditional Chinese medicinal materials, and specialized intermediates, ancillary materials and packaging materials from qualified suppliers. See “Business — Quality Control — Supply Chain Quality Control.” In addition, the market prices of raw materials may be subject to significant fluctuations due to various factors. We cannot assure you that we would be able to pass on any increase in raw material costs to our customers, and any substantial fluctuation in market prices of raw materials may materially increase our costs and impact our profitability. Potential disruptions to the

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supply chain, such as natural disasters, geopolitical tensions, transportation issues, or other unforeseen events, could further exacerbate these challenges and result in delays, increased costs, or interruptions in our production processes.

Real or perceived side effects, adverse drug reactions or off-label use of our products could materially and adversely affect our reputation, business, results of operations and financial condition, and may expose us to regulatory actions and liability claims.

Our products may cause, or be perceived to cause, undesirable or unintended side effects, adverse drug reactions or other safety issues, including as a result of factors outside our control, such as potential side effects not revealed in clinical testing, isolated severe side effects, product defects not detected by our quality management system, misuse by end-users, off-label use for an indication, dosage, patient population or dosage form that is not in accordance with regulator-approved usage and labelling, or safety issues associated with products containing the same or similar active pharmaceutical ingredients, raw materials or delivery technologies. Any such actual or perceived safety issue may result in patient injury or death, reduced product effectiveness, negative publicity, damage to our product brands and corporate reputation, a significant decline in demand for and sales of the affected products, product liability claims and contractual disputes. It may also delay the progress of our clinical trials or result in our failure to obtain regulatory approval for our drug candidates.

Allegations of serious adverse effects, even if unsubstantiated, may trigger heightened scrutiny or enforcement by regulators such as the NMPA, FDA, EMA or other comparable regulatory authorities, and may be influenced by determinations or guidance from international institutions such as the WHO. As a result, we could face product recalls or withdrawals, revocation of product or facility approvals, more frequent or stringent inspections, removal from medical insurance catalogues or relevant provincial lists, restrictions on participation in centralized procurement or tender processes, lawsuits or regulatory investigations resulting in fines, penalties or other liabilities, and potential breaches of contracts with major customers. Any of the foregoing could materially and adversely affect our business, results of operations and financial condition.

Counterfeits of our products could negatively affect our sales, damage our reputation and the brand names for the relevant products and expose us to liability claims.

Certain products distributed or sold in the pharmaceutical markets may be manufactured without proper licenses or approvals or fraudulently mislabeled with respect to their content or manufacturer. These products are generally referred to as counterfeit pharmaceutical products. The counterfeit pharmaceutical product control and enforcement system, particularly in developing markets such as the PRC, may be inadequate to discourage or eliminate the manufacturing and sale of counterfeit pharmaceutical products, including those imitating our products. Consequently, certain pharmaceutical products sold in the PRC and other markets may be counterfeit products.

Since counterfeit pharmaceutical products are generally sold at lower prices than authentic pharmaceutical products and are in some cases very similar in appearance to authentic pharmaceutical products, counterfeit products imitating our own pharmaceutical products can quickly erode our sales volume of the relevant product. Moreover, counterfeit products may or may not have the same chemical composition as our products, which may make them less effective than our products, entirely ineffective or more likely to cause severe adverse side effects. This could expose us to negative publicity, reputational damage, fines and other administrative penalties, and may even result in litigation against us. As a result of these factors, the continued proliferation of counterfeit pharmaceutical products in the market could affect our sales, damage our reputation and the brand names for the relevant products and expose us to liability claims. There can be no assurances that we will be able to prevent future occurrences of counterfeit version of our products or instances of counterfeit version of our products in the future will not have a material adverse effect on us.

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We do not maintain product liability insurance for certain of our products to cover potential damages arising from product liability claims. If we become subject to such claims, we may be exposed to significant costs and liabilities, which could adversely affect our reputation, revenues and profitability.

We are exposed to product liability risks as a result of developing, producing, marketing, promoting and selling drugs, APIs and medical equipment, in the jurisdictions in which our pharmaceutical products may be marketed and sold. Such claims may arise if any of our products are deemed or proven to be unsafe, ineffective, defective or contaminated or if we are alleged to have engaged in practices such as insufficient or improper labeling of products or providing inadequate warnings or insufficient or misleading disclosures of side effects.

If a product liability claim is brought against us, it may, regardless of merit or outcome, strain our financial resources and consume the time and attention of our management, resulting in substantial costs and a diversion of resources. It may also result in damage to our reputation, product recalls, suspension or cessation of sales and loss of revenue and capability to commercialize our products. If we are unable to defend ourselves against such claims, we may, among other things, be subject to civil liability for physical injury, death or other losses caused by our products and to criminal liability and the revocation of our business licenses if our pharmaceutical products are found to be defective.

PRC laws and regulations do not require us to maintain liability insurance for product liability claims. We do not maintain product liability insurance for our marketed products. Any liability or damage to, or caused by, our products, facilities or personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources and may negatively affect our drug development, overall operations, revenues and profitability. Our inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could also prevent or inhibit the commercialization of products that we develop.

Increased labor costs could result in higher operating expenses, slow our growth and affect our profitability. In the event of labor shortages, labor disputes or striking, our business operation and financial performance may be materially adversely affected.

Our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified employees, including management, technical, research and development, sales and marketing, production, quality control and other personnel. During the Track Record Period, labor cost included in our cost of sales amounted to RMB178.1 million, RMB205.4 million, RMB222.7 million, RMB109.5 million and RMB113.1 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively. In addition, employee compensation included in our selling and marketing expenses, administrative expenses and research and development costs in aggregate amounted to RMB423.4 million, RMB369.1 million, RMB387.7 million, RMB174.6 million and RMB184.4 million (excluding share-based payment expenses for the six months ended June 30, 2026) for the same periods, respectively, representing 10.6%, 8.9%, 9.5%, 8.7% and 9.3% of our revenue for the respective periods. We face intense competition in recruiting and retaining qualified personnel, as competitors are competing for the same pool of qualified personnel and our remuneration packages may not be as competitive as those of our competitors. Increasing market competition may cause market demand and competition for qualified employees to intensify.

As our production process requires skilled technical workers in design, operating and quality control, we cannot guarantee that we can retain and attract sufficient qualified employees on reasonable employment terms. In the event that we cannot keep the existing skilled workers or recruit sufficient skilled workers to replace the departing skilled workers, or to cope with our expansion plan on a timely basis at reasonable costs, or that the turnover rate of our workers is high and we do not have time to train up the workers to cope with our standards, our production process can be severely affected or interrupted. If we face labor shortages or significant increases in labor costs, higher employee turnover

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rates or changes to labor laws and regulations, our operating costs could increase significantly, which could materially adversely affect our results of operations. In addition, we could face labor disputes with our employees, which could lead to fines by governmental authorities and settlement costs to resolve the disputes. Labor disputes could also make it more difficult to recruit new employees due to the reputational damage caused by labor disputes.

Our business could be adversely affected by natural disasters, public health crises, political relationships and crises, economic downturns or other unexpected events.

Natural disasters, health epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Our operations may be under the threat of natural disasters, such as floods, earthquakes, sandstorms, snowstorms, fire or drought, the outbreak of a widespread health epidemic, such as swine flu, avian influenza, severe acute respiratory syndrome, or SARS, Ebola, Zika, COVID-19, other factors beyond our control, such as power, water or fuel shortages, failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or are susceptible to potential wars or terrorist attacks.

As a result, international political relationships among jurisdictions where we operate and conduct business may affect our cost structure, the demand for our products and our collaboration with business partners. Any such relationship tensions and political concerns may adversely affect our business, results of operations and prospects. In addition, any economic downturn, decrease in economic growth rates and other uncertain economic outlook in the market that we operate in could also affect our business, financial condition and results of operations.

Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of the foregoing events and other events beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

RISKS RELATING TO OUR FINANCIAL POSITION

We are subject to credit risks of our customers. If we experience delays in collecting or if we are unable to collect payments from customers, our cash flow and operations could be adversely affected.

We generally grant credit terms of up to 30 to 120 days to our customers. The average turnover days of our trade receivables in 2023, 2024, 2025 and the six months ended June 30, 2026, were 47.7 days, 57.9 days, 68.8 days and 68.9 days, respectively. As of December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, our trade receivables were RMB571.5 million, RMB747.8 million, RMB785.2 million and RMB728.3 million, respectively. As a result, we may be exposed to credit risks. We cannot assure you that we can properly assess and respond in a timely manner to changes in their credit profile. If our customers' cash flows, working capital, financial condition or results of operations deteriorate, they may be unable, or they may otherwise be unwilling, to pay trade receivables owed to us promptly or at all. Any substantial defaults or delays could materially and adversely affect our cash flows, and we could be required to terminate our relationships with our customers in a manner that may adversely and materially affect our cash flows and operations.

Failure to manage our inventory effectively would materially and adversely affect our results of operations, financial condition and cash flows.

Our inventory consists of raw materials, work-in-progress and finished goods. During the Track Record Period, our inventory turnover days were 128.1 days, 123.1 days, 135.0 days and 137.1 days in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively. To operate our business

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successfully and meet our customers’ demands and expectations, we must manage our inventory effectively to ensure immediate delivery when required. We regularly monitor our inventory to ensure timely supply and reduce the risk of overstocking. We are exposed to inventory risk as a result of rapid changes in product life cycles, changing clinical demands, uncertainty of product developments and launches as well as the volatile economic environment in jurisdictions where we operate. There can be no assurance that we can accurately predict these trends and events and avoid over-stocking or under-stocking our products. Further, demand for products could change significantly between the time when the products are ordered and the time they are ready for delivery. We may be exposed to increased inventory risks due to accumulated excess inventory. This may result in a heightened risk of inventory obsolescence, declines in inventory values, inventory write-downs, product expiry, increased inventory holding costs and, in turn, potential adverse impacts on our liquidity. On the other hand, if our forecasted demand is lower than actual level, we may not be able to maintain an adequate inventory level of our products or manufacture our products in a timely manner, and may lose sales and market share to our competitors.

Furthermore, as we will not be able to recoup our cash paid for raw materials during the production process until the finished products are sold to customers and the purchase price is settled, our business is subject to working capital requirements. If our inventory level increases substantially in the future, our financial condition and cash flows could be materially and adversely affected.

We are exposed to credit risk in relation to our trade receivables and other receivables.

Our trade receivables consisted of outstanding receivables from our customers during our ordinary course of business. We generally grant credit terms of 30 to 120 days to our customers. See “Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position — Trade and Other Receivables.”

We are exposed to the risks that our customers or other business partners may delay or even be unable to pay us in accordance with the payment terms included in our agreements in a timely manner, or at all. We cannot assure you that we will be able to fully recover the outstanding amounts in a timely manner, or at all. In addition, as our business continues to scale up, our trade receivables may continue to grow, which may increase our credit risk. Any substantial delay in or default of payments from our customers could materially and adversely affect our cash flows. Moreover, we could be required to terminate our relationship with distributors in a manner that will impair the effective distribution of our products. Any of the foregoing could materially and adversely affect our business, results of operations and financial condition.

We may be exposed to liquidity risk due to our cash conversion cycle that increased during the Track Record Period.

We recorded an increase in trade receivables turnover days and fluctuations in inventory turnover days during the Track Record Period, which may lead to delays in converting our sales into cash. Our cash conversion cycle, a metric to measure how efficiently we manage the working capital which is calculated as our inventory turnover days adding trade receivables and deducting trade and bills payables turnover days, was 129.4 days, 135.3 days, 158.8 days and 164.8 days in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively. The cash conversion cycle is calculated by adding inventory turnover days and trade receivables turnover days, then subtracting trade payables turnover days. The increase during the Track Record Period was primarily due to the increase in our trade receivables turnover days and inventory turnover days, which reflected, among other things, an extension in customers’ payment cycles in line with PRC pharmaceutical industry procurement practices and higher inventory levels. However, there can be no assurance that we can maintain the same level of working capital management in future periods, particularly in light of potential fluctuations in customer payment patterns, supply chain volatility, and broader macroeconomic conditions. An increase in our cash conversion cycle may increase our reliance on working capital or external financing to support our

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operations and growth. If we are unable to manage our inventory and trade receivables efficiently or to secure adequate financing on acceptable terms, our liquidity position, financial condition, and results of operations could be materially and adversely affected.

The discontinuation of any of the financial incentives, such as preferential tax treatment or government grants, currently available to us could adversely affect our operations, revenue and profitability.

During the Track Record Period, we have benefited from government grants and subsidies. During the Track Record Period, our other income related to the government subsidies amounted to RMB42.8 million, RMB97.1 million, RMB37.2 million, RMB21.0 million and RMB24.9 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively. We also enjoyed preferential tax treatment during the Track Record Period. See “Financial Information — Description of Key Statements of Profit or Loss Items — Other Income”. The incentives to some extent are subject to the discretion of the relevant government authorities, which could determine at any time to eliminate or reduce these financial incentives or preferential treatments, generally with prospective effect. Since our receipt of the financial incentives or preferential treatments is subject to periodic time lags and inconsistent government practice, as long as we continue to receive these financial incentives or preferential treatments, our net income in a particular period may be higher or lower relative to other periods depending on the potential changes in these financial incentives in addition to any business or operational factors that we may otherwise experience. Therefore, the discontinuation of financial incentives currently available to us could have a material adverse effect on our financial condition, results of operations, cash flows and prospects.

Government grants, subsidies and preferential tax treatments, including HNTE status, are generally subject to the discretion of the relevant government authorities and, where applicable, periodic review, renewal and satisfaction of qualification requirements. We cannot assure you that such financial incentives or preferential treatments will continue, be renewed, or remain available on the current terms, or that the relevant tax authorities will not change their interpretation or position in the future. Any discontinuation, reduction, adjustment or failure to renew such incentives or preferential tax treatments could increase our tax obligations, reduce our other income or net income, and materially and adversely affect our financial condition, results of operations, cash flows and prospects.

We may face exposure to fair value change for financial assets at FVTPL and valuation uncertainty due to the use of unobservable inputs.

During the Track Record Period, our financial assets at FVTPL comprised structured deposits and unlisted equity investments. We recorded financial assets at FVTPL of RMB700.7 million, RMB1,322.2 million, RMB822.1 million and RMB1,115.7 million as of December 31, 2023, 2024, 2025 and the six months ended June 30, 2026. The valuation of fair value changes of financial assets at FVTPL is subject to uncertainties in estimations. Such estimated changes in fair values involve the exercise of professional judgment and the use of certain bases, assumptions and unobservable inputs, which, by their nature, are subjective and uncertain. As such, the financial assets at FVTPL valuation has been, and will continue to be, subject to uncertainties in estimations, which may not reflect the actual fair value of these financial assets and result in significant fluctuations in profit or loss from period to period.

Our international operations may be subject to transfer pricing adjustments by competent authorities.

During the Track Record Period, we engaged in intra-group transactions within our Group. Our intra-group transactions and arrangements between our subsidiary in South Korea and Hong Kong and other members of our Group primarily consisted of transfers of ownership of tangible assets. Please see “Business — Intra-group Transactions”. We cannot assure you that our intra-group transactions will not be challenged by the relevant authorities in the future, or that the relevant regulations or standards will remain unchanged. If our transfer arrangements are later adjudged not in line with arm’s length

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principles by relevant authorities or disagree with our assessment and determine that our intra-group transactions do not comply with the relevant transfer pricing laws and regulations, we may be required to re-assess the transfer prices, re-allocate the income, or adjust the taxable income. Any such re-allocation or adjustment could result in higher tax liabilities for us and may adversely affect our business, results of operations, and financial condition. Also, we may face adverse tax consequences, such as the payment of outstanding tax, statutory interest or tax penalty. Moreover, failure to rectify within the timeframe prescribed by the relevant authorities may result in late payment interest, surcharge, or other penalties for any unpaid taxes. Any such circumstances could result in a higher overall tax liability for our Group and may adversely affect our business, financial condition and results of operation. Additionally, if relevant authorities challenge the intra-group transactions, it could give rise to tax recoverable in certain jurisdictions due to adjustments in taxable income. However, there is no assurance that we would successfully recover such taxes from the relevant authorities which could have a material adverse effect on our business, results of operations, and financial condition.

We may be affected by exchange rate fluctuations.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in global political and economic conditions. During the Track Record Period, we recorded exchange gains of RMB3.4 million, RMB2.9 million in 2023 and 2024, and recorded exchange loss of RMB10.0 million in 2025 and exchange loss of RMB22.8 million in the six months ended June 30, 2026. Any significant appreciation or depreciation of Renminbi against US dollars may affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our Shares. To the extent that we need to convert Hong Kong dollars we receive from this [REDACTED] into Renminbi for our operations, appreciation of the Renminbi against the Hong Kong dollars would have an adverse effect on the Renminbi amount we would receive. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for making payments for dividends on our ordinary shares or for other business purposes, appreciation of the Hong Kong dollars against the Renminbi would have a negative effect on the Hong Kong dollar amount. With the development of the foreign exchange market, there might be further changes to the exchange rate system. Any significant fluctuation of relevant currencies could adversely affect our business, results of operations and financial condition, and the value of any dividends payable in Hong Kong dollars. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited, and we may not be able to adequately hedge our exposure or at all.

We may require additional financing to fund our research and development activities, capital expenditures, potential acquisitions and other growth initiatives, and if we are unable to obtain such financing on acceptable terms or at all, our business, financial condition and growth prospects may be materially and adversely affected.

We operate in a capital-intensive industry that requires substantial capital and other short-term expenditures, including commitments for equipment and facilities, as well as working capital for daily operations. To the extent that we grow our business, we expect to fund the related financial commitments and other capital and operating expenses from a combination of cash on hand, banking facilities, and the [REDACTED] from the [REDACTED]. We may require additional financing if we incur operating losses and/or incur additional capital expenditures for the development of our business. If our financing is insufficient to satisfy our working capital requirements, we may seek to issue additional equity or debt securities or obtain new or expanded credit facilities. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, cash flows, share price performance, liquidity of international capital and lending markets and the PRC regulations over foreign investment and the industry we operate. In addition, incurring indebtedness would subject us to increased debt service obligations and could result in operating and financing covenants that would restrict our operations and growth. There can be no assurance that financing would be available in a timely manner or in amounts or on terms favorable to us or at all. Any failure to raise sufficient funds on terms favorable to us, or at all, could severely

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restrict our liquidity as well as have a material and adverse effect on our business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to our existing Shareholders.

If we engage in future acquisitions or strategic partnerships, this may increase our capital requirements, dilute the value of your [REDACTED] in our H Shares, cause us to incur debt or assume contingent liabilities, and subject us to other risks.

From time to time, we may evaluate acquisitions and strategic collaborations, including licensing or acquiring complementary products, intellectual property, technologies or businesses, to advance our business plan. Any such transaction may involve risks, including increased operating expenses and cash requirements; assumption of additional debt or contingent liabilities; dilution to existing Shareholders from equity issuances; diversion of management attention from existing programs; loss of key personnel or disruption to key business relationships; and integration challenges relating to operations, corporate culture, intellectual property, products and personnel, including difficulties in integrating acquired businesses and brands. Such transactions also expose us to risks relating to the counterparty (including its prospects, products, pipeline and regulatory status), the risk that we may be unable to accurately assess the value, prospects, risks or liabilities of the target business, brand or assets and may therefore overpay or otherwise fail to achieve the expected value of the transaction, the possibility that acquired assets fail to generate sufficient revenue to meet our objectives or offset associated costs, and changes in accounting principles that may materially affect our financial results. In addition, there can be no assurance that we will be able to realize the anticipated benefits, synergies, cost savings or operational efficiencies from any such acquisitions or strategic collaborations.

In addition, acquisitions may require significant one-time expenses and result in the recognition of intangible assets and related amortization charges. We may also be unable to identify suitable opportunities, which could limit our ability to grow or access important technologies or products. Further, under the PRC Anti-Monopoly Law and the State Council’s notification thresholds, certain concentrations through mergers, acquisitions or contractual arrangements that confer control or decisive influence may be subject to mandatory prior notification and clearance requirements in the PRC, and may not be implemented without obtaining the requisite clearance once the relevant thresholds are met.

RISKS RELATING TO LAWS AND REGULATIONS

The pharmaceutical industry is subject to change of regulations, which may affect our operations, revenue and profitability or impose additional compliance burden on us.

We mainly operate in the pharmaceutical industry in China. The industries we operate in are subject to comprehensive government regulation and supervision, including but not limited to comprehensive governance around the approval, registration, manufacturing, packaging, licensing, marketing, sales and distribution of drugs. Ensuring that we remain compliant with the various rules and regulations can be time- and cost-consuming, particularly for a company like us that operates in various jurisdictions with different policies. For example, the process of obtaining regulatory approvals and maintaining compliance with applicable laws and regulations requires the expenditure of substantial time and financial resources. Any recently enacted and future legislations may increase the difficulty and cost for us to obtain regulatory approval of, and commercialize, our drug candidates, and affect the prices we may obtain.

Changes in regulatory requirements or industry practices, whether through relaxed requirements or streamlined procedures that lower entry barriers for competitors, or more stringent requirements that increase compliance burdens, could materially and adversely affect our business, financial condition, results of operations and prospects. We are also subject to scheduled and unscheduled inspections to assess compliance. Any non-compliance at any stage of development, approval or after commercialization may result in administrative or judicial sanctions, including rejection of pending

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applications, withdrawal of approvals, license revocation, clinical holds, product recalls or seizures, suspension of production or distribution, injunctions, fines, and civil or criminal penalties, any of which could materially and adversely affect our business, financial condition, results of operations and prospects.

We are subject to risks associated with international trade policies, geopolitics and trade protection measures, tariffs, rising political tensions, and our business, financial condition and results of operations could be adversely affected.

Many of our key partners are located outside of China and deteriorating geopolitical or geoeconomic relations may disrupt supply chains, limit market access, or increase compliance burdens. Certain foreign jurisdictions and intergovernmental organizations, including the United States, the European Union, the United Kingdom, Australia, Canada and the United Nations, impose sanctions and other trade restrictions that directly or indirectly affect China-based companies based on product origin, ownership, or other factors. Such trade-related restrictions frequently change and are subject to uncertain interpretation and enforcement. These measures could therefore be costly or burdensome to satisfy and may limit our ability, and that of suppliers and customers, to obtain raw materials, technologies or components that are critical to our infrastructure and offerings and may constrain sales in certain foreign markets.

During the Track Record Period, we sold generic drugs, API and medical equipment to over 70 customers located in the Relevant Regions. Such sales amounted to approximately 0.9%, 1.0%, 0.8% and 0.2% of our annual sales revenue during the respective periods. We will not knowingly or intentionally conduct business that would violate international sanctions, and we will not use [REDACTED] from the [REDACTED] or any funds raised through the Hong Kong Stock Exchange to finance or facilitate, directly or indirectly, activities involving sanctioned countries or sanctioned persons. Nonetheless, we cannot assure you that regulators will not take the view that our past, current, or future activities are sanctionable, or that new or expanded restrictions will not increase scrutiny of our business. If competent authorities determine that any of our activities violate applicable sanctions or export control laws or otherwise provide a basis for the designation of our group, our business and reputation could be materially and adversely affected. Additionally, if any customer, end user, or supplier becomes subject to sanctions, we may be required to suspend or terminate dealings with such parties, which could negatively affect our financial results.

We may be required to make additional contributions of social insurance fund and/or housing provident fund and late payments and fines under PRC laws and regulations.

Companies operating in China are required to participate in various employee benefit plans, including social insurance fund and housing provident fund, and contribute amounts equal to certain percentages of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government at locations where they operate their business. In 2023, 2024, 2025 and the six months ended June 30, 2026, the aggregate shortfall in our social insurance contributions and housing provident fund contributions amounted to approximately RMB18.8 million, RMB6.0 million, RMB6.3 million and RMB3.4 million, respectively, each representing less than 5% of our net profit for the respective year.

During the Track Record Period and up to the Latest Practicable Date, we had not received any written warning notices from relevant government authorities and had not been subject to any administrative penalties or other disciplinary actions in relation to such shortfalls. However, cannot assure that the relevant local government authorities will not require us to pay the outstanding amount within a specific time limit or impose late or additional fees or fines on us in the future, nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the outstanding amount of the social insurance and housing provident fund contributions against us, or that we will not receive any written claims in respect of the outstanding amount of the social insurance and

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housing provident fund contributions under national laws and regulations. In addition, we may incur additional expenses to comply with such laws and regulations promulgated by the PRC government or relevant local authorities.

We are subject to certain risks relating to third-party payment arrangements.

During the Track Record Period, we accepted payments made by third parties to settle the amounts that several customers owed to us in connection with their purchases of our products. See “Business — Third-party Payment Arrangements” for details. We are subject to the risks relating to such third-party payments, including potential claims from third-party payors seeking reimbursement of funds as they may not have been contractually obligated to us, and possible claims from liquidators representing these third-party payors. In the event of any claims or legal actions, whether civil or criminal, initiated against us by third-party payors or their liquidators regarding third-party payments or for violation or noncompliance of laws and regulations, we would need to allocate significant financial and managerial resources to defend ourselves, and we may be forced to comply with the court ruling and return the payment for the products that we sold and services that we provided, and our business, prospects, financial condition, results of operations, and cash flows may be adversely affected.

Dividends received by foreign holders of our H Shares and gains derived from the disposition of our H Shares by such holders may be subject to PRC taxation.

Holders of H Shares, being non-PRC resident individuals or non-PRC resident enterprises, whose names appear on the register of members of H Shares of our Company, are subject to PRC income tax in accordance with the applicable tax laws and regulations, on dividends received from us and gains realized through the sale or transfer by other means of H shares by such shareholders.

According to the Individual Income Tax Law of the PRC and the Implementation Regulations for the Individual Income Tax Law of the PRC, both came into effect on January 1, 2019, the tax applicable to non-PRC resident individuals is proportionate at a rate of 20% for any dividends obtained from within China or gains on transfer of shares and shall be withheld and paid by the withholding agent. Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the “**Arrangements**”) executed on August 21, 2006, the PRC Government may levy taxes on the dividends paid by PRC companies to Hong Kong residents in accordance with the PRC laws, but the levied tax (in the case the beneficial owner of the dividends are not companies directly holding at least 25% of the equity interest in the company paying the dividends) shall not exceed 10% of the total dividends.

According to the Enterprise Income Tax Law of the PRC, which was revised and implemented on December 29, 2018, and the Implementation Regulations for the Enterprise Income Tax Law of the PRC, which was revised and implemented on April 23, 2019, if a non-resident enterprise has no presence or establishment within China, or if it has established a presence or establishment but the income obtained has no actual connection with such presence or establishment, it shall pay an enterprise income tax on its income derived from within China with a reduced rate of 10%. Pursuant to the Arrangements, dividends paid by PRC resident enterprises to Hong Kong residents can be taxed either in Hong Kong or in accordance with the PRC laws. However, if the beneficial owner of the dividends is a Hong Kong resident, the tax charged shall not exceed: (i) 5% of the total amount of dividends if the Hong Kong resident is a company that directly owns at least 25% of the capital of the PRC resident enterprise paying dividends; (ii) otherwise, 10% of the total amount of dividends.

Considering the above, non-PRC resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realized through sales or transfers by other means of the H Shares.

RISK FACTORS

We may be restricted from transferring our scientific data abroad or using human genetic resources collected in China.

To the extent our R&D of our drug candidates are subject to the relevant scientific data measures and any subsequent laws as required by the relevant government authorities, if we are unable to obtain necessary approvals in a timely manner, or at all, our R&D of drug candidates may be hindered, which may materially and adversely affect our business, operations, financial condition and prospects. If the relevant government authorities consider the transmission of our scientific data to be in violation of the requirements under the scientific data measures, we may be subject to fines and other administrative penalties imposed by those government authorities. Cross-border data transfer from other jurisdictions may also be limited if we fail to comply with relevant requirements, such as obtaining authorization from subjects regarding the use, transfer and retrieval of their personal information or data and adopting measures to ensure the safety of personal information or data in the transfer. Also, cross-border transfer of personal data by its nature is subject to general data privacy regulations in various jurisdictions, and thus any failure to comply with data privacy protection may lead to a restriction of transferring our data across different jurisdictions.

The evolution of the legal system of the jurisdiction where we operate could affect our business, financial condition and results of operations and our [REDACTED] could be affected as a result.

We are based in China and our business in China are governed by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. As the legal system in China continues to develop, laws and regulations may continue to evolve and be subject to interpretation. As these laws and regulations are continually evolving in response to changing economic and other conditions, we cannot foresee how these laws, rules and regulations will be interpreted and enforced, which may affect the legal protections and remedies that are available to us and our [REDACTED].

If we, our management or directors become party to litigation, legal disputes, claims or administrative proceedings, our management or directors’ attention may be diverted and our operations, reputation, revenue and profitability could be adversely affected.

We, our management or directors may from time to time become party to litigation, legal disputes, claims or administrative proceedings arising in the ordinary course of our business. Involvement in litigation, legal disputes, claims or administrative proceedings may distract our management’s or directors’ attention and consume our time and other resources. Furthermore, any litigation, legal disputes, claims or administrative proceedings which are initially not of material importance may escalate due to the various factors involved, such as the facts and circumstances of the cases, the likelihood of winning or losing, the monetary amount at stake and the parties concerned, and such factors may result in these cases becoming of material importance to us.

In addition, negative publicity arising from litigation, legal disputes, claims or administrative proceedings may damage our reputation and adversely affect the image of our brands and products. In addition, if any verdict or award is rendered against us, we could be required to pay significant monetary damages, assume other liabilities, and suspend or terminate the related business ventures or projects. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

Our legal right to certain properties may be challenged.

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branches of the Ministry of Housing and Urban Development. As of the Latest Practicable Date, 41 lease agreements of our leased properties which are leased from third parties and used for production or office had not been registered and filed with relevant land and real estate management departments in China. Under the relevant PRC laws and regulations, the parties to a lease agreement

RISK FACTORS

have the obligation to register and file the executed lease agreement. As advised by our PRC Legal Advisor, the validity of the lease agreements are not affected by the failure to register or file the lease agreements with the relevant government authorities. According to the relevant PRC regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. In addition, to the extent applicable, pursuant to the Regulations on Housing Leasing (《住房租賃條例》), where a housing leasing enterprise or housing leasing brokerage agency fails to complete the filing of housing lease contracts as required, the housing administration department of the local people’s government at or above the county level may order it to rectify the non-compliance and issue a warning, and if it refuses to rectify, a fine of not less than RMB20,000 and not more than RMB100,000 may be imposed. As of the Latest Practicable Date, we have not received any order from the relevant government authorities requiring us to register these lease agreements.

In addition, as of the Latest Practicable Date, we had not obtained the real property ownership certificates for 12 properties occupied by us, with an aggregate gross floor area of approximately 182,436 sq.m. These properties are primarily used for production, research and development, office operations, employee dormitories, ancillary commercial services and other supporting facilities. According to the written confirmation issued by the competent authorities, the registration of the relevant real property interests is currently in progress, and such properties have been duly planned and constructed in compliance with applicable requirements, do not constitute illegal or unauthorized constructions, do not affect safe use or our normal operations, and are not expected to be subject to demolition in the future.

Failure to adequately protect our intellectual property throughout the world, including the intellectual property relating to our innovative and generic products, active pharmaceutical ingredients and other technologies, or if the scope of our intellectual property fails to sufficiently protect our proprietary rights, other pharmaceutical companies or generic drug manufacturers could compete against us directly or indirectly, which may have a material adverse impact on our business and results of operations.

Our success depends in large part on our ability to obtain, maintain, defend and enforce intellectual property rights (including patents) covering our innovative and generic products, APIs and other technologies. We seek protection through patents filed in China, the United States and other jurisdictions, as well as through trade secrets, regulatory protection and confidentiality measures. For further details, please refer to “— Business — Intellectual Property.”

However, patent prosecution and enforcement are costly, time-consuming and uncertain, and we may be unable to file, prosecute, maintain, defend, enforce or license patents in all jurisdictions on a timely and cost-effective basis. Patentability standards vary by jurisdiction; patent applications may not be granted; and issued patents may be narrowed, challenged, invalidated or found unenforceable due to, among other reasons, prior art, deficiencies in applications or lack of novelty. Many jurisdictions also permit compulsory licensing or limit enforceability against government agencies or contractors, which could diminish the value of our patents and impair our competitive position.

In addition, we may fail to timely identify patentable aspects of our R&D output, and confidentiality arrangements with employees and third parties may be breached, jeopardizing our ability to secure protection. Publication lags and the “first-to-file” system in jurisdictions such as China and the United States also create uncertainty as to whether we were the first to invent or file for relevant technologies.

Even where patents are granted, they may not provide meaningful protection or competitive advantage. Patent rights are time-limited and may expire before or shortly after commercialization; once patents expire, we may face increased competition, including from generics or biosimilars. Competitors

RISK FACTORS

may also challenge our patents, and we may be unsuccessful in defending or enforcing our rights. Any of the foregoing could materially and adversely affect our competitive position, business, financial condition, results of operations and prospects.

We may from time to time be involved in legal proceedings and disputes to protect or enforce our intellectual property rights, or defend against infringement and other claims alleged by third parties, which could be expensive, time consuming and unsuccessful.

Competitors or other third parties may challenge the validity and enforceability of our patents, infringe, misappropriate or otherwise violate our other intellectual property rights. To counter infringement, misappropriation or any other unauthorized use, litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of our own intellectual property rights or the proprietary rights of others. Litigation and other proceedings in connection with any of the foregoing claims can be expensive and time-consuming and, even if resolved in our favor, may cause us to incur significant expenses and could distract management and our scientific and technical personnel from their normal responsibilities. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. Any claims that we assert against perceived infringers and other violators could also provoke these parties to assert counterclaims against us alleging that we infringe, misappropriate or otherwise violate their intellectual property rights. Many of our current and potential competitors have the ability to dedicate substantially greater resources to enforce and defend their intellectual property rights than we can.

In addition, we may in the future be subject to claims that former employees, collaboration partners or other third parties have an interest in our owned, out-licensed or in-licensed patents, patent applications, trade secrets or other intellectual property as an inventor or co-inventor. For instance, we may have inventorship disputes arising from conflicting obligations of employees, collaboration partners, consultants or others who are involved in developing our drug candidates or technologies. Litigation may be necessary to defend against these and other claims challenging inventorship of our owned, out-licensed or in-licensed patents, patent applications, trade secrets or other intellectual property. If we fail to defend any claim, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of or right to use intellectual property that is important to our drug candidates. Even if we are successful in defending against such claims, litigation could lead to substantial costs and be a distraction to management and other employees. Any of the foregoing could have a material adverse effect on our competitive position, business, financial condition, results of operations and prospects.

Issued patents covering one or more of our drug candidates, marketed products or other technologies could be found invalid or unenforceable if challenged in court.

Our intellectual property rights could be challenged or invalidated. For example, if we were to initiate legal proceedings against a third party to enforce a patent covering one of our drug candidates, the defendant could counterclaim that our patent is invalid and/or unenforceable. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, for example, lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the United States Patent and Trademark Office (“USPTO”), China National Intellectual Property Administration (“CNIPA”), or the applicable foreign counterpart, or made a misleading statement, during prosecution. Although we believe that we have conducted our patent prosecution in accordance with a duty of candor and in good faith, the outcome following legal assertions of invalidity and unenforceability during patent litigation is unpredictable.

RISK FACTORS

If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on a drug candidate. Even if a defendant does not prevail on a legal assertion of invalidity and/or unenforceability, our patent claims may be construed in a manner that would limit our ability to enforce such claims against the defendant and others. Even if we establish infringement, the court may decide not to grant an injunction against further infringing activity and instead award only monetary damages, which may not be an adequate remedy. In addition, if the breadth or strength of protection provided by our patents is threatened, it could dissuade companies from collaborating with us to license, develop, or commercialize our current or future drug candidates. Any loss of patent protection could have a material adverse impact on one or more of our drug candidates and our business.

Claims that our drugs and drug candidates, or the manufacture, use or sale of our drugs, drug candidates, active pharmaceutical ingredients or other products, infringes, misappropriates or otherwise violates the patent, trademark, or other intellectual rights of third parties could result in costly litigation, the outcome of which would be uncertain, or could require substantial time and money to resolve, even if litigation is avoided.

Our commercial success depends on our ability to develop, manufacture, market and sell our products without infringing or misappropriating the intellectual property of others. The pharmaceutical industry is subject to extensive patent and other IP litigation, and we cannot assure you that our products or their use do not, and will not, infringe third-party rights. We may also fail to identify relevant third-party patents or applications, and published applications may later be amended in a manner that could cover our products.

If third parties assert infringement or trade secret misappropriation claims, they may seek injunctive or other equitable relief that could delay, restrict or prevent the development or commercialization of one or more of our products. Defending such claims, regardless of merit, could require substantial expense and divert management and personnel resources, and there can be no assurance that courts will rule in our favor on validity, enforceability, priority or non-infringement.

To avoid or resolve claims, we may need to obtain licenses on terms that may be costly, non-exclusive, unavailable or otherwise unacceptable, which could reduce our profitability or constrain our operations. We could also be required to pay significant damages, including enhanced damages and attorneys' fees in certain circumstances. Even if we ultimately prevail or settle, any such dispute could materially and adversely affect our business, financial condition, results of operations and prospects.

Intellectual property rights may not fully protect us from competitive threats, and changes in intellectual property laws or the expiration or limited scope of our rights could weaken our competitive position.

Intellectual property rights are subject to inherent limitations and may not protect us from all competitive threats. For example, third parties may be able to develop or manufacture products similar to our drug candidates, or apply similar technologies, without infringing our patents or other rights, particularly where the scope of protection is limited by applicable laws or legal proceedings. We may not have been the first to file for certain inventions, our pending applications may not mature into issued patents, and we may be unable to develop additional patentable technologies. In addition, we may elect to keep certain know-how as trade secrets, but third parties could later obtain patent protection over similar subject matter. Our patents may also be challenged and found invalid or unenforceable, and competitors may conduct R&D in jurisdictions where we lack protection and use the resulting knowledge to compete in our key markets. Any of these developments could materially and adversely affect our business, financial condition, results of operations and prospects.

RISK FACTORS

Changes in patent and other intellectual property laws, regulations or interpretations may also reduce the value, scope or enforceability of our intellectual property rights or increase infringement risks. For example, patent term compensation mechanisms may extend the protection period of third-party patents, which could constrain our ability to commercialize relevant drug candidates if approved. Many jurisdictions may also permit compulsory licensing or limit enforceability against government agencies or contractors. In addition, if we elect to keep certain know-how as trade secrets, third parties may later obtain patent protection over similar subject matter. Any expiry, limitation, invalidation, narrowing or loss of our intellectual property rights, or any adverse change in the intellectual property regime applicable to us, could weaken our ability to prevent competition and materially and adversely affect our business, financial condition, results of operations and prospects.

RISKS RELATING TO THE [REDACTED]

You may have limited resources in effecting service of legal process, enforcing foreign judgments or bringing original actions in China against us or our management named in the Document based on Hong Kong or other foreign laws.

A substantial part of our assets, and a majority of our Directors and senior management, are located in China. As a result, it may not be possible for [REDACTED] to effect services of process upon us, or our Directors or senior management who reside in China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions.

On July 14, 2006, the Supreme People’s Court of the PRC and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), or the 2006 Arrangement. Pursuant to the Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case under a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a mainland court is expressly selected as the court having sole jurisdiction for the dispute.

We will be concurrently subject to listing and regulatory requirements of Chinese mainland and Hong Kong.

As we are listed on the Shenzhen Stock Exchange and [REDACTED] on the Main Board of the Stock Exchange of Hong Kong, we will be required to comply with the applicable listing rules and other regulatory regimes in both jurisdictions, unless an exemption is available or a waiver has been obtained. The need to comply with two sets of continuing obligations (including disclosure, notifiable/connected transactions and corporate governance requirements) may increase the complexity of our compliance management and require additional internal resources and external professional support.

There can be no assurance that we will not incur higher ongoing compliance costs, or that differences in timing or content requirements between the two regimes will not create operational challenges. Any failure to comply with the applicable requirements in either jurisdiction could result in regulatory actions and could adversely affect our reputation, business, financial condition and results of operations.

RISK FACTORS

Our A Shares were listed in China in July 2004, and the characteristics of the A share and H share markets may differ.

Our A Shares were listed on the Shenzhen Stock Exchange Market in July 2004. Following the [REDACTED], our A Shares will continue to be traded on the Shenzhen Stock Exchange Market and our H Shares will be [REDACTED] on the Stock Exchange. Under current PRC laws and regulations, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H Share and A Share markets. With different trading characteristics, the H Share and A Share markets have divergent trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the [REDACTED] performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the [REDACTED] of our H Shares, and vice versa. The fluctuations in the price of our A Shares may also affect our [REDACTED] in Hong Kong. Due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating the [REDACTED] decision in our H Shares.

There has been no prior [REDACTED] for our H Shares, and an active [REDACTED] market for our H Shares may not develop or be sustained.

Prior to the [REDACTED], there was no [REDACTED] for our H Shares. We cannot assure you that a [REDACTED] for our H Shares with adequate liquidity and [REDACTED] will develop or be sustained following the completion of the [REDACTED]. The [REDACTED] of our H Shares will be the result of negotiations between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us, and may not be indicative of the [REDACTED] at which our H Shares will [REDACTED] after the [REDACTED]. If an active [REDACTED] for our H Shares does not develop or is not sustained, the [REDACTED] and liquidity of our H Shares may be materially and adversely affected.

You will experience immediate and substantial dilution and may experience further dilution if we [REDACTED] additional Shares in the future.

The [REDACTED] of the [REDACTED] is higher than the net tangible asset value per Share immediately prior to the [REDACTED]. Therefore, purchasers of the [REDACTED] in the [REDACTED] will experience an immediate dilution in [REDACTED] net tangible asset value. In order to expand our business, we may consider [REDACTED] and [REDACTED] additional Shares in the future. Purchasers of the [REDACTED] may experience dilution in the net tangible asset value per share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. Furthermore, we may issue Shares pursuant to the share incentive schemes, which would further dilute Shareholders’ interests in our Company.

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance whether or when we will pay dividends in the future.

We have declared dividends in the past. However, there is no assurance that dividends of any amount will be declared or distributed by us in any future year. Under applicable PRC laws and regulations, the payment of dividends is subject to certain limitations, and our profit determined under the PRC Accounting Standards for Business Enterprises may differ from profit determined under IFRSs. Any declaration, payment and amount of future dividends will be at the discretion of our Board, taking into account, among other factors, our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, strategic plans and business prospects, and regulatory restrictions on dividend payment, and will be subject to approval by our Shareholders as well as our constitutional documents and applicable PRC laws and regulations. No dividend shall be declared or paid except out of profits and reserves lawfully available for distribution. Accordingly, our historical dividends should not be taken as indicative of our dividend policy in the future.

WAIVERS

In preparation for the [REDACTED], our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Pursuant to Rule 19A.15 of the Listing Rules, the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, our arrangements for maintaining regular communication with the Stock Exchange.

Since the business operations of our Group are managed and conducted outside of Hong Kong, and all of the executive Directors of our Company ordinarily reside outside Hong Kong, our Company considers that it would be practically difficult and commercially unreasonable and undesirable for our Company to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of existing executive Directors or appointment of additional executive Directors. Therefore, our Company does not have, and does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Listing Rules, subject to the following conditions. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

- *Authorized representatives and joint company secretaries:* we have appointed Mr. HONG Yunfei (“**Mr. Hong**”) and Ms. CHAN Ching Nga as the authorized representatives (“**Authorized Representatives**”) for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange. Accordingly, the Authorized Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time. The Company will also inform the Stock Exchange promptly in respect of any change in the Authorized Representatives. Mr. Hong and Ms. CHAN Ching Nga have also been appointed as our joint company secretaries. Ms. CHAN Ching Nga, a Hong Kong resident, is particularly well placed to facilitate communications between the Company and the Stock Exchange. See “Directors, and Senior Management” for more information about our Authorized Representatives and joint company secretaries;
- *Directors:* to facilitate communication with the Stock Exchange, we have provided the Authorized Representatives and the Stock Exchange with the contact details (such as mobile phone numbers, office phone numbers, facsimile number and e-mail addresses, to the extent possible) of each of our Directors such that the Authorized Representatives would have the means for contacting all our Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. In the event that any Director expects to travel or otherwise be out of office, he/she will provide the phone number of the place of his/her accommodation to the Authorized Representatives. Each Director who does not ordinarily reside in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and is able to meet with the Stock Exchange within a reasonable period upon request of the Stock Exchange;

WAIVERS

- *Compliance advisor:* we have appointed Rainbow Capital (HK) Limited as our compliance advisor (the “**Compliance Advisor**”) pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the [REDACTED] and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED]. The Compliance Advisor will have access at all times to our Authorized Representatives, the Directors and other senior management and act as the additional channel of communication with the Stock Exchange and answer enquiries from the Stock Exchange. The contact details of the Compliance Advisor have been provided to the Stock Exchange. We will also inform the Stock Exchange promptly in respect of any change in the Compliance Advisor; and
- *Hong Kong legal advisor:* we will retain a Hong Kong legal advisor to advise us on the on-going compliance requirements, any amendment or supplement to and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the [REDACTED].

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint as our company secretary an individual, who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- a member of The Hong Kong Chartered Governance Institute;
- a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong; and
- a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules provides that, in assessing “relevant experience,” the Stock Exchange will consider the individual’s:

- length of employment with the issuer and other issuers and the roles he/she played;
- familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- relevant training taken and/or to be taken in addition to be the minimum requirement under Rule 3.29 of the Listing Rules; and
- professional qualifications in other jurisdictions.

Pursuant to the section 3.10 of the Guide, the waiver will be for a fixed period of time and on the following conditions: (1) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 and is appointed as a joint company secretary throughout the Waiver Period (as defined below); and (2) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer.

WAIVERS

We have appointed Mr. Hong as our joint company secretary. Our Group’s key operations and principal business activities are conducted outside of Hong Kong. We believe that the company secretary role requires a person to be deeply familiar with our operations and the specific industry context, and to be able to cultivate strong relationships with both the Board and the management. It would be in the best interests of our Company and our corporate governance to have as its joint company secretary a person such as Mr. Hong who has been with our Company since July 2005. As the executive Director and Board secretary of the Company, Mr. Hong is deeply familiar with our operations and has been able to cultivate strong relationships with both the Board and the management. Our Directors believe that Mr. Hong’s close familiarity with our Company and operations is essential for the performance of company secretary duties in the most effective and efficient manner. For biographical details of Mr. Hong, see “Directors and Senior Management.”

Since Mr. Hong presently does not possess any of the qualifications required under Rules 3.28 and 8.17 of the Listing Rules, he is not able to fulfill the requirements to act as a company secretary of a listed issuer stipulated under the Listing Rules. To support Mr. Hong in performing the duties of company secretary, we have appointed Ms. CHAN Ching Nga (“**Ms. Chan**”) as the other joint company secretary. Ms. Chan is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules. For further information regarding the qualifications of Mr. Hong and Ms. Chan, see “Directors and Senior Management”.

The joint company secretaries will be jointly discharging the duties and responsibilities of a company secretary. Ms. Chan will be assisting Mr. Hong in gaining the relevant experience required under Rules 3.28 and 8.17 of the Listing Rules. Also, Mr. Hong will be assisted by (1) the Compliance Advisor of our Company for the first full financial year starting from the [REDACTED], particularly in relation to Hong Kong corporate governance practice and compliance matters; and (2) the Hong Kong legal advisor of our Company, on matters regarding our Company’s ongoing compliance with the Listing Rules and the applicable Hong Kong laws and regulations. In addition, Mr. Hong will endeavor to attend relevant trainings and familiarize himself with the Listing Rules and duties required of a company secretary of an issuer listed on the Stock Exchange.

We have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Hong may be appointed as a joint company secretary of our Company. The waiver is valid for an initial period of a three-year period (“**Waiver Period**”) on the condition that Ms. Chan, as a joint company secretary of our Company, will work closely with, and provide assistance to, Mr. Hong in the discharge of his duties as a joint company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws and regulations. The waiver will be revoked immediately if Ms. Chan ceases to provide assistance to Mr. Hong as the joint company secretary or if there are material breaches of the Listing Rules by us.

Our Company will further ensure that Mr. Hong has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange, and to receive updates on the latest changes to the applicable Hong Kong laws, regulations and the Listing Rules. Prior to the end of the three-year period, the qualifications and experience of Mr. Hong and the need for on-going assistance of Ms. Chan will be further evaluated by our Company. We will liaise with the Stock Exchange to enable it to assess whether Mr. Hong, having benefited from the assistance of Ms. Chan for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the “relevant experience” within the meaning of Rule 3.28 Note 2 of the Listing Rules so that a further waiver will not be necessary.

WAIVERS

[REDACTED]

WAIVERS

[REDACTED]

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions of our Company under the Listing Rules following the completion of the [REDACTED]. We have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the announcement requirements under the Listing Rules. For further details in this respect, see the section headed “Connected Transactions.”

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Executive Directors

Mr. LYU Gang (呂鋼), Chinese, whose residential address is at Unit 1, Apartment 1001, Building 2, Golden Coast Residential Area, Shangcheng District, Hangzhou, Zhejiang, PRC

Mr. WANG Nengneng (王能能), Chinese, whose residential address is at Room 421, Building 51, Chating New Village, Nanming Street, Xinchang County, Zhejiang, PRC

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Independent Non-executive Directors

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Dr. LAM Sin Lai Judy (林倩麗) (alias: **TSUI Sin Lai Judy**), Canadian, whose residential address is at 12/F, Block B2, Evergreen Villa, No. 43 Stubbs Road, Wanchai, Hong Kong

Further information is set out in the section headed “Directors and Senior Management” in this Document.

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PARTIES INVOLVED IN THE [REDACTED]

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CORPORATE INFORMATION

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Principal Place of Business in Hong Kong	46/F, Hopewell Centre 183 Queen’s Road East Wan Chai, Hong Kong
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Authorized Representatives	Mr. HONG Yunfei (洪贊飛) Ms. CHAN Ching Nga (陳靜雅)
Audit Committee	Dr. XU Pan (徐攀) (<i>Chairperson</i>) Ms. LEI Ying (雷英) Dr. HUANG Tao (黃韜) Dr. LAM Sin Lai Judy (林倩麗)
Remuneration and Appraisal Committee	Ms. LEI Ying (雷英) (<i>Chairperson</i>) Mr. LYU Gang (呂鋼) Mr. WANG Nengneng (王能能) Dr. XU Pan (徐攀) Dr. HUANG Tao (黃韜)

CORPORATE INFORMATION

Nomination Committee

Dr. HUANG Tao (黃韜) (*Chairperson*)
 Mr. LYU Gang (呂鋼)
 Ms. LYU Jiaqi (呂佳琦)
 Ms. LEI Ying (雷英)
 Dr. XU Pan (徐攀)

Strategy and ESG Committee

Mr. LYU Gang (呂鋼) (*Chairperson*)
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INDUSTRY OVERVIEW

*The information and statistics set out in this section and other sections of this document were extracted from the independent industry report prepared by Frost & Sullivan (the “**Frost & Sullivan Report**”). We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, the Sole Sponsor, [REDACTED], [REDACTED] and [REDACTED], any of the [REDACTED], any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED] (except Frost & Sullivan), and no representation is given as to its accuracy. Accordingly, the information from official government sources contained herein may not be accurate and should not be unduly relied upon.*

MARKET ANALYSIS OF CHINESE PHARMACEUTICAL MARKET

Chinese Pharmaceutical Market.

The Chinese pharmaceutical market, measured based on sales revenue of pharmaceutical products, increased from RMB1,591.1 billion in 2021 to RMB1,654.6 billion in 2025, representing a CAGR of 1.0% during 2021–2025, and is expected to further grow to RMB2,079.0 billion by 2030, representing a CAGR of 5.3% during 2026–2030. The market share of patent-protected medicines is expected to increase from 45.8% (RMB728.7 billion) in 2021 to 68.5% (RMB1,423.1 billion) by 2030.

In contrast, while generics are expected to experience modest absolute growth to RMB655.9 billion by 2030, their market share is projected to decline sharply from 54.2% in 2021 to 31.5% by 2030.

MARKET ANALYSIS OF CNS DRUG MARKET

Overview of Central Nervous System (CNS) Disorders

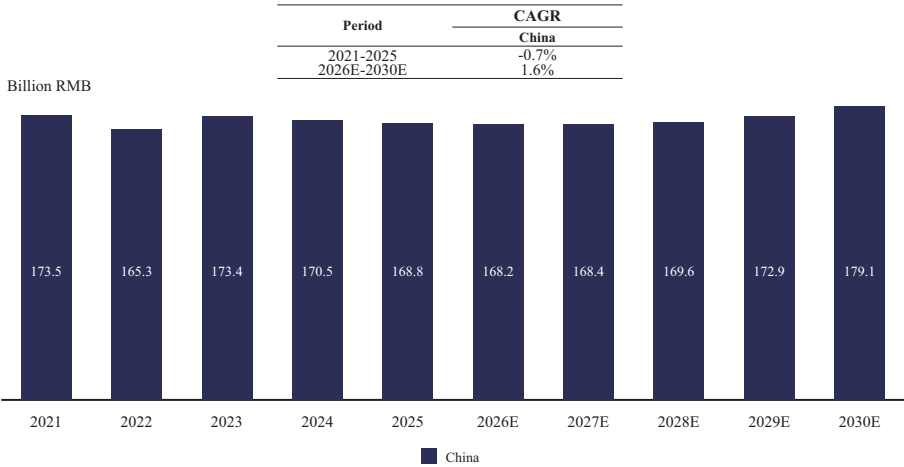
The Central Nervous System (CNS) encompasses a broad range of disorders, including (i) neurological diseases, such as epilepsy, Parkinson’s disease and Alzheimer’s disease, (ii) psychiatric illnesses, such as depression and schizophrenia, and (iii) sleep-wake disorders (such as insomnia). Each category has distinct clinical features: neurological disorders often involve structural or electrical abnormalities in the brain that may lead to symptoms such as seizures or cognitive decline; psychiatric disorders are generally characterized by disturbances in mood, thought and behavior; and sleep-wake disorders affect the ability to initiate or maintain normal sleep cycles.

Market Size of CNS Drugs (China vs. Global, 2021–2030E)

The CNS pharmaceutical market, measured based on sales revenue of pharmaceutical products, is large globally and is entering a period of steady growth, with China emerging as one of the fastest-growing regions. Based on publicly available NMPA approval records, there are approximately 16,737 approved drug registrations in the CNS therapeutic area in China. Of these, approximately 750 are classified as innovative (patented) drugs and approximately 14,622 are generic drugs, while the remaining approximately 1,365 approvals are not clearly classified based on available registration information. From 2021 to 2025, global CNS drug market expanded from RMB1,583.7 billion to RMB1,898.0 billion, representing a CAGR of 1.8% during this period. The China CNS drug market decreased from approximately RMB173.5 billion in 2021 to RMB168.8 billion in 2025, representing a CAGR of -0.7%, and is expected to grow at an accelerated CAGR of 1.6% from 2026 to 2030, reaching approximately RMB179.1 billion by 2030.

INDUSTRY OVERVIEW

China CNS Drug Market Size, 2021–2030E



Source: Literature review, Related companys’ annual reports, Experts interview, Frost & Sullivan Analysis

Market Drivers and Policy Support of the CNS Drugs Market in China

The growth of the insomnia drugs market in China is driven by the increasing prevalence of insomnia, evolving clinical practices and supportive healthcare initiatives. The prevalence of insomnia continues to rise due to population aging, urbanization and lifestyle-related stress factors, expanding the addressable patient population and sustaining demand for pharmacological treatment. Meanwhile, greater public awareness, enhanced physician education and broader screening practices have contributed to higher diagnosis and treatment rates. The Chinese Guidelines for the Diagnosis and Treatment of Insomnia Disorder (2025) (《中國失眠症診斷和治療指南(2025版)》) have further standardized diagnostic criteria and treatment pathways, supporting the appropriate use of pharmacological therapies alongside behavioral interventions. In addition, broader healthcare initiatives such as the National Mental Health Service Initiative (2025–2027) 《精神衛生服務年(2025–2027)》 are expected to enhance diagnosis and treatment capacity by promoting the establishment of specialized sleep clinics and improving access to care, thereby supporting market expansion.

Notwithstanding these growth drivers, the market faces certain challenges and entry barriers. Existing insomnia therapies are associated with certain limitations that may affect long-term adherence and treatment outcomes. In addition, the market is characterized by a high degree of generic competition.

Challenges and Entry Barriers of the CNS Drugs Market in China

The clinical heterogeneity of CNS diseases and the complexity of underlying mechanisms may increase the difficulty of drug development, including patient stratification and endpoint evaluation in clinical trials. Furthermore, physician prescribing behavior may remain cautious toward novel mechanisms, given the long-standing reliance on established treatment paradigms, which may affect the pace of adoption of new therapies. Barriers to entry also include the need for strong clinical evidence and effective commercialization capabilities in a market where treatment pathways continue to evolve.

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Insomnia Drug Market

Prevalence and Trends

Insomnia is a widespread condition in China, with chronic insomnia symptoms reported by a significant segment of the population. Epidemiological surveys suggest that roughly one in ten (or more) Chinese adults may suffer from insomnia or persistent sleep difficulties, and incidence tends to be higher in certain groups (such as the elderly and those under high stress). From 2021 to 2030, the prevalence of diagnosed insomnia in China is expected to rise as awareness of sleep disorders grows. From 2021 to 2025, the prevalence of insomnia among adults in China increased from 278.4 million to 298.8 million, representing an approximate CAGR of 1.8% during this period. From 2026 to 2030, the number is expected to reach 321.3 million by 2030, representing a CAGR of 1.4%.

Treatment Paradigm of Insomnia Disorder

According to the Chinese Guidelines for the Diagnosis and Treatment of Insomnia Disorder (2025), while cognitive behavioral therapy for insomnia (CBT-I) is recommended as the foundational treatment, pharmacological therapy plays an important role in clinical practice, particularly for patients requiring rapid symptom relief. First-line pharmacological treatment primarily consists of short- to intermediate-acting benzodiazepine receptor agonists (“**BZRA**”), including benzodiazepines (“**BZD**”) and non-benzodiazepine agents (“**NBZD**”), as well as dual orexin receptor antagonists (“**DORA**”). Short-acting BZRA are mainly used for sleep-onset insomnia, while intermediate-acting BZRA and DORA may be used for both sleep-onset and sleep-maintenance difficulties. Second-line options include long-acting BZRA and melatonin receptor agonists (“**MRA**”), which are generally used for sleep-maintenance insomnia. In addition, sedating antidepressants may be prescribed for patients with comorbid depression or anxiety. Treatment selection is typically individualized based on symptom profile and safety considerations.

Based on NMPA-approved drug products with indications covering insomnia or related sleep disorders, there were approximately five patent-protected drug products and 212 generic drug products with valid approvals in China as of the Latest Practicable Date.

Comparative Analysis of Insomnia Drug Modalities

Different classes of insomnia therapies demonstrate distinct efficacy and safety profiles across key sleep parameters, including sleep onset latency (SOL), total sleep time (TST), wake after sleep onset (WASO) and sleep efficiency (SE). BZDs and NBZDs are effective in improving SOL, TST and WASO, with short-acting agents primarily targeting sleep initiation and longer-acting agents providing greater benefits in sleep maintenance. BZDs are associated with certain safety considerations, including potential risks of dependence and next-day residual effects, particularly for longer-acting agents. NBZDs are widely used in clinical practice and may also be associated with residual effects and sleep-related behaviors. DORAs improve both sleep onset and maintenance, with demonstrated reductions in WASO and improvements in sleep efficiency, and are generally well tolerated with a safety profile characterized by a low incidence of next-day residual effects. MRAs are generally well tolerated with no known risk of dependence, but primarily improve sleep onset and typically exhibit more modest effects on overall sleep outcomes, particularly in sleep maintenance.

Competitive Landscape of Marketed Drugs for Sleep-Onset Insomnia in China

The below analysis is based on the Chinese Guidelines for the Diagnosis and Treatment of Insomnia Disorder (2025) and focuses on representative pharmacological therapies used in the first-line treatment of sleep-onset insomnia. The selected products include NMPA-approved drugs that are marketed in China as of the Latest Practicable Date.

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As of 2025, a total of 148 drugs, including both innovative and generic drugs, has been approved in China for the treatment of sleep-onset insomnia. The market size of drugs for sleep-onset insomnia reached RMB3.6 billion in 2025.

Ranking	Generic Name	Company	Modality	Side Effects	NMPA Approval Year	Number of Generic Drugs	Market Share
1	Midazolam	Roche	BZD	Headache, Somnolence, Nausea, Dizziness	2001	10	34.5%
2	Zopiclone	Sanofi	NBZD	Dysgeusia	2001	5	15.0%
3	Zolpidem	Sanofi/Astellas	NBZD	Somnolence, nausea, mild myalgia, and fatigue	1995	8	11.7%
4	Estazolam	Pfizer/Abbott/ Lundbeck/Takeda	BZD	Somnolence, dizziness, fatigue, dry mouth, light-headedness	1981	38	8.7%
5	Oxazepam	Pfizer/Alpharma	BZD	Somnolence, light-headedness, fatigue, memory impairment	2020	3	6.8%
6	Alprazolam	Pfizer/UCB/Abbott/ Takeda	BZD	Somnolence, dizziness, hypotension, dry mouth, nausea, hyperhidrosis	NA	48	6.4%
7	Dimidazenil	Jingxin	BZD	Dizziness, headache, somnolence, dry mouth, mild gastrointestinal discomfort	2023	Patent	5.4%
8	Dexzopiclone	Sepracor	NBZD	Dizziness, somnolence, dry mouth, bitter taste, fatigue, mild ataxia	2007	6	4.3%
9	Lemborexant	Eisai	DORA	Somnolence, abnormal dreams, nightmares, fatigue, dizziness	2025	0	3.2%
10	Zaleplon	Wyeth-Ayerst (Wyeth/Pfizer)	NBZD	Headache, somnolence, vertigo, fatigue, drowsiness, transient memory impairment, tremor, postural instability	2003	19	2.3%
11	Daridorexant	Actelion	DORA	Headache, somnolence and fatigue, CNS depression and daytime impairment, mood changes, respiratory depression	2025	0	1.7%

Note: Includes all products indicated for sleep-onset insomnia, including single- and dual-indication products, with sales of dual-indication products not split by indication.

Source: NMPA, Frost & Sullivan Analysis

Market Drivers, Challenges and Entry Barriers of the Insomnia Drugs Market in China

The growth of the insomnia drugs market in China is driven by a combination of increasing disease prevalence, evolving clinical practice and supportive healthcare system initiatives. The prevalence of insomnia continues to rise due to population aging, urbanization and lifestyle-related stress factors, expanding the addressable patient population and sustaining demand for pharmacological treatment. At the same time, improving public awareness, enhanced physician education and broader screening practices have contributed to higher diagnosis and treatment rates. Clinical practice is further guided by the Chinese Guidelines for the Diagnosis and Treatment of Insomnia Disorder (2025) 《中國失眠症診斷和治療指南(2025版)》, which standardizes diagnostic criteria and treatment pathways and supports the appropriate use of pharmacological therapies alongside behavioral interventions. In addition, broader healthcare initiatives such as the National Mental Health Service Initiative (2025–2027) 《精神衛生服務年(2025–2027)》 are expected to enhance diagnosis and treatment capacity by promoting the establishment of specialized sleep clinics and improving access to care, thereby supporting market expansion.

Notwithstanding the above, the market faces certain challenges and entry barriers. Existing insomnia therapies are associated with certain limitations that may affect long-term adherence and treatment outcomes. In addition, the market is characterized by a high degree of generic competition, which may exert pricing pressure on established drug classes. From a regulatory perspective, the development and commercialization of novel therapies are subject to stringent clinical requirements, including the need to demonstrate efficacy across key sleep parameters and maintain a favorable safety

INDUSTRY OVERVIEW

profile. Furthermore, barriers to entry include the need for robust clinical trial design, physician acceptance and education, as well as commercialization capabilities in a fragmented outpatient treatment landscape. The allergic disease treatment market is likely to witness the following trends:

Epilepsy Drug Market

Prevalence and Patient Population

Epilepsy is a major neurological disorder in China, with prevalence broadly in line with global levels (approximately 0.5–0.7% of the population), implying millions of patients given China’s population size. Prevalence is shaped by multiple factors, including genetics, perinatal care quality, head injury rates and infection control (e.g., neurocysticercosis in certain regions). In China, the epilepsy patient population rose from 10.6 million to 11.8 million during 2021–2025, with a CAGR of 2.7%. It is expected to reach 13.1 million by 2030, reflecting a CAGR of 2.2% from 2026 to 2030.

Epilepsy is a neurological disorder characterized by recurrent, unprovoked seizures resulting from abnormal and excessive electrical activity in the brain. Seizures may be focal, originating from a specific region of the brain, or generalized, involving both hemispheres from onset. The underlying mechanisms of epilepsy are heterogeneous and may include structural, genetic, metabolic or idiopathic causes. A key feature is an imbalance between excitatory and inhibitory neuronal signaling, leading to increased neuronal excitability and hypersynchronous firing.

Chinese Epilepsy Drug Market Size and CAGR

Chinese epilepsy drug market has expanded steadily and is expected to continue growing through 2030, though at a moderate pace compared with faster-growing CNS segments. From 2021 to 2025, the Chinese epilepsy drug market has grown from RMB6.6 billion to RMB7.8 billion, with a CAGR of 4.3%. It is estimated to achieve RMB9.1 billion in 2030 with a CAGR of 3.0% from 2026 to 2030. The market outlook is one of sustained, steady expansion, driven by a narrowing treatment gap and gradual upgrading toward newer, higher-value therapies.

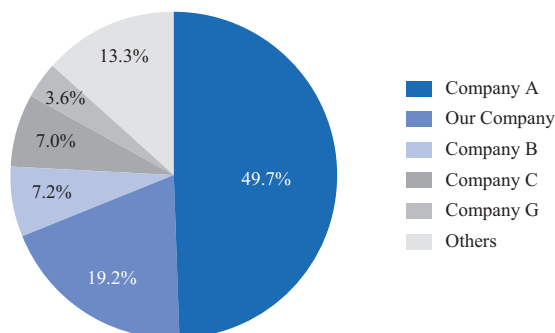
Market Size and Competitive Landscape of Levetiracetam in China

One of the commonly used treatments for epilepsy is levetiracetam, an anti-epileptic drug that primarily binds to synaptic vesicle protein 2A (SV2A), thereby modulating neurotransmitter release and reducing abnormal neuronal excitability. Due to its differentiated mechanism of action compared to traditional sodium channel or GABAergic agents, as well as its favorable drug interaction profile and tolerability, levetiracetam has been widely used in the treatment of partial-onset seizures, myoclonic seizures and generalized tonic-clonic seizures, and has become one of the commonly prescribed first-line anti-epileptic drugs in clinical practice. In 2025, levetiracetam accounted for approximately 24.4% of China’s epilepsy drug market by sales revenue, reflecting its broad clinical adoption.

In 2025, the market size of levetiracetam in China was approximately RMB1.9 billion in terms of sales revenue. Our Company ranked second in the overall levetiracetam market in China, with a market share of approximately 19.2% by sales revenue. In the levetiracetam generic drug market, Our Company ranked first among all manufacturers, with a market share of approximately 38.1% by sales revenue.

INDUSTRY OVERVIEW

Market Size and Competitive Landscape of Levetiracetam in China, 2025



Notes:

Company A is a global biopharmaceutical company headquartered in Brussels, founded in 1928. The company focuses on the development and commercialization of innovative medicines, with core therapeutic areas including central nervous system (CNS) disorders and immunology.

Company B is a pharmaceutical company headquartered in Chongqing, founded in 1996. The company is engaged in the research, development, manufacturing and commercialization of chemical drugs and specialty pharmaceuticals, with a focus on anti-infective, dermatology and central nervous system therapeutic areas.

Company C is a pharmaceutical company headquartered in Zhejiang. The company primarily focuses on the manufacturing and commercialization of active pharmaceutical ingredients (APIs) and finished dosage forms, including central nervous system drugs.

Company G is a pharmaceutical company headquartered in Hainan, founded in 1992. The company primarily focuses on the research and development, manufacturing and commercialization of finished dosage forms, including central nervous system drugs.

Source: Related companies' Annual Report, Experts Interview, Frost & Sullivan Analysis

Market Drivers and Entry Barriers of the Levetiracetam Market in China

The growth of the levetiracetam market in China is driven by increasing epilepsy prevalence, improving diagnosis rates and its widespread clinical use across multiple seizure types. Notwithstanding the above, the market is highly penetrated by generic products, resulting in a fragmented competitive landscape and pricing pressure. In addition, entry barriers include regulatory requirements for demonstrating efficacy and safety, as well as the need for established manufacturing capabilities and hospital access.

Overview of Parkinson's Disease (PD) Market

Parkinson's disease is a brain disorder that leads to shaking, stiffness, and difficulty with walking, balance, and coordination. The Hoehn and Yahr scale was published in 1967 and was the first rating scale to describe the progression of PD. There is no cure for Parkinson's disease, but some treatment and support can help to manage the symptoms. The prevalence of PD in China had reached 3.5 million in 2025, with a CAGR of 5.1% from 2021 to 2025. It is estimated to reach 4.9 million patients in 2030.

Market Size of PD in China

China's PD drug market size reached RMB3.3 billion in 2025, with a CAGR of 0.1% from 2021 to 2025. The market size is expected to reach RMB6.4 billion in 2030, with a CAGR of 16.1% from 2026 to 2030.

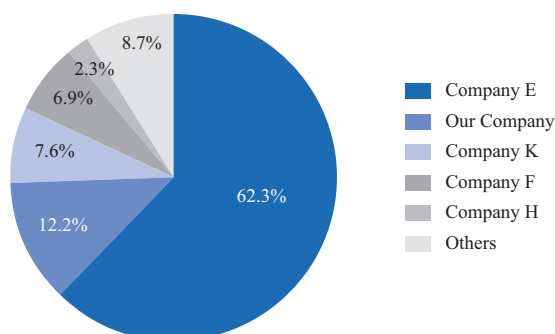
INDUSTRY OVERVIEW

Market Size and Competitive Landscape of Pramipexole Dihydrochloride in China

One of the commonly used treatments for Parkinson’s disease is pramipexole dihydrochloride, a dopamine agonist that primarily stimulates dopamine D2 and D3 receptors, thereby compensating for dopamine deficiency in the brain and improving motor symptoms associated with Parkinson’s disease. Due to its efficacy in alleviating symptoms such as tremor, rigidity and bradykinesia, as well as its use as both monotherapy in early-stage patients and adjunct therapy in advanced stages, pramipexole has been widely adopted in clinical practice. In 2025, pramipexole dihydrochloride accounted for approximately 18.2% of the Parkinson’s disease drug market in China by sales revenue, reflecting its broad clinical adoption and supporting its status as one of the commonly used treatments for Parkinson’s disease.

In 2025, the market size of pramipexole dihydrochloride in China was approximately RMB0.6 billion in terms of sales revenue. Our Company ranked second in the overall pramipexole dihydrochloride market in China, with a market share of approximately 12.2% by sales revenue. In the pramipexole dihydrochloride generic drug market, Our Company ranked first among all manufacturers, with a market share of approximately 32.4% by sales revenue.

Market Size and Competitive Landscape of Pramipexole Dihydrochloride in China, 2025



Note:

Company E is a global pharmaceutical company headquartered in Ingelheim, founded in 1885. The company focuses on the research, development and commercialization of innovative medicines, with core therapeutic areas including respiratory, cardiovascular, central nervous system and oncology.

Company F is a pharmaceutical company headquartered in Shijiazhuang, China, and is a subsidiary of a pharmaceutical group. The company is engaged in the research, development, manufacturing and commercialization of chemical drugs, including products in central nervous system therapeutic areas.

Company K is a pharmaceutical company headquartered in Hainan, founded in 2005. The company primarily focuses on the research and development, manufacturing and commercialization of finished dosage forms, including central nervous system drugs.

Company H is a pharmaceutical company headquartered in Lianyungang, founded in 1970. The company is engaged in the research, development, manufacturing and commercialization of innovative and generic pharmaceuticals, with a strong presence in oncology, anesthesia and central nervous system therapeutic areas.

Source: Related companies’ Annual Report Experts Interview,, Frost & Sullivan Analysis

INDUSTRY OVERVIEW

Drivers and Entry Barriers of the Pramipexole Dihydrochloride Market in China

The growth of the pramipexole dihydrochloride market in China is primarily driven by the increasing prevalence of Parkinson’s disease associated with population aging, as well as its use across different stages of disease management, including early-stage monotherapy and adjunct therapy in advanced patients. Entry barriers mainly relate to physician prescribing preferences and clinical experience, given the established use of dopamine agonists in Parkinson’s disease treatment.

Overview of Major Depression Disease Market

Major depressive disorder (MDD), as a clinically defined subset of depression, is a prevalent psychiatric condition characterized by persistent low mood, loss of interest and impaired cognitive, emotional and physical functioning, which significantly affects patients’ daily activities and quality of life. The treatment of MDD generally comprises pharmacological therapy, psychological interventions and, in certain cases, physical therapies, with pharmacological treatment playing a central role in patients with moderate to severe symptoms. In China, the depressive disorder disease patient population rose from 53.1 million to 56.8 million during 2021–2025, with a CAGR of 1.7%. It is expected to reach 62.2 million by 2030, reflecting a CAGR of 1.8% from 2026 to 2030.

Market Size of Depression Disease Drug Market

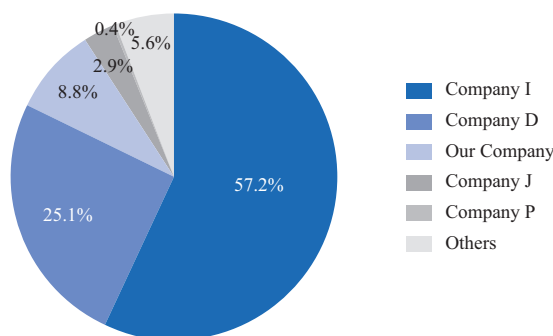
From 2021 to 2025, the Chinese anti-depressive drug market increased from RMB10.8 billion to RMB11.7 billion, with a CAGR of 1.8%. It is estimated to achieve RMB15.8 billion in 2030, with a CAGR of 6.7% from 2026 to 2030.

Market Size and Competitive Landscape of Sertraline Hydrochloride in China

One of the commonly used treatments for depression is sertraline hydrochloride, a selective serotonin reuptake inhibitor (SSRI) that increases serotonin levels in the central nervous system by inhibiting its reuptake, thereby improving mood and emotional regulation. Sertraline is widely used as a first-line pharmacological treatment for major depressive disorder, and is also indicated for other psychiatric conditions such as anxiety disorders and obsessive-compulsive disorder. It is commonly prescribed as an initial therapy and may be used in long-term maintenance treatment depending on patient response and disease severity. In 2025, sertraline hydrochloride accounted for approximately 7.7% of the anti-depressive drug market in China by sales revenue, reflecting its established clinical use as one of the commonly used treatments for depression.

In 2025, the market size of sertraline hydrochloride in China was approximately RMB0.9 billion in terms of sales revenue. Our Company ranked third in the overall sertraline hydrochloride market in China, with a market share of approximately 8.8% by sales revenue. In the sertraline hydrochloride generic drug market, Our Company ranked second among all manufacturers, with a market share of approximately 20.5% by sales revenue.

Market Size and Competitive Landscape of Sertraline Hydrochloride in China, 2025



INDUSTRY OVERVIEW

Notes:

Company I is a pharmaceutical company headquartered in Dalian and is a subsidiary of a global pharmaceutical group. The company is engaged in the manufacturing and commercialization of pharmaceutical products across multiple therapeutic areas, including central nervous system disorders..

Company D is a pharmaceutical company headquartered in Taizhou, founded in 1989. The company is engaged in the research, development, manufacturing and commercialization of chemical drugs and active pharmaceutical ingredients, with a presence in central nervous system therapeutic areas.

Company J is a pharmaceutical company headquartered in Chengdu. The company focuses on the manufacturing and commercialization of chemical drugs across multiple therapeutic areas.

Company P is a pharmaceutical company headquartered in Guangdong, founded in 1989. The company primarily focuses on the manufacturing and commercialization of finished dosage forms and active pharmaceutical ingredients (APIs), including central nervous system drugs.

Source: Related companies' Annual Report, Experts Interview, Frost & Sullivan Analysis

Drivers and Entry Barriers of the Sertraline Hydrochloride Market in China

The growth of the sertraline hydrochloride market in China is driven by increasing awareness and diagnosis of depression and related psychiatric disorders, as well as its widespread use as a first-line treatment in clinical practice. Entry barriers mainly relate to physician prescribing preferences and patient treatment continuity, given the established use of selective serotonin reuptake inhibitors in long-term management.

MARKET ANALYSIS OF CARDIOVASCULAR DRUG MARKET

Overview of Cardiovascular Diseases and Major Disease Areas

Cardiovascular diseases (CVDs) comprise a range of disorders affecting the heart and blood vessels, including coronary heart disease, heart failure, arrhythmias and cerebrovascular diseases. Their development is closely associated with risk factors such as hypertension, dyslipidemia, diabetes and unhealthy lifestyle habits, which contribute to vascular damage and atherosclerosis. Among these, dyslipidemia plays a key role in the formation and progression of atherosclerotic plaques, making lipid management an essential component in the prevention and treatment of CVDs and supporting the widespread use of lipid-lowering therapies in clinical practice.

Chinese Cardiovascular Drug Market Size

The Chinese cardiovascular drug market, measured based on sales revenue of pharmaceutical products, declined from RMB189.9 billion in 2021 to RMB178.9 billion in 2025, representing a CAGR of -1.5%, and is estimated to rebound and reach RMB199.8 billion in 2030, representing a CAGR of 2.7% from 2026 to 2030.

Clinical Treatment Pathway for Dyslipidemia and the Rising Role of Combination Therapy

Dyslipidemia encompasses genetic and acquired lipid disorders and is highly prevalent globally. It includes hypercholesterolemia, hypertriglyceridemia, elevated LDL-C and low HDL-C, commonly defined as: total cholesterol $\geq$ 5.2 mmol/L, triglycerides $\geq$ 1.7 mmol/L, LDL-C $\geq$ 3.4 mmol/L and HDL-C $<$ 1.0 mmol/L. Risk factors extend beyond lifestyle and metabolic drivers to include sex and age effects (higher risk in men at younger ages and rising risk in women after menopause), certain medications (e.g., thiazides, retinoids, estrogens and glucocorticoids) and comorbidities such as kidney disease, liver disease, thyroid and pituitary disorders and diabetes.

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The dyslipidemia population is large and expanding. In China, the dyslipidemia patient population rose from 496.1 million to 536.5 million from 2021 to 2025, growing at an CAGR of 2.0%. It is expected to reach 567.2 million by 2030, reflecting a CAGR of 1.1%. This large, persistent base underpins sustained demand for lipid management and supports continued expansion of China’s antihyperlipidemic drug market.

In response, treatment has shifted toward structured, target-driven algorithms with greater use of combination therapy. Under the “Chinese Guidelines for Lipid Management (Primary Care Version 2025)”, pharmacotherapy typically starts with moderate-intensity statins on top of lifestyle measures, with escalation to statin-based combinations — cholesterol absorption inhibitors and/or PCSK9-targeted therapies — when needed to achieve LDL-C goals. Common LDL-C — lowering classes include statins (e.g., atorvastatin, rosuvastatin, fluvastatin, lovastatin, pitavastatin, pravastatin and simvastatin), cholesterol absorption inhibitors (e.g., ezetimibe and hyzetimibe), PCSK9-related therapies (e.g., evolocumab, alirocumab, tafolecimab and inclisiran), and bile acid sequestrants (e.g., colestevlam, cholestyramine and colestipol). Triglyceride-focused options include fibrates (e.g., fenofibrate, bezafibrate and gemfibrozil), omega-3 fatty acids (e.g., icosapent ethyl and EPA/DHA combinations), and niacin-related agents (e.g., extended-release niacin and acipimox). In practice, layered regimens —, statins plus absorption inhibitors, with or without PCSK9 therapies, and the addition of omega-3s or fibrates for residual hypertriglyceridemia —, are increasingly used to address mixed lipid abnormalities and residual cardiovascular risk.

China Antihyperlipidemic Drug Market Size

China’s antihyperlipidemic drug market, measured based on sales revenue of pharmaceutical products, has demonstrated accelerated growth momentum and is expected to expand rapidly through 2030. From 2021 to 2025, the China antihyperlipidemic drug market grew at a CAGR of 7.9% and reached RMB31.6 billion in 2025. By 2030, the market is expected to reach RMB53.2 billion, representing a CAGR of 11.0% from 2026 to 2030. This projected growth is consistent with the expanding dyslipidemia patient population, increasing clinical emphasis on achieving lipid targets, and the broadening use of combination regimens and emerging therapies addressing residual lipid risk factors.

Market Drivers and Policy Support of the Antihyperlipidemic Drugs Market in China

Market Drivers of the Cardiovascular and Cerebrovascular Diseases in China

The growing burden of cardiovascular and cerebrovascular diseases in China is primarily driven by population aging, changes in lifestyle patterns and the high prevalence of major cardiometabolic risk factors. As the population ages, the number of individuals exposed to age-related risks of conditions such as coronary heart disease and ischemic stroke continues to increase. Meanwhile, lifestyle-related risk factors, including unhealthy diets characterized by excessive intake of salt, fat and highly processed foods, physical inactivity, smoking, excessive alcohol consumption and chronic stress, may contribute to the development of hypertension, dyslipidemia, obesity and diabetes, which are important risk factors for cardiovascular and cerebrovascular diseases. In addition, rapid urbanization and increasingly sedentary lifestyles may further increase exposure to such risk factors. Collectively, these demographic and lifestyle factors are expected to sustain the disease burden of cardiovascular and cerebrovascular diseases in China and, accordingly, the demand for long-term disease prevention and management.

In addition, clinical practice has become more standardized and guideline-driven. According to the Chinese Guidelines for Lipid Management (Primary Care Version 2024) 《中國血脂管理指南(基層版 2024年)》, pharmacological therapy is recommended to achieve LDL-C targets, supporting the widespread use of antihyperlipidemic treatments. Policy support, including the National Reimbursement Drug List (NRDL) dynamic adjustment mechanism 《國家醫保藥品目錄動態調整機制》 and centralized procurement, has further improved drug accessibility and affordability.

INDUSTRY OVERVIEW

Entry Barriers of the Antihyperlipidemic Drugs Market in China

Entry barriers in the antihyperlipidemic drugs market in China primarily relate to established prescribing patterns and a highly standardized treatment landscape, which may limit the adoption of new entrants. In addition, the market requires strong commercialization capabilities, including hospital access and distribution networks, as well as the ability to compete in a price-sensitive, volume-driven environment.

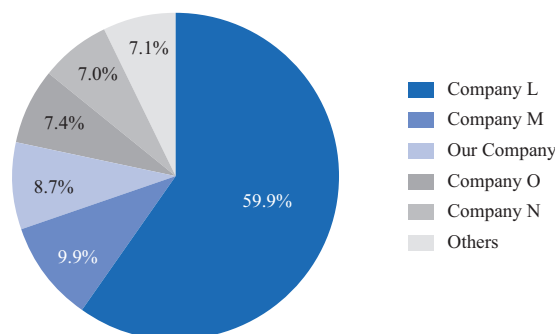
Market Size and Competitive Landscape of Rosuvastatin in China

Rosuvastatin is one of the most widely prescribed statins and represents a core pharmacological therapy in the management of dyslipidemia and prevention of cardiovascular diseases. Rosuvastatin accounted for approximately one-third of the total sales revenue of statin drugs in China in 2024, reflecting its significant role within the statin segment. In 2025, rosuvastatin accounted for approximately 10.1% of China’s antihyperlipidemic drug market by sales revenue, reflecting its broad market adoption.

In clinical practice, statins, including Rosuvastatin, are recommended as first-line treatment following lifestyle interventions and serve as the foundational therapy for both primary and secondary prevention of cardiovascular diseases. Within the statin class, Rosuvastatin is commonly positioned as a moderate- to high-intensity agent and is widely used across different patient populations due to its established efficacy in lowering low-density lipoprotein cholesterol (LDL-C), making it one of the key volume-driving products in China’s antihyperlipidemic drug market.

In 2025, the market size of Rosuvastatin in China was approximately RMB3.2 billion in terms of sales revenue. Our Company ranked third in the overall rosuvastatin market in China, with a market share of approximately 8.7% by sales revenue. In the rosuvastatin generic drug market, Our Company ranked second among all manufacturers, with a market share of approximately 21.7% by sales revenue.

Market Size and Competitive Landscape of Rosuvastatin in China, 2025



Notes:

Company L is a global biopharmaceutical company headquartered in Cambridge, founded in 1999. The company focuses on the research, development and commercialization of innovative medicines, with key therapeutic areas including oncology, cardiovascular, renal and metabolism, and respiratory.

Company M is a pharmaceutical company headquartered in Nanjing and is a subsidiary of a pharmaceutical group. The company is engaged in the research, development, manufacturing and commercialization of pharmaceutical products across multiple therapeutic areas, including central nervous system and cardiovascular diseases.

Company N is a pharmaceutical company headquartered in Nanjing, founded in 1995. The company focuses on the research, development, manufacturing and commercialization of innovative and generic pharmaceuticals, with therapeutic areas including central nervous system, oncology and autoimmune diseases.

INDUSTRY OVERVIEW

Company O is a pharmaceutical company headquartered in Hangzhou and is a subsidiary of a pharmaceutical group. The company is engaged in the research, development, manufacturing and commercialization of pharmaceutical products, with a focus on cardiovascular and central nervous system therapeutic areas.

Source: Related companies' Annual Report, Experts Interview, Frost & Sullivan Analysis

Drivers and Entry Barriers of the Rosuvastatin Market in China

The growth of the Rosuvastatin market in China is driven by the increasing prevalence of dyslipidemia and cardiovascular diseases, together with its widespread use as a first-line statin in long-term risk management. However, as a mature therapeutic area, the market is subject to pricing pressure under centralized procurement, while long-term treatment requirements may affect patient adherence. Entry barriers mainly include established manufacturing capabilities, hospital access and the ability to compete in a price-sensitive, volume-driven market.

Unmet Medical Needs and the Rationale for Adjunctive Lipid Pathway Targeting

Statins remain the foundation of lipid-lowering therapy, but their benefits are primarily driven by LDL-C reduction. A meaningful proportion of patients continue to exhibit residual lipid abnormalities — particularly elevated triglycerides and lipoprotein(a) (Lp(a)) — that are insufficiently addressed by standard therapies and can sustain cardiovascular risk even when LDL-C is well controlled. Although combination regimens can broaden lipid control, long-term use may be limited by safety, tolerability and drug-drug interaction considerations, especially in patients with multiple cardiometabolic comorbidities. Certain lipid fractions such as Lp(a) are largely genetically determined and respond poorly to conventional agents, leaving high-risk patients with limited long-term pharmacological options. In addition, lipid management is typically lifelong and adherence can be difficult in real-world practice, particularly for therapies associated with gastrointestinal intolerance, frequent dosing or complex regimens. This supports demand for adjunctive, non-LDL-centric interventions that provide durable lipid control with favorable long-term tolerability and practical suitability for chronic disease management.

Lp(a)-Targeted Drug Research

Role of Lp(a) in Cardiovascular Disease and Its Positioning in Residual Risk

While statins form the foundation of lipid-lowering therapy, a significant proportion of patients continue to exhibit residual lipid abnormalities, such as elevated triglycerides and lipoprotein(a) (Lp(a)), which may sustain cardiovascular risk despite adequate LDL-C control. In addition, certain lipid fractions, particularly Lp(a), respond poorly to conventional therapies, limiting treatment options for high-risk patients. Long-term lipid management also presents challenges in terms of safety, tolerability and patient adherence. These factors support the need for adjunctive therapies targeting non-LDL pathways to achieve more comprehensive and durable lipid control.

Competitive Landscape of Lp(a) Target Drug for Hyperlipidemia

<u>Pipeline Name</u>	<u>Company</u>	<u>Clinical Phase</u>	<u>Location</u>	<u>Date*</u>
Muvalaplin	Lily	III	China, US, JP, EU, Others	2025-09-01
HRS-5346	Hengrui Pharmaceuticals/ Shengdi Pharmaceutical	II	China	2025-02-06
JX2201	Jingxin Pharmaceuticals	II	China	2026-03-16
SAL0137	Salubris Pharmaceuticals	II	China	2026-07-03
AZD4954	AstraZeneca	I	US	2025-05-20

Note: As of the Latest Practicable Date refer to the first public disclosure/registration date

Source: Clinical Trails, CDE, Frost & Sullivan analysis

INDUSTRY OVERVIEW

Growth Drivers of the Lp(a)-Targeted Therapeutic Market

Market development is supported by increasing recognition of elevated Lp(a) as a common yet underdiagnosed abnormality and an independent, causal ASCVD risk factor. Because Lp(a) contributes to residual risk even with optimized LDL-C, there is clear clinical rationale for non-LDL lipid interventions. Lp(a)-targeted agents are also designed to be layered on top of background lipid therapy without mechanistic overlap, aligning with the broader shift toward add-on strategies in secondary prevention. Patients with established ASCVD, recurrent events or premature disease typically require intensified regimens, which is expected to support adoption potential for Lp(a)-targeted drugs.

SOURCE OF INFORMATION

In connection with the [REDACTED], we have engaged Frost & Sullivan to conduct a detailed analysis and prepare an industry report on the major markets for which our products and drug candidates are positioned. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the United States. We have agreed to pay Frost & Sullivan a total fee of RMB500,000 for the preparation of the Frost & Sullivan Report, and we believe that such fees are consistent with the market rate. The payment of such amount was not contingent upon our successful [REDACTED] or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the [REDACTED].

We have included certain information from the Frost & Sullivan Report in this document because we believe such information facilitates an understanding of the pharmaceutical market for potential [REDACTED]. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

REGULATORY OVERVIEW

OVERVIEW OF LAWS AND REGULATIONS IN THE PRC

This section summarizes the principal PRC laws, rules and regulations that are relevant to our business:

Regulatory Authorities

The regulatory authorities of the drug industry in the PRC include: the National Medical Products Administration (國家藥品監督管理局) (the “**NMPA**”), the National Health Commission of the PRC (中華人民共和國國家衛生健康委員會) (the “**NHC**”) and the National Healthcare Security Administration (國家醫療保障局) (the “**NHSA**”).

The NMPA is an authority under the State Administration for Market Regulation (國家市場監督管理總局) (the “**SAMR**”) and is the primary regulator for medical products. It is primarily responsible for supervising and managing drugs, medical equipment and cosmetics. The NHC is responsible for supervising and regulating public health, drafting national health policies, supervising and regulating public health, as well as organizing the formulation of national drug policies and the national essential medicine system. The NHSA is an authority directly under the State Council of the PRC (中華人民共和國國務院) (the “**State Council**”), and is responsible for the supervising and regulating the health protection, drafting and implementing policies and standards on medical insurance, and formulating and supervising the tendering and procurement policies for drugs.

Laws and Regulations in Relation to Drug Manufacturer

Drug Manufacturing Permit

Pursuant to the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) (the “**Drug Administration Law**”), which was implemented in December 2019, the state adopts an industry entry permit system for drug manufacturers. The conduct of drug manufacturing activities shall obtain a Drug Manufacturing Permit (《藥品生產許可證》).

Good Manufacturing Practice for Pharmaceutical Products

The World Health Organization encourages the adoption of GMP standards in pharmaceutical manufacturing to minimize the risk of finished products failing to meet quality standards. The “Announcement on Matters Concerning the Implementation of the Drug Administration Law of the PRC” 《關於貫徹實施〈中華人民共和國藥品管理法〉有關事項的公告》 stipulated that effective from December 1, 2019, GMP certification would be abolished. However, according to the Drug Administration Law, entities engaged in drug production activities must still comply with the Good Manufacturing Practice (GMP) for drugs.

Laws and Regulations in Relation to New Drugs

Research and Development of New Drugs

The Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) (the “**Drug Administration Law**”) and the Implementation Regulations of the Drug Administration Law of the PRC (《中華人民共和國藥品管理法實施條例》) (the “**Implementation Regulations**”) regulate the pharmaceutical manufacturing, research and development of new drugs and other administration matters of pharmaceutical products.

REGULATORY OVERVIEW

Application for New Drug Registration

Drug registration refers to an approval process where the NMPA conducts review of the safety, efficacy and quality controllability of the drugs intended for marketing according to the application for drug registration made by an applicant, and decides whether it would approve the application, which shall be regulated by the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》) implemented in July 2020.

Non-clinical Research and Animal Testing

The non-clinical safety assessment of drugs for marketing approval shall be regulated by the Good Laboratory Practices for Non-clinical Laboratory Studies (《藥物非臨床研究質量管理規範》) and the Certification of Good Laboratory Practices for Non-clinical Laboratory Studies (《藥物非臨床研究質量管理規範認證管理辦法》), which were implemented by the China Food and Drug Administration (國家食品藥品監督管理總局) (the “CFDA”).

Using animals in experiments and related products requires a Certificate for Utilization of Laboratory Animals (實驗動物使用許可證), and shall be regulated by the Regulations for the Administration of Affairs Concerning Experimental Animals (《實驗動物管理條例》), the Administration Measures on Good Practice of Experimental Animals (《實驗動物質量管理辦法》), and the Administrative Measures on the Certificate for Experimental Animals (Trial) (《實驗動物許可證管理辦法(試行)》).

Clinical Trial

After obtaining clinical trial approval, the applicant shall appoint institutions qualified for clinical trials of the drug to conduct clinical trials. Pursuant to the Administrative Regulations for Drug Clinical Trial Institutions (《藥物臨床試驗機構管理規定》), which was implemented in December 2019, entities engaging in activities related to medicine research and development and drug clinical trials would be regulated. According to the Administration of Drug Registration, clinical trials are divided into Phase I, Phase II, Phase III, Phase IV and bioequivalence trials. Activities related to drug clinical trials shall comply with the Good Clinical Practice for Drug Trials (《藥物臨床試驗質量管理規範》).

Evaluation and Approval System for Drugs

The CDE’s Standards for Accelerating the Review Work for Marketing Approval Applications of Innovative Drugs (Trial) (《藥審中心加快創新藥上市許可申請審評工作規範(試行)》), issued in March 2023, encouraged the development process of the innovative drugs of breakthrough therapy drug program, and expedited the marketing process of these drugs to meet relevant patients’ medication needs.

Drug Marketing Authorization Holder System

Pursuant to the Drug Administration Law and the Administrative Measures for Drug Registration, the state implements the drug marketing authorization holder system for drug management. After obtaining a drug registration certificate, an applicant shall be the drug marketing authorization holder. During the validity period, a holder of a drug registration certificate shall continue to ensure the safety, effectiveness and quality controllability of the marketed drug, and apply for re-registration of the drug six months prior to the expiry of the validity period.

REGULATORY OVERVIEW

NRDL

In December 2025, the NHSA and the Ministry of Human Resources and Social Security of the PRC modified and formulated the NRDL for National Basic Medical Insurance, Maternity Insurance and Work Injury Insurance (2025) (《國家基本醫療保險、生育保險和工傷保險藥品目錄(2025年)》), which has been expanded the medicine coverage to a total of 3,253 drugs. Inclusion in the NRDL will generally result in increased sales volume and lower drug prices (which are determined on a case-by-case basis and negotiated based on factors such as the initial drug price).

National Essential Drug List

In September 2018, the General Office of the State Council issued the Opinions of the General Office of the State Council on Improving the National Essential Drug System (《國務院辦公廳關於完善國家基本藥物制度的意見》). In June 2026, the National Health Commission, the National Administration of Traditional Chinese Medicine and the National Disease Control and Prevention Administration promulgated the National Essential Drug List (2026 Edition) (《國家基本藥物目錄(2026年版)》), thereby updating and adjusting the drug list. Pursuant to these regulations, primary healthcare institutions must stock and use drugs listed in the National Essential Drug List. Drugs must be procured through centralized bidding procedures and are subject to price controls. All therapeutic drugs within the National Essential Drug List are included in the medical insurance coverage list, and the cost is reimbursable.

National Centralized Drug Procurement

In January 2021, the General Office of the State Council issued the Opinions on Promoting the Regularization and Institutionalization of Centralized Volume-Based Drug Procurement (《關於推動藥品集中帶量採購工作常態化制度化開展的意見》), proposing multiple measures to advance the regularization and institutionalization of centralized volume-based drug procurement nationwide. It requires all public medical institutions to participate in centralized drug procurement.

Drug Distribution and Two-Invoice System

According to the Implementing Opinions on Promoting the “Two-Invoice System” for Drug Procurement By Public Medical Institutions (For Trial Implementation) (《關於在公立醫療機構藥品採購中推行“兩票制”的實施意見(試行)》) which was issued in December 2016, the Two-Invoice System is a system under which invoices are issued by drug manufacturers to drug distributors on a once-off basis while invoices are issued by drug distributors to medical institutions on a once-off basis.

Drug Recall

According to the Measures for the Administration of Drug Recall (《藥品召回管理辦法》), which was implemented in November 2022, a drug manufacturer should establish and improve its drug recall system by collecting relevant information about drug safety and making an investigation and evaluation with respect to any drugs with potential safety hazards. If there are any potential safety hazards that endanger human health and life safety in respect of any drugs sold in the PRC, such drug manufacturer must start the drug recall procedures.

Gathering, Collection and Filing of Human Genetic Resources

Pursuant to the Biosecurity Law of the PRC (《中華人民共和國生物安全法》), which was implemented on April 26, 2024, a legislative framework is established for the pre-existing regulations in such areas as research, development, and application of biology technology for infectious diseases for humans, animals and plants; security management of human genetic resources and biological resources.

REGULATORY OVERVIEW

Good Clinical Practice Certification and Compliance with the Good Clinical Practice (GCP)

To improve the quality of clinical trials, the Good Clinical Practice for Drug Trials (《藥物臨床試驗質量管理規範》) (the “GCP”) which was implemented in September 2026, aims to ensure that the clinical trials of drugs are standardized and the results are scientific and reliable, protecting the rights and safety of human subjects.

Regulations of Biological Products

According to the Administrative Measures for Drug Registration (《藥品註冊管理辦法》), drug registration shall be subject to registration and administration by categories, namely Chinese medicine, chemical medicine and biological products etc. The Registration Classification of Biological Products and Requirements for Application Materials (《生物製品註冊分類及申報資料要求》) regulated the registration classification of biological products and the requirements for application materials.

Administrative Protection and Monitoring Periods for New Drugs

According to the Implementation Regulations of the Drug Administration Law of the People’s Republic of China (《中華人民共和國藥品管理法實施條例》), and the Reform Plan for Registration Category of Chemical Drugs (《化學藥品註冊分類改革工作方案》), the NMPA may, for the purpose of protecting public health, provide for a monitoring period of five years for new Category 1 drugs approved to be manufactured, commencing from the date of approval, to continually monitor the safety of those new drugs.

Other Laws and Regulations in Relation to Medical Industry

Medical Insurance Policy, Catalogue and Reimbursement Standards

Pursuant to the Opinions of the State Council on the Integration of the Basic Medical Insurance System for Urban and Rural Residents (《國務院關於整合城鄉居民基本醫療保險制度的意見》) promulgated in January 2016, a unified basic medical insurance system for urban and rural residents was established by the PRC, including all the participants of the existing urban and rural residents’ medical insurance and New Rural Cooperative Medical System.

Pursuant to the Tentative Measures for the Administration of the Scope of Medical Insurance Coverage for Pharmaceutical Products for Urban Employee (《城鎮職工基本醫療保險用藥範圍管理暫行辦法》), the scope of medical insurance coverage for pharmaceutical products needs to be managed through the formulation of the Medical Insurance Catalogue (《醫療保險目錄》). The currently effective one is the National Insurance Drug List for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2025) (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2025年)》) implemented in January 2026.

Drug Price

Pursuant to the Drug Administration Law (《藥品管理法》), for drug products with market-regulated prices in accordance with the law, the drug marketing authorization holder, the drug manufacturer, the drug distributor and medical institution shall determine the price pursuant to the principles of fairness, reasonableness, integrity and trustworthiness as well as quality for value in order to supply drug users with reasonably priced drug products; and shall comply with the requirements relating to the administration promulgated by the State Council’s pricing authorities. According to the Notice on Issuing Opinions on Current Drug Price Management Work (《關於印發<關於做好當前藥品價格管理工作的意見>的通知》), the scope of drugs managed by the department of healthcare security includes traditional Chinese medicine, chemical medicines, biochemical drugs, and hospital preparations.

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Contract Manufacturing of Drugs

Pursuant to the Administrative Regulations for the Contract Manufacturing of Drugs (《藥品委託生產監督管理規定》) issued in August 2014, when a drug manufacturer temporarily lacks manufacturing conditions due to technology upgrade or is unable to ensure market supply due to insufficient manufacturing capabilities, such drug manufacturer can entrust the manufacturing of the drug to another domestic drug manufacturer. Pursuant to the Administrative Measures on Supervision of Drug Manufacturing (《藥品生產監督管理辦法》), drug marketing authorization holders entrusting others to manufacture drugs shall enter into outsourcing agreements and quality agreements and apply for the Drug Manufacturing Certificate (《藥品生產許可證》).

Advertising of Pharmaceutical Products

Pursuant to the Interim Administrative Measures for the Review of Advertisements for Drugs, Medical Devices, Health Food and Formula Food for Special Medical Purposes (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》), which promulgated in March 2020, advertisements for drugs, medical devices, health food and formula food for special medical purposes shall be true and legitimate, and shall not contain any false or misleading contents.

Package Insert, Label and Packaging of Pharmaceutical Products

Pursuant to the Measures for the Administration of the Insert Sheets and Labels of Drugs (《藥品說明書和標籤管理規定》), which was promulgated in June 2006, the package inserts and labels of drugs should be reviewed and approved by the SFDA and must comply with the national and professional standards.

Drug Technology Transfer

The registration process of drug technology transfer, which includes application for, evaluation, review, approval and supervision of drug technology transfer registration, is regulated by the Administrative Measures for Drug Registration (《藥品註冊管理辦法》) and the Administrative Regulation for Technology Transfer Registration of Drugs (《藥品技術轉讓註冊管理規定》).

Laws and Regulations in Relation to Intellectual Property

Patents are protected by the Patent Law of the PRC (《中華人民共和國專利法》) and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), which provide for three types of patents, namely invention, utility model and design. The Patent Law introduces patent extensions, which patents of new drugs launched in the PRC may be granted extensions in accordance with the relevant provisions of the Patent Law, to compensate for the time spent for the review and examination and approval of the launch of a new drug.

Copyright is protected by the Copyright Law of the PRC (《中華人民共和國著作權法》) and the Implementation Rules of the Copyright Law of PRC (《中華人民共和國著作權法實施條例》).

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) and the Implementation Rules of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》).

Regulations in relation to Company Establishment

The establishment, operation and management of corporate entities in China are governed by the Company Law of the People's Republic of China (《中華人民共和國公司法》) (the “**Company Law**”), which was implemented in July 2024.

REGULATORY OVERVIEW

Regulations in Relation to Foreign Direct Investment

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”), which was promulgated in January 2020, has become the basic law regulating foreign-invested enterprises wholly or partially invested by foreign investors. Meanwhile, the organization form, institutional framework and standard of conduct of foreign-invested enterprises shall be subject to the provisions of the Company Law of the PRC and other laws.

Foreign investors are generally accorded treatment no less favorable than that accorded to domestic investors at the investment access stage, except for investments in industries that are classified as “restricted” or “prohibited” under the negative list issued or approved by the State Council. The Special Administrative Measures for Foreign Investment Access (Negative List) (2024 Edition) (《外商投資准入特別管理措施(負面清單) (2024年版)》) (the “**2024 Negative List**”) came into effect in November 2024. Pursuant to the 2024 Negative List, foreign investment in prohibited industries is not permitted, while foreign investment in restricted industries is subject to the relevant conditions set out therein. Industries not listed in the 2024 Negative List are generally permitted for foreign investment. The business scopes of our Company and our domestic subsidiaries do not fall within any industry or business area in which foreign investment is prohibited or restricted under the 2024 Negative List, and are in full compliance with applicable foreign investment policies, laws and regulations.

Regulations in Relation to Overseas Direct Investment

Pursuant to the Administrative Measures for Outbound Investment (《境外投資管理辦法》) promulgated in October 2024, the MOFCOM and provincial competent commerce departments shall carry out administration either by record-filing or approval, depending on different circumstances of outbound investment by enterprises. Pursuant to the Measures for the Administration of Overseas Investment of Enterprises (《企業境外投資管理辦法》), promulgated in March 2018, a domestic enterprise making an outbound investment shall obtain approval, conduct record-filing or other procedures, reporting relevant information, and cooperating with the supervision and inspection.

Regulations in Relation to Product Liability

The Product Quality Law of the PRC (《中華人民共和國產品質量法》) is the principal governing law relating to the supervision and administration of product quality, which states that manufacturers shall be liable for the quality of products produced by them and sellers shall take measures to ensure the quality of the products sold by them. A person who is injured or whose property is damaged by the defects in the product may claim for compensation from the manufacturer or the seller. The PRC Civil Code (《中華人民共和國民法典》) and the Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) also regulate the liability for damages of manufacturers and sellers.

Regulations in Relation to Production Safety

The Production Safety Law of the PRC (《中華人民共和國安全生產法》), implemented in September 2021, is the basic law for governing production safety. It provides that, any entity whose production safety conditions do not meet the requirements may not engage in production and business operation activities.

Regulations in Relation to Environmental Protection and Fire Safety

Regulations in relation to environmental protection and fire safety mainly include the Administrative Regulations on the Environmental Protection of Construction Project (《建設項目環境保護管理條例》), the Administrative Measures on Pollutant Discharge Permit (《排污許可管理辦法》) and Ecological Environment Code of the People’s Republic of China (《中華人民共和國生態環境法典》).

REGULATORY OVERVIEW

Regulations in Relation to Prevention and Control of Occupational Diseases

The Prevention and Control of Occupational Diseases Law of the People’s Republic of China (《中華人民共和國職業病防治法》), which was amended in December 2018, is the basic law for the prevention and control of occupational diseases.

Laws and Regulations in Relation to Labor and Employee Incentives

Employment and Social Securities

Employers shall, pursuant to the Labor Law of the People’s Republic of China (《中華人民共和國勞動法》) and the Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》), establish a comprehensive management system to protect the rights of their employees.

Regulations in Relation to Information Security and Data Privacy

Data Security and Export

The Data Security Law of the People’s Republic of China (《中華人民共和國數據安全法》), which was promulgated in June 2021, established a data classification and grading protection system to conduct classified and hierarchical protection of data.

The Measures for Cybersecurity Review (網絡安全審查辦法), which was implemented in February 2022, required that a cybersecurity review is required when national security has been or may be affected where critical information infrastructure operators purchase network product and service and network platform operators conduct data processing activities. In addition, when a network platform operator in possession of personal information of over one million users intends to get listed abroad, it must apply to the Cybersecurity Review Office for a cybersecurity review.

Personal Information Protection

According to the Civil Code of the People’s Republic of China (《中華人民共和國民法典》) and the Personal Information Protection Law of the People’s Republic of China (《中華人民共和國個人信息保護法》), personal information of natural persons is protected by law. If any organization or individual needs to obtain other people’s personal information, they should obtain it in accordance with the law and ensure the security of the information.

Laws and Regulations in Relation to Anti-Bribery

According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) and the Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》), any business operator shall not provide or promise to provide economic benefits to counterparties in a transaction or third parties that may be able to influence the transaction, in order to entice such party to secure a transactional opportunity or competitive advantages for the business operator.

Laws and Regulations in Relation to Foreign Exchange and Taxation

Foreign Exchange Administration

According to the Circular on the Policies for Reforming and Standardizing Management of Foreign Exchange Settlement under the Capital Account (《關於改革和規範資本項目結匯管理政策的通知》), amended in December 2023, enterprises registered in China may decide at their own discretion to convert foreign debt into Renminbi for use. The foreign exchange income under capital and the

REGULATORY OVERVIEW

Renminbi funds gained from foreign exchange settlement by the company shall be used as expenses under ordinary items within its business scope, or for expenses under capital as permitted by laws and regulations.

Pursuant to the Guidelines for the Foreign Exchange Business under the Capital Account (2024 edition) (《資本項目外匯業務指引》), which was promulgated in April 2024, funds raised by domestic companies through overseas shall, in principle, be transferred back to China in a timely manner, either in Renminbi or foreign currency. The use of such funds shall be consistent with the relevant contents as set out in publicly disclosed documents, including the document, corporate bond offering document, shareholder circular, and resolutions of the board of directors or shareholders’ meeting, and shall comply with relevant foreign exchange control regulations.

Taxation

Individual Income Tax

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), and the Regulation on the Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was implemented in January 2019, individual investors shall be subject to individual income tax at a rate of 20% on dividend income received from enterprises within China, which shall be withheld and paid by enterprises within China.

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), implemented in December 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), implemented in January 2025, enterprises are categorised as either resident enterprises or non-resident enterprises. Resident enterprises shall be subject to enterprise income tax at a standard rate of 25% on their worldwide income. High-tech enterprises with key support from the government shall be subject to a preferential enterprise income tax rate of 15%.

Pursuant to the Notice of the State Administration of Taxation on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) promulgated in November 2008, the dividends distributed by resident enterprises in China for 2008 and subsequent years to H-share holders which are overseas non-resident enterprises shall be subject to withholding and payment of enterprise income tax at a uniform rate of 10%.

Value-Added Tax

All entities or individuals engaged in the sale of goods, provision of processing, repair and maintenance services, or importation of goods within China shall be value-added tax taxpayers and subject to value-added tax in accordance with relevant laws and regulations. Through the value-added tax reform in China, value-added tax rates have undergone multiple adjustments and value-added tax are regulated by the Value-Added Tax Law of the PRC (《中華人民共和國增值稅法》), which was implemented in January 2026.

Regulations in Relation to Overseas Securities Offering and Listing by Domestic Companies

Pursuant to the Interim Measures for the Administration of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) implemented in March 2023 (hereinafter referred to as the “**Interim Measures**”), where a domestic company seeks overseas

REGULATORY OVERVIEW

securities issuance and listing, the issuer shall undergo the recordation formalities with the CSRC in accordance with the Interim Measures. An issuer conducting overseas initial public offering or listing shall undergo the recordation formalities with the CSRC within three (3) working days after the application documents for offering and listing are submitted overseas.

Pursuant to the Provisions on Strengthening the Confidentiality and Archives Administration Concerning the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) implemented in March 2023, In the overseas offering and listing activities of domestic enterprises, domestic enterprises, and securities companies and securities service institutions that provide corresponding services shall strictly comply with the applicable laws and regulations of the PRC and satisfy the requirements of these Provisions.

OVERVIEW OF LAWS AND REGULATIONS IN SOUTH KOREA

Laws in Relation to Ordinary Business Activities

Commercial Act

The Commercial Act, enacted in 1962 and most recently amended on March 6, 2026 (effective as of March 6, 2026), provides the fundamental legal framework governing enterprises and commercial transactions under South Korean civil law. In particular, Chapter “Company” regulates matters concerning the establishment, organization, operation, and dissolution of various corporate forms, including joint stock companies.

Laws in Relation to Intellectual Property

Industrial Technology Protection Act

The Industrial Technology Protection Act, enacted in 2007 and most recently amended on October 1, 2025 (effective as of October 1, 2025), aims to enhance the competitiveness of South Korean industries by preventing the improper disclosure of industrial technologies and strengthening their protection. The Act further contributes to national security and economic development.

National High-Tech Strategic Industries Act

The National High Tech Strategic Industries Act, enacted in 2022 and most recently amended on February 10, 2026 (effective as of February 10, 2026), establishes a support and protection framework for national high tech strategic industries that have a significant impact on South Korea’s economy and national security, with the objective of enhancing overall industrial competitiveness.

Patent Act

The Patent Act, enacted in 1961 and most recently amended on November 11, 2025 (effective as of November 11, 2025), promotes technological development and industrial advancement by protecting inventions and encouraging their effective utilization.

Trademark Act

The Trademark Act, enacted in 1949 and most recently amended on November 11, 2025 (effective as of November 11, 2025), supports industrial development by protecting consumers’ interests and maintaining fair competition through the legal protection of trademarks.

REGULATORY OVERVIEW

Laws in Relation to Labor

Labor Standards Act

The Labor Standards Act, enacted in 1953 and most recently amended on October 22, 2024 (effective as of October 23, 2025), establishes minimum labor standards to secure workers’ basic livelihood. Any provisions of an employment contract that fall below the statutory standards prescribed by the Act are null and void to that extent.

Guarantee of Workers’ Retirement Benefits Act

The Guarantee of Workers’ Retirement Benefits Act, enacted in 2005 and most recently amended on November 11, 2025 (effective as of November 11, 2025), applies to all workplaces employing workers. The Act ensures stable post retirement income by regulating the establishment and operation of retirement benefit schemes.

OVERVIEW OF REGULATIONS RELATED TO INTERNATIONAL TRADE RESTRICTIONS

The following is a summary of the sanctions and other trade restrictions imposed by the jurisdictions in which the Group conducts its business. The Group’s business activities are therefore subject to the jurisdiction of these sanctions and trade restrictions. This summary does not intend to set out the laws and regulations relating to the U.S., the EU, the UK, the UN, Australian and Canadian sanctions and trade restrictions in their entirety.

United States

The United States deploys a wide range of restrictive measures including sanctions and export controls against various targeted countries, groups and individuals. U.S. sanctions include both “primary” and “secondary” sanctions, as well as non-blocking “list-based” sanctions. The Office of Foreign Assets Control (“**OFAC**”) of the US Department of the Treasury administers and enforces the majority of U.S. sanctions programs.

U.S. primary sanctions generally apply to U.S. persons, including any United States citizen, permanent resident alien, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States. The U.S. has also enacted secondary sanctions targeting non-U.S. persons engaged in prohibited transactions (e.g., significant transactions with parties blocked under U.S. sanctions). The detailed rules of such secondary sanctions differ by sanctions programs. Non-U.S. persons found to be engaging in the prohibited transactions may be denied access to the U.S. economic system, including being designated as Specially Designated Nationals themselves. The U.S. have also implemented stringent export control regulations, which apply to the exports, re-exports and in-country transfers of commodities, software and technical data subject to the EAR. Controlled items include both U.S.-origin items as well as certain foreign-made products.

The U.S. have also imposed extensive and rapidly-changing tariffs targeting imports from all over the globe. In relation to exports of pharmaceutical products from China, U.S. tariffs include, but are not limited to, tariffs imposed under Section 301 and Section 122 of the Trade Act of 1974 (19 U.S.C. §2411), the International Emergency Economic Powers Act (“**IEEPA**”), as well as Section 232 of the Trade Expansion Act of 1962 (19 U.S.C. §1862, as amended). Since April 2025, the U.S. government has frequently escalated and amended various tariffs on Chinese imports. On April 2, 2026, the President of the United States issued a proclamation under Section 232, which provides that effective September 29, 2026, the Proclamation will impose a 100% *ad valorem* duty as the default rate on imported patented pharmaceutical products and their associated APIs and key starting materials.

REGULATORY OVERVIEW

United Nations

The UN can take action to maintain or restore international peace and security under Chapter VII of the UN Charter. It does this by way of resolutions passed by the UN Security Council. UN Security Council sanctions have taken a number of different forms and have measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions.

European Union

The EU has over 40 different sanctions regimes in place. EU sanctions apply to individuals and entities nationalized or incorporated within the EU; located on board an aircraft or vessel subject to EU jurisdiction; while in the territory or airspace of the EU, and with respect to business done in the EU Regulation (EU) No 2021/821 controls the export of EU dual use goods.

United Kingdom

UK sanctions apply: (a) within the territory and territorial waters of the UK and to all UK Persons, wherever they are in the world; (b) to all individuals and legal entities who are within or undertake activities within the UK’s territory; and/or (c) to all UK nationals and UK legal entities established under UK law, including their non-UK branches (but not separately incorporated non-UK subsidiaries), irrespective of where their activities take place. The Foreign, Commonwealth and Development Office publishes the UK Sanctions List whereas the Office of Financial Sanctions Implementation has responsibility for civil enforcement of the UK’s financial sanctions.

Australia

Australia has a dual sanctions regime consisting of sanctions measures imposed by the UN, together with Australian autonomous sanctions imposed by the Australian Government as a matter of its foreign policy. The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to: (i) any person in Australia; (ii) any Australian anywhere in the world; (iii) activities in Australia; (iv) companies incorporated overseas that are owned or controlled by Australians or persons in Australia; and/or (v) any person using an Australian flag vessel or aircraft to transport goods or transact services subject to UN sanctions.

Canada

Canada maintains a dual sanctions regime consisting of UN sanctions which are enacted into domestic regulations via Canada’s United Nations Act, and autonomous sanctions. Canadian autonomous sanctions mainly prohibit persons located in Canada and Canadians outside of the country from various activities involving a designated foreign state, including the acquisition of goods from the designated foreign state; the provision of data to the foreign state; and the exportation, sale, supply or shipment of goods to the foreign state.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

We are a pharmaceutical group with a growing pipeline of innovative drug assets, strategically focused on two core therapeutic areas: (i) central nervous system (“CNS”) disorders, and (ii) cardiovascular and cerebrovascular diseases.

Our history can be traced back to February 1999, when Mr. LYU Gang, an executive Director of the Company, Mr. WANG Nengneng, an executive Director of the Company, and other promoters established Zhejiang Xinchang Jingxin Pharmaceutical Co., Ltd.* (浙江新昌京新製藥有限公司), the predecessor of our Company, in the PRC as a limited liability company. In October 2001, our Company was converted into a joint stock limited company and renamed as Zhejiang Jingxin Pharmaceutical Co., Ltd. (浙江京新藥業股份有限公司). Having acted as the Company’s executive Director for more than two decades, Mr. LYU Gang has clearly established the strategic direction of transforming from generics to innovative drugs, focusing on CNS/psychiatric and cardiovascular/cerebrovascular therapeutic areas to drive our strategic transformation into an innovative drug company.

On July 15, 2004, A Shares of the Company were listed on the Shenzhen Stock Exchange (stock code: 002020), marking our entry into a new stage of development. For details, see “ — Corporate Development of our Company — Listing on the Shenzhen Stock Exchange”.

KEY CORPORATE AND BUSINESS DEVELOPMENT MILESTONES

The following table sets forth our Group’s key corporate and business development milestones:

Year	Milestone
1999	Our Company was established. Our simvastatin tablets (辛伐他汀片) (5mg) was approved by the NMPA and became a listed simvastatin tablet product in China.
2004	We were listed on the Shenzhen Stock Exchange (stock code: 002020). One of our subsidiaries, Shanghai Jingxin Biomedical Co., Ltd. (上海京新生物醫藥有限公司), was established for R&D.
2005	Our sertraline hydrochloride tablets (鹽酸舍曲林片), under the brand name Weitating (唯他停®), received New Drug Certificate and Drug Registrational Approval and we rank among the earliest companies in China for production approval.
2012	We obtained the GMP certificate for bacillus licheniformis live capsules (地衣芽孢桿菌活菌膠囊) issued by the NMPA and successfully launched.
2015	We acquired Shenzhen Beacon Display Technology Co., Ltd. (深圳市巨烽顯示科技有限公司), one of our major subsidiaries.
2018	Our solid production line passed the on-site certification by the FDA.
2020	Our first self-developed ANDA product, Colesevelam Hydrochloride Tablets, was approved and exported to the United States.
2023–2024	Our Dimdazenil capsules (Category 1) (地達西尼), under the brand name (Junoenil®), were approved for commercialization.
2026	Our Cariprazine hydrochloride capsules obtained Drug Registration Certificate from the NMPA and received marketing approval in China.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR MAJOR SUBSIDIARIES

The principal business activities and the dates of incorporation of the members of our Group which are most relevant to our core operations during the Track Record Period are shown below.

Name	Principal business activities	Date and jurisdiction of establishment
Shaoxing Jingxin Pharmaceutical Co., Ltd. (紹興京新藥業有限公司)	Manufacturing and sales of active pharmaceutical ingredients	December 17, 2004, PRC
Shandong Jingxin Pharmaceutical Co., Ltd. (山東京新藥業有限公司)	Manufacturing and sales of chemical intermediates	March 24, 2020, PRC
Shangrao Jingxin Pharmaceutical Co., Ltd. (上饒京新藥業有限公司)	Manufacturing and sales of chemical intermediates	October 19, 2005, PRC
Inner Mongolia Jingxin Pharmaceutical Co., Ltd. (內蒙古京新藥業有限公司)	Manufacturing and sales of traditional Chinese medicine	August 1, 2002, PRC
Shenzhen Beacon Display Technology Co., Ltd. (深圳市巨烽顯示科技有限公司)	Manufacturing and sales of medical devices	June 3, 2004, PRC
Shenyang TORCH-BIGTIDE DIGITAL Technology Co., Ltd. (瀋陽火炬北泰數碼科技有限責任公司)	Manufacturing and sales of medical devices	September 30, 1999, PRC
Zhejiang Jingxin Medical Co., Ltd. (浙江京新醫藥有限公司)	Wholesale of drugs	August 28, 2017, PRC
Zhejiang Jingxin Pharmaceutical Import & Export Co., Ltd. (浙江京新藥業進出口有限公司)	Sales of chemical goods	November 28, 2006, PRC

CORPORATE DEVELOPMENT OF OUR COMPANY

Early development of our Company

Our history can be traced back to February 13, 1999, when Zhejiang Xinchang Jingxin Pharmaceutical Co., Ltd. (浙江新昌京新製藥有限公司), the predecessor of our Company, was established as a limited liability company under the laws of the PRC, with an initial registered capital of RMB3,630,000.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Upon the completion of multiple rounds of share transfers and capital injections and before the conversion into a joint stock company, the registered capital of our Company reached RMB22,720,696 as of October 25, 2001, and the then shareholding structure of our Company was as follows:

<u>The then Shareholders</u>	<u>Approximate percentage of shareholding</u>
Mr. LYU Gang (呂鋼) ⁽¹⁾	22.50%
Mr. WANG Nengneng (王能能) ⁽²⁾	1.79%
Other Shareholders ⁽³⁾	75.71%

Notes:

- (1) Mr. LYU Gang is our executive Director, chairperson of the Board and the general manager, and one of our Controlling Shareholders of our Company. For further details, please see the sections headed “Directors and Senior Management” and “Relationship with our Controlling Shareholders” in this Document.
- (2) Mr. WANG Nengneng is our executive Director and the vice chairman of our Company. For further details, please see the sections headed “Directors and Senior Management” in this Document.
- (3) None of these other Shareholders held more than 30% equity interest in the Company.

Conversion of our Company into a joint stock company

On October 25, 2001, our Company was converted into a joint stock company and was renamed as Zhejiang Jingxin Pharmaceutical Co., Ltd. (浙江京新藥業股份有限公司). Upon the completion of such conversion, the then shareholding structure of our Company was as follows:

<u>The then Shareholders</u>	<u>Approximate percentage of shareholding</u>
Mr. LYU Gang (呂鋼) ⁽¹⁾	22.50%
Mr. WANG Nengneng (王能能) ⁽²⁾	1.79%
Other Shareholders ⁽³⁾	75.71%

Notes:

- (1) Mr. LYU Gang is our executive Director, chairperson of the Board and the general manager, and one of our Controlling Shareholders of our Company. For further details, please see the sections headed “Directors and Senior Management” and “Relationship with our Controlling Shareholders” in this Document.
- (2) Mr. WANG Nengneng is our executive Director and the vice chairman of our Company. For further details, please see the sections headed “Directors and Senior Management” in this Document.
- (3) None of these other Shareholders held more than 30% equity interest in the Company

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Listing on the Shenzhen Stock Exchange

In July 2004, we completed the issuance and listing of our A Shares on the Shenzhen Stock Exchange (stock code: 002020). In the A-Shares listing, we issued an aggregate of 17,600,000 A Shares, accounting for approximately 26.0% of our Company’s total share capital immediately following the A-Shares listing. Upon the completion of the A-Shares listing, the then shareholding structure of our Company was as follows:

The then Shareholders	Approximate percentage of shareholding
Mr. LYU Gang (呂鋼) ⁽¹⁾	16.65%
Mr. WANG Nengneng (王能能) ⁽²⁾	1.32%
Other A Share Shareholders	82.03%

Notes:

- (1) Mr. LYU Gang is our executive Director, chairperson of the Board and the general manager, and one of our Controlling Shareholders of our Company. For further details, please see the sections headed “Directors and Senior Management” and “Relationship with our Controlling Shareholders” in this Document.
- (2) Mr. WANG Nengneng is our executive Director and the vice chairman of our Company. For further details, please see the sections headed “Directors and Senior Management” in this Document.

As of the Latest Practicable Date, the shareholding structure of our Company was as follows:

Shareholders	Approximate percentage of shareholding
Mr. LYU Gang (呂鋼) ⁽¹⁾⁽²⁾	36.44%
Mr. WANG Nengneng (王能能) ⁽³⁾	0.42%
Ms. CHEN Meili (陳美麗) ⁽³⁾	0.04%
Other A Share Shareholders	63.10%

Notes:

- (1) As of the Latest Practicable Date, the Company was collectively held as to 36.44% by Mr. LYU Gang, our executive Director, chairperson of the Board and the general manager, and one of our Controlling Shareholders of our Company. Our Company was directly held as to approximately 20.77% directly by Mr. LYU Gang and 15.68% by Jingxin Holding. Jingxin Holding is owned as to 51.00% by Mr. LYU Gang and 49.00% by Jinzhi Investment. Jinzhi Investment is owned as to 60.00% by Mr. LYU Gang and 40.00% by Ms. ZHANG Liling, the spouse of Mr. LYU Gang. For further details, please see the sections headed “Directors and Senior Management” and “Relationship with our Controlling Shareholders” in this Document.
- (2) Jingxin Holding is one of the Controlling Shareholders of our Company. For further details, please see the sections headed “Relationship with our Controlling Shareholders” in this Document.
- (3) Mr. WANG Nengneng is our executive Director and the vice chairman of our Company. Ms. CHEN Meili is our vice president and chief financial officer. For further details, please see the section headed “Directors and Senior Management” in this Document.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

A Shares Participation Schemes

The Company adopted four A Shares Participation Schemes on October 15, 2019, October 15, 2019, December 31, 2020, October 20, 2025, respectively. The purpose of the A Shares Participation Schemes is to further improve the Company’s long-term incentive mechanism, attract and retain outstanding talents, fully mobilize the enthusiasm of the core team, effectively align Shareholder’s interests, Company’s interests, and personal interests of the core team members, ensuring all parties share a common focus on the Company’s long-term development and guarantee the realization of the Company’s strategic development and operational objective. For details, see “Appendix VI — Statutory and General Information — 6. A Shares Participation Schemes” of this Document.

MATERIAL ACQUISITIONS, DISPOSALS AND MERGERS

Our Company has not carried out any major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

OUR LISTING ON THE SHENZHEN STOCK EXCHANGE AND REASONS FOR THE [REDACTED] ON THE STOCK EXCHANGE

Since July 2004, our Company has been listed on the Shenzhen Stock Exchange. Since the commencement of our Track Record Period and as of the Latest Practicable Date, we have complied with all laws and regulations applicable to our listing on the Shenzhen Stock Exchange in all material respects, and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the [REDACTED] attention in relation to our compliance record on the Shenzhen Stock Exchange. Our PRC Legal Advisor is of the view that the confirmation of our Directors above with regard to our compliance records is accurate and reasonable. Based on the independent due diligence conducted by the Sole Sponsor, nothing has come to the Sole Sponsor’s attention that would cause them to disagree with the Directors’ confirmation with regard to the compliance records of the Company on the Shenzhen Stock Exchange.

Our Company seeks the H Shares to be [REDACTED] on the Stock Exchange in order to fund the research and development activities of our products and drug candidates and enhance our marketing networks and expand across key therapeutic areas. For details, see “Business — Our Strategy” and “Future Plans and Use of [REDACTED].”

PUBLIC FLOAT

Rule 8.08(1) (as amended and replaced by Rule 19A.13A) of the Listing Rules provides that, where a new applicant is a PRC issuer with other listed shares at the time of listing, this will normally mean that the portion of H shares for which listing is sought that are held by the public, at the time of listing, must (a) represent at least 10% of the issuer’s total number of issued shares in the class to which H shares belong (excluding [53,654,095] treasury shares held by our Company); or (b) have an expected market value of not less than HK\$3,000,000,000.

Our A Shares are listed on the Shenzhen Stock Exchange. Assuming that (i) [REDACTED] H Shares are [REDACTED] and [REDACTED] in the [REDACTED] and none of which will be [REDACTED] to any core connected person of our Company, and (ii) the [REDACTED] is not exercised, [REDACTED] H Shares, representing approximately [REDACTED] of the total issued share

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

capital of the Company, which is higher than the prescribed percentage of H Shares required to be held by the public of 10.00% under Rule 19A.13A(2)(a) of the Listing Rules. Therefore, Rule 8.08(1) (as amended and replaced by Rule 19A.13A) of the Listing Rules will be satisfied.

FREE FLOAT

Rule 8.08A (as amended and replaced by Rule 19A.13C) of the Listing Rules provides that, where a new applicant is a PRC issuer with other listed shares at the time of listing, this will normally mean that the portion of H shares for which listing is sought that are held by the public and not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise), at the time of listing, must: (a) represent at least 5% of the total number of issued shares in the class to which H shares belong at the time of listing (excluding treasury shares), with an expected market value at the time of listing of not less than HK\$50,000,000; or (b) have an expected market value at the time of listing of not less than HK\$600,000,000.

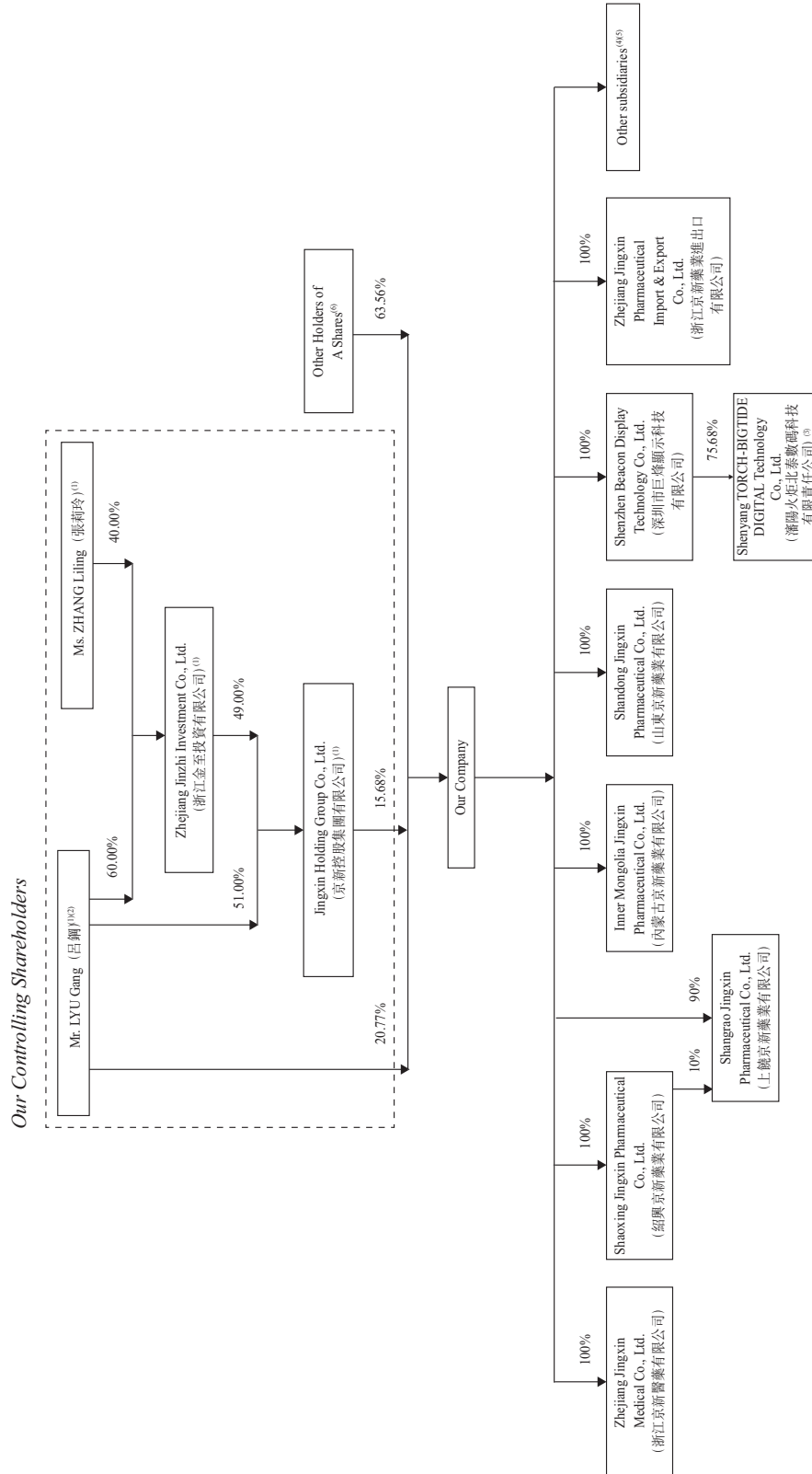
Based on the indicative [REDACTED] range of [REDACTED], [REDACTED] and [REDACTED] per H Share (being the low end, mid-point and high end of the [REDACTED] range, respectively), the market value of the [REDACTED] H Shares, held by the [REDACTED] and not subject to any disposal restrictions, is expected to be approximately [REDACTED], [REDACTED] and [REDACTED], which are all higher than the prescribed expected market value of HK\$600,000,000 under 19A.13C(2)(b). Therefore, the Company will satisfy the free float requirement under Rule 8.08A (as amended and replaced by Rule 19A.13C) of the Listing Rules.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Shareholding and Corporate Structure Immediately Before the [REDACTED]

The chart below sets out the shareholding structure of our Group immediately before completion of the [REDACTED] (assuming that no changes are made to the issued share capital of our Company since the Latest Practicable Date up to the [REDACTED]):



HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

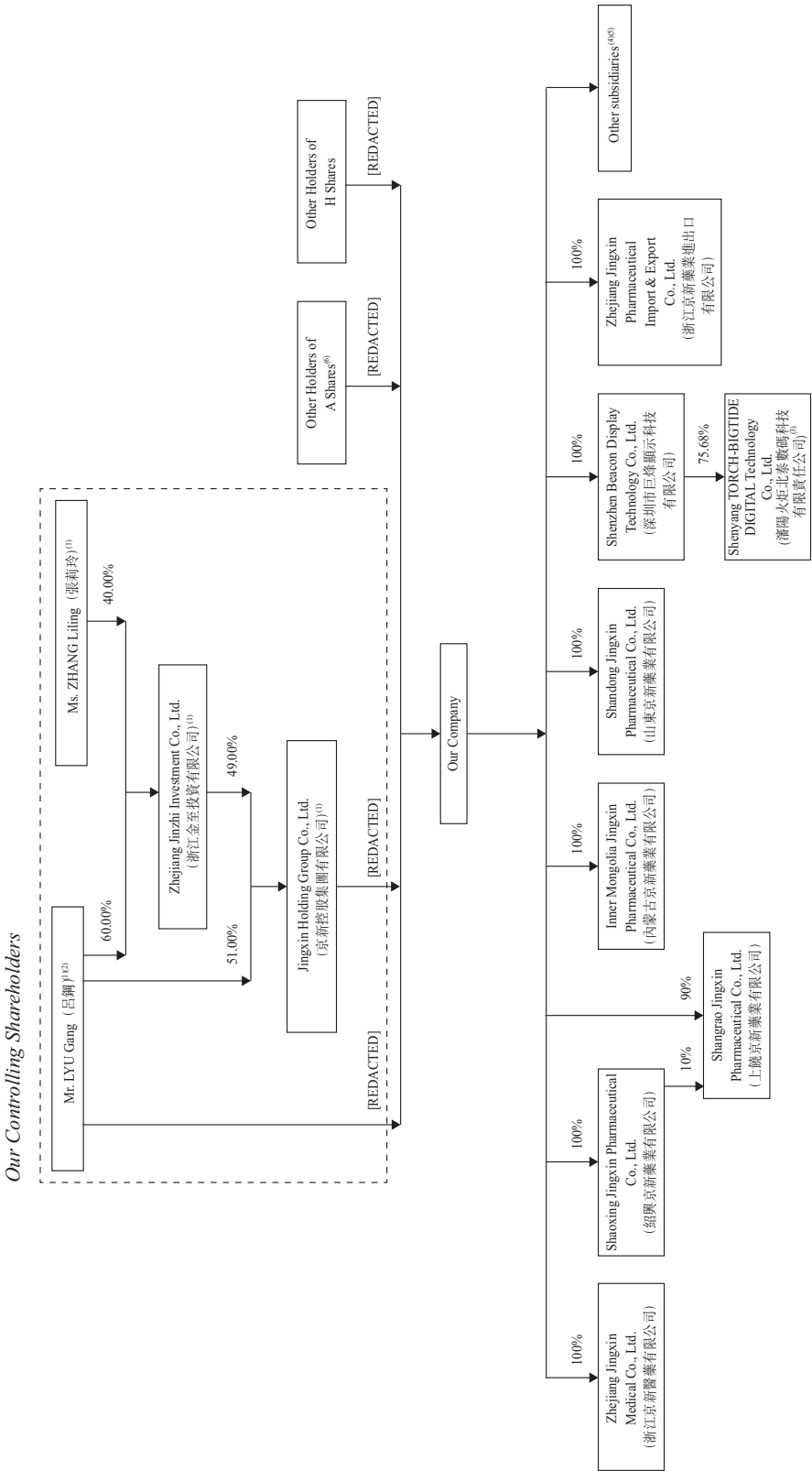
Notes:

- (1) Mr. LYU Gang, Ms. ZHANG Liling, Jingxin Holding and Jinzhi Investment are a group of Controlling Shareholders of our Company. For details, please see the section headed “Relationship with our Controlling Shareholders” in this Document.
- (2) Mr. LYU Gang is our executive Director, chairperson of the Board and the general manager of our Company. He is the spouse of Ms. ZHANG Liling. For further details, please see the section headed “Directors and Senior Management” in this Document.
- (3) Shenyang TORCH-BIGTIDE DIGITAL Technology Co., Ltd. (瀋陽火炬北泰數碼科技有限責任公司) was held as to 75.68% by Shenzhen Beacon Display Technology Co., Ltd. (深圳市巨峰顯示科技有限責任公司), a wholly owned subsidiary of the Company, 15.30% by Shenyang Huoju Co., Ltd. (瀋陽火炬股份有限公司), an Independent Third Party, and 9.02% Shenyang Technology Venture Capital Co., Ltd. (瀋陽科技風險投資有限公司), an Independent Third Party.
- (4) As of the Latest Practicable Date, our other subsidiaries consist of 18 subsidiaries established in various jurisdictions.
- (5) Among the other 18 subsidiaries, there are 15 wholly owned subsidiaries and three non-wholly owned subsidiaries. Details of such non-wholly owned subsidiaries as of the Latest Practicable Date are set out below:
 - a. Hangzhou Jingrui Pharmaceutical Technology Co., Ltd. (杭州京瑞醫藥科技有限公司) was held as to 55.00% by the Company and 45.00% by Ningbo Meishan Bonded Port Area Mingze Equity Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區鳴澤股權投資管理合夥企業有限合夥) (“Ningbo Meishan”). The general partner of Ningbo Meishan is Ms. WU Jiling (吳記玲), an Independent Third Party, who holds 1% partnership interests in Ningbo Meishan. Ningbo Meishan is owned as to 92% by Hangzhou Medicine Industrial Investment Co., Ltd. (杭州瑞法康科技有限公司), an Independent Third Party. None of the other partners of Ningbo Meishan holds more than 30% partnership interests therein. The ultimate beneficial owners of Hangzhou Medicine Industrial Investment Co., Ltd. (杭州瑞法康科技有限公司) are Ms. YAO Hong (姚紅), an Independent Third Party, as to 70% and Mr. WANG Weiwen (王偉文), an Independent Third Party, as to 30%.
 - b. Zhejiang Jingjiayuan Medical Technology Co., Ltd. (浙江京健元醫療科技有限公司) was held as to 98.68% by the Company and 1.32% by Wuhan Juteng Jiayi Enterprise Management Consulting Co., Ltd. (武漢巨騰佳益企業管理諮詢有限公司). The ultimate beneficial owners of Wuhan Juteng Jiayi Enterprise Management Consulting Co., Ltd. (武漢巨騰佳益企業管理諮詢有限公司) are Ms. WANG Xinrong (王欣榮), an Independent Third Party, as to 51.64%, Ms. ZHANG Zhengshang (張鄭商), an Independent Third Party, as to 40.3% and Mr. FAN Ming (范明), an Independent Third Party, as to 8.06%.
 - c. Yunnan Jingxin Biotechnology Co., Ltd. (雲南京新生物科技股份有限公司) was held as to 86.67% by Inner Mongolia Jingxin Pharmaceutical Co., Ltd. (內蒙古京新藥業有限公司), a wholly owned subsidiary of the Company. The ultimate beneficial owners of the remaining minority shareholders of Yunnan Jingxin Biotechnology Co., Ltd. (雲南京新生物科技股份有限公司) are Mr. XIAO Hua (肖華), an Independent Third Party, as to 10.00% and Mr. HUANG Yongming (黃永明), an Independent Third Party, as to 3.33%.
- (6) Our other holders of A Shares include Mr. WANG Nengneng, our executive Director and the vice chairman of our Company, and Ms. CHEN Meili, our vice president and chief financial officer. For further details, please see the section headed “Directors and Senior Management” in this Document.
- (7) If there is a discrepancy between the total sum and the sum of the amounts listed, it is due to rounding.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Shareholding and Corporate Structure upon Completion of the [REDACTED]

The chart below sets out the shareholding structure of our Group immediately following completion of the [REDACTED] (assuming no exercise of the [REDACTED] and no changes are made to the issued share capital of our Company since the Latest Practicable Date up to the [REDACTED]):



Notes:

See Notes (1) to (7) of “ — Shareholding and Corporate Structure Immediately before the [REDACTED].”

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OVERVIEW

We are a pharmaceutical group strategically focused on two core therapeutic areas: (i) central nervous system (“CNS”) disorders, and (ii) cardiovascular and cerebrovascular diseases. As of the Latest Practicable Date, Dimdazenil (Junoenil[®]) was our sole approved innovative drug. In addition to Dimdazenil, we are advancing selected drug candidates in our focus therapeutic areas, including JX2201, a Category 1 innovative drug candidate for the treatment of elevated lipoprotein(a) levels.

We generate revenue primarily from the sale of our marketed products, comprising (i) drugs, including generic drugs, innovative drug (Dimdazenil), traditional Chinese medicine (“TCM”) and biologics, (ii) active pharmaceutical ingredients (“APIs”), and (iii) medical equipment. During the Track Record Period, sales of drugs accounted for the majority of our revenue.

We use the cash flow generated from our marketed products to support our research and development, clinical development and commercialization activities. We are advancing our pipeline primarily in CNS disorders and cardiovascular and cerebrovascular diseases, leveraging our in-house R&D, manufacturing and commercialization capabilities. In 2025, we generated total revenue of RMB4,069.4 million and net profit of RMB771.7 million, and our R&D investment was RMB368.0 million. We intend to continue investing in R&D at a considerably high level to advance our innovation strategy and further our growth.

Our development trajectory follows the evolution of China’s pharmaceutical industry over the past three decades. We began with a focus on intermediates and APIs, and subsequently expanded downstream into drugs. Over time, we have built a product portfolio spanning generic drugs, TCM and biologics, APIs and medical equipment. In recent years, we have strategically focused our innovative drug R&D on CNS and cardiovascular and cerebrovascular diseases. In 2023, we successfully launched Dimdazenil, a Category 1 innovative drug approved in China for the treatment of insomnia.

Our Key Assets

We have two innovative assets, each closely aligned with our strategic therapeutic focus and R&D approach and designed to address clinical needs:

- **Dimdazenil**, a benzodiazepine-class sedative-hypnotic with a globally novel mechanism of action, was approved for marketing in China in November 2023 and was included in the National Reimbursement Drug List (“NRDL”) in November 2024. According to Frost & Sullivan, Dimdazenil was the first Category 1 innovative drug for the treatment of insomnia in China led by a PRC pharmaceutical company since 2007.
- **JX2201**, a Category 1 innovative drug candidate for the treatment of elevated lipoprotein(a) (Lp(a)) levels, targets a mechanism for which, no Lp(a)-lowering drug has been commercialized globally to date. As of the Latest Practicable Date, JX2201 had completed the Phase I clinical trial in China. In addition, the Phase II clinical trial protocol had obtained ethics approval in China, and we had commenced patient enrollment for the Phase II clinical trial.

Commercialized Assets: Drugs, APIs and Medical Equipment

Our marketed drug portfolio includes generic drugs, Dimdazenil, TCM and biologics. We have achieved meaningful progress on product quality and market access. More than 40 of our products have passed the PRC efficacy consistency evaluation or have been approved under the new drug registration classification system. As of June 30, 2026, 40 of our marketed products have been included in national or provincial alliance volume-based procurement programs.

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Our API products include quinolone anti-infective APIs, cardiovascular APIs and CNS APIs. APIs are active raw materials used in the production of drug products. We sell our API products to customers in China and overseas, and we also use certain self-produced APIs as raw materials for the production of a number of our own drugs.

We also provide medical equipment for manufacturers and hospitals in China and overseas with a range of medical display products, human-machine interface products and integrated medical imaging solutions.

High-Standard Manufacturing and Production Capabilities

We are committed to delivering products that meet stringent standards of quality, safety and consistency. We apply quality management and compliance requirements throughout the product lifecycle, from supplier qualification and incoming inspection, to manufacturing controls, batch release and post-marketing monitoring, with the objective of safeguarding patient safety and supporting sustainable, long-term development.

Our production facilities have obtained PRC GMP certification, European GMP certification and U.S. FDA cGMP certification, enabling us to manufacture at scale in accordance with both PRC and international standards and to support commercialization of our products.

Advanced Commercialization Capabilities

In our pharmaceutical business, we have developed advanced commercialization capabilities supported by an in-house sales and marketing team of over 500 staff. We promote our products through multiple channels and have built an academic promotion and sales network covering major provinces in the PRC and key healthcare institutions. We have also established long-term cooperation with key clinical departments, including psychiatry, neurology and cardiology, which we believe supports sustained physician education and product adoption in our core therapeutic areas. Leveraging the close cooperation between our in-house commercialization team and selected independent third party market promoters, we are able to gain hospital access and enhance physician education for our drugs and support the timely ramp-up of sales volume.

We have substantial experience participating in VBP programs and have developed marketing capabilities. We also actively expand our in-hospital, and out-of-hospital for our generic drugs, with commercialization strategies tailored to the characteristics of each channel. In driving sales growth, we leverage a combination of our in-house sales and marketing team, and our distributor network, which supports broad geographic coverage, efficient product delivery and downstream customer reach.

In the API business, we have built a sales team serving customers in China and overseas so as to promote our API products efficiently across markets and customer segments. In the medical equipment business, we continue to enhance our market position in China by focusing on high-quality key accounts. Internationally, we have established localized sales and service networks across major global markets, further strengthening our international presence and execution capabilities.

COMPETITIVE STRENGTHS

Clinical and market insight in CNS and cardiovascular/cerebrovascular diseases supported by selected R&D and clinical execution experience

In recent years, we have allocated R&D resources to selected drug candidates on (i) CNS disorders (such as insomnia, schizophrenia, epilepsy, depression and Parkinson’s disease) and (ii) cardiovascular and cerebrovascular diseases (such as hyperlipidemia). We have developed capabilities across drug

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discovery and management of clinical trials, and our accumulated clinical and commercialization experience has deepened our understanding of treatment pathways and unmet needs in these areas, which informs target selection and the design of our innovative candidates.

Across our three R&D bases in Shanghai, Hangzhou and Xinchang, Zhejiang, we have established an integrated R&D system with in-house preclinical capabilities spanning molecule discovery, molecule synthesis, and efficacy and safety studies. We have also developed clinical trial and clinical management capabilities in the CNS field and have established clinical site collaborations with a number of major hospitals in China. In addition, we have cultivated a cross-disciplinary R&D team with expertise spanning organic chemistry, chemical engineering, pharmaceutical sciences, pharmaceuticals, and bio-engineering.

Leveraging our integrated R&D system, cross-disciplinary team and long-term therapeutic focus, we can efficiently progress from the identification of an unmet clinical need to proof of concept, and systematically advance pharmacology, pharmacokinetics and safety studies, as well as other preclinical and clinical activities, to support the screening and advancement of high-potential selected candidates.

We have established a multi-tier pipeline and development strategy focused on CNS and cardiovascular and cerebrovascular diseases. According to Frost & Sullivan, CNS disorders include neurological diseases, mental disorders and sleep-wake disorders. In 2025, the global CNS drug market was RMB1,583.7 billion and is expected to reach RMB2,218.6 billion by 2030. In China, driven by accelerating pace of life and rising stress levels as well as increasing attention to quality of life, the CNS drug market is expected to expand from RMB168.8 billion in 2025 to RMB179.1 billion in 2030, representing a CAGR of 1.6% from 2026 to 2030, which is significantly higher than the -0.7% CAGR over the period from 2021 to 2025.

Cardiovascular and cerebrovascular diseases represent a core segment of China’s major chronic disease landscape, including, among others, hypertension, coronary heart disease, heart failure, arrhythmia, cerebrovascular diseases and systemic vascular diseases driven by atherosclerosis. These diseases are characterized by a large market base, sustained treatment demand and significant market impact, and represent one of the largest therapeutic areas by market size. Frost & Sullivan estimates that the global and China market sizes are expected to increase from RMB901.3 billion and RMB178.9 billion in 2025 to RMB1,008.6 billion and RMB199.8 billion in 2030, representing CAGRs of 2.6% and 2.7%, from 2026 to 2030.

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Our key pipeline is illustrated as follows:

Innovative Drug Pipeline Name	Target	Preclinical	Phase I	Phase II	Phase III	NDA	Market Launch	Primary Regulatory Authority	Current Status/Next Milestone	Source	Equity Allocation	Cooperation Party
Dimidazenil	GABA	Insomnia						Philippine FDA ⁽²⁾	Launch in 2028	license-out	Philippines	AMB HK ENTERPRISES INC
JX6001 ⁽¹⁾	/	Ulcerative colitis						NMPA	Clinical Phase III / New drug application approval in the second half of 2027	In-house development	Global	/
JX2201	Apo(a)	Hyperlipoproteinemia						NMPA	Phase II clinical trial initiated / patient enrollment commenced	In-house development	Global	/
		Hyperlipidemia						FDA	Clinical Approval	In-house development	Global	/
JX2414	GABA	Psychotic agitation						NMPA	IND approval obtained on May 11, 2026	In-house development	Global	/
JX2401	Nav1.6	Epilepsy						NMPA	Predinical/Clinical trial approval in Q1 2027	In-house development	Global	/
JX2404	dual M1, M4	Schizophrenia						NMPA	Predinical/Approval for clinical trials in the second half of 2027	In-house development	Global	/
JX2409	Selective Nav	DPNP						NMPA	Predinical/Late 2027 Clinical trial approval	In-house development	Global	/
Generic Drug Pipeline Name	Target	Pharmaceutical and Validation Clinical					Market Launch	Primary Regulatory Authority	Current Status/Next Milestone	Source	Equity Allocation	Cooperation Party
Colesevelam Tablets	Bile acids	Primary Hyperlipidemia						NMPA	Marketing approval expected in late 2026	In-house development	Global	/
Medical Equipment Pipeline Name	Target	Clinical Trials					Registration	Market Launch	Current Status/Next Milestone	Source	Equity Allocation	Cooperation Party
JXYJ-JJU ⁽³⁾	/	Type A aortic dissection						NMPA	Clinical stage/ registration application in the second half of 2027	Licensing from Wuhan Maiddi Lingke Medical Technology Co., Ltd.	Global	Wuhan Maiddi Lingke Medical Technology Co., Ltd.

Notes:

- (1) Target information is not applicable to JX6001 as it is a traditional Chinese medicine product.
- (2) Philippine FDA, the Food and Drug Administration of the Philippines.
- (3) Target information is not applicable to JXYJ-JJU as it is a medical equipment candidate under development by the Company.

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Sustained CNS and cardiovascular market presence with diversified marketed products and experience in the commercialization of Dimdazenil

Supported by our integrated R&D capabilities and accumulated clinical execution experience, we have built an innovative portfolio in our two core therapeutic areas, namely CNS and cardiovascular and cerebrovascular diseases. Our portfolio includes (i) Dimdazenil, a Category 1 innovative drug for the treatment of insomnia that has been approved and entered commercialization in China; (ii) JX2201, a Category 1 innovative drug candidate for the treatment of elevated lipoprotein(a) levels; and (iii) Cariprazine hydrochloride capsules, for which we obtained Drug Registration Certificate from the NMPA in June 2026, among other assets.

Through the full development cycle of Dimdazenil, from target selection, pre-clinical and clinical development to regulatory registration, and commercialization execution, we have accumulated end-to-end experience and capability sets that we believe are replicable in our other drug candidates. Accordingly, we believe these capabilities form a practical template that can be applied to the continued advancement of JX2201 and other pipeline programs, and that this tiered innovative product portfolio has the potential to become an important driver of our future performance growth and business upgrading.

CNS

In the CNS field, Dimdazenil received Category 1 marketing approval in China in November 2023 and was included in the NRDL in 2024. Dimdazenil is designed as a GABA_α receptor partial agonist with functional selectivity, delivering sleep-promoting efficacy while limiting side effect of over-sedation and drug dependence risks.

In commercialization, we have developed a three-tier network system spanning core cities, regional centers and primary healthcare clinics through close collaboration between our in-house team and core promotion partners, enabling broad reach across different levels of medical settings. As of June 30, 2026, Dimdazenil’s commercialization had progressed substantially, with coverage of over 3,000 hospitals and cumulative sales of approximately RMB371 million since launch.

In addition, Cariprazine hydrochloride capsules, our Category 3 drug for the treatment of schizophrenia, obtained Drug Registration Certificate from the NMPA in June 2026. According to Frost & Sullivan, we were the first to submit a marketing application in China. According to Frost & Sullivan, Cariprazine is a third-generation antipsychotic drug, which commands a global market of US\$3.6 billion in 2025. According to Frost & Sullivan, Cariprazine has been approved in certain jurisdictions for indications including schizophrenia and bipolar disorder and as adjunctive treatment for major depressive disorder.

Cardiovascular and Cerebrovascular Diseases and Others

In cardiovascular and cerebrovascular diseases, JX2201, our innovative product for lowering elevated Lp(a) levels, has successfully completed Phase I clinical trial in the first quarter of 2026. JX2201 is a small-molecule lipid-lowering drug targeting a novel Lp(a) mechanism and, according to Frost & Sullivan, ranked third globally by development stage among small-molecule candidates. Following completion of the Phase I clinical trial, we have initiated the Phase II clinical trial in China and commenced patient enrollment.

Lp(a) is a key, independent, and causal risk factor for atherosclerotic cardiovascular disease (“ASCVD”), stroke, and calcific aortic valve disease. A large body of clinical evidence has established Lp(a) as an independent and causal risk factor for ASCVD, and Lp(a) may increase residual cardiovascular risk even in patients with well-controlled low-density lipoprotein cholesterol (“LDL-C”). We believe Lp(a)-targeted therapies may be complementary to existing lipid-lowering approaches, as

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their mechanism does not overlap with current therapies and may support combination use with statins, PCSK9 inhibitors and other lipid-lowering drugs. For patients with ASCVD, treatment strategies often require complex risk assessment, and we believe broader adoption of Lp(a)-targeted approaches may further accelerate clinical application and market penetration in the future.

In addition to Dimdazenil and our selected drug candidates, we are also advancing selected medical equipment candidate and other product candidates. JXYY-JJU, an in-licensed integrated artificial large blood vessel device candidate for the surgical treatment of type A aortic dissection, is designed to reduce circulatory arrest time, simplify surgical workflows, reduce technical complexity, improve procedural safety and enhance clinical accessibility, and is currently in the clinical development stage. Colesevelam Tablets, our Category 3 drug for lipid and glycemic management, and we have submitted a marketing application to the NMPA. Colesevelam Tablets can be used alone or in combination with statins as an adjunct to diet and exercise for the treatment of primary hyperlipidemia to reduce elevated LDL-C levels, and can also be used as an adjunct to diet and exercise to improve glycemic control in patients with type 2 diabetes. Kangfuxin enteric-coated capsules, our Category 2 traditional Chinese medicine candidate developed based on the clinical applications of our existing traditional Chinese medicine products and our formulation technology strengths, are intended for the treatment of mild-to-moderate active ulcerative colitis and have entered the Phase III clinical trial enrollment stage.

A diversified product portfolio and integrated business footprint with a proven track record and sustained cash flow contribution from our existing business

We have established a diversified and integrated business portfolio spanning drugs, APIs and medical equipment. This multi-pillar commercial foundation has delivered tangible operating results and continues to generate steady cash flows, providing us with the financial resources, manufacturing capacity and commercialization infrastructure to support the continuous advancement of our innovative drug pipeline.

Drugs

We have established a diversified and multi-tier product portfolio covering, CNS disorders and cardiovascular and cerebrovascular diseases. In 2024, revenue from the sales of our commercialized drugs reached RMB2.5 billion. In addition to Dimdazenil, we have over 60 marketed drug products, including generic drugs, TCM and biological products.

According to Frost & Sullivan, two of our major marketed products ranked first in their respective generic drug markets in China in 2025 in terms of market share, namely Levetiracetam Tablets (Jiyike[®]) and Pramipexole Dihydrochloride Tablets/Extended-release Tablets (Suopule[®]). Within our cardiovascular and cerebrovascular portfolio, Rosuvastatin Calcium Tablets (Jingnuo[®]) and Pitavastatin Calcium Dispersible Tablets (Jingkexin[®]) are among our key products with strong market traction. In digestive system diseases and other areas, Bacillus Licheniformis Live Capsules (Jingchangle[®]) is one of only two marketed products in this category, which we believe can put us in a favorable market position.

Leveraging our small-molecule development capabilities and the integration advantages of our API to drugs platform, we continue to develop generic products. From 2023 to 2025, we obtained 24 drug production approvals, further enriching our drugs portfolio. As of June 30, 2026, four of our generic drug candidates were under review by the NMPA.

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APIs

APIs are active raw materials used in the manufacture of drug products. We have extensive experience in the development and production of APIs. Our key API products include quinolone anti-infective APIs, cardiovascular APIs and CNS APIs. According to Frost & Sullivan, our subsidiary Shaoxing Jingxin is one of the leading manufacturers of quinolone APIs globally. In 2025, revenue from sales of our API products amounted to RMB814.2 million. We have established our API and intermediates production footprint primarily through Shaoxing Jingxin and Shandong Jingxin, which support the development and market expansion of our API business and also provides our drug business with stable, reliable and cost-competitive upstream supply. We sell APIs to third-party pharmaceutical manufacturers in China and overseas, and we also use certain self-produced APIs as raw materials in the manufacture of a number of our own drugs.

Medical equipment

We entered the medical display resolutions sector through the acquisition of Shenzhen Beacon in 2015. According to Frost & Sullivan, Shenzhen Beacon is the only PRC medical display products manufacturer that has passed an on-site inspection by the U.S. FDA in the medical display product sector. We believe Shenzhen Beacon’s intelligent medical display products are leading in China in key performance indicators such as precision, stability and consistency in image processing, and remain highly competitive internationally. These performance capabilities directly align with the stringent requirements of high-end equipment manufacturers and large hospitals and, in our view, contribute to a high technical barrier of entry in the industry.

Integrated R&D, manufacturing, quality management and commercialization capabilities

We have established an integrated platform spanning in-house R&D, chemistry manufacturing and controls (“CMC”), manufacturing, quality management and commercialization across APIs, clinical trial materials and commercial drugs, supported by a comprehensive R&D, manufacturing and quality management system. In particular, our in-house R&D team supports drug discovery, pre-clinical evaluation, and clinical development, as well as CMC and pharmaceutical development. Our quality management system supports product quality and regulatory compliance throughout the product lifecycle. These integrated capabilities support disciplined development execution, enhance supply-chain coordination and improve supply stability as products progress from development to commercialization.

We believe the coordinated development of our API and drugs businesses enhances cost competitiveness, supports efficient scale-up and creates favourable conditions for the industrialization and commercialization of innovative products.

On the commercialization side, we have built an academic promotion and sales network covering major provinces and key end markets in China, providing a mature foundation for the rapid ramp-up of innovative products. Dimdazenil exemplifies our execution capabilities across market access and commercialization. Following its approval in November 2023, we rapidly advanced Dimdazenil through the national reimbursement negotiation process and achieved its inclusion in the National Reimbursement Drug List in 2024, representing a breakthrough in payment-side access. In parallel, through close collaboration between our in-house team and core market promotion partners, we accelerated hospital access and physician education and established a three-tier network covering core cities, regional centers and primary hospitals. We had cumulatively organized more than 2,000 academic promotion events in 2024 and 2025. By the end of 2025, Dimdazenil had covered over 3,000 hospitals, including over 900 tertiary hospitals.

We have delivered consistent operating performance and sustained profitability, which provided meaningful internal funding for our innovation programs. Our total revenue increased from RMB1,416.0 million in 2015 to RMB4,069.4 million in 2025, our net profit increased from RMB165.0 million in

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2015 to RMB771.7 million in 2025, and our R&D expenses increased from RMB74.0 million in 2015 to RMB368.0 million in 2025. We believe this track record reflects a significantly strengthened ability to generate cash and to sustain investment in R&D, providing a solid financial foundation for our continued growth and sustained R&D investment.

An experienced management team with experience in pharmaceutical operations, research and development and commercialization

We benefit from an experienced management team with deep expertise across our key therapeutic areas, including CNS disorders and cardiovascular and cerebrovascular diseases, as well as pharmaceutical operations, R&D, manufacturing and commercialization. This enables us to maintain the stable and disciplined operation of our established businesses while allocating resources toward high-potential programs such as Dimdazenil and our Lp(a)-lowering innovative drug candidate JX2201, supporting our ongoing transformation into a comprehensive pharmaceutical group.

Our Chairman, Mr. Lyu Gang, is fully responsible for our business management, leading our strategy formulation and major operational decisions, and serves as our core strategic leader and business manager. With more than 30 years of experience in the healthcare industry, he has accumulated deep industry insights, mature corporate management experience and strong resource integration capabilities. He has coordinated major capital market initiatives such as listing and industrial M&A, helping us form a comprehensive pharmaceutical group structure with multi-area synergies and an ecosystem covering key value chain links. Mr. Lyu has clearly established our strategic direction of transforming from generics to innovative drugs, focusing on CNS/psychiatric and cardiovascular/cerebrovascular therapeutic areas to drive our strategic transformation into an innovative drug company. Mr. Lyu is widely recognized in the pharmaceutical industry and has received a number of honors, including “National Science and Technology Entrepreneurship Leading Talent,” “Outstanding Entrepreneur of the Province,” and “Provincial Model Worker.”

Our R&D talent covers critical disciplines including drug discovery and development, chemical synthesis, innovative traditional Chinese medicine development and medical equipment technology, supporting continuous advances across multiple technical frontiers. In parallel, we have established a professional commercialization team with strong academic promotion capabilities and extensive channel development experience, enabling efficient translation from product value to market adoption. By integrating R&D, technology transfer and commercial operations, we have built a value creation chain from project initiation through commercialization, which we believe positions us to sustain innovation and strengthen our competitive position in China’s pharmaceutical and healthcare market.

OUR STRATEGY

Continue disciplined R&D investment and advance selected drug candidates in our focus therapeutic areas

We intend to continue investing in R&D at a relatively high level and advance selected drug candidates in our focused therapeutic areas, with product planning anchored in clinical needs and differentiated clinical value. We plan to further strengthen our innovative drug R&D platform and improve execution efficiency across discovery, translational activities, clinical development and chemistry, manufacturing and controls. We also expect to enhance early-stage productivity by leveraging advanced technologies, including exploring collaborations to improve the efficiency of drug discovery and preclinical research. In parallel, we plan to continue attracting and retaining high-caliber R&D talents in China to strengthen cross-functional collaboration to make our R&D capabilities scalable and sustainable.

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Continue to focus on CNS and cardiovascular disease and advance key programs with disciplined execution

We intend to continue focusing resources on our two core therapeutic areas, (i) CNS disorders and, (ii) cardiovascular and cerebrovascular diseases, where we have accumulated clinical, market and execution experience and where we believe unmet needs remain significant. In CNS, we plan to advance clinical development and, commercialization of selected candidates across key indications, including insomnia, schizophrenia, epilepsy and depression, while leveraging our existing CNS franchise in market access, physician coverage and academic promotion. In cardiovascular and cerebrovascular diseases, we plan to focus on high-priority indications such as dyslipidemia and to advance our Lp(a)-lowering program in line with our clinical plan, including progression through Phase II and Phase III clinical development. We also intend to continue evaluating emerging targets and modalities globally to expand and evaluate selected drug candidate opportunities.

Further expand external collaborations and in-licensing as part of our dual-engine model

In addition to strengthening our in-house innovation capabilities, we intend to further expand external collaborations and in-licensing to broaden our technology reach and accelerate pipeline build-out. We expect to primarily focus on CNS disorders, while selectively pursuing opportunities in cardiovascular and cerebrovascular diseases, with the objective of complementing our internal pipeline and accessing differentiated assets, technologies or development capabilities. We plan to maintain a flexible approach that may include in-licensing, co-development and strategic partnerships, prioritizing programs with clear clinical differentiation, commercial potential and execution certainty. We believe this dual-engine model enhances the sustainability and continuity of our pipeline.

Strengthen our commercialization and sales network

We intend to further strengthen our commercialization organization and expand our sales network to support continued growth of our marketed products. For Dimdazenil, we plan to broaden and deepen penetration through continued academic promotion and physician education, with the goal of accelerating volume growth and reinforcing its market position. We also plan to enhance commercialization readiness for upcoming launches of other products by strengthening market access planning, reimbursement execution and post-launch promotion capabilities, including accelerating commercial launch preparations for Cariprazine Hydrochloride Capsules following their NMPA marketing approval in June 2026, and continuing to prepare for the commercialization of Colesevelam Tablets following approval. More broadly, we intend to replicate the core elements of Dimdazenil’s commercialization pathway, reimbursement access, hospital entry and targeted academic promotion, across future innovative product launches to improve execution efficiency and shorten the time from launch to meaningful sales contribution.

OUR PORTFOLIO ASSETS

Our business model combines the sales of our marketed products with the continued advancement of selected drug candidates. We view innovative drugs as a driver of our strategic upgrade and long-term growth, and we are advancing our portfolio, supported by our integrated R&D, manufacturing and commercialization capabilities. During the Track Record Period, the majority of revenue from our drugs business was derived from generic drugs. We also generate revenue from APIs, TCM and biologics and medical equipment, which together provide recurring cash flow to support our R&D and commercialization activities.

Generic drugs: We maintain a broad portfolio of marketed products comprising generic drugs. Generic drugs constitute a substantial component of our marketed portfolio and provide stable revenue contribution and broad market coverage, supporting continued investment in innovation strategy. Our generic drug portfolio is primarily focused on (i) psychiatric and neurological drugs and (ii)

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cardiovascular and cerebrovascular drugs, with additional products in other therapeutic categories. These products provide stable revenue contribution, broad market coverage across hospitals and retail channels, and operating leverage to support continued R&D investment.

Innovative drugs: Dimdazenil, our sole approved innovative drug, is our marketed insomnia therapy and represents a milestone in our business upgrade. We focus our innovation efforts on two core areas, CNS disorders and cardiovascular and cerebrovascular diseases, and prioritize indications with meaningful needs and attractive clinical and commercial potential. Our innovative pipeline is anchored by Dimdazenil (Junoenil[®]), our marketed insomnia therapy and a key milestone in our transition toward a broader portfolio comprising both generic drugs and innovative drugs.

Traditional Chinese medicine and biologics: We commercialize TCM and biologics, primarily in the digestive category.

APIs and medical equipment: We generate revenue from sales of APIs to formulation enterprises and other downstream manufacturers, leveraging our manufacturing capabilities and quality systems to support scale and cost competitiveness. We also generate revenue from medical equipment sales, which are primarily direct, supplemented by limited distributor sales, supported by appropriate quality and after-sales processes.

During the Track Record Period, revenue from our product portfolio was derived from (i) drugs, including (a) generic drugs, (b) innovative drug (Dimdazenil), (c) TCM and biologics; (ii) APIs; and (iii) medical equipment. The table below sets forth our revenue breakdown by business line, with revenue from drugs further broken down by sub-product types, in amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentage)</i>										
<i>(unaudited)</i>										
Drugs										
Generic drugs	1,704,584	42.7	1,872,177	45.0	1,765,516	43.4	854,402	42.4	806,095	40.6
Innovative drug (Dimdazenil)	—	—	23,421	0.6	194,753	4.8	55,263	2.7	152,875	7.7
TCM and biologics	621,806	15.5	626,694	15.1	508,811	12.5	265,602	13.2	203,564	10.2
APIs	956,307	23.9	876,296	21.1	814,196	20.0	452,608	22.4	417,171	21.0
Medical equipment	637,246	15.9	687,233	16.5	696,253	17.1	349,311	17.3	375,445	18.9
Others⁽¹⁾	<u>78,892</u>	<u>2.0</u>	<u>72,730</u>	<u>1.7</u>	<u>89,832</u>	<u>2.2</u>	<u>39,357</u>	<u>2.0</u>	<u>32,034</u>	<u>1.6</u>
Total	<u>3,998,835</u>	<u>100.0</u>	<u>4,158,551</u>	<u>100.0</u>	<u>4,069,361</u>	<u>100.0</u>	<u>2,016,543</u>	<u>100.0</u>	<u>1,987,184</u>	<u>100.0</u>

Note:

- (1) Others mainly include lease income, representing a recurring and stable source of income generated from our ordinary course of leasing operations. Such lease income is received from both subsidiaries of Jingxin Holding and other Independent Third Parties.

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OUR MARKETED PRODUCTS

Our business model integrates the commercialization of our marketed products with the continued advancement of our product pipeline. During the Track Record Period, we generated a majority of our revenue from the sale of our marketed products, including generic drugs, Dimdazenil, TCM and biologics, APIs, and medical equipment. Our marketed product portfolio includes sales of over 60 approved drug products across multiple specifications. Revenue generated from our marketed products has historically been an important source of funding for our research and development activities, including the development of our innovative drug candidates. We expect additional products to obtain marketing approval and be commercialized in the future.

Top Ten Commercialized Products

Our top ten commercialized products are the ten commercialized products that generated the highest revenue in 2025, being the latest year of the Track Record Period. These products comprised generic drugs, innovative drug (Dimdazenil), APIs, and TCM and biologic products. In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, these products generated aggregate revenue of RMB1,602.4 million, RMB1,867.0 million, RMB1,950.6 million, RMB950.7 million and RMB930.3 million, respectively, representing 40.1%, 44.9%, 47.9%, 47.1% and 46.8% of our total revenue for the same periods. None of our medical equipment products ranked among our top ten commercialized products by revenue in 2025. The following table sets forth a brief introduction to these products.

Product	Category	Principal indication/ use and principal sales jurisdictions	First market approval/launch and centralized procurement/VBP status
Levetiracetam	Generic drug	Epilepsy; PRC	First approved in 2014; included in relevant centralized procurement/VBP arrangements since December 2018, with the current relevant nationwide continuation procurement period from March 2026 to December 2028
Bacillus Licheniformis Live Capsules	Biologic	Enteritis, diarrhea and intestinal flora imbalance; PRC	First approved in 2008; included in relevant centralized procurement/VBP arrangements since April 2025
Rosuvastatin Calcium Tablets	Generic drug	Hypercholesterolemia; PRC	First approved in July 2008; included in relevant centralized procurement/VBP arrangements since December 2018
Dimdazenil	Innovative drug	Insomnia disorder; PRC	First launched in January 2024; not included in centralized procurement/VBP arrangements as of the Latest Practicable Date
Amlodipine Besylate Tablets	Generic drug	Hypertension and angina; PRC	First approved in July 2010; included in relevant centralized procurement/VBP arrangements since December 2018
Enrofloxacin	API	Quinolone antibacterial API; global	First approved in China in 2008; centralized procurement/VBP arrangements are not applicable to this API product
Levofloxacin	API	Quinolone antibacterial API; global	First approved in China in 2011; centralized procurement/VBP arrangements are not applicable to this API product
Ciprofloxacin Hydrochloride	API	Quinolone antibacterial API; global	First approved in China in 2006; centralized procurement/VBP arrangements are not applicable to this API product

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Product	Category	Principal indication/ use and principal sales jurisdictions	First market approval/launch and centralized procurement/VBP status
Cefuroxime Axetil Tablets	Generic drug	Respiratory, urinary and skin/soft tissue infections; PRC	First approved in August 2010; included in relevant centralized procurement/VBP arrangements since September 2019
Kangfuxin Oral Liquid	TCM and biologics	Gastric/duodenal ulcer and wound healing uses; PRC	First approved in July 1990; included in relevant centralized procurement/VBP arrangements since December 2021

Our Selected Generic Drugs

Psychiatric and Neurological Drugs

As of the Latest Practicable Date, our psychiatric and neurological portfolio primarily consists of six approved products, including but not limited to levetiracetam tablets, sertraline hydrochloride tablets, pramipexole dihydrochloride tablets, cariprazine hydrochloride capsules, rivastigmine hydrogen tartrate capsules and memantine hydrochloride extended-release capsules. These products are primarily indicated for the treatment of epilepsy, depression, Parkinson’s disease, Alzheimer’s disease and other central nervous system disorders. During the Track Record Period, sales of our psychiatric and neurological drugs constituted a significant portion of our revenue from pharmaceutical products.

Jiyike 吉易克® Levetiracetam Tablets (左乙拉西坦片)

Our levetiracetam tablets, under the brand name Jiyike (吉易克®), was first approved by the NMPA in 2014. Levetiracetam is a second-generation anti-epileptic drug primarily used for the treatment of epilepsy and is commonly prescribed for the management of partial-onset seizures in clinical practice. Jiyike is used for the treatment of partial-onset seizures, with or without secondary generalization, in adult epilepsy patients and pediatric epilepsy patients aged four years and above.

Certain specifications of our levetiracetam tablets have passed the generic drug consistency evaluation. According to Frost & Sullivan, there were over 63 levetiracetam products in China as of the Latest Practicable Date, and Jiyike was ranked first in China’s levetiracetam generic drug market by sales revenue, with a market share of approximately 38.1% in 2025.

Jiyike is positioned as a broad-spectrum anti-epileptic therapy that is recommended by both domestic and international clinical guidelines and is widely used as a first-line option across multiple seizure types. With a differentiated mechanism of action, Jiyike can be used in combination with other anti-epileptic drugs, supporting flexible add-on treatment regimens in clinical practice. In addition, Jiyike is associated with relatively few and generally mild adverse reactions, supporting its suitability for patient populations in which tolerability is an important consideration, including elderly patients, and pediatric patients. Our levetiracetam tablets have been supplied on a sustained basis to our customers in Europe, including Germany and the United Kingdom, mainly under contract manufacturing arrangements. The relevant marketing authorizations in Europe are held by our European customers. We hold relevant FDA clearances and have sold the product in the United States.

Weitating 唯他停® Sertraline Hydrochloride Tablets/Dispersible Tablets (鹽酸舍曲林片／分散片)

Our sertraline hydrochloride tablets/dispersible tablets, under the brand name Weitating (唯他停®), was first approved by the NMPA in 2005. Sertraline is a selective serotonin reuptake inhibitor primarily indicated for the treatment of depression and certain anxiety-related disorders. Weitating contains sertraline hydrochloride as its active ingredient and is used for the management of depressive symptoms, including depression accompanied by anxiety, with or without a history of mania. It is also used in the

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management of obsessive-compulsive disorder (“OCD”). After a satisfactory therapeutic response is achieved, continued treatment with Weitating can help reduce the risk of relapse and recurrence of depressive and OCD symptoms.

According to Frost & Sullivan, there were 24 sertraline products in China as of the Latest Practicable Date, and Weitating was ranked second in China’s sertraline generic drug market by sales revenue, with a market share of approximately 20.5% in 2025. Sertraline hydrochloride was included in the 2025 NRDL.

Suopule 索普樂® Pramipexole Dihydrochloride Tablets/Extended-release Tablets (鹽酸普拉克索片／緩釋片)

Our pramipexole dihydrochloride tablets/extended-release tablets, under the brand name Suopule (索普樂®), was first approved by the NMPA in 2018. Pramipexole is a dopamine agonist primarily used for the treatment of Parkinson’s disease and is widely used in clinical practice for the management of relevant symptoms. Suopule is applied in the management of idiopathic Parkinson’s disease in adult patients. Suopule is indicated for the treatment of idiopathic Parkinson’s disease in adult patients and is also indicated for the symptomatic treatment of moderate to severe idiopathic restless legs syndrome.

Suopule is available in both immediate-release tablet and extended-release tablet formulations. Both the tablet and extended-release tablet formulations have passed the national generic drug consistency evaluation. The availability of these formulations is positioned to enhance treatment accessibility and help reduce patients’ overall medical burden.

According to Frost & Sullivan, there were 19 pramipexole products in China as of the Latest Practicable Date, and Suopule was ranked first in China’s pramipexole generic drug market by sales revenue, with a market share of approximately 32.4% in 2025. Pramipexole was included in the 2025 NRDL.

Jingmeiting 京美汀® Rivastigmine Hydrogen Tartrate Capsules (重酒石酸卡巴拉汀膠囊)

Our rivastigmine hydrogen tartrate capsules, under the brand name Jingmeiting (京美汀®), was first approved by the NMPA in 2018. Rivastigmine is a cholinesterase inhibitor primarily indicated for the treatment of mild to moderate Alzheimer’s disease and is commonly used in clinical practice for symptom management. Jingmeiting is applied in the symptomatic management of mild to moderate Alzheimer’s-type dementia. It represents the first generic product of its kind available in China and is positioned as a commonly used option for patients with mild to moderate Alzheimer’s disease, consistent with recommendations in domestic and international clinical guidelines.

Jingmeiting is positioned as a dual cholinesterase inhibitor and is intended to help increase and sustain acetylcholine levels in the brain. As cholinergic dysfunction is closely associated with cognitive impairment in Alzheimer’s disease, enhancing cholinergic neurotransmission through dual cholinesterase inhibition may support improvement or stabilization of cognitive symptoms and daily functioning and may therefore help slow the progression of cognitive decline in clinical practice. In addition, Jingmeiting is not metabolized by the liver and may reduce the risk of drug–drug interactions and support its use in elderly patient populations.

According to Frost & Sullivan, there were 19 rivastigmine products in China as of the Latest Practicable Date, and Jingmeiting was ranked second in China’s rivastigmine market by sales revenue, with a market share of approximately 37.2% in 2025. Rivastigmine was included in the 2025 NRDL.

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Cardiovascular and Cerebrovascular Drugs

As of the Latest Practicable Date, our cardiovascular and cerebrovascular portfolio primarily consists of 17 approved products, including but not limited to simvastatin tablets, rosuvastatin calcium tablets and pitavastatin calcium dispersible tablets. These products are primarily indicated for the treatment of hyperlipidemia and related cardiovascular conditions. Sales of cardiovascular and cerebrovascular drugs have historically represented a stable component of our revenue base.

Jingnuo 京諾® Rosuvastatin Calcium Tablets (瑞舒伐他汀鈣片)

Our rosuvastatin calcium tablets, under the brand name Jingnuo (京諾®), was first approved by the NMPA in 2008. Rosuvastatin is a statin primarily used for lipid lowering and cardiovascular risk management. Jingnuo was among the first rosuvastatin calcium tablet products to pass the PRC generic drug quality and efficacy consistency evaluation. It is applied in the clinical management of hypercholesterolemia and mixed dyslipidemia.

According to Frost & Sullivan, there were 30 rosuvastatin products in China as of the Latest Practicable Date, and Jingnuo was ranked second in China’s rosuvastatin generic market by sales revenue, with a market share of approximately 21.7% in 2025. Rosuvastatin was included in the 2025 NRDL.

Compared with the originator rosuvastatin product, Jingnuo is positioned with potent lowdensity lipoprotein cholesterol (“LDL-C”) lowering capability. The product demonstrates quality comparability to the originator formulation and offers favorable cost-effectiveness, supporting a reduction in patients’ overall medical expenses.

Jingkexin 京可新® Pitavastatin Calcium Dispersible Tablets (匹伐他汀鈣分散片)

Our pitavastatin calcium dispersible tablets, under the brand name Jingkexin (京可新®), was first approved by the NMPA in 2013. Pitavastatin is a statin primarily indicated for the treatment of hypercholesterolemia and related dyslipidemia conditions. Jingkexin contains pitavastatin calcium as its active ingredient and is applied in the management of hypercholesterolemia, including familial hypercholesterolemia. Jingkexin is a pitavastatin calcium product in China available in a dispersible tablet formulation, providing a differentiated dosage form option in the domestic market.

According to Frost & Sullivan, there were 11 pitavastatin products in China as of the Latest Practicable Date, and Jingkexin was ranked second in China’s pitavastatin generic drug market by sales revenue, with a market share of approximately 24.5% in 2025. Pitavastatin was included in the 2025 NRDL.

Compared with certain other lipid-lowering agents, Jingkexin is positioned to deliver potent LDL-C reduction. Clinical data have reported that pitavastatin 2 mg can reduce LDL-C by up to 42%, with lipid-lowering efficacy comparable to atorvastatin 20 mg. In addition, pitavastatin is positioned as having a favorable profile with respect to glucose metabolism and is not expected to increase the risk of new-onset diabetes, supporting a potential advantage versus atorvastatin in this regard.

Jingbishuxin 京必舒新® Simvastatin Tablets (辛伐他汀片)

Our simvastatin tablets, under the brand name Jingbishuxin (京必舒新®), was first approved by the NMPA in 1999. Simvastatin is an HMG-CoA reductase inhibitor (statin) primarily used for lipid regulation and the treatment of hypercholesterolemia and related conditions. Jingbishuxin® is used for comprehensive lipid management and is associated with a favorable safety and tolerability profile, supporting reduction of cardiovascular and cerebrovascular event risk in clinical practice. Its clinical

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application primarily relates to hyperlipidemia and coronary heart disease management. Simvastatin was the first chemical lipid-lowering agent included in China’s National Essential Medicines List and has long served as a cornerstone therapy in lipid management.

According to Frost & Sullivan, there were over 99 simvastatin products in China as of the Latest Practicable Date, and Jingbishuxin® was ranked third in China’s simvastatin generic drug market by sales revenue, with a market share of approximately 11.8% in 2025. Simvastatin was included in the 2025 NRDL.

Jingbishuxin® was among the first domestically listed simvastatin tablet product in China and has since been established as the leading domestic simvastatin brand. The Simvastatin tablets were also the first simvastatin product manufactured in China to be exported to developed markets in Europe and the United States.

Our Selected Innovative Drug and Other Products Pipeline

We focus our innovative drug and other product development efforts on two core therapeutic areas: (i) CNC disorders, including insomnia, schizophrenia, epilepsy, depression and Parkinson’s disease, and (ii) cardiovascular and cerebrovascular diseases, including hyperlipidemia. We prioritize carefully selected indications that we believe offer an attractive combination of scientific tractability and commercial potential.

We have established a product pipeline led by two key assets. Our Dimdazenil, a benzodiazepine-class sedative-hypnotic with a novel mechanism of action that we believe to be first-in-class globally, has been approved for marketing in China in 2023 and was included in the National Reimbursement Drug List (“NRDL”) in 2024, and its commercialization has progressed in line with our plans. Our JX2201, a Category 1 innovative drug candidate for the treatment of elevated lipoprotein(a) (“Lp(a)”) levels, targets a mechanism for which, no Lp(a)-lowering drug has been commercialized globally to date. JX2201 has completed its Phase I clinical trial in China. We have initiated its Phase II clinical trial in China and commenced patient enrollment. Other than Dimdazenil, our commercialized innovative drug, we had six uncommercialized innovative drug candidates. Among these six candidates, JX6001 and JX2201 were in clinical trial stage, JX2414 obtained IND approval from the NMPA on May 11, 2026, and JX2401, JX2404 and JX2409 were in preclinical stage.

Dimdazenil (Junoenil®) 地達西尼(京諾寧R)

Overview

Dimdazenil (Junoenil®) is a novel, orally administered small molecule drug approved in China for the treatment of insomnia. Dimdazenil acts as a partial agonist of the gamma-aminobutyric acid A (“GABA_α”) receptor. Compared with full agonists, its partial-agonist profile avoids excessive receptor activation, resulting in reduced next-day impairment and a lower incidence of adverse reactions. Dimdazenil demonstrates a favorable pharmacological profile, with rapid absorption and a time to peak concentration of approximately one hour, supporting prompt sleep induction, and an elimination half-life of approximately four hours, which is aligned with the maintenance of physiological sleep architecture. Metabolism of Dimdazenil is primarily mediated by flavin-containing monooxygenase (“FMO”), which is associated with a reduced risk of clinically meaningful drug-drug interactions.

Dimdazenil has been included in leading clinical guidelines in China. Marketing approval in China was obtained in the fourth quarter of 2023, and the product was included in the NRDL in 2024.

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Global Novel Mechanism

GABA is a neurotransmitter that helps reduce neuronal activity and support sleep. Dimdazenil acts on the gamma-aminobutyric acid type A (“**GABA_A**”) receptor, which is a well-established target for insomnia medicines. The Company describes Dimdazenil as a partial positive allosteric modulator of this receptor, meaning that it is designed to enhance the receptor response to GABA to a lesser extent than a full agonist.

Mechanism of Action

The GABA_α receptor is a ligand-gated chloride (Cl⁻) channel. Upon binding of the neurotransmitter γ-aminobutyric acid, the channel opens and allows Cl⁻ influx, which reduces neuronal excitability and enhances inhibitory neurotransmission. In sleep-wake regulatory circuits, GABAergic neurons in the ventrolateral preoptic area (“**VLPO**”) promote sleep by inhibiting wake-promoting arousal centers. Accordingly, enhancement of GABA_α receptor-mediated inhibition represents a well-established pharmacologic strategy to promote sleep.

Many sedative-hypnotic agents modulate GABA_α receptors allosterically, by binding to receptor sites distinct from the GABA binding site, thereby potentiating the effects of endogenous GABA. In particular, benzodiazepine-site bind at the α/γ subunit interface of GABA_α receptors containing specific α subunits (e.g., α 1, α 2, α 3, and α 5). These positive allosteric modulators increase the probability of channel opening in the presence of GABA.

Dimdazenil is a novel benzodiazepine-class drug that acts as a partial positive allosteric modulator of the GABA_α receptor. A key mechanistic feature of Dimdazenil is its partial agonist profile: compared with full agonists, Dimdazenil produces a lower maximal potentiation of GABA_α receptor activity, thereby creating a pharmacological “ceiling” on receptor potentiation even at higher exposure levels. At the receptor subtype level, Dimdazenil enhances GABA_α receptor-mediated GABA currents while exhibiting moderate agonist activity at the α 1 subunit, with a maximum agonist effect reaching approximately 62% of that induced by 1μmol/L diazepam.

JX2201

Overview

JX2201 is a Category 1 innovative small-molecule drug candidate being developed for the treatment of elevated lipoprotein(a) (“**Lp(a)**”), with apolipoprotein(a) (“**Apo(a)**”) as its therapeutic target. JX2201 is designed as a small-molecule Lp(a) inhibitor that disrupts the initial non-covalent interaction between Apo(a) and apolipoprotein B100 (“**ApoB100**”), thereby preventing subsequent disulfide bond formation and Lp(a) assembly. Through this mechanism, JX2201 is intended to reduce plasma Lp(a) levels and ultimately support cardiovascular risk reduction.

Apo(a) is the unique apolipoprotein component of Lp(a) and is a key determinant of Lp(a)-associated atherosclerotic cardiovascular disease (“**ASCVD**”) risk. Lp(a) is synthesized in the liver and secreted into the circulation, where it may deposit in vascular tissues and aortic valve leaflets. Structurally, Lp(a) resembles low-density lipoprotein (“**LDL**”) but contains an additional Apo(a) moiety covalently linked to ApoB100 via a disulfide bond.

JX2201 is designed to disrupt the Apo(a)-ApoB100 interaction required for Lp(a) assembly, thereby preventing Lp(a) formation at its source. We believe this mechanism represents a differentiated, biology-driven strategy that directly targets Apo(a), a key determinant of Lp(a)-mediated ASCVD risk, and supports the development rationale of JX2201 in addressing the unmet need for effective Lp(a)-lowering therapies.

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JX2414

Overview

Agitation is a common acute syndrome in psychiatric practice, typically manifested by restlessness, heightened psychomotor activity and anxiety. In severe cases, agitation may escalate to impulsive or aggressive behaviors, prolong hospitalization and increase healthcare resource utilization. It is frequently observed in patients with Alzheimer’s disease, schizophrenia and bipolar disorder.

JX2414 is our IND-approved injectable drug candidate for the acute control of agitation episodes. JX2414 is a gamma-aminobutyric acid A receptor modulator with high selectivity and affinity for the $\alpha 1$, $\alpha 2$ and $\alpha 3$ subunits. Preclinical pharmacology studies have demonstrated clear sedative activity. Its intramuscular formulation is designed to enable rapid and effective symptom control in acute agitation settings and to align with key clinical requirements for timely, controllable and practical agitation management.

Summary of Clinical Trial Results

JX2414 obtained IND approval from the NMPA on May 11, 2026. In preclinical pharmacology studies, JX2414 demonstrated clear sedative efficacy in relevant animal models.

JX2401

Overview

JX2401 is a preclinical drug candidate targeting voltage-gated sodium (“Nav”) channels for the treatment of epilepsy, a chronic neurological disorder characterized by recurrent seizures driven by abnormal neuronal discharges. Epilepsy represents a substantial global disease burden, affecting more than 50 million patients worldwide. In China, approximately 6.4 million individuals are estimated to have active epilepsy, with around 300,000 new cases diagnosed each year, and prevalence is expected to increase further with population aging.

JX2401 is developed to address unmet medical needs. Despite the availability of multiple anti-seizure medications, approximately 30% of patients remain drug-resistant and fail to achieve adequate seizure control under standardized therapy. In addition, severe epilepsy subtypes, such as epileptic encephalopathies (including Dravet syndrome) and super-refractory status epilepticus, lack effective pharmacologic treatment options and are associated with substantial risks of neurological deterioration and mortality.

Summary of Clinical Trial Results

JX2401 is currently in the preclinical stage. Based on the current development plan, we plan to obtain the clinical trial authorization in the first half of 2027.

Cariprazine hydrochloride

Overview

Cariprazine hydrochloride (鹽酸卡利拉嗪) is developed as a first generic version of the originator product in China and has established clinical utility across major psychiatric indications, including schizophrenia and bipolar disorder (both bipolar depression and bipolar mania). The program is supported by an exclusive patent license for Chinese mainland obtained pursuant to an agreement with an independent third party. Cariprazine hydrochloride capsules are approved by the NMPA in June 2026 for the treatment of schizophrenia.

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Competitive Advantages

Cariprazine’s competitive profile is underpinned by its differentiated multi-receptor pharmacology, particularly its activity at dopamine D3 receptors as well as serotonergic and adrenergic receptors, which distinguishes it pharmacologically from many other antipsychotics and supports clinical effects across multiple symptom domains.

Clinically, efficacy comparable to an active control in acute schizophrenia, together with a generally favorable tolerability profile and the absence of unexpected safety signals, supports a benefit-risk profile consistent with broad clinical use.

Compared to the positive control drug (Aripiprazole Tablets, Abilify®), Cariprazine Hydrochloride Capsules administered over 6 weeks significantly improved positive symptoms, negative symptoms, and general psychopathology symptoms in acute-phase schizophrenia. Its efficacy was non-inferior to that of Aripiprazole Tablets (Abilify®). The overall safety and tolerability profile was favorable, with no unexpected adverse reactions occurring, and no new safety signals affecting the benefit/risk ratio of Cariprazine Hydrochloride Capsules were observed.

Colesevelam Hydrochloride Tablets

Overview

Colesevelam hydrochloride tablets are an orally administered bile acid sequestrant intended to support the co-management of dyslipidemia and glycemic control in a cardiometabolic patient population. The product is primarily targeted at adult patients with type 2 diabetes mellitus (“**T2DM**”) accompanied by hypercholesterolemia, where lipid abnormalities and impaired glycemic control frequently coexist.

When used as an adjunct to diet and exercise, colesevelam hydrochloride is expected to reduce elevated low-density lipoprotein cholesterol (“**LDL-C**”) and may provide an adjunctive improvement in glycemic control, as reflected by reductions in hemoglobin A1c (“**HbA1c**”), based on available clinical data.

Competitive Advantages

Colesevelam hydrochloride tablets offer a differentiated profile in cardiometabolic management, with (i) a localized intestinal mechanism without systemic absorption and (ii) limited reliance on hepatic or renal metabolism, which may support combination use with other lipid-lowering and glucose-lowering agents, subject to clinical judgment and product label.

Summary of Clinical Trial Results

Colesevelam hydrochloride tablets have completed domestic clinical studies in China. In April 2025, we received from the NMPA a notice of acceptance in respect of our marketing authorization application for Colesevelam hydrochloride.

Kangfuxin Enteric-coated Capsules

Our Kangfuxin enteric-coated capsules is an improved traditional Chinese medicine new drug developed based on our marketed product, Kangfuxin oral liquid. Kangfuxin enteric-coated capsules is classified as a Category 2 improved TCM new drug and is being developed for the treatment of mild to moderate active ulcerative colitis, a chronic inflammatory bowel disease. By leveraging the established core active ingredient of the Kangfuxin product series, Kangfuxin enteric-coated capsules is designed to provide an additional TCM-based treatment option for ulcerative colitis.

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Our Selected Traditional Chinese Medicine and Biologics

Jingxin (京新®) Kangfuxin Oral Liquid (康復新液)

Our Kangfuxin oral liquid, under the brand name Jingxin (京新®), is a Chinese medicine product and one of the key products promoted by our business division. Kangfuxin oral liquid is prepared from an ethanol extract of *Periplaneta americana* as the major herbal ingredient, and contains multiple active components such as bioactive peptides and polyols. It is traditionally used for promoting blood circulation and regenerating tissue. In addition, Kangfuxin oral liquid has been reported to promote the expression of growth factors such as epidermal growth factor and basic fibroblast growth factor (“bFGF”), thereby supporting gastric mucosal repair and wound healing quality. Clinically, Kangfuxin oral liquid may be administered orally for conditions such as blood stasis obstruction, gastric pain with bleeding, gastric ulcer and duodenal ulcer, and may also be applied topically for the management of traumatic wounds, ulcers, fistulas, burns (including scalds) and pressure sores, in each case in accordance with the approved product label and clinical practice. We believe Kangfuxin Oral Liquid is differentiated by vertically integrated raw material control through our own breeding base, a traceability system, higher internal quality control standards, a deodorized extraction process and a longer shelf life than certain competing products.

Kangfuxin oral liquid was first approved by the NMPA in 2003. As of the Latest Practicable Date, Kangfuxin oral liquid is included in the NRDL as a Category B medicine. Kangfuxin oral liquid has been recognized as a National Key New Product. During the Track Record Period, revenue generated from sales of Kangfuxin Oral Liquid amounted to RMB122.2 million, RMB126.4 million and RMB88.5 million, RMB42.6 million and RMB36.9 million in 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively, representing 19.7%, 20.2%, 17.4%, 16.0% and 18.1% of revenue from our TCM and biologics business, respectively, and 3.1%, 3.0%, 2.2%, 2.1% and 1.9% of our total revenue, respectively.

Jingchangle 京常樂® Bacillus Licheniformis Live Capsules (地衣芽孢桿菌活菌膠囊)

Our bacillus licheniformis live capsules, under the brand name Jingchangle (京常樂®), was first approved by the NMPA in 2008. Bacillus licheniformis live capsules are a probiotic preparation primarily used for the management of acute and chronic enteritis and diarrhea and for the prevention and treatment of intestinal flora imbalance in relevant cases. Jingchangle contains Bacillus licheniformis as its active ingredient and is positioned for clinical application in gastrointestinal conditions such as acute and chronic enteritis and diarrhea associated with bacterial or fungal infections, as well as in the management and prevention of intestinal flora imbalance arising from other causes. Jingchangle was ranked second in China’s bacillus licheniformis live capsules market, with a market share of approximately 31.1% in 2025. Jingchangle was included in the 2025 NRDL.

Jingchangle is included as a Category B medicine under the National Reimbursement Drug List, classified as OTC Category B, and listed in the National Essential Medicines List. During the Track Record Period, revenue generated from sales of Bacillus Licheniformis Live Capsules amounted to RMB295.0 million, RMB280.9 million, RMB302.4 million, RMB157.3 million and RMB131.1 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, representing 47.4%, 44.8%, 59.4%, 59.2% and 64.4% of revenue from our TCM and biologics business, respectively, and 7.4%, 6.8%, 7.4%, 7.8% and 6.6% of our total revenue, respectively.

Our Selected Active Pharmaceutical Ingredients

We have established a portfolio of APIs across three therapeutic areas: (i) quinolone anti-infectives, (ii) cardiovascular therapies, with a focus on lipid lowering, and (iii) central nervous system therapies. Our APIs portfolio supports global supply through broad regulatory registrations and certifications across multiple jurisdictions. We sell APIs to third-party pharmaceutical manufacturers in China and overseas. We also use certain self-produced APIs as raw materials in the manufacture of a number of our own drugs.

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We primarily generate APIs revenue through direct sales and via distributorship to third-party pharmaceutical manufacturers, including domestic and overseas customers. During the Track Record Period, revenue from our APIs business amounted to RMB956.3 million, RMB876.3 million, RMB814.2 million, RMB452.6 million and RMB417.2 million for the year ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, representing 23.9%, 21.1%, 20.0%, 22.4% and 21.0% of our total revenue for the respective periods, respectively.

Quinolone Anti-infective APIs

Levofloxacin (左氧氟沙星) is a cornerstone product in our quinolone APIs portfolio, with a leading global market position and broad regulatory registrations covering China, Europe, Japan, and the WHO. Clinically, Levofloxacin is a fluoroquinolone antibacterial agent used to treat infections caused by designated susceptible bacteria. Its antibacterial activity is mediated through inhibition of bacterial DNA gyrase and topoisomerase IV (both type II topoisomerases), which are essential for DNA replication, transcription, repair, and recombination. We believe Levofloxacin is differentiated by its high purity, low-isomer and low-total-impurity customization capabilities, as well as its broad customizable particle-size range. Levofloxacin was first approved in China in November 2010. In overseas markets, it obtained its first South Korea registration certificate in June 2010, its India registration certificate in August 2011, its Japan registration certificate in May 2016, its CEP certificate in Europe in June 2021. All relevant approvals and certificates are currently valid. During the Track Record Period, revenue generated from sales of Levofloxacin amounted to RMB164.5 million, RMB175.8 million, RMB149.3 million, RMB87.6 million and RMB68.7 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, representing 17.2%, 20.1%, 18.3%, 19.3% and 16.5% of revenue from our API business, respectively, and 4.1%, 4.2%, 3.7%, 4.3% and 3.5% of our total revenue, respectively.

Ciprofloxacin (環丙沙星) is a quinolone antibacterial API primarily used in anti-infective applications. Its principal competitive strengths include broad regulatory market coverage, relatively large single-batch output and internally manufactured starting materials, which enhance supply chain stability and support continuity of production. We believe Ciprofloxacin Hydrochloride is differentiated by bulk density to meet customer requirements. Ciprofloxacin Hydrochloride was first approved in China in 1997. In overseas markets, it obtained its first South Korea registration certificate in August 2008 and its first India registration certificate in August 2011. All relevant approvals and certificates are currently valid. During the Track Record Period, revenue generated from sales of Ciprofloxacin Hydrochloride amounted to RMB122.8 million, RMB144.3 million, RMB128.6 million, RMB66.8 million and RMB62.1 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, representing 12.8%, 16.5%, 15.8%, 14.8% and 14.9% of revenue from our API business, respectively, and 3.1%, 3.5%, 3.2%, 3.3% and 3.1% of our total revenue, respectively.

Enrofloxacin (恩諾沙星) is a quinolone antibacterial API primarily used in anti-infective applications, particularly in veterinary and animal husbandry settings. Its principal competitive strengths include internally manufactured starting materials, which enhance supply chain stability and support continuity of production. We believe Enrofloxacin is differentiated by our multi-site API manufacturing footprint and our ability to accommodate certain customer-specific technical specifications. Enrofloxacin was first approved in China in September 2008. Overseas, it obtained its first India registration certificate in May 2022 and its CEP certificate in Europe in June 2024. All relevant approvals and certificates are currently valid. During the Track Record Period, revenue generated from sales of Enrofloxacin amounted to RMB131.6 million, RMB147.7 million, RMB161.2 million, RMB96.1 million and RMB87.3 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, representing 13.8%, 16.9%, 19.8%, 21.2% and 20.9% of revenue from our API business, respectively, and 3.3%, 3.6%, 4.0%, 4.8% and 4.4% of our total revenue, respectively.

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Cardiovascular APIs

Our cardiovascular API portfolio focuses on high-incidence disease areas, including lipid-lowering and antithrombotic medicine. Rosuvastatin calcium (瑞舒伐他汀钙), a lipid-lowering agent, has achieved a leading market share in China. Our manufacturing process innovations are designed to reduce production costs while improving product purity, and the product has obtained regulatory registrations in China, Europe, and the United States.

Rosuvastatin lowers plasma low-density lipoprotein cholesterol (“**LDL-C**”) and total cholesterol by inhibiting 3-hydroxy-3-methylglutaryl-coenzyme A (“**HMG-CoA**”) reductase, thereby reducing hepatic cholesterol synthesis and increasing hepatic uptake of circulating LDL-C.

We believe Rosuvastatin is differentiated by its broad customizable particle-size range and low total impurity levels. Rosuvastatin was first approved in China in July 2008. In overseas markets, we obtained the first registration certificate in India on October 30, 2024, the first Certificate of Suitability to the Monographs of the European Pharmacopoeia, or CEP, on November 19, 2024, and completed the first U.S. Drug Master File filing in May 2025. All relevant approvals and certificates are currently valid. During the Track Record Period, revenue generated from sales of Rosuvastatin amounted to RMB75.4 million, RMB51.0 million, RMB58.4 million, RMB33.3 million and RMB21.9 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, representing 7.9%, 5.8%, 7.2%, 7.4% and 5.2% of revenue from our API business, respectively, and 1.9%, 1.2%, 1.4%, 1.6% and 1.1% of our total revenue, respectively.

CNS APIs

In the CNS therapeutic area, we have progressed from a technology follower to a technology leader in selected segments. Levetiracetam (左乙拉西坦), an anti-epileptic API, has been supplied to markets in China, Europe, and the United States. Clinically, Levetiracetam is used as monotherapy or in combination with other medications to control certain seizure types, including partial-onset seizures and other seizure syndromes in specified patient populations.

Medical equipment

We conduct our medical equipment business primarily through our subsidiary, Shenzhen Beacon. Our medical equipment product offering focuses on medical display and human-machine interface solutions for hospital clinical and diagnostic scenarios. Our medical equipment business serves customers purchasing medical equipment customized to their project requirements (“customized equipment customers”) and customers purchasing medical equipment based on our pre-established product specifications (“standardized equipment customers”) in five major categories: (i) clinical displays, (ii) diagnostic displays, (iii) consultation display centres, (iv) endoscopic surgical displays, and (v) human-machine interfaces. None of our medical equipment products ranked among our top 10 commercialized products by revenue during the Track Record Period. In addition, all of our medical equipment products do not require approvals from NMPA. Our existing medical equipment products are used to display video signals, and do not independently collect or generate medical data, or otherwise independently perform functions for the diagnosis. As advised by our PRC Legal Advisor, our medical equipment products do not fall within the definition of “medical devices” under applicable PRC laws and regulations. Accordingly, they are not subject to medical device product registration or filing requirements in the PRC and do not require product approval from the NMPA.

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The following table sets forth the nature, principal functions and typical application scenarios of our major medical equipment products:

Product type	Nature	Principal functions	Typical application scenarios	Illustration
Clinical displays	Ancillary equipment used with medical equipment	Clinical displays have backlight stabilization functions, comply with DICOM medical imaging standards and support multiple high-definition signal interfaces. They are used by healthcare professionals for clinical image review and analysis.	Used with CT, MRI, X-Ray and other medical equipment for image acquisition workstation display and clinical outpatient image review.	
Diagnostic displays	Display equipment	Diagnostic displays have backlight stabilization, DICOM compliance, brightness uniformity, ambient brightness adaptation and built-in front integrated sensors, which help maintain stable DICOM display consistency for clinical image review and diagnostic analysis.	Used for DR, CT, MRI, DSA, X-Ray, mammography and other medical imaging display scenarios, providing image display support for healthcare professionals' diagnostic review.	
Consultation display centers	Display equipment	Consultation display centers comply with DICOM medical imaging standards and support multi-touch, wireless screen casting, 4K lossless image collaboration, ultra-high-definition signal input and split-screen display, enabling multi-dimensional patient information display in consultation scenarios.	Used in departmental consultation, teaching and training, and remote medical consultation scenarios in medical institutions.	
Endoscopic surgical displays	Ancillary equipment used with endoscopic and surgical systems	Endoscopic surgical displays support wide viewing angle, wide color gamut, BT.2020 and BT.709 standards, low reflection, HDR high dynamic contrast and multiple ultra-high-definition input interfaces. They are compatible with endoscopes and surgical microscopes and are used to present high-fidelity images for endoscopic examination, minimally invasive surgery and microscopic surgery.	Used in endoscopy centers, including digestive endoscopy, respiratory endoscopy, gastrointestinal endoscopy and ENT endoscopy, and in operating rooms together with surgical microscope equipment, endoscopic systems and digital surgical systems.	
Human-machine interfaces	Component products integrated into medical equipment	Human-machine interfaces are used for signal input and command interaction. They serve as operation terminals for whole-machine equipment, receive doctors' instructions such as parameter adjustment, probe movement control or exposure triggering, and provide real-time feedback on equipment operating status, image data and alarm information. They do not independently generate images, emit radiation or perform data processing or diagnostic analysis, and serve only as a communication interface between the operator and the whole-machine equipment.	Integrated into specified large medical equipment, such as ultrasound diagnostic equipment, X-Ray machines and CT equipment. They are used only when the relevant whole-machine equipment is powered on and operating normally, and are operated by professional medical staff in medical institutions. They are not sold or used independently for clinical diagnosis or treatment.	

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For our customized equipment customers, we manufacture medical equipment based on their technical specifications, clinical application scenarios and system-integration requirements. Depending on the project, customization may include display size, panel type, brightness, resolution, anti-reflective glass, optical bonding or frame-bonding. We generally conduct design adaptation, sample production, testing and validation in accordance with customer specifications and our internal quality-control procedures before delivery. For our standardized equipment customers, we manufacture and sell medical equipment based on our pre-established product specifications.

During the Track Record Period, revenue from our medical equipment business amounted to RMB637.2 million, RMB687.2 million, RMB696.3 million, RMB349.3 million and RMB375.4 million for the year ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, representing 15.9%, 16.5%, 17.1%, 17.3% and 18.9% of our total revenue for the respective periods, respectively. Such revenue was primarily derived from our customized equipment customers. Revenue from these customers amounted to RMB506.7 million, RMB584.9 million, RMB551.2 million, RMB282.1 million and RMB306.0 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, representing 79.5%, 85.1%, 79.2%, 80.8% and 81.5% of our medical equipment revenue for the respective periods. Revenue from our standardized equipment customers amounted to RMB130.5 million, RMB102.4 million, RMB145.0 million, RMB67.2 million and RMB69.5 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, representing 20.5%, 14.9%, 20.8%, 19.2% and 18.5% of our medical equipment revenue for the respective periods.

COLLABORATION AND LICENSING ARRANGEMENTS

We use a partnership-enabled model to improve execution and accelerate progress across research, clinical development, regulatory and commercialization. We engage Independent Third Parties on a fee-for-service basis, including research institutes for commissioned R&D, CROs for clinical operations and pharmacovigilance support, clinical trial institutions and investigators for specific studies (including bioequivalence studies), and specialized vendors for clinical data management and biostatistical analysis. In parallel, we selectively enter into licensing, collaborative R&D and territory-specific commercialization arrangements to strengthen our portfolio, secure relevant intellectual property rights and expand market access in our target markets. Our key products or product candidates subject to such arrangements are set out below.

Key collaborative R&D and commercialization arrangements

Product/product candidate	Partner	Nature of arrangement	Territory/indication	Commercialization status during the Track Record Period
Dimdazenil	Evotec International GmbH	Exclusive license-in arrangement and patent/know-how purchase arrangement	Global rights under the current arrangement; insomnia and other CNS indications within the licensed field	Marketed in Chinese mainland
	AMB HK ENTERPRISES INC.	Territory-specific license-out and exclusive commercialization and distribution arrangement	Philippines; insomnia	Not yet launched in the Philippines
Cariprazine hydrochloride capsules	Partner A (an overseas pharmaceutical company incorporated in Hungary)	Exclusive patent license-in	Chinese mainland; pharmaceutical preparations and related APIs falling within the licensed patent scope, for indications including schizophrenia and bipolar disorder	Approved by the NMPA in June 2026; commercially launched in September 2026
JXYY-JJU	Wuhan Maidi Lingke Medical Technology Co., Ltd.	Collaboration and commercialization arrangement/in-licensing of related patents, copyrights and technical know-how	Chinese mainland; JXYY-JJU for type A aortic dissection	Not yet launched

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During the Track Record Period, Dimdazenil was the sole marketed product that generated revenue under a collaboration arrangement, and all such revenue from Dimdazenil was generated under a license-in arrangement. Accordingly, revenue from Dimdazenil under license-in arrangements was nil, RMB23.4 million, RMB194.8 million, RMB55.3 million and RMB152.9 million, representing nil, 0.6%, 4.8%, 2.7% and 7.7% of our total revenue, respectively, during the Track Record Period. We did not generate any revenue during the Track Record Period from license-out arrangements or other collaboration and licensing arrangements because the relevant products had not yet been launched in the relevant territories or remained under development.

Collaboration agreements for Dimdazenil

We entered into a collaboration agreement with Evotec Neurosciences GmbH, which was subsequently renamed Evotec International GmbH, on October 28, 2010, under which we acquired the rights to develop, manufacture and commercialize Dimdazenil and related products for CNS indications in China. On December 23, 2024, we entered into an amended and restated collaboration agreement and a patent purchase agreement with Evotec International GmbH, pursuant to which we acquired the remaining rights outside China. Evotec International GmbH is a limited liability company incorporated in Germany, with its business address in Hamburg, Germany, and is part of the Evotec group, which is principally engaged in drug discovery and development. We paid Evotec a fixed purchase price of 7.1 million euros for the asset transfer, in lieu of the milestone, royalty and other payment obligations under our previous arrangements. The arrangements do not involve profit sharing between us and Evotec.

On May 12, 2025, we entered into a distribution agreement with AMB HK ENTERPRISES INC. in relation to Dimdazenil in the Philippines. Under the agreement, we granted AMB HK ENTERPRISES INC. an exclusive license to register, import, commercialize and sell Dimdazenil in the Philippines. AMB HK ENTERPRISES INC. is responsible for local regulatory registration, marketing, promotion, distribution and sales at its own cost, while we are responsible for product supply and agreed support. The arrangement does not involve profit sharing, and AMB HK ENTERPRISES INC. purchases Dimdazenil from us under agreed commercial terms, including a license fee, transfer price and minimum annual purchase commitments. We retain all intellectual property rights relating to Dimdazenil.

Collaboration agreement for Cariprazine hydrochloride capsules

On July 30, 2025, we entered into a license agreement with Partner A, an overseas pharmaceutical company incorporated in Hungary in relation to Cariprazine hydrochloride capsules. Under the agreement, Partner A granted us an exclusive, irrevocable and sublicensable patent license in Chinese mainland for the development, manufacturing and commercialization of pharmaceutical preparations and related APIs, for indications including schizophrenia and bipolar disorder. We are responsible for, and have independent decision-making authority over, development, regulatory approval, manufacturing and commercialization in Chinese mainland, while Partner A provides market-related support upon request. The arrangement does not involve profit sharing or development-cost sharing. We bear our own costs and are required to pay milestone payments and royalties based on net sales. The licensed patent remains owned by the licensor and is not transferred to us. In June 2026, we obtained a Drug Registration Certificate from the NMPA for Cariprazine hydrochloride capsules, granting marketing approval in China for the treatment of schizophrenia.

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Collaboration agreement for JXYY-JJU

JXYY-JJU is an in-licensed integrated artificial large blood vessel medical device candidate for the surgical treatment of type A aortic dissection, and is distinct from the medical equipment products described under “— Our Marketed Products — Medical equipment.” We originally entered into a collaboration agreement in July 2020 with Wuhan Maidi Lingke Medical Technology Co., Ltd. In 2023, the parties entered into a contracting-party change agreement, and we were granted an exclusive, non-transferable right to use existing and pending patents, copyrights, and technical know-how relating to integrated artificial large blood vessel products. We are responsible for subsequent R&D, clinical studies, registration application, production, commercialization and market promotion, and bear the related costs. The partner provides technical support and assists with development, registration and clinical expert coordination. The new IP generated under the collaboration belongs to us. Upon satisfaction of agreed conditions, the partner is required to transfer specified patents and copyrights to us for RMB100,000. The ongoing clinical trial of JXYY-JJU is required by the NMPA for product registration in China. As advised by our PRC Legal Advisor, JXYY-JJU is expected to be classified as a Class III medical device upon approval and will require NMPA registration approval before commercialization in China. We expect to submit the registration application to the NMPA in the second half of 2027.

RESEARCH AND DEVELOPMENT

Research and development is the fundamental pillar of our business and is critical to our ongoing transformation, long-term growth and competitiveness in the pharmaceutical industry. As of the Latest Practicable Date, we had three in-house R&D centers located in Xinchang, Hangzhou and Shanghai, through which we conducted our principal pharmaceutical R&D activities.

Our in-house R&D capabilities include (i) pre-clinical medicinal chemistry, (ii) biology and pharmacology evaluation, (iii) clinical development and medical affairs, (iv) CMC and pharmaceutical development and (v) supporting functions such as regulatory affairs, clinical operations, biostatistics, data management, intellectual property and project management. We focus our R&D primarily on central nervous system and cardiovascular diseases, and selected gastrointestinal indications. Our R&D activities cover small-molecule discovery for central nervous system and cardiovascular indications, generic and complex formulation development (including solid oral and injectable products), traditional Chinese medicine and complex preparation development, and process development for key intermediates and active pharmaceutical ingredients. These capabilities support progression from discovery and preclinical evaluation through clinical development, CMC activities and registration.

Our R&D Capabilities

Our R&D Facilities

As of the Latest Practicable Date, we operated three R&D centers in the PRC: (i) Shanghai, which focuses on innovative drug discovery and pre-clinical research and houses our clinical development and medical teams; (ii) Hangzhou, which focuses on chemical synthesis and process R&D, including route selection and optimization, process scale-up support and technical support for key intermediates and active pharmaceutical ingredients; and (iii) Xinchang, Zhejiang Province, which focuses on CMC and pharmaceutical development, including drug substance and drug product development, formulation and process development, quality research, and documentation for registration and technology transfer.

Through this coordinated R&D set-up, we are able to manage our drug development activities in an integrated, efficient and well-controlled manner, aligned with our strategic focus on central nervous system and cardiovascular diseases, while selectively advancing opportunities in gastrointestinal and other therapeutic areas where we have established clinical and commercial expertise.

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Our R&D Team

Our R&D team includes personnel across organic chemistry, fine chemicals, pharmaceutical sciences, drug formulation, engineering, biotechnology, TCM manufacturing, and medical equipment R&D. As of the Latest Practicable Date, we had 674 R&D personnel, representing approximately 17.9% of our total workforce, of whom more than 200 held a master’s or doctoral degree.

Our R&D and technical functions are supported by a group of experienced professionals across our research institutes and business segments.

Dr. Sun Chang’an has over 20 years of experience in new drug R&D and R&D management. He previously worked at Hansoh Pharmaceutical, where he supported clinical studies and the domestic launch of Category 1 innovative drug, and has received the Second Class of the State Science and Technology Award and been recognized as a Jiangsu Provincial Science and Technology Entrepreneur. He currently serves as Executive Deputy Dean of our Shanghai Research Institute.

Dr. Chen Lei obtained a doctoral degree from the Shanghai Institute of Organic Chemistry, Chinese Academy of Sciences and completed postdoctoral training at The University of Iowa College of Pharmacy. He previously worked at Hengrui Pharmaceuticals and has full-cycle drug R&D experience across respiratory, autoimmune, oncology and CNS therapeutic areas. He currently serves as Deputy Dean of our Shanghai Research Institute.

Dr. Wang Jingjing obtained a doctoral degree from Shanghai Jiao Tong University School of Medicine and has over 15 years of CNS research experience. She has participated in major national and municipal research programs, led multiple competitively funded projects and received the Second Class of the Chinese Medical Association Science and Technology Award in 2021. She currently serves as Deputy Director of our Non-clinical Evaluation Department.

Mr. Xu Bin graduated from Tsinghua University with a major in radio engineering and is a Senior Engineer accredited by the former Ministry of Electronics Industry. He has led R&D of medical display products for high-end medical equipment for several international companies, been granted 21 invention patents and received the Second Prize of the Shenzhen Science and Technology Progress Award. He currently oversees product development and technical management at Shenzhen Beacon.

We manage R&D through centralized, project-oriented governance, where cross-functional teams evaluate, prioritize and progress projects through stage-gated reviews from early research to clinical development, led by designated project leaders coordinating execution and resources across key functions.

Collaboration with Third Parties

We collaborate with external research institutions, universities, clinical trial institutions and other service providers to support R&D activities that require specialized expertise, qualifications, facilities or additional execution capacity. Consistent with industry practice, we may engage CROs, SMOs and external laboratories for specific pre-clinical and clinical functions, while our internal teams remain responsible for core activities and retain overall control and oversight of the relevant projects, including project design, overall development strategy, key decision-making, quality management and regulatory coordination. For clinical trials, our internal medical and clinical development teams formulate trial protocols, select trial sites and oversee trial conduct, quality and timelines. Clinical trial activities at each site are led by principal investigators who are affiliated with the relevant trial institutions. In accordance with applicable laws and regulations, we enter into clinical trial cooperation agreements and settle trial-related fees and expenses with the relevant trial institutions, rather than individual PIs, except that we may obtain confidentiality and other compliance undertakings from relevant personnel where necessary.

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MANUFACTURING

Manufacturing Process

We conduct in-house manufacturing for drugs, APIs and medical equipment in-house through our production bases and manufacturing subsidiaries, supported by standard operating procedures and internal controls covering production planning, raw materials management, in-process controls, equipment calibration and maintenance, deviation handling and change management. We apply product-specific production processes aligned with the applicable regulatory requirements for each category. During the Track Record Period, we did not engage any contract manufacturing organizations, or CMOs, for the manufacture of any of our products. All of our products were manufactured in-house at our own production bases.

Drugs

Our generic drugs and Dimdazenil are typically manufactured through blending and granulation of APIs and excipients to form uniform granules, followed by tableting or capsule filling, coating for certain products where specific release or protection characteristics are required, primary packaging (such as blister packaging or bottling) to preserve product stability and integrity, and secondary packaging into cartons and outer cases for storage and distribution; for traditional Chinese medicine products, manufacturing processes vary by dosage form and product characteristics and may include extraction, concentration, purification, blending and packaging.

Active Pharmaceutical Ingredients

Most of the APIs used in our generic drugs and Dimdazenil are produced in-house through chemical synthesis, with processes varying by product and typically involving route selection and process design, execution of multi-step reactions under controlled conditions with in-process testing, work-up and purification (such as filtration, extraction and crystallization) to control impurities, drying and milling/sieving to achieve specified moisture levels and particle size distribution, and packaging under controlled conditions followed by release upon completion of required quality testing.

Medical Equipment

We conduct our medical equipment products manufacturing primarily through our facilities in Shenzhen, Hangzhou and Shenyang. These facilities provide an integrated manufacturing set-up for medical display products, including production and assembly areas, testing and calibration facilities, and packaging and warehousing functions, enabling us to manage product quality, delivery schedules and supply continuity in a controlled manner.

Manufacturing Facilities

As of the Latest Practicable Date, we operated ten manufacturing facilities in the PRC, including pharmaceutical products manufacturing facilities in Xinchang, Zhejiang Province, active pharmaceutical ingredient manufacturing facilities in Shangyu, Zhejiang Province and Weifang, Shandong Province, TCM manufacturing facilities in Bayannur, Inner Mongolia and Shaxi, Guangdong Province, and medical equipment manufacturing facilities in Shenzhen, Guangdong Province and Shenyang, Liaoning Province. In addition, we also have one manufacturing facility in South Korea.

We strictly carry out maintenance and repair work in compliance with applicable requirements and we replace or upgrade our production equipment when necessary to enhance productivity. During the Track Record Period and up to the Latest Practicable Date, we obtained production licenses for all of our production bases and marketing approvals for each of our marketed products. For details, see “—

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Licenses, Permits and Approvals.” With comprehensive and advanced manufacturing system and facilities, we believe we can swiftly and seamlessly support clinical trials of our drug candidates and supply for our commercialized products.

As of June 30, 2026, our manufacturing facilities for products occupied an aggregate site area of approximately 1,214,117 sq.m. and had an aggregate GFA of approximately 409,357 sq.m. The following table sets forth all of our manufacturing facilities as of June 30, 2026.

Manufacturing Facility	Location	Site Area (sq.m.)	GFA (sq.m.)	Principal Products	Property Interest
Xinchang Base — Headquarters	Xinchang County, Zhejiang	261,677	132,810	Drugs	Owned
Xinchang Base — Daming Facility	Xinchang County, Zhejiang	148,469	48,190	Drugs and biologics (mainly <i>Bacillus Licheniformis</i> Live Capsules)	Owned
Shangyu Base	Shangyu ETDZ, Zhejiang	243,524	85,095	APIs	Owned
Weifang Base	Weifang ETDZ, Shandong	373,897	40,902	APIs	Owned
Hangzhou Base	Xiaoshan District, Hangzhou	4,038	4,038	Medical equipment	Owned
Bayannur Base — Old Plant Area	Linhe District, Inner Mongolia	47,186.2	19,328	TCM	Owned
Bayannur Base — New Facility	Bayannur ETDZ, Inner Mongolia	100,000	43,668	TCM	Owned
Shaxi Base	Shaxi Town, Zhongshan City, Guangdong	20,000	20,000	TCM	Leased
Shenzhen Base	Longhua District, Shenzhen, Guangdong	9,200	9,200	Medical equipment	Leased
Shenyang Base	Shenbei New District, Shenyang, Liaoning	4,953	4,953	Medical equipment	Leased
South Korea Base	Seongnam-si, Gyeonggi-do, the Republic of Korea	1,173	1,173	Medical equipment	Leased

The following tables set forth the designed production capacity, actual production volume and utilization rates of the production lines used at these facilities as of the dates and for the periods indicated.

Product pipeline	Year ended December 31,									Six months ended June 30,		
	2023			2024			2025			2026		
	Designed production capacity ⁽¹⁾	Actual production volume	Utilization rate (%) ⁽²⁾	Designed production capacity ⁽¹⁾	Actual production volume	Utilization rate (%) ⁽²⁾	Designed production capacity ⁽¹⁾	Actual production volume	Utilization rate (%) ⁽²⁾	Designed production capacity ⁽¹⁾	Actual production volume	Utilization rate (%) ⁽²⁾
Generic drugs												
(in million tablets)	10,720.0	8,250.0	77.0	16,218.0	11,259.0	69.4	19,190.0	13,060.0	68.1	9,590.0	5,882.0	61.3
Dimdazenil												
(in million tablets)	N/A	N/A	N/A	2.0	1.2	57.5	30.0	18.0	59.9	20.0	18.0	90.0
APIs ⁽³⁾ (in tonnes)	5,125.0	3,396.0	66.3	11,125.0	5,188.7	46.6	11,125.0	7,420.4	66.7	5,562.5	4,490.1	80.7
TCM (in ten thousand boxes)	6,750.0	3,215.0	47.6	6,750.0	3,754.1	55.6	6,750.0	2,378.7	35.2	3,375.0	841.6	24.9
Biologics (in million tablets)	560.0	480.0	85.7	560.0	360.0	64.3	560.0	510.0	91.1	280.0	210.0	75.0
Medical equipment												
(in ten thousand units)	25.7	15.6	60.8	25.7	19.5	76.0	26.7	21.6	80.9	13.4	10.7	79.9

Notes:

- (1) Designed capacity refers to the designed annual production capacity of the relevant production line(s) in operation at the end of the period. Designed annual production capacity is determined with reference to the installed capacity and technical specifications of the relevant production line(s), taking into account normal operating schedules, product specifications and packaging formats, batch cycle time and changeover requirements, routine maintenance plans and applicable regulatory and quality control requirements. Where production lines are shared by different products,

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designed annual production capacity is allocated by reference to the planned output mix under normal operating conditions. For the six months ended June 30, 2026, designed production capacity represents the corresponding six-month capacity, calculated by reference to one-half of the relevant designed annual production capacity.

- (2) The utilization rate refers to the actual production volume divided by designed production capacity.
- (3) The production capacity, actual production volume and utilization rates of APIs include intermediates.

Our utilization rates were relatively lower and fluctuated during the Track Record Period, primarily due to changes in our product mix and our forward-looking capacity planning in support of our development strategy. In particular, the utilization rate of our TCM facilities decreased from 55.6% in 2024 to 35.2% in 2025, primarily because we adjusted production scheduling and inventory planning for certain TCM products in light of market demand and changes in product mix, while maintaining buffer capacity. The utilization rate of our medical equipment facilities increased from 76.0% in 2024 to 80.9% in 2025, reflecting the gradual ramp-up of output at production lines with expanded designed annual production capacity. As we expanded our drug portfolio, we adjusted our production planning and commissioned additional capacity to support the expected scale-up of our products. In particular, our production capacity for generic drugs increased slightly, while our production capacity for Dimdazenil ramped up to support their commercialization and expected future demand.

We meticulously monitor our production capacity in real-time and dynamically make adjustments based on current conditions and future projections. We also plan to establish new production lines to meet the ever-evolving market demand for our marketed products as needed.

Supply Chain Management

We maintain a centralized supply chain management and procurement function team responsible for procurement planning, supplier selection and qualification, purchase execution and ongoing supplier management across our pharmaceutical products, APIs and, where applicable, medical equipment businesses. In accordance with applicable GMP and internal quality management requirements, we have established procurement policies and procedures covering supplier qualification, incoming materials control, purchasing approval workflows and periodic supplier performance assessments.

We apply supplier selection and qualification procedures requiring suppliers to hold necessary licenses and permits and to pass our assessments, and we conduct sample inspections before adding suppliers to our qualified supplier list, from which we source raw materials. We conduct periodic assessments and update the qualified supplier list, and suppliers that fail to meet our requirements may be required to rectify issues or be removed. We adopt two procurement approaches: (i) for established products with stable demand and production scale, we prepare annual tender procurement plans based on annual material requirements and purchasing schedules (and adjust them as needed), and (ii) for new products and materials subject to significant price fluctuations or required for new drug development, we manage procurement based on demand from the production or research departments.

SALES AND MARKETING

During the Track Record Period, we generated revenue from the sales of over 60 approved drug products, including generic drugs, Dimdazenil and TCM and biologics.

We primarily generate demand for our pharmaceutical products through our in-house sales and marketing team, which is responsible for academic promotion, market access and other commercialization activities, including engagement with healthcare professionals, product positioning, and channel management. We also collaborate with Independent Third Parties to enhance brand recognition, expand market coverage and improve product availability in certain regions and channels. In addition, we market and sell our APIs and medical equipment through a combination of direct sales and, where appropriate, distributor arrangements, with a focus on customer coverage, sales efficiency and compliance with applicable regulatory and industry requirements.

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In-House Sales

We maintain an in-house sales and marketing team, supplemented by selected distributors, with activities organized by therapeutic focus and sales channels. As of the Latest Practicable Date, our sales and marketing team comprised approximately 659 personnel, with dedicated teams responsible for prescription drugs and retail-oriented products. We also conduct overseas sales for selected products through our subsidiaries and, where appropriate, independent distributors and business partners. Our sales and marketing team is responsible for market research and planning, academic promotion, channel management, sales contract management and receivables management, and we provide regular training and maintain compliance policies and internal controls governing sales and marketing activities.

Marketing Activities

We organize, sponsor and participate in academic conferences, seminars and symposia, and conduct routine academic discussions with medical experts and other healthcare professionals, primarily in our prescription drug therapeutic areas such as CNS and cardiovascular diseases. We participate in clinical research activities and cooperate with clinical trial institutions in connection with such academic engagement. Following the commercialization of Dimdazenil, we continue academic engagement through expert networks and academic programs tailored to innovative therapies, and we carry out promotional activities through a combination of academic programs, digital initiatives, medical projects and patient management activities. For generic drugs, we refine our marketing strategies to align with applicable laws and policies and tailor strategies to different sales channels. Our agreements with third-party service providers generally include compliance undertakings, including anti-bribery provisions. During the Track Record Period and up to the Latest Practicable Date, neither we nor our Directors or senior management was subject to any material administrative penalty or criminal liability in relation to commercial bribery. For further details on our internal anti-bribery controls, please see “— Risk Management and Internal Control — Internal Controls — Anti-bribery.”

Sales

For our generic drugs, we sell a majority of our products to distributors, who are our direct customers and, in turn, sell and deliver our products to end customers, primarily hospitals and retail pharmacies. For our medical equipment business, we adopt a sales model comprising predominantly direct sales, supplemented by sales through distributors in a limited number of cases. For our API business, we adopt a mixed sales model combining direct sales to customers and sales through distributors, depending on the product type, customer profile and market practice. According to Frost & Sullivan, our sales strategy is consistent with industry practice in the pharmaceutical industry. The following table sets forth a breakdown of our revenue by distribution channels for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentage)</i>									
	<i>(unaudited)</i>									
Direct sales	1,339,253	33.5	1,436,388	34.5	1,375,031	33.8	721,382	35.8	656,863	33.1
Distributors	2,659,582	66.5	2,722,163	65.5	2,694,330	66.2	1,295,161	64.2	1,330,321	66.9
Total	3,998,835	100.0	4,158,551	100.0	4,069,361	100.0	2,016,543	100.0	1,987,184	100.0

For details of the gross profit and gross profit margin by our direct sales customers and distributors, please see “— Financial Information — Description of Major Components of Our Results of Operations — Gross Profit and Gross Profit Margin.”

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Distributors

We sell a portion of our pharmaceutical products through third-party distributors, who are responsible for subsequently selling and delivering such products to hospitals and retail pharmacies in accordance with the applicable distribution arrangements. We believe that, by leveraging distributors’ local market coverage and logistics capabilities, our distribution model helps extend market coverage in a cost-effective manner while allowing us to maintain appropriate oversight over our distribution network and the implementation of our sales and marketing policies.

We generally enter into distribution agreements with our distributors, which typically set out, among other things, the scope of products covered, ordering and delivery arrangements, payment and settlement terms, compliance requirements (including anti-bribery and other applicable laws and regulations) and other customary terms.

Distribution Network

Our distributors include hundreds of nationally known pharmaceutical distributors with widespread sales in China. As of the Latest Practicable Date, our distribution network comprised of more than 1,500 distributors across more than 21 provinces in China and selected overseas markets. This extensive network and close collaboration with distributors have cultivated a dynamic, open marketing system that effectively stimulates cooperation and sales, ensuring strong sales capabilities across various regional and local markets. In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, sales to our distributors amounted to approximately RMB2,659.6 million, RMB2,722.2 million, RMB2,694.3 million, RMB1,295.2 million and RMB1,330.3 million, which accounted for 66.5%, 65.5%, 66.2%, 64.2% and 66.9% of our revenue from the sale of products, respectively.

All of our distributors during the Track Record Period and up to the Latest Practicable Date were independent third parties, except that Xinchang Xinjin Pharmaceutical Co., Ltd. (“Xinchang Xinjin”); Xinchang Xinjin became an indirect subsidiary of Jingxin Holding Group Co., Ltd., one of our Controlling Shareholders, on March 5, 2025 following its acquisition by Zhejiang Jinlangbo Pharmaceutical Co., Ltd., a subsidiary of Jingxin Holding Group Co., Ltd. Prior to such acquisition, Xinchang Xinjin Pharmaceutical Co., Ltd. was an Independent Third Party and one of our leading domestic distributors in the API business. Our transactions with Xinchang Xinjin primarily comprised sales of API products to it as a distributor and, to a much lesser extent, purchases of chemical raw materials from it. During 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, sales to Xinchang Xinjin amounted to RMB43.6 million, RMB41.8 million, RMB47.1 million, RMB23.0 million and RMB19.4 million, respectively, and purchases from Xinchang Xinjin amounted to nil, RMB0.9 million, RMB4.2 million, RMB4.2 million and RMB1.3 million, respectively. Such transactions were conducted in the ordinary course of business on normal commercial terms and were priced on a market basis. None of our distributors transacted with us during the Track Record Period and up to the Latest Practicable Date are controlled by our former or current employees, uses our brand or name, or has received any material advance or financial assistance from us.

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The following table sets forth a breakdown of our distributors by geography during the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
Domestic	2,124	1,959	1,856	1,324
Overseas	235	262	305	219
Total	2,359	2,221	2,161	1,543

The following table sets forth the movement of the number of our distributors for the periods indicated below.

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
Number of distributors at the beginning of the period	2,890	2,359	2,220	2,160
Addition of new distributors ⁽¹⁾	913	903	884	421
Termination of existing distributors ⁽²⁾	1,444	1,042	944	1,038
Net increase/(decrease) in distributors	(531)	(138)	(60)	(617)
Number of distributors at the end of the period	2,359	2,220	2,160	1,543

Notes:

- (1) New distributors refer to distributors who (i) had at least one transaction with us in the relevant period; and (ii) did not have any transaction with us in the immediately preceding calendar year.
- (2) Terminated distributors refer to distributors who (i) did not have any transaction with us in the relevant period; and (ii) had at least one transaction with us in the immediately preceding calendar year.

In 2023, 2024, 2025 and the six months ended June 30, 2026, the number of new distributors added was 913, 903, 884 and 421, respectively, and the number of distributors that ceased to distribute our products was 1,444, 1,042, 944, and 1,038 respectively. The number of distributors that ceased to distribute our products during the periods presented was primarily because we have been refining our distributor network so as to optimize our sales efficiency, under which certain former distributors did not meet our updated expectations and requirements regarding distribution capability, coverage and service quality. During the Track Record Period, we had no material unresolved disputes or lawsuits with distributors that ceased to distribute our products.

According to Frost & Sullivan, such dynamic distributor onboarding and termination is common market practice in China’s pharmaceutical distribution sector, as companies regularly adjust distributor networks to enhance coverage efficiency, channel quality and commercial execution.

During the Track Record Period and up to the Latest Practicable Date, we had no material unresolved disputes or lawsuits with terminated distributors, and we had not received any material complaint, claim or notice concerning abuse or improper use of our name by distributors.

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Distributor Management

Each business division within our sales and marketing function is responsible for the management of distributors for the products under its remit, including distributor selection, performance monitoring, periodic review and the identification and management of distributor-related risks. We generally select distributors based on criteria such as distribution and logistics capabilities, local market coverage and knowledge, financial stability and creditworthiness, operational scale, compliance record and service capability. Distributors are required to hold the requisite licenses and permits for pharmaceutical sales and distribution, and to comply with applicable regulatory requirements, including relevant GSP requirements and, where applicable, cold-chain storage and transportation requirements, to ensure that our products are delivered safely and in a timely manner.

We maintain a seller-buyer relationship with our distributors under a buy-out sale model. Under this model, we do not retain ownership of the products sold to distributors, and title to such products is transferred to the distributors upon delivery to and acceptance by them, subject to the terms of the relevant contracts and our applicable accounting policies. We enter into distribution agreements with our distributors, and individual sales contracts and/or purchase orders are generally entered into or placed on a transaction-by-transaction basis. Set forth below are the salient terms of our distribution agreement:

- ***Designated distribution area.*** Distributors are generally not allowed to sell or distribute our products outside of their designated distribution areas.
- ***Exclusivity.*** Distributors are granted the distributorship of specified certain types of products in their designated distribution areas generally on a non-exclusive basis.
- ***Orderly sales and anti-cannibalization.*** To mitigate channel conflict and potential cannibalization among distributors, distributors are required to sell our products only within their authorized terminal regions. Distributors are not allowed to sell the relevant products to any third party outside their authorized regions. Unauthorized cross-regional sales constitute a breach of the relevant agreement and may entitle us to terminate the relevant agreement, require immediate payment of outstanding amounts where payment is made on credit and claim liquidated damages.
- ***Return of products.*** Our distributors are required to inspect the products upon delivery. Returns and exchanges are generally not allowed except for defective products.
- ***Inventory management.*** Distributors procure our products based on market demand, expected sales, channel inventory and their own commercial judgment. We do not require our distributors to maintain minimum inventory levels, and we do not impose fixed minimum purchase requirements on our distributors.
- ***Access to information.*** We require distributors to provide us with access to information at our request.
- ***Credit terms.*** We generally grant our major distributors credit terms of 30 to 90 days, with longer terms granted to selected distributors with whom we have built a strong business and financial track record.
- ***Confidentiality.*** Both parties have non-disclosure obligations and undertake to only use each other's trade secrets and other business information to the extent necessary and not to disclose such trade secrets or other business information to any third party.

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- **Termination.** We may terminate the distribution agreements in the event of, among others, (i) any material breach by our distributors, such as sales outside of their designated distribution areas and providing falsified sales data; or (ii) any other breach by our distributors that is not remedied within a prescribed time-period.

To enhance distribution management and reduce channel conflicts, we may implement territory/customer coverage and product scope arrangements with distributors based on the product, region and channel, including defining authorized geographic areas, designated hospitals or customer categories and permitted product scope, and restricting sales outside the authorized scope. We monitor distributors through periodic communications and performance reviews and, where appropriate, hospital and channel visits to understand inventory levels, product flows and market feedback and identify potential deviations. We conduct periodic performance and compliance evaluations and may terminate arrangements for material violations, including unauthorized cross-regional sales or other material non-compliance.

Distributors procure our products based on market demand. In 2023, 2024, 2025 and the six months ended June 30, 2026, actual product returns amounted to RMB29.7 million, RMB14.6 million, RMB29.2 million and RMB15.4 millions, respectively, representing return rates of 0.7%, 0.4%, 0.7% and 0.8% of our total revenue, respectively. Such returns were primarily attributable to ordinary-course factors, including packaging damage identified upon inspection. According to Frost & Sullivan, such return rates were in line with industry norms.

Two-Invoice System

For the sale of pharmaceutical products in China, we are subject to the “Two-Invoice System” policies applicable to sales to public medical institutions, under which invoices are generally issued once from manufacturers to distributors and once from distributors to medical institutions; public medical institutions are generally required to adopt the Two-Invoice System, while private medical institutions are encouraged (but not generally required) to adopt it, subject to local rules, and non-compliance may adversely affect public tendering and procurement. In our distributor agreements, we specify authorized regions and end-customer types. Where public medical institutions, including public hospitals are the end-customers, we comply with the Two-Invoice System and require distributors to sell directly to public medical institutions, including public hospitals without sub-distributors; where end-customers are pharmacies, clinics or private hospitals, we do not prohibit sub-distributors. Some of our distributors may use sub-distributors to leverage subdistributors’ local expertise, expanding their market reach in certain specialized regions and broadening patient access to our products due to the typically large number and scattered distribution of pharmacies, clinics and private hospitals, which is in line with the industry norm, according to Frost & Sullivan.

We have no contractual relationship with sub-distributors and rely on distributors to supervise them, including imposing penalties on distributors for sub-distributor violations, and we monitor product movements to ensure compliance with internal distribution arrangements. We maintain internal controls to monitor compliance with the Two-Invoice System and related regional requirements, including training, adjusting distribution strategies based on local implementation, and communications with distributors on product flows, and we may request periodic information on end customers and, where applicable, sub-distributor arrangements; where potential non-compliance is identified, we may take remedial actions and enforce contractual remedies, including suspension or termination (and, where contractually provided, liquidated damages) and legal action.

To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, we had complied with the Two-Invoice System regulations are not aware of any material violation or circumvention of applicable laws, regulations, rules or policies in relation to the Two-Invoice System. During the same period, we had not been disqualified from participating in public tendering processes in any province due to Two-Invoice System compliance issues, had not been subject

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to any administrative fine or penalty in relation to the Two-Invoice System, and had not received any warning or notice from competent authorities regarding Two-Invoice System compliance nor had not been deemed by competent authorities to have violated or circumvented any laws, regulations, rules or policies in relation to the Two-Invoice System. Our PRC Legal Advisor is of the view that, based on the foregoing, the Group did not have any non-compliance in relation to the Two-Invoice System during the Track Record Period and up to the Latest Practicable Date, and there was no material adverse impact on the Group’s operations or financial position.

We maintain internal control measures to monitor compliance with the Two-Invoice System and our distribution arrangements. These measures include: (i) specifying in distributor agreements the authorized regions, end-customer types and downstream sales restrictions; (ii) monitoring product flows, inventory levels and market feedback through sales and delivery records, periodic communications, performance reviews and hospital and channel visits; and (iii) taking remedial actions and enforcing contractual remedies for breaches, including suspension or termination, liquidated damages where applicable, and legal action.

Direct Sales

Our direct sales primarily include (i) our sales of APIs, which are mainly made to pharmaceutical manufacturers and other customers that purchase APIs for downstream manufacturing, (ii) a portion of our drug sales conducted on a direct basis, primarily under a contract manufacturing model pursuant to which we manufacture drugs for certain pharmaceutical manufacturers and the products are marketed under such customers’ brands, and (iii) a limited portion of our medical equipment sales to certain medical equipment manufacturers.

We generally enter into framework agreements and/or annual sales contracts with our major direct sales customers, with transaction-specific purchase orders placed from time to time. Under our direct sales arrangements, we are generally responsible for delivering products to the relevant customers in accordance with contractually agreed delivery terms. Unless otherwise agreed, we generally do not accept product returns or exchanges except for defective products or other circumstances permitted under the relevant contracts and subject to internal approval procedures. To reduce the risk of expired products being sold in the market, we may require certain major direct sales customers to periodically confirm inventory levels and near-expiry status.

PRICING

We formulate and implement a pricing strategy for our marketed products to stay competitive and profitable. We do not compete primarily on price across our entire product portfolio. We take into account a number of factors in determining our prices, which primarily include our R&D, production and marketing costs and expenses, the perceived value of products, our market share and the competitive landscape. For products subject to these procurement arrangements, we consider competing bid prices and whether the expected procurement volumes at the proposed prices would cover the relevant costs and support an acceptable contribution margin. For generic drugs and selected TCM and biologic products participating in centralized tender processes or VBP schemes, price is one of the competitive factors, together with product quality, consistency evaluation status, supply capacity and historical performance. For Dimdazenil and other products not subject to centralized tender processes or VBP schemes, we place greater emphasis on product differentiation, quality consistency, supply reliability and market positioning.

For products participating in centralized tender processes or VBP schemes, we determine bid prices based on product-level assessments of manufacturing, logistics, distribution, channel, tax and compliance costs, historical and expected procurement volumes, available production capacity, anticipated competing bid prices, consistency evaluation status or other quality advantages, and the potential benefits of broader hospital access and market penetration. To maintain operational sustainability, we

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assess whether the expected revenue and procurement volume would cover the relevant costs and support an acceptable contribution margin. To maintain competitive positioning, we benchmark anticipated competing bid prices and consider our product quality, supply capability and the expected marketaccess benefits of participation.

The following table sets forth the number of our marketed products included in VBP schemes, the NRDL and the NEDL, respectively, by product type as of the dates indicated:

Scheme/List	Product type	As of December 31			As of	As of
		2023	2024	2025	June 30 2026	the Latest Practicable Date
VBP schemes	Generic drugs	17	23	31	38	35
	Innovative drug	0	0	0	0	0
	TCM	1	1	1	1	2
	Biologics	0	0	1	1	1
	Total	18	24	33	40	38
NRDL	Generic drugs	30	43	44	47	47
	Innovative drug	0	0	1	1	1
	TCM	7	7	9	9	9
	Biologics	1	1	1	1	1
	Total	38	51	55	58	58
NEDL	Generic drugs	17	26	26	34	34
	Innovative drug	0	0	0	0	0
	TCM	3	3	6	7	7
	Biologics	1	1	1	1	1
	Total	21	30	33	42	42

Notes:

- (1) For purposes of the table above, the number of products is counted by product name, with different strengths, specifications, packaging formats or approval numbers of the same product counted as one product.
- (2) A product included in more than one scheme or list is counted separately under each applicable scheme or list.
- (3) APIs and medical equipment are not included because VBP schemes, the NRDL and the NEDL are not applicable to such products.

National Reimbursement Drug List (NRDL)

Participants of China’s national public medical insurance programmes and, where applicable, their employers are required to make monthly contributions to the relevant insurance funds. Eligible participants may obtain full or partial reimbursement for drugs included in the NRDL. For details of the regulatory framework, selection criteria and adjustment procedures relating to the NRDL, see “Regulatory Overview — Laws and Regulations in Relation to New Drugs — NRDL.”

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As of June 30, 2026, 58 of our marketed products were included in the NRDL. Inclusion in the NRDL is subject to a structured evaluation and review process based on prescribed criteria, which may take into account clinical value, safety and efficacy, medical necessity, budget impact and pharmacoeconomic considerations. Inclusion in the NRDL is an important driver of market access and patient affordability, as it affects reimbursement eligibility and reimbursement standards for the relevant products. However, inclusion in the NRDL, particularly for products subject to price negotiations under the NRDL adjustment mechanism, may also result in downward pricing pressure in certain provinces and channels as a result of the relevant pricing and reimbursement arrangements.

National Essential Drug List (NEDL)

The National Essential Drug List (the “NEDL”) is formulated and issued by relevant PRC governmental authorities with the objective of promoting access to essential medicines and ensuring the availability of basic medications at affordable prices. For details of the regulatory framework, selection criteria and adjustment procedures relating to the NEDL, see “Regulatory Overview — Laws and Regulations in Relation to New Drugs — NEDL.”

As of June 30, 2026, 42 of our marketed products were included in the NEDL. Inclusion in the NEDL may support stable demand from primary medical institutions and enhance product accessibility, particularly in grassroots medical settings. However, inclusion in the NEDL may also exert downward pressure on pricing, as drugs listed in the NEDL are subject to enhanced policy focus on affordability and, in certain cases, pricing constraints or procurement arrangements that may reduce the prices at which such products are sold.

During the Track Record Period, revenue generated from our products included in the NRDL and/or the NEDL was primarily derived from generic drugs and TCM and biologics. In 2025, following the inclusion of Dimdazenil in the NRDL, such revenue also included revenue generated from Dimdazenil.

In 2023, revenue from our generic drugs and TCM and biologics that were included in the NRDL and/or the NEDL amounted to RMB1,463.8 million and RMB441.2 million, representing 85.9% and 71.0% of the revenue from generic drugs and TCM and biologics, respectively. In 2024, revenue from our generic drugs and TCM and biologics that were included in the NRDL and/or the NEDL amounted to RMB1,534.6 million and RMB446.3 million, representing 82.0% and 71.2% of the revenue from generic drugs and TCM and biologics, respectively. In 2025, revenue from our generic drugs, Dimdazenil and TCM and biologics that were included in the NRDL and/or the NEDL amounted to RMB1,444.4 million, RMB194.8 million and RMB406.9 million, representing 81.8%, 100.0% and 80.0% of the revenue from generic drugs, Dimdazenil and TCM and biologics, respectively. In the six months ended June 30, 2026, revenue from our generic drugs and TCM and biologics that were included in the NRDL and/or the NEDL amounted to RMB679.4 million and RMB173.2 million, representing 84.3% and 85.1% of the revenue from generic drugs and TCM and biologics, respectively.

Revenue from our products included in the NRDL and/or the NEDL did not include any revenue from APIs or medical equipment during the Track Record Period.

Centralized Tender Process and Volume-based Procurement

The centralized tender process and volume-based procurement (VBP) are two distinct but interrelated mechanisms in China’s pharmaceutical procurement system, both aimed at reducing healthcare costs and increasing access to medications. The centralized tender process is a provincial or regional system used in China for public hospitals to purchase most medications at the bid prices. The procurement volume under centralized tender process is not guaranteed, and depends on hospital preferences and market demand. The VBP is a national or regional procurement mechanism that

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leverages large-volume government procurement to lower the prices of the selected medications. The VBP typically guarantees a large procurement volume, which encourages pharmaceutical companies to offer lower prices in exchange for assured sales.

The centralized tender process covers a broad range of drugs, whereas the VBP tends to focus on a select number of commonly used drugs, especially generic drugs. If a drug is included in VBP, its prices and sales volume to public hospitals will primarily be determined through the VBP scheme. Once a VBP cycle ends or for provinces not participating in VBP, such drugs can still be procured through the centralized tender process. If a drug does not win bids in VBP, it may still be procured through the centralized tender process, but it may experience a sharp decline in demand as public hospitals prioritize purchasing VBP-winning drugs. Out of the VBP scope, public hospitals primarily procure drugs at bid prices determined through the centralized tender process based on their needs. Accordingly, inclusion of our products in VBP schemes may result in lower average selling prices and, at the same time, higher sales volume. The overall impact of VBP on our revenue may therefore vary from period to period depending on the relative significance of such price and volume effects. See “Financial Information — Year-to-Year Comparison of Results of Operations” for further details.

During the Track Record Period, a number of our products were subject to national or provincial VBP schemes. Revenue attributable to our products subject to VBP schemes amounted to RMB1,324.9 million, RMB1,478.0 million, RMB1,447.8 million, RMB682.9 million and RMB695.8 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, representing 33.1%, 35.5%, 35.6%, 33.9% and 35.0% of our total revenue for the same periods, respectively. Such revenue was primarily derived from generic drugs and, to a lesser extent, TCM and biologics. In 2023, revenue attributable to our generic drugs subject to VBP schemes amounted to RMB1,205.0 million, representing 70.7% of our revenue from generic drugs, while revenue attributable to our TCM and biologics subject to VBP schemes amounted to RMB119.9 million, representing 19.3% of our revenue from TCM and biologics. In 2024, revenue attributable to our generic drugs subject to VBP schemes increased to RMB1,354.4 million, representing 72.3% of our revenue from generic drugs, while revenue attributable to our TCM and biologics subject to VBP schemes amounted to RMB123.6 million, representing 19.7% of our revenue from TCM and biologics. In 2025, revenue attributable to our generic drugs subject to VBP schemes was RMB1,299.0 million, representing 73.6% of our revenue from generic drugs, while revenue attributable to our TCM and biologics subject to VBP schemes increased to RMB148.8 million, representing 29.2% of our revenue from TCM and biologics. In the six months ended June 30, 2025 and 2026, revenue attributable to our generic drugs subject to VBP schemes was RMB609.7 million and RMB632.2 million, respectively, representing 71.4% and 78.4% of our revenue from generic drugs for the respective periods. During the same periods, revenue attributable to our TCM and biologics subject to VBP schemes was RMB73.2 million and RMB63.6 million, respectively, representing 27.5% and 31.2% of our revenue from TCM and biologics for the respective periods. We did not generate any revenue from Dimdazenil, APIs or medical equipment subject to VBP schemes during the Track Record Period.

Centralized Tender Process

Prices of most pharmaceutical products sold to public hospitals and public medical institutions in China are determined through centralized tender processes at the provincial or municipal level. Pharmaceutical manufacturers, sole agents of imported drugs and marketing authorization holders may submit bids for products to be listed on procurement platforms, through which public hospitals purchase listed products at bid prices. Bid evaluation generally considers price competitiveness, product quality, clinical effectiveness and manufacturer qualifications.

During the Track Record Period, we generated revenue from sales of over 60 approved drug products, including generics and traditional Chinese medicine products, a substantial portion of which were sold to distributors for onward supply to public hospitals and other medical institutions. We

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therefore actively participate in centralized tenders for applicable products. Failure to win bids or bid at commercially sustainable prices may result in reduced sales, loss of market share or margin pressure, which could adversely affect our financial performance. See “Risk Factors.”

Volume-based Procurement

Prices of certain pharmaceutical products sold to public hospitals and public medical institutions in China are affected by volume-based procurement, or VBP, schemes at the national, provincial or regional level. VBP schemes are designed to reduce prices of mature, high-volume and highly competitive pharmaceutical products through competitive bidding in exchange for committed procurement volumes.

Winning bidders typically offer substantial price reductions to secure allocated procurement volumes, while products in the same class that do not win bids may lose market share in public hospitals. Upon expiry of a national VBP scheme, continuation procurement may be implemented at the provincial or regional level, and provincial or regional VBP schemes may also cover additional drugs. We actively participate in VBP schemes for applicable products and seek to balance price competitiveness, sales volume and profitability. Failure to win bids or bid at commercially sustainable prices may result in reduced sales, loss of market share or margin pressure, which could adversely affect our financial performance. See “Risk Factors.”

During the Track Record Period, a number of our products were subject to national or provincial VBP schemes. For example, our Jingnuo 京諾® Rosuvastatin Calcium Tablets was subject to the national VBP scheme. Following its inclusion in the national VBP scheme, Jingnuo was sold through nationwide channels. While the VBP scheme sometimes allows us to sell our products in larger volumes, it typically exerts downward pressure on the prices at which we sell our products to our distributors. Jingnuo generated RMB185.0 million in 2023, RMB264.3 million in 2024, RMB274.1 million in 2025, RMB132.5 million and RMB132.3 million in the six months ended June 30, 2025 and 2026. The foregoing indicates that Jingnuo’s inclusion in the national VBP scheme materially expanded its sales volume and nationwide market coverage.

The following table sets forth the participation and current status of our major products in the centralized tender process or VBP schemes, including the relevant period, principal geographical coverage and basis of selection or inclusion:

<u>Product name</u>	<u>Product category</u>	<u>Participation/ inclusion status</u>	<u>Start and end date</u>	<u>Coverage provinces/ regions</u>	<u>Current status</u>	<u>Selection/inclusion basis</u>
Rosuvastatin Calcium Tablets	Drug	VBP	March 31, 2025 to December 31, 2028	Nationwide	Selected	Results of National Centralized Drug Procurement Continuation for Drugs upon Expiry of Agreement Period
Amlodipine Besylate Tablets	Drug	VBP	March 31, 2025 to December 31, 2028	Nationwide	Selected	Results of National Centralized Drug Procurement Continuation for Drugs upon Expiry of Agreement Period
Pitavastatin Calcium Dispersible Tablets	Drug	VBP	March 31, 2025 to December 31, 2028	Nationwide	Selected	Results of National Centralized Drug Procurement Continuation for Drugs upon Expiry of Agreement Period
Bacillus licheniformis Live Capsules	Drug	VBP	April 30, 2025 to December 31, 2027	Henan	Selected	Yudong Regional Alliance Grassroots Drug Centralized VBP Announcement
Kangfuxin Oral Liquid	Drug	VBP	April 30, 2025 to December 31, 2027	Nationwide	Selected	Notice on the Published Results of Nationwide Chinese Medicine Procurement Alliance Centralized Procurement

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Product name	Product category	Participation/ inclusion status	Start and end date	Coverage provinces/ regions	Current status	Selection/inclusion basis
Levetiracetam Tablets	Drug	VBP	March 31, 2025 to December 31, 2028	Nationwide	Selected	Results of National Centralized Drug Procurement Continuation for Drugs upon Expiry of Agreement Period
Sertraline Hydrochloride Tablets	Drug	VBP	March 31, 2025 to December 31, 2028	Nationwide	Selected	Results of National Centralized Drug Procurement Continuation for Drugs upon Expiry of Agreement Period
Cefuroxime Axetil Tablets	Drug	VBP	March 31, 2025 to December 31, 2028	Nationwide	Selected	Results of National Centralized Drug Procurement Continuation for Drugs upon Expiry of Agreement Period
Simvastatin Tablets	Drug	VBP	March 31, 2025 to December 31, 2028	Nationwide	Selected	Results of National Centralized Drug Procurement Continuation for Drugs upon Expiry of Agreement Period
Pramipexole Dihydrochloride Tablets	Drug	VBP	April 30, 2025 to December 31, 2027	Nationwide	Selected	National Centralized Drug Procurement

We generally expect to participate in renewal or continuation procurement before or around the expiry of the applicable VBP period. The current VBP periods for Kangfuxin Oral Liquid and Pramipexole Dihydrochloride Tablets expire on December 31, 2027, while those for our other major nationwide VBP products set out above generally expire on December 31, 2028. The disclosed VBP period for Bacillus licheniformis Live Capsules expired on December 31, 2027. The NEDL is not subject to a fixed annual renewal cycle and is adjusted from time to time by the relevant authorities.

We seek to maintain or increase the number of products included in the VBP schemes, NRDL and NEDL by monitoring relevant policy and procurement developments, selecting products with competitive cost structures and sufficient production capacity, maintaining product quality and stable supply, improving manufacturing efficiency, preparing bids and renewal submissions in advance, and supporting relevant clinical and pharmacoeconomic evidence. During the Track Record Period, our historical success rate in VBP bidding was 85.7%, and all 28 VBP renewal or continuation projects in which we had participated as of the Latest Practicable Date had been successfully renewed or continued. The limited unsuccessful bidding cases were primarily attributable to our quoted prices being higher than the prices quoted by the selected enterprises or the incumbent successful bidders in the relevant procurement exercises.

QUALITY CONTROL

We have established a quality management structure within our pharmaceutical manufacturing operations, with dedicated quality assurance (“QA”) and quality control (“QC”) personnel across production sites. QA is responsible for establishing, implementing and improving the quality management system, while QC is responsible for inspection and testing of raw materials, intermediates and finished products; other functions such as production, procurement and logistics perform their duties in accordance with established quality procedures. Each batch of our pharmaceutical products is released in accordance with applicable regulatory requirements and internal procedures, and only products meeting prescribed quality standards are distributed.

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In addition, for our medical equipment business, we have established quality management policies and procedures that are designed to comply with applicable PRC laws and regulations governing medical equipment, and to support product quality, safety and traceability throughout manufacturing and distribution. For details of our major licenses, permits and approvals, please see “— Licenses, Permits and Approvals.”

We have implemented comprehensive quality control procedures and protocols that span the entire production lifecycle from raw material sourcing through manufacturing to the delivery of drugs. In strict compliance with applicable PRC laws and regulations, including the Pharmaceutical Administration Law of the People’s Republic of China (《中華人民共和國藥品管理法》) and the Good Manufacturing Practice for Medical Products (《藥品生產質量管理規範》), we have established a quality management system covering our drugs, APIs and TCM, which is aligned with GMP requirements.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material product defects. We had product returns in the ordinary course of business, but we did not have any material product returns or exchanges due to product quality issues, nor did we conduct any material product recalls.

Supply Chain Quality Control

We apply a stringent supplier management and raw material system to support product quality and drug safety. When onboarding new suppliers, we conduct qualification procedures based on the criticality of the relevant materials, which may include document review, sample testing, remote assessment, third-party audit report review and questionnaires. New suppliers are added to our approved supplier list only after they have passed the relevant quality assessment procedures and obtained internal approval.

For suppliers of critical raw materials, we conduct annual qualification reviews and quality reviews, and generally conduct on-site audits or remote assessments once every three years for API suppliers and suppliers of pharmaceutical ingredients. For other suppliers, we generally perform annual collection and review of key qualification documents and other relevant information.

For our API business, we apply enhanced supplier qualification and incoming inspection procedures for key raw materials, intermediates and reagents, given their potential impact on product purity, impurity profile, process stability and batch-to-batch consistency. For our medical equipment products, we implement supplier control procedures covering key purchased components, modules and materials. We generally require suppliers of key components to meet applicable quality standards and to provide relevant certificates, test reports and supporting documentation, as appropriate.

All purchased materials are inspected upon receipt under internal procedures: QC conducts batch-based sampling inspections and issues results within prescribed timeframes, QA reviews the inspection results and related records, and materials are approved or rejected in accordance with internal authorization procedures. Approved materials are stored by category under specified conditions and managed based on shelf-life and inventory controls, with controlled procedures for issuance, use and reconciliation.

Manufacturing Quality Control

Our manufacturing activities are conducted in accordance with established production procedures, operating instructions and applicable GMP requirements. Production is carried out in line with approved process documents, with quality management personnel performing oversight and monitoring at key stages. After batch production of intermediates or pre-packaged products, production personnel perform weighing, reconciliation and related checks, complete batch and inspection records, store products in designated intermediate storage locations and submit samples to QC for testing.

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Finished Product Quality Control

Upon completion of finished products, QC conducts sampling and testing in accordance with established procedures and internal standards and issues finished product inspection results. Batch inspection records, finished product inspection results and, where applicable, environmental monitoring records are reviewed under internal procedures and submitted to QA. The production workshop reviews batch production and packaging records after manufacturing and packaging and investigates any deviations in accordance with internal deviation management procedures, and submits the relevant records (including deviation investigation records) to QA.

For generic drug products, we implement a quality authorized person release system. After each batch passes inspection, QA performs a comprehensive review of the batch, including production, testing and storage records, compliance with approved process requirements, validation status, GMP conditions, deviations and data integrity, and issues a release recommendation. The quality authorized person then conducts a further review and quality evaluation, and approves release only if the batch and its manufacture and testing comply with registration requirements and applicable GMP standards. Only released products may be transferred to the warehouse for storage and distribution.

We also maintain material release procedures for raw materials, excipients and packaging materials used in drug production. Such materials may be released for use only after receipt, sampling, testing and review by authorized QA personnel.

After-sales Supervision

We maintain procedures for post-marketing quality and safety management, including product complaint handling, product recall management, adverse drug reaction reporting and ongoing safety monitoring, in accordance with applicable regulatory requirements. We have internal procedures for collection, assessment, investigation and resolution of product quality complaints and, where applicable, the initiation and execution of product recalls.

Product Liability

Under applicable PRC laws and regulations, including the Product Quality Law of the PRC, the PRC Civil Code and the Law of the PRC on the Protection of the Rights and Interests of Consumers, a person who suffers personal injury or property damage due to product defects may claim compensation from the manufacturer or seller. As advised by our PRC Legal Advisor, if our products are found to contain defects, including defects in manufacturing, design or warning instructions, the Group may face compensation claims for personal injury and property damage, legal defense costs, product recall expenses, punitive damages where applicable, reputational harm, administrative penalties and, in serious circumstances, criminal liability.

SUPPLIERS

During the Track Record Period, our suppliers primarily consisted of chemicals, packaging materials, APIs and other ancillary materials intermediates. We select our suppliers by considering cost and their capability, quality, reputation, delivery and regulatory compliance. For details of our procurement process, please see “— Quality Control — Supply Chain Quality Control.”

Purchases from our five largest suppliers in each period during the Track Record Period were RMB318.0 million, RMB372.2 million, RMB349.4 million and RMB193.0 million in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively, representing approximately 16.3%, 17.0%, 18.4%

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and 19.9% of our total purchases for the respective periods. Purchases from our largest supplier in 2023, 2024, 2025 and the six months ended June 30, 2026 were RMB81.2 million, RMB105.7 million, RMB95.8 million and RMB77.5 million, respectively, representing approximately 4.2%, 4.8%, 5.0% and 8.0% of our total purchases for the respective periods. Our suppliers generally provide us credit terms of 30 to 45 days, and we generally settle with them by bank transfer and bank acceptance bills. The following table sets forth details of our five largest suppliers for each year/period during the Track Record Period.

Year ended December 31, 2023

Supplier	Type of products	Purchase amount <i>RMB'000</i>	Percentage of total purchase	Year of commencement of business relationship	Credit period	Payment method	Principal business activities	Background of supplier
Supplier A	Chemical Intermediates	81,213	4.2%	2017	30 days	Bank transfer and bank acceptance bills	Manufacture and sale of chemical intermediates.	Not listed; principally engaged in chemical trading
Supplier B	Chemical Intermediates	68,516	3.5%	2015	45 days	Bank transfer and bank acceptance bills	Manufacture and sale of chemical intermediates.	Listed in the PRC with revenue of RMB63.9 million in 2025; principally engaged in the manufacture of chemical pharmaceutical raw materials
Jingxin Holding	Packaging materials and others	68,115	3.5%	2016	30 days	Bank transfer and bank acceptance bills	Manufacture and sale of medical packaging materials; sale of specialty chemicals, chemical products and bio-based materials.	Not listed; principally engaged in packaging materials and pharmaceutical excipients
Supplier D	Chemical Intermediates	51,121	2.6%	2007	45 days	Bank transfer and bank acceptance bills	Manufacture and sale of chemical intermediates.	Listed in the PRC with revenue of RMB157.1 million in 2025; principally engaged in the manufacture of chemical pharmaceutical raw materials
Supplier E	Chemical Intermediates	49,080	2.5%	2007	30 days	Bank transfer and bank acceptance bills	Manufacture and sale of chemical intermediates.	Not listed; principally engaged in the manufacture of chemical pharmaceutical raw materials
Total		318,045	16.3%	—	—	—	—	—

Note (1):

Supplier A had historically leased certain office premises from Zhejiang Jinlangbo Pharmaceutical Co., Ltd. (浙江金朗博藥業有限公司), a subsidiary of Jingxin Holding, one of our Controlling Shareholders, from 2017 to 2019 for its daily office and administrative use. The relevant lease was entered into on normal commercial terms and at market rent, without any rent concession or other compensation, and had expired prior to the Track Record Period.

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Year ended December 31, 2024

Supplier	Type of products	Purchase amount RMB'000	Percentage of total purchase	Year of commencement of business relationship	Credit period	Payment method	Principal business activities	Background of supplier
Supplier B	Chemical Intermediates	105,661	4.8%	2015	45 days	Bank transfer and bank acceptance bills	Manufacture and sale of chemical intermediates.	Listed in the PRC with revenue of RMB63.9 million in 2025; principally engaged in the manufacture of chemical pharmaceutical raw materials
Jingxin Holding	Packaging materials and others	85,960	3.9%	2016	30 days	Bank transfer and bank acceptance bills	Manufacture and sale of medical packaging materials; sale of specialty chemicals, chemical products and bio-based materials.	Not listed; principally engaged in packaging materials and pharmaceutical excipients
Supplier A	Chemical Intermediates	65,660	3.0%	2017	30 days	Bank transfer and bank acceptance bills	Manufacture and sale of chemical intermediates.	Not listed; principally engaged in chemical trading
Supplier D	Chemical Intermediates	59,998	2.7%	2007	45 days	Bank transfer and bank acceptance bills	Manufacture and sale of chemical intermediates.	Listed in the PRC with revenue of RMB157.1 million in 2025; principally engaged in the manufacture of chemical pharmaceutical raw materials
Supplier F	LCD screen	54,953	2.6%	2022	30 days	Bank transfer and bank acceptance bills	Manufacture and sale of LCD screens.	Not listed; principally engaged in LCD panel/screen products
Total		372,232	17.0%	—	—	—	—	—

Year ended December 31, 2025

Supplier	Type of products	Purchase amount RMB'000	Percentage of total purchase	Year of commencement of business relationship	Credit period	Payment method	Principal business activities	Background of supplier
Supplier B	Chemical Intermediates	95,769	5.0%	2015	45 days	Bank transfer and bank acceptance bills	Manufacture and sale of chemical intermediates.	Listed in the PRC with revenue of RMB63.9 million in 2025; principally engaged in the manufacture of chemical pharmaceutical raw materials
Jingxin Holding	Packaging materials and others	85,016	4.5%	2016	30 days	Bank transfer and bank acceptance bills	Manufacture and sale of medical packaging materials; sale of specialty chemicals, chemical products and bio-based materials.	Not listed; principally engaged in packaging materials and pharmaceutical excipients
Supplier G	Chemical Intermediates	69,695	3.7%	2011	45 days	Bank transfer and bank acceptance bills	Manufacture and sale of chemical intermediates.	Traded on National Equities Exchange and Quotations; principally engaged in the manufacture of chemical pharmaceutical raw materials
Supplier E	Chemical Intermediates	50,312	2.6%	2007	30 days	Bank transfer and bank acceptance bills	Manufacture and sale of chemical intermediates.	Not listed; principally engaged in the manufacture of chemical pharmaceutical raw materials
Supplier F	LCD screen	48,620	2.6%	2022	30 days	Bank transfer and bank acceptance bills	Manufacture and sale of LCD screens.	Not listed; principally engaged in LCD panel/screen products
Total		349,412	18.4%	—	—	—	—	—

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Six months ended June 30, 2026

Supplier	Type of products	Purchase amount	Percentage of total purchase	Year of commencement of business relationship	Credit period	Payment method	Principal business activities	Background of supplier
		RMB'000						
Supplier B	Chemical Intermediates	77,505	8.0%	2015	45 days	Bank transfer and bank acceptance bill	Manufacture and sale of chemical intermediates	Listed in the PRC with revenue of RMB63.9 million in 2025; principally engaged in the manufacture of chemical pharmaceutical raw materials
Jingxin Holding	Packaging materials and others	31,422	3.2%	2016	30 days	Bank transfer and bank acceptance bill	Manufacture and sale of medical packaging materials; sale of specialty chemicals, chemical products and bio-based materials.	Not listed; principally engaged in packaging materials and pharmaceutical excipients
Supplier H	LCD screen	29,057	3.0%	2011	45 days	Bank transfer and bank acceptance bill	Manufacture and sale of LCD screens.	Not listed; principally engaged in LCD panel/screen products
Supplier F	LCD screen	28,988	3.0%	2022	30 days	Bank transfer and bank acceptance bill	Manufacture and sale of LCD screens.	Not listed; principally engaged in LCD panel/screen products
Supplier E	Chemical Intermediates	26,016	2.7%	2007	45 days	Bank transfer and bank acceptance bill	Manufacture and sale of chemical intermediates.	Not listed; principally engaged in the manufacture of chemical pharmaceutical raw materials
Total		192,988	19.9%	—	—	—	—	—

During the Track Record Period, our purchases from Jingxin Holding, one of our Controlling Shareholders, amounted to RMB68.1 million, RMB86.0 million, RMB85.0 million and RMB31.4 million, respectively, representing 3.5%, 3.9%, 4.5% and 3.2% of our total purchases for the respective periods. Jingxin Holding principally supplied packaging materials and pharmaceutical excipients to us. Such transactions were conducted in the ordinary course of business on normal commercial terms and were priced with reference to prevailing market prices and comparable quotations from Independent Third Parties. Save as disclosed above in respect of Jingxin Holding, to the knowledge of our Directors, none of our Directors and their respective associates, or any shareholder holding more than 5% of our issued share capital, had any interest in any of our top five suppliers of the Track Record Period.

CUSTOMERS

In 2023, 2024, 2025 and the six months ended June 30, 2026, our revenue was primarily derived from the sales of our drugs, APIs and medical equipment. We sell a substantial portion of our products to third-party distributors, who are our direct customers and are responsible for subsequently selling and delivering our products to hospitals, other medical institutions and pharmacies. We generally grant credit terms of 30 to 90 days (or spot payment) to our major customers, and they generally settle with us by bank transfer and bank acceptance bills.

Our revenue from our five largest customers in each period during the Track Record Period, calculated on the group basis, was RMB1,163.2 million, RMB1,394.7 million, RMB1,404.9 million and RMB678.0 million in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively, representing approximately 29.1%, 33.5%, 34.5% and 34.2% of our total revenue for the respective periods. Our revenue from our largest customer in each period during the Track Record Period were RMB606.3 million, RMB661.9 million, RMB684.6 million and RMB340.9 million, respectively, representing approximately 15.2%, 15.9%, 16.8% and 17.2% of our total revenue for the respective periods. The following table sets forth details of our five largest customers for each year/period during the Track Record Period.

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Year ended December 31, 2023

<u>Customers</u>	<u>Revenue amount</u>	<u>Percentage of total revenue</u>	<u>Credit term</u>	<u>Principal business activities/location</u>	<u>Payment method</u>	<u>Year of commencement of business relationship</u>	<u>Background of customer/customer type</u>
	(RMB'000)						
Customer A	606,280	15.2%	30-90 days, spot payment	PRC, Wholesale & retail of pharmaceuticals, domestic and foreign trade order fulfillment, and one-stop services covering procurement, warehousing, distribution and channel sales.	Bank transfer and bank acceptance bills	2007	Not listed; as our distributor
Customer B	187,990	4.7%	30-90 days, spot payment	PRC, Wholesale & retail of pharmaceuticals, domestic and foreign trade order fulfillment, and one-stop services covering procurement, warehousing, distribution and channel sales.	Bank transfer and bank acceptance bills	2017	Listed in Hong Kong with revenue of RMB269.6 billion in 2025; as our distributor
Customer C	127,736	3.2%	30-60 days, spot payment	PRC, Wholesale & retail of pharmaceuticals, domestic and foreign trade order fulfillment, and one-stop services covering procurement, warehousing, distribution and channel sales.	Bank transfer and bank acceptance bills	2010	Listed in the PRC with revenue of RMB21.2 billion in 2025; as our distributor
Customer D	122,434	3.1%	30-90 days, spot payment	PRC, Wholesale & retail of pharmaceuticals, domestic and foreign trade order fulfillment, and one-stop services covering procurement, warehousing, distribution and channel sales.	Bank transfer and bank acceptance bills	2007	Listed in the PRC with revenue of RMB161.4 billion in 2025; as our distributor
Customer E	118,796	2.9%	30-90 days, spot payment	PRC, Wholesale & retail of pharmaceuticals, domestic and foreign trade order fulfillment, and one-stop services covering procurement, warehousing, distribution and channel sales.	Bank transfer and bank acceptance bills	2007	Listed in the PRC with revenue of RMB283.6 billion in 2025; as our distributor
Total	1,163,236	29.1%	—	—	—	—	—

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Year ended December 31, 2024

<u>Customers</u>	<u>Revenue amount</u>	<u>Percentage of total revenue</u>	<u>Credit term</u>	<u>Principal business activities/location</u>	<u>Payment method</u>	<u>Year of commencement of business relationship</u>	<u>Background of customer/customer type</u>
	(RMB'000)						
Customer A	661,931	15.9%	30-90 days, spot payment	PRC, Wholesale & retail of pharmaceuticals, domestic and foreign trade order fulfillment, and one-stop services covering procurement, warehousing, distribution and channel sales.	Bank transfer and bank acceptance bills	2007	Not listed; as our distributor
Customer D	240,312	5.8%	30-90 days, spot payment	PRC, Wholesale & retail of pharmaceuticals, domestic and foreign trade order fulfillment, and one-stop services covering procurement, warehousing, distribution and channel sales.	Bank transfer and bank acceptance bills	2007	Listed in the PRC with revenue of RMB161.4 billion in 2025; as our distributor
Customer B	207,469	5.0%	30-90 days, spot payment	PRC, Wholesale & retail of pharmaceuticals, domestic and foreign trade order fulfillment, and one-stop services covering procurement, warehousing, distribution and channel sales..	Bank transfer and bank acceptance bills	2017	Listed in Hong Kong with revenue of RMB269.6 billion in 2025; as our distributor
Customer F	147,785	3.6%	90 days	UK, wholesale, distribution and manufacturing of pharmaceutical products	Bank transfer	2020	Not listed; as our direct customer
Customer G	137,222	3.2%	30-60 days, spot payment	PRC, Wholesale & retail of pharmaceuticals, domestic and foreign trade order fulfillment, and one-stop services covering procurement, warehousing, distribution and channel sales.	Bank transfer and bank acceptance bills	2017	Not listed; as our distributor
Total	1,394,719	33.5%	—	—	—	—	—

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Year ended December 31, 2025

<u>Customers</u>	<u>Revenue amount</u>	<u>Percentage of total revenue</u>	<u>Credit term</u>	<u>Principal business activities/location</u>	<u>Payment method</u>	<u>Year of commencement of business relationship</u>	<u>Background of customer/customer type</u>
	(RMB'000)						
Customer A	684,624	16.8%	30-90 days, spot payment	PRC, Wholesale & retail of pharmaceuticals, domestic and foreign trade order fulfillment, and one-stop services covering procurement, warehousing, distribution and channel sales.	Bank transfer and bank acceptance bills	2007	Not listed; as our distributor
Customer B	212,209	5.2%	30-90 days, spot payment	PRC, Wholesale & retail of pharmaceuticals, domestic and foreign trade order fulfillment, and one-stop services covering procurement, warehousing, distribution and channel sales.	Bank transfer and bank acceptance bills	2017	Listed in Hong Kong with revenue of RMB269.6 billion in 2025; as our distributor
Customer F	177,659	4.4%	90 days	UK, wholesale, distribution and manufacturing of pharmaceutical products	Bank transfer	2020	Not listed; as our direct customer
Customer D	171,693	4.2%	30-90 days, spot payment	PRC, Wholesale & retail of pharmaceuticals, domestic and foreign trade order fulfillment, and one-stop services covering procurement, warehousing, distribution and channel sales.	Bank transfer and bank acceptance bills	2007	Listed in the PRC with revenue of RMB161.4 billion in 2025; as our distributor
Customer E	158,714	3.9%	30-90 days, spot payment	PRC, Wholesale & retail of pharmaceuticals, domestic and foreign trade order fulfillment, and one-stop services covering procurement, warehousing, distribution and channel sales.	Bank transfer and bank acceptance bills	2007	Listed in the PRC with revenue of RMB283.6 billion in 2025; as our distributor
Total	1,404,899	34.5%	—	—	—	—	—

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Six months ended June 30, 2026

<u>Customers</u>	<u>Revenue amount</u>	<u>Percentage of total revenue</u>	<u>Credit term</u>	<u>Principal business activities/location</u>	<u>Payment method</u>	<u>Year of commencement of business relationship</u>	<u>Background of customer/customer type</u>
	(RMB'000)						
Customer A	340,884	17.2%	30-90 days, spot payment	PRC, Wholesale & retail of pharmaceuticals, domestic and foreign trade order fulfillment, and one-stop services covering procurement, warehousing, distribution and channel sales.	Bank transfer and bank acceptance bills	2007	Not listed; as our distributor
Customer B	110,671	5.6%	30-90 days, spot payment	PRC, Wholesale & retail of pharmaceuticals, domestic and foreign trade order fulfillment, and one-stop services covering procurement, warehousing, distribution and channel sales.	Bank transfer and bank acceptance bills	2017	Listed in Hong Kong with revenue of RMB269.6 billion in 2025; as our distributor
Customer D	86,588	4.4%	30-90 days, spot payment	PRC, Wholesale & retail of pharmaceuticals, domestic and foreign trade order fulfillment, and one-stop services covering procurement, warehousing, distribution and channel sales.	Bank transfer and bank acceptance bills	2007	Listed in the PRC with revenue of RMB161.4 billion in 2025; as our distributor
Customer E	80,128	4.0%	30-90 days, spot payment	PRC, Wholesale & retail of pharmaceuticals, domestic and foreign trade order fulfillment, and one-stop services covering procurement, warehousing, distribution and channel sales.	Bank transfer and bank acceptance bills	2007	Listed in the PRC with revenue of RMB283.6 billion in 2025; as our distributor
Customer H	59,770	3.0%	100 days	PRC, Manufacture of medical devices	Bank transfer and bank acceptance bills	2004	Listed in the PRC with revenue of RMB33.3 billion in 2025; as our direct seller
Total	678,041	34.2%	—	—	—	—	—

To the knowledge of our Directors, as of the Latest Practicable Date, none of our Directors and their respective associates or any of our shareholders holding more than 5% of our issued share capital had any interests in any of our five largest customers in each year during the Track Record Period.

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Overlapping Customers and Suppliers

During the Track Record Period, certain counterparty groups purchased products or services from us and also supplied products or services to us. These overlapping arrangements primarily arose because (i) certain pharmaceutical groups are engaged in multiple business segments, including API manufacturing, generic drug manufacturing, distribution, R&D and technical services, and may therefore have upstream and downstream relationships with us in different business areas; and (ii) certain counterparties purchased our APIs or other products for their own business needs, while also supplying raw materials, packaging materials, pharmaceutical excipients, reagents, consumables or services to us. During the Track Record Period, 14 major counterparty groups acted as both our customers and suppliers (the “**Major Overlapping Counterparties**”).

The following table sets forth the revenue attributable to sales to the Major Overlapping Counterparties, together with purchases from them, for the years and period indicated.

Customer/Supplier	Year/ period	Revenue	% of total revenue	Nature of revenue	Purchases	% of total purchases	Nature of purchases
		(RMB'000)			(RMB'000)		
Customer A	H1 2026	340,883.8	17.2	Sales of	37.1	0.0	Raw materials;
	2025	684,624.4	16.8	pharmaceutical	5,892.7	0.3	testing, technical
	2024	661,930.5	15.9	products	5,075.5	0.2	support and R&D
	2023	606,280.1	15.2		15,007.7	0.8	services
Customer B	H1 2026	110,671.3	5.6	Sales of	303.2	0.0	Raw materials
	2025	212,209.2	5.2	pharmaceutical	9,207.5	0.5	
	2024	207,468.7	5.0	products	15,756.0	0.7	
	2023	187,990.5	4.7		3,944.4	0.2	
Customer D	H1 2026	86,588.5	4.4	Sales of	85.2	0.0	Promotion services
	2025	171,692.7	4.2	pharmaceutical	5.0	0.0	
	2024	240,311.9	5.8	products	—	—	
	2023	122,433.7	3.1		11.7	0.0	
Customer E	H1 2026	80,128.1	4.0	Sales of	79.2	0.0	Raw materials
	2025	158,714.2	3.9	pharmaceutical	75.1	0.0	
	2024	135,297.3	3.2	products	578.4	0.0	
	2023	118,795.8	2.9		—	—	
Customer G	H1 2026	53,854.2	2.7	Sales of	—	—	Reagents and
	2025	100,542.5	2.5	pharmaceutical	6.4	0.0	consumables
	2024	137,222.4	3.2	products	2.5	0.0	
	2023	96,926.1	2.4		46.9	0.0	
Supplier B	H1 2026	174.1	0.0	Sales of raw	77,505.3	8.0	Chemical
	2025	2,444.0	0.1	materials	95,769.3	5.0	intermediates
	2024	2,536.0	0.1		105,660.9	4.8	
	2023	987.6	0.0		68,515.5	3.5	
Jingxin Holding	H1 2026	20,513.7	1.0	Sales of APIs; rental	31,421.9	3.2	Packaging materials
	2025	49,481.2	1.2	income	85,015.6	4.5	and
	2024	39,826.0	1.0		85,960.1	3.9	pharmaceutical
	2023	58.3	0.0		68,115.3	3.5	excipients
Supplier G	H1 2026	966.5	0.0	Sales of raw	6,153.7	0.6	Chemical
	2025	744.5	0.0	materials	69,694.7	3.7	intermediates
	2024	707.5	0.0		48,774.9	2.2	
	2023	1,114.5	0.0		46,250.2	2.4	
Supplier E	H1 2026	—	—	Sales of TCM	26,016.3	2.7	Chemical
	2025	2.8	0.0		50,312.5	2.6	intermediates
	2024	22.7	0.0		51,205.5	2.3	
	2023	—	—		49,079.8	2.5	

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<u>Customer/Supplier</u>	<u>Year/ period</u>	<u>Revenue</u>	<u>% of total revenue</u>	<u>Nature of revenue</u>	<u>Purchases</u>	<u>% of total purchases</u>	<u>Nature of purchases</u>
		<i>(RMB'000)</i>			<i>(RMB'000)</i>		
Supplier K	H1 2026	151.4	0.0	Sales of APIs	7,656.5	0.8	Chemical intermediates
	2025	297.9	0.0		37,652.8	2.0	
	2024	975.0	0.0		47,818.0	2.2	
	2023	1,020.3	0.0		19,690.7	1.0	
Supplier A	H1 2026	—	—	Sales of raw materials	—	—	Chemical intermediates
	2025	—	—		20,600.7	1.1	
	2024	314.3	0.0		65,660.2	3.0	
	2023	—	—		81,212.8	4.2	
Supplier I	H1 2026	8.5	0.0	Sales of TCM	18,094.7	1.9	Chemical intermediates
	2025	14.2	0.0		19,215.5	1.0	
	2024	—	—		48,640.2	2.2	
	2023	—	—		47,158.6	2.4	
Supplier D	H1 2026	—	—	Sales of TCM	679.1	0.1	Chemical intermediates
	2025	—	—		3,298.9	0.2	
	2024	1.3	0.0		59,998.5	2.7	
	2023	—	—		51,121.3	2.6	
Supplier J	H1 2026	—	—	Sales of APIs	14,313.9	1.5	Chemical intermediates
	2025	1,859.5	0.0		9,893.8	0.5	
	2024	471.7	0.0		165.7	0.0	
	2023	—	—		1,026.2	0.1	

Notes:

- (1) “H1 2026” refers to the six months ended June 30, 2026.
- (2) Transactions with the Major Overlapping Counterparties listed above are presented on a counterparty-group basis.
- (3) Percentages are calculated using the Group’s total revenue, for the relevant year or period.
- (4) Jingxin Holding, one of our Controlling Shareholders, was among the Major Overlapping Counterparties. For further details of our transactions with Jingxin Holding and its subsidiaries, see “— Suppliers” and “Connected Transactions.”

The relevant sales and purchase transactions were conducted in the ordinary and usual course of business, on normal commercial terms and on an arm’s length basis. In determining the terms of such transactions, we took into account, among other factors, prevailing market prices, product or service specifications, order volume, delivery requirements, credit terms and the respective business needs of the parties. Our sales to, and purchases from, Major Overlapping Counterparties were not reciprocal in nature, and we did not enter into any arrangement under which a sale was conditional upon a corresponding purchase, or vice versa.

THIRD PARTY PAYMENT ARRANGEMENT

Background

Historically, certain of our customers (individually or collectively, the “**Relevant Customers**”) have, settled amounts due to our Group through bank accounts of third parties payers (such payers, the “**Third-Party Payers**”, and such arrangements, the “**Third-Party Arrangement(s)**”).

The Third-Party Payment Arrangement(s) primarily include settlement by independent third parties of the Relevant Customers. Such arrangements mainly arose where (i) we contracted with a third-party agent or distributor as our Relevant Customers, but the end customer directly remitted the purchase price

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to us; (ii) we contracted directly with an end customer, but a third-party agent designated by such customer remitted the purchase price to us on its behalf; and (iii) we contracted directly with Relevant Customers, but the purchase price was remitted by another company designated within the same group of such Relevant Customers. The Third-Party Payers were generally end customers, agents or other companies designated by the Relevant Customers for settlement, treasury management or administrative convenience purposes. Such payments were made at the request and instruction of the Relevant Customers and were applied towards settlement of the Relevant Customers’ payment obligations to our Group.

The main reasons for the historical Third-Party Payment Arrangements were (i) settlement constraints faced by certain customers in Russia and Belarus, which made it impracticable for them to remit payments directly to us through ordinary cross-border settlement channels; and (ii) administrative convenience and internal settlement arrangements of the Relevant Customers, including where end customers, appointed agents or other companies designated by the Relevant Customers settled payments on their behalf. Save for the Relevant Customers located in Russia, our Directors are not aware of any other jurisdiction in which the Relevant Customers were subject to settlement constraints or practical difficulties in remitting payments directly to our Group.

In 2023, 2024, 2025 and the six months ended June 30, 2026, a total number of 49, 49, 49 and 2 Relevant Customers, respectively, utilized the Third-Party Payment Arrangement(s) to settle payments to us. During the same periods, the aggregate amounts received from Third-Party Payers were RMB19.6 million, RMB25.9 million, RMB35.8 million and RMB0.6 million, respectively, representing approximately 0.5%, 0.6%, 0.9% and 0.03% of our revenue for the respective periods.

During the Track Record Period and up to the Latest Practicable Date, we did not initiate any Third-Party Payment Arrangements and only accepted Third-Party Payments made by Third-Party Payers at the request and instruction of the Relevant Customers. In addition, during the Track Record Period and up to the Latest Practicable Date, we did not provide any discount, commission, rebate or other benefits to any of the Relevant Customers or the Third-Party Payers to facilitate or encourage the Third-Party Payment Arrangements.

As advised by our PRC Legal Advisor: (i) during the Track Record Period, the Third-Party Payment Arrangements of the Group did not contravene mandatory provisions of applicable PRC laws and regulations; (ii) during the Track Record Period, the risk of the Group being required under PRC laws and regulations to refund funds to the Relevant Customers and/or their designated Third-Party Payers solely as a result of the Group’s receipt of payments pursuant to the Third-Party Payment Arrangements is low; (iii) the Third-Party Payment Arrangements had genuine and lawful commercial substance, and the risk of the Group being determined to constitute the crime of money laundering under PRC laws in connection with the Third-Party Payment Arrangements is low; and (iv) during the Track Record Period, the Group did not have any non-compliance in the local financial regulatory domain or the public security domain, we were not found to have participated in any money laundering activities, potentially money laundering-related activities or any related investigations, and we are not aware of any Relevant Customer or Third-Party Payer being subject to any administrative investigation or penalty, or any criminal investigation or penalty, as a result of the Third-Party Payment Arrangements. Based on the foregoing analysis, our PRC Legal Advisor is of the view that the risk of money laundering in relation to our business operations and the Third-Party Payment Arrangement(s) is low. Considering that our revenues generated from these Third-Party Payment Arrangements as a percentage of our total revenues was immaterial, our Directors confirm that the cessation of the Third-Party Payment Arrangements does not have a material adverse impact on our business, financial conditions or results of operations.

According the Frost & Sullivan, it is a common commercial practice for local brands in pharmaceutical industry to settle payments through third-party payors.

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Enhanced Internal Control Measures

In January 2026, we notified all relevant Third-Party Payers that we had ceased accepting Third-Party Payment Arrangements. As of the Latest Practicable Date, all historical Third-Party Payment Arrangements had been fully discontinued, and there were no continuing Third-Party Payment Arrangements.

To safeguard our Group’s interests against risks associated with Third-Party Payment Arrangements, we have implemented enhanced internal control measures, including (i) ceasing acceptance of any new Third-Party Payment Arrangements since January 2026, such that all new orders placed on or after that date are expected to be settled directly from the Relevant Customers own bank accounts, (ii) issuing internal notices and conducting staff training to reinforce identification requirements and the prohibition on accepting Third-Party Payment Arrangements, and (iii) maintaining a receipt-settlement management ledger to record key payment information (including customer and transaction details, payment date and amount, payment method and payer information) to enhance traceability and facilitate periodic review.

Considering (i) the background and extent of the Group’s Third-Party Payment Arrangement; (ii) during the Track Record Period, the aggregate amounts received from Third-Party Payers represented approximately 0.5%, 0.6%, 0.9% and 0.03% of the Group’s revenue, respectively; (iii) as of the Latest Practicable Date, all historical Third-Party Payment Arrangements had been fully discontinued, and there were no continuing Third-Party Payment Arrangements; (iv) the enhanced internal control measures adopted by the Group; (v) the views of PRC Legal Advisers given in respect of Third-Party Payment Arrangement; (vi) the views of Frost & Sullivan that it is a common commercial practice for local brands in pharmaceutical industry to settle payments through third-party payors; and (vii) the view of our Directors in respect of the Third-Party Payment Arrangement, the Sole Sponsor are not aware of anything material to cast doubt on the Directors’ view that the cessation of the Third-Party Payment Arrangements would have any material adverse impact on the Group’s business operations, financial position, or results of operations.

BUSINESS ACTIVITIES WITH CUSTOMERS IN THE RELEVANT REGIONS

Certain countries or organizations, such as the U.S., the European Union, the United Kingdom, the United Nations, Canada and Australia, maintain economic sanctions and trade restrictions targeting certain countries or regions, or industry sectors, companies or individuals within such countries or regions.

During the Track Record Period, we sold our products directly, or indirectly through distributors, to our customers globally. Based on our review on the location of our customers, we have identified over 70 customers located in Belarus, the Democratic Republic of Congo, Ethiopia, Iraq, Lebanon, Myanmar, Russia, Somalia, the United Arab Emirates, and Venezuela (collectively, the “**Relevant Regions**”). Products we sold to the Relevant Regions were mainly generic drugs, API and medical equipment. Such sales amounted to approximately RMB36.6 million in 2023, RMB42.4 million in 2024 and RMB31.1 million in 2025 and RMB4.2 million in the six months ended June 30, 2026, which represented approximately 0.9%, 1.0%, 0.8% and 0.2% of our annual sales revenue during the respective years. As advised by our International Sanctions Legal Advisor, our sales to the Relevant Regions did not constitute Primary Sanctioned Activities or Secondary Sanctionable Activities. This is because our sales with any U.S. nexus (thus triggering the jurisdiction of U.S. primary sanctions) did not involve any Sanctioned Target or Sanctioned Country. Regarding U.S. secondary sanctions, our sales activities involved one supplier and two customers subject to U.S. SDN sanctions targeting Russia. However, General Licenses 6C and 6D authorize transactions related to the production, manufacturing, sale, transport, or provision of medicine, medical equipment, and their replacement parts and components-that would otherwise be prohibited, and the Group’s transactions fall within these authorizations. General licenses are standing authorizations issued by OFAC that permit specific categories of transactions that would otherwise be prohibited under a particular sanctions program, without requiring the parties to apply for individual approval. Our International Sanctions Legal Advisor has further advised that our global sales did not otherwise violate applicable International Sanctions, including those administered by the European Union, the United Kingdom, Australia and Canada, which would not prima facie apply to our business activities due to a lack of sufficient nexus.

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On the basis of the foregoing, we are not required to cease sales to the Relevant Regions and do not have plan to do so. That said, we appreciate the sanctions risks associated with conducting business in the Relevant Regions. We have implemented, and will continue to maintain, enhanced sanctions compliance procedures, including those listed below. We will refrain from entering into any transaction that would involve Sanctioned Targets, Sanctioned Countries or otherwise give rise to material sanctions risk under applicable laws. We expect that any future sales to the Relevant Regions will remain immaterial relative to our overall business.

Moreover, some of our medical equipment products incorporate certain U.S.-origin electronics classified as EAR99, and their manufacturing process also utilize certain U.S.-origin software. That said, we believe our medical equipment products did not violate applicable U.S. export controls. This is because, as advised by our International Sanctions Legal Advisor, that our products sold worldwide (including to the Relevant Regions) do not incorporate more than a de minimis level of controlled U.S. items, nor are they subject to the EAR by virtue of being foreign direct products of controlled U.S. technologies or software.

Taking into account the relatively low transaction amounts from our Group's sales of products to the Relevant Regions and the advice from our International Sanctions Legal Advisor set out above based on the applicable sanctions restrictions and the nature and extent of the Group's procurement of supplies or technologies, our Directors are of the view, that the international sanctions and related trade restrictions should not have any material impact on our business and financial performance.

Our Internal Control Measures to Minimize Sanctions Risk

We have adopted internal policies and procedures setting forth our sanctions and export control compliance framework, which are designed to identify, assess, mitigate and manage sanctions-related risks in our business operations. Our sanctions compliance matters are primarily led by our legal department, with coordination from relevant business departments where appropriate. In particular, our internal control measures include the following:

- **risk-based counterparty screening and ongoing monitoring.** We conduct sanctions screening on relevant customers, suppliers, distributors and other transaction counterparties, including their beneficial owners, controllers and affiliates where applicable, before establishing business relationships or entering into relevant transactions. Such screening is conducted against applicable sanctions lists, including the sanctions lists maintained by the United Nations Security Council and the U.S. Office of Foreign Assets Control, and, where relevant, sanctions lists of other applicable jurisdictions. We also conduct ongoing screening based on updates to applicable sanctions lists;
- **risk assessment and approval procedures.** We assess sanctions and export control risks by reference to factors such as country or region risk, counterparty risk, industry risk and product or technology sensitivity. Transactions involving higher-risk countries, regions, counterparties, industries or items subject to potential export control restrictions are subject to enhanced review and approval procedures;
- **prohibited and restricted transactions.** Our internal policies prohibit us from engaging in transactions with sanctioned persons or entities, or transactions involving restricted items, countries or regions, without appropriate risk assessment and approval. If a counterparty is identified as a sanctioned person or entity, the relevant business relationship or transaction shall be suspended or terminated, and the matter shall be escalated to our legal department for further assessment;
- **reporting, escalation and record-keeping.** We have established internal reporting and escalation mechanisms for potential sanctions and export control compliance issues. Material sanctions-related matters are required to be reported to senior management and, where

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appropriate, the Board. We also maintain relevant screening records, approval records, supporting documents, training records and compliance reports in accordance with our internal record-keeping requirements; and

- **continuous monitoring and enhancement.** We monitor changes in applicable sanctions and export control laws, regulations and policies, and may seek advice from external legal advisers where necessary. We will continue to review and enhance our sanctions and export control compliance measures as our international business operations develop.

Our International Sanctions Legal Advisor has reviewed and evaluated these internal control measures and is of the view that these measures, insofar as they can be strictly implemented by our Group, would be adequate and effective for our Group to comply with the applicable international sanctions laws. Having taken into account the above advice of our International Sanctions Legal Advisor, our Directors are of the view, and the Sole Sponsor concurs, that the above measures will provide a reasonably adequate and effective framework to assist us in identifying and monitoring any material risks relating to international sanctions.

IMPACT OF U.S. TARIFFS

During the Track Record Period, we supplied generic drugs, API and medical equipment directly and indirectly through distributors to the U.S. Our total sales amounted to approximately RMB71.7 million in 2023, RMB83.8 million in 2024, RMB107.3 million in 2025 and RMB62.2 million in the six months ended June 30, 2026, representing 1.8%, 2.0%, 2.6% and 3.1% of the total revenues of the respective years. During the Track Record Period, some of our products sold to the U.S. were exempt from U.S. tariffs while others were subject to the following U.S. tariffs: (1) a 7.5% to 25% tariff imposed under Section 301 of the Trade Act of 1962, (2) a 12.5% tariff imposed under the new Section 301 regime, (3) a 15% to 50% tariff imposed under Section 232 of the Trade Expansion Act of 1962, (4) a 10% to 20% tariff imposed under the IEEPA (between February 2025 and February 2026 only), and (5) a 10% tariff imposed under Section 122 of the Trade Act of 1974 (between April 2026 and July 2026 only). As advised by our International Sanctions Legal Advisor, these U.S. tariff measures have had limited impact on our business, mainly for the following reasons:

1. the Section 301 duties on PRC exports to the U.S. have not materially changed since 2022, and the Group has factored these duties into its business strategy since then;
2. the IEEPA trafficking and reciprocal tariffs were only in force for a short duration and applied to a small proportion (certain medical equipment products) of the Group’s sales to the U.S. The majority of the Group’s products have benefited from exemptions under the IEEPA reciprocal tariffs and the new Section 301 regime;
3. the applicable Section 232 tariffs were also short-lived and applied only to certain types of the Group’s products;
4. the Group has factored tariffs into its commercial strategy for pharmaceutical and API products, by having its customers share or bear entirely the economic burden of tariffs and aligning with customers’ supply chain arrangements; and

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5. the Group did not experience any order cancellations, loss of customers or material margin compression as a result of U.S. tariff policies during the Track Record Period and up to the Latest Practicable Date.

In light of the recent market and regulatory developments, U.S. tariffs applicable to our products and the International Sanctions Legal Advisor’s view above, our Directors are of the view, and the Sole Sponsor concurs, that the applicable U.S. tariffs did not have any material impact on our business and financial performance.

INTRA-GROUP TRANSACTIONS

During the Track Record Period, we engaged in intra-group transactions within our Group. Our intra-group transactions and arrangements between our subsidiary in South Korea and Hong Kong and other members of our Group primarily consisted of transfers of ownership of tangible assets (including finished goods, semi-finished goods, raw materials and certain fixed assets). The aggregate transaction amounts were RMB19.5 million, RMB9.4 million, RMB11.4 million and RMB6.6 million for 2023, 2024, 2025 and the six months ended June 30, 2026, respectively, representing approximately 0.5%, 0.2%, 0.3% and 0.3% of our total revenue for the respective periods.

We engaged an Independent Transfer Pricing Consultant to review under the Transactional Net Margin Method with reference to the OECD Transfer Pricing Guidelines and PRC transfer pricing regulations. The intra-group transactions mainly involved transfers of finished displays, semi-finished goods and raw materials among our PRC, Hong Kong and South Korean subsidiaries. Based on the relevant comparability and economic analyses, the profitability of the tested parties fell within the interquartile range of comparable companies. The Independent Transfer Pricing Consultant is therefore of the view that our transfer pricing arrangements for these intra-group transactions during the Track Record Period were consistent with the arm’s length principle under the OECD Transfer Pricing Guidelines and the PRC transfer pricing regulations, and no transfer pricing adjustment has been made.

COMPETITION

We operate in a highly competitive industry. While we believe that our drug candidates, technology platforms and management team provide us with significant competitive advantages, we face potential competition from many others who are working to develop therapies targeting the same indications. These include multinational specialty pharmaceutical companies, academic institutions, government agencies and research institutions. Any drug candidates that we successfully develop and commercialize will compete with both existing drugs and any new drugs that may become available in the future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We have established an ESG governance structure to ensure that our ESG governance is aligned with our business strategy and that ESG management is integrated into our business operations and decision-making processes.

Our Board assumes overall responsibility for ESG matters and participates in the formulation of our ESG management policies, strategies, priorities and targets. Our Board comprises directors with diverse backgrounds and possesses the appropriate skills, experience, knowledge and perspectives

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required to oversee our Group’s ESG matters. To enhance the oversight of our ESG performance, related matters and potential risks, the Board convenes meetings at least annually to review the materiality of ESG matters, assess ESG-related risks and opportunities, and evaluate performance against our ESG-related targets. The Board is also responsible for ensuring the effectiveness of our risk management and internal control systems and approving the disclosures to be included in our ESG report.

Environmental Matters

We are committed to the principles of “energy conservation and environmental protection”. We have introduced advanced equipment and adopted scientific management experience and management systems, with a view to embedding energy-saving and consumption-reduction measures throughout our production and operational processes, and contributing to the development of a circular economy and green economy. We also seek to integrate environmental sustainability into our business operations and to embed green development across the entire lifecycle of our products, thereby advancing our transition towards greener operations.

During the Track Record Period, fluctuations in our resource consumption and emissions were primarily attributable to the expansion of our operating scale, including the commencement of operation of our Hangzhou headquarters, as well as refinements in our environmental data collection and verification process. In particular, as our operational footprint expanded, our demand for electricity and water increased correspondingly, and our greenhouse gas emissions also increased.

Medical Waste, Pharmaceutical Waste and Human Sample Management

As a pharmaceutical manufacturer, we do not directly conduct clinical trials by ourselves and therefore do not generally generate clinical medical waste in the course of our own operations. In respect of pharmaceutical waste and hazardous waste generated during our production process, we handle such waste in accordance with applicable laws, regulations and internal policies. We have established procedures for the classification, collection, temporary storage, transfer and disposal of pharmaceutical waste and hazardous waste, and engage qualified third-party service providers for compliant disposal. We also maintain traceable records throughout the process in order to reduce environmental and public health risks. With respect to human samples involved in our clinical development activities, the relevant handling and management are generally carried out by external hospitals, clinical trial sites, CROs or other professional institutions in accordance with applicable laws, regulations and clinical trial protocols. We do not independently operate human sample management activities. We have established partner compliance review and oversight mechanisms to monitor, to the extent appropriate, whether our external partners handle human samples in compliance with applicable regulatory and ethical requirements.

Wastewater Discharge

We have implemented wastewater treatment processes and facilities, including rainwater drainage networks, sewage pipelines, cooling water recycling pipeline networks and firefighting water networks. We implement separation of rainwater and sewage, separation among different sewage streams and recycling and reuse of cooling water. For wastewater characteristics that may affect compliant discharge or biochemical treatment, such as heavy metals, high ammonia nitrogen, high phosphorus, high salinity, high toxicity, high temperature or difficult-to-degrade components, we have corresponding pre-treatment facilities and conduct ongoing monitoring.

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Set out below is our wastewater discharge data for the Track Record Period (excluding our overseas subsidiaries):

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
Wastewater discharge compliance rate ⁽¹⁾ (%)	100.0	100.0	100.0	100.0
Pollutant discharge in wastewater (tons)	148.7	155.8	121.6	56.9

Note:

- (1) The wastewater discharge compliance rate is a key environmental statistical indicator used to assess an industrial enterprise’s compliance with wastewater treatment requirements. It is calculated as the percentage of compliant wastewater discharge volume over total wastewater discharge volume.

During the Track Record Period, our wastewater discharge compliance rate remained at 100.0%. Our pollutant discharge in wastewater increased from 148.7 tons in 2023 to 155.8 tons in 2024 and decreased to 121.6 tons in 2025 and decreased to 56.9 tons in the six months ended June 30, 2026. Such fluctuations were primarily attributable to changes in our operating scale and improvements in our data verification and statistical procedures during the Track Record Period. In particular, as we refined our environmental data collection and verification process, the scope and completeness of the relevant data were enhanced, resulting in improved comparability of our pollutant discharge data.

Waste Management

Solid waste from our operations primarily includes discarded inner and outer packaging materials, sludge, domestic waste and waste pharmaceuticals, among which discarded inner packaging materials and waste pharmaceuticals are classified as hazardous waste. We set up temporary hazardous waste storage areas in accordance with regulatory requirements for classified packaging and segregated storage, and engage qualified third-party service providers for lawful disposal. We have implemented a hazardous waste management system, including (i) dedicated temporary storage areas with identification signs, labels and markings, (ii) classified packaging and segregated storage, (iii) designated trained personnel, (iv) record-keeping ledgers and documentation, and (v) ongoing inspection and maintenance. Subject to applicable laws, regulations and technical standards, we also implement technical and administrative measures to reduce hazardous waste generation at source.

Energy Consumption

We have obtained ISO 50001:2018 Energy Management System certification and have developed relevant internal policies and manuals, including the Energy Management System Manual. In 2025, we revised equipment-related economic operation procedures (including for air compressors, chillers and water production systems) and implemented standardized management practices for high energy-consuming equipment at our utilities workshop, including economic operation measures and unified parameter settings. We implement energy-saving measures, including internal communications and training on energy conservation and emission reduction, office digitalization tools (such as ERP and Tencent Meeting) and paper reuse, green commuting and company shuttle buses, and planting greenery and trees.

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Set out below is our energy usage data for the Track Record Period (excluding our overseas subsidiaries):

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
Electricity consumption (MWh)	73,533.5	90,308.4	99,736.2	45,153.0
Electricity consumption intensity (MWh/RMB10,000 of revenue)	0.18	0.22	0.25	0.23

Our electricity consumption increased from 73,533.5 MWh in 2023 to 90,308.4 MWh in 2024, primarily due to the expansion of our production scale. Our electricity consumption further increased to 99,736.2 MWh in 2025, primarily due to the commencement of operation of our Hangzhou headquarters. During the Track Record Period, our electricity consumption intensity was 0.18 MWh, 0.22 MWh, 0.25 MWh and 0.23 MWh per RMB10,000 of revenue in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively.

Water Resources Use

We have established a water resource management system and conducted water balance testing, and have been recognized as a “Zhejiang Provincial Water Saving Benchmark Enterprise”. We comply with relevant PRC laws and regulations (including the Water Law of the PRC, the Metrology Law of the PRC, and the Energy Conservation Law of the PRC) and relevant policy guidance (including the Outline of China’s Water Conservation Technology Policy and the Opinions on Further Strengthening Industrial Water Conservation). We have established a water conservation leading group and internal management policies covering job responsibility mechanisms, periodic meetings, planned water use management, incentives and penalties, inspection and maintenance of water-use equipment, annual water-saving plans and metering management. Our water conservation office assesses implementation, and we have established a digital platform to monitor water intake and usage. We promote water conservation awareness through notices at public water points and internal boards, periodic training and employee activities.

Set out below is our water resources and data for the Track Record Period (excluding our overseas subsidiaries):

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
Water consumption (tons)	899,950.0	1,037,268.0	1,301,207.0	606,513.0
Water consumption intensity (tons/RMB10,000 of revenue)	2.25	2.49	3.20	3.05

Our water consumption increased from 899,950.0 tons in 2023 to 1,037,268.0 tons in 2024, primarily due to the expansion of our production scale. Our water consumption further increased to 1,301,207.0 tons in 2025, primarily due to the commencement of operation of our Hangzhou headquarters and our production expansion. During the Track Record Period, our water consumption intensity was 2.25 tons, 2.49 tons, 3.20 tons and 3.05 tons per RMB10,000 of revenue in 2023, 2024 and 2025 and the six months ended June 30, 2026, respectively.

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Climate Change

We consider climate change as a material ESG topic and have included climate change in the Group’s risk management mechanism and risk inventory. The Board is responsible for identifying, assessing and managing material climate-related risks and opportunities, guiding the formulation and enhancement of climate-related strategies, and overseeing implementation; senior management is responsible for disclosing the results of climate-related risk/opportunity identification, assessing potential business impacts and formulating development plans relating to green production and green operations. Subsidiaries and business units benchmark industry practices and, taking into account operational realities, design climate risk response measures, conduct baseline identification and assessment of climate risks and carry out carbon emissions accounting. Our internal audit function conducts enterprise risk management annually, we prioritize risks based on likelihood and severity, and we may update mitigation and adaptation initiatives as indicators and assessment tools evolve.

Set out below is a summary of the principal climate-related risks and opportunities identified by us, together with our corresponding mitigation measures.

Risk Type	Risk Description	Mitigation Measures
Physical Risks	More frequent and severe extreme weather events (e.g., heatwaves and heavy rainfall) may increase the risk of power shortages, supply chain disruptions and operational interruptions, and may adversely affect workplace safety. These factors could reduce revenue and increase repair and remediation costs.	We maintain emergency response and business continuity plans and procure insurance coverage for our employees and assets. We also seek to enhance preparedness through internal communication and, where necessary, source from alternative suppliers. We will identify and monitor material physical risks and implement preventive measures on a timely basis.
Transition Risks	Evolving climate-related laws, regulations and disclosure requirements (including those applicable to listed companies) may increase compliance costs and capital expenditure and could expose us to higher regulatory, litigation and reputational risks in the event of non-compliance.	We monitor climate-related regulatory developments and emerging trends and keep senior management informed to support timely responses. We will continue to review the effectiveness of our climate-related measures and enhance our resilience to transition risks.
Opportunities	Rising regulatory focus and market expectations on sustainability may increase demand for greener and lower-carbon practices across pharmaceutical R&D, manufacturing and supply chains.	We plan to incorporate climate considerations into our strategy and operations, including energy-efficiency and emission-reduction initiatives, green design principles where applicable, supply chain risk assessment and engagement, and exploration of appropriate green financing options.

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Comparison with Major Industry Peers

To provide additional context for our ESG performance, we compared certain environmental metrics with those disclosed by selected comparable companies in the PRC pharmaceutical industry. Based on publicly available disclosures of such comparable companies, greenhouse gas emission intensity ranged from approximately 0.10 to 0.15 tons of CO₂e per RMB10,000 of revenue, and water consumption intensity ranged from approximately 1.72 to 6.39 tons per RMB10,000 of revenue. In respect of electricity consumption intensity, the comparable company that disclosed such metric reported approximately 0.24 MWh per RMB10,000 of revenue. Our corresponding environmental metrics were within or broadly comparable to such disclosed ranges and metrics, and our wastewater discharge compliance rate remained at 100.0% throughout the Track Record Period.

Climate-related Capital Expenditure and Investment

In order to enhance our resilience to climate-related risks and capture climate-related opportunities, we have incurred and plan to incur certain climate-related capital expenditure and investment. In particular, we plan to invest approximately RMB1.2 million in the construction and deployment of supporting energy storage systems, which are intended to help stabilize photovoltaic power generation, optimize peak and off-peak electricity usage and mitigate power supply risks during periods of extreme weather or summer power shortages. In addition, in 2025, we incurred approximately RMB2.5 million for property insurance covering losses to production facilities caused by extreme weather events.

Metrics and Targets

We have assessed our environmental performance in relation to greenhouse gas (GHG) emissions to quantify our management of environmental and social risks. Our GHG emissions include Scope 1 and Scope 2 emissions. Scope 1 refers to direct emissions from fuel combustion by vehicles and Scope 2 refers to indirect emissions from purchased electricity. We also focus on emissions in Scope 3. We plan to initiate the assessment of our Scope 3 greenhouse gas emissions, and plan to complete the data collection of Scope 3 for 2026.

Set out below is our greenhouse gas emissions data for the Track Record Period (excluding our overseas subsidiaries):

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
Scope 1 greenhouse gas emissions (tons of CO ₂ e)	611.1	630.7	1,115.0	426.2
Scope 2 greenhouse gas emissions (tons of CO ₂ e)	93,809.0	90,490.5	96,069.1	59,463.0
Total greenhouse gas emissions (tons of CO ₂ e)	94,420.1	91,121.2	97,184.1	59,889.1
Greenhouse gas emission intensity (tons of CO ₂ e/RMB10,000 of revenue)	0.24	0.22	0.24	0.30

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Our Scope 1 greenhouse gas emissions increased from 611.1 tons of CO₂e in 2023 to 630.7 tons of CO₂e in 2024 and further to 1,115.0 tons of CO₂e in 2025, primarily due to increased fuel consumption associated with the expansion of our operations. Our Scope 2 greenhouse gas emissions decreased from 93,809.0 tons of CO₂e in 2023 to 90,490.5 tons of CO₂e in 2024 and further to 96,069.1 tons of CO₂e in 2025, primarily due to increased electricity consumed in line with our operation expansion. During the Track Record Period, our total greenhouse gas emission intensity was approximately 0.24, 0.22, 0.24 tons and 0.30 tons of CO₂e per RMB10,000 of revenue in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively.

Using 2023 as the baseline year, we have established quantitative environmental targets for the period from 2023 to 2030 in relation to greenhouse gas emissions, energy efficiency, water use and waste management. We plan to review progress against these targets on an ongoing basis and disclose relevant progress in our annual ESG reports.

Area	Target	Timeframe	Key Measures
Greenhouse gas emissions	Reduce Scope 1 and Scope 2 greenhouse gas emission intensity by 1% year-on-year using 2023 as the baseline	2023–2030	energy-saving technological upgrades, expansion of green electricity usage where appropriate, process optimization
Energy use	Reduce comprehensive unit energy consumption by 1% year-on-year using 2023 as the baseline	2023–2030	replacement of high energy-consuming equipment, use of high-efficiency units, strengthened energy management
Water use	Continue to improve water use efficiency and reduce water consumption intensity	2023–2030	reclaimed water reuse, process water-saving measures, pipeline leakage management
Waste management	Maintain 100% compliant disposal of hazardous waste	Ongoing	standardized storage, classified collection, qualified third-party disposal, traceable records

We believe these targets are achievable because they are supported by specific implementation measures, including (i) energy-saving technological upgrades and replacement of high energy-consuming equipment, (ii) optimization of production process parameters, (iii) enhancement of reclaimed water reuse and water-saving management, and (iv) continued implementation of waste classification, recycling and compliant disposal measures. Our Directors, senior management and ESG working group oversee the implementation of these targets and review progress on a regular basis.

Social Matters

We place strong emphasis on the contributions and dedication of our employees to the sustainable development of our business. We have established employee management policies covering recruitment, compensation, promotion, working hours, rest periods, remuneration, diversity and equal opportunities. As an equal opportunity employer, we are committed to fostering a diverse and inclusive workplace and maintaining a harassment-free and non-discriminatory environment. We strictly comply with relevant PRC laws and regulations, including the Labour Law of the PRC and the Labour Contract Law of the PRC.

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Health and Safety

We adhere to a talent philosophy of “creating value together and growing together”, treat safe production as a core task, and strictly implement safety arrangements at all levels. We comply with the Work Safety Law of the PRC and other applicable regulations relating to hazard inspections and the management of hazardous chemicals, with a view to safeguarding employee health and safety. We have established equipment operation procedures to mitigate site safety incidents. Employees are required to complete and pass three levels of safety training before commencing work, and those who fail must undergo supplementary training until they pass. We display occupational hazard warning signs in the workplace, provide labour protection supplies free of charge, and require proper use. We conduct regular testing of occupational hazard workplaces, issue testing/evaluation reports, disclose relevant information to employees and complete required filings. Employees engaging in relevant work must be certified. We conduct occupational health examinations before, during and after employment, establish health records and track employee health status.

Supply Chain Management

We have established supplier management policies and procedures. When onboarding new suppliers, we conduct comprehensive assessments of factors including supply assurance, quality assurance and corporate social responsibility assurance. We have developed questionnaires and assessment forms tailored to different categories of suppliers, such as due diligence forms, site inspection forms, CSR assessment forms and audit forms, and implement processes including documentation review, sample testing and regulatory filing/recording with the relevant drug regulatory authority. Prior to onboarding, we enter into agreements with suppliers, including a supply agreement, quality agreement and integrity agreement.

We conduct annual performance evaluations of qualified suppliers based on quality, delivery, service and CSR factors. We freeze or eliminate suppliers with low scores and provide incentives to suppliers with high scores. We have also established procurement risk management policies to manage risks across multiple supply chain dimensions, including supplier performance risk and risks relating to safety and environmental protection, employee welfare, intellectual property, business compliance, antitrust, and sub-supplier management.

Intellectual Property

We attach great importance to the protection of intellectual property and strictly comply with applicable laws and regulations. We seek to enhance the management of intellectual property, including patents, copyrights and trademarks, to safeguard our lawful rights and interests while fully respecting the rights of others.

Anti-corruption

We comply with relevant PRC laws and regulations (including the Tendering and Bidding Law of the PRC and the Anti-Unfair Competition Law of the PRC) and maintain policies to prevent corruption, unfair competition and commercial bribery. We prohibit practices such as price collusion, bid manipulation and predatory pricing, and reinforce compliance awareness through internal policies and training. We have reporting channels, including email, hotline and online platform, maintain confidentiality of whistleblowers and follow investigation procedures for valid reports in accordance with principles of impartiality, fairness and legality. We adopt a zero-tolerance approach to corruption, bribery and other misconduct. In our external cooperation, our contracts with suppliers, distributors and other third-party business partners generally contain compliance clauses prohibiting bribery and other improper payments or benefits. Internally, we require our employees and management personnel to sign integrity and compliance undertakings, and we provide anti-corruption and anti-bribery training from time to time. We have also established accountability mechanisms to facilitate the reporting,

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investigation and handling of suspected non-compliance. We have established a Compliance Committee to coordinate and oversee our compliance management system, including the implementation of anti-corruption and anti-bribery measures, the review of relevant compliance matters, and the handling of major compliance risks where appropriate. Our Compliance Committee oversees the implementation of these measures and conducts compliance review of relevant counterparties where appropriate.

EMPLOYEES

As of June 30, 2026, we had a total of 3,676 full-time employees in China. The following table sets forth a breakdown of our employees by function:

Function	Number
Production	1,446
Sales and Marketing	567
Technology	931
Finance	64
Administrative staff	290
Management personnel	272
Support staff	106
Total	3,676

Social Insurance and Housing Provident Fund Contributions

Under the PRC Social Insurance Law (《中華人民共和國社會保險法》) and other applicable regulations, we are required to participate in statutory social insurance schemes for our employees. Under the Administrative Regulations on Housing Provident Funds (《住房公積金管理條例》), we are required to make housing provident fund contributions for our employees. In addition, pursuant to the urgent notice issued by the Ministry of Human Resources and Social Security on September 21, 2018 regarding stabilizing the collection of social insurance contributions (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》), local authorities responsible for social insurance collection are prohibited from organizing one-off centralized collection of enterprises’ historical underpaid social insurance contributions. Further, pursuant to the Interpretation (II) of the Supreme People’s Court on Certain Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (effective September 1, 2025) (the “**New Judicial Interpretation**”), any agreement or undertaking between an employer and an employee that social insurance contributions are not required is invalid, and where an employer fails to make social insurance contributions in accordance with law and an employee seeks to terminate the labor contract and obtain economic compensation under Article 38(3) of the PRC Labor Contract Law, the PRC courts shall support such claim. Our PRC Legal Advisor have advised that, as the New Judicial Interpretation does not repeal the currently effective PRC social insurance laws and regulations, the related risks and the potential impact on our business and financial performance are relatively limited.

During the Track Record Period, we did not make full social insurance and housing provident fund contributions for certain employees as required under applicable PRC laws and regulations, primarily due to a combination of the following factors. For certain employees, such employees voluntarily opted not to participate in the statutory social insurance and housing provident fund schemes. In addition, for certain employees, the contribution bases for social insurance and housing provident fund contributions were reference to the minimum contribution bases published by the competent local authorities, rather than the employees’ actual wage levels. In certain cases, these factors resulted in contributions for our employees not being made in full during the relevant periods. The aggregate shortfall in our

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social insurance contributions and housing provident fund contributions amounted to RMB18.8 million, RMB6.0 million, RMB6.3 million and RMB3.4 million in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively.

As advised by our PRC Legal Advisor, if the relevant social insurance authorities determine that we and our subsidiaries failed to pay social insurance contributions in full in accordance with applicable PRC laws and regulations, such authorities may order us and our subsidiaries to pay the outstanding social insurance contributions within a prescribed period. We may also be required to pay a late payment surcharge at a daily rate of 0.05% on the outstanding amount from the date of default. If payment is not made within the prescribed period, the competent authority may further impose a fine of one to three times the overdue amount. If the relevant housing provident fund authorities determine that the Company and its subsidiaries failed to make full housing provident fund contributions in accordance with applicable PRC laws and regulations, such authorities may order the arrears to be paid within a prescribed period.

During the Track Record Period and up to the Latest Practicable Date, we had not received any written warning notices from the relevant government authorities, nor had we been subject to any administrative penalties or other disciplinary actions, in each case in relation to the historical shortfalls in our social insurance contributions and housing provident fund contributions. We had also not received any written notice from relevant competent government authorities regarding any claim for inadequate contributions by our current or former employees, nor any notifications requiring us to pay the shortfalls, and we were not aware of any material employee complaints or claims in this regard.

To rectify and strengthen our compliance with relevant laws and regulations in respect of social insurance and housing provident fund contributions, we have adopted the following corrective measures: (i) we have designated our human resources department to supervise the declaration and payment of social insurance and housing provident fund contributions; (ii) we will consult our PRC legal advisers on a regular basis to obtain advice on relevant PRC laws and regulations so as to keep abreast of regulatory developments; and (iii) we will actively communicate with local social insurance and housing provident fund authorities to stay updated on applicable requirements.

Considering that (i) we have obtained confirmations from the relevant competent government authorities, conducted interviews or telephone consultations with such authorities, confirming that no administrative penalty was imposed on us in relation to our social insurance and housing provident fund contributions during the Track Record Period, (ii) during the Track Record Period and up to the Latest Practicable Date, we had not received any administrative penalty in relation to social insurance and housing provident fund contributions, (iii) we were not aware of any material employee complaints or claims with respect to inadequate social insurance and/or housing provident fund contributions and (iv) we undertake that, in the event that competent government authorities require us to make supplementary contributions, late fees or other remedial payments within a stipulated time period, we will duly comply in a timely manner, our PRC Legal Advisor is of the view that, assuming there is no material change in the applicable policies, regulations and local enforcement or supervisory practices, and in the absence of large-scale employee complaints, reports or related litigation or arbitration, the likelihood of us being required by the competent authorities to make a one-off consolidated settlement of any historical shortfalls in social insurance and housing provident fund contributions is remote. As a result, we did not make any provisions in connection with the foregoing during the Track Record Period.

To monitor our compliance with relevant laws and regulations in respect of social insurance and housing provident fund contributions, we have taken the following internal control measures:

- we have designated our human resources department to review and monitor the reporting and contributions of social insurance and housing provident funds; and

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- we will consult our PRC Legal Advisor on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant PRC laws and regulatory developments, including but not limited to PRC laws and regulations in relation to social insurance and housing provident funds, and will provide relevant employees with legal compliance trainings relating to the same.

During the Track Record Period and up to the Latest Practicable Date, there were no material strikes which had an adverse impact on our operation and no material disputes between the Group and our employees.

AWARDS AND RECOGNITION

Throughout our corporate history, we have received a number of major awards and accolades. The table sets forth a summary of the major awards and recognition we received as of June 30, 2026:

Year	Awards/Recognitions	Awarding Entity
2025	Provincial-Level Industrial Internet Platform (省級工業互聯網平台)	Department of Economy and Information Technology of Zhejiang Province
2025	Leading Enterprise of Private Economy Headquarters in Zhejiang Province (浙江省民營經濟總部領軍企業)	Department of Economy and Information Technology of Zhejiang Province
2025	Zhejiang Provincial Digital Workshop (浙江省數字化車間)	Department of Economy and Information Technology of Zhejiang Province
2023	First Prize, Zhejiang Province Intellectual Property Award (浙江省知識產權獎專利獎一等獎)	Zhejiang Provincial People’s Government
2023	National Green Factory (國家級綠色工廠)	Ministry of Industry and Information Technology of the People’s Republic of China
2020	National Technology Innovation Demonstration Enterprise (國家技術創新示範企業)	Ministry of Industry and Information Technology of the People’s Republic of China

INTELLECTUAL PROPERTY

We have a global portfolio of invention patents to protect our drug candidates and technologies. As of June 30, 2026, we owned (i) 298 issued patents, including 284 issued patents in China, three issued patents in the U.S., and 11 issued patents in other jurisdictions, and (ii) 86 patent applications, including 65 patent applications in China, two patent applications in the U.S., and 4 patent application under the Patent Cooperation Treaty (PCT) and 15 patent applications in other jurisdictions. Certain material patents relating to Dimdazenil were originally derived from our collaboration with Evotec and are currently owned by us following the December 2024 patent purchase arrangement with Evotec.

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The following table summarizes the details of the material granted patents and patent applications in connection with our innovative drug candidates.

Name of Patent	Type of Patent	Registration/ Application Number	Owner/ Applicant	Status	Related Product	Application Date	Expiration Date	Jurisdiction
Treatment of Sleep Disorders	Invention	CN2008801123162	the Company	Granted	Dimdazenil	2008-08-19	2028-08-19	China
Treatment of Sleep Disorders	Invention	EP2008785624	the Company	Granted	Dimdazenil	2008-08-19	2028-08-19	Germany, France and the United Kingdom
Treatment of Sleep Disorders	Invention	JP2010521352	the Company	Granted	Dimdazenil	2008-08-19	2028-08-19	Japan
Treatment of Sleep Disorders	Invention	RU2010110560	the Company	Granted	Dimdazenil	2008-08-19	2028-08-19	Russian Federation
Treatment of Sleep Disorders	Invention	US14/244085	the Company	Granted	Dimdazenil	2014-04-03	2028-08-19	United States
Treatment of Sleep Disorders	Invention	CA2696703	the Company	Granted	Dimdazenil	2008-08-19	2028-08-19	Canada
Treatment of Sleep Disorders	Invention	HK10111353	the Company	Granted	Dimdazenil	2008-08-19	2028-08-19	Hong Kong, China
Treatment of Sleep Disorders	Invention	KR1020107003698	the Company	Granted	Dimdazenil	2008-08-19	2028-08-19	South Korea
Solid-State Form of a Benzodiazepine Compound, and Preparation Method and Use Thereof	Invention	CN2017105001697	the Company	Granted	Dimdazenil	2017-06-27	2037-06-27	China
Stable Oral Pharmaceutical Composition, and Preparation Method Thereof	Invention	CN2017102646356	the Company	Granted	Dimdazenil	2017-04-21	2037-04-21	China
Enteric-Coated Formulation of Periplaneta americana Extract, and Preparation Method Thereof	Invention	CN2018116244150	the Company	Granted	JX6001	2018-12-28	2038-12-28	China

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any proceedings in respect of our intellectual property rights, and we had not received notice of any claims of infringement of any intellectual property rights that may be threatened or pending in which we may be a claimant or a respondent.

DATA PRIVACY AND PROTECTION

We attach great importance to data privacy and information security. We have established a data compliance and security management framework and implement internal policies and procedures to safeguard personal information and other data processed in the course of our operations, in accordance with applicable PRC laws and regulations, including the PRC Cybersecurity Law, the PRC Data Security Law and the PRC Personal Information Protection Law, as well as related implementing rules and standards.

During the Track Record Period and up to the Latest Practicable Date, we had performed the requisite notification obligations and obtained all necessary consents where required, or otherwise relied on other lawful bases permitted under applicable PRC laws and regulations, for the collection and processing of data, including personal information. In particular, such consents were obtained from (i) our employees and job candidates through labor contracts and recruitment/onboarding documents, supplemented by internal policies and training, including separate consent for sensitive personal information; (ii) users of our self-operated online channels through user agreements and privacy policies; and (iii) counterparties through contractual arrangements requiring them to ensure a lawful basis for the provision of personal information. In connection with clinical trials, informed consent is obtained directly from trial subjects by the relevant clinical trial institutions, and we generally process only anonymized or de-identified clinical trial data.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material data leakage or loss, infringement of data or personal information, or material information security incident, and we had not received any notice of investigation from, or been subject to any administrative penalty by, any regulatory authority in relation to data security, cybersecurity or personal

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information protection, nor were we involved in any related litigation, arbitration or claims. As advised by our Data Privacy Legal Advisor, after conducting verification under applicable PRC laws and regulations relating to cybersecurity, data security and personal information protection, including the PRC Cybersecurity Law, the PRC Data Security Law and the PRC Personal Information Protection Law, we had, in all material respects, complied with the relevant data privacy and security laws and regulations during the Track Record Period and up to the Latest Practicable Date.

Internet information services. We are primarily engaged in traditional pharmaceutical research and development, manufacturing and sales, and does not provide internet information content or platform services to the general public. Accordingly, we are not subject to the Administrative Measures for Internet Information Services (《互聯網信息服務管理辦法》) or related licensing or permit requirements, and its business does not involve foreign investment access restrictions applicable to internet information services. Our data processing activities are conducted mainly for internal operations and ordinary course business dealings and do not constitute “internet information services” under applicable PRC laws and regulations.

Scope of personal information processing. Based on our business model and operating processes, we primarily process personal information relating to (i) our employees and other personnel engaged by the Group, and (ii) business contact information of counterparties (such as customers, suppliers and project contacts at hospitals, CROs and other service providers) for business communication, supplier/customer management and contract performance. Our personal information processing scenarios are relatively limited and the processing scale is commensurate with our business operations.

Clinical trials and patient data. In connection with our clinical trials, personal information and health-related information of trial subjects are collected and processed by the relevant clinical trial institutions in accordance with applicable laws and regulations and the informed consent form. We do not directly collect or hold trial subjects’ directly identifiable personal information in the ordinary course; instead, we generally receive and process de-identified clinical data for trial management, analysis and regulatory submission purposes. We require relevant external parties engaged in clinical trials (including clinical trial institutions and service providers) to comply with applicable confidentiality and data protection requirements.

Data governance, technical and organizational measures. We have adopted internal systems and measures covering, among others, data security management rules and operating procedures, confidentiality and information security management, access control, backup and recovery, and security incident management. Our core systems are primarily deployed locally, and relevant data is mainly stored in our self-built data centre. We implement, among other things, automated encryption of files containing personal information at rest, role-based access control based on the principle of least privilege, logging and audit trails for key actions, and prior approval controls for sensitive access, download and transmission activities.

PROPERTIES

Our headquarter office is located in Zhejiang, China. We own and lease properties in China and South Korea.

As of the Latest Practicable Date, we owned the land use rights of 42 parcels of land in the PRC with an aggregate site area of approximately 1,325,134 sq.m. and owned 107 buildings in the PRC with a total gross floor area of approximately 477,629 sq.m. Such land parcels and buildings are primarily used for production, research and development, office operations, warehousing, employee dormitories, ancillary commercial services and other purposes. As of the Latest Practicable Date, save for leases between us and our subsidiaries and leases of car parking spaces, we leased seven properties in mainland

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China with an aggregate gross floor area of approximately 42,722 sq.m., which were primarily used for office, production, research and development and staff dormitory purposes. We also leased one property in South Korea for our medical equipment business.

We occupy certain properties in the PRC in connection with our business operation. According to section 6(2) of the Companies (Exemption of Companies and Documentes from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our interests in land or buildings, for the reason that, as of the date of the most recent audited combined balance sheet of our Group, none of the properties owned and leased by us had a carrying amount of 15% or more of our combined total assets. In addition, the carrying amount of each property interest held for rental purposes was below 1% of our combined total assets, and the total carrying amount of all such property interests not valued did not exceed 10% of our combined total assets.

Defects in our Owned Buildings

As of the Latest Practicable Date, our Group had not obtained the building ownership certificates for 12 of our owned buildings, which are all based on our self-owned land, with an aggregated gross floor area of approximately 182,436 sq.m. in the PRC. Among these 12 buildings, one facility had ceased production and we had not yet determined its future use, and the building ownership certificate for another property had not been obtained because the relevant project developer had not completed the initial registration and unit subdivision procedures for the relevant project. Except for these two properties, the remaining ten buildings are used primarily for production, research and development, office operations and staff accommodation.

We were in the process of obtaining relevant building ownership certificates as of the Latest Practicable Date. These properties are used as production, research and development, office operations and employee dormitories. The failure to obtain the relevant building ownership certificates was primarily attributable to the following reasons: (i) incomplete historical construction and acceptance documents: certain buildings were constructed and completed in earlier years. Due to historical project handover and document-retention issues, certain original supporting documents or archived copies relating to the construction completion and acceptance process were not fully retained, (ii) certain buildings span multiple land parcels and/or involve parcels with different remaining land-use terms: under current real estate registration practice, the building ownership registration must be consistent with the underlying land registration records. As such, some of the relevant building ownership certificates cannot currently be obtained until we complete the required land-parcel consolidation, boundary adjustment or alignment of land-use terms with the competent authorities; and (iii) developer-related registration procedures: in respect of one property, the relevant project developer has not yet completed the initial registration and unit subdivision procedures for the relevant project.

We have formulated and are implementing a rectification plan to address the foregoing title-registration issues. In relation to the absence of certain construction project completion and acceptance certificates, fire safety acceptance and planning verification documents, we have engaged third-party professional institutions to conduct site inspections, surveying, verification and other technical work, and are liaising with the relevant local authorities to complete rectification procedures or obtain substitute documents under current policies. In relation to properties spanning multiple land parcels and/or involving parcels with different remaining land-use terms, we are conducting a dedicated title-registration review and liaising with the relevant natural resources authorities to complete land-parcel consolidation, boundary adjustment, land-use term alignment and/or other registration procedures, generally by aligning the registration term to the shortest remaining land-use term or adopting such other solution as may be approved by the competent authorities.

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Subject to the review and approval procedures of the competent authorities, we expect to complete the rectification procedures and obtain the building ownership certificates for the remaining ten buildings by December 31, 2027. The facility which had ceased production is not currently used in our production and operations, and we will determine the appropriate rectification arrangement for such facility after determining its future use. We will not resume production at such facility unless the relevant title-registration issue has been rectified or the competent authorities have confirmed that such use is permitted.

To prevent recurrence of similar issues, we have strengthened our internal controls by (i) requiring our legal department and relevant business units to verify the completeness of land title documents, construction project planning permits, completion acceptance filing documents, fire safety acceptance inspection documents and planning verification documents before commencing any new property acquisition or self-construction project, and (ii) establishing a dedicated property title file management system to track missing historical documents and rectification progress and report regularly to management.

We have communicated with the relevant competent governmental authorities which confirmed that during the Track Record Period, no material administrative action, fine or penalty had been imposed by the relevant regulatory authorities with respect to the failure to obtain the building ownership certificates. Our PRC Legal Advisor is of the view that the relevant government authorities are competent to provide such confirmation. We have obtained confirmations from the competent authorities confirming that such buildings do not constitute illegal constructions and that no compulsory demolition or other administrative penalties will be imposed in respect thereof. Based on the above, our PRC Legal Advisor is of the view that any failure to obtain such building ownership certificates will not have a material adverse effect on our production and operations.

Defects in our Leased Buildings

According to applicable PRC administrative regulations, both the lessor and the lessee of a lease agreement are required to file the lease agreement with the relevant government authorities. As of the Latest Practicable Date, our Group had not filed our lease agreements for 41 buildings we leased with the local housing administration authorities as required under PRC laws and regulations. We were unable to file these lease agreements as we have yet obtained the necessary documentation for lease registration. As advised by our PRC Legal Advisor, the absence of registration will not affect the validity of the lease agreements, nor materially and adversely affect the operations of our Group, but we may be subject to a potential total exposure to fines of RMB770,000 for those unregistered lease agreement if required by the relevant competent authorities.

As of the Latest Practicable Date, there were defects in some of our leased buildings. As of the same date, the ownership certificates or other similar proof for 3 of our Group leased buildings (representing approximately 2.9% of our owned and leased buildings in terms of gross floor area) had not been provided to us by the relevant lessors. These leased buildings were mainly used as factory buildings, production, research and development and office use. As advised by our PRC Legal Advisor, if these lessors are not the owners of the buildings and they have not obtained consent or approval for sub-lease from the owners or their lessors, or permits from the relevant governmental authorities, our leases could be terminated and we may be required to relocate, in which case we will be entitled to demand the relevant lessor return prepaid rent and indemnify us for damages caused by the title defect. In the event that relocation becomes necessary, we believe we can promptly find suitable alternative buildings for relocation under comparable terms, without incurring significant additional costs, considering the nature and respective size of use of these leased buildings.

Our Directors are of the view that the defects relating to our self-owned and leased properties did not and will not have a material adverse effect on our business, financial condition, results of operations or production and operations, taking into account that the relevant self-owned properties are built on

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land owned by us, with the requisite planning and construction permits, and have been confirmed by the competent authorities not to constitute illegal constructions or be subject to compulsory demolition or material administrative penalties.

INSURANCE

We maintain insurance policies that we consider to be in line with market practice and adequate for our business to safeguard against risks and unexpected events in China. Our insurance coverage comprises personnel-related policies such as pension, medical, work-related injury, maternity, and unemployment insurance. We have also secured comprehensive property insurance to cover losses arising from natural or other disasters affecting our manufacturing facilities or other assets. For each clinical trial, we have purchased clinical trial liability insurance to ensure comprehensive protection for the safety and legal rights of trial participants.

We do not maintain product liability insurance for our marketed products. During the Track Record Period and up to the Latest Practicable Date, we did not make any material insurance claims in respect of product liability. We believe our existing insurance coverage is adequate for our present operations and is generally in line with industry practice in China.

LICENSES, PERMITS AND APPROVALS

We are required to obtain a number of licenses, permits, approvals and certificates for our business in PRC. As advised by our PRC Legal Advisor, we had duly obtained the requisite licenses, permits, approvals and certificates from applicable authorities which are material to our operations, and such licenses, permits, approvals and certificates are valid and subsisting as of the Latest Practicable Date.

The table below sets forth the relevant details of the material licenses, approvals and permits we hold for our operations.

<u>License/ Permit</u>	<u>Holder</u>	<u>License Name</u>	<u>Issuing Authority</u>	<u>License Number</u>	<u>Expiration Date</u>
1	Zhejiang Jingxin Pharmaceutical Co., Ltd.	Pharmaceutical Manufacturing License	Zhejiang Provincial Medical Products Administration	Zhe 20000213	11-Dec-29
2	Zhejiang Jingxin Medical Co., Ltd.	Drug Business License	Zhejiang Provincial Medical Products Administration	Zhe AA575000020	24-Oct-27
3	Shenzhen Beacon Display Technology Co., Ltd.	Medical Equipment Business License	Shenzhen Municipal Market Supervision Administration	Yue Shen Shi Yao Jian Xie Jing Ying Xu 20201015	9-Dec-30
4	Shenyang TORCH- BIGTIDE DIGITAL Technology Co., Ltd.	Import and Export Consignee/Consignor Registration	General Administration of Customs of the PRC	2101911150	Long-term
5	Zhejiang Jingxin Pharmaceutical Import & Export Co., Ltd.	Customs Registration Certificate for Declarant Entity	Shaoxing Customs (Xinsheng Office), PRC Customs	3306967367	Long-term

We renew the licenses, permits, approvals and certificates from time to time to comply with the relevant laws and regulations. As advised by our PRC Legal Advisor, there is no material legal impediment to renewing our licenses, permits, approvals and certificates required for our operations.

BUSINESS

LEGAL PROCEEDINGS AND COMPLIANCE

As advised by our PRC Legal Advisor and South Korean Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, our Group had not been involved in any material non-compliance with the relevant laws and regulations applicable to our business operations in their respective jurisdictions, and had complied in all material respects with such laws and regulations. Based on the foregoing, our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had not been involved in any material non-compliance incidents and had complied in all material respects with the relevant laws and regulations applicable to our business operations.

In December 2024, the relevant tax authority imposed an administrative fine of RMB0.8 million on us. The fine primarily related to (i) underpayment of enterprise income tax of approximately RMB1.0 million, as certain expenses included in our R&D expenses for 2023 were subsequently determined not to be related to R&D activities; and (ii) our failure to withhold individual income tax of approximately RMB0.4 million in aggregate in 2021 and 2023. In 2024, we recorded an under-provision of tax in prior years of RMB13.4 million, mainly comprising supplementary enterprise income tax of approximately RMB10.8 million for 2021 to 2023, prior-year final settlement adjustments of approximately RMB1.6 million and the enterprise income tax underpayment of approximately RMB1.0 million referred to above. We also recorded tax surcharges of RMB3.3 million in 2024, mainly comprising the above administrative fine of approximately RMB0.8 million and late payment fees of approximately RMB2.5 million. Save as disclosed above, as confirmed by our PRC Legal Advisor, (i) no administrative penalties had been imposed on the Group by the competent tax authorities and (ii) the Group has duly completed tax registration and its applicable taxes and tax rates comply with the relevant PRC laws and regulations, during the Track Record Period and up to the Latest Practicable Date. Accordingly, our PRC Legal Advisor is of the view that the Group has complied with all applicable tax laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date, and our Directors are of the view that we had complied, in all material respects, with applicable tax laws and regulations during the same period. Taking into account that (i) the aforementioned tax non-compliance incident was isolated and one-off in nature; (ii) the amount of the administrative fine imposed was immaterial to the Company’s operations; and (iii) the incident did not involve any fraud, dishonesty, or wilful misconduct or negligence on the part of the Directors, the PRC Legal Advisor is of the view, and the Sole Sponsor concurs, that the incident does not give rise to any material adverse implication as to the suitability of the Directors under Rules 3.08 and 3.09 of the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROLS

We are committed to developing and maintaining risk management and internal control systems comprised of policies and procedures tailored to our business operations. Our dedication lies in the continual enhancement of these systems to ensure their effectiveness.

Risk Management

We are exposed to various risks in our business operations, and we believe that risk management is important to our success. See “Risk Factors — Risks Relating to Our Business and Industry” for more details. We have established our risk management systems to identify, assess, monitor and mitigate the risks that may hinder our success including strategic risks, operational risks, financial risks and legal risks.

BUSINESS

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [REDACTED], we have adopted or will continue to adopt, among other things, the following risk management measures:

- establish an Audit Committee to review and supervise our financial reporting process and internal control system;
- adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure;
- provide anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations;
- organize training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies [REDACTED] in Hong Kong;
- enhance our reporting and records system for production facilities, including centralizing their quality control and safety management systems and conducting regular inspections of the facilities;
- establish a set of emergency procedures in the event of major quality-related issues; and
- provide enhanced training programs on quality assurance and product safety procedures.

Internal Controls

Our management team is responsible for establishing our internal controls system and the audit committee of our Board is responsible for reviewing its effectiveness. We have engaged an independent internal control consultant to perform the internal review procedures in connection with the internal control of our Company and our major operating subsidiaries and to report factual findings on our Group’s entity-level controls and internal controls of various processes, including financial reporting and disclosure controls, human resources and payroll management, general controls of IT system, taxation management, contract management, and other procedures of our operations.

We are committed to establishing and maintaining risk management and internal control systems. We have adopted and implemented a comprehensive risk management policy encompassing risks that may arise in research and development, procurement management, production management, and sales management. Our risk management and internal control systems also cover the general functional operations such as human resources, financial management, asset management, warehousing and logistics management, information system management and corporate governance as well as decision-making processes. Meanwhile, we are committed to supervising and evaluating the effectiveness of risk management and internal control system to ensure that the system is rectified and effectively controlled as our business develops.

In response to the foregoing tax matter, we have strengthened our taxation management controls, including internal review procedures for withholding obligations, deemed-sales assessment and year-end enterprise income tax settlement.

Anti-bribery

We maintain a code of conduct and anti-corruption policies that prohibit bribery and other improper payments in all business activities, including interactions with government officials and healthcare professionals, and we require distributors to assume integrity obligations under distribution

BUSINESS

agreements. Improper payments prohibited include bribes, kickbacks, excessive gifts or entertainment and other payments intended to obtain undue business advantage. We maintain accurate books and records and require personnel to reject and report requests for false invoices or unusual, excessive or inadequately described expenses. Our agreements with third-party promoters include anti-bribery clauses prohibiting commercial bribery (including through companies, individuals or their relatives) in connection with product promotion, and personnel involved in academic promotion and marketing activities are prohibited from providing gifts or services for personal use to healthcare professionals or engaging in conduct intended to improperly secure approvals, generate business or induce or reward prescription behavior. We also require sales personnel to comply with applicable promotion and advertising requirements, including restrictions on off-label promotion and limitations on industry-sponsored scientific and educational activities.

Non-Competition

We protect proprietary information arising from our development and production activities, including formulations, preparation techniques, methodologies and research strategies. Employment agreements with senior management and key technical personnel include confidentiality and non-compete clauses, we assign code names to core projects, and researchers are prohibited from removing electronic or physical records of experimental results and data from laboratory premises.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

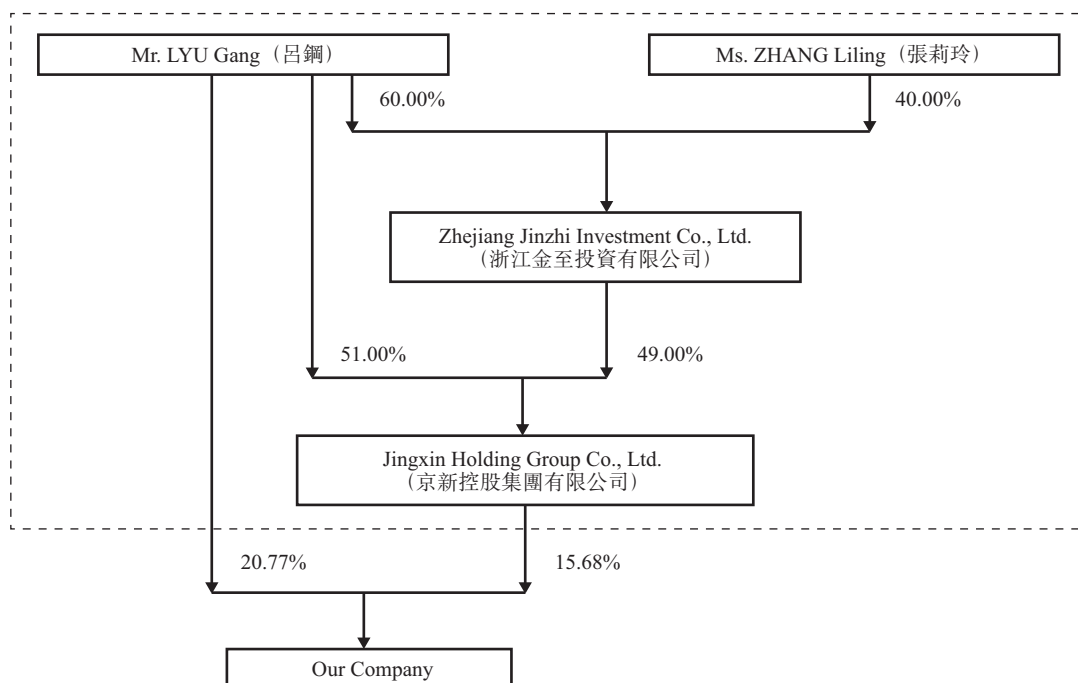
OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Company is controlled by a group of shareholders led by Mr. LYU Gang, our executive Director, chairperson of the Board and the general manager of our Company.

More specifically, our Company is directly held as to approximately 20.77% directly by Mr. LYU Gang and 15.68% by Jingxin Holding. Jingxin Holding is owned as to 51.00% by Mr. LYU Gang and 49.00% by Jinzhi Investment. Jinzhi Investment is owned as to 60.00% by Mr. LYU Gang and 40.00% by Ms. ZHANG Liling, the spouse of Mr. LYU Gang.

As such, Mr. LYU Gang, Ms. ZHANG Liling, Jingxin Holding and Jinzhi Investment are considered our Controlling Shareholders and controlled approximately 36.44% of our total issued share capital as of the Latest Practicable Date. The following chart demonstrates the shareholding structure of the Controlling Shareholding in our Company as of the Latest Practicable Date.

Our Controlling Shareholders



Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and that no changes are made to the issued share capital of the Company since the Latest Practicable Date up to the [REDACTED]), our Controlling Shareholders will, directly and indirectly, continue to control in aggregate approximately [REDACTED] of our total issued share capital.

NON-COMPETITION AND CLEAR DELINEATION OF BUSINESS

Our Business

We are a pharmaceutical group with a growing pipeline of innovative drug assets, strategically focused on two core therapeutic areas: (i) central nervous system (“CNS”) disorders, and (ii) cardiovascular and cerebrovascular diseases.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Business of Our Controlling Shareholders

Jingxin Holding is an investment holding company established under the laws of the PRC on January 27, 2010. Jinzhi Investment is an investment holding company established under the laws of the PRC on February 11, 2010.

As of the Latest Practicable Date, other than the interest in our Company, our group of Controlling Shareholders, through its subsidiaries, was engaging in the industry of pharmaceutical auxiliary materials and veterinary medicine. Our Directors are of the view that the businesses operated by our Controlling Shareholders are clearly delineated from the businesses from our Group for the following reasons:

- Different types of business. The Group does not engage in the production and sales of pharmaceutical auxiliary materials.
- Different type of business for veterinary medicine. The Group is engaged in the production of active pharmaceutical ingredients of veterinary medicine, including the active pharmaceutical ingredients of Enrofloxacin, which is a type of raw and auxiliary material. The Controlling Shareholder group is engaged in the sales of active pharmaceutical ingredients of Enrofloxacin, as well as production and sales of the finished pharmaceutical product of Enrofloxacin. During the Track Record Period, the Controlling Shareholder group primarily procured active pharmaceutical ingredients of Enrofloxacin from the Group for production of finished pharmaceutical products. None of the companies in the Controlling Shareholder group are engaged in production of active pharmaceutical ingredients of veterinary medicine.
- Different targeted customer coverage for veterinary medicine. The Controlling Shareholder group procure active pharmaceutical ingredients of Enrofloxacin from the Company, and sell them to a few customers with smaller operation scale in the PRC market, mainly located in Guangxi and Guangdong provinces, while the Group is engaged in the sales of active pharmaceutical ingredients of Enrofloxacin to large-scale institutional customers both in the PRC nationwide as well as overseas. To the best knowledge of the Company, the Company did not identify any overlapping customers of the Group and the Controlling Shareholder group in relation to the sales of active pharmaceutical ingredients of Enrofloxacin during the Track Record Period.

Apart from the business of our Company, our group of Controlling Shareholders also controls companies which engage in, among others, property lease, packaging and printing, agriculture, and trading. On the basis of the differences as set forth above, we consider that apart from their interest in our Company, our group of Controlling Shareholders do not currently control a business similar to the principal business of our Group that competes or is likely to compete, either directly or indirectly, with our Group's business. In light of the above, our Directors are of the view that there is a clear delineation between the businesses operated by our Controlling Shareholders and our Group.

INTERESTS OF THE CONTROLLING SHAREHOLDERS IN OTHER COMPETING BUSINESSES

Our Controlling Shareholders and Directors confirmed that, they did not have any interest in other business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

NON-COMPETE UNDERTAKINGS

For the purpose of the listing of our A Shares on the Shenzhen Stock Exchange in 2004, Mr. LYU Gang provided a non-competition undertaking on February 23, 2003, whereby Mr. LYU Gang undertook that during the existence of the Company, he will not (i) engage in any business activities outside the Company that are of the same type as those within its scope of operations, and (ii) will not engage in any business that competes with the Company.

Zhejiang Yuanjin Investment Co., Ltd. (浙江元金投資有限公司), the predecessor of Jingxin Holding, one of our Controlling Shareholders, provided a non-competition undertaking on February 17, 2011, whereby Jingxin Holding and its subsidiaries undertook that it will not directly or indirectly participate in any business that competes with the Company in any manner in future. If Jingxin Holding and its subsidiaries encounter any business opportunities that may compete with the Company, Jingxin Holding shall immediately notify the Company and grant the Company the right of first refusal for such business opportunities or the acquisition of relevant businesses and assets, in order to ensure that the interests of all shareholders of the Company are not harmed.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently from our Controlling Shareholders and their respective close associates upon completion of the [REDACTED].

Management independence

Our business is managed and conducted by our Board and senior management. Upon the [REDACTED], our Board will consist of ten Directors, including six executive Directors and four independent non-executive Directors. Mr. LYU Gang has at all times devoted sufficient time and attention to the performance of his duties as a Director and has consistently complied with the relevant provisions of laws, regulations and the Articles of Association. In performing his duties as Director, he has been and will continue to be supported by the Group’s independent directors and senior management team. The operations of the senior management and the Board ensure a balance of power and authority. For further details, please see the section headed “Directors and Senior Management” in this Document.

Although Mr. LYU Gang is part of the group of Controlling Shareholders, we consider that the Board and senior management, excluding Ms. LYU Jiaqi who is the daughter of Mr. LYU Gang, will function independently from the Controlling Shareholders for the following reasons:

- (i) Mr. WANG Nengneng, Mr. HONG Yunfei, Mr. LI Bixiang, Mr. XU Xiaojun and the four independent non-executive Directors (who in aggregate represent a majority of the Board), along with Ms. CHEN Meili and Mr. LIU Sheng (which represent half of the senior management), have no other relationship with the Controlling Shareholders and their respective close associates. They have substantial experience in the industry as further described in the section headed “Directors and Senior Management”, which will enable them to discharge their duties independently from the Controlling Shareholders;
- (ii) each of our Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iii) we have appointed four independent non-executive Directors, comprising more than one-third of the total members of our Board, who have sufficient knowledge, experience and competence with a view to bring independent judgement to the decision-making process of our Board;
- (iv) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. For further details, please see the paragraph headed “Corporate governance measures” in this section; and
- (v) where a Board meeting or Shareholders’ meeting is held to consider a proposed transaction in which our Directors or Controlling Shareholders or any of their respective close associates have a material interest, the relevant Directors or our Controlling Shareholders and their respective close associates shall abstain from voting on the relevant resolutions and shall not be counted towards the quorum for the voting.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Controlling Shareholders and their respective close associates upon the [REDACTED].

Operational Independence

We do not rely on our Controlling Shareholders and their respective close associates for our daily operations. We have our own departments specializing in various aspects in relation to our business development, including but not limited to procurement, human resources, administration, internal audit and research and development, which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their respective close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our businesses. We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We also have sufficient capital, facilities, equipment and employees, administrative and corporate governance structure to operate the business independently. We are also in possession of all relevant licenses, certificates, facilities, intellectual property rights and approvals and permits from the relevant regulatory authorities necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently. Based on the above, our Directors believe that we are able to operate independently from the Controlling Shareholders and their close associates.

Financial Independence

Our Group has an independent financial system. We make financial decisions according to our own business needs and neither our Controlling Shareholders nor their close associates intervene with our use of funds. We have opened accounts with banks independently and do not share any bank account with our Controlling Shareholders or their close associates. We have made tax filings and paid tax independently from our Controlling Shareholders and their close associates pursuant to applicable laws

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

and regulations. We have established an independent finance department as well as implemented sound and independent audit, accounting and financial management systems. We have adequate internal resources and credit profile to support our daily operations. As of the date of this Document, we did not have any outstanding loans or non-trade balances granted, guaranteed or pledged by any our Controlling Shareholders to us. Based on the above, our Directors believe that we are able to maintain financial independence from the Controlling Shareholders and their close associates.

CORPORATE GOVERNANCE MEASURES

Our Company and Directors are committed to upholding and implementing the highest standards of corporate governance and recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders. Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (the “**Corporate Governance Code**”), which sets out principles of good corporate governance.

Our Directors recognize the importance of implementing good corporate governance and effective internal control measures in protection of our Shareholders’ interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders and their respective close associates:

- (i) a Director with material interests shall make full disclosure in respect of any matters that conflict or potentially conflict with our interests (including transactions in which a Director has an interest in a company that will enter into an agreement with our Group) and absent himself/herself from the board meetings on matters in which such Director or any of his/her close associates have a material interest;
- (ii) our Board will consist of a balanced composition of executive directors and not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgement in its decision-making process and provide independent advice to our Shareholders. We believe that our independent non-executive Directors, individually and together, possess the requisite knowledge and experience, and they are free of any business and/or other relationship which could interfere in any material manner with the exercise of their independent judgement. They are committed to providing an impartial and external opinion to protect the interests of our public Shareholders. For further details on our independent non-executive Directors, please see the section headed “Directors and Senior Management — Independent non-executive Directors” in this Document;
- (iii) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules which will become effective upon the [REDACTED]. In particular, our Articles of Association provide that, a Director shall abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting;
- (iv) where a Shareholders’ meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their respective close associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (v) we have established the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy and ESG Committee to assess, control and ensure that our Board is appropriately advised as to matters relating to, among other things, our relationship with our external auditors and internal audit function, the remuneration and appraisal of our Directors and our senior management, and the composition of our Board. Our Audit Committee comprises independent non-executive Directors and each of our Remuneration and Appraisal Committee and Nomination Committee comprises a majority of independent non-executive Directors. In addition, the chairperson of each of our Audit Committee, Nomination Committee and Remuneration and Appraisal Committee is an independent non-executive Director. For details of our committees and their composition, please see the section headed “Directors and Senior Management — Board Committees” in this Document;
- (vi) we have established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Group enters into connected transactions with our Controlling Shareholders and their respective close associates, we will comply with the applicable Listing Rules; as required by the Listing Rules, our independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and the Controlling Shareholders (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders. Where our Directors reasonably request the advice of independent professionals, such as financial advisors, for this purpose, the appointment of such independent professionals will be made at our Company’s expenses;
- (vii) each of our Controlling Shareholders agrees to provide all information reasonably requested by the independent non-executive Directors for the Annual Review, including all relevant financial, operational and market information; and
- (viii) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company’s expenses.

We have appointed Rainbow Capital (HK) Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to Directors’ duties and corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders and/or their respective close associates, and to protect minority Shareholders’ interests after the [REDACTED].

CONNECTED TRANSACTIONS

Upon [REDACTED], certain transactions as set out below between us and our connected persons will constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

CONNECTED PERSONS

We have entered into transactions in the ordinary and normal course of our business with the following entities, which will constitute continuing connected transactions (as defined under Chapter 14A of the Hong Kong Listing Rules) upon [REDACTED]:

<u>Connected Person</u>	<u>Connected Relationship</u>
Jingxin Holding (together with its subsidiaries, the “ Jingxin Holding Group ”)	One of our Controlling Shareholders. Pursuant to Rule 14A.07 of the Listing Rules, Jingxin Holding is a connected person of the Company.

CONTINUING CONNECTED TRANSACTIONS

Summary of Our Continuing Connected Transactions

<u>No.</u>	<u>Nature of Transactions</u>	<u>Relevant Listing Rules</u>	<u>Connected Person(s)</u>	<u>Waiver Sought</u>
<i>Fully exempt continuing connected transaction</i>				
1.	Property management services and cleaning services	14A.76(1)	Jingxin Holding Group	N/A
<i>Partially exempt continuing connected transactions</i>				
1.	Procurement Framework Agreement	14A.76(2) and 14A.105	Jingxin Holding Group	Announcement
2.	Sales Framework Agreement	14A.76(2) and 14A.105	Jingxin Holding Group	Announcement
3.	Lease Framework Agreement I	14A.76(2) and 14A.105	Jingxin Holding Group	Announcement
4.	Lease Framework Agreement II	14A.76(2) and 14A.105	Jingxin Holding Group	Announcement

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Property management services and cleaning services

Throughout the Track Record Period, our Company has procured property management services and cleaning services from Jingxin Holding Group, and is expected to continue to do so after the [REDACTED]. Pursuant to the property management services agreement, Jingxin Holding Group provides comprehensive property management services for our office, R&D and staff dormitory premises, covering management, maintenance and repair of common areas and shared facilities, public area sanitation and waste disposal, greenery and landscape maintenance, security and access control, fire safety management, traffic and parking administration, and decoration management. Pursuant to the cleaning services agreement, Jingxin Holding Group provides daily cleaning and ancillary support services for our factory and office premises, including routine cleaning of work areas and public zones, regular waste collection and transportation, ad-hoc cleaning support for VIP receptions and corporate events, and regular maintenance of office furniture.

CONNECTED TRANSACTIONS

The service fees are determined on an arm’s length basis through negotiations between the parties, with reference to prevailing market rates for comparable property management and cleaning services in the relevant locations, service scope and service standards, as well as actual operating costs. The terms of the agreements are no less favorable to our Group than those available to independent third parties.

As the highest applicable percentage ratio for the property management services and cleaning services in aggregate are less than 0.1% on an annual basis, the aforementioned services from Jingxin Holding Group fall within the de minimis threshold under Rule 14A.76(1) of the Listing Rules and will be fully exempt from reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTION

1. Procurement Framework Agreement

Principal terms

On [●], our Company, for itself and on behalf of its subsidiaries, entered into a framework agreement (the “**Procurement Framework Agreement**”) with Jingxin Holding, for itself and on behalf of Jingxin Holding Group, pursuant to which our Group will procure packaging materials (including leaflets and packaging for packaging of finished pharmaceutical products), raw and auxiliary materials (including calcium hydrogen phosphate for the production of Amlodipine Besylate Tablets and VD3 crystals for the production of VD3 derivative active pharmaceutical ingredients), daily chemicals (including toothpaste and laundry detergent), and agricultural products (including fruits and vegetables) (the “**Procured Products**”) from Jingxin Holding Group.

The initial term of the Procurement Framework Agreement will commence from the [REDACTED] and will expire on December 31, 2028. The Procurement Framework Agreement may be renewed as the parties may mutually agree, and the length of the renewed term shall not exceed three years and its renewal shall be subject to compliance with the Listing Rules and other applicable laws and regulations.

Both parties or their respective subsidiaries will enter into separate agreements or procurement orders, which will set out the specific terms and conditions for the procurement, according to the principles provided in the Procurement Framework Agreement.

Pricing terms

The prices for the goods procured will be no less favorable to our Group than those offered by independent third parties for comparable goods sold, and will be determined by our Group and the Jingxin Holding Group through arm’s length negotiation on a fair and reasonable basis, on normal commercial terms and based on factors applicable to all suppliers for identical or similar products, including but not limited to (i) the nature and specifications of the goods to be procured, (ii) the historical prices charged by the Jingxin Holding Group for similar goods, and (iii) the then prevailing market prices.

CONNECTED TRANSACTIONS

Reasons for and benefits of the transactions

Our Group has been procuring packaging materials, raw and auxiliary materials, daily chemicals, and agricultural products to support our business from the Jingxin Holding Group in our ordinary and usual course of business and on normal commercial terms or better. The Jingxin Holding Group has also been familiar with our business needs, technical requirements, quality control requirements and other requirements for procurement.

Historical amounts

For the years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026, the historical transaction amounts for goods procured by the Company from Jingxin Holding Group for the Track Record Period were RMB64.0 million, RMB81.4 million, RMB79.4 million and RMB29.9 million, respectively. The increase in the transaction amount from the year ended December 31, 2023 to the year ended December 31, 2024, was primarily due to the expansion of our business operations and increase in manufacturing needs, leading to higher demand for the Procured Products. The decrease in the transaction amount for the six months ended June 30, 2026 was due to reduction in the sales of our products including biologics, which in turn reduced our procurement of upstream packaging materials.

Proposed annual caps and its basis

The estimated caps for the Procurement Framework Agreement for the three years ending December 31, 2028 will not exceed RMB88.7 million, RMB97.7 million and RMB108.7 million, respectively.

In arriving at the above proposed annual caps, our Directors have considered the following factors:

- (i) the historical prices of the Procured Products charged by the Jingxin Holding Group as well as the historical procurement volume;
- (ii) the anticipated increase in our demand for the Procured Products for the three years ending December 31, 2028, primarily driven by the expansion of our business (in particular the expected growth in demand of Dimdazenil and Amlodipine Besylate Tablets), our growing manufacturing needs for the development of our products and the steady development of our collaborative relationship with the Jingxin Holding Group; and
- (iii) the expected upward adjustment in Procured Products pricing, taking into consideration projected inflation and cost increase, for instance the expected price increase of paper packaging packaging materials considering that the price of paper is at a three-year low.

Listing Rules Implications

As the highest applicable percentage ratio of the transactions under the Procurement Framework Agreement calculated for the purpose of Chapter 14A of the Listing Rules is higher than 0.1% but below 5% on an annual basis, such transactions will, upon [REDACTED], constitute continuing connected transactions of our Company subject to the annual reporting requirement under

CONNECTED TRANSACTIONS

Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules but exempt from the independent Shareholders’ approval requirements under Rule 14A.36 of the Listing Rules.

2. Sales Framework Agreement

Principal terms

On [●], our Company, for itself and on behalf of its subsidiaries, entered into a framework agreement (the “**Sales Framework Agreement**”) with Jingxin Holding, for itself and on behalf of Jingxin Holding Group, pursuant to which our Company will sell raw and auxiliary materials (including extracts from *periplaneta americana* for production of daily chemicals such as toothpaste, and active pharmaceutical ingredients of Enrofloxacin for production of the finished pharmaceutical product of Enrofloxacin) to Jingxin Holding Group.

The initial term of the Sales Framework Agreement will commence from the [REDACTED] and will expire on December 31, 2028. The Sales Framework Agreement may be renewed as the parties may mutually agree, and the length of the renewed term shall not exceed three years and its renewal shall be subject to compliance with the Listing Rules and other applicable laws and regulations.

Both parties or their respective subsidiaries will enter into separate agreements or sales orders, which will set out the specific terms and conditions for the sale of goods, according to the principles provided in the Sales Framework Agreement.

Pricing terms

The prices for the goods sold will be no less favorable to our Group than those charged by the Group to independent third parties for comparable goods sold, and will be determined by our Group and the Jingxin Holding Group through arm’s length negotiation on a fair and reasonable basis, on normal commercial terms and based on factors applicable to all customers for identical or similar products, including but not limited to (i) the nature and specifications of the goods to be sold, (ii) the historical prices charged by the Group for similar goods, and (iii) the then prevailing market prices.

Reasons for and benefits of the transactions

Our Group has been engaging in sales to the Jingxin Holding Group in our ordinary and usual course of business and on normal commercial terms or better. Given our stable and mutually cooperative relationship with the Jingxin Holding Group, we are familiar with the business needs, technical requirements, quality control requirements and other requirements for goods of the Jingxin Holding Group.

Historical amounts

For the years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026, the historical transaction amounts for goods sold by the Company to Jingxin Holding Group for the Track Record Period were RMB0.02 million, RMB37.3 million, RMB47.1 million and RMB19.4 million, respectively. The increasing trend for the three years ended December 31, 2025 was primarily due to the growing business needs of Jingxin Holding Group, in particular to the sales

CONNECTED TRANSACTIONS

of Enrofloxacin series active pharmaceutical ingredients. The decrease in the transaction amount for the six months ended June 30, 2026 was due to lower downstream demand in Enrofloxacin series active pharmaceutical ingredients.

Proposed annual caps and its basis

The estimated caps for the Sales Framework Agreement for the three years ending December 31, 2028 will not exceed RMB50.1 million, RMB50.1 million and RMB50.1 million, respectively.

In arriving at the above proposed annual caps, our Directors have considered the following factors:

- (i) the historical prices of the goods charged by us as well as the historical sales volume;
- (ii) the anticipated increase in demand of the Jingxin Holding Group for the goods supplied by us for the three years ending December 31, 2028, primarily driven by the expected increase in business needs (in particular the expected growth in demand of the finished pharmaceutical product of Enrofloxacin) and the steady development of our collaborative relationship with the Jingxin Holding Group; and
- (iii) the expected upward adjustment in raw and auxiliary materials pricing, taking into consideration the projected inflation and anticipated cost increase.

Listing Rules Implications

As the highest applicable percentage ratio of the transactions under the Sales Framework Agreement calculated for the purpose of Chapter 14A of the Listing Rules is higher than 0.1% but below 5% on an annual basis, such transactions will, upon [REDACTED], constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules but exempt from the independent Shareholders’ approval requirements under Rule 14A.36 of the Listing Rules.

3. Lease Framework Agreement I

Principal terms

On [●], our Company, for itself and on behalf of its subsidiaries, entered into a framework agreement (the “**Lease Framework Agreement I**”) with Jingxin Holding, for itself and on behalf of Jingxin Holding Group, pursuant to which our Company will lease certain properties from Jingxin Holding Group, including office and dormitories.

The initial term of the Lease Framework Agreement I will commence from the [REDACTED] and will expire on December 31, 2028. The Lease Framework Agreement I may be renewed as the parties may mutually agree, and the length of the renewed term shall not exceed three years and its renewal shall be subject to compliance with the Listing Rules and other applicable laws and regulations.

CONNECTED TRANSACTIONS

Both parties or their respective subsidiaries will enter into lease agreements for each property, which will set out the specific terms and conditions for the lease, according to the principles provided in the Lease Framework Agreement I.

Pricing terms

The rent charged for the leases will be determined on arm’s length basis with reference to historical transaction amounts, location, type, quality and size of the properties, the prevailing market rent of similar properties located in similar areas of similar use offered by the independent third parties, respectively.

Reasons for and benefits of the transactions

Our Group has leased properties from the Jingxin Holding Group in our ordinary and usual course of business and on normal commercial terms or better for business use. Given our stable and mutually cooperative relationship with the Jingxin Holding Group, the relevant leased properties and equipment have been configured to the required specifications for our business needs, which are highly compatible with and can effectively support the daily operations of our Group. Continuous use of the relevant facilities can ensure operational stability and production consistency.

Historical amounts

For the years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026, the historical transaction amounts incurred by the Group under lease arrangements with the Jingxin Holding Group were RMB1.4 million, RMB1.9 million, RMB2.3 million and RMB0.2 million, respectively. The fluctuation was primarily due to size of properties, rent adjustments and staged payment schedules for various lease agreements. In particular, the decrease in the transaction amount for the six months ended June 30, 2026 was due to the timing of lease payments, a larger portion of which falls due in the second half of the year.

Proposed annual caps and its basis

The estimated caps for the Lease Framework Agreement I for the three years ending December 31, 2028 will not exceed RMB3.7 million, RMB3.7 million and RMB3.7 million, respectively.

In arriving at the above proposed annual caps, our Directors have considered the following factors:

- (i) the historical amounts of the historical lease arrangements;
- (ii) the current and expected market prices for leased premises in similar areas of similar use offered by independent third parties, and development of the property market; and
- (iii) the expected increase in area of the premises to be leased from the Jingxin Holding Group to account for our growing business and leasing needs and the steady development of our collaborative relationship with the Jingxin Holding Group.

CONNECTED TRANSACTIONS

Listing Rules Implications

As the highest applicable percentage ratio of the transactions under the Lease Framework Agreement I calculated for the purpose of Chapter 14A of the Listing Rules is higher than 0.1% but below 5% on an annual basis, such transactions will, upon [REDACTED], constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules but exempt from the independent Shareholders’ approval requirements under Rule 14A.36 of the Listing Rules.

4. Lease Framework Agreement II

Principal terms

On [●], our Company, for itself and on behalf of its subsidiaries, entered into a framework agreement (the “**Lease Framework Agreement II**”) with Jingxin Holding, for itself and on behalf of Jingxin Holding Group, pursuant to which our Company will lease certain properties and equipment to Jingxin Holding Group, including production facilities and offices.

The initial term of the Lease Framework Agreement II will commence from the [REDACTED] and will expire on December 31, 2028. The Lease Framework Agreement II may be renewed as the parties may mutually agree, and the length of the renewed term shall not exceed three years and its renewal shall be subject to compliance with the Listing Rules and other applicable laws and regulations.

Both parties or their respective subsidiaries will enter into lease agreements for each property, which will set out the specific terms and conditions for the lease, according to the principles provided in the Lease Framework Agreement II.

Pricing terms

The rent charged for the leases will be determined on arm’s length basis with reference to historical transaction amounts, location, type, quality and size of the properties, and the prevailing market rent of similar properties located in similar areas of similar use offered by independent third parties, respectively.

The rent charged for the equipment will be determined on arm’s length basis with reference to historical transaction amounts, type, quality and use of equipment, and the prevailing market rent of similar equipment offered by our Group and independent third parties, respectively.

Reasons for and benefits of the transactions

Our Group has leased properties to the Jingxin Holding Group in our ordinary and usual course of business and on normal commercial terms or better for optimizing asset utilization and supporting the operations of our Group and due to demand of Jingxin Holding Group for production facilities and office facilities.

CONNECTED TRANSACTIONS

Historical amounts

For the years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026, the historical transaction amounts incurred by the Group under lease arrangements with the Jingxin Holding Group were nil, RMB2.3 million, RMB2.2 million and RMB1.1 million, respectively. The fluctuation was primarily due to entrance into relevant lease arrangements and the payment schedules of the lease agreements.

Proposed annual caps and its basis

The estimated caps for the Lease Framework Agreement II for the three years ending December 31, 2028 will not exceed RMB3.5 million, RMB3.5 million and RMB3.5 million, respectively.

In arriving at the above proposed annual caps, our Directors have considered the following factors:

- (i) the historical amounts of the historical lease arrangements;
- (ii) the current and expected market prices for leased premises in similar areas of similar use offered by independent third parties, and development of the property market; and
- (iii) the expected increase in area of the premises to be leased by the Jingxin Holding Group from us and the steady development of our collaborative relationship with the Jingxin Holding Group.

Listing Rules Implications

As the highest applicable percentage ratio of the transactions under the Lease Framework Agreement II calculated for the purpose of Chapter 14A of the Listing Rules is higher than 0.1% but below 5% on an annual basis, such transactions will, upon [REDACTED], constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules but exempt from the independent Shareholders’ approval requirements under Rule 14A.36 of the Listing Rules.

WAIVER APPLICATION FOR THE PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

In respect of the transactions as contemplated under the Procurement Framework Agreement, Sales Framework Agreement, Lease Framework Agreement I and Lease Framework Agreement II as described above, we have applied for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the announcement requirements under the Listing Rules pursuant to Rule 14A.105 of the Listing Rules.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including Independent non-executive Directors) are of the view that: (i) the continuing connected transactions set out above have been and will be entered into in our ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable, and in the interests of our Company and our Shareholders as a whole, (ii) the proposed annual caps for these

CONNECTED TRANSACTIONS

transactions are fair and reasonable and in the interests of our Company and the Shareholders as a whole, and (iii) the Company will comply with the relevant requirement under Chapter 14A of the Listing Rules apart from the announcement requirement for which a waiver is sought under Rule 14A.105.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has (i) reviewed the relevant documents and information provided by our Company in relation to the above partially-exempt continuing connected transactions; (ii) obtained necessary representations and confirmations from our Company and the Directors, and (iii) participated in the due diligence and discussions with the management of our Group.

Based on the above and the Directors’ view above, the Sole Sponsor is of the view that the aforesaid partially-exempt continuing connected transactions, for which a waiver has been sought, have been and will be entered into in the ordinary and usual course of our business on normal commercial terms or better terms, are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps in respect of the partially-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

INTERNAL CONTROL MEASURES TO SAFEGUARD SHAREHOLDERS’ INTERESTS

In order to further safeguard the interests of the Shareholders as a whole (including the minority Shareholders), our Group has implemented the following internal control measures in relation to the continuing connected transaction contemplated under the Procurement Framework Agreement, Sales Framework Agreement, Lease Framework Agreements I and Lease Framework Agreement II:

- (a) We have adopted a connected transactions management policy for the purpose of ensuring that connected transactions of our Group will be conducted in a fair manner, on normal commercial terms and in the interests of our Company and our Shareholders as a whole;
- (b) We have put in place a series of internal guidelines which provide that if the value of any proposed connected transaction is expected to exceed certain thresholds, the relevant staff must report the proposed transactions to the head of the relevant business unit in order for our Company to commence the necessary additional assessment and approval procedures and ensure that we will comply with the applicable requirements under Chapter 14A of the Hong Kong Listing Rules; and
- (c) Our Company will provide information and supporting documents to the independent non-executive Directors and the auditors in order for them to conduct an annual review of the continuing connected transactions entered into by our Company. In accordance with the requirements under the Hong Kong Listing Rules, the independent non-executive Directors will provide an annual confirmation to the Board as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board, are not in accordance with the pricing policies of our Group in all material respects, are not entered into in accordance with the relevant agreements governing the transactions in all material respects or have exceeded the cap.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

Upon the [REDACTED], the Board of Directors will consist of ten Directors, including six executive Directors and four independent non-executive Directors. The Board is responsible, and has general authority for, the management and operation of our Company.

Our senior management consists of five members who are responsible for the day-to-day operations of our Company. All of the Directors and senior management have met the qualification requirements under the relevant PRC laws and regulations and the Listing Rules for their respective positions.

BOARD OF DIRECTORS

The following table sets forth the key information about our Directors as of the Latest Practicable Date.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>The earliest date of joining our Group</u>	<u>Date of appointment as a Director</u>	<u>Responsibility</u>	<u>Relationship with other Directors and senior management</u>
<i>Executive Directors</i>						
Mr. LYU Gang (呂鋼)	64	Chairperson of the Board, executive Director, general manager	February 20, 1999	June 29, 2004	Responsible for the Company's strategic planning and overall operational management	Father of Ms. LYU Jiaqi
Mr. WANG Nengneng (王能能)	52	Executive Director, vice chairman	February 24, 1999	October 15, 2010	Responsible for the Company's chemical raw material business management, chemical research and development, and day-to-day management	N/A
Mr. HONG Yunfei (洪贊飛)	46	Executive Director	July 12, 2005	October 15, 2019	Responsible for the Company's strategic investment	N/A
Ms. LYU Jiaqi (呂佳琦)	34	Executive Director	December 14, 2020	October 10, 2025	Responsible for the management of the Company's pharmaceutical preparation division, including the pharmaceutical preparation export department	Daughter of Mr. LYU Gang
Mr. LI Bixiang (李必祥)	44	Executive Director	June 10, 2008	October 10, 2025	Responsible for the Company's overall operational management of Shenzhen Beacon Display Technology Co., Ltd., one of our major subsidiaries	N/A
Mr. XU Xiaojun (徐小軍)	53	Executive Director	June 8, 2000	October 10, 2025	Responsible for the Company's drug manufacturing unit	N/A

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	The earliest date of joining our Group	Date of appointment as a Director	Responsibility	Relationship with other Directors and senior management
<i>Independent non-executive Directors</i>						
Dr. HUANG Tao (黃韜)	46	Independent non-executive Director	October 10, 2025	October 10, 2025	Supervising and providing independent opinion and judgment to the Board	N/A
Dr. XU Pan (徐攀)	39	Independent non-executive Director	October 15, 2022	October 15, 2022	Supervising and providing independent opinion and judgment to the Board	N/A
Ms. LEI Ying (雷英)	69	Independent non-executive Director	October 15, 2022	October 15, 2022	Supervising and providing independent opinion and judgment to the Board	N/A
Dr. LAM Sin Lai Judy (林倩麗) (alias: TSUI Sin Lai Judy)	71	Independent non-executive Director	[REDACTED]	[REDACTED]	Supervising and providing independent opinion and judgment to the Board	N/A

BOARD OF DIRECTORS

Executive Directors

Mr. LYU Gang (呂鋼), aged 64, joined our Group on February 20, 1999, has been an executive Director since June 29, 2004, the chairperson of the Board since October 7, 2004, and the general manager of the Company from November 15, 2001 to October 14, 2013 and since July 21, 2023. Mr. LYU is primarily responsible for the Company’s strategic planning and overall operational management.

Mr. LYU has held various positions within the Group. Mr. LYU served as the director of the Zhejiang Jingxin Pharmaceutical Factory (浙江京新製藥廠), the vice chairman and general manager of Zhejiang Xinchang Jingxin Pharmaceutical Co., Ltd. (浙江新昌京新製藥有限公司), and the vice chairman of Zhejiang Jingxin Pharmaceutical Co., Ltd. (浙江京新藥業股份有限公司).

Mr. LYU obtained his associate degree in mechanical engineering from Zhejiang Open University (浙江開放大學) (formerly known as Zhejiang Radio and Television University (浙江廣播電視大學)) in the PRC in June 1987, completed the executive master’s degree in business administration programme from Peking University’s Guanghua School of Management (北京大學光華管理學院) in the PRC in March 2000, and advanced learning certificate in pharmacy from China Pharmaceutical University (中國藥科大學) in the PRC in June 2004. Mr. LYU was awarded the professional title of Senior Economist by the Department of Human Resources and Social Security of the PRC in December 2022.

Mr. WANG Nengneng (王能能), aged 52, joined our Group on February 24, 1999. He has been an executive Director since October 15, 2010, vice chairman of the Company since October 15, 2019, deputy general manager of the Company from October 15, 2010 to October 14, 2013 and since October 10, 2025, and general manager of the Company from October 15, 2013 to October 14, 2019. Mr. Wang is primarily responsible for the Company’s chemical raw material business management, chemical research and development, and day-to-day management.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang has been the general manager of chemical division of the Company since October 2022.

Mr. Wang obtained his bachelor’s degree in business administration from Hunan University (湖南大學) in the PRC through distance learning in September 2004. Mr. Wang was awarded the professional title of Senior Economist by the Department of Human Resources and Social Security of the PRC in October 2023.

Mr. HONG Yunfei (洪贊飛), aged 46, joined our Group on July 12, 2005. He has been an executive Director since October 15, 2019, the board secretary of the Company since October 13, 2022, and the director of strategic development of the Company since October 11, 2025. Mr. Hong is primarily responsible for the Company’s strategic investment.

Mr. Hong served as the vice general manager of the chemical division and the dean of the chemical research institute of the Company from October 2023 to April 2026.

Mr. Hong obtained his bachelor’s degree in pharmacy from Fudan University (復旦大學) in the PRC in July 2002 and his master’s degree in pharmacy from Shanghai Institute of Pharmaceutical Industry (上海醫藥工業研究院) in the PRC in July 2005.

Ms. LYU Jiaqi (呂佳琦), formerly named as LYU Yunhua (呂昀樺), aged 34, joined our Group on December 14, 2020. She has been an executive Director since October 10, 2025, the director of pharmaceutical preparation export department of the Company since May 13, 2024, and the deputy general manager of the pharmaceutical preparation division of the Company since September 29, 2025. Ms. LYU is primarily responsible for the management of the Company’s pharmaceutical preparation division, including the pharmaceutical preparation export department.

Ms. LYU obtained her master’s degree in management from Queen Mary University of London in the United Kingdom in October 2020.

Mr. LI Bixiang (李必祥), aged 44, joined our Group on June 10, 2008, and has been an executive Director since October 10, 2025. Mr. Li is primarily responsible for the Company’s overall operational management of Shenzhen Beacon Display Technology Co., Ltd., (深圳市巨烽顯示科技有限公司), one of our major subsidiaries.

Mr. Li has held various positions in the Group, including the deputy general manager and manager of the production technology department of the Company. He has been the director of Shenzhen Beacon Display Technology Co., Ltd. (深圳市巨烽顯示科技有限公司) since December 2021 and general manager of Shenzhen Beacon Display Technology Co., Ltd (深圳市巨烽顯示科技有限公司) since December 2023.

Prior to joining the Group, Mr. Li held various positions in the manufacturing department at Anhui Anke Hengyi Pharmaceutical Co., Ltd. (安徽安科恆益藥業有限公司), a subsidiary of Anhui Anke Biotechnology (Group) Co., Ltd. (安徽安科生物工程(集團)股份有限公司) and a company listed on the Shenzhen Stock Exchange (stock code: 300009), from November 2002 to December 2005, including deputy production manager and workshop director. He also served as an assistant to the general manager at Anhui Fukang Pharmaceutical Co., Ltd (安徽福康藥業有限公司).

Mr. Li obtained his bachelor’s degree in pharmacy from China Medical University (中國醫科大學) in the PRC through distance learning in January 2013, and his master’s degree in business administration from Xiamen University (廈門大學) in the PRC in June 2020.

DIRECTORS AND SENIOR MANAGEMENT

Mr. XU Xiaojun (徐小軍), aged 53, joined our Group on June 8, 2000, has been an executive Director of the Company since October 10, 2025, and general manager of pharmaceutical manufacturing division of the Company since January 1, 2025. Mr. Xu is primarily responsible for the Company’s drug manufacturing unit.

Prior to joining the Group, Mr. Xu was a staff of the Zhejiang Yongning Pharmaceutical Factory (浙江永寧製藥廠) from July 1998 to June 2000.

Mr. Xu obtained his bachelor’s degree in biochemical engineering from Zhejiang University of Technology (浙江工業大學) in the PRC in June 1998. Mr. Xu was awarded the professional title of Senior Engineer by the Department of Human Resources and Social Security of the PRC in December 2010.

Independent Non-executive Directors

Dr. HUANG Tao (黃韜), aged 46, has been serving as an independent non-executive Director of the Company since October 10, 2025. He is primarily responsible for supervising and providing independent opinion and judgment to the Board.

Dr. Huang has been the research and doctoral supervisor of Zhejiang University Guanghua Law School (浙江大學光華法學院) since August 2018. Prior to that, Dr. Huang first served as a lecturer and then an associate professor of Koguan School of Law of Shanghai Jiao Tong University (上海交通大學凱原法學院) from July 2010 to August 2018.

Dr. Huang has been serving as the independent non-executive director of Innovation Medical Management Co., Ltd. (創新醫療管理股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 002173), since November 2023, and the independent non-executive director of Zhejiang Zhaosheng Technology Co., Ltd. (浙江兆晟科技股份有限公司), a company listed on National Equities Exchange and Quotations (stock code: 833727), since July 2025. He has also served as the independent non-executive director of Zhejiang RIFA Precision Machinery Co., Ltd. (浙江日發精密機械股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002520), from September 2019 to August 2025.

Dr. Huang obtained his bachelor’s degree in economics majoring international finance from Fudan University (復旦大學) in the PRC in July 2002, his master’s degree in law majoring international economics law from Peking University (北京大學) in the PRC in July 2006, and his juris doctor degree from Peking University (北京大學) in the PRC in July 2010.

Dr. XU Pan (徐攀), aged 39, has been serving as an independent non-executive Director of the Company since October 15, 2022. She is primarily responsible for supervising and providing independent opinion and judgment to the Board.

Dr. Xu has been a lecturer, an associate professor and most recently a doctoral supervisor of the School of Management at Zhejiang University of Technology (浙江工業大學管理學院) since January 2020. From July 2012 to January 2020, she was a teacher at Jiaxing Nanhu University (嘉興南湖學院).

Dr. Xu has been an independent non-executive director of Flat Glass Group Co., Ltd. (福萊特玻璃集團股份有限公司), a company listed on the Stock Exchange (stock code: 6865) and the Shanghai Stock Exchange (stock code: 601865), since May 2021, and an independent director of Xin Feng Ming Group Co., Ltd. (新鳳鳴集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603225), since September 2023. She also served as an independent director of Star Power Semiconductor Co., Ltd. (斯達半導體股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603290), from October 2017 to October 2023, an independent director of Zhejiang Lante Optics Co., Ltd. (浙江藍特光學股份有限公司), a company listed on the Shanghai Stock Exchange

DIRECTORS AND SENIOR MANAGEMENT

(stock code: 688127), from April 2020 to May 2023, and an independent director of Tanac Automation Co., Ltd. (浙江田中精機股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300461), from May 2018 to April 2022.

Dr. Xu obtained her bachelor’s degree in accounting from Shanghai Lixin University of Accounting and Finance (上海立信會計學院) in the PRC in June 2009, her master’s degree in business administration from Jiangxi University of Science and Technology (江西理工大學) in the PRC in June 2012, and her doctorate’s degree in accounting from Nanjing University (南京大學) in the PRC in September 2019. Dr. Xu has been a certified public accountant of the Chinese Institute of Certified Public Accountants since July 2016. She has also obtained the qualification of certified internal auditor in April 2011.

Ms. LEI Ying (雷英), aged 69, has been serving as an independent non-executive Director of the Company since October 15, 2022. She is primarily responsible for supervising and providing independent opinion and judgment to the Board.

Ms. Lei joined China Chemical Pharmaceutical Industry Association (中國化學製藥工業協會) in August 2015 and is currently serving as the vice president.

Ms. Lei has also been an independent director of Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002393), since December 2021, and an independent director of Harbin Pharmaceutical Group Holding Co., Ltd. (哈藥集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600664), since December 2023.

Ms. Lei obtained her bachelor’s degree in English language and literature from Shaanxi Normal University (陝西師範大學) in the PRC in August 1984, and her master’s degree in modern and contemporary English and American literature from Sichuan University (四川大學) in the PRC in August 1989.

Dr. LAM Sin Lai Judy (林倩麗) (alias: TSUI Sin Lai Judy), aged 71, was appointed as an independent non-executive Director effective as of the [REDACTED]. She is primarily responsible for supervising and providing independent opinion and judgment to the Board.

Dr. Lam served as an independent non-executive director of Mirxes Holding Company Limited, a company listed on the Stock Exchange (stock code: 2629) from May 2025 to August 2026. She also served as an independent non-executive director of Sino-Ocean Group Holding Limited, a company listed on the Stock Exchange (stock code: 3377) principally engaged in property development in the PRC from August 2017 to June 2023. Dr. Lam has served as a board director and honorary treasurer of Hong Kong International Film Festival Society Limited since October 2014, primarily responsible for monitoring the overall development and financial budgets and performance. She started to serve as a chancellor of Wuhan College in May 2015, primarily responsible for overall planning and implementation of strategic academic developments and programs.

Dr. Lam obtained her bachelor’s degree in commerce from the University of British Columbia in Canada in May 1978, her master’s degree in accounting and finance from the London School of Economics and Political Science in the United Kingdom in August 1987, and her doctorate’s degree in philosophy from the Chinese University of Hong Kong in Hong Kong in December 1994.

Dr. Lam has also been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since July 1981 and a fellow certified public accountant of the same institute since June 1989, a fellow certified public accountant of CPA Australia since October 2002, an honorary member of Chinese Institute of Certified Public Accountants (Shenzhen) (深圳市註冊會計師協會) since October

DIRECTORS AND SENIOR MANAGEMENT

2018 and a fellow chartered accountant of the Institute of Chartered Accountants in England and Wales since December 2018. She is also a fellow chartered secretary and chartered governance professional of the Chartered Governance Institute since November 2011.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets forth the key information about our senior management as of the Latest Practicable Date.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>The earliest date of joining our Group</u>	<u>Date of appointment as a member of senior management</u>	<u>Responsibility</u>	<u>Relationship with other Directors and senior management</u>
Mr. LYU Gang (呂鋼)	64	Chairperson of the Board, executive Director, general manager	February 20, 1999	November 15, 2001	Responsible for the Company's strategic planning and overall operational management	Father of Ms. LYU Jiaqi
Mr. WANG Nengneng (王能能)	52	Executive Director, deputy general manager	February 24, 1999	October 15, 2010	Responsible for the Company's chemical raw material business management, chemical research and development, and day-to-day management	N/A
Ms. CHEN Meili (陳美麗)	56	Vice president and chief financial officer	July 1, 2001	November 15, 2001	Responsible for the Company's financial management	N/A
Mr. LIU Sheng (劉勝)	50	Vice president and director of procurement	July 1, 1999	October 15, 2019	Responsible for the Company's overall procurement business and overall engineering management	N/A

Mr. LYU Gang (呂鋼), aged 64, is the general manager of the Company. For his biography, see “— Board of Directors — Executive Directors”.

Mr. WANG Nengneng (王能能), aged 52, is the deputy general manager of the Company. For his biography, see “— Board of Directors — Executive Directors”.

Ms. CHEN Meili (陳美麗), aged 56, joined our Group on July 1, 2001 and has been serving as a chief financial officer from November 15, 2001 to March 12, 2016, from July 7, 2016 to October 15, 2022, since February 17, 2023 and vice president of the Company since October 10, 2025. She is primarily responsible for the Company's financial management.

Ms. Chen obtained her master's degree in management science and engineering from Shanghai University (上海大學) in the PRC in May 2005. Ms. Chen was awarded the professional title of Senior Accountant by the Department of Human Resources and Social Security of the PRC in April 2006.

Mr. LIU Sheng (劉勝), aged 50, joined our Group on July 1, 1999 and has been serving as the vice president and director of procurement of our Company since October 15, 2019. He is primarily responsible for the Company's overall procurement business and overall engineering management.

Mr. Liu obtained his bachelor's degree in chemical equipment and machinery from Nanjing Tech University (南京工業大學), formerly known as Nanjing University of Chemical Technology (南京化工大學), in the PRC in July 1999. Mr. Liu was awarded the professional title of Assistant Engineer by the Department of Human Resources and Social Security of the PRC in September 2001.

DIRECTORS AND SENIOR MANAGEMENT

ABOLISHMENT OF THE SUPERVISORY COMMITTEE OF THE COMPANY

Pursuant to the latest regulations of the CSRC, our Shareholders passed a resolution at our general meeting held on October 10, 2025 to abolish the supervisory committee of the Company effective immediately. Following the abolishment of the supervisory committee, the principal functions of the supervisory committee has been replaced by the Audit Committee.

OTHER INFORMATION IN RELATION TO OUR DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there are no material matters relating to their appointment as a Director that need to be brought to the attention of our Shareholders and there is no other information in relation to his or her appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as of the Latest Practicable Date.

Save as disclosed above, none of our Directors and senior management held any directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this Document.

Save as disclosed above, none of our Directors and senior management is related to other Directors and senior management. Save as disclosed above, none of our Directors completed his/her respective education programs as disclosed in this section by way of attendance of long distance learning or online courses.

JOINT COMPANY SECRETARIES

Mr. HONG Yunfei (洪贊飛), aged 46, was appointed as one of our joint company secretaries on January 12, 2026. For details of his biography, see “ — Board of Directors — Executive Directors”.

Ms. CHAN Ching Nga (陳靜雅) has over 20 years of experience in company secretarial and corporate governance fields and is currently a Senior Manager, Entity Solutions at Computershare Hong Kong Investor Services Limited. She holds a master’s degree in corporate governance from the Hong Kong Polytechnic University. Ms. Chan is an associate of both the Hong Kong Chartered Governance Institute and the Chartered Governance Institute in the United Kingdom.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations, the Corporate Governance Code and the Listing Rules, the Company has established four committees under the Board of Directors, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee, and Strategy and ESG Committee.

(i) Audit Committee

We have established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review our Company’s financial information and its disclosure, supervise and evaluate internal and external audit work and internal control, and to provide our Board with professional advice. The Audit Committee comprises four independent non-executive Directors, namely Dr. XU Pan, Ms. LEI Ying, Dr. HUANG Tao and Dr. LAM Sin Lai Judy. Dr. XU Pan is the chairperson of the Audit Committee. She holds the appropriate professional qualifications and as required under Rules 3.10(2) and 3.21 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

(ii) Remuneration and Appraisal Committee

We have established the Remuneration and Appraisal Committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration and Appraisal Committee are to formulate the appraisal standards for Directors and senior management, conduct appraisal, and formulate and review the remuneration policies and proposals for Directors and senior management. The Remuneration and Appraisal Committee comprises five Directors, namely, Ms. LEI Ying, Mr. LYU Gang, Mr. WANG Nengneng, Dr. XU Pan and Dr. HUANG Tao. Ms. LEI Ying is the chairperson of the Remuneration and Appraisal Committee.

(iii) Nomination Committee

We have established the Nomination Committee in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code. The primary duties of the Nomination Committee are to assess the candidates and review selection criteria and procedures for Directors and senior management, and to make recommendations to the Board. The Nomination Committee comprises of five Directors, namely, Dr. HUANG Tao, Mr. LYU Gang, Ms. LYU Jiaqi, Ms. LEI Ying and Dr. XU Pan. Dr. HUANG Tao is the chairperson of the Nomination Committee.

(iv) Strategy and ESG Committee

We have established the Strategy and ESG Committee in compliance with the Articles of Association. The primary duties of the Strategy and ESG Committee are to review our Company’s long-term development strategies and major investment decisions, and to make recommendations to our Board. The Strategy and ESG Committee comprises five Directors, namely, Mr. LYU Gang, Mr. HONG Yunfei, Ms. LEI Ying, Dr. XU Pan, Dr. HUANG Tao. Mr. LYU Gang is the chairperson of the Strategy and ESG Committee.

BOARD DIVERSITY POLICY

The Board of Directors has adopted a board diversity policy (the “**Board Diversity Policy**”) in order to enhance the effectiveness of our Board of Directors and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to our Board of Directors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board of Directors.

Our Directors have a balanced mix of knowledge and skills, including but not limited to overall business management, finance and accounting and material science. They obtained degrees in diversified majors including economics, mechanical engineering, business administration, pharmacy, biochemical engineering, law, accounting and English literature.

In addition, our Board of Directors has a wide range of age, ranging from 34 years old to 71 years old. Four of our Directors are also female. Our Board is of the view that our Board of Directors satisfies the Board Diversity Policy. Our Board will also ensure that appropriate balance of gender diversity is achieved with reference to investors’ expectation, and international and local recommended best practices.

The Nomination Committee is responsible for reviewing the diversity of our Board. After the [REDACTED], the Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Nomination Committee will also include in successive annual reports a summary of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

DIRECTORS AND SENIOR MANAGEMENT

CORPORATE GOVERNANCE

We recognize the importance of incorporating elements of good corporate governance in our management structure and internal control procedures so as to achieve effective accountability. Our Company intends to comply with all code provisions in the Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules after the [REDACTED] apart from code provision C.2.1 of Part 2 of the Corporate Governance Code, which provides that the roles of chairperson of the Board and chief executive should be separate and should not be performed by the same individual.

The roles of chairperson of the Board and general manager of our Company are currently performed by Mr. LYU Gang. In view of Mr. LYU Gang’s substantial contribution to our Group since our establishment and his extensive experience, we consider that having Mr. LYU Gang acting as both our chairperson of the Board and general manager will provide strong and consistent leadership to our Group and facilitate the efficient execution of our business strategies. We consider it appropriate and beneficial to our business development and prospects that Mr. LYU Gang continues to act as both our chairperson of the Board and general manager after the [REDACTED], and therefore currently do not propose to separate the functions of chairperson of the Board and general manager. While this would constitute a deviation from code provision C.2.1 of Part 2 of the Corporate Governance Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of our Company, given that: (a) there are sufficient checks and balances in the Board, as a decision to be made by our Board requires approval by at least a majority of our Directors, and our Board comprises four independent non-executive Directors, which is in compliance with the requirement under the Listing Rules; (b) Mr. LYU Gang and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (c) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether the separation of the roles of chairperson of the Board and general manager is necessary.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management who receive remuneration from our Company are paid in forms of fees, salaries, allowances, benefits in kind, discretionary bonuses and retirement scheme contributions. When reviewing and determining the specific remuneration packages for our Directors and senior management, the Shareholders’ meetings and the Board of Directors take into account factors such as salaries paid by comparable companies, time commitment, level of responsibilities, employment elsewhere in our Group and desirability of performance-based remuneration. As required by the relevant PRC laws and regulations, our Company also participates in various defined contribution plans organized by relevant provincial and municipal government authorities and welfare schemes for employees of our Company, including medical insurance, injury insurance, unemployment insurance, pension insurance, maternity insurance and housing provident fund.

For the three years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026, the total amount of remuneration paid to our Directors were RMB7.0 million, RMB7.1 million, RMB7.1 million and RMB5.1 million, respectively.

For the three years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026, the total emoluments paid to the five highest paid individuals by us amounted to RMB6.6 million, RMB7.5 million, RMB8.0 million and RMB5.8 million, respectively.

DIRECTORS AND SENIOR MANAGEMENT

It is estimated that remuneration equivalent to approximately RMB9.1 million in aggregate will be paid to the Directors by our Company for the year ending December 31, 2026, based on the arrangements in force as of the date of this document.

No remuneration was paid by our Company to the Directors or the five highest paid individuals as inducement to join or upon joining our Company or as a compensation for loss of office during the Track Record Period. Furthermore, none of the Directors had waived or agreed to waive any remuneration during the Track Record Period. Save as disclosed above, during the Track Record Period, no other amounts shall be paid or payable by us or any of our subsidiaries to our Directors or the five highest paid individuals.

For more details on remuneration paid to our Directors and senior management and, on an aggregate basis, the five highest paid individuals of our Group during the Track Record Period, see Note 14 to the Accountants’ Report as set out in Appendix I to this Document; and for details regarding the Share Incentives granted to our Directors and senior management, see “Appendix VI — Statutory and General Information — 6. A Shares Participation Schemes” to this Document.

CONFIRMATIONS FROM OUR DIRECTORS

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on January 26, 2026, and (ii) understands his or her obligations as a director of a [REDACTED] under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he or she had no past or present financial or other interest in the business of our Company or its subsidiaries or any connection with any core connected person of our Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his or her independence at the time of his or her appointments.

Rule 8.10 of the Listing Rules

Each of our Directors (excluding our independent non-executive Directors) confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules.

COMPLIANCE ADVISOR

We have appointed Rainbow Capital (HK) Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Advisor will advise our Company in certain circumstances including:

- (i) before the publication of any regulatory announcement, circular, or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues, sales or transfers of treasury shares and share repurchases; and

DIRECTORS AND SENIOR MANAGEMENT

- (iii) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this Document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this Document; and where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the [REDACTED] or [REDACTED] of its [REDACTED] or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Advisor shall commence on the [REDACTED] and continue until the longer of (i) the date on which our Company complies with the requirements under Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year immediately following the [REDACTED], or (ii) the appointment of an independent non-executive Director who will be ordinarily resident in Hong Kong has been confirmed and approved.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [REDACTED] and assuming the [REDACTED] are not exercised and no other changes are made to the issued share capital of our Company from the Latest Practicable Date to the [REDACTED], the following persons will have interests or short positions (if applicable) in the Shares or underlying Shares, which would be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions in Divisions 2 and 3 of Part XV of the SFO, or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at Shareholders’ general meetings of our Company:

Name of Shareholders	Nature of Interest	Number and type of Shares ⁽¹⁾	Approximate percentage of the issued Shares of our Company as of the Latest Practicable Date ⁽²⁾	Immediately after the [REDACTED] ⁽³⁾	
				Approximate percentage of the A Shares of our Company ⁽⁴⁾	Approximate % of the issued Shares of our Company ⁽⁴⁾
Mr. LYU Gang	Beneficial owner	178,796,755 A Shares	20.77%	[REDACTED]	[REDACTED]
	Interest in controlled corporations ⁽⁵⁾	188,620,488 A Shares	21.91%	[REDACTED]	[REDACTED]
	Interest of spouse ⁽⁶⁾	134,966,393 A Shares	15.68%	[REDACTED]	[REDACTED]
Jingxin Holding	Beneficial owner ⁽⁵⁾	134,966,393 A Shares	15.68%	[REDACTED]	[REDACTED]
Jinzh Investment	Interest in controlled corporations ⁽⁵⁾	134,966,393 A Shares	15.68%	[REDACTED]	[REDACTED]
Ms. ZHANG Liling	Interest in controlled corporations ⁽⁵⁾	134,966,393 A Shares	15.68%	[REDACTED]	[REDACTED]
	Interest of spouse ⁽⁶⁾	367,417,243 A Shares	42.67%	[REDACTED]	[REDACTED]

Notes:

- (1) All interests are long positions.
- (2) The calculation is based on the total number of 861,029,140 A Shares in issue as of the Latest Practicable Date.
- (3) Assuming (i) the [REDACTED] are not exercised and (ii) no other changes are made to the issued share capital of our Company since the Latest Practicable Date up to the [REDACTED].
- (4) The calculation is based on the total number of [861,029,140] A Shares and [REDACTED] H Shares in issue immediately after completion of the [REDACTED] since [REDACTED] H Shares will be [REDACTED] pursuant to the [REDACTED].
- (5) As of the Latest Practicable Date, Jingxin Holding was owned as to 51% by Mr. LYU Gang and 49% by Jinzhi Investment, respectively. As of Latest Practicable Date, Jinzhi Investment was owned as to 60% by Mr. LYU Gang and 40% by Ms. ZHANG Liling, respectively. Therefore, Mr. LYU Gang, Ms. ZHANG Liling and Jinzhi Investment are deemed to be interested in 134,966,393 A Shares held by Jingxin Holding.

As of the Latest Practicable Date, there were [53,654,095] treasury shares held by the Company. Mr. LYU Gang, directly and indirectly through Jinzhi Investment and Jingxin Holding, controls more than one-third of the voting power at the general meetings of our Company and would be deemed to have an interest in such treasury shares held by our Company by virtue of the SFO.

SUBSTANTIAL SHAREHOLDERS

- (6) Ms. ZHANG Liling is the wife of Mr. LYU Gang and Mr. LYU Gang is the husband of Ms. ZHANG Liling. Therefore, Ms. ZHANG Liling is deemed to be interested in the interest of Mr. LYU Gang and vice versa.
- (7) If there is a discrepancy between the total sum and the sum of the amounts listed, it is due to rounding.

For those who are directly and/or indirectly interested in 10% or more of the issued voting shares of any other members of our Group, see “Statutory and General Information — C. Further Information about our Directors, Chief Executive and Substantial Shareholders of our Company — 3. Disclosure of Interests of Substantial Shareholders — (ii) Interests in Our Subsidiaries” in Appendix VI to this Document.

Save as disclosed above and in Appendix VI, our Directors are not aware of any person who will, immediately following completion of the [REDACTED] (assuming the [REDACTED] are not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED]), have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or will, directly or indirectly, be interested in 10% or more of the issued voting shares of any other members of our Group.

SHARE CAPITAL

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the total issued share capital of our Company was RMB861,029,140, comprising 861,029,140 A Shares of nominal value RMB1.00 each, all of which are listed on the Shenzhen Stock Exchange.

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Approximate percentage of issued share capital</u>
A Shares	861,029,140	100.00%
Total	<u>861,029,140</u>	<u>100.00%</u>

UPON COMPLETION OF THE [REDACTED]

Immediately following the completion of the [REDACTED], assuming that the [REDACTED] is not exercised, the share capital of the Company will be as follows.

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Approximate percentage of issued share capital</u>
A Shares in issued	[861,029,140]	[REDACTED]
H Shares to be issued pursuant to the [REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Total	<u>[REDACTED]</u>	<u>100.00%</u>

Immediately following the completion of the [REDACTED], assuming that the [REDACTED] is fully exercised, the share capital of the Company will be as follows.

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Approximate percentage of issued share capital</u>
A Shares in issued	[861,029,140]	[REDACTED]
H Shares to be issued pursuant to the [REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Total	<u>[REDACTED]</u>	<u>100.00%</u>

The above table assumes that the [REDACTED] has become unconditional and the H Shares are [REDACTED] pursuant to the [REDACTED].

SHARE CAPITAL

1. OUR SHARES

Our H Shares in [REDACTED] upon completion of the [REDACTED], and our A Shares, are ordinary Shares in our share capital and are considered as one class of Shares. Shenzhen-Hong Kong Stock Connect has established a stock connect mechanism between Chinese mainland and Hong Kong. Our A Shares can be subscribed for and traded by Chinese mainland investors, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. As our A Shares are eligible securities under the Northbound Trading Link, they can also be subscribed for and traded by Hong Kong and other overseas investors pursuant to the rules and limits of Shenzhen-Hong Kong Stock Connect. Our H Shares can be [REDACTED] for or [REDACTED] by Hong Kong and other overseas [REDACTED] and [REDACTED]. If our H Shares are eligible securities under the Southbound Trading Link, they can also be [REDACTED] for and [REDACTED] by Chinese mainland [REDACTED] in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

2. RANKING

Our H Shares and our A Shares are regarded as one class of Shares under our Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this Document. All dividends in respect of our H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of our A Shares are to be paid by us in RMB. In addition to cash, dividends may also be distributed in the form of Shares. Holders of our H Shares will receive share dividends in the form of H Shares, and holders of our A Shares will receive share dividends in the form of A Shares.

3. NO CONVERSION OF OUR A SHARES INTO H SHARES FOR [REDACTED] AND [REDACTED] ON THE HONG KONG STOCK EXCHANGE

Our A Shares and our H Shares are generally neither interchangeable nor fungible, and the [REDACTED] of our A Shares and our H Shares may be different after the [REDACTED]. The Guidelines on Application for “Full Circulation” of Domestic Unlisted Shares of H-share Companies (《H股公司境內未上市股份申請“全流通”業務指引》) announced by the CSRC are not applicable to companies dual listed in the PRC and on the Hong Kong Stock Exchange. As of the Latest Practicable Date, there were no relevant rules or guidelines from the CSRC providing that A Shareholders may [REDACTED] A shares held by them into H shares for listing and trading on the Hong Kong Stock Exchange.

4. APPROVAL FROM HOLDERS OF A SHARES REGARDING THE [REDACTED]

Approval from holders of A Shares is required for our Company to [REDACTED] H Shares and seek the [REDACTED] of H Shares on the Hong Kong Stock Exchange. Such approval was obtained by us at the Shareholders’ general meeting of our Company held on January 28, 2026 and is subject to the following major conditions:

(i) Size of the [REDACTED]

The proposed number of H Shares to be [REDACTED] shall not exceed [REDACTED] of the total issued share capital enlarged by the H Shares to be [REDACTED] pursuant to the [REDACTED] (before the exercise of the [REDACTED]). The number of H Shares to be

SHARE CAPITAL

[REDACTED] pursuant to the full exercise of the [REDACTED] shall not exceed [REDACTED] of the total number of H Shares to be [REDACTED] initially under the [REDACTED]. The Company is also authorized to adjust the [REDACTED] size.

(ii) Method of [REDACTED]

The method of [REDACTED] shall be by way of an [REDACTED] to [REDACTED] and a [REDACTED] for [REDACTED] in Hong Kong.

(iii) Target [REDACTED]

The H Shares shall be [REDACTED] to overseas [REDACTED], [REDACTED], as well as [REDACTED] and other [REDACTED] who fulfill the relevant laws and regulations.

(iv) Price determination basis

The [REDACTED] of the H Shares will be determined by the Board and its authorized person with the authorization of the Shareholders’ general meetings, together with the [REDACTED], after full consideration of the interests of existing Shareholders and the conditions of domestic and international capital markets conditions with reference to the international practices and through demands for orders and book-building process using a market-oriented pricing method.

(v) Valid period

The [REDACTED] and [REDACTED] of H Shares on the Hong Kong Stock Exchange shall be completed within 24 months from the date on which such matters were approved at the Shareholders’ meeting held on January 28, 2026.

There is no other approved [REDACTED] plan for any other shares except for the [REDACTED].

5. SHAREHOLDERS’ APPROVAL FOR THE [REDACTED]

For details of circumstance under which our Shareholders’ general meeting is required, see “Summary of Articles of Association of the Company — Shareholders and General Meetings” in Appendix V to this Document.

A SHARES PARTICIPATION SCHEMES

Certain employees of our Company and our subsidiaries are eligible to subscribe in interests of our Shares through the A Shares Participation Schemes. For details, please refer to “Statutory and General Information — 6. A Shares Participation Schemes” in Appendix VI to this Document.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial statements, included in the Accountants’ Report in Appendix I, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with the International Financial Reporting Standards (“IFRSs”).

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including the sections headed “Risk Factors” and “Business,” and elsewhere in this Document. For further details, see “Forward-Looking Statements.”

OVERVIEW

We are a pharmaceutical group strategically focused on two core therapeutic areas: (i) central nervous system (“CNS”) disorders, and (ii) cardiovascular and cerebrovascular diseases. As of the Latest Practicable Date, Dimdazenil (Junoenil®), was our sole approved innovative drug. In addition to Dimdazenil, we are advancing selected drug candidates in our focus therapeutic areas, including JX2201, a Category 1 innovative drug candidate for the treatment of elevated lipoprotein(a) levels.

We generate revenue primarily from the sale of our marketed products, comprising (i) drugs, including generic drugs, innovative drug (Dimdazenil), traditional Chinese medicine (“TCM”) and biologics, (ii) active pharmaceutical ingredients (“APIs”), and (iii) medical equipment. During the Track Record Period, sales of drugs accounted for the majority of our revenue.

Our revenue increased by 4.0% from RMB3,998.8 million in 2023 to RMB4,158.6 million in 2024, and remained relatively stable at RMB4,069.4 million in 2025. In addition, our profit for the year from continuing operations increased from RMB623.6 million in 2023 to RMB719.1 million in 2024, and further increased to RMB771.7 million in 2025, reflecting the scalability of our established commercial portfolio.

BASIS OF PRESENTATION

Our Historical Financial Information has been prepared in accordance with IFRSs Accounting Standards (“IFRS”), which comprise all individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by International Accounting Standards Board (“IASB”). In addition, the Historical Financial Information complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The IASB has issued a number of new and revised IFRSs. In preparing the Historical Financial Information, the Group has consistently applied all applicable new and revised IFRSs that are effective during the Track Record Period, except for any new standards or interpretations that are not yet effective for the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the Track Record Period are set out in note 3 of Appendix I.

FINANCIAL INFORMATION

KEY FACTORS AFFECTING OUR PERFORMANCE

The following factors are the principal factors that have affected and, we expect, will continue to affect our business, financial condition, results of operations and prospects.

The growth of the global and China’s pharmaceutical markets, particularly in the therapeutic areas we focus on

We believe that the overall growth of the global and the PRC pharmaceutical markets, particularly in the therapeutic areas we focus on, has materially affected, and will continue to materially affect, our revenue growth. We maintain a diversified product portfolio across multiple therapeutic areas, on CNS, cardiovascular and cerebrovascular diseases, while also operating in APIs and medical equipment.

Accordingly, our financial results are influenced by the market demand for our products. According to Frost & Sullivan, the Chinese pharmaceutical market, measured by sales revenue of pharmaceutical products, increased from RMB1,591.1 billion in 2021 to RMB1,654.6 billion in 2025, representing a CAGR of 1.0%, and is expected to reach RMB2,079.0 billion by 2030. However, market trends vary across therapeutic areas. The Chinese CNS and cardiovascular drug markets both declined between 2021 and 2025 and are expected to recover by 2030. See “Industry Overview — Market Analysis of Chinese Pharmaceutical Market,” “Industry Overview — Market Analysis of CNS Drug Market” and “Industry Overview — Market Analysis of Cardiovascular Drug Market.”

Our ability to successfully increase the market share of our marketed drugs

Our ability to successfully increase the market share of our marketed drugs is a key driver of our revenue growth and, to a lesser extent, our profitability. We operate a diversified portfolio of marketed products across our drugs, APIs and medical equipment businesses. The commercial performance of our key products depends on our ability to expand coverage and deepen penetration across the end markets we serve.

In particular, our ability to increase market share for our marketed drugs is influenced by (i) clinical and product competitiveness, (ii) access and reimbursement dynamics, (iii) commercial execution and channel management, (iv) supply reliability and quality consistency and (v) regulatory and life-cycle management.

We have established a diversified and integrated business portfolio spanning drugs, active pharmaceutical ingredients and medical equipment. We believe this multi-pillar commercial foundation has delivered tangible operating results and continues to generate recurring cash flows, providing us with the financial resources, manufacturing capacity and commercialization infrastructure to support the continuous advancement of our innovative pipeline.

Our ability to develop and commercialize our clinical-stage drug candidates

Our business and results of operations depend, in part, on our ability to successfully advance our clinical-stage drug candidates through development and obtain regulatory approvals and achieve meaningful commercialization following approval. We continue to invest in the R&D of innovative drugs and improved medicines to strengthen our product portfolio and enhance our long-term growth potential. In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our research and development costs were RMB400.9 million, RMB383.5 million, RMB368.0 million, RMB184.9 million and RMB164.8 million, respectively. We intend to continue advancing the clinical development of our other pipeline candidates.

FINANCIAL INFORMATION

Even if a drug candidate demonstrates favorable clinical outcomes and obtains the requisite regulatory approvals, our ability to successfully commercialize it will depend on, among other factors, our commercial readiness and execution capabilities, the competitive landscape, pricing and reimbursement dynamics, market access and tendering outcomes, physician adoption, and our ability to maintain stable, compliant and scalable manufacturing and supply. See “Risk Factors” for details.

PRC medical insurance policies and related centralized procurement mechanisms, including centralized tender processes and volume-based procurement programs, may materially and adversely affect our business and results of operations

A substantial portion of our drugs are ultimately sold to PRC hospitals. Accordingly, our business and results of operations are materially affected by PRC medical insurance and reimbursement policies including the scope of drugs covered under the relevant medical insurance catalogues and the procurement mechanisms adopted by such institutions, in particular centralized tender processes and VBP programs for reimbursable and/or high-use products.

Certain pharmaceutical products in our marketed product portfolio are, or may become, subject to VBP programs in China. VBP, at various levels, generally lowers drug prices through competitive bidding for large-volume procurement, typically resulting in significant price reductions and, for successful bidders, specified supply and/or volume commitments. During the Track Record Period, certain of our products were subject to national or provincial VBP programs. As VBP expands, additional marketed drugs of ours may be included. While successful participation in VBP may increase sales volumes, VBP typically results in price reductions, which may materially and adversely affect our revenue, gross profit and gross profit margin.

Our Cost Structure

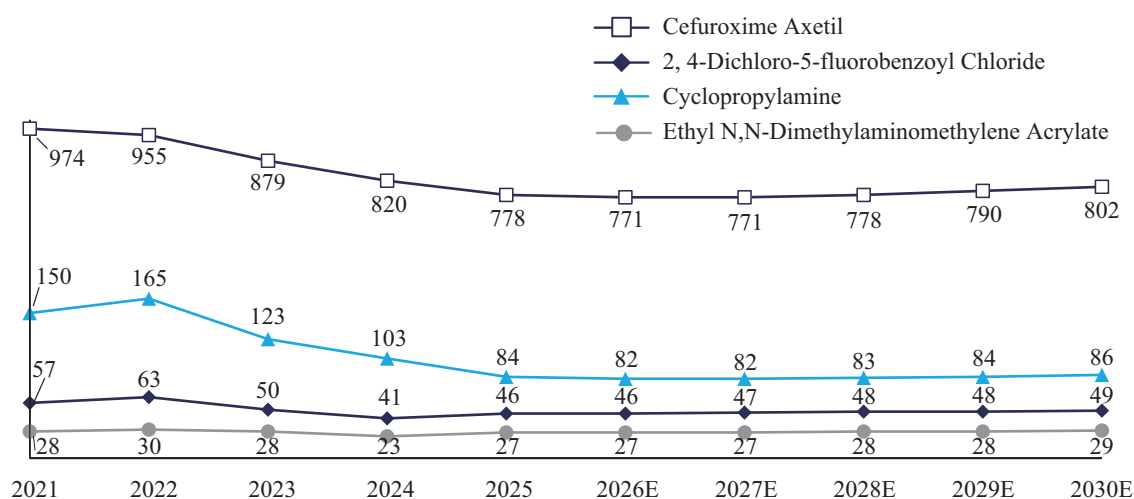
Our results of operations are significantly affected by our cost structure, which primarily consists of cost of sales, research and development expenses and selling and marketing expenses. During the Track Record Period, cost of sales mainly related to drugs, APIs and medical equipment was RMB2,032.1 million, RMB2,143.0 million, RMB2,107.2 million, RMB1,026.7 million and RMB1,033.8 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, representing 50.8%, 51.5%, 51.8%, 50.9% and 52.0% of revenue for the same periods, respectively. Material cost was the largest component of our cost of sales, amounting to RMB1,483.5 million, RMB1,521.2 million, RMB1,412.5 million, RMB697.5 million and RMB674.9 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, representing 73.0%, 71.0%, 67.0%, 67.9% and 65.4%, of our cost of sales for the same periods. Our material cost mainly comprises raw materials, including APIs and chemicals used in our pharmaceutical manufacturing. Accordingly, changes in the procurement prices of such raw materials may affect our cost structure and gross profit margin.

The four key raw materials presented in the chart were selected because they ranked among our top five raw materials by procurement volume in each of 2023, 2024 and 2025. They are therefore representative of the Group’s major raw material procurement. These materials comprise three chemical raw materials, namely 2,4-dichloro-5-fluorobenzoyl chloride, cyclopropylamine and ethyl 3-(N,N-dimethylamino)acrylate, and one API, namely cefuroxime axetil.

From 2021 to 2025, the prices of the Group’s key raw materials generally declined, despite year-to-year fluctuations. In 2022, the prices of the three key chemical raw materials increased moderately, primarily reflecting higher upstream chemical feedstock and energy costs, as well as temporary disruptions to production and logistics. These cost pressures subsequently eased, while the normalization of production and supply, together with sufficient market availability, contributed to lower prices for these chemical raw materials in 2023 and 2024. In 2025, the prices of 2,4-dichloro-5-fluorobenzoyl chloride and ethyl 3-(N,N-dimethylamino)acrylate rebounded moderately, reflecting product-specific supply and demand conditions, while the price of cyclopropylamine continued to decline. Meanwhile, the price of cefuroxime axetil decreased steadily from 2021 to 2025, broadly reflecting the downward pricing trend and competitive conditions in the API market during the period.

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Historical and Forecast Market Price Trends of the Group’s key raw Materials



Source: Company Data, Frost & Sullivan Analysis

Looking forward, the market prices of the Group’s key raw materials are expected to gradually stabilize from 2026 to 2030 following the price adjustments during the historical period. With upstream cost pressures having largely normalized and supply and demand conditions expected to remain relatively balanced, the prices of these key raw materials are expected to remain broadly stable or increase moderately over the forecast period. Although fluctuations in raw material prices may affect our profitability to a certain extent, they do not directly determine the selling prices of our pharmaceutical products. Our selling prices are primarily determined by market competition, centralized procurement mechanisms, medical insurance pricing arrangements and terminal market pricing dynamics, while we also take into account our cost structure and gross profit margin level in our pricing decisions. For products included in centralized procurement or medical insurance schemes, selling prices are generally fixed for a certain period, and our ability to pass through short-term raw material price fluctuations is limited. For products not included in such schemes, selling prices are generally determined with reference to market competition, product positioning and overall cost structure, of which raw material costs are one of the factors considered. From 2023 to 2025, the selling price trends of the Group’s major API products were generally in line with the corresponding market price trends in China during the Track Record Period. For instance, the Group’s average domestic selling price of enoxacin API decreased from approximately RMB168 per kg in 2023 to RMB145 per kg in 2025, compared with a decrease in its market price from approximately RMB220 per kg to RMB190 per kg during the same period. Similarly, the Group’s average domestic selling price of levofloxacin hydrochloride API decreased from approximately RMB374 per kg in 2023 to RMB250 per kg in 2025, broadly in line with its market price, which decreased from approximately RMB350 per kg to RMB260 per kg during the same period.

Our R&D expenses were RMB400.9 million, RMB383.5 million, RMB368.0 million, RMB184.9 million and RMB164.8 million in 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026. We allocate R&D resources across projects and stages to improve efficiency while maintaining quality and timelines. Our selling and marketing expenses were RMB783.5 million, RMB692.3 million, RMB600.8 million, RMB309.6 million and RMB273.3 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026 in supporting our selling and marketing activities.

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We expect our cost structure to evolve as we continue to develop and expand our business. In light of our strategic focus on the innovative drug business, as the preclinical studies and clinical trials of our drug candidates continue to progress, we expect to incur additional costs in relation to clinical trial expenses, R&D staff costs, and raw materials procurement.

MATERIAL ACCOUNTING POLICY INFORMATION

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There has no material deviation between our management’s estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Other significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Notes 4 and Notes 5 to the Accountants’ Report in Appendix I to this Document.

Revenue

Income is classified by our Group as revenue when it arises from the provision of services, the sales of goods or the use by others of our Group’s assets in the ordinary course of our Group’s business.

Revenue is recognized when control over a product or service is transferred to the customer at the amount of promised consideration to which our Group is expected to be entitled, excluding those amounts collected on behalf of third parties and value-added tax.

Sales of goods

The sales generally involve a single performance obligation to deliver goods pursuant to customer purchase orders. For most contracts, there is a fixed unit price for each product sold. Where a customer orders more than one product type, our Group allocates the contract price to each product type by reference to each product’s standalone selling price.

Our Group has determined that the performance obligations are satisfied at a point in time when the Group completes delivery according to the customer purchase orders. Our Group considers control to have been transferred at that point in time because our Group no longer has physical possession of the asset but has a present right to payment; the customer has legal title, and the significant risks and rewards of ownership of the asset. The goods have either been accepted by the customers or there is objective evidence that the goods provided meet the required specification. Shipping and handling activities performed prior to the customer obtaining control of the goods are accounted for as fulfillment activities and are not a promised good or service. Shipping and handling costs, associated with the distribution of the goods to the customers, are recorded in cost of sales and are recognized when control of the goods is transferred to the customer.

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Maintenance service

Maintenance service is transferred over time during the contract period or when services are rendered.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss for the years/periods indicated:

	Year ended December 31			Six months ended June 30,	
	2023	2024	2025	2025	2026
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Revenue	3,998,835	4,158,551	4,069,361	2,016,543	1,987,184
Cost of sales	<u>(2,032,050)</u>	<u>(2,143,031)</u>	<u>(2,107,204)</u>	<u>(1,026,738)</u>	<u>(1,033,755)</u>
Gross profit	1,966,785	2,015,520	1,962,157	989,805	953,429
Other income	118,741	184,443	110,502	56,711	52,850
(Impairment losses)/reversal of impairment losses under ECL model, net	(5,138)	(14,574)	(5,861)	(7,541)	2,027
Impairment of property, plant and equipment	—	—	(2,755)	—	(5,520)
Impairment loss on investment in an associate	(12,328)	—	—	—	—
Impairment loss of goodwill	—	—	(12,880)	—	(19,900)
Selling and marketing expenses	(783,527)	(692,264)	(600,792)	(309,613)	(273,255)
Administrative expenses	(215,538)	(230,391)	(226,702)	(99,164)	(100,129)
Research and development costs	(400,935)	(383,485)	(367,983)	(184,913)	(164,773)
Other gains and losses, net	53,529	(26,865)	18,130	14,288	(28,278)
Finance costs	(7,315)	(7,743)	(3,955)	(3,299)	(1,557)
Share of results of associates	<u>(6,042)</u>	<u>(658)</u>	<u>(471)</u>	<u>(511)</u>	<u>(336)</u>
Profit before tax	708,232	843,983	869,390	455,763	414,558
Income tax expenses	<u>(84,623)</u>	<u>(124,854)</u>	<u>(97,659)</u>	<u>(58,058)</u>	<u>(56,580)</u>
Profit for the year/period from continuing operations	623,609	719,129	771,731	397,705	357,978
Discontinued operations					
Loss for the year from discontinued operation	<u>(191)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit for the year/period	<u>623,418</u>	<u>719,129</u>	<u>771,731</u>	<u>397,705</u>	<u>357,978</u>

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DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our revenue amounted to RMB3,998.8 million, RMB4,158.6 million, RMB4,069.4 million, RMB2,016.5 million and RMB1,987.2 million, respectively.

Revenue by Business Line

During the Track Record Period, we derived revenue from the (i) drugs, (ii) APIs, (iii) medical equipment and (iv) others.

Among our drugs, products for CNS disorders and cardiovascular and cerebrovascular diseases constituted our core disease-area products, and also includes products for other therapeutic areas, such as digestive diseases and infectious diseases. The table below sets forth our revenue breakdown by business line, with revenue from drugs further broken down by disease areas, in amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentage)</i>										
<i>(unaudited)</i>										
Drugs										
— CNS disorders	629,098	15.7	671,584	16.1	832,198	20.5	369,623	18.3	387,568	19.5
— Cardiovascular and cerebrovascular diseases	682,866	17.1	840,505	20.2	801,245	19.7	373,289	18.5	409,450	20.6
— Digestive diseases	434,808	10.9	413,273	9.9	397,378	9.8	203,508	10.1	178,136	9.0
— Infectious diseases	229,925	5.7	236,924	5.7	195,447	4.8	92,221	4.6	75,699	3.8
— Other diseases ⁽¹⁾	349,693	8.8	360,006	8.8	242,812	5.9	136,626	6.8	111,681	5.6
Subtotal	2,326,390	58.2	2,522,292	60.7	2,469,080	60.7	1,175,267	58.3	1,162,534	58.5
APIs	956,307	23.9	876,296	21.1	814,196	20.0	452,608	22.4	417,171	21.0
Medical equipment	637,246	15.9	687,233	16.5	696,253	17.1	349,311	17.3	375,445	18.9
Others ⁽²⁾	78,892	2.0	72,730	1.7	89,832	2.2	39,357	2.0	32,034	1.6
Total	<u>3,998,835</u>	<u>100.0</u>	<u>4,158,551</u>	<u>100.0</u>	<u>4,069,361</u>	<u>100.0</u>	<u>2,016,543</u>	<u>100.0</u>	<u>1,987,184</u>	<u>100.0</u>

Notes:

- (1) “Other diseases” primarily include endocrine and respiratory diseases.
- (2) Others mainly include lease income, representing a recurring and stable source of income generated from our ordinary course of leasing operations. Such lease income is received from both subsidiaries of Jingxin Holding and other Independent Third Parties.

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In addition, our drugs comprised three sub-product types, namely (i) generic drugs, (ii) innovative drug (Dimdazenil), and (iii) TCM and biologics. The table below sets forth our revenue breakdown by business line, with revenue from drugs further broken down by sub-product types, in amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentage)</i>						<i>(unaudited)</i>			
Drugs										
Generic drugs	1,704,584	42.7	1,872,177	45.0	1,765,516	43.4	854,402	42.4	806,095	40.6
Innovative drug (Dimdazenil)	—	—	23,421	0.6	194,753	4.8	55,263	2.7	152,875	7.7
TCM and biologics	621,806	15.5	626,694	15.1	508,811	12.5	265,602	13.2	203,564	10.2
APIs	956,307	23.9	876,296	21.1	814,196	20.0	452,608	22.4	417,171	21.0
Medical equipment	637,246	15.9	687,233	16.5	696,253	17.1	349,311	17.3	375,445	18.9
Others ⁽¹⁾	78,892	2.0	72,730	1.7	89,832	2.2	39,357	2.0	32,034	1.6
Total	3,998,835	100.0	4,158,551	100.0	4,069,361	100.0	2,016,543	100.0	1,987,184	100.0

Note:

- (1) Others mainly include lease income, representing a recurring and stable source of income generated from our ordinary course of leasing operations. Such lease income is received from both subsidiaries of Jingxin Holding and other Independent Third Parties.

Revenue Breakdown by Geographic Location

In terms of geographic coverage, we generated revenue primarily from our sales network in (i) the Chinese mainland and (ii) overseas, during the Track Record Period. The following table sets forth a breakdown of our revenue by geographical location, in absolute amounts and as percentages of our total revenue, for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentage)</i>						<i>(unaudited)</i>			
Chinese mainland	3,303,930	82.6	3,316,354	79.7	3,212,461	78.9	1,556,794	77.2	1,565,350	78.8
Overseas	694,905	17.4	842,197	20.3	856,900	21.1	459,749	22.8	421,834	21.2
— Europe ⁽¹⁾	331,373	8.3	426,710	10.3	448,660	11.0	256,365	12.7	182,434	9.2
— Asia ⁽²⁾	226,988	5.7	282,098	6.8	245,341	6.0	127,597	6.3	151,547	7.6
— Americas	125,308	3.1	116,153	2.8	153,100	3.8	70,571	3.5	83,781	4.2
— United States	85,475	2.1	87,439	2.1	121,125	3.0	53,741	2.7	63,483	3.2
— Americas excluding US	39,833	1.0	28,714	0.7	31,975	0.8	16,830	0.8	20,298	1.0
— Other areas ⁽³⁾	11,236	0.3	17,236	0.4	9,799	0.3	5,216	0.3	4,072	0.2
Total	3,998,835	100.0	4,158,551	100.0	4,069,361	100.0	2,016,543	100.0	1,987,184	100.0

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Notes:

- (1) Europe mainly includes revenue generated from United Kingdom, Germany, the Netherlands, Russia and Greece.
- (2) Asia mainly includes revenue generated from India, Pakistan, Hong Kong SAR, Japan and Indonesia.
- (3) Other areas mainly include revenue generated from Egypt, South Africa and Tunisia.

Cost of Sales

Our cost of sales amounted to RMB2,032.1 million, RMB2,143.0 million, RMB2,107.2 million, RMB1,026.7 million and RMB1,033.8 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively. During the Track Record Period, our cost of sales primarily consisted of (i) material cost, (ii) manufacturing expenses, (iii) labor cost and (iv) others.

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

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentage)</i>									
	<i>(unaudited)</i>									
Material Cost	1,483,487	73.0	1,521,172	71.0	1,412,451	67.0	697,456	67.9	674,866	65.4
Manufacturing Expenses	314,861	15.5	353,816	16.5	388,373	18.4	187,634	18.3	193,618	18.7
Labor Cost	178,140	8.8	205,360	9.6	222,743	10.6	109,473	10.7	113,098	10.9
Others	55,562	2.7	62,683	2.9	83,637	4.0	32,175	3.1	52,173	5.0
Total	<u>2,032,050</u>	<u>100.0</u>	<u>2,143,031</u>	<u>100.0</u>	<u>2,107,204</u>	<u>100.0</u>	<u>1,026,738</u>	<u>100.0</u>	<u>1,033,755</u>	<u>100.0</u>

Note:

- (1) Others mainly include taxes, surcharges and inventory impairment losses.

Gross Profit and Gross Profit Margin

Our gross profit amounted to RMB1,966.8 million, RMB2,015.5 million, RMB1,962.2 million, RMB989.8 million and RMB953.4 million in 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively. Our gross profit margin was 49.2%, 48.5%, 48.2%, 49.1% and 48.0% in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.

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The following table sets forth a breakdown of our gross profit and gross profit margin by product type, with gross profit from drugs further broken down by disease areas, for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentage)</i>										
<i>(unaudited)</i>										
Drugs	1,473,276	63.3	1,547,091	61.3	1,546,934	62.7	751,226	63.9	757,667	65.2
— CNS disorders	496,645	78.9	523,711	78.0	669,040	80.4	299,118	80.9	313,476	80.9
— Cardiovascular and cerebrovascular diseases	441,684	64.7	500,287	59.5	440,530	55.0	212,356	56.9	247,020	60.3
— Digestive diseases	364,333	83.8	355,017	85.9	334,146	84.1	174,492	85.7	144,246	81.0
— Infectious diseases	48,671	21.2	44,424	18.8	37,676	19.3	17,761	19.3	16,549	21.9
— Other diseases	121,943	34.9	123,652	34.3	65,542	27.0	47,499	34.8	36,376	32.6
APIs	227,119	23.7	203,393	23.2	144,288	17.7	106,429	23.5	57,068	13.7
Medical equipment	224,390	35.2	235,172	34.2	234,120	33.6	117,172	33.5	127,608	34.0
Others	42,000	53.2	29,864	41.1	36,815	41.0	14,978	38.1	11,086	34.6
Total	<u>1,966,785</u>	<u>49.2</u>	<u>2,015,520</u>	<u>48.5</u>	<u>1,962,157</u>	<u>48.2</u>	<u>989,805</u>	<u>49.1</u>	<u>953,429</u>	<u>48.0</u>

The following table sets forth a breakdown of our gross profit and gross profit margin by geographical location for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentage)</i>										
<i>(unaudited)</i>										
Chinese mainland	1,800,844	54.5	1,805,448	54.4	1,741,184	54.2	867,026	55.7	860,527	55.0
Overseas	165,941	23.9	210,072	24.9	220,973	25.8	122,779	26.7	92,902	22.0
— Europe	93,000	28.1	120,283	28.2	132,362	29.5	76,119	29.7	51,983	28.5
— Asia	33,853	14.9	51,462	18.2	45,008	18.3	26,469	20.7	21,471	14.2
— Americas	36,908	29.5	34,889	30.0	41,743	27.3	19,208	27.2	18,952	22.6
— Other areas	2,180	19.4	3,438	19.9	1,860	19.0	983	18.8	496	12.2
Total	<u>1,966,785</u>	<u>49.2</u>	<u>2,015,520</u>	<u>48.5</u>	<u>1,962,157</u>	<u>48.2</u>	<u>989,805</u>	<u>49.1</u>	<u>953,429</u>	<u>48.0</u>

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The following table sets forth a breakdown of our gross profit and gross profit margin by distribution channels for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentage)</i>										
<i>(unaudited)</i>										
Direct sales	414,033	30.9	408,713	28.5	380,322	27.7	215,331	29.8	176,207	26.8
Distributors	1,552,752	58.4	1,606,807	59.0	1,581,835	58.7	774,474	59.8	777,222	58.4
Total	1,966,785	49.2	2,015,520	48.5	1,962,157	48.2	989,805	49.1	953,429	48.0

Other Income

During the Track Record Period, our other income primarily included (i) government subsidies, (ii) interest income, (iii) input VAT preferential tax reductions and (iv) preferential tax treatments and tax-related refunds. Our other income amounted to RMB118.7 million, RMB184.4 million, RMB110.5 million, RMB56.7 million and RMB52.9 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.

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

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentage)</i>										
<i>(unaudited)</i>										
Government subsidies	42,757	36.0	97,102	52.6	37,214	33.7	21,033	37.1	24,870	47.1
Interest income	60,269	50.8	71,238	38.6	61,471	55.6	29,470	52.0	25,704	48.6
Input VAT preferential tax reductions	14,155	11.9	14,729	8.0	10,564	9.6	5,227	9.2	1,704	3.2
Preferential tax treatments and tax-related refunds	1,560	1.3	1,374	0.8	1,253	1.1	981	1.7	572	1.1
Total	118,741	100.0	184,443	100.0	110,502	100.0	56,711	100.0	52,850	100.0

(Impairment losses)/reversal of impairment losses under ECL model, net

During the Track Record Period, our (Impairment losses)/reversal of impairment losses under ECL model, net represent impairment losses recognized on (i) trade receivables and (ii) deposits and other receivables. Our (Impairment losses)/reversal of impairment losses under ECL model, net amounted to RMB5.1 million, RMB14.6 million, RMB5.9 million and RMB7.5 million in 2023, 2024, 2025 and the six months ended June 30, 2025, respectively. We recorded a reversal of impairment losses under ECL model, net of RMB2.0 million for the six months ended June 30, 2026.

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Selling and Marketing Expenses

During the Track Record Period, our selling and marketing expenses primarily consisted of (i) sales service fees, (ii) employee compensation and (iii) others. Our selling and marketing expenses amounted to RMB783.5 million, RMB692.3 million, RMB600.8 million, RMB309.6 million and RMB273.3 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.

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

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentage)</i>										
<i>(unaudited)</i>										
Sales service fees ⁽¹⁾	561,501	71.7	506,911	73.2	411,822	68.5	229,774	74.2	187,957	68.8
Employee compensation	160,598	20.5	120,516	17.4	130,963	21.8	52,506	17.0	61,042	22.3
Share based payment expenses	—	—	—	—	—	—	—	—	1,556	0.6
Others ⁽²⁾	61,428	7.8	64,837	9.4	58,007	9.7	27,333	8.8	22,700	8.3
Total	783,527	100.0	692,264	100.0	600,792	100.0	309,613	100.0	273,255	100.0

Notes:

(1) Sales service fees primarily represented expenses incurred in connection with the promotion of our business, including expenses relating to market development, product promotion, academic promotion and other sales and marketing activities.

(2) Others mainly include office and meeting expenses, travelling expenses and depreciation and amortization.

Administrative Expenses

During the Track Record Period, our administrative expenses primarily consisted of (i) employee compensation, (ii) depreciation and amortization, (iii) office, utilities and maintenance expenses, (iv) professional service fees, (v) business entertainment expenses and (vi) others. Our administrative expenses amounted to RMB215.5 million, RMB230.4 million, RMB226.7 million, RMB99.2 million and RMB100.1 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.

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

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentage)</i>									
	<i>(unaudited)</i>									
Employee compensation	105,776	49.1	99,131	43.0	101,652	44.8	47,405	47.8	41,606	41.6
Depreciation and amortization	39,272	18.2	50,156	21.8	44,486	19.6	22,222	22.4	23,855	23.8
Office, utilities and maintenance expenses	31,759	14.7	38,908	16.9	37,164	16.4	17,862	18.0	16,777	16.8
Professional service fees	9,527	4.4	10,505	4.6	13,242	5.8	4,677	4.7	4,843	4.8
Business entertainment expenses	12,603	5.8	12,556	5.4	8,026	3.5	1,975	2.0	2,205	2.2
Share based payment expenses	—	—	—	—	—	—	—	—	6,102	6.1
Others ⁽¹⁾	16,601	7.8	19,135	8.3	22,132	9.9	5,023	5.1	4,741	4.7
Total	215,538	100.0	230,391	100.0	226,702	100.0	99,164	100.0	100,129	100.0

Notes:

(1) Others mainly include travel expenses and rental fees.

Research and Development Costs

During the Track Record Period, our research and development costs primarily consisted of (i) employee compensation, (ii) materials, testing and utilities expenses, (iii) clinical trials expenses, (iv) depreciation and amortization and (v) others. Our research and development costs amounted to RMB400.9 million, RMB383.5 million, RMB368.0 million, RMB184.9 million and RMB164.8 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.

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

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentage)</i>										
<i>(unaudited)</i>										
Employee compensation	157,068	39.2	149,436	39.0	155,109	42.2	74,732	40.4	81,772	49.6
Materials, testing and utilities expenses	82,839	20.7	94,743	24.7	93,273	25.3	47,818	25.9	33,118	20.1
Clinical trials expenses	103,433	25.8	81,808	21.3	62,515	17.0	30,561	16.5	22,826	13.9
Depreciation and amortization	29,149	7.3	29,834	7.8	28,467	7.7	14,866	8.0	13,747	8.3
Share based payment expenses	—	—	—	—	—	—	—	—	2,546	1.6
Others ⁽¹⁾	28,446	7.0	27,664	7.2	28,619	7.8	16,936	9.2	10,764	6.5
Total	400,935	100.0	383,485	100.0	367,983	100.0	184,913	100.0	164,773	100.0

Notes:

(1) Others mainly include office and travel expenses.

Other Gains and Losses, Net

During the Track Record Period, our other gains and losses, net primarily consisted of (i) fair value gain/(loss) on financial assets at fair value through profit or loss, (ii) gain on disposal of financial assets at fair value through profit or loss, (iii) dividends from financial assets at fair value through profit or loss, (iv) gain/(loss) on disposal of property, plant and equipment and right-of-use assets and (v) exchange gain/(loss). We recorded net other gains of RMB53.5 million in 2023 and net other losses of RMB26.9 million in 2024 and net other gains of RMB18.1 million in 2025, net other gains of RMB14.3 million and net other losses of RMB28.3 million in the six months ended June 30, 2025 and 2026.

Finance Costs

During the Track Record Period, our finance costs primarily consisted of (i) interest expenses on borrowings, arising from discounting of bills receivable and (ii) interest expenses on lease liabilities. Our finance costs amounted to RMB7.3 million, RMB7.7 million, RMB4.0 million, RMB3.3 million and RMB1.6 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.

Income Tax Expenses

Our income tax expenses amounted to RMB84.6 million, RMB124.9 million, RMB97.7 million, RMB58.1 million and RMB56.6 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively. We are subject to income tax on an entity basis on profits arising in or derived from tax jurisdictions in which members of our Group are domiciled and operate. See Note 12 of the Accountant’s Report in Appendix I to this Document.

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During the Track Record Period and as of the Latest Practicable Date, we did not have any material dispute or unresolved issues with the relevant tax authority.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended June 30, 2025 Compared with Six months ended June 30, 2026

Revenue

Our revenue decreased by 1.5% from RMB2,016.5 million in the six months ended June 30, 2025 to RMB1,987.2 million in the six months ended June 30, 2026, primarily due to a decrease in revenue from APIs.

Our revenue from drugs remained relatively stable at RMB1,175.3 million in the six months ended June 30, 2025 and RMB1,162.5 million in the six months ended June 30, 2026, respectively.

Our revenue from APIs decreased by 7.8% from RMB452.6 million for the six months ended June 30, 2025 to RMB417.2 million for the six months ended June 30, 2026, primarily due to lower average selling prices of our API products to external customers.

Our revenue from medical equipment increased by 7.5% from RMB349.3 million for the six months ended June 30, 2025 to RMB375.4 million for the six months ended June 30, 2026, primarily due to higher sales of medical display and human-machine interface products, mainly attributable to increased sales volume of medical display and human-machine interface products to international customized equipment customers.

Cost of Sales

Our cost of sales remained relatively stable at RMB1,026.7 million in the six months ended June 30, 2025 and RMB1,033.8 million in the six months ended June 30, 2026, respectively.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by 3.7% from RMB989.8 million in the six months ended June 30, 2025 to RMB953.4 million in the six months ended June 30, 2026. Our gross profit margin remained relatively stable at 49.1% in the six months ended June 30, 2025 and 48.0% in the six months ended June 30, 2026.

Our gross profit margin from drugs remained relatively stable at 63.9% in the six months ended June 30, 2025 and 65.2% in the six months ended June 30, 2026, respectively.

Our gross profit margin from APIs decreased from 23.5% in the six months ended June 30, 2025 to 13.7% in the six months ended June 30, 2026, respectively, primarily due to lower average selling prices of our API products.

Our gross profit margin from medical equipment was stable at 33.5% in the six months ended June 30, 2025 and at 34.0% in the six months ended June 30, 2026, respectively.

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Other Income

Our other income decreased by 6.8% from RMB56.7 million in the six months ended June 30, 2025 to RMB52.9 million in the six months ended June 30, 2026, primarily due to (i) a decrease of RMB3.5 million in input VAT preferential tax reductions, and (ii) a decrease of RMB3.8 million in interest income, mainly reflecting a reduction in time deposits, partially offset by an increase of RMB3.9 million in government subsidies.

(Impairment losses)/reversal of impairment losses under ECL model, net

We recorded net impairment losses under ECL model of RMB7.5 million in the six months ended June 30, 2025 and a net reversal of impairment losses under ECL model of RMB2.0 million in the six months ended June 30, 2026, primarily due to (i) reduced impairment losses on trade receivables and (ii) reduced impairment losses on deposits and other receivables.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 11.7% from RMB309.6 million in the six months ended June 30, 2025 to RMB273.3 million in the six months ended June 30, 2026, primarily due to a decrease of RMB41.8 million in sales service fees, which was partially offset by higher employee compensation. The decrease in sales service fees was mainly attributable to the increase in the number of our drug types included in the national VBP program, from 33 drug types in 2025 to 40 drug types in the six months ended June 30, 2026. Following the inclusion of additional generic drug types in the national VBP program, we further adjusted our sales and marketing approach and reduced sales service arrangements for the relevant drug types, reflecting their reduced need for sales service support.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB99.2 million in the six months ended June 30, 2025 and RMB100.1 million in the six months ended June 30, 2026, respectively.

Research and Development Costs

Our research and development costs decreased by 10.9% from RMB184.9 million in the six months ended June 30, 2025 to RMB164.8 million in the six months ended June 30, 2026, primarily due to decreases in materials, testing and utilities expenses and clinical trial expenses, as certain R&D programs advanced into later stages of development during the period.

Other Gains and Losses, Net

We recorded net other gains of RMB14.3 million in the six months ended June 30, 2025 and net other losses of RMB28.3 million in the six months ended June 30, 2026, primarily due to (i) a change from an exchange gain of RMB1.4 million to an exchange loss of RMB22.8 million, mainly relating to U.S. dollar exchange rate movements; and (ii) fair value changes on financial assets at fair value through profit or loss from a gain of RMB68,000 to a loss of RMB16.7 million, mainly attributable to the change in the fair value of our unlisted investee companies.

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Finance Costs

Our finance costs decreased by 52.8% from RMB3.3 million in the six months ended June 30, 2025 to RMB1.6 million in the six months ended June 30, 2026, primarily due to a decrease in interest expenses on borrowings driven by a reduced level of borrowings obtained through the discounting of bills receivable during the period.

Income Tax Expenses

Our income tax expenses decreased by 2.5% from RMB58.1 million in the six months ended June 30, 2025 to RMB56.6 million in the six months ended June 30, 2026, primarily due to a decrease in profit before tax from RMB455.8 million in the six months ended June 30, 2025 to RMB414.6 million in the six months ended June 30, 2026.

Profit for the Period

As a result of the foregoing, our profit for the period decreased by 10.0% from RMB397.7 million in the six months ended June 30, 2025 to RMB358.0 million in the six months ended June 30, 2026.

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

Revenue

Our revenue decreased by 2.1% from RMB4,158.6 million in 2024 to RMB4,069.4 million in 2025, primarily due to a decrease in revenue from our drugs and APIs.

Our revenue from drugs decreased by 2.1% from RMB2,522.3 million in 2024 to RMB2,469.1 million in 2025, primarily due to the decrease in revenue of RMB192.6 million generated from our major generic drugs, TCM and biologics in the centralized tender process or VBP schemes. In particular, total revenue generated from Pitavastatin Calcium Dispersible Tablets, Kangfuxin Oral Liquid and Amlodipine Besylate Tablets decreased by RMB161.5 million in aggregate, which was mainly due to the decrease in average selling price by 26.0% resulting from lower bid price under the VBP scheme. Such decrease was partially offset by the increase in revenue generated from our innovative drug, Dimdazenil, which was mainly due to the increase in sales volume of 3,137% resulting from its inclusion in the national NRDL, which took effect in January 2025.

Our revenue from APIs decreased by 7.1% from RMB876.3 million in 2024 to RMB814.2 million in 2025, primarily due to lower average selling prices of our quinolone anti-infective APIs, which reflected greater pricing pressure from downstream customers amid intensified market competition. As quinolone anti-infective APIs accounted for the largest proportion of our API revenue, the decline in their average selling prices had greater impact on our overall API revenue.

Our revenue from medical equipment increased by 1.3% from RMB687.2 million in 2024 to RMB696.3 million in 2025, primarily due to higher sales of medical display and human-machine interface products, mainly attributable to increased customer demand under our international customized equipment customers.

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Cost of Sales

Our cost of sales remained relatively stable at RMB2,143.0 million in 2024 and RMB2,107.2 million in 2025, respectively.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by 2.6% from RMB2,015.5 million in 2024 to RMB1,962.2 million in 2025. Our gross profit margin remained relatively stable at 48.5% in 2024 and 48.2% in 2025, respectively.

Our gross profit margin from drugs increased from 61.3% in 2024 to 62.7% in 2025, mainly due to a more favorable product mix, with a higher proportion of sales attributable to our innovative drugs, i.e. Dimdazenil, which has a higher gross profit margin.

Our gross profit margin from APIs decreased from 23.2% in 2024 to 17.7% in 2025, mainly due to decreased average selling prices of our quinolone anti-infective APIs amid intensified market competition.

Our gross profit margin from medical equipment decreased from 34.2% in 2024 to 33.6% in 2025, mainly due to a decrease in average selling prices of certain medical equipment as we adopted more competitive pricing amid intensified market competition.

Other Income

Our other income decreased by 40.1% from RMB184.4 million in 2024 to RMB110.5 million in 2025, primarily due to (i) a decrease in government subsidies, mainly because we received one-off government subsidies in 2024 in recognition of our achievements in generic drugs passing consistency evaluation and our R&D achievements relating to Dimdazenil, while no such one-off subsidies were received in 2025, and (ii) a decrease in interest income in 2025.

Impairment losses under ECL model, net of reversal

Our impairment losses under ECL model — net of reversal decreased by 59.8% from RMB14.6 million in 2024 to RMB5.9 million in 2025, primarily due to (i) reduced impairment losses on trade receivables and (ii) reduced impairment losses on deposits and other receivables.

Selling and Marketing Expenses

Our selling and marketing expenses further decreased by 13.2% from RMB692.3 million in 2024 to RMB600.8 million in 2025, primarily due to a decrease in sales service fees, which was partly offset by higher employee compensation. The decrease in sales service fees was mainly attributable to the increase in the number of our drug types included in the national VBP program, from 24 drug types in 2024 to 33 drug types in 2025. Following the inclusion of additional generic drug types in the national VBP program in 2025, we further adjusted our sales and marketing approach and reduced sales service arrangements for the relevant drug types, reflecting their reduced need for sales service support.

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Administrative Expenses

Our administrative expenses remained relatively stable at RMB230.4 million in 2024 and RMB226.7 million in 2025, respectively.

Research and Development Costs

Our research and development costs decreased by 4.0% from RMB383.5 million in 2024 to RMB368.0 million in 2025, primarily due to decreases in materials, testing and utilities expenses and clinical trial expenses, as certain R&D programs advanced into later stages of development during the year.

Other Gains and Losses — Net

We recorded net other losses of RMB26.9 million in 2024 and net other gains of RMB18.1 million in 2025, primarily due to a change in fair value changes on financial assets at fair value through profit or loss from a loss of RMB42.4 million to a gain of RMB9.5 million, mainly attributable to the change in the fair value of our unlisted investee companies.

Finance Costs

Our finance costs decreased by 48.9% from RMB7.7 million in 2024 to RMB4.0 million in 2025, primarily due a decrease in interest expenses on borrowings, driven by a reduced level of borrowings obtained through the discounting of bills receivable during the year.

Income Tax Expenses

Our income tax expenses decreased by 21.8% from RMB124.9 million in 2024 to RMB97.7 million in 2025, due to (i) a decrease in effect of deductible temporary differences and tax losses not recognized as deferred tax asset and (ii) a decrease in tax effect of expenses not deductible for tax purpose.

Profit for the Year

As a result of the foregoing, our profit for the period increased by 7.3% from RMB719.1 million in 2024 to RMB771.7 million in 2025.

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

Revenue

Our revenue increased by 4.0% from RMB3,998.8 million in 2023 to RMB4,158.6 million in 2024, primarily due to an increase in revenue from our drugs and medical equipment.

Our revenue from drugs increased by 8.4% from RMB2,326.4 million in 2023 to RMB2,522.3 million in 2024, primarily due to the increase in revenue of RMB143.3 million in aggregate generated from our major drugs in the centralized tender process or VBP schemes. In particular, total revenue generated from generic drugs such as Rosuvastatin Calcium Tablets, Amlodipine Besylate Tablets and Cefuroxime Axetil increased by RMB187.3 million, which was mainly due to the increase in

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sales volume under the VBP scheme. Such increase was partially offset by the decrease in revenue generated from Pitavastatin Calcium Dispersible Tablets and Pramipexole Dihydrochloride Tablets which was mainly due to the decrease in average selling price by 22.5% resulting from the lower bid price under the VBP scheme.

Our revenue from APIs decreased by 8.4% from RMB956.3 million in 2023 to RMB876.3 million in 2024, primarily due to a decrease in average selling prices of certain APIs amid intensified market competition.

Our revenue from medical equipment increased by 7.8% from RMB637.2 million in 2023 to RMB687.2 million in 2024, primarily due to higher sales of medical display and human-machine interface products, mainly attributable to increased customer demand under our international customized equipment customers.

Cost of Sales

Our cost of sales increased by 5.5% from RMB2,032.1 million in 2023 to RMB2,143.0 million in 2024, generally in line with the increase in our revenue.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 2.5% from RMB1,966.8 million in 2023 to RMB2,015.5 million in 2024. Our gross profit margin remained relatively stable at 49.2% in 2023 and 48.5% in 2024, respectively.

Our gross profit margin from drugs decreased from 63.3% in 2023 to 61.3% in 2024, primarily due to a decline in average selling prices, as more types of our drugs were included in VBP program.

Our gross profit margin from APIs remained relatively stable at 23.7% in 2023 and 23.2% in 2024, respectively.

Our gross profit margin from medical equipment decreased from 35.2% in 2023 to 34.2% in 2024, mainly due to a decrease in average selling prices as we adopted more competitive pricing for certain of our medical equipment amid intensified market competition.

Other Income

Our other income increased by 55.3% from RMB118.7 million in 2023 to RMB184.4 million in 2024, primarily due to higher government subsidies in 2024, mainly attributable to one-off government subsidies received in 2024 in recognition of our achievements in generic drugs passing consistency evaluation and our R&D achievements relating to Dimdazenil.

Impairment losses under ECL model, net of reversal

Our impairment losses under ECL model — net of reversal increased significantly from RMB5.1 million in 2023 to RMB14.6 million in 2024, primarily due to the increase in our trade receivables balance, which led to a higher provision for expected credit losses.

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Impairment loss on investment in associates

Our impairment loss on investment in associates decreased from RMB12.3 million in 2023 to nil in 2024, primarily because one of our associates was reclassified to a financial asset measured at fair value through profit or loss, and accordingly no further impairment loss was recognized.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 11.6% from RMB783.5 million in 2023 to RMB692.3 million in 2024, primarily due to (i) a decrease in sales service fees and (ii) lower employee compensation resulting from the streamlining of our sales team. The decrease in sales service fees was mainly attributable to the increase in the number of our drug types included in the national VBP program, from 18 drug types in 2023 to 24 drug types in 2024. Following the inclusion of additional generic drug types in the national VBP program in 2024, we adjusted our sales and marketing approach and reduced sales service arrangements for the relevant products, reflecting the reduced need for sales service support for such products.

Administrative Expenses

Our administrative expenses increased by 6.9% from RMB215.5 million in 2023 to RMB230.4 million in 2024, primarily due to increased depreciation and amortization expenses following the commencement of our Hangzhou Base.

Research and Development Costs

Our research and development costs decreased by 4.4% from RMB400.9 million in 2023 to RMB383.5 million in 2024, primarily due to a decrease in clinical trials expenses, as certain R&D programs advanced into later stages of development during the period.

Other Gains and Losses

We recorded other gains of RMB53.5 million in 2023 and losses of RMB26.9 million in 2024, primarily due to in fair value changes on financial assets at fair value through profit or loss from a gain of RMB36.8 million to a loss of RMB42.4 million, mainly attributable to the change in the fair value of our unlisted investee companies.

Finance Costs

Our finance costs increased by 5.9% from RMB7.3 million in 2023 to RMB7.7 million in 2024, primarily due to higher interest expenses on borrowings, driven by more borrowings obtained through the discounting of bills receivable in 2024.

Income Tax Expenses

Our income tax expenses increased by 47.5% from RMB84.6 million in 2023 to RMB124.9 million in 2024, primarily due to (i) higher profit before tax, (ii) an increase in effect of deductible temporary differences and tax losses not recognized as deferred tax asset and (iii) an increase in our research and development expenses and other additional deduction

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Profit for the Year

As a result of the foregoing, our profit for the year increased by 15.4% from RMB623.4 million in 2023 to RMB719.1 million in 2024.

DISCUSSION OF KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Non-Current Assets/Liabilities

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

	As of December 31			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Non-current assets				
Property, plant and equipment	2,278,611	2,211,669	2,291,729	2,184,562
Right-of-use assets	411,061	395,384	396,699	409,718
Investment properties	347,154	335,587	157,931	154,513
Intangible assets	32,990	22,335	63,588	62,681
Goodwill	348,485	348,485	335,605	315,705
Investments in associates	62,516	55,541	55,070	51,146
Financial assets at fair value through profit or loss	549,787	494,591	503,106	483,577
Prepayments and deposits	9,563	31,953	9,654	15,429
Time deposits	511,672	1,611,075	930,112	306,230
Deferred tax assets	80,983	83,561	79,234	75,600
Total non-current assets	4,632,822	5,590,181	4,822,728	4,059,161
Non-current liabilities				
Provision for litigations	3,203	1,195	862	1,072
Lease liabilities	31,228	23,131	22,628	27,804
Deferred tax liabilities	68,400	54,333	58,958	52,842
Deferred income	268,813	264,591	263,907	263,713
Total non-current liabilities	371,644	343,250	346,355	345,431

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Property, plant and equipment

Our property, plant and equipment primarily consisted of (i) property and buildings, (ii) construction in progress, (iii) other equipment, (iv) production equipment, (v) furniture, fixtures and equipment, (vi) leasehold improvements and (vii) transportation vehicles. The following table sets out a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Property and buildings	1,138,099	1,335,943	1,467,162	1,392,947
Construction in progress	482,064	18,552	52,710	44,410
Other equipment	343,092	439,430	360,555	330,657
Production equipment	267,295	342,130	352,941	363,616
Furniture, fixtures and equipment	24,094	19,294	16,136	16,036
Leasehold improvements	21,202	53,796	38,935	33,914
Transportation vehicles	2,765	2,524	3,290	2,982
Total	<u>2,278,611</u>	<u>2,211,669</u>	<u>2,291,729</u>	<u>2,184,562</u>

Our property, plant and equipment decreased by 2.9% from RMB2,278.6 million as of December 31, 2023 to RMB2,211.7 million as of December 31, 2024, primarily due to depreciation charges during the year. Our property, plant and equipment increased by 3.6% from RMB2,211.7 million as of December 31, 2024 to RMB2,291.7 million as of December 31, 2025, primarily due to an increase in property and buildings. Our property, plant and equipment decreased by 4.7% from RMB2,291.7 million as of December 31, 2025 to RMB2,184.6 million as of June 30, 2026, primarily due to a decrease in property and buildings.

Right-of-use assets

Our right-of-use assets primarily consisted of (i) land use rights, (ii) property and buildings and (iii) equipment. Our right-of-use assets decreased by 3.8% from RMB411.1 million as of December 31, 2023 to RMB395.4 million as of December 31, 2024, primarily due to depreciation charges during the year. Our right-of-use assets remained relatively stable at RMB395.4 million as of December 31, 2024 and RMB396.7 million as of December 31, 2025. Our right-of-use assets increased by 3.3% from RMB396.7 million as of December 31, 2025 to RMB409.7 million as of June 30, 2026, primarily due to an increase in property and buildings, partially offset by the decrease in land use rights due to depreciation charges during the period.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as of the acquisition date.

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The carrying value of our goodwill remained relatively stable at RMB348.5 million, RMB348.5 million and RMB335.6 million as of December 31, 2023, 2024 and 2025, respectively. The carrying value of our goodwill decreased by 5.9% from RMB335.6 million as of December 31, 2025 to RMB315.7 million as of June 30, 2026, primarily due to the decrease in carrying value of the goodwill of our Shaxi subsidiary.

Impairment Testing of Goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Medical equipment cash-generating unit (“**Medical Equipment CGU**”); and
- Drugs cash-generating unit (“**Drugs CGU**”).

The following table sets out the carrying amount of goodwill allocated to each of the cash-generating units:

	Medical Equipment CGU				Drugs CGU				Total			
	As of December 31,			As of June 30,	As of December 31,			As of June 30,	As of December 31,			As of June 30,
	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount	257,885	257,885	257,885	257,885	90,600	90,600	77,720	57,820	348,485	348,485	335,605	315,705

We have engaged independent professionally qualified valuers to assist in the determination of the recoverable amounts of the Medical Equipment CGU and the Drugs CGU. The recoverable amounts of the Medical Equipment CGU and the Drugs CGU have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

The carrying amount of the Drugs CGU, which belongs to the Drugs segment, was impaired by RMB12,880,000 and RMB19,900,000 during the year ended December 31, 2025 and six months ended June 30, 2026, respectively. Consequently, the carrying amount of goodwill was written down by RMB12,880,000 and RMB19,900,000, respectively. The impairment loss recognized was included in the consolidated statement of profit or loss. The impairment was attributable to the increasing competitive business landscape for Chinese finished medicines in Chinese Mainland.

For further details of our goodwill and the key assumptions applied in the impairment testing, see Note 4 to the Accountants’ Report in Appendix I to this Document.

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Net Current Assets/Liabilities

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

	As of December 31			As of June 30,	As of July 31,
	2023	2024	2025	2026	2026
	<i>(RMB in thousands)</i>				<i>(unaudited)</i>
Current assets					
Inventories	652,687	792,719	766,148	799,557	822,881
Trade receivables	571,456	747,848	785,190	728,271	675,982
Prepayments, deposits and other receivables	68,539	66,029	80,143	130,417	153,434
Financial assets at fair value through other comprehensive income	41,122	104,170	95,927	28,294	27,033
Financial assets at fair value through profit or loss	150,956	827,657	318,956	632,082	589,389
Time deposits with original maturities over three months	513,463	34,445	723,724	1,089,554	1,055,481
Restricted bank deposits	79,493	29,122	18,082	8,144	12,238
Cash and cash equivalents	<u>1,276,018</u>	<u>287,145</u>	<u>512,632</u>	<u>479,682</u>	<u>512,767</u>
Total current assets	<u>3,353,734</u>	<u>2,889,135</u>	<u>3,300,802</u>	<u>3,896,001</u>	<u>3,849,205</u>
Current liabilities					
Trade and bills payables	587,427	565,190	410,093	452,614	490,291
Contract liabilities	53,346	56,484	56,454	42,871	40,381
Other payables and accruals	1,098,737	1,129,012	1,107,693	946,924	1,010,676
Borrowings	279,091	281,355	284,392	169,487	230,435
Lease liabilities	11,860	13,302	6,627	13,007	12,288
Tax payables	<u>44,296</u>	<u>89,178</u>	<u>41,649</u>	<u>33,002</u>	<u>14,082</u>
Total current liabilities	<u>2,074,757</u>	<u>2,134,521</u>	<u>1,906,908</u>	<u>1,657,905</u>	<u>1,798,153</u>
Net current assets	<u>1,278,977</u>	<u>754,614</u>	<u>1,393,894</u>	<u>2,238,096</u>	<u>2,051,052</u>

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We recorded net current assets of RMB754.6 million as of December 31, 2024, as compared to net current assets of RMB1,279.0 million as of December 31, 2023. The change was primarily due to (i) a decrease in cash and cash equivalents of RMB988.9 million and (ii) a decrease in time deposits with original maturities over three months of RMB479.0 million, reflecting our treasury management arrangements, partially offset by (i) an increase in financial assets at fair value through profit or loss of RMB676.7 million, (ii) an increase in trade receivables of RMB176.4 million and (iii) an increase in inventories of RMB140.0 million.

We recorded net current assets of RMB1,393.9 million as of December 31, 2025, as compared to net current assets of RMB754.6 million as of December 31, 2024. The change was primarily due to (i) an increase in time deposits with original maturities over three months of RMB689.3 million and (ii) an increase in cash and cash equivalents of RMB225.5 million, partially offset by a decrease in financial assets at fair value through profit or loss of RMB508.7 million.

We recorded net current assets of RMB2,238.1 million as of June 30, 2026, as compared to net current assets of RMB1,393.9 million as of December 31, 2025. The change was primarily due to (i) an increase in time deposits with original maturities over three months of RMB365.8 million, (ii) an increase in financial assets at fair value through profit or loss of RMB313.1 million, (iii) a decrease in other payables and accruals of RMB160.8 million, and (iv) a decrease in borrowings of RMB114.9 million, partially offset by (i) a decrease in financial assets at fair value through other comprehensive income of RMB67.6 million, (ii) a decrease in trade receivables of RMB56.9 million, (iii) an increase in trade and bills payables of RMB42.5 million, and (iv) a decrease in cash and cash equivalents of RMB33.0 million.

Inventories

Our inventories primarily included (i) raw materials, (ii) work in progress and (iii) finished goods. The following table sets out a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	June 30,
				2026
	<i>(RMB in thousands)</i>			
Raw materials	290,517	306,028	293,051	328,286
Work in progress	100,966	135,179	103,476	122,871
Finished goods	278,163	374,890	412,257	384,377
Less: write-downs of inventories ⁽¹⁾	(16,959)	(23,378)	(42,636)	(35,977)
Total	652,687	792,719	766,148	799,557

Note:

- (1) During the Track Record Period, our inventory write-downs were primarily attributable to (i) certain materials becoming idle or slow-moving, (ii) lower net realizable value of certain products as a result of relatively low gross profit margins or lower selling prices, and (iii) relatively high unit production costs of certain products. Taking into account the inventory provisioning policy, the net realizable value and aging of the relevant inventories, as well as their subsequent utilization and sales, we believe that sufficient provisions had been made for inventories during the Track Record Period.

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Our inventories increased by 21.5% from RMB652.7 million as of December 31, 2023 to RMB792.7 million as of December 31, 2024, primarily due to an increase in finished goods, mainly resulting from our higher stockpiling in anticipation of increased future sales following the inclusion of more types of our drugs in the VBP program. Our inventories remained relatively stable at RMB792.7 million as of December 31, 2024 to RMB766.1 million as of December 31, 2025 and to RMB799.6 million as of June 30, 2026, respectively.

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

	<u>Year ended December 31,</u>			<u>As of</u>
	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>June 30,</u>
				<u>2026</u>
Inventory turnover days ⁽¹⁾	128.1	123.1	135.0	137.1

Note:

- (1) Inventory turnover days are calculated using the average of opening balance and closing balance of inventories (net of write-downs of inventories) for the year/period divided by cost of sales for the relevant year and multiplying by the number of days in that year/period (i.e., 365 days for a given year and 181 days for a six-month period).

Our inventory turnover days remained relatively stable at 128.1 days in 2023 and 123.1 days in 2024, respectively. Our inventory turnover days increased from 123.1 days in 2024 to 135.0 days in 2025, primarily due to an increase in average inventory level to support our sales increment. Our inventory turnover days remained relatively stable at 135.0 days as of December 31, 2025 and at 137.1 days as of June 30, 2026, respectively.

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

	<u>As of December 31,</u>			<u>As of</u>
	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>June 30,</u>
				<u>2026</u>
	<i>(RMB in thousands)</i>			
Within one year	613,844	748,474	758,879	779,107
One year to two years	45,891	51,919	28,971	33,933
Two years to three years	4,643	10,233	11,112	9,480
After three years	<u>5,268</u>	<u>5,471</u>	<u>9,822</u>	<u>13,014</u>
Total	<u>669,646</u>	<u>816,097</u>	<u>808,784</u>	<u>835,534</u>

We periodically review our inventory levels for slow-moving inventory, obsolescence or decline in market value, and make write-down when the net realizable value of inventories falls below cost or any inventories are identified as obsolete. We believe that sufficient provisions have been made for our inventories at the end of each of the reporting periods.

As of July 31, 2026, RMB340.9 million or 40.8% of inventories as of June 30, 2026, had been subsequently sold or utilized.

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Trade receivables

Our trade receivables primarily consisted the outstanding receivables from our customers during our ordinary course of business. The following table sets out a breakdown of our trade receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Trade receivables	616,384	805,027	847,761	788,715
Less: loss allowance for trade receivables	(44,928)	(57,179)	(62,571)	(60,444)
Total	571,456	747,848	785,190	728,271

Our trade receivables increased by 30.9% from RMB571.5 million as of December 31, 2023 to RMB747.8 million as of December 31, 2024, and further increased by 5.0% to RMB785.2 million as of December 31, 2025, primarily due to the increase in our sales and an extension of customer credit terms in line with PRC pharmaceutical industry procurement practices. Our trade receivables decreased by 7.2% from RMB785.2 million as of December 31, 2025 to RMB728.3 million as of June 30, 2026, primarily due to our enhanced our management of trade receivables.

For certain customers, we have engaged in credit sale with them during the Track Record Period and we usually grant credit terms ranging from 30 to 120 days. We seek to maintain strict control over our outstanding receivables. Our sales management department is responsible for minimizing credit risks. Overdue balances are reviewed regularly. The following table sets out an aging analysis of our trade receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Within one year	569,322	743,920	776,365	717,032
One year to two years	1,793	3,813	7,955	9,716
Two years to three years	341	115	870	1,523
Total	571,456	747,848	785,190	728,271

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

	Year ended December 31,			As of June 30,
	2023	2024	2025	2026
Trade receivables turnover days ⁽¹⁾	47.7	57.9	68.8	68.9

Note:

- (1) Trade receivables turnover days are calculated using the average of opening balance and closing balance of trade receivables (net of loss allowance) for the year/period divided by revenue for the relevant year and multiplying by the number of days in that year/period (i.e., 365 days for a given year and 181 days for a six-month period).

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Our trade receivables turnover days increased from 47.7 days in 2023 to 57.9 days in 2024, and further increased to 68.8 days in 2025, primarily due to an extension in customers’ payment cycles, which was in line with PRC pharmaceutical industry procurement practices. Our trade receivables turnover days remained relatively stable at 68.8 days in 2025 and at 68.9 days as of June 30, 2026.

As of July 31, 2026, RMB337.3 million, or 42.8% of our trade receivables as of June 30, 2026, had been settled.

Financial Assets at Fair Value through Other Comprehensive Income

Our financial assets at fair value through other comprehensive income comprised of bills receivable.

Our financial assets at fair value through other comprehensive income increased significantly from RMB41.1 million as of December 31, 2023 to RMB104.2 million as of December 31, 2024, primarily due to an increase in bank acceptance bills for settlement. Our financial assets at fair value through other comprehensive income decreased by 7.9% from RMB104.2 million as of December 31, 2024 to RMB95.9 million as of December 31, 2025, primarily due to a decrease in bank acceptance bills for settlement.

Financial assets at Fair Value through Profit or Loss (“Financial assets at FVTPL”)

Our financial assets at FVTPL primarily consisted of (i) unlisted equity investments and (ii) structured deposits. We recorded financial assets at FVTPL of RMB700.7 million, RMB1,322.2 million, RMB822.1 million and RMB1,115.7 million as of December 31, 2023 and 2024 and 2025 and the six months ended June 30, 2026. The following table sets out a breakdown of our financial assets at FVTPL as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	June 30,
				2026
	<i>(RMB in thousands)</i>			
Non-Current				
Unlisted equity investments, at fair value	549,787	494,591	503,106	483,577
Current				
Structured deposits	150,956	827,657	318,956	632,082
Total	700,743	1,322,248	822,062	1,115,659

The current portion of our financial assets at FVTPL increased significantly from RMB151.0 million as of December 31, 2023 to RMB827.7 million as of December 31, 2024, primarily due to more structured deposits purchased. The current portion of our financial assets at FVTPL decreased by 61.5% from RMB827.7 million as of December 31, 2024 to RMB319.0 million as of December 31, 2025, primarily due to the redemption upon maturity of our structured deposits. The current portion of our financial assets at FVTPL increased significantly from RMB319.0 million as of December 31, 2025 to RMB632.1 million as of June 30, 2026, primarily due to more structured deposits purchased.

We have adopted internal policies and procedures to manage investments in financial instruments, including wealth management products and structured deposits. Our finance department is responsible for deploying idle funds with a focus on prudent risk control and enhancing returns on cash assets. The investment strategy is formulated by our finance department, including our chief financial officer, and approved by the chairperson of our board, with specific product selection and approval procedures in

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place. We will ensure that our investments classified as financial assets at FVTPL comply with the applicable laws and regulations, including the relevant requirements under Chapter 14 of the Listing Rules after the [REDACTED].

We endeavor to increase the return of idle cash and bank balances by placing investments in structured deposits and wealth management products with low risk such that our risk exposure arising from such investments is controlled. All investment proposals are reviewed and approved by authorized personnel in accordance with our internal financial management policy. Our finance department maintains records of each investment and monitors performance on an ongoing basis.

Our investment policies for financial assets at FVTPL aims to preserve capital, maintain adequate liquidity and generate reasonable returns while managing investment risks, while our strategic equity investments target opportunities in cardiovascular and cerebrovascular diseases and CNS disorders that may support our R&D and market expansion. Our investment policies and strategies include (i) aligning investment maturities with anticipated operating cash requirements; (ii) adopting a prudent approach to product selection; (iii) ensuring that investments do not adversely affect our business operations or capital expenditure requirements; and (iv) selecting products issued by reputable financial institutions, taking into account any principal protection or minimum return arrangements. We assess each proposed investment individually, considering macroeconomic and market conditions, the issuing institution’s creditworthiness and risk controls, our working capital requirements, and the expected returns and potential losses.

With the authorization of the Board and the supervision by our finance department and internal audit department, we evaluate and determine the investment plans with respect to financial products in accordance with our cash management policies and internal approval process. In addition, our internal audit department is responsible for the daily supervision of the use and custody of funds for the invested products, and it conducts regular audits and verifications of the fund usage. Our chief financial officer, Ms. Chen Meili, formulates our investment strategy for approval by the chairperson of our Board. Ms. Chen was first appointed as our chief financial officer in 2001 and has held the professional title of Senior Accountant since 2006. See “Directors and Senior Management.” Following the [REDACTED], our investments will comply with the applicable requirements of Chapter 14 of the Listing Rules.

Time deposits

During the Track Record Period, our time deposits consisted non-current time deposits and current time deposits with the original maturities over three months but less than one year.

Our time deposits increased by 60.5% from RMB1,025.1 million as of December 31, 2023 to RMB1,645.5 million as of December 31, 2024, and subsequently increased to RMB1,653.8 million as of December 31, 2025. Such fluctuation was mainly because we reallocated funds from time deposits in accordance with our treasury management strategy to meet liquidity needs while optimizing overall yield. Our time deposits decreased by 15.6% from RMB1,653.8 million as of December 31, 2025 to RMB1,395.8 million as of June 30, 2026, primarily due to the increase in the redemption of time deposits upon maturity during the period.

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Trade and bill payables

Our trade and bills payables primarily consisted of (i) trade payables and (ii) bills payables. The following table sets out 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 in thousands)			
Trade payables	257,116	279,690	240,093	230,329
Bills payables	330,311	285,500	170,000	222,285
Total	587,427	565,190	410,093	452,614

Our trade and bills payables remained relatively stable at RMB587.4 million as of December 31, 2023, RMB565.2 million as of December 31, 2024 and decrease to RMB410.1 million as of December 31, 2025, respectively. Our trade and bills payables remained relatively stable at RMB410.1 million as of December 31, 2025 and at RMB452.6 million as of June 30, 2026, respectively.

The trade payables are normally settled within 30 to 90 days. The following table sets out an aging analysis of our trade payables as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Within one year	253,694	275,159	235,676	226,069
One year to two years	1,947	2,853	423	181
Two years to three years	198	417	2,372	356
After three years	1,277	1,261	1,622	3,723
Total	257,116	279,690	240,093	230,329

The following table sets forth our trade payables turnover days for the Track Record Period:

	Year ended December 31,			As of June 30,
	2023	2024	2025	2026
Trade payables turnover days ⁽¹⁾	46.4	45.7	45.0	41.2

Note:

- (1) Trade payables turnover days are calculated using the average of opening balance and closing balance of trade payables for the year/period divided by cost of sales used for the relevant year and multiplying by the number of days in that year/period (i.e., 365 days for a given year and 181 days for a six-month period).

Our trade payables turnover days remained relatively stable at 46.4 days in 2023, 45.7 days in 2024, 45.0 days in 2025 and 41.2 days as of June 30, 2026.

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As of July 31, 2026, RMB111.3 million, or 48.3% of our trade payables as of June 30, 2026, had been settled.

Other payables and accruals

Our other payables and accruals primarily consisted of (i) accrued expenses, (ii) salary and bonus, (iii) other taxes payable, (iv) construction and equipment payable, (v) deposits, (vi) payable for a litigation claim and (vii) others. Our other payables and accruals remained relatively stable at RMB1,098.7 million, RMB1,129.0 million, RMB1,107.7 million and RMB946.9 million as of December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026, respectively.

As of July 31, 2026, RMB157.9 million, or 16.7% of our other payables and accruals as of June 30, 2026, had been settled.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements primarily through cash generated from our operating activities and capital contributions from our shareholders. After the [REDACTED], we intend to finance our future capital requirements through cash generated from our business operations and the net [REDACTED] from the [REDACTED]. We do not anticipate any material change to the availability of financing to fund our operations in the foreseeable future.

Cash Flow

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

	Year ended December 31,			Six months ended	
	2023	2024	2025	June 30, 2025	June 30, 2026
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Net cashflow from operating activities	792,838	726,163	781,347	392,908	476,911
Net cashflow (used in)/from investing activities	(737,592)	(1,437,862)	367,106	632,589	(150,980)
Net Cash flow used in financing activities	(245,609)	(280,164)	(915,749)	(908,359)	(342,323)
Cash and cash equivalents at the beginning of year/period	1,463,667	1,276,018	287,145	287,145	512,632
Effects of exchange rate changes on cash and cash equivalents	2,714	2,990	(7,217)	203	(16,558)
Cash and cash equivalents at end of year/period	1,276,018	287,145	512,632	404,486	479,682

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Net Cash Flows Generated from/Used in Operating Activities

Our cash flows from operating activities primarily reflect our profit before taxation adjusted by: (i) non-cash and non-operating items and (ii) changes in working capital.

In the six months ended June 30, 2026, we generated net cash from operating activities of RMB476.9 million, which represented our profit before taxation from continuing operations of RMB414.6 million, as adjusted by non-cash and non-operating items and movements in working capital, and after taking into account interest received of RMB25.7 million and income tax paid of RMB67.7 million. Adjustments of non-cash and non-operating items primarily comprised (i) depreciation of property, plant and equipment of RMB129.8 million, (ii) impairment of goodwill of RMB19.9 million and (iii) fair value loss on financial assets at fair value through profit or loss of RMB16.7 million, partially offset by (i) interest income of RMB25.7 million, (ii) deferred income credited to profit or loss of RMB11.0 million and (iii) reversal of write-down of inventories of RMB6.7 million. Our movements in working capital primarily comprised (i) a decrease in other payables and accruals of RMB141.5 million, (ii) an increase in prepayments, deposits and other receivables of RMB58.4 million and (iii) an increase in inventories of RMB26.8 million, partially offset by (i) a decrease in financial assets at fair value through other comprehensive income of RMB67.6 million, (ii) a decrease in trade receivables of RMB58.8 million and (iii) an increase in trade and bills payables of RMB42.5 million.

In 2025, we generated net cash from operating activities of RMB781.3 million, which represented our profit before taxation from continuing operations of RMB869.4 million, as adjusted by non-cash and non-operating items and movements in working capital, and after taking into account interest received of RMB61.5 million and income tax paid of RMB136.2 million. Adjustments of non-cash and non-operating items primarily comprised (i) depreciation of property, plant and equipment of RMB256.0 million, (ii) depreciation of right-of-use assets of RMB22.7 million and (iii) write-down of inventories of RMB19.3 million, partially offset by (i) interest income of RMB61.5 million, (ii) deferred income credited to profit or loss of RMB22.3 million and (iii) net gain on disposal of financial assets at fair value through profit or loss of RMB6.5 million. Our movements in working capital primarily comprised (i) an increase in trade receivables of RMB43.5 million, (ii) an increase in prepayments, deposits and other receivables of RMB65.7 million and (iii) a decrease in other payables and accruals of RMB25.1 million, partially offset by (i) a decrease in financial assets at fair value through other comprehensive income of RMB8.2 million and (ii) a decrease in inventories of RMB7.3 million.

In 2024, we generated net cash from operating activities of RMB726.2 million, which represented our profit before taxation from continuing operations of RMB844.0 million, as adjusted by non-cash and non-operating items and movements in working capital, and after taking into account interest received of RMB71.2 million and income tax paid of RMB96.6 million. Adjustments of non-cash and non-operating items primarily comprised (i) depreciation of property, plant and equipment of RMB264.4 million, (ii) fair value loss on financial assets at fair value through profit or loss of RMB42.4 million and (iii) depreciation of right-of-use assets of RMB22.1 million, partially offset by (i) interest income of RMB71.2 million, (ii) deferred income credited to profit or loss of RMB22.0 million and (iii) net gain on disposal of financial assets at fair value through profit or loss of RMB3.7 million. Our movements in working capital primarily comprised (i) an increase in trade receivables of RMB189.6 million, (ii) an increase in inventories of RMB146.5 million and (iii) an increase in financial assets at fair value through other comprehensive income of RMB63.0 million, partially offset by (i) a decrease in restricted bank deposits of RMB50.4 million and (ii) an increase in other payables and accruals of RMB27.7 million.

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In 2023, we generated net cash from operating activities of RMB792.8 million, which represented our profit before taxation from continuing operations of RMB708.2 million, as adjusted by non-cash and non-operating items and movements in working capital, and after taking into account interest received of RMB60.3 million and income tax paid of RMB97.5 million. Adjustments of non-cash and non-operating items primarily comprised (i) depreciation of property, plant and equipment of RMB186.0 million and (ii) depreciation of right-of-use assets of RMB22.5 million, partially offset by (i) interest income of RMB60.3 million, (ii) fair value gain on financial assets at fair value through profit or loss of RMB36.8 million and (iii) deferred income credited to profit or loss of RMB23.7 million. Our movements in working capital primarily comprised (i) an increase in prepayments, deposits and other receivables of RMB261.9 million and (ii) an increase in trade receivables of RMB103.7 million, partially offset by (i) an increase in other payables and accruals of RMB279.2 million and (ii) a decrease in inventories of RMB123.0 million.

Net Cash Flows Generated from/Used in Investing Activities

In the six months ended June 30, 2026, our net cash flows used in investing activities were RMB151.0 million, which was primarily attributable to (i) purchases of financial assets at fair value through profit or loss of RMB2,446.5 million, (ii) placement of time deposits of RMB234.1 million and (iii) purchases of property, plant and equipment of RMB122.0 million, partially offset by (i) proceeds from disposal of financial assets at fair value through profit or loss of RMB2,174.8 million, primarily relating to redemptions of wealth management products, and (ii) withdrawal of time deposits of RMB476.0 million upon maturity.

In 2025, our net cash flows generated from investing activities were RMB367.1 million, which was primarily attributable to proceeds from disposal of financial assets at fair value through profit or loss of RMB2,694.0 million, partially offset by (i) purchases of financial assets at fair value through profit or loss of RMB2,170.9 million, (ii) purchases of property, plant and equipment of RMB167.8 million and (iii) purchases of intangible assets of RMB53.8 million.

In 2024, our net cash flows used in investing activities was RMB1,437.9 million, which was primarily attributable to (i) purchases of financial assets at fair value through profit or loss of RMB4,236.0 million, (ii) placement of time deposits of RMB1,102.9 million and (iii) purchases of property, plant and equipment of RMB265.8 million, partially offset by (i) proceeds from disposal of financial assets at fair value through profit or loss of RMB3,625.1 million and (ii) withdrawal of time deposits of RMB530.0 million.

In 2023, our net cash flows used in investing activities was RMB737.6 million, which was primarily attributable to (i) placement of time deposits of RMB750.2 million, (ii) purchases of financial assets at fair value through profit or loss of RMB425.0 million, (iii) purchases of property, plant and equipment of RMB313.0 million and (iv) purchases of investment properties of RMB223.8 million, partially offset by (i) proceeds from disposal of financial assets at fair value through profit or loss of RMB636.0 million and (ii) withdrawal of time deposits of RMB305.0 million.

Net Cash Flows Used in Financing Activities

In the six months ended June 30, 2026, our net cash flows used in financing activities were RMB342.3 million, primarily attributable to (i) dividends paid to equity holders of the parent of RMB284.8 million, (ii) repayment of borrowings of RMB284.2 million, primarily relating to repayment

FINANCIAL INFORMATION

of discounted bills upon maturity, and (iii) [REDACTED] paid of [REDACTED], partially offset by (i) proceeds from borrowings of RMB169.3 million and (ii) proceeds from the transfer of shares to our employee stock ownership plan of RMB89.0 million.

In 2025, our net cash flows used in financing activities were RMB915.7 million, primarily attributable to (i) repurchase of treasury shares of RMB608.8 million, (ii) repayment of borrowings of RMB564.5 million and (iii) dividends paid to equity holders of the parent of RMB284.9 million, partially offset by (i) proceeds from borrowings of RMB567.0 million.

In 2024, our net cash flows used in financing activities were RMB280.2 million, primarily attributable to (i) dividends paid to equity holders of the parent of RMB258.3 million and (ii) repayment of borrowings of RMB735.9 million, partially offset by proceeds from borrowings of RMB738.3 million.

In 2023, our net cash flows used in financing activities were RMB245.6 million, primarily attributable to (i) repayment of borrowings of RMB544.7 million and (ii) dividends paid to equity holders of the parent of RMB258.3 million, partially offset by (i) proceeds from borrowings of RMB585.0 million.

INDEBTEDNESS

As of December 31, 2023, 2024, 2025, June 30, 2026 and July 31, 2026, our indebtedness included borrowings and lease liabilities. The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of	As of
	2023	2024	2025	June 30,	July 31,
				2026	2026
	<i>(RMB in thousands)</i>				<i>(unaudited)</i>
Current					
Borrowings	279,091	281,355	284,392	169,487	230,435
Lease liabilities	11,860	13,302	6,627	13,007	12,288
Non-current					
Lease liabilities	31,228	23,131	22,628	27,804	27,566
Total	322,179	317,788	313,647	210,298	270,289

Except for our indebtedness as disclosed above as of December 31, 2023, 2024, 2025, June 30, 2026 and July 31, 2026, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits which were either guaranteed or unguaranteed, secured or unsecured.

As of the Latest Practicable Date, there was no restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable

FINANCIAL INFORMATION

Date. Our Directors confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that there has not been any material change in our indebtedness since the Latest Practicable Date and up to the date of this Document.

Lease Liabilities

As of December 31, 2023, 2024, 2025, June 30, 2026 and July 31, 2026, our total lease liabilities (including current and non-current portions) amounted to RMB43.1 million, RMB36.4 million, RMB29.3 million, RMB40.8 million and RMB39.9 million, respectively.

Our total lease liabilities decreased by 15.4% from RMB43.1 million as of December 31, 2023 to RMB36.4 million as of December 31, 2024, and further decreased by 19.7% to RMB29.3 million as of December 31, 2025, primarily because we made rental payments under our existing lease arrangements. Our total lease liabilities increased by 39.5% from RMB29.3 million as of December 31, 2025 to RMB40.8 million as of June 30, 2026, primarily due to the addition of our new lease arrangements.

Borrowings

As of December 31, 2023, 2024, 2025, June 30, 2026 and July 31, 2026, our total borrowings amounted to RMB279.1 million, RMB281.4 million, RMB284.4 million, RMB169.5 million and RMB230.4 million, respectively. As of July 31, 2026 our committed unutilised banking facilities was approximately RMB749.0 million.

No Other Outstanding Indebtedness

Save as disclosed above, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of July 31, 2026, being our indebtedness statement date. After due and careful consideration, our Directors confirm that, up to the Latest Practicable Date, there has been no material change in our indebtedness since July 31, 2026.

CONTINGENT LIABILITIES

As of December 31, 2023, 2024, 2025, June 30, 2026 and July 31, 2026, we did not have any material contingent liabilities.

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KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated:

	<u>As of/For the Year ended December 31,</u>			<u>As of/ For the six months June 30,</u>
	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Net profit margin (%) ⁽¹⁾	15.6	17.3	19.0	18.0
Current ratio ⁽²⁾	1.62	1.35	1.73	2.35

Notes:

- (1) Net profit margin equals net profit for the year/period divided by revenue for the year and multiplied by 100%.
- (2) Current ratio equals current assets divided by current liabilities as of the same date.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures primarily consisted of (i) purchases of property, plant and equipment, (ii) purchases of intangible assets, (iii) purchases of investment properties and (iv) acquisition of right of use assets.

In 2023, 2024, 2025 and the six months ended June 30, 2026, our capital expenditures were RMB541.5 million, RMB285.0 million, RMB221.6 million and RMB128.0 million, respectively. We funded these expenditures mainly with cash generated from cash generated from our operating activities.

Following the [REDACTED], we will continue to incur capital expenditures to grow our business. We plan to fund our planned capital expenditures primarily with cash flows generated from our operations, bank borrowings, and the net [REDACTED] received from the [REDACTED]. See “Future Plans and Use of [REDACTED].” We may adjust our capital expenditures for any given year according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CAPITAL COMMITMENTS

During the Track Record Period, our capital commitments primarily comprises of acquisition of property, plant and equipment. See Note 44 to the Accountant’s Report in Appendix I to this Document. As of December 31, 2023, 2024, 2025 and June 30, 2026, the total amount of our capital commitments was RMB414.5 million, RMB309.4 million, RMB238.9 million and RMB184.2 million, respectively.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, our Company sold products (including APIs) to entities held by the controlling shareholders. We also procured from entities held by the controlling shareholders (i) products (including packaging materials and daily chemicals) and (ii) services (including property cleaning services). The pricing and other principal terms of our related party transactions are determined in accordance with our internal related party transaction pricing policy. We generally refer to the terms of comparable transactions with independent third parties or apply a cost-plus approach when no such comparable are available. For details about our related party transactions during the Track Record Period, see Note 45 of Appendix I to this Document.

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Our Directors are of the view that our related party transactions during the Track Record Period were conducted in the ordinary course of business on an arm’s length basis with reference to normal commercial terms, and did not distort our track record results or render our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners’ equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

FINANCIAL RISKS DISCLOSURE

We are exposed to a variety of financial risks, including currency risk, interest rate risk, price risk, credit risk and liquidity risk. The management of our Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. See Note 40 of Appendix I to this Document for details.

Currency risk

Our Group has currency exposures. Such exposures arise from sales and purchases by operating units in currencies other than the units’ functional currencies. The operating units are mainly exposed to foreign currency of US\$. Our Group’s policy is to ensure that its net exposure is kept to an acceptable level by forecasting sales and purchases over the following 12 months at any point in time.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our Group’s and our Company’s interest rate risk rises primarily from cash and bank balances, restricted bank deposits, lease liabilities and borrowings.

Cash and bank balances and restricted bank deposits issued at variable rates expose our Group to cash flow interest rate risk. Lease liabilities and borrowings issued at fixed rate expose our Group to fair value interest rate risk. Our Group has a policy of maintaining our borrowings on a fixed rate basis.

Our Group does not account for any fixed rate financial assets and liabilities at FVTPL, therefore, in respect of the fixed rate instruments, a change in interest rates would not affect the profit or loss and equity of our Group and our Company at each reporting date. Our management considers that the effect of cash flow interest rate risk arising from variable-rate bank balances is insignificant either due to their short-term maturity or stable interest rate.

Price risk

We are exposed to equity price risk through its unlisted equity investments at fair value. The performance is assessed by the chairperson of our board and the chief financial officer monthly, based on the financial information available to us. As of December 31, 2023 and 2024 and 2025 and June 30, 2026, it is estimated that an increase/(decrease) of the price-to-book-value ratios of comparable listed companies, with all other variables held constant, would have insignificant effect on our profit or loss and equity.

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Credit risk

As at the end of each reporting period, our Group’s maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position.

Our Group expects that there is no significant credit risk associated with cash deposits since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Our management does not expect that there will be any significant losses from non-performance by these counterparties.

Liquidity risk

In the management of the liquidity risk, we monitor and maintain a level of cash and bank balances and unused banking facilities deemed adequate by our management to finance our Group’s operations and mitigate the effects of fluctuations in cash flows.

DIVIDENDS AND DIVIDEND POLICY

We paid dividends to our Shareholders of RMB258.3 million, RMB258.3 million, RMB284.9 million and RMB284.8 million in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively. See Note 16 to the Accountants’ Report in Appendix I to this Document. At our Shareholders’ general meeting held in May 2026, we declared a cash dividend of RMB287.3 million, which was paid in full in June 2026. The difference of RMB2.5 million was attributable to dividends paid in respect of our employee stock ownership plan.

After completion of the [REDACTED], our Shareholders will be entitled to receive any dividends we declare. We have adopted a formal dividend policy, pursuant to which the declaration and payment of dividends will be determined by our Board. We do not have a pre-determined dividend payout ratio. We may distribute dividends by way of shares or cash, or a combination of both. Pursuant to applicable laws in the PRC and our Articles of Association, the declaration and payment of dividends will be determined at the discretion of our Board, taking into account our results of operations, cash flows, financial condition, capital requirements and other relevant factors, and will be subject to our constitutional documents, applicable PRC laws and the approval of the Shareholders’ meeting.

We will, in principle, distribute cash dividends to our Shareholders at least on an annual basis in accordance with our Articles of Association and the applicable laws and regulations in the PRC and Hong Kong. Pursuant to our Articles of Association, subject to the principles of profit distribution and the requirements of our ordinary course of business and long-term development, where the conditions for cash dividends are satisfied, the aggregate amount of cash dividends distributed by us in any consecutive three years shall be no less than 30% of the average distributable profits realized in such three years, and we do not currently have any pre-determined dividend payout ratio.

Our future declarations of dividends may not be in line with our historical declaration of dividends and will be subject to the approval by the Shareholders’ meeting. See “Risk Factors — Risks Relating to the [REDACTED].”

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, operating cash flows, available financing facilities and the estimated net [REDACTED] from the [REDACTED], our Directors are of the view that, we have sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this Document.

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DISTRIBUTABLE RESERVES

As of June 30, 2026, we did not have any distributable reserves.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. We estimate that our [REDACTED] expenses will be approximately [REDACTED] (assuming an [REDACTED] of [REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range) and no exercise of the [REDACTED]), representing [REDACTED] of the gross [REDACTED] (based on the mid-point of our indicative price range for the [REDACTED] and assuming that the [REDACTED] is not exercised) of the [REDACTED]. During the Track Record Period, we incurred [REDACTED] expenses of [REDACTED], of which [REDACTED] was charged to profit or loss, and the remaining amount is expected to be recognized as a deduction in equity directly upon the [REDACTED]. We expect to incur additional [REDACTED] expenses of approximately [REDACTED], of which approximately [REDACTED] expected to be recognized in the consolidated statements of profit or loss as administrative expenses. Approximately, [REDACTED] is expected to be recognized as a deduction in equity directly upon the [REDACTED]. Our Directors do not expect such expenses to materially impact our results of operations in [2026]. By nature, our [REDACTED] expenses are composed of (i) [REDACTED] of approximately [REDACTED], and (ii) [REDACTED] expenses of approximately [REDACTED], which consisted of fees and expenses of legal advisors and Reporting Accountant of approximately [REDACTED] and other fees and expenses of approximately [REDACTED].

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See “Appendix II — Unaudited [REDACTED] Financial Information.”

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that up to the date of this Document there has been no material adverse change in our financial or trading position or prospects since June 30, 2026, being the end date of the periods reported in Appendix I to this Document, and there is no event since June 30, 2026 that would materially affect the information as set out in the Accountants’ Report in Appendix I to this Document.

DISCLOSURE REQUIRED 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 of the Listing Rules.

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

See the section headed “Business — Our Strategies” for a detailed description of our future plans.

USE OF [REDACTED]

We estimate that the net [REDACTED] from the [REDACTED], after deducting [REDACTED], fees and estimated expenses payable by us in connection with the [REDACTED], will be approximately [REDACTED], assuming an [REDACTED] of [REDACTED] per Share (being the mid-point of the indicative [REDACTED] range of [REDACTED] to [REDACTED] per Share), and assuming the [REDACTED] is not exercised.

We currently intend to apply the net [REDACTED] from the [REDACTED] for the following purposes and in the amounts as set out below:

- Approximately [REDACTED], or [REDACTED], of the net [REDACTED] will be used to fund the research and development activities of our products and drug candidates. During the Track Record Period, our research and development costs amounted to RMB400.9 million, RMB383.5 million, RMB368.0 million and RMB164.8 million in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively, and were funded by our internal resources. We currently expect to utilize such [REDACTED] from the second half of 2026 to the first half of 2031 to fund part of our research and development costs. Such allocation was determined on a bottom-up basis with reference to our current budgets for our core pipeline programs. These budgets cover direct project expenditure and exclude indirect costs, such as personnel expenses. Any shortfall in the funding required for our research and development activities is expected to be financed by our internal resources and/or bank financing. Based on our current development plan, we expect to deploy the relevant [REDACTED] according to the following indicative timetable:

Expected timeframe	Second half of 2026	First half of 2027	Second half of 2027	First half of 2028	Second half of 2028	First half of 2029	Second half of 2029	First half of 2030	Second half of 2030	First half of 2031
	(HK\$ in million)									

Expected deployment amount	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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- o approximately [REDACTED], or [REDACTED], of the net [REDACTED] will be used for the research and development of our 17 innovative CNS pipeline candidates. Such [REDACTED] will be used to fund pre-clinical and IND-enabling studies, the submission of IND applications, and the conduct of clinical trials in the PRC for these CNS pipeline candidates, as well as overseas clinical development and regulatory submissions.
- o approximately [REDACTED], or [REDACTED], of the net [REDACTED] will be used for the research and development of our ten innovative pipeline candidates for the treatment of cardiovascular and cerebrovascular diseases. Such [REDACTED] will be used to fund pre-clinical trials and IND-enabling studies, submit IND applications, and conduct clinical trials in the PRC for such candidates, as well as overseas clinical development and regulatory submissions.
- o approximately [REDACTED], or [REDACTED], of the net [REDACTED] will be used for the research and development of the sole one digestive disease drug candidate.

FUTURE PLANS AND USE OF [REDACTED]

- Approximately [REDACTED], or [REDACTED], of the net [REDACTED] will be used to fund the enhancement of our marketing networks and market expansion across key therapeutic areas, including establishing and scaling our sales and distribution capabilities, expanding our network of PIs and other medical experts by participating in professional medical societies and organizing pipeline-aligned expert discussion meetings to build industry connections and deepen disease area expertise, and supporting market education and promotional activities, with a view to accelerating product adoption and expanding patient access.
- Approximately [REDACTED], or [REDACTED], of the net [REDACTED] will be used to fund potential acquisitions, technology introduction and/or collaboration development to expand our pipeline. We will focus primarily on opportunities in CNS disorders and cardiovascular diseases and related enabling technologies that are complementary to our existing portfolio, internal development capabilities and planned commercialization footprint. We expect such transactions to broaden and deepen our pipeline in our core therapeutic areas, add differentiated assets, indications, delivery forms or technologies, leverage our existing R&D and commercialization resources and, for selected assets, potentially shorten the path to clinical development, registration and commercialization. In selecting potential targets or collaboration partners, we will consider qualitative criteria such as strategic fit, scientific rationale, product differentiation, development stage, regulatory feasibility, manufacturing feasibility, intellectual property position and the counterparty’s technical, regulatory and commercial capabilities. Based on our Directors’ preliminary market screening, taking into account publicly disclosed pipeline and business development opportunities, transaction size discipline and the Industry Consultant’s view, our Directors currently estimate that approximately 50 potentially suitable targets or collaboration opportunities are available in the market. The [REDACTED] are not earmarked for any single target and may be applied to one or more suitable transactions, including upfront payments, license fees, acquisition consideration, milestone payments, collaborative development costs and other transaction-related expenses. As of the Latest Practicable Date, we had not selected any specific acquisition target or collaboration opportunity, nor had we entered into any definitive agreement in respect of any such transaction.
- Approximately [REDACTED], or [REDACTED], of the net [REDACTED] will be used for working capital and other general corporate purposes to support our daily operations and future business development.

If the [REDACTED] is fixed at [REDACTED] per Share, being the high end of the [REDACTED] range or [REDACTED] per Share, being the low end of the [REDACTED] range, the net [REDACTED] of the [REDACTED] will increase or decrease by approximately [REDACTED]. To the extent our net [REDACTED] from the [REDACTED] (including the net [REDACTED] from the exercise of the [REDACTED]) are either more or less than expected, we will adjust our allocation of the net [REDACTED] for the above purposes on a pro rata basis.

If the [REDACTED] is fully exercised, we will receive additional net [REDACTED] of approximately [REDACTED] for [REDACTED] Shares to be [REDACTED] and [REDACTED] based on the [REDACTED] of [REDACTED] per [REDACTED], being the mid-point of the [REDACTED] range, and after deducting the [REDACTED] and [REDACTED] payable by our Company. The additional amount raised will be applied to the above areas of use of [REDACTED] on a pro rata basis.

To the extent that the net [REDACTED] from the [REDACTED] are not immediately applied to the purposes described above, we will only place such unutilized [REDACTED] in short-term interest-bearing accounts with licensed commercial banks and/or other authorized financial institutions.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages I-[1] to I-[107], received from the Company’s reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200, “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

[BDO Letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZHEJIANG JINGXIN PHARMACEUTICAL CO., LTD. AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Zhejiang Jingxin Pharmaceutical Co., Ltd. (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages I-[4] to I-[107], which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as of 31 December 2023, 2024, and 2025 and the six months ended 30 June 2026 (the “**Track Record Period**”), the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2023, 2024, and 2025 and the six months ended 30 June 2026, and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-[4] to I-[107] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [18 September] 2026 (the “**Document**”) in connection with the [REDACTED] of [shares] of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants’ Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Group’s and the Company’s financial position as at 31 December 2023, 2024 and 2025 and 30 June 2026 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative historical financial information

We have reviewed the stub period comparative historical financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2025 and other explanatory information (together the “**Stub Period Comparative Historical Financial Information**”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

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ACCOUNTANTS’ REPORT

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[4] have been made.

Dividends

We refer to note 16 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

[●]

Certified Public Accountants

[●]

Practising Certificate no. P[●]

Hong Kong

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the year ended 31 December 2023, 2024, and 2025 and the six months ended 30 June 2026 (the “**Track Record Period**”), on which the Historical Financial Information is based, were audited by BDO Limited in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (“**IAASB**”) (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Years ended 31 December			Six months ended 30 June	
		2023	2024	2025	2025	2026
	Notes	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
					(unaudited)	
Continuing operations						
Revenue	6	3,998,835	4,158,551	4,069,361	2,016,543	1,987,184
Cost of sales		<u>(2,032,050)</u>	<u>(2,143,031)</u>	<u>(2,107,204)</u>	<u>(1,026,738)</u>	<u>(1,033,755)</u>
Gross profit		1,966,785	2,015,520	1,962,157	989,805	953,429
Other income	7	118,741	184,443	110,502	56,711	52,850
(Impairment losses)/reversal of impairment losses under ECL model, net	8	(5,138)	(14,574)	(5,861)	(7,541)	2,027
Impairment of property, plant and equipment		—	—	(2,755)	—	(5,520)
Impairment loss on investment in an associate		(12,328)	—	—	—	—
Impairment loss of goodwill		—	—	(12,880)	—	(19,900)
Selling and marketing expenses		(783,527)	(692,264)	(600,792)	(309,613)	(273,255)
Administrative expenses		(215,538)	(230,391)	(226,702)	(99,164)	(100,129)
Research and development costs		(400,935)	(383,485)	(367,983)	(184,913)	(164,773)
Other gains and losses, net	9	53,529	(26,865)	18,130	14,288	(28,278)
Finance costs	10	(7,315)	(7,743)	(3,955)	(3,299)	(1,557)
Share of results of associates	18	<u>(6,042)</u>	<u>(658)</u>	<u>(471)</u>	<u>(511)</u>	<u>(336)</u>
Profit before tax		708,232	843,983	869,390	455,763	414,558
Income tax expenses	12	<u>(84,623)</u>	<u>(124,854)</u>	<u>(97,659)</u>	<u>(58,058)</u>	<u>(56,580)</u>
Profit for the year/period from continuing operations		623,609	719,129	771,731	397,705	357,978
Discontinued operations						
Loss for the year from discontinued operation		<u>(191)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit for the year/period		<u>623,418</u>	<u>719,129</u>	<u>771,731</u>	<u>397,705</u>	<u>357,978</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Notes</i>	<u>Years ended 31 December</u>			<u>Six months ended 30 June</u>	
		<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2025</u>	<u>2026</u>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
					<i>(unaudited)</i>	
Other comprehensive income/(loss)						
for the year/period						
<i>Items that may be reclassified</i>						
<i>subsequently to profit or loss:</i>						
Share of other comprehensive income						
of associates		(445)	164	—	—	—
Exchange differences arising from						
translation of foreign operations		<u>111</u>	<u>545</u>	<u>(91)</u>	<u>(337)</u>	<u>282</u>
Total comprehensive income for the						
year/period		<u>623,084</u>	<u>719,838</u>	<u>771,640</u>	<u>397,368</u>	<u>358,260</u>
Profit/(loss) attributable to:						
Owners of the Company						
— From continuing operations		619,089	711,964	763,042	393,380	353,650
— From discontinued operation		(191)	—	—	—	—
Non-controlling interests						
— From continuing operations		<u>4,520</u>	<u>7,165</u>	<u>8,689</u>	<u>4,325</u>	<u>4,328</u>
		<u>623,418</u>	<u>719,129</u>	<u>771,731</u>	<u>397,705</u>	<u>357,978</u>
Total comprehensive income/(loss)						
attributable to:						
Owners of the Company						
— From continuing operations		618,755	712,659	762,951	393,055	353,932
— From discontinued operation		(191)	—	—	—	—
Non-controlling interests						
— From continuing operations		<u>4,520</u>	<u>7,179</u>	<u>8,689</u>	<u>4,313</u>	<u>4,328</u>
		<u>623,084</u>	<u>719,838</u>	<u>771,640</u>	<u>397,368</u>	<u>358,260</u>
Earning per share						
Basic (<i>RMB</i>)	15					
— From continuing operations		0.72	0.83	0.93	0.47	0.43
— From discontinued operation		0.00	N/A	N/A	N/A	N/A
Diluted (<i>RMB</i>)	15					
— From continuing operations		0.72	0.83	0.93	0.47	0.43
— From discontinued operation		0.00	N/A	N/A	N/A	N/A

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
		2023	2024	2025	2026
	Notes	RMB’000	RMB’000	RMB’000	RMB’000
Non-current assets					
Property, plant and equipment	19	2,278,611	2,211,669	2,291,729	2,184,562
Right-of-use assets	22	411,061	395,384	396,699	409,718
Investment properties	20	347,154	335,587	157,931	154,513
Intangible assets	21	32,990	22,335	63,588	62,681
Goodwill	23	348,485	348,485	335,605	315,705
Investments in associates	18	62,516	55,541	55,070	51,146
Financial assets at fair value through profit or loss	31	549,787	494,591	503,106	483,577
Prepayments and deposits	25	9,563	31,953	9,654	15,429
Time deposits	27	511,672	1,611,075	930,112	306,230
Deferred tax assets	24	80,983	83,561	79,234	75,600
Total non-current assets		<u>4,632,822</u>	<u>5,590,181</u>	<u>4,822,728</u>	<u>4,059,161</u>
Current assets					
Inventories	28	652,687	792,719	766,148	799,557
Trade receivables	25	571,456	747,848	785,190	728,271
Prepayments, deposits and other receivables	25	68,539	66,029	80,143	130,417
Financial assets at fair value through other comprehensive income	26	41,122	104,170	95,927	28,294
Financial assets at fair value through profit or loss	31	150,956	827,657	318,956	632,082
Time deposits with original maturities over three months	27	513,463	34,445	723,724	1,089,554
Restricted bank deposits	27	79,493	29,122	18,082	8,144
Cash and cash equivalents	27	<u>1,276,018</u>	<u>287,145</u>	<u>512,632</u>	<u>479,682</u>
Total current assets		<u>3,353,734</u>	<u>2,889,135</u>	<u>3,300,802</u>	<u>3,896,001</u>
Total assets		<u>7,986,556</u>	<u>8,479,316</u>	<u>8,123,530</u>	<u>7,955,162</u>

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ACCOUNTANTS’ REPORT

		As at 31 December			As at 30 June
		2023	2024	2025	2026
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities					
Trade and bills payables	29	587,427	565,190	410,093	452,614
Contract liabilities	30	53,346	56,484	56,454	42,871
Other payables and accruals	29	1,098,737	1,129,012	1,107,693	946,924
Borrowings	32	279,091	281,355	284,392	169,487
Lease liabilities	33	11,860	13,302	6,627	13,007
Tax payables		44,296	89,178	41,649	33,002
Total current liabilities		<u>2,074,757</u>	<u>2,134,521</u>	<u>1,906,908</u>	<u>1,657,905</u>
Net current assets		<u>1,278,977</u>	<u>754,614</u>	<u>1,393,894</u>	<u>2,238,096</u>
Total assets less current liabilities		<u>5,911,799</u>	<u>6,344,795</u>	<u>6,216,622</u>	<u>6,297,257</u>
Non-current liabilities					
Provision for litigations		3,203	1,195	862	1,072
Lease liabilities	33	31,228	23,131	22,628	27,804
Deferred tax liabilities	24	68,400	54,333	58,958	52,842
Deferred income	34	268,813	264,591	263,907	263,713
Total non-current liabilities		<u>371,644</u>	<u>343,250</u>	<u>346,355</u>	<u>345,431</u>
NET ASSETS		<u>5,540,155</u>	<u>6,001,545</u>	<u>5,870,267</u>	<u>5,951,826</u>
Capital and reserves					
Equity attributable to owners of the Company					
Share capital	35	861,029	861,029	861,029	861,029
Treasury shares	36	—	—	(608,784)	(608,784)
Reserves		<u>4,651,345</u>	<u>5,108,481</u>	<u>5,580,792</u>	<u>5,661,511</u>
		5,512,374	5,969,510	5,833,037	5,913,756
Non-controlling interests		<u>27,781</u>	<u>32,035</u>	<u>37,230</u>	<u>38,070</u>
TOTAL EQUITY		<u>5,540,155</u>	<u>6,001,545</u>	<u>5,870,267</u>	<u>5,951,826</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							Non-controlling interests	
	Share capital	Treasury shares	Capital reserve	Exchange reserve	Special reserve	Statutory reserve	Retained earnings	Total	Total
	(note 35) RMB'000	(note 36) RMB'000	(note 37) RMB'000	(note 37) RMB'000	(note 37) RMB'000	(note 37) RMB'000	(note 37) RMB'000	RMB'000	RMB'000
As at 1 January 2023	861,029	—	1,720,168	1,372	—	324,775	2,238,779	5,146,123	25,847
Profit for the year	—	—	—	—	—	—	618,898	618,898	4,520
Other comprehensive loss	—	—	—	(334)	—	—	—	(334)	—
Total comprehensive income for the year	—	—	—	(334)	—	—	618,898	618,564	4,520
Dividend	—	—	—	—	—	—	(258,309)	(258,309)	(4,024)
Transferred to statutory reserve	—	—	—	—	—	49,336	(49,336)	—	—
Capital injection	—	—	3,110	—	—	—	—	3,110	41
Deregistration of a subsidiary	—	—	—	—	—	—	—	—	1,397
Provision of safety fund	—	—	—	—	2,886	—	—	2,886	—
As at 31 December 2023 and 1 January 2024	861,029	—	1,723,278	1,038	2,886	374,111	2,550,032	5,512,374	27,781
Profit for the year	—	—	—	—	—	—	711,964	711,964	7,165
Other comprehensive income	—	—	—	695	—	—	—	695	14
Total comprehensive income for the year	—	—	—	695	—	—	711,964	712,659	7,179
Dividend	—	—	—	—	—	—	(258,309)	(258,309)	(3,154)
Transferred to statutory reserve	—	—	—	—	—	96,365	(96,365)	—	—
Partial disposal of a subsidiary without loss of control	—	—	171	—	—	—	—	171	229
Provision of safety fund	—	—	—	—	2,615	—	—	2,615	—
As at 31 December 2024 and 1 January 2025	861,029	—	1,723,449	1,733	5,501	470,476	2,907,322	5,969,510	32,035
Profit for the year	—	—	—	—	—	—	763,042	763,042	8,689
Other comprehensive loss	—	—	—	(91)	—	—	—	(91)	—
Total comprehensive income for the year	—	—	—	(91)	—	—	763,042	762,951	8,689
Dividend	—	—	—	—	—	—	(284,854)	(284,854)	(3,687)
Repurchase of shares	—	(608,784)	—	—	—	—	—	(608,784)	—
Acquisition of non-controlling interest	—	—	(285)	—	—	—	—	(285)	193
Reversal of unutilised safety fund	—	—	—	—	(5,501)	—	—	(5,501)	—
As at 31 December 2025 and 1 January 2026	861,029	(608,784)	1,723,164	1,642	—	470,476	3,385,510	5,833,037	37,230
Profit for the period	—	—	—	—	—	—	353,650	353,650	4,328
Other comprehensive income	—	—	—	282	—	—	—	282	—
Total comprehensive income for the period	—	—	—	282	—	—	353,650	353,932	4,328
Dividend	—	—	—	—	—	—	(284,815)	(284,815)	(3,622)
Equity settled share-based payments	—	—	11,602	—	—	—	—	11,602	134
As at 30 June 2026	861,029	(608,784)	1,734,766	1,924	—	470,476	3,454,345	5,913,756	38,070
As at 1 January 2025	861,029	—	1,723,449	1,733	5,501	470,476	2,907,322	5,969,510	32,035
Profit for the period	—	—	—	—	—	—	393,380	393,380	4,325
Other comprehensive loss	—	—	—	(325)	—	—	—	(325)	(12)
Total comprehensive income for the period	—	—	—	(325)	—	—	393,380	393,055	4,313
Dividend	—	—	—	—	—	—	(284,854)	(284,854)	(3,687)
Repurchase of shares	—	(608,784)	—	—	—	—	—	(608,784)	—
Reversal of unutilised safety fund	—	—	—	—	(5,501)	—	—	(5,501)	—
As at 30 June 2025 (unaudited)	861,029	(608,784)	1,723,449	1,408	—	470,476	3,015,848	5,463,426	32,661

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit before taxation from					
continuing operations	708,232	843,983	869,390	455,763	414,558
Loss for the year from discontinued operation	(191)	—	—	—	—
	708,041	843,983	869,390	455,763	414,558
Adjustment for:					
Interest income	(60,269)	(71,238)	(61,471)	(29,470)	(25,704)
Impairment losses/(reversal of impairment losses)					
under ECL model, net	5,138	14,574	5,861	7,541	(2,027)
Impairment of goodwill	—	—	12,880	—	19,900
Impairment of property, plant and equipment	—	—	2,755	—	5,520
Impairment loss on investment in an associate	12,328	—	—	—	—
(Reversal of write-down)/write-down of inventories	(2,029)	6,419	19,258	(2,456)	(6,659)
Depreciation of property, plant and equipment	186,049	264,437	255,989	127,098	129,794
Depreciation of right-of-use assets	22,529	22,080	22,693	11,367	11,362
Depreciation of investment properties	10,034	10,928	11,449	6,358	3,418
Amortisation of intangible assets	12,893	13,324	12,571	4,732	6,888
(Gain)/loss on disposal of property,					
plant and equipment	(2,455)	(2,515)	625	296	(1,057)
Gain on disposal of a right-of-use asset	(4,398)	—	—	—	—
Provision/(reversal of provision)					
of safety fund	2,886	2,615	(5,501)	(5,501)	—
Finance costs	7,315	7,743	3,955	3,299	1,557
Gain on disposal of financial assets					
at fair value through profit or loss, net	(7,997)	(3,733)	(6,520)	(5,560)	(3,473)
Gain on partial disposal of an associate	—	—	—	—	(1,412)
Fair value (gain)/loss on financial assets at fair					
value through profit or loss	(36,771)	42,367	(9,471)	(68)	16,701
Write-off of investment properties	—	639	—	—	—
Deferred income credited to profit or loss	(23,719)	(22,015)	(22,294)	(11,074)	(10,984)
Share of results of associates	6,042	658	471	511	336
Loss on deregistration of a subsidiary	1,397	—	—	—	—
Equity settled share-based payments	—	—	—	—	11,736

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ACCOUNTANTS’ REPORT

	Years ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Operating cashflow before change					
in working capital	837,014	1,130,266	1,112,640	562,836	570,454
Decrease/(increase) in inventories	123,042	(146,451)	7,313	(37,215)	(26,750)
(Increase)/decrease in trade receivables	(103,748)	(189,555)	(43,502)	(81,924)	58,827
(Increase)/decrease in financial assets at fair value					
through other comprehensive income	(5,981)	(63,048)	8,243	64,961	67,633
Increase in prepayments, deposits and other					
receivables	(261,914)	(36,648)	(65,660)	(43,645)	(58,413)
Decrease in trade and bills payables	(16,459)	(22,237)	(148,507)	(21,865)	42,521
(Decrease)/increase in contract liabilities	(27,661)	3,138	(30)	(19,507)	(13,583)
Increase/(decrease) in other payables and accruals	279,174	27,714	(25,092)	41,867	(141,470)
Increase/(decrease) in provision	1,262	(2,008)	(333)	(132)	210
Increase in deferred income	—	—	—	—	9,549
Decrease in restricted bank deposits	5,315	50,371	11,040	9,692	9,938
Cash generated from operations	830,044	751,542	856,112	475,068	518,916
Interest received	60,269	71,238	61,471	29,470	25,704
Income tax paid	(97,475)	(96,617)	(136,236)	(111,630)	(67,709)
Net cashflow from operating activities	792,838	726,163	781,347	392,908	476,911

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	Years ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Cash flows from investing activities					
Purchase of financial assets					
at fair value through profit or loss	(425,000)	(4,236,000)	(2,170,898)	(839,000)	(2,446,549)
Placement of time deposits	(750,196)	(1,102,863)	—	—	(234,084)
Acquisition of non-controlling interest	—	—	(92)	—	—
Proceeds from disposal of property, plant and equipment	5,181	5,201	3,887	134	644
Proceed from disposal of a right-of-use asset	5,084	—	—	—	—
Proceeds from disposal of financial assets at fair value through profit or loss	635,972	3,625,095	2,694,000	1,554,849	2,174,750
Dividends from financial assets at fair value through profit or loss	5,882	5,882	11,059	7,529	—
Withdrawal of time deposits	305,000	530,000	32,000	32,000	476,000
Purchases of property, plant and equipment	(312,994)	(265,769)	(167,778)	(87,912)	(122,001)
Purchases of intangible assets	(4,622)	(2,669)	(53,834)	(51,772)	(5,981)
Purchases of investment properties	(223,835)	—	—	—	—
Refund of purchase consideration	—	2,038	—	—	—
Receipt of government grants for property, plant and equipment	21,936	17,793	18,762	16,761	1,241
Deposit paid for acquisition of right of use assets	—	(16,570)	—	—	—
Proceed from partial disposal of an associate	—	—	—	—	5,000
Net cashflow (used in)/from investing activities	(737,592)	(1,437,862)	367,106	632,589	(150,980)

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	Years ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Cash flow from financing activities					
Interest paid	(7,315)	(7,743)	(3,955)	(3,299)	(1,557)
Proceeds from borrowings	585,002	738,290	566,979	283,131	169,251
Repayment of borrowings	(544,734)	(735,910)	(564,483)	(279,486)	(284,156)
Injection from non-controlling interests	—	400	—	—	—
Principal element for lease liabilities	(16,285)	(13,910)	(15,618)	(11,032)	(8,895)
Repurchase of treasury shares	—	—	(608,784)	(608,784)	—
Dividends paid to equity holders of the parent	(258,309)	(258,309)	(284,854)	(284,854)	(284,815)
Dividends paid to non-controlling interests	(4,024)	(3,154)	(3,687)	(3,687)	(3,622)
Proceed from transfer of share to ESOP	—	—	—	—	89,043
[REDACTED] paid	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	56	172	368	(348)	151
Net cashflow used in financing activities	<u>(245,609)</u>	<u>(280,164)</u>	<u>(915,749)</u>	<u>(908,359)</u>	<u>(342,323)</u>
Effects of exchange rate changes					
on cash and cash equivalents	2,714	2,990	(7,217)	203	(16,558)
Net (decrease)/increase in cash and cash equivalents	(190,363)	(991,863)	232,704	117,138	(16,392)
Cash and cash equivalents at the beginning of year/period	<u>1,463,667</u>	<u>1,276,018</u>	<u>287,145</u>	<u>287,145</u>	<u>512,632</u>
Cash and cash equivalents at end of year/period	<u><u>1,276,018</u></u>	<u><u>287,145</u></u>	<u><u>512,632</u></u>	<u><u>404,486</u></u>	<u><u>479,682</u></u>

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December			As at 30 June
		2023	2024	2025	2026
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	19	861,143	899,842	1,201,723	753,713
Right-of-use assets	22	59,747	61,850	75,040	97,756
Investment properties	20	424,698	411,565	127,062	124,466
Intangible assets	21	5,361	5,608	50,611	49,926
Investments in subsidiaries	17	1,380,293	1,400,893	1,371,088	1,344,010
Investments in associates	18	61,630	55,541	55,070	51,146
Financial assets at fair value					
through profit or loss	31	549,430	493,987	503,056	483,528
Prepayments and deposits	25	1,749	28,728	5,846	10,943
Times deposits	27	308,216	1,191,347	700,304	206,017
Deferred tax assets	24	52,378	61,232	58,334	53,124
Total non-current assets		3,704,645	4,610,593	4,148,134	3,174,629
Current assets					
Inventories	28	171,610	240,784	209,264	233,772
Trade receivables	25	203,697	336,729	416,193	365,189
Prepayments, deposits and other					
receivables	25	763,499	782,213	1,069,579	1,570,356
Financial assets at fair value					
through other comprehensive					
income	26	50,479	43,390	62,451	20,239
Financial assets at fair value					
through profit or loss	31	150,956	772,527	228,566	465,548
Time deposits with original					
maturities over three months	27	360,629	23,500	524,988	822,755
Restricted banks deposits	27	13,039	15,500	4,000	6,856
Cash and cash equivalents	27	833,931	119,560	107,664	218,177
Total current assets		2,547,840	2,334,203	2,622,705	3,702,892
Total assets		6,252,485	6,944,796	6,770,839	6,877,521

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		As at 31 December			As at 30 June
		2023	2024	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000
Notes					
Current liabilities					
Trade and bills payables	29	257,666	396,450	286,192	397,169
Contract liabilities	30	44,309	37,055	32,937	22,024
Other payables and accruals	29	977,060	846,545	869,932	806,736
Borrowings	32	39,869	—	—	—
Lease liabilities	33	164	2,120	2,204	11,594
Tax payables		25,772	62,163	34,352	23,705
Total current liabilities		<u>1,344,840</u>	<u>1,344,333</u>	<u>1,225,617</u>	<u>1,261,228</u>
Net current assets		<u>1,203,000</u>	<u>989,870</u>	<u>1,397,088</u>	<u>2,441,664</u>
Total assets less current liabilities		<u>4,907,645</u>	<u>5,600,463</u>	<u>5,545,222</u>	<u>5,616,293</u>
Non-current liabilities					
Provision for litigations		1,100	929	782	1,011
Lease liabilities	33	804	2,631	427	18,863
Deferred tax liabilities	24	46,743	40,262	47,691	41,460
Deferred income	34	96,247	88,386	89,136	88,870
Total non-current liabilities		<u>144,894</u>	<u>132,208</u>	<u>138,036</u>	<u>150,204</u>
NET ASSETS		<u>4,762,751</u>	<u>5,468,255</u>	<u>5,407,186</u>	<u>5,466,089</u>
Capital and reserves					
Equity attributable to owners of the Company					
Share capital	35	861,029	861,029	861,029	861,029
Treasury shares	36	—	—	(608,784)	(608,784)
Reserves	37	3,901,722	4,607,226	5,154,941	5,213,844
TOTAL EQUITY		<u>4,762,751</u>	<u>5,468,255</u>	<u>5,407,186</u>	<u>5,466,089</u>

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II. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was established in the People’s Republic of China (the “PRC”) on 13 February 1999. In July 2004, the Company’s shares were listed on the main board of the Shenzhen Stock Exchange with stock code 002020. Its registered office and the principal place of business activities is located at No. 800 East Xinchang Avenue, Xinchang County, Zhejiang, China.

The Group and the Company are principally engaged in research, development, production, and sales of drugs, active pharmaceutical ingredients and medical equipment.

In the opinion of the directors, Mr Lyu Gang (呂綱) is the controlling shareholder of the Company.

The statutory consolidated financial statements of the Company for the years ended 31 December 2023, 2024 and 2025 were prepared in accordance with the relevant accounting principles in the PRC were audited by BDO China Shu Lun Pan CPAs LLP (立信會計師事務所(特殊普通合夥)) which are certified public accountants registered in the PRC.

2. BASIS OF PREPARATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRS Accounting Standards which collective term includes all individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by International Accounting Standards Board (“IASB”). In addition, the Historical Financial Information also complies with the applicable disclosures requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has consistently adopted all applicable new and revised IFRSs that are effective during the Track Record Period, except for any new standards or interpretations that are not yet effective for the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the Track Record Period are set out in note 3.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE NEW STANDARDS, INTERPRETATION AND AMENDMENTS

The Group has not early applied the following new standards, interpretations and amendments that have been issued, but are not yet effective, during the Track Record Period.

IFRS 18	Presentation and disclosure in financial statements ¹
IFRS 19 and its amendments	Subsidiaries without public accountability: Disclosures ¹
Amendments to IAS21	Translation to a hyperinflationary Presentation Currency ¹
Amendments to IAS 28	Amendments to the Fair Value Option for Investments in Associates and Joint Ventures ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
IFRS 20	Regulatory Assets and Regulatory Liabilities ³

¹ Effective for annual periods beginning on or after 1 January 2027.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2029.

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IFRS 18 “Presentation and Disclosure” sets out requirements on presentation and disclosures in financial statements and it will replace IAS 1 “Presentation of Financial Statements”. The new IFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss and other comprehensive income; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to IAS 7 “Statement of Cash Flows” and IAS 33 “Earnings per Share” are also made.

The Group has already commenced an assessment of the impact of these new and revised IFRS, which are relevant to the Group’s operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and financial position of the Group is expected when new and amended IFRS Accounting Standards become effective.

4. ACCOUNTING POLICIES

The Historical Financial Information has been prepared on the historical cost basis except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(a) Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

(b) Changes in the Group’s ownership interests in existing subsidiaries

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group’s and the non-controlling interests’ proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

(c) Business combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 “Income Taxes” and IAS 19 “Employee Benefits”, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 “Share-based Payment” at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16 Leases) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net of the acquisition date amount of the identifiable assets acquired and liabilities assumed

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exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary’s net assets in the event of liquidation are initially measured at the non-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets or at fair value.

(d) Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss on the statements of financial position of the Company.

(e) Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not to control or to have joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an interest in an associate is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Group’s share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associates other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group’s share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When there is objective evidence that the investment in an associate is impaired, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 “Impairment of Assets” as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group increases its ownership interest in an associate but the Group continues to use the equity method, goodwill is recognised at acquisition date if there is excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interests in associates acquired. Any excess of share of carrying amount of net assets attributable to the additional interests in associates acquired over the consideration paid are recognised in the profit or loss in the period in which the additional interest are acquired.

The Company’s investments in associates are accounted for in the financial statements using the equity method.

(f) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services, the sales of goods or the use by others of the Group’s assets in the ordinary course of the Group’s business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties and value-added tax.

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Further details of the Group’s revenue and other income recognition policies are as follows:

Sales of goods

The sales generally involve a single performance obligation to deliver goods pursuant to customer purchase orders. For most contracts, there is a fixed unit price for each product sold. Where a customer orders more than one product type, the Group allocates the contract price to each product type by reference to each product’s standalone selling price.

The Group has determined that the performance obligations are satisfied at a point in time when the Group completes delivery according to the customer purchase orders. The majority of sales are delivered at place (“**DAP**”) for local sales, and free on board (“**FOB**”) or cost, insurance and freight (“**CIF**”) for export sales. Upon arrival at the customer’s designated location under DAP arrangement, or upon loading onto the vessel at the port of shipment under FOB or CIF arrangement, the customer is able to direct the use of, and obtain substantially all of the remaining benefits from, the asset. The Group considers control to have been transferred at that point in time because the Group no longer has physical possession of the asset but has a present right to payment; the customer has legal title, and the significant risks and rewards of ownership of the asset. The goods have either been accepted by the customers or there is objective evidence that the goods provided meet the required specification. Shipping and handling activities performed prior to the customer obtaining control of the goods are accounted for as fulfilment activities and are not a promised good or service. Shipping and handling costs, associated with the distribution of the goods to the customers, are recorded in cost of sales and are recognised when control of the goods is transferred to the customer.

Customers are either required to provide upfront payments to the Group to secure an order, or are required to pay when the control of the promised goods are transferred, usually payable within 30 to 120 days. A contract liability is recognised when the Group receives consideration in advance of transferring control of the promised goods. A receivable is recognised when the control of the promised goods has been transferred to the customers but the Group has not received consideration in advance, as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

The credit period granted to customers by the Group is determined based on their credit risk characteristics. Generally, the Group does not have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, there is no significant financing component and the transaction price is not adjusted for the time value of money. However, if the transfer of control of the promised goods and the receipt of consideration occur more than one year apart, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

The Group applies either the most likely amount method or the expected value method to estimate the variable consideration in the contract. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The most likely amount is used for those contracts with a single volume threshold, while the expected value method is used for those with more than one volume threshold. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the expected future rebates (i.e., the amount not included in the transaction price).

The Group also allows certain customers a right to return the goods for a full refund if they have quality issue and this give rise to variable consideration. In estimating the variable consideration, the Group uses an expected value approach to estimates these returns, given the large number of customer contracts that have similar characteristics. Before including any amount of variable consideration in the transaction price, the Group also considers whether the amount of variable consideration is constrained. A refund liability is recognised for expected returns to customers. No element of financing is deemed present as the sales are made with credit terms that are consistent with market practice.

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Maintenance service

Maintenance service is transferred over time during the contract period or when services are rendered.

Interest income

Interest income is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset, when the asset is not credit-impaired. For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, the calculation of interest income reverts to the gross basis.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expense the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire property, plant and equipment are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under other income.

(g) Lease

The Group as lessee

The Group assess whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option and lease of low value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term. Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases. The Group present right-of-use assets and lease liabilities separately in the consolidated statements of financial position.

Right-of-use asset

The right-of-use asset is recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

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The right-of-use asset is subsequently depreciated using the straight-line method from the date of initial application over the shorter of the remaining lease term or the useful life of the underlying asset. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee’s incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(h) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rate prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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The Historical Financial Information is presented in RMB, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the Historical Financial Information of each entity are measured using that functional currency.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group’s foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non- controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group’s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

(i) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(j) Retirement benefit costs

Payments to defined contribution retirement plans are charged as an expense when employees have rendered service.

(k) Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS Accounting Standards requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

(l) Share-based payment transactions

Equity-settled share-based payments to employees (including directors of the Company) are measured at the fair value of the equity instruments at the grant date. The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. Further details of which are given in note 41 to the Historical Financial Information.

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The cost of equity-settled transactions is recognised as an expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has elapsed and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

(m) Treasury shares

Own equity instruments which held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the consolidated statements of profit or loss and other comprehensive income on the purchase, sale, issue or cancellation of the Group’s own equity instruments.

(n) Taxation

Income tax expense represents the sum of the current tax and deferred tax. Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Current tax

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profits nor the accounting profit and at that time of the transaction does not give rise to equal taxable and deductible temporary difference. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries or associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

(o) Property, plant and equipment

Property, plant and equipment (other than freehold land and construction in progress) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. Freehold land is not depreciated and is measured at cost less subsequent accumulated impairment losses. Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the period in which they are incurred.

Property, plant and equipment (other than freehold and construction in progress) are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Property and buildings	35 years
Production equipment	3–10 years
Transportation vehicle	3–10 years
Furniture, fixtures and equipment	3–10 years
Other equipment	3–10 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset’s estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

(p) Investment properties

Investment properties, principally land and buildings, are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are measured using the cost model.

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(q) Goodwill

Goodwill is measured as described in note 4 (c). Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units (“CGUs”) that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 6).

(r) Intangible assets (other than goodwill)

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows.

Trademarks	10 years
Computer software	5–10 years
Patent related intellectual properties	5–10 years
Other software	5–10 years

The amortisation expense is recognised in profit or loss and included in administrative expenses.

(s) Research and development costs

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product; and
- sale of the product will generate future economic benefits; and expenditure on the project can be measured reliably.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

(t) Impairment losses on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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Recoverable amount is the higher of value in use and fair value less costs of disposal. In assessing value in use, the estimated future cash flows of the asset (or the cash-generating unit) are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or the cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or the cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(u) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trading date basis.

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

Fair value through other comprehensive income (“FVTOCI”): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model, whereby changes in fair value, interest income calculated using the effective interest method and foreign exchange gains and losses are recognised in profit or loss. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

Impairment loss on financial assets

The Group recognises a loss allowance for expected credit loss (“**ECL**”) on financial assets which are subject to impairment under IFRS 9 “Financial Instruments”. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“**12m ECL**”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measure loss allowances for trade receivables using IFRS 9 simplified approach and always recognises lifetime ECL for trade receivables. The ECL on these financial assets are assessed collectively using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other financial instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in the credit risk since initial recognition or evidence that a financial asset is credit-impaired, then the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group’s debtors operate obtained from economic expert reports, financial analysts and governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, or the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;

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- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of “investment grade” as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default to have occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries made are recognised in profit or loss.

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Measurement and recognition of ECL

ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Where ECL is measured on a collective basis to cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group’s trade receivables, other receivables are each assessed as a separate group. Bills receivables are assessed for ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account, except for debt instruments measured at FVTOCI where the loss allowance is recognised in other comprehensive income without reducing the carrying amount of these debt instruments.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group shall continue to recognise the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay. When the Group’s continuing involvement takes the form of guaranteeing the transferred asset, the extent of the entity’s continuing involvement is the lower of carrying amount of the asset and the maximum amount of the consideration received that the Group could be required to repay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of a debt instrument classified as at FVTOCI, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

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(ii) *Financial liabilities and equity instruments*

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in accordance in note 4(i). Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(v) **Inventories**

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

(w) **Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates, judgements and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if revision affects both current and future periods.

The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Key sources of estimation uncertainty

Useful lives on property, plant and equipment and intangible assets

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment and amortisation charge for its intangible assets. This estimate is based on the historical experience of the actual useful lives of assets of similar nature and functions and may vary significantly as a result of technical innovations. The Group will increase the depreciation and amortisation charges where useful lives are less than the previously estimates, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

Estimated impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible asset are stated at costs less accumulated depreciation or amortisation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

Estimated impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026 was RMB348,485,000, RMB348,485,000, RMB335,605,000 and RMB315,705,000. Further details are given in note 23.

Estimated impairment of associates

As at 31 December 2023, in view of continuing and significant operating loss incurred by an associate, Vascular Graft Solutions Ltd., the Group performed impairment assessment at reporting date. Determining whether and the amount of impairment loss to be recognised requires an estimation of the recoverable amount of the relevant associate which is the higher of value in use and fair value less costs of disposal. The investment was written down to its recoverable amount and an impairment loss of RMB12,328,000 was recognised for the year ended 31 December 2023. Further details are given in note 18.

In cases where inputs for the estimation of the recoverable amount changes based on the latest transaction price of share of the associate changes, a material reversal or further recognition of impairment may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

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Provision of ECL for financial assets measured at amortised cost

The Group calculates ECL under IFRS 9. The provision rates are based on the Group’s historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in circumstances and forecast economic conditions. Details of the key assumptions and inputs used are set out in Note 38. Changes in these assumptions and inputs could materially affect the assessment and it may be necessary to make additional loss allowance in future periods.

Fair value measurement of financial instruments

Certain of the Group’s financial assets are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Fair values of bills receivables are estimated as the present values of future cash flows, discounted at interest rates based on the government yield curve as at the end of the reporting period plus a credit spread to reflect the credit risks of the issuer. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. In addition, these estimates could change significantly as a result of change in customer preference, environmental goals and competitor actions in response to industry cycles. Management measures these estimates at the end of each reporting period.

6. SEGMENT INFORMATION AND REVENUE

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) drugs segment produces and sells difference types finished pharmaceuticals;
- (b) active pharmaceutical ingredients segment produces and sells difference raw materials to customers for further processing to medicine;
- (c) medical equipment segment manufactures and sells of medical equipment and provides the relevant maintenance services; and
- (d) Others comprise, principally, the Group’s management services, investment properties business and sale of pharmaceutical related materials.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss.

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents, equity investments at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings (other than lease liabilities), an amount due to the ultimate holding company, convertible bonds, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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Year ended 31 December 2023

	Drugs	Active pharmaceutical ingredients	Medical equipment	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total revenue	2,485,316	2,157,480	637,246	225,977	5,506,019
Inter-segment revenue	(158,926)	(1,201,173)	—	(147,085)	(1,507,184)
Revenue (from external customers)	2,326,390	956,307	637,246	78,892	3,998,835
Timing of revenue recognition					
At a point in time	2,326,390	956,307	636,578	46,998	3,966,273
Over time	—	—	668	31,894	32,562
	2,326,390	956,307	637,246	78,892	3,998,835
Segment profit before income tax	461,155	162,482	79,959	4,445	708,041
Interest income	28,119	31,286	856	8	60,269
Fair value gain/(loss) on financial assets at fair value through profit or loss	37,020	—	—	(249)	36,771
Depreciation of property, plant and equipment	(83,293)	(89,779)	(8,212)	(4,765)	(186,049)
Depreciation of right-of-use assets	(5,567)	(6,456)	(9,931)	(575)	(22,529)
Depreciation of investment properties	—	—	—	(10,034)	(10,034)
(Provision)/reversal of provision for impairment loss of non-financial assets	(873)	5,576	(2,674)	—	2,029
Amortisation of intangible assets	(4,810)	(64)	(7,959)	(60)	(12,893)
Finance costs	(1,820)	(4,608)	(883)	(4)	(7,315)
Share of results of associates	(6,042)	—	—	—	(6,042)
Impairment loss of investment in an associate	(11,357)	—	—	(971)	(12,328)
Income tax expense	(55,681)	(24,635)	(4,307)	—	(84,623)

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Year ended 31 December 2024

	Drugs	Active pharmaceutical ingredients	Medical equipment	Others	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Total revenue	2,710,909	2,055,672	687,233	292,749	5,746,563
Inter-segment revenue	(188,617)	(1,179,376)	—	(220,019)	(1,588,012)
Revenue (from external customers)	2,522,292	876,296	687,233	72,730	4,158,551
Timing of revenue recognition					
At a point in time	2,522,292	876,296	685,850	40,492	4,124,930
Over time	—	—	1,383	32,238	33,621
	2,522,292	876,296	687,233	72,730	4,158,551
Segment profit before income tax	593,920	131,753	96,672	21,638	843,983
Interest income	43,617	25,961	1,632	28	71,238
Fair value (loss)/gain on financial assets at fair value through profit or loss	(41,857)	130	—	(640)	(42,367)
Depreciation of property, plant and equipment	(114,740)	(136,142)	(9,465)	(4,090)	(264,437)
Depreciation of right-of-use assets	(6,117)	(6,348)	(9,502)	(113)	(22,080)
Depreciation of investment properties	—	—	—	(10,928)	(10,928)
(Provision)/reversal of provision for impairment loss of non-financial assets	258	(6,066)	(611)	—	(6,419)
Amortisation of intangible assets	(5,236)	(28)	(8,055)	(5)	(13,324)
Finance costs	(1,635)	(5,624)	(484)	—	(7,743)
Share of results of associates	(658)	—	—	—	(658)
Income tax expense	(82,043)	(28,998)	(9,211)	(4,602)	(124,854)

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ACCOUNTANTS’ REPORT

Year ended 31 December 2025

	Drugs	Active pharmaceutical ingredients	Medical equipment	Others	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Total revenue	2,593,264	1,864,648	696,253	392,761	5,546,926
Inter-segment revenue	(124,184)	(1,050,452)	—	(302,929)	(1,477,565)
Revenue (from external customers)	2,469,080	814,196	696,253	89,832	4,069,361
Timing of revenue recognition					
At a point in time	2,469,080	814,196	695,614	58,976	4,037,866
Over time	—	—	639	30,856	31,495
	2,469,080	814,196	696,253	89,832	4,069,361
Segment profit before income tax	705,226	78,647	84,070	1,447	869,390
Interest income	38,406	21,720	1,329	16	61,471
Fair value gain/(loss) on financial assets at fair value through profit or loss	9,635	390	—	(554)	9,471
Depreciation of property, plant and equipment	(114,265)	(128,013)	(10,049)	(3,662)	(255,989)
Depreciation of right-of-use assets	(6,605)	(6,241)	(9,734)	(113)	(22,693)
Depreciation of investment properties	—	—	—	(11,449)	(11,449)
Provision for impairment loss of non-financial assets	(22,610)	(12,212)	(71)	—	(34,893)
Amortisation of intangible assets	(9,657)	—	(2,909)	(5)	(12,571)
Finance costs	(1,138)	(2,516)	(301)	—	(3,955)
Share of results of associates	(471)	—	—	—	(471)
Income tax expense	(78,875)	(11,140)	(6,191)	(1,453)	(97,659)

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ACCOUNTANTS’ REPORT

Six months ended 30 June 2026

	Drugs	Active pharmaceutical ingredients	Medical equipment	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total revenue	1,196,553	962,204	375,445	125,451	2,659,653
Inter-segment revenue	(34,019)	(545,033)	—	(93,417)	(672,469)
Revenue (from external customers)	1,162,534	417,171	375,445	32,034	1,987,184
Timing of revenue recognition					
At a point in time	1,162,534	417,171	375,124	23,498	1,978,327
Over time	—	—	321	8,536	8,857
	1,162,534	417,171	375,445	32,034	1,987,184
Segment profit before income tax	326,913	41,697	45,895	53	414,558
Interest income	16,155	9,171	366	12	25,704
Fair value gain/(loss) on financial assets at fair value through profit or loss	(17,233)	532	—	—	(16,701)
Depreciation of property, plant and equipment	(61,943)	(60,917)	(5,054)	(1,880)	(129,794)
Depreciation of right-of-use assets	(3,486)	(3,093)	(4,727)	(56)	(11,362)
Depreciation of investment properties	—	—	—	(3,418)	(3,418)
Provision for impairment loss of non- financial assets	(14,073)	(3,882)	(806)	—	(18,761)
Amortisation of intangible assets	(6,197)	—	(676)	(15)	(6,888)
Finance costs	(450)	(846)	(261)	—	(1,557)
Share of results of associates	(336)	—	—	—	(336)
Income tax expense	(43,648)	(9,769)	(3,557)	394	(56,580)

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ACCOUNTANTS’ REPORT

Six months ended 30 June 2025 (unaudited)

	Drugs	Active pharmaceutical ingredients	Medical equipment	Others	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Total revenue	1,299,452	993,226	349,311	125,856	2,767,845
Inter-segment revenue	(124,185)	(540,618)	—	(86,499)	(751,302)
Revenue (from external customers)	1,175,267	452,608	349,311	39,357	2,016,543
Timing of revenue recognition					
At a point in time	1,175,267	452,608	349,004	23,052	1,999,931
Over time	—	—	307	16,305	16,612
	1,175,267	452,608	349,311	39,357	2,016,543
Segment profit before income tax	334,698	70,912	51,735	(1,582)	455,763
Interest income	19,327	9,421	714	8	29,470
Fair value gain on financial assets at fair value through profit or loss	68	—	—	—	68
Depreciation of property, plant and equipment	(55,335)	(65,008)	(5,025)	(1,730)	(127,098)
Depreciation of right-of-use assets	(3,309)	(3,133)	(4,869)	(56)	(11,367)
Depreciation of investment properties	—	—	—	(6,358)	(6,358)
(Provision)/reservel for impairment loss of non-financial assets	(106)	3,412	(850)	—	2,456
Amortisation of intangible assets	(2,461)	—	(2,271)	—	(4,732)
Finance costs	(586)	(2,516)	(197)	—	(3,299)
Share of results of associates	(511)	—	—	—	(511)
Income tax expense	(40,874)	(12,653)	(3,815)	(716)	(58,058)

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ACCOUNTANTS’ REPORT

Year ended 31 December 2023

	<u>Drugs</u>	<u>Active pharmaceutical ingredients</u>	<u>Medical equipment</u>	<u>Others</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Total segment assets	5,402,222	2,849,931	604,071	116,332	8,972,556
Total segment assets include:					
Investments accounted for using the equity method	62,516	—	—	—	62,516
Additions to non-current assets (other than financial instruments and deferred income tax assets)	727,632	338,488	30,546	5,368	1,102,034

Year ended 31 December 2024

	<u>Drugs</u>	<u>Active pharmaceutical ingredients</u>	<u>Medical equipment</u>	<u>Others</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Total segment assets	4,957,009	2,249,447	575,721	140,146	7,922,323
Total segment assets include:					
Investments accounted for using the equity method	55,541	—	—	—	55,541
Additions to non-current assets (other than financial instruments and deferred income tax assets)	158,918	52,191	16,012	433	227,554

Year ended 31 December 2025

	<u>Drugs</u>	<u>Active pharmaceutical ingredients</u>	<u>Medical equipment</u>	<u>Others</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Total segment assets	5,200,701	2,021,700	550,765	156,361	7,929,527
Total segment assets include:					
Investments accounted for using the equity method	55,070	—	—	—	55,070
Additions to non-current assets (other than financial instruments and deferred income tax assets)	202,044	45,397	17,447	1,425	266,313

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ACCOUNTANTS’ REPORT

Six months ended 30 June 2026

	<u>Drugs</u>	<u>Active pharmaceutical ingredients</u>	<u>Medical equipment</u>	<u>Others</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total segment assets	5,486,921	1,831,072	604,805	179,745	8,102,543
Total segment assets include:					
Investments accounted for using the equity method	51,146	—	—	—	51,146
Additions to non-current assets (other than financial instruments and deferred income tax assets)	69,841	27,685	26,089	512	124,127

A reconciliation of reportable segments’ profit before income tax to total profit before income tax is provided as follows:

	<u>Years ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2025</u>	<u>2026</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Total segment profit before income tax	708,041	843,983	869,390	455,763	414,558
Discontinued operation	191	—	—	—	—
Profit before income tax per consolidated statement of comprehensive income	708,232	843,983	869,390	455,763	414,558

A reconciliation of reportable segments’ assets to total assets is provided as follows:

	<u>As at 31 December</u>			<u>As at 30 June</u>
	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total segment assets	8,972,556	7,922,323	7,929,527	8,102,543
Deferred tax assets	80,983	83,561	79,234	75,600
Restricted bank deposits	79,493	29,122	18,082	8,144
Time deposits	1,025,135	1,645,520	1,653,836	1,395,784
Financial assets at fair value through profit or loss	700,743	1,322,248	822,062	1,115,659
Cash and cash equivalents	1,276,018	287,145	512,632	479,682
Elimination of intersegment receivables	(4,148,372)	(2,810,603)	(2,891,843)	(3,222,250)
Total assets per consolidated financial position	7,986,556	8,479,316	8,123,530	7,955,162

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ACCOUNTANTS’ REPORT

Geographical information

An analysis of the Group’s revenue from external customers, based on location of customers and analysed by country, is presented below:

	As at 31 December			As at 30 June	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Revenue from external customers					
— Chinese Mainland	3,303,930	3,316,354	3,212,461	1,556,794	1,565,350
— Other regions	694,905	842,197	856,900	459,749	421,834
	<u>3,998,835</u>	<u>4,158,551</u>	<u>4,069,361</u>	<u>2,016,543</u>	<u>1,987,184</u>

Information about the Group’s non-current assets excluding financial assets and deferred tax assets by geographical location of the assets are presented below:

	As at 31 December			As at
	2023	2024	2025	30 June
	RMB’000	RMB’000	RMB’000	RMB’000
Non-current assets excluding financial assets and deferred tax assets				
— Mainland China	3,483,409	3,398,874	3,308,217	3,192,222
— Korea	458	2,080	2,059	1,532
— Israel	6,513	—	—	—
	<u>3,490,380</u>	<u>3,400,954</u>	<u>3,310,276</u>	<u>3,193,754</u>

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	Years ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Customer 1	606,280	661,931	684,624	292,805	340,884

The following table provides information about trade receivables and contract liabilities from contracts with customers.

	As at	As at 31 December			As at
	1 January	2023	2024	2025	30 June
	2023	RMB’000	RMB’000	RMB’000	2026
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables (Note 25)	474,434	571,456	747,848	785,190	728,271
Contract liabilities (Note 30)	81,007	53,346	56,484	56,454	42,871

The contract liabilities mainly relate to the advance consideration received from customers.

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ACCOUNTANTS’ REPORT

Transaction Price Allocated to Future Performance Obligations

IFRS 15 requires that the Group to disclose the aggregate amount of transaction price that is allocated to each performance obligation that has not yet been satisfied as at reporting date. The guidance provides certain practical expedients that limit this requirement and, therefore, for the vast majority of contracts, the Group does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which revenue is recognised at the amount to which the Group has the right to invoice for services performed.

As a practical expedient, the transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are not disclosed in the notes to the financial statements because all the remaining performance obligations in relation to the sale of goods are a part of contracts that have an original expected duration of one year or less and (ii) contracts for which revenue is recognised at the amount to which the Group has the right to invoice for services performed.

7. OTHER INCOME

	Years ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Government subsidies					
— related to assets (<i>Note 34</i>)	23,719	22,015	22,294	11,074	10,984
— related to income (<i>note</i>)	19,038	75,087	14,920	9,959	13,886
Input VAT preferential tax reductions	14,155	14,729	10,564	5,227	1,704
VAT preferential tax reductions	1,014	827	672	416	—
Refund of individual income tax handling fees	546	547	581	565	572
Interest income	60,269	71,238	61,471	29,470	25,704
Total	118,741	184,443	110,502	56,711	52,850

note: Government grants mainly represent subsidy income received from various government authorities as incentives to certain subsidiaries of the Group. There are no unfulfilled conditions or other contingencies attached to these grants.

8. IMPAIRMENT LOSSES/(REVERSAL OF IMPAIRMENT LOSSES) UNDER ECL MODEL, NET

	Years ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Trade receivables	6,726	13,163	6,160	5,927	(1,908)
Deposits and other receivables	(1,588)	1,411	(299)	1,614	(119)
Total	5,138	14,574	5,861	7,541	(2,027)

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ACCOUNTANTS’ REPORT

9. OTHER GAINS AND LOSSES, NET

	Years ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Donations	(342)	(417)	(461)	(254)	(3,567)
Exchange gain/(loss)	3,434	2,925	(10,016)	1,375	(22,812)
Fair value gain/(loss) on financial assets at fair value through profit or loss	36,771	(42,367)	9,471	68	(16,701)
Gain on disposal of financial assets at fair value through profit or loss, net	7,997	3,733	6,520	5,560	3,473
Gain on partial disposal of an associate	—	—	—	—	1,412
Dividends from financial assets at fair value through profit or loss	5,882	5,882	11,059	7,529	8,235
Gain/(loss) on disposal of property, plant and equipment and a right-of-use asset	6,853	2,515	(625)	(296)	1,057
Loss on deregistration of a subsidiary	(1,397)	—	—	—	—
Claims to suppliers, couriers and insurance companies	822	2,040	1,474	699	286
Tax surcharge	(8)	(3,336)	(1,131)	(658)	(663)
Loss on litigation claims	(8,030)	(317)	(117)	(110)	(334)
Others	1,547	2,477	1,956	375	1,336
Total	<u>53,529</u>	<u>(26,865)</u>	<u>18,130</u>	<u>14,288</u>	<u>(28,278)</u>

10. FINANCE COSTS

	Years ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest expenses on borrowings	5,266	6,090	2,517	2,513	844
Interest expenses on lease liabilities	2,049	1,653	1,438	786	713
Total	<u>7,315</u>	<u>7,743</u>	<u>3,955</u>	<u>3,299</u>	<u>1,557</u>

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ACCOUNTANTS’ REPORT

11. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Years ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Cost of inventories recognised as expense	1,795,425	1,830,570	1,772,099	875,576	862,343
Depreciation and amortisation					
— Property, plant and equipment	186,049	264,437	255,989	127,098	129,794
— Investment properties	10,034	10,928	11,449	6,358	3,418
— Right-of-use assets	22,529	22,080	22,693	11,367	11,362
— Intangible assets	12,893	13,324	12,571	4,732	6,888
(Reversal of write downs)/write downs of inventories recognised in the year/period	(2,029)	6,419	19,258	(2,456)	(6,659)
Staff costs (including directors’ emoluments):					
— Salaries and other benefits	522,160	499,159	521,507	264,578	257,358
— Retirement benefits scheme contributions	77,681	79,659	85,924	41,039	46,243
Equity settled share-based payments	—	—	—	—	11,736
Auditors’ remuneration	1,226	1,226	1,226	613	613
Short-term leases with application of recognition exemption	2,935	1,796	963	649	928
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

12. INCOME TAX EXPENSES

	Years ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current tax					
— PRC Enterprise Income Tax (“EIT”)	77,232	128,013	87,536	63,912	56,235
— Hong Kong Profits Tax	118	124	—	—	—
— Under provision in prior years	4,434	13,362	1,171	1,171	2,827
	81,784	141,499	88,707	65,083	59,062
Deferred tax (Note 24)	2,839	(16,645)	8,952	(7,025)	(2,482)
Total income tax expense	84,623	124,854	97,659	58,058	56,580

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Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the standard EIT rate of the Company and the PRC subsidiaries is 25%. For the Company and the PRC subsidiaries approved as “High and New Technology Enterprise” by the relevant government authorities, they are subject to a preferential rate of 15%. For the PRC subsidiaries approved as “Micro and Small Enterprise” by the relevant government authorities, which the annual taxable income that is more than RMB1,000,000 but not more than RMB3,000,000 shall be included in its taxable income at the reduced rate of 25% for years ended 31 December 2023 to 2027, with the applicable enterprise income tax rate of 20%. For the annual taxable income that is not more than RMB1,000,000 shall be included in its taxable income at the reduced rate of 25% for years ended 31 December 2023 to 2027, with the applicable enterprise income tax rate of 20%.

Subsidiaries of the Company incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits for the years ended 31 December 2023, 2024, 2025 and year ending 31 December 2026. On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%.

Taxation arising from other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

The income tax expense for each of the reporting period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Years ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit before tax	708,041	843,983	869,390	455,763	414,558
Tax at the applicable tax rate of 15% (note)	106,206	126,597	130,409	68,364	62,184
Effect of different tax rates of subsidiaries operating in other jurisdictions	517	(6,199)	3,140	721	(991)
Under provision of current tax in prior years	4,434	13,362	1,171	1,171	2,827
Tax effect of expenses not deductible for tax purpose	10,508	10,998	2,221	1,146	5,386
Utilisation of tax losses previously not recognised	—	—	(258)	(172)	(116)
Effect of deductible temporary differences and tax losses not recognised as deferred tax asset	12,758	23,537	9,178	9,218	7,433
Research and development expenses and other additional deduction (note)	(51,557)	(44,489)	(47,709)	(21,866)	(19,863)
Others	1,757	1,048	(493)	(524)	(280)
Income tax expense	84,623	124,854	97,659	58,058	56,580

Note: The applicable tax rate is with reference to the preferential PRC tax rate of 15% as the income deriving entities which are the Company and the PRC subsidiaries were approved as “High and New Technology Enterprise” by the relevant government authorities under the EIT Law and Implementation Regulation of the EIT Law for the years.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC, enterprises engaging in research and development activities are entitled to claim up to 200% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that period.

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13. DIRECTORS’ AND SUPERVISORS’ EMOLUMENTS

Details of the emoluments paid or payable to the directors and supervisors of the Company for the services provided to the Group during each of the reporting period are as follows:

Year ended 31 December 2023

	<u>Directors’ fee</u>	<u>Salaries and other benefits</u>	<u>Performance — based bonus</u>	<u>Retirement benefit scheme contributions</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Chairman:					
Mr. Lyu Gang	—	1,081	522	6	1,609
Executive directors:					
Mr. Wang Nengneng	—	778	300	44	1,122
Mr. Hong Yunfei	—	595	283	143	1,021
Mr. Jin Zhiping	—	931	402	39	1,372
Ms. Chen Meili	—	600	373	—	973
Mr. Hu Wan	—	426	207	45	678
Independent non-executive directors:					
Mr. Xu Pan	80	—	—	—	80
Ms. Lei Ying	80	—	—	—	80
Mr. Zhang Daliang	80	—	—	—	80
Supervisors:					
Mr. Xu Xiaojun	—	414	106	34	554
Mr. Hu Tianqing	—	425	213	39	677
Ms. Lin Fenjuan	—	226	65	34	325
	<u>240</u>	<u>5,476</u>	<u>2,471</u>	<u>384</u>	<u>8,571</u>

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ACCOUNTANTS’ REPORT

Year ended 31 December 2024

	Directors’ fee	Salaries and other benefits	Performance — based bonus	Retirement benefit scheme contributions	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Chairman:					
Mr. Lyu Gang	—	961	727	—	1,688
Executive directors:					
Mr. Wang Nengneng	—	565	609	58	1,232
Mr. Hong Yunfei	—	602	348	145	1,095
Mr. Jin Zhiping	—	568	457	51	1,076
Ms. Chen Meili	—	435	725	—	1,160
Mr. Hu Wan	—	397	155	43	595
Independent non-executive directors:					
Mr. Xu Pan	80	—	—	—	80
Ms. Lei Ying	80	—	—	—	80
Mr. Zhang Daliang	80	—	—	—	80
Supervisors:					
Mr. Xu Xiaojun	—	377	183	47	607
Mr. Hu Tianqing	—	443	450	39	932
Ms. Lin Fenjuan	—	227	88	47	362
	<u>240</u>	<u>4,575</u>	<u>3,742</u>	<u>430</u>	<u>8,987</u>

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ACCOUNTANTS’ REPORT

Year ended 31 December 2025

	Directors’ fee	Salaries and other benefits	Performance — based bonus	Retirement benefit scheme contributions	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Chairman:					
Mr. Lyu Gang	—	692	1,046	—	1,738
Executive directors:					
Mr. Wang Nengneng	—	559	464	56	1,079
Mr. Hong Yunfei	—	610	319	146	1,075
Ms. Lyu Jiaqi (<i>note (b)</i>)	—	81	32	25	138
Mr. Li Bixiang (<i>note (b)</i>)	—	165	158	11	334
Mr. Xu Xiaojun (<i>note (e)</i>)	—	90	37	10	137
Mr. Jin Zhiping (<i>note (a)</i>)	—	605	261	46	912
Ms. Chen Meili (<i>note (a)</i>)	—	459	482	—	941
Mr. Hu Wan (<i>note (a)</i>)	—	327	130	34	491
Independent non-executive directors:					
Dr. Huang Tao (<i>note (d)</i>)	25	—	—	—	25
Dr. Xu Pan	83	—	—	—	83
Ms. Lei Ying	83	—	—	—	83
Mr. Zhang Daliang (<i>note (c)</i>)	60	—	—	—	60
Supervisors:					
Mr. Xu Xiaojun (<i>note (e)</i>)	—	306	187	35	528
Mr. Hu Tianqing (<i>note (f)</i>)	—	395	407	—	802
Ms. Lin Fenjuan (<i>note (f)</i>)	—	191	71	37	299
	<u>251</u>	<u>4,480</u>	<u>3,594</u>	<u>400</u>	<u>8,725</u>

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Six months ended 30 June 2026

	<u>Directors’ fee</u>	<u>Salaries and other benefits</u>	<u>Performance- based bonus</u>	<u>Share-based payments</u>	<u>Retirement benefit scheme contributions</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Chairman:						
Mr. Lyu Gang	—	889	343	—	—	1,232
Executive directors:						
Mr. Wang Nengneng	—	556	248	—	28	832
Mr. Hong Yunfei	—	308	362	429	74	1,173
Ms. Lyu Jiaqi (<i>note (b)</i>)	—	165	50	—	50	265
Mr. Li Bixiang (<i>note (b)</i>)	—	336	270	429	23	1,058
Mr. Xu Xiaojun (<i>note (e)</i>)	—	199	108	75	22	404
Independent non-executive directors:						
Dr. Huang Tao (<i>note (d)</i>)	50	—	—	—	—	50
Dr. Xu Pan	50	—	—	—	—	50
Ms. Lei Ying	50	—	—	—	—	50
	<u>150</u>	<u>2,453</u>	<u>1,381</u>	<u>933</u>	<u>197</u>	<u>5,114</u>

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Six months ended 30 June 2025 (unaudited)

	<u>Directors’ fee</u>	<u>Salaries and other benefits</u>	<u>Performance- based bonus</u>	<u>Retirement benefit scheme contributions</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Chairman:					
Mr. Lyu Gang	—	200	523	—	723
Executive directors:					
Mr. Wang Nengneng	—	197	232	28	457
Mr. Hong Yunfei	—	304	160	72	536
Mr. Jin Zhiping (<i>note (a)</i>)	—	376	156	28	560
Ms. Chen Meili (<i>note (a)</i>)	—	192	289	—	481
Mr. Hu Wan (<i>note (a)</i>)	—	198	78	20	296
Independent non-executive directors:					
Dr. Xu Pan	40	—	—	—	40
Ms. Lei Ying	40	—	—	—	40
Mr. Zhang Daliang (<i>note (c)</i>)	40	—	—	—	40
Supervisors:					
Mr. Xu Xiaojun (<i>note (e)</i>)	—	194	112	23	329
Mr. Hu Tianqing (<i>note (f)</i>)	—	233	244	—	477
Ms. Lin Fenjuan (<i>note (f)</i>)	—	114	43	22	179
	<u>120</u>	<u>2,008</u>	<u>1,837</u>	<u>193</u>	<u>4,158</u>

Notes:

- (a) Jin Zhiping, Chen Meili and Hu Wan resigned as executive directors of the Company on 10 October 2025.
- (b) Lyu Jiaqi and Li Bixiang was appointed an executive director of the Company on 10 October 2025.
- (c) Zhang Daliang resigned as an independent non-executive director of the Company on 10 October 2025.
- (d) Huang Tao was appointed an independent non-executive director of the Company on 10 October 2025.
- (e) Xu Xiaojun ceased to serve as the supervisor and was appointed as an executive director of the Company on 10 October 2025.
- (f) Hu Tianqing and Lin Fenjuan ceased to serve as the supervisor on 10 October 2025.

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14. FIVE HIGHEST PAID INDIVIDUALS

During the years ended 31 December 2023, 2024 and 2025, and six months ended 30 June 2025 and 30 June 2026, the five individuals with the highest emoluments in the Group include 3, 2, 2, 2 and 3 directors of the Company, details of whose remuneration are set out in Note 13 above. The emoluments payable to the remaining 2, 3, 3, 3 and 2, individuals during each of the reporting period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other benefits	1,696	3,013	3,658	2,281	671
Performance-based bonus	556	1,349	1,253	627	374
Retirement benefit scheme contributions	273	200	203	100	—
Share-based payments	—	—	—	—	1,287
	<u>2,525</u>	<u>4,562</u>	<u>5,114</u>	<u>3,008</u>	<u>2,332</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
				(unaudited)	
Nil to HK\$1,000,000	—	—	—	1	—
HK\$1,000,001–HK\$1,500,000	1	1	—	2	1
HK\$1,500,001–HK\$2,000,000	1	2	2	—	1
HK\$2,000,001–HK\$2,500,000	—	—	1	—	—
	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>2</u>

During each of the reporting period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company have waived any emoluments during each of the reporting period.

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15. EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share (“EPS”) is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period, excluding ordinary shares held for share schemes as these shares are not considered outstanding for earnings per share calculation purposes.

	Years ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit for the year/period attributable to owners of the Company for					
— From continuing operations	619,089	711,964	763,042	393,380	353,650
Less: Dividends payable to restricted shares	—	—	—	—	(919)
Profit attributable to owners of the Company used in calculating basic EPS	619,089	711,964	763,042	393,380	352,731
— From discontinued operation	(191)	N/A	N/A	N/A	N/A
	Years ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
				(unaudited)	
Weighted average number of ordinary shares in issue, excluding shares repurchased during the years/periods for the purpose of calculating basic earnings per share	861,029,140	861,029,140	821,988,758	830,356,095	813,757,845

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ACCOUNTANTS’ REPORT

(b) Diluted earnings per share

The share schemes granted by the Company have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share schemes:

	Years ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit for the year/period attributable to owners of the Company for					
— From continuing operations	619,089	711,964	763,042	393,380	353,650
Less: Dividends payable to restricted shares	—	—	—	—	(919)
Profit attributable to owners of the Company used in calculating diluted EPS	619,089	711,964	763,042	393,380	352,731
— From discontinued operation	(191)	N/A	N/A	N/A	N/A
	Years ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
				(unaudited)	
Weighted average number of ordinary shares in issue, excluding shares repurchased during the years/periods for the purpose of calculating basic earnings per share	861,029,140	861,029,140	821,988,758	830,356,095	813,757,845
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	861,029,140	861,029,140	821,988,758	830,356,095	813,757,845

No adjustment has been made in the diluted earnings per share in respect of a dilution as the impact of the share granted in ESOP, as disclosed in note 41, has an anti-dilutive effect on the basic earnings per share.

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16. DIVIDENDS

	Years ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Dividends recognised as distribution during the year/period					
Final 2022 — RMB3.0 per 10 ordinary shares	258,309	—	—	—	—
Final 2023 — RMB3.0 per 10 ordinary shares	—	258,309	—	—	—
Final 2024 — RMB3.5 per 10 ordinary shares	—	—	301,360	301,360	—
Final 2025 — RMB3.5 per 10 ordinary shares	—	—	—	—	301,360
Less: Dividends for treasury shares	—	—	(16,506)	(16,506)	(16,545)
	<u>258,309</u>	<u>258,309</u>	<u>284,854</u>	<u>284,854</u>	<u>284,815</u>

17. INVESTMENTS IN SUBSIDIARIES

Company	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Investments in subsidiaries				
— Unlisted shares, at cost	1,551,310	1,571,910	1,572,911	1,579,726
— Impairment loss	<u>(171,017)</u>	<u>(171,017)</u>	<u>(201,823)</u>	<u>(235,716)</u>
	<u>1,380,293</u>	<u>1,400,893</u>	<u>1,371,088</u>	<u>1,344,010</u>

No impairment loss of investments in subsidiaries was recognised to profit or loss for the years ended 31 December 2023 and 2024.

As at 31 December 2025 and 30 June 2026, in view of operating losses incurred by a subsidiary of the Company, Guangdong Shaxi Pharmaceutical Co., Ltd. (廣東沙溪製藥有限公司), which represents the drugs cash-generating unit (“CGU”), the Company performed an impairment assessment at reporting date to determine whether and the amount of impairment loss to be recognised. Based on the value in use approach, the investment was written down to its recoverable amount and an impairment loss of approximately RMB30,806,000 and RMB33,893,000 was recognised for the year ended 31 December 2025 and the six months ended 30 June 2026, respectively. Further details of the key assumptions and inputs used in the impairment assessment, including the valuation methodology, discount rates, and growth rates, are set out in Note 23.

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Particulars of the principal subsidiaries directly and indirectly held by the Company at the end of each reporting period are set out below:

Name of subsidiaries	Place and date of incorporation establishment	Authorised shares capital/registered capital	Equity interests attributable to the Company as at								Principal activities
			31 December 2023		31 December 2024		31 December 2025		30 June 2026		
			Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Indirect %	Indirect %	
Shaoxing Jingxin Pharmaceutical Co., Ltd.* ^a 紹興京新藥業有限公司	17 December 2004 China	RMB150,000,000	100	—	100	—	100	—	100	—	Manufacture and sell of active pharmaceutical ingredients
Shandong Jingxin Pharmaceutical Co., Ltd.* ^{&} 山東京新藥業有限公司	24 March 2020 China	RMB120,000,000	100	—	100	—	100	—	100	—	Manufacture and sell of chemical intermediates
Shangrao Jingxin Pharmaceutical Co., Ltd.* ^a 上饒京新藥業有限公司	19 October 2005 China	RMB35,000,000	90	10	90	10	90	10	90	10	Manufacture and sell of chemical intermediates
Inner Mongolia Jingxin Pharmaceutical Co., Ltd.* ^a 內蒙古京新藥業有限公司	1 August 2002 China	RMB30,000,000	100	—	100	—	100	—	100	—	Manufacture and sell of Chinese medicine
Shenzhen Beacon Display Technology Co., Ltd. ^a 深圳市巨烽顯示科技有限公司	3 June 2004 China	RMB10,752,688	100	—	100	—	100	—	100	—	Manufacture and sell of medical equipment
Zhejiang Jingxin Medical Co., Ltd. 浙江京新醫藥有限公司 [@]	28 August 2017 China	RMB10,000,000	100	—	100	—	100	—	100	—	Wholesale of drugs
Zhejiang Jingxin Pharmaceutical Import & Export Co., Ltd.* [@] 浙江京新藥業進出口有限公司	28 November 2006 China	RMB5,000,000	100	—	100	—	100	—	100	—	Sales of chemical goods
Shenyang TORCH-BIGTIDE Digital Technology Co., Ltd. [#] 瀋陽火炬北泰數碼科技有限責任公司	30 September 1999 China	RMB18,300,000	—	75.68	—	75.68	—	75.68	—	75.68	Manufacture and sell of medical equipment

Notes:

* The English names of the subsidiaries registered in the Chinese Mainland of the PRC represent the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.

^a The statutory financial statements of certain subsidiaries in the Chinese Mainland for the years ended 31 December 2023, 2024 and 2025 were prepared in accordance with relevant accounting principles and financial regulations applicable in the PRC and were audited by BDO China Shu Lun Pan CPAs LLP (立信會計師事務所(特殊普通合夥)).

[&] The statutory financial statements of certain subsidiaries in the Chinese Mainland for the years ended 31 December 2023, 2024 and 2025 were prepared in accordance with relevant accounting principles and financial regulations applicable in the PRC and were audited by Tianyan Certified Public Accountants Co., Ltd. (山東天演會計師事務所有限責任公司) for the years ended 31 December 2023 and 2024, and BDO China Shu Lun Pan CPAs LLP (立信會計師事務所(特殊普通合夥)) for the year ended 31 December 2025.

[#] The statutory financial statements of certain subsidiaries in the Chinese Mainland for the years ended 31 December 2023, 2024 and 2025 were prepared in accordance with relevant accounting principles and financial regulations applicable in the PRC and were audited by Liaoning Huashang Certified Public Accountants Co., Ltd. (遼寧華商會計師事務所有限責任公司).

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@ No statutory audited financial statements were prepared as they are incorporated in a jurisdiction where there are no local statutory audit requirements or exempted from statutory audit requirements.

All of the principal subsidiaries adopted 31 December as their financial year end date.

18. INVESTMENTS IN ASSOCIATES

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
At beginning of the year/period	81,331	62,516	55,541	55,070
Partial disposal of an associate	—	—	—	(3,588)
Transferred to FVTPL	—	(6,481)	—	—
Share of post-acquisition profit or loss	(6,042)	(658)	(471)	(336)
Impairment loss	(12,328)	—	—	—
Exchange realignment	(445)	164	—	—
At the end of the year/period	62,516	55,541	55,070	51,146
	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Company				
At beginning of the year/period	81,331	61,630	55,541	55,070
Partial disposal of an associate	—	—	—	(3,588)
Transferred to FVTPL	—	(5,595)	—	—
Partial disposal of an associate	(1,857)	—	—	—
Share of post-acquisition profit or loss	(6,042)	(658)	(471)	(336)
Impairment loss	(11,357)	—	—	—
Exchange realignment	(445)	164	—	—
At the end of the year/period	61,630	55,541	55,070	51,146

As at 31 December 2023, in view of operating loss incurred by an associate, Vascular Graft Solutions Ltd., the Group performed impairment assessment at reporting date. The recoverable amount is determined based on the fair value less costs of disposal, which was reference to the recent transaction price of equity interest of the associate and it was classified as Level 3 fair value measurement. Significant key assumption used for the recoverable amount measurement was its recent transaction price. The recoverable amount was approximately RMB6,513,000 as at 31 December 2023. A decrease in the recent transaction price by 5% would result in an increase in impairment loss by RMB325,000 for the year ended 31 December 2023. Accordingly, the investment was written down to its recoverable amount, and an impairment loss of RMB12,328,000 was recognised for the years ended 31 December 2023. No provision for impairment loss was recognised for the years ended 31 December 2024 and 2025 and six months ended 30 June 2026.

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The Group had interests in the following associates during each of the reporting period:

Name of associates	Place of incorporation/ establishment and operation	Equity interests attributable to the Company as at								Principal activities
		31 December 2023		31 December 2024		31 December 2025		30 June 2026		
		Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	
Shanghai Ruitai Biotechnology Co., Ltd. (“Shanghai Ruitai”) 上海睿泰生物科技股份有限公司 (note (a))	China	12.46	—	12.46	—	12.46	—	12.46	—	Research and development on Regenerative Medicine and Tissue Engineering
Vascular Graft Solutions LTD (note (b)) (“Vascular”)	Israel	5.29	0.83	—	—	—	—	—	—	Research and development vascular medical equipment
Hangzhou Nutrition Biotechnology Co., Ltd. (“Hangzhou Nutrition”) 杭州紐曲星生物科技有限公司 (note (c))	China	14.29	—	14.29	—	14.29	—	11.72	—	Research and development of Fish Collagen Peptide

Notes:

- (a) The board of directors of Shanghai Ruitai consisted of 6 directors. The Group has the right to appoint 1 director into Shanghai Ruitai enabling the Group to participate in the financing and operating policy decision of Shanghai Ruitai.
- (b) The board of directors of Vascular consisted of 7 directors. The Group has the right to appoint 1 director into Vascular enabling the Group to participate in the financing and operating policy decision of Vascular for the year ended 31 December 2023.
- (c) The board of directors of Hangzhou Nutrition consisted of 5 directors. The Group has the right to appoint 1 director into Hangzhou Nutrition enabling the Group to participate in the financing and operating policy decision of Hangzhou Nutrition.

Aggregate information of associates of the Group that are not individually material:

	As at 31 December			As at
	2023	2024	2025	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Aggregate carrying amount of the Group’s associates in the Historical Financial Information	62,516	55,541	55,070	51,146
	Years ended 31 December			Six months ended 30 June
	2023	2024	2025	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Loss for the year/period	(6,042)	(658)	(471)	(511)
Other comprehensive (loss)/ income for the year/period	(445)	164	—	—
Total comprehensive loss for the year/period	(6,487)	(494)	(471)	(511)
				(336)

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19. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Property and buildings	Production equipment	Transportation vehicles	Furniture, fixtures and equipment	Other equipment	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group								
Cost								
As at 1 January 2023	284,910	935,030	737,551	10,527	53,713	426,674	138,652	2,587,057
Additions	796,754	7,804	11,272	206	7,237	38,199	1,995	863,467
Transfers	(599,600)	444,737	37,696	207	1,856	111,059	4,045	—
Disposals/written off	—	—	(9,083)	(526)	(352)	(5,124)	—	(15,085)
As at 31 December 2023 and 1 January 2024	482,064	1,387,571	777,436	10,414	62,454	570,808	144,692	3,435,439
Additions	164,337	—	24,653	465	1,464	10,146	19	201,084
Transfers	(627,849)	241,224	127,196	73	2,184	209,108	48,064	—
Disposals/written off	—	—	(32,954)	(417)	(438)	(2,507)	—	(36,316)
As at 31 December 2024 and 1 January 2025	18,552	1,628,795	896,331	10,535	65,664	787,555	192,775	3,600,207
Additions	139,579	—	21,001	1,626	2,784	11,838	519	177,347
Transfers	(105,095)	9,227	71,264	—	335	24,269	—	—
Transferred from investment properties	—	207,321	—	—	—	—	—	207,321
Transferred to investment properties	—	(63,195)	—	—	—	—	—	(63,195)
Disposals/written off	(326)	(859)	(29,112)	(3,391)	(876)	(12,112)	—	(46,676)
As at 31 December 2025 and 1 January 2026	52,710	1,781,289	959,484	8,770	67,907	811,550	193,294	3,875,004
Additions	64,370	—	5,698	31	2,864	5,350	25	78,338
Transfers	(72,670)	3,944	44,980	—	83	21,566	2,097	—
Disposals/written off	—	(66,332)	(13,585)	(41)	(852)	(4,387)	—	(85,197)
As at 30 June 2026	44,410	1,718,901	996,577	8,760	70,002	834,079	195,416	3,868,145
Accumulated depreciation and impairment								
As at 1 January 2023	—	220,876	478,009	7,572	29,489	136,347	111,941	984,234
Provided for the year	—	28,596	39,925	577	9,188	96,214	11,549	186,049
Disposals/written off	—	—	(7,793)	(500)	(317)	(4,845)	—	(13,455)
As at 31 December 2023 and 1 January 2024	—	249,472	510,141	7,649	38,360	227,716	123,490	1,156,828
Provided for the year	—	43,380	73,867	759	8,323	122,619	15,489	264,437
Disposals/written off	—	—	(29,807)	(397)	(313)	(2,210)	—	(32,727)
As at 31 December 2024 and 1 January 2025	—	292,852	554,201	8,011	46,370	348,125	138,979	1,388,538
Provided for the year	—	43,659	76,614	654	6,178	113,504	15,380	255,989
Impairment	—	—	2,314	—	29	412	—	2,755
Transferred to investment properties	—	(22,081)	—	—	—	—	—	(22,081)
Disposals/written off	—	(303)	(26,586)	(3,185)	(806)	(11,046)	—	(41,926)
As at 31 December 2025 and 1 January 2026	—	314,127	606,543	5,480	51,771	450,995	154,359	1,583,275
Provided for the period	—	23,976	39,002	337	3,013	56,323	7,143	129,794
Impairment	—	5,520	—	—	—	—	—	5,520
Disposals/written off	—	(17,669)	(12,584)	(39)	(818)	(3,896)	—	(35,006)
As at 30 June 2026	—	325,954	632,961	5,778	53,966	503,422	161,502	1,683,583
Net book value								
As at 31 December 2023	482,064	1,138,099	267,295	2,765	24,094	343,092	21,202	2,278,611
As at 31 December 2024	18,552	1,335,943	342,130	2,524	19,294	439,430	53,796	2,211,669
As at 31 December 2025	52,710	1,467,162	352,941	3,290	16,136	360,555	38,935	2,291,729
As at 30 June 2026	44,410	1,392,947	363,616	2,982	16,036	330,657	33,914	2,184,562

Certain properties and buildings situated in Chinese Mainland with a total net carrying amount of approximately RMB441,782,000, RMB526,614,000, RMB818,657,000 and RMB364,286,000 as at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026 are in the process of obtaining the properties certificates. The Group has been using the relevant properties and buildings without objection from the relevant authorities. The risk of having to relocate the business operations from the properties and buildings is relatively low.

During the year ended 31 December 2025 and six months ended 30 June 2026, due to changes in production arrangements, certain equipment and buildings became obsolete. The Group therefore performed an impairment test on the relevant individual assets. The Group's management determined the recoverable amount based on the fair value less costs to sell. The key assumption used in determining the recoverable amount is the scrap value price. Based on the results of the impairment test, the Group made an impairment loss of RMB2,755,000 and RMB5,520,000 for the relevant equipment and buildings for the year ended 31 December 2025 and the six months ended 30 June 2026, respectively.

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	Construction in progress	Property and buildings	Production equipment	Transportation vehicles	Furniture, fixtures and equipment	Other equipment	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Company Cost								
As at 1 January 2023	62,403	551,845	353,787	4,351	35,049	74,602	107,259	1,189,296
Additions	228,596	—	5,342	—	2,198	5,324	206	241,666
Transfers	(33,970)	17,945	3,188	—	196	12,641	—	—
Disposals/written off	—	—	(4,627)	—	(172)	(1,686)	—	(6,485)
As at 31 December 2023 and 1 January 2024	257,029	569,790	357,690	4,351	37,271	90,881	107,465	1,424,477
Additions	119,968	—	5,384	—	366	4,215	—	129,933
Transfers	(363,033)	214,798	63,364	—	2,165	34,927	47,779	—
Disposals/written off	—	—	(16,216)	—	(607)	(1,269)	—	(18,092)
As at 31 December 2024 and 1 January 2025	13,964	784,588	410,222	4,351	39,195	128,754	155,244	1,536,318
Additions	109,222	—	7,289	391	2,035	5,985	—	124,922
Transfers	(87,418)	—	69,056	—	128	18,234	—	—
Transferred from investment properties	—	312,964	—	—	—	—	—	312,964
Transferred to investment properties	—	(63,196)	—	—	—	—	—	(63,196)
Disposals/written off	—	—	(7,130)	(1,577)	(779)	(5,370)	—	(14,856)
As at 31 December 2025 and 1 January 2026	35,768	1,034,356	479,437	3,165	40,579	147,603	155,244	1,896,152
Additions	29,148	—	2,007	—	2,111	2,667	—	35,933
Transfers	(55,745)	—	40,491	—	12	13,146	2,096	—
Disposals/written off	—	(470,855)	(7,805)	—	(742)	(686)	—	(480,088)
As at 30 June 2026	9,171	563,501	514,130	3,165	41,960	162,730	157,340	1,451,997
Accumulated depreciation and impairment								
As at 1 January 2023	—	114,080	239,759	3,270	21,279	31,522	87,482	497,392
Provided for the year	—	14,702	12,055	147	6,163	30,496	8,423	71,986
Disposals/written off	—	—	(4,291)	—	(158)	(1,595)	—	(6,044)
As at 31 December 2023 and 1 January 2024	—	128,782	247,523	3,417	27,284	60,423	95,905	563,334
Provided for the year	—	20,873	33,539	223	4,637	18,417	12,433	90,122
Impairment	—	—	(2,984)	—	—	(3)	—	(2,987)
Disposals/written off	—	—	(12,318)	—	(534)	(1,141)	—	(13,993)
As at 31 December 2024 and 1 January 2025	—	149,655	265,760	3,640	31,387	77,696	108,338	636,476
Provided for the year	—	21,755	36,559	167	2,658	17,459	12,648	91,246
Impairment	—	—	17	—	29	44	—	90
Transferred to investment properties	—	(22,082)	—	—	—	—	—	(22,082)
Disposals/written off	—	—	(6,290)	(1,289)	(662)	(3,060)	—	(11,301)
As at 31 December 2025 and 1 January 2026	—	149,328	296,046	2,518	33,412	92,139	120,986	694,429
Provided for the period	—	10,079	20,010	37	1,195	10,079	5,914	47,314
Disposals/written off	—	(34,771)	(7,342)	—	(703)	(643)	—	(43,459)
As at 30 June 2026	—	124,636	308,714	2,555	33,904	101,575	126,900	698,284
Net book value								
As at 31 December 2023	257,029	441,008	110,167	934	9,987	30,458	11,560	861,143
As at 31 December 2024	13,964	634,933	144,462	711	7,808	51,058	46,906	899,842
As at 31 December 2025	35,768	885,028	183,391	647	7,167	55,464	34,258	1,201,723
As at 30 June 2026	9,171	438,865	205,416	610	8,056	61,155	30,440	753,713

Certain properties and buildings situated in Chinese Mainland with a total net carrying amount of approximately RMB256,779,000, RMB437,916,000, RMB728,982,000 and RMB276,012,000 as at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026 are in the process of obtaining the property certificates. The Company has been using the relevant properties and buildings without objection from the relevant authorities. The risk of having to relocate the business operations from the properties and buildings is relatively low.

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20. INVESTMENT PROPERTIES

	Buildings	Land-use-right	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Group Cost			
As at 1 January 2023	176,620	12,970	189,590
Additions	<u>223,835</u>	<u>—</u>	<u>223,835</u>
As at 31 December 2023 and 1 January 2024	400,455	12,970	413,425
Disposals/written off	<u>(639)</u>	<u>—</u>	<u>(639)</u>
As at 31 December 2024 and 1 January 2025	399,816	12,970	412,786
Transferred from property, plant and equipment	41,114	—	41,114
Transferred to property, plant and equipment	<u>(223,197)</u>	<u>—</u>	<u>(223,197)</u>
As at 31 December 2025 and 1 January 2026	217,733	12,970	230,703
Additions	<u>—</u>	<u>—</u>	<u>—</u>
As at 30 June 2026	<u>217,733</u>	<u>12,970</u>	<u>230,703</u>
Depreciation			
As at 1 January 2023	51,157	5,080	56,237
Provided for the year	<u>9,788</u>	<u>246</u>	<u>10,034</u>
As at 31 December 2023 and 1 January 2024	60,945	5,326	66,271
Provided for the year	<u>10,672</u>	<u>256</u>	<u>10,928</u>
As at 31 December 2024 and 1 January 2025	71,617	5,582	77,199
Provided for the year	11,193	256	11,449
Transferred to property, plant and equipment	<u>(15,876)</u>	<u>—</u>	<u>(15,876)</u>
As at 31 December 2025 and 1 January 2026	66,934	5,838	72,772
Provided for the period	<u>3,290</u>	<u>128</u>	<u>3,418</u>
As at 30 June 2026	<u>70,224</u>	<u>5,966</u>	<u>76,190</u>
Net book value			
As at 31 December 2023	<u>339,510</u>	<u>7,644</u>	<u>347,154</u>
As at 31 December 2024	<u>328,199</u>	<u>7,388</u>	<u>335,587</u>
As at 31 December 2025	<u>150,799</u>	<u>7,132</u>	<u>157,931</u>
As at 30 June 2026	<u>147,509</u>	<u>7,004</u>	<u>154,513</u>

Amount recognised in profit or loss for investment properties

	Years ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Rental income from operating leases	32,562	33,621	31,495	16,612	8,857
Interest expenses on lease liabilities	<u>(2,049)</u>	<u>(1,653)</u>	<u>(1,438)</u>	<u>(786)</u>	<u>(713)</u>
	<u>30,513</u>	<u>31,968</u>	<u>30,057</u>	<u>15,826</u>	<u>8,144</u>

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Certain investment properties situated in Chinese Mainland with a total net carrying amount of approximately RMB218,772,000, RMB212,220,000, Nil and Nil; and fair value of RMB225,255,000, RMB217,638,000, Nil and Nil as at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026 are in the process of obtaining the properties certificates. The Group has been utilising the relevant investment properties for leasing without having objection from the relevant authorities. The risk of having to relocate the business operations is relatively low.

	<u>Buildings</u>
	<i>RMB'000</i>
Company	
Cost	
As at 1 January 2023	130,388
Additions	<u>338,008</u>
As at 31 December 2023 and 1 January 2024	468,396
Disposals/written off	<u>(638)</u>
As at 31 December 2024 and 1 January 2025	467,758
Transferred from property, plant and equipment	41,114
Transferred to property, plant and equipment	(337,084)
Others	<u>(285)</u>
As at 31 December 2025 and 1 January 2026	171,503
Additions	<u>—</u>
As at 30 June 2026	<u>171,503</u>
Depreciation	
As at 1 January 2023	32,513
Provided for the year	<u>11,185</u>
As at 31 December 2023 and 1 January 2024	43,698
Provided for the year	<u>12,495</u>
As at 31 December 2024 and 1 January 2025	56,193
Provided for the year	12,388
Transferred to property, plant and equipment	(24,120)
Others	<u>(20)</u>
As at 31 December 2025 and 1 January 2026	44,441
Provided for the period	<u>2,596</u>
As at 30 June 2026	<u>47,037</u>
Net book value	
As at 31 December 2023	<u><u>424,698</u></u>
As at 31 December 2024	<u><u>411,565</u></u>
As at 31 December 2025	<u><u>127,062</u></u>
As at 30 June 2026	<u><u>124,466</u></u>

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Certain investment properties situated in Chinese Mainland with a total net carrying amount of approximately RMB330,362,000, RMB320,711,000, Nil and Nil; and fair value of RMB337,283,00, RMB328,893,000, Nil and Nil as at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026 are in the process of obtaining the properties certificates. The Company has been utilising the relevant investment properties for leasing without having objection from the relevant authorities. The risk of having to relocate the business operations is relatively low.

The following fair value has been determined at the end of reporting period based on market approach or income approach, which were performed by an independent valuer. The fair value was as follows:

Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Fair value	870,771	738,382	384,780	335,550

Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Fair value	467,829	454,264	160,851	149,312

Fair value hierarchy

Group	Fair value measurement			Total
	Level 1 Quoted prices in active markets RMB'000	Level 2 Significant observable inputs RMB'000	Level 3 Significant unobservable inputs RMB'000	
31 December 2023				
Recurring fair value measurement for:				
Residential property	—	—	1,326	1,326
Commercial properties	—	—	129,220	129,220
Industrial properties	—	—	740,225	740,225
	—	—	870,771	870,771
31 December 2024				
Recurring fair value measurement for:				
Residential property	—	—	1,277	1,277
Commercial properties	—	—	124,094	124,094
Industrial properties	—	—	613,011	613,011
	—	—	738,382	738,382
31 December 2025				
Recurring fair value measurement for:				
Residential property	—	—	1,306	1,306
Commercial properties	—	—	159,545	159,545
Industrial properties	—	—	223,929	223,929
	—	—	384,780	384,780
30 June 2026				
Recurring fair value measurement for:				
Residential property	—	—	1,191	1,191
Commercial properties	—	—	148,121	148,121
Industrial properties	—	—	186,238	186,238
	—	—	335,550	335,550

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Company	Fair value measurement			Total
	Level 1	Level 2	Level 3	
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023				
Recurring fair value measurement for:				
Residential property	—	—	1,326	1,326
Commercial properties	—	—	129,220	129,220
Industrial properties	—	—	337,283	337,283
	—	—	467,829	467,829
31 December 2024				
Recurring fair value measurement for:				
Residential property	—	—	1,277	1,277
Commercial properties	—	—	124,094	124,094
Industrial properties	—	—	328,893	328,893
	—	—	454,264	454,264
31 December 2025				
Recurring fair value measurement for:				
Residential property	—	—	1,306	1,306
Commercial properties	—	—	159,545	159,545
	—	—	160,851	160,851
30 June 2026				
Recurring fair value measurement for:				
Residential property	—	—	1,191	1,191
Commercial properties	—	—	148,121	148,121
	—	—	149,312	149,312

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Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

The Group

	Valuation techniques	Significant unobservable inputs	31 December			30 June
			2023	2024	2025	2026
Residential property	Market comparison approach	Prevailing market price (per meter square)	40,229 to 42,107	39,439 to 40,230	40,230 to 42,106	35,760 to 40,230
Commercial properties	Discounted cash flow method	Estimated rental value (per day)	1.27 to 2.07	1.28 to 1.98	1.29 to 1.81	1.30 to 1.84
		Discount rate	5%	5%	5%	5%
	Market comparison approach	Prevailing market price (per meter square)	21,418 to 35,363	20,431 to 33,643	15,582 to 32,240	13,782 to 29,154
Industrial properties	Discounted cash flow method	Estimated rental value (per day)	1.80 to 8.19	1.75 to 7.93	3.00 to 4.65	2.56 to 3.97
		Discount rate	5%	5%	5%	5%

The Company

	Valuation techniques	Significant unobservable inputs	31 December			30 June
			2023	2024	2025	2026
Residential property	Market comparison approach	Prevailing market price (per meter square)	40,229 to 42,107	39,439 to 40,230	40,230 to 42,106	35,760 to 40,230
Commercial properties	Discounted cash flow method	Estimated rental value (per day)	1.27 to 2.07	1.28 to 1.98	1.29 to 1.81	1.30 to 1.84
		Discount rate	5%	5%	5%	5%
	Market comparison approach	Prevailing market price (per meter square)	21,418 to 35,363	20,431 to 33,643	15,582 to 32,240	13,782 to 29,154
Industrial properties	Discounted cash flow method	Estimated rental value (per day)	1.65 to 4.29	1.65 to 3.98	N/A	N/A
		Discount rate	5%	5%	N/A	N/A

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21. INTANGIBLE ASSETS

	Trademarks	Computer software	Patent related intellectual properties	Other software	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Group Cost					
As at 1 January 2023	67,018	2,079	110,717	15,302	195,116
Additions	—	20	—	4,602	4,622
As at 31 December 2023 and 1 January 2024	67,018	2,099	110,717	19,904	199,738
Additions	—	—	—	2,669	2,669
Disposals/write-off	—	—	—	(36)	(36)
As at 31 December 2024 and 1 January 2025	67,018	2,099	110,717	22,537	202,371
Additions	—	137	50,214	3,483	53,834
Disposals/write-off	—	—	—	(143)	(143)
As at 31 December 2025 and 1 January 2026	67,018	2,236	160,931	25,877	256,062
Additions	—	552	—	5,429	5,981
Disposals/write-off	—	—	—	(367)	(367)
As at 30 June 2026	67,018	2,788	160,931	30,939	261,676
Amortisation					
As at 1 January 2023	51,929	2,009	93,306	6,611	153,855
Provided for the year	6,702	83	2,887	3,221	12,893
As at 31 December 2023 and 1 January 2024	58,631	2,092	96,193	9,832	166,748
Provided for the year	6,702	7	2,864	3,751	13,324
Disposals/write-off	—	—	—	(36)	(36)
As at 31 December 2024 and 1 January 2025	65,333	2,099	99,057	13,547	180,036
Provided for the year	1,677	2	7,572	3,320	12,571
Disposals/write-off	—	—	—	(133)	(133)
As at 31 December 2025 and 1 January 2026	67,010	2,101	106,629	16,734	192,474
Provided for the period	1	27	4,571	2,289	6,888
Disposals/write-off	—	—	—	(367)	(367)
As at 30 June 2026	67,011	2,128	111,200	18,656	198,995
Net book value					
As at 31 December 2023	8,387	7	14,524	10,072	32,990
As at 31 December 2024	1,685	—	11,660	8,990	22,335
As at 31 December 2025	8	135	54,302	9,143	63,588
As at 30 June 2026	7	660	49,731	12,283	62,681

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	Patent related intellectual properties	Other software	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Company			
Cost			
As at 1 January 2023	38,902	7,743	46,645
Additions	—	2,029	2,029
As at 31 December 2023 and 1 January 2024	38,902	9,772	48,674
Additions	—	2,618	2,618
Disposals/write-off	—	(36)	(36)
As at 31 December 2024 and 1 January 2025	38,902	12,354	51,256
Additions	50,214	1,587	51,801
Disposals/write-off	—	(143)	(143)
As at 31 December 2025 and 1 January 2026	89,116	13,798	102,914
Additions	—	4,072	4,072
Disposals/write-off	—	(367)	(367)
As at 30 June 2026	89,116	17,503	106,619
Amortisation			
As at 1 January 2023	38,902	2,511	41,413
Provided for the year	—	1,900	1,900
As at 31 December 2023 and 1 January 2024	38,902	4,411	43,313
Provided for the year	—	2,371	2,371
Disposals/write-off	—	(36)	(36)
As at 31 December 2024 and 1 January 2025	38,902	6,746	45,648
Provided for the year	4,708	2,081	6,789
Disposals/write-off	—	(134)	(134)
As at 31 December 2025 and 1 January 2026	43,610	8,693	52,303
Provided for the period	3,138	1,619	4,757
Disposals/write-off	—	(367)	(367)
As at 30 June 2026	46,748	9,945	56,693
Net book value			
As at 31 December 2023	—	5,361	5,361
As at 31 December 2024	—	5,608	5,608
As at 31 December 2025	45,506	5,105	50,611
As at 30 June 2026	42,368	7,558	49,926

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ACCOUNTANTS’ REPORT

22. RIGHT-OF-USE ASSETS

Details of the right-of-use assets recognised and movements during each of the reporting period:

Group

	Land use rights	Property and buildings	Equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Costs				
As at 1 January 2023	420,423	82,533	1,171	504,127
Additions	—	714	—	714
Effect of modification to lease terms	—	(3,053)	(41)	(3,094)
Disposal	(1,050)	—	—	(1,050)
As at 31 December 2023 and 1 January 2024	419,373	80,194	1,130	500,697
Additions	—	7,716	—	7,716
Effect of modification to lease terms	—	(20,906)	(1,130)	(22,036)
As at 31 December 2024 and 1 January 2025	419,373	67,004	—	486,377
Additions	17,067	8,489	—	25,556
Effect of modification to lease terms	—	(5,475)	—	(5,475)
As at 31 December 2025 and 1 January 2026	436,440	70,018	—	506,458
Additions	—	23,096	—	23,096
Effect of modification to lease terms	—	1,285	—	1,285
Expiry of lease	—	(438)	—	(438)
As at 30 June 2026	436,440	93,961	—	530,401
Depreciation				
As at 1 January 2023	43,094	26,813	860	70,767
Provided for the year	8,367	13,872	290	22,529
Effect of modification to lease terms	—	(3,014)	(282)	(3,296)
Disposal	(364)	—	—	(364)
As at 31 December 2023 and 1 January 2024	51,097	37,671	868	89,636
Provided for the year	8,347	13,471	262	22,080
Effect of modification to lease terms	—	(19,593)	(1,130)	(20,723)
As at 31 December 2024 and 1 January 2025	59,444	31,549	—	90,993
Provided for the year	8,689	14,004	—	22,693
Effect of modification to lease terms	—	(3,927)	—	(3,927)
As at 31 December 2025 and 1 January 2026	68,133	41,626	—	109,759
Provided for the period	4,344	7,018	—	11,362
Expiry of lease	—	(438)	—	(438)
As at 30 June 2026	72,477	48,206	—	120,683
Carrying amounts				
As at 31 December 2023	368,276	42,523	262	411,061
As at 31 December 2024	359,929	35,455	—	395,384
As at 31 December 2025	368,307	28,392	—	396,699
As at 30 June 2026	363,963	45,755	—	409,718

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Company

	Land use rights	Property and buildings	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Costs			
As at 1 January 2023	79,437	5,322	84,759
Effect of modification to lease terms	—	(567)	(567)
As at 31 December 2023 and 1 January 2024	79,437	4,755	84,192
Additions	—	5,482	5,482
As at 31 December 2024 and 1 January 2025	79,437	10,237	89,674
Additions	17,067	—	17,067
As at 31 December 2025 and 1 January 2026	96,504	10,237	106,741
Additions	—	28,558	28,558
As at 30 June 2026	96,504	38,795	135,299
Depreciation			
As at 1 January 2023	19,651	2,523	22,174
Provided for the year	1,542	1,149	2,691
Effect of modification to lease terms	—	(420)	(420)
As at 31 December 2023 and 1 January 2024	21,193	3,252	24,445
Provided for the year	1,542	1,837	3,379
As at 31 December 2024 and 1 January 2025	22,735	5,089	27,824
Provided for the year	1,884	1,993	3,877
As at 31 December 2025 and 1 January 2026	24,619	7,082	31,701
Provided for the period	942	4,900	5,842
As at 30 June 2026	25,561	11,982	37,543
Carrying amounts			
As at 31 December 2023	58,244	1,503	59,747
As at 31 December 2024	56,702	5,148	61,850
As at 31 December 2025	71,885	3,155	75,040
As at 30 June 2026	70,943	26,813	97,756

For the years ended 31 December 2023, 2024 and 2025, and six months ended 30 June 2026 the Group leases various, manufacturing factories, office premises, warehouse and staff quarters for its operations. Lease contracts are entered into for fixed term of 1 years to 15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the year for which the contract is enforceable. The land use rights of the Group and the Company are located in the Chinese Mainland on the lease of 40–50 years.

Restrictions or covenants on lease

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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Leases committed

As at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026, the Group did not enter into any new leases for buildings, machinery and equipment that have not yet commenced.

23. GOODWILL

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
Cost	516,103	516,103	516,103	516,103
Accumulated impairment	(167,618)	(167,618)	(180,498)	(200,398)
Net Carrying amount	<u>348,485</u>	<u>348,485</u>	<u>335,605</u>	<u>315,705</u>

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Medical equipment cash-generating unit (“**Medical Equipment CGU**”); and
- Drugs cash-generating unit (“**Drugs CGU**”).

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Medical Equipment CGU				Drugs CGU				Total			
	31 December		30 June		31 December		30 June		31 December		30 June	
	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount	<u>257,885</u>	<u>257,885</u>	<u>257,885</u>	<u>257,885</u>	<u>90,600</u>	<u>90,600</u>	<u>77,720</u>	<u>57,820</u>	<u>348,485</u>	<u>348,485</u>	<u>335,605</u>	<u>315,705</u>

The Group has engaged independent professionally qualified valuers to assist in the determination of the recoverable amounts of the Medical Equipment CGU and the Drugs CGU. The recoverable amounts of the Medical Equipment CGU and the Drugs CGU have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

Headroom of the each of the cash-generating units, by considering the recoverable amounts and their carrying amounts, is as follows:

	Medical Equipment CGU				Drugs CGU				Total			
	31 December		30 June		31 December		30 June		31 December		30 June	
	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Head room	<u>488,518</u>	<u>364,050</u>	<u>286,175</u>	<u>258,103</u>	<u>117,728</u>	<u>19,108</u>	<u>—</u>	<u>—</u>	<u>606,246</u>	<u>383,158</u>	<u>286,175</u>	<u>258,103</u>

The carrying amount of the Drugs CGU which belonged to the Drugs segment was impaired by RMB12,880,000 and RMB19,900,000 during the year ended 31 December 2025 and six months ended 30 June 2026. Consequently, the carrying amount of goodwill was written down by RMB12,880,000 and RMB19,900,000, respectively. The impairment loss recognised was included in the consolidated statement of profit or loss. The impairment was attributable to the increasing competitive business landscape for Chinese finished medicine in Chinese Mainland.

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Key assumptions

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

	<u>Medical Equipment CGU</u>	<u>Drugs CGU</u>
31 December 2023		
Revenue (<i>% annual growth rate</i>)	8% to 13%	1% to 5%
Terminal growth rate (%)	0%	0%
Pre-tax discount rate (%)	10.28%	11.08%
31 December 2024		
Revenue (<i>% annual growth rate</i>)	4%	0% to 4%
Terminal growth rate (%)	0%	0%
Pre-tax discount rate (%)	9.45%	11.60%
31 December 2025		
Revenue (<i>% annual growth rate</i>)	3% to 5%	1% to 22%
Terminal growth rate (%)	0%	0%
Pre-tax discount rate (%)	10.29%	12.03%
30 June 2026		
Revenue (<i>% annual growth rate</i>)	0% to 5%	5% to 22%
Terminal growth rate (%)	0%	0%
Pre-tax discount rate (%)	10.26%	10.87%

Management has determined the values assigned to each of the above key assumptions as follows:

<u>Assumption</u>	<u>Approach used to determine values</u>
Revenue	Average annual growth rate over the five-year forecast period; based on past performance and management’s expectation of market development.
Terminal growth rate	This is the weighted average growth rate used to extrapolate cash flow beyond the budget period.
Pre-tax discount rates	Reflect specific risks relating to the relevant segments and the countries in which they operate.

Sensitivity analysis

The Group performed the sensitivity analysis based on the assumption that the pre-tax discount rate and the annual growth rate of revenue have been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would have decreased by the following.

	<u>Medical Equipment CGU</u>	<u>Drugs CGU</u>
	<i>RMB’000</i>	<i>RMB’000</i>
31 December 2023		
Annual growth rate of revenue decreased by 2%	193,000	55,914
Pre-tax discount rate increased by 1%	122,000	20,905
31 December 2024		
Annual growth rate of revenue decreased by 2%	191,000	46,651
Pre-tax discount rate increased by 1%	112,000	13,251
31 December 2025		
Annual growth rate of revenue decreased by 2%	176,000	N/A
Pre-tax discount rate increased by 1%	100,000	N/A
30 June 2026		
Annual growth rate of revenue decreased by 2%	212,000	N/A
Pre-tax discount rate increased by 1%	98,000	N/A

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For the sensitivity analysis of the Drugs CGU, a 2% decrease in the annual revenue growth rate would result in an increase in impairment loss of RMB34,704,000 and RMB35,912,000 for the year ended 31 December 2025 and the six months ended in 30 June 2026, respectively; a 1% increase in the pre-tax discount rate would result in an increase in impairment loss of RMB10,147,000 and RMB13,051,000 for the year ended 31 December 2025 and the six months ended in 30 June 2026, respectively.

24. DEFERRED TAXATION

Group

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is a summary of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December			As at
	2023	2024	2025	30 June
	RMB'000	RMB'000	RMB'000	2026
				RMB'000
Deferred tax assets	80,983	83,561	79,234	75,600
Deferred tax liabilities	(68,400)	(54,333)	(58,958)	(52,842)
Net deferred tax assets	12,583	29,228	20,276	22,758

The followings are the major deferred tax assets and liabilities recognised and movements during each of the reporting period:

Gross deferred tax assets

	Loss allowance on trade receivables	Write-down of inventories to net realisable value	Depreciation	Lease liabilities	Deferred income	Intergroup unrealised profits	Accrued salaries	Selling expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	6,504	2,511	663	8,272	21,029	6,216	10,382	19,529	75,106
Credited/(charged) to profit or loss	963	36	37	(1,694)	(227)	(173)	—	6,935	5,877
As at 31 December 2023 and 1 January 2024	7,467	2,547	700	6,578	20,802	6,043	10,382	26,464	80,983
Credited/(charged) to profit or loss	1,777	351	—	(1,120)	(693)	718	—	6,481	7,514
As at 31 December 2024 and 1 January 2025	9,244	2,898	700	5,458	20,109	6,761	10,382	32,945	88,497
Credited/(charged) to profit or loss	560	2,447	(65)	(1,044)	(383)	(2,440)	—	(4,446)	(5,371)
As at 31 December 2025 and 1 January 2026	9,804	5,345	635	4,414	19,726	4,321	10,382	28,499	83,126
(Charged)/credited to profit or loss	(185)	(531)	201	1,795	(770)	2,031	(512)	(3,329)	(1,300)
As at 30 June 2026	9,619	4,814	836	6,209	18,956	6,352	9,870	25,170	81,826

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Gross deferred tax liabilities

	Fair value adjustment arising from business combination	Accelerated tax depreciation	Fair value gain	Right of use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	3,169	30,835	17,616	8,064	59,684
(Credited)/charged to profit or loss	(461)	5,887	5,122	(1,832)	8,716
As at 31 December 2023 and 1 January 2024	2,708	36,722	22,738	6,232	68,400
(Credited)/charged to profit or loss	(457)	2,299	(9,744)	(1,229)	(9,131)
As at 31 December 2024 and 1 January 2025	2,251	39,021	12,994	5,003	59,269
(Credited)/charged to profit or loss	(457)	3,965	1,105	(1,032)	3,581
As at 31 December 2025 and 1 January 2026	1,794	42,986	14,099	3,971	62,850
(Credited)/charged to profit or loss	(223)	(3,669)	(2,610)	2,720	(3,782)
As at 30 June 2026	1,571	39,317	11,489	6,691	59,068

Note:

As at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026, the Group had unused tax losses of RMB141,951,000 and RMB241,247,000, RMB304,230,000 and RMB351,456,000, respectively, available to offset against future profits, and had not been recognised as at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026, respectively, as it is not probable that taxable profit will be available against which the tax losses will be utilised. The tax losses can be carried forward for 5 or 10 years from the year in which they were incurred.

Company

For the purpose of presentation in the statements of financial position, deferred tax assets and liabilities have been offset. The following is a summary of the deferred tax balances of the Company for financial reporting purposes:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	52,378	61,232	58,334	53,124
Deferred tax liabilities	(46,743)	(40,262)	(47,691)	(41,460)
Net deferred tax assets	5,635	20,970	10,643	11,664

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The followings are the major deferred tax assets and liabilities recognised and movements during each of the reporting period:

Gross deferred tax assets

	Loss allowance on trade receivables	Write-down of inventories to net realisable value	Lease liabilities	Deferred income	Accrued salaries	Selling expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	1,427	1,053	376	15,177	10,382	16,500	44,915
Credited/(charged) to profit or loss	<u>628</u>	<u>305</u>	<u>(231)</u>	<u>(739)</u>	<u>—</u>	<u>7,500</u>	<u>7,463</u>
As at 31 December 2023 and 1 January 2024	2,055	1,358	145	14,438	10,382	24,000	52,378
Credited/(charged) to profit or loss	<u>1,471</u>	<u>(240)</u>	<u>568</u>	<u>(1,179)</u>	<u>—</u>	<u>8,946</u>	<u>9,566</u>
As at 31 December 2024 and 1 January 2025	3,526	1,118	713	13,259	10,382	32,946	61,944
Credited/(charged) to profit or loss	<u>579</u>	<u>859</u>	<u>(318)</u>	<u>111</u>	<u>—</u>	<u>(4,446)</u>	<u>(3,215)</u>
As at 31 December 2025 and 1 January 2026	4,105	1,977	395	13,370	10,382	28,500	58,729
Credited/(charged) to profit or loss	<u>(749)</u>	<u>(1,127)</u>	<u>4,173</u>	<u>(39)</u>	<u>(512)</u>	<u>(3,330)</u>	<u>(1,584)</u>
As at 30 June 2026	<u>3,356</u>	<u>850</u>	<u>4,568</u>	<u>13,331</u>	<u>9,870</u>	<u>25,170</u>	<u>57,145</u>

Gross deferred tax liabilities

	Accelerated tax depreciation	Fair value gain	Right of use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	26,062	17,436	420	43,918
(Credited)/charged to profit or loss	<u>(2,282)</u>	<u>5,301</u>	<u>(194)</u>	<u>2,825</u>
As at 31 December 2023 and 1 January 2024	23,780	22,737	226	46,743
Charged/(credited) to profit or loss	<u>3,448</u>	<u>(9,764)</u>	<u>547</u>	<u>(5,769)</u>
As at 31 December 2024 and 1 January 2025	27,228	12,973	773	40,974
Charged/(credited) to profit or loss	<u>6,343</u>	<u>1,068</u>	<u>(299)</u>	<u>7,112</u>
As at 31 December 2025 and 1 January 2026	33,571	14,041	474	48,086
Charged/(credited) to profit or loss	<u>(3,521)</u>	<u>(2,632)</u>	<u>3,548</u>	<u>(2,605)</u>
As at 30 June 2026	<u>30,050</u>	<u>11,409</u>	<u>4,022</u>	<u>45,481</u>

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25. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
Trade receivables				
— third parties	616,384	803,130	842,521	784,435
— related parties	—	1,897	5,240	4,280
	616,384	805,027	847,761	788,715
Less: loss allowance for trade receivables	(44,928)	(57,179)	(62,571)	(60,444)
	571,456	747,848	785,190	728,271
Prepayments				
— purchase of inventories	13,333	23,056	21,689	12,298
— purchase of equipment	9,563	16,311	9,654	15,429
— [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	22,896	39,367	31,343	48,703
Deposits and other receivables (<i>note</i>)				
— third parties	56,443	63,284	62,726	101,278
— related parties	2,288	250	250	250
	58,731	63,534	62,976	101,528
Less: loss allowance for deposits and other receivables	(3,525)	(4,919)	(4,522)	(4,385)
	55,206	58,615	58,454	97,143
Prepayments, deposits and other receivables	78,102	97,982	89,797	145,846
Less: Portion classified as non-current assets	(9,563)	(31,953)	(9,654)	(15,429)
	68,539	66,029	80,143	130,417

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	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Company				
Trade receivables				
— third parties	208,258	354,031	412,546	337,271
— subsidiaries	9,140	6,206	31,012	50,295
	217,398	360,237	443,558	387,566
Less: loss allowance for trade receivables	(13,701)	(23,508)	(27,365)	(22,377)
	203,697	336,729	416,193	365,189
Prepayments				
— purchase of inventories	7,068	11,703	7,563	2,734
— purchase of equipment	1,749	13,087	5,846	10,943
— [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	8,817	24,790	13,409	34,653
Deposits and other receivables (<i>note</i>)				
— third parties	9,596	26,303	40,437	20,453
— related parties	2,288	250	250	250
— subsidiaries	745,939	762,041	1,023,046	1,527,422
	757,823	788,594	1,063,733	1,548,125
Less: loss allowance for deposits and other receivables	(1,392)	(2,443)	(1,717)	(1,479)
	756,431	786,151	1,062,016	1,546,646
Prepayments, deposits and other receivables	765,248	810,941	1,075,425	1,581,299
Less: Portion classified as non-current assets	(1,749)	(28,728)	(5,846)	(10,943)
	763,499	782,213	1,069,579	1,570,356

Notes:

- (a) Details of the trade and other receivables due from related parties are set out in note 45.
- (b) During the Track Record Period, the amounts due from subsidiaries were unsecured, interest free and repayable on demand.

The Group generally allows a credit period ranging from 30 to 120 days to its customers. The following is aging analysis of trade receivables (net of allowance for impairment losses), presented based on the invoice dates, at the end of each of the reporting period:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
Within 1 year	569,322	743,920	776,365	717,032
1 to 2 years	1,793	3,813	7,955	9,716
2 to 3 years	341	115	870	1,523
	571,456	747,848	785,190	728,271

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Movements in lifetime ECL that have been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9 for the years ended 31 December 2023, 2024 and 2025 and six months ended 30 June 2026:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of year	38,281	44,928	57,179	62,571
Provided for the year/period, net	6,726	13,163	6,160	(1,908)
Write-off	(79)	(890)	(765)	(200)
Exchange realignment	—	(22)	(3)	(19)
At the end of year/period	<u>44,928</u>	<u>57,179</u>	<u>62,571</u>	<u>60,444</u>

The Company generally allows a credit period ranging from 30 to 90 days to its customers. The following is aging analysis of trade receivables (net of allowance for impairment losses), presented based on the invoice dates, at the end of each of the reporting period:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Company				
Within 1 year	200,083	332,561	416,185	365,189
1 to 2 years	1,750	721	8	—
2 to 3 years	1,864	1,621	—	—
3 to 4 years	—	1,826	—	—
	<u>203,697</u>	<u>336,729</u>	<u>416,193</u>	<u>365,189</u>

Movements in lifetime ECL that has been recognised for trade receivables of the Company in accordance with the simplified approach set out in IFRS 9 for the years ended 31 December 2023, 2024 and 2025 and six months ended 30 June 2026:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of year	9,515	13,701	23,508	27,365
Provided for the year/period, net	4,186	10,689	4,339	(4,963)
Write-off	—	(882)	(482)	(25)
At the end of year/period	<u>13,701</u>	<u>23,508</u>	<u>27,365</u>	<u>22,377</u>

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26. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The following bills receivable as at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026, which are classified as financial assets at FVTOCI, are managed by collecting contractual cash flows and selling of these assets.

Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivable	41,122	104,170	95,927	28,294

Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivable	50,479	43,390	62,451	20,239

The Group has transferred substantially all the risks and rewards of ownership of certain bills receivable discounted to banks. The relevant assets were derecognised and no longer included in the Historical Financial Information. In the opinion of the directors, the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on respective maturity dates. The Group considered the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity are not probable.

The Group’s maximum exposure that may result from the default of these derecognised bills receivable at the end of each reporting period are as follows:

Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivable	214,870	345,039	329,749	274,337

Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivable	265,381	268,297	264,424	193,496

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27. TIME DEPOSITS, CASH AND BANK BALANCES AND RESTRICTED BANK DEPOSITS

	As at 31 December			As at
	2023	2024	2025	30 June
	RMB'000	RMB'000	RMB'000	2026
				RMB'000
Group				
Time deposits (<i>note (a)</i>)				
— Non-current assets	511,672	1,611,075	930,112	306,230
— Current assets	513,463	34,445	723,724	1,089,554
	<u>1,025,135</u>	<u>1,645,520</u>	<u>1,653,836</u>	<u>1,395,784</u>
Restricted bank and other deposits (<i>note (b)</i>)	<u>79,493</u>	<u>29,122</u>	<u>18,082</u>	<u>8,144</u>
Cash and bank balances (<i>note (c)</i>)	<u>1,276,018</u>	<u>287,145</u>	<u>512,632</u>	<u>479,682</u>
	As at 31 December			As at
	2023	2024	2025	30 June
	RMB'000	RMB'000	RMB'000	2026
				RMB'000
Company				
Time deposits (<i>note (a)</i>)				
— Non-current assets	308,216	1,191,347	700,304	206,017
— Current assets	360,629	23,500	524,988	822,755
	<u>668,845</u>	<u>1,214,847</u>	<u>1,225,292</u>	<u>1,028,772</u>
Restricted bank and other deposits (<i>note (b)</i>)	<u>13,039</u>	<u>15,500</u>	<u>4,000</u>	<u>6,856</u>
Cash and bank balances (<i>note (c)</i>)	<u>833,931</u>	<u>119,560</u>	<u>107,664</u>	<u>218,177</u>

Notes:

- (a) As at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026, the fixed deposits of the Group were issued by various banks in the PRC with interest at a fixed rate ranging from 2.9% to 4.0%, 2.4% to 3.5%, 2.4% to 3.5% and 1.9% to 4.1% per annum payable at maturity, respectively. The maturity dates of fixed deposits are ranging from January 2024 to August 2026, January 2025 to September 2027, January 2026 to September 2027 and August 2026 to May 2029 respectively.

As at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026, time deposits of RMB284,631,000, RMB361,587,000, RMB344,270,000 and RMB247,379,000 were pledged as securities for the bills payable and bank loans of the Group.

As at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026, the fixed deposits of the Company were issued by various banks in the PRC with interest at a fixed rate ranging from 2.9% to 4.0%, 2.4% to 3.4%, 2.4% to 3.3% and 1.9% to 3.9% per annum payable at maturity respectively. The maturity dates of fixed deposits are ranging from January 2024 to August 2026, January 2025 to September 2027, January 2026 to September 2027 and August 2026 to March 2029 respectively.

As at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026, time deposits of RMB10,824,000, RMB94,659,000, RMB72,767,000 and RMB73,583,000 were pledged as securities for the bills payable and bank loans of the Company.

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- (b) As at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026, certain bank deposits of the Group with balances of approximately RMB78,953,000, RMB29,122,000, RMB18,039,000 and RMB5,000,000 were pledged to secure bills payable of RMB327,704,000, RMB283,000,000, RMB135,000,000 and RMB70,000,000, respectively.

As at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026, certain bank deposits of the Company with balances of approximately RMB12,500,000, RMB15,500,000, RMB4,000,000 and RMB3,750,000 were pledged to secure bills payables of RMB125,000,000, RMB155,000,000, RMB40,000,000 and RMB45,000,000, respectively.

- (c) At the end of each reporting date, cash and bank balances of the Group comprised of bank balances and cash held. Bank balances carried interest at prevailing market rates which are 0.0% to 2.5%, 0.0% to 4.4%, 0.0% to 4.5% and 0.0% to 4.2% per annum as at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026, respectively.

At the end of each reporting date, cash and bank balances of the Company comprised of bank balances and cash held. Bank balances carried interest at prevailing market rates which are 0.0% to 2.5%, 0.0% to 1.2%, 0.1% to 3.9% and 0.0% to 4.2% per annum as at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026, respectively.

28. INVENTORIES

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
Raw materials	290,517	306,028	293,051	328,286
Work in progress	100,966	135,179	103,476	122,871
Finished goods	278,163	374,890	412,257	384,377
	669,646	816,097	808,784	835,534
Less: write-down of inventories	(16,959)	(23,378)	(42,636)	(35,977)
Total	652,687	792,719	766,148	799,557
	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Company				
Raw materials	87,531	125,984	98,562	124,939
Work in progress	21,947	31,529	29,704	21,532
Finished goods	71,193	90,738	94,180	92,969
	180,671	248,251	222,446	239,440
Less: write-down of inventories	(9,061)	(7,467)	(13,182)	(5,668)
Total	171,610	240,784	209,264	233,772

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29. TRADE AND BILLS PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
Trade payables				
— third parties	246,918	267,217	227,625	223,818
— related companies	10,198	12,473	12,468	6,511
	257,116	279,690	240,093	230,329
Bills payable (<i>note (c)</i>)	330,311	285,500	170,000	222,285
	587,427	565,190	410,093	452,614
Other payables and accruals				
— Accrued expenses	450,806	530,191	502,905	451,937
— Salary and bonus	164,768	164,360	182,679	148,632
— Other taxes payable	47,889	40,631	49,771	32,805
— Construction and equipment payable	357,446	316,200	257,803	125,707
— Deposits	63,580	69,399	82,910	73,277
— Refund liabilities	—	—	21,504	18,647
— Proceeds from restricted shares under ESOP	—	—	—	89,043
— Payable for a litigation claim	8,029	—	—	—
— Others	6,219	8,231	10,121	6,876
	1,098,737	1,129,012	1,107,693	946,924
	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Company				
Trade payables				
— third parties	70,823	91,742	75,993	140,089
— related companies	10,196	12,473	11,747	4,900
— subsidiaries	41,647	45,235	63,452	48,180
	122,666	149,450	151,192	193,169
Bills payable (<i>note (c)</i>)				
— third parties	125,000	155,000	40,000	134,000
— subsidiaries	10,000	92,000	95,000	70,000
	135,000	247,000	135,000	204,000
	257,666	396,450	286,192	397,169
Other payables and accruals				
— Accrued expenses	347,153	453,564	427,370	388,396
— Due to subsidiaries	307,905	59,567	55,223	84,989
— Salary and bonus	95,681	98,648	105,977	95,139
— Other taxes payable	24,979	19,904	27,620	18,199
— Construction and equipment payable	149,191	162,114	169,380	59,657
— Deposits	40,148	47,215	64,773	53,828
— Refund liabilities	—	—	15,080	13,361
— Proceeds from restricted shares under ESOP	—	—	—	89,043
— Payable for a litigation claim	8,029	—	—	—
— Others	3,974	5,533	4,509	4,124
	977,060	846,545	869,932	806,736

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Notes:

- (a) Details of the trade and other payables due to related parties are set out in note 45.
- (b) During the Track Record Period, the amounts due to subsidiaries were unsecured, interest free and repayable on demand.
- (c) The Group’s bills payable were secured by
 - (i) pledged of bank deposits of RMB78,953,000, RMB29,122,000, RMB18,039,000 and RMB5,000,000 as at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026;
 - (ii) pledge of bills receivable of RMB14,633,000, RMB9,544,000, RMB39,000 as at 31 December 2023, 31 December 2024, 31 December 2025;
 - (iii) pledge of time deposits of RMB147,166,000 as at 30 June 2026; and
 - (iv) pledge of time deposits of RMB142,260,000, RMB72,767,000 as securities to banking facilities jointly for bills payables and loans of the Group as at 31 December 2024, 31 December 2025.

The Company’s bills payable were secured by

- (i) pledged of bank deposits of RMB12,500,000, RMB15,500,000, RMB4,000,000 and RMB3,750,000 as at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026;
- (ii) pledge of time deposits of RMB10,824,000, RMB23,521,000 and RMB73,583,000 as at 31 December 2023, 31 December 2024 and 30 June 2026; and
- (iii) pledge of time deposits of RMB71,138,000, RMB72,767,000 as securities to banking facilities jointly for bills payables and loans of the Company as at 31 December 2024, 31 December 2025.

Payment terms with suppliers are mainly on credit ranging from 30 to 90 days from invoice date. The following is an aging analysis of trade payables presented based on transaction date at the end of each of the reporting period:

	As at 31 December			As at
	2023	2024	2025	30 June
	RMB'000	RMB'000	RMB'000	2026
				RMB'000
Group				
Within 1 year	253,694	275,159	235,676	226,069
1–2 years	1,947	2,853	423	181
2–3 years	198	417	2,372	356
3–4 years	97	25	405	2,133
4–5 years	33	79	25	398
Over 5 years	1,147	1,157	1,192	1,192
	<u>257,116</u>	<u>279,690</u>	<u>240,093</u>	<u>230,329</u>

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	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Company				
Within 1 year	122,188	149,088	150,807	192,793
1–2 years	119	3	26	18
2–3 years	10	—	—	—
3–4 years	—	10	—	—
4–5 years	—	—	10	10
Over 5 years	349	349	349	348
	<u>122,666</u>	<u>149,450</u>	<u>151,192</u>	<u>193,169</u>

30. CONTRACT LIABILITIES

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
Contract liabilities	<u>53,346</u>	<u>56,484</u>	<u>56,454</u>	<u>42,871</u>

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Company				
Contract liabilities	<u>44,309</u>	<u>37,055</u>	<u>32,937</u>	<u>22,024</u>

Contract liabilities mainly relate to receipt from the customer in advance.

When the Group receives deposits from customers for the sales of goods, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposits. The increase in the contract liabilities as at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026 was primarily the result of entering into additional customer contracts and receiving forward sale deposits by the end of the reporting period.

RMB76,349,000, RMB50,082,000, RMB52,759,000 and RMB50,103,000 of the contract liabilities of the Group as of 1 January 2023, 2024, 2025 and 2026 has been recognised as revenue for the years ended 31 December 2023, 2024 and 2025 and six months ended 30 June 2026, respectively.

RMB42,904,000, RMB41,742,000, RMB34,987,000 and RMB30,614,000 of the contract liabilities of the Company as of 1 January 2023, 2024, 2025 and 2026 has been recognised as revenue for the years ended 31 December 2023, 2024 and 2025 and six months ended 30 June 2026, respectively.

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31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	As at 31 December			As at
	2023	2024	2025	30 June
	RMB'000	RMB'000	RMB'000	2026
				RMB'000
Non-current assets				
Unlisted equity investments, at fair value				
— Mapi-Pharma Ltd	301,689	248,970	236,336	224,126
— Pharma Two B Ltd.	6,168	—	—	—
— Vascular Graft Solutions	—	4,435	366	354
— SPES (Hangzhou) Biopharmaceutical Co., Ltd. (“世培(杭州)生物製藥有限公司”)	16,010	—	—	—
— Hangzhou Huqingyutang Pharmaceutical Holdings Co., Ltd. (“杭州胡慶余堂醫藥控股有限公司”)	205,920	223,254	246,569	241,535
— Xinchang Xingcun Fumin Equity Investment Fund Partnership (Limited Partnership) (“新昌縣興村富民股權投資基金合夥 企業(有限合夥)”)	10,000	10,000	10,000	10,000
— Shenzhen Aima Biotechnology Co., Ltd (“深圳艾碼生物科技有限公司”)	10,000	7,932	9,835	7,562
	<u>549,787</u>	<u>494,591</u>	<u>503,106</u>	<u>483,577</u>
Current assets				
Structured deposits	<u>150,956</u>	<u>827,657</u>	<u>318,956</u>	<u>632,082</u>

Company

	As at 31 December			As at
	2023	2024	2025	30 June
	RMB'000	RMB'000	RMB'000	2026
				RMB'000
Non-current assets				
Unlisted equity investments, at fair value				
— Mapi-Pharma Ltd	301,689	248,970	236,336	224,126
— Pharma Two B Ltd.	5,811	—	—	—
— Vascular Graft Solutions	—	3,831	316	305
— SPES (Hangzhou) Biopharmaceutical Co., Ltd. (“世培(杭州)生物製藥有限公司”)	16,010	—	—	—
— Hangzhou Huqingyutang Pharmaceutical Holdings Co., Ltd. (“杭州胡慶余堂 醫藥控股有限公司”)	205,920	223,254	246,569	241,535
— Xinchang Xingcun Fumin Equity Investment Fund Partnership (Limited Partnership) (“新昌縣興 村富民股權投資基金合夥企業(有限合夥)”)	10,000	10,000	10,000	10,000
— Shenzhen Aima Biotechnology Co., Ltd (“深圳艾碼生物科技有限公司”)	10,000	7,932	9,835	7,562
	<u>549,430</u>	<u>493,987</u>	<u>503,056</u>	<u>483,528</u>
Current assets				
Structured deposits	<u>150,956</u>	<u>772,527</u>	<u>228,566</u>	<u>465,548</u>

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The above equity investments were classified as financial assets at fair value through profit or loss as they as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

Structured deposits were wealth management products issued by banks in Chinese Mainland. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

32. BORROWINGS

Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings, secured (<i>note(a)</i>)	279,091	281,355	284,392	169,487
Loan interest at rate per annum in the range of	0.2% to 1.7%	0.9% to 1.2%	0.6% to 1.0%	0.9% to 0.9%

Total current and non-current borrowings were scheduled to repay as follows:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
On demand or within one year	279,091	281,355	284,392	169,487

Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings, secured (<i>note (b)</i>)	39,869	—	—	—
Loan interest at rate per annum in the range of	0.2% to 1.7%	N/A	N/A	N/A

Total current and non-current borrowings were scheduled to repay as follows:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
On demand or within one year	39,869	—	—	—

The carrying amounts of the Group’s and the Company’s current interest-bearing bank borrowings approximate to their fair values.

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Notes:

- (a) The Group’s bank borrowings were secured by:
- (i) pledged of time deposits of RMB284,631,000, RMB219,327,000, RMB271,503,000 and RMB100,213,000 as at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026; and
 - (ii) pledge of time deposits of RMB14,260,000, RMB72,767,000 as securities to banking facilities jointly for bills payables and loans of the Group as at 31 December 2024, 31 December 2025.
- (b) The Company’s bank borrowings were secured by pledged of time deposits of RMB41,335,000 of a subsidiary as at 31 December 2023.

33. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group’s and the Company’s lease liabilities at the end of each reporting period:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
Group				
Within one year	11,860	13,302	6,627	13,007
Within a period of more than one year but within two years	11,117	4,623	4,458	11,039
Within a period of more than two years but within five years	5,967	6,479	10,759	11,522
More than five years	14,144	12,029	7,411	5,243
	43,088	36,433	29,255	40,811
Less: Amounts due for settlement with 12 months shown under current liabilities	(11,860)	(13,302)	(6,627)	(13,007)
Amount due for settlement after 12 months shown under non-current liabilities	31,228	23,131	22,628	27,804
	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
Company				
Within one year	164	2,120	2,204	11,594
Within a period of more than one year but within two years	184	2,204	203	18,863
Within a period of more than two years but within five years	620	427	224	—
	968	4,751	2,631	30,457
Less: Amounts due for settlement with 12 months shown under current liabilities	(164)	(2,120)	(2,204)	(11,594)
Amount due for settlement after 12 months shown under non-current liabilities	804	2,631	427	18,863

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Amounts included in the consolidated statements of cash flows for leases comprise the following:

	Years ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
Within operating cash flows	2,935	1,796	963	649	928
Within financing cash flows	18,334	15,563	17,056	11,818	9,608
Total	21,269	17,359	18,019	12,467	10,536

34. DEFERRED INCOME

Group

	Government grant
	<i>RMB'000</i>
As at 1 January 2023	270,596
Additions	21,936
Release to profit and loss	(23,719)
As at 31 December 2023 and 1 January 2024	268,813
Additions	17,793
Release to profit and loss	(22,015)
As at 31 December 2024 and 1 January 2025	264,591
Additions	21,610
Release to profit and loss	(22,294)
As at 31 December 2025 and 1 January 2026	263,907
Additions	10,790
Release to profit and loss	(10,984)
As at 30 June 2026	263,713

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Company

	Government grant
	<i>RMB’000</i>
As at 1 January 2023	101,177
Additions	12,342
Release to profit and loss	<u>(17,272)</u>
As at 31 December 2023 and 1 January 2024	96,247
Additions	6,103
Release to profit and loss	<u>(13,964)</u>
As at 31 December 2024 and 1 January 2025	88,386
Additions	13,243
Release to profit and loss	<u>(12,493)</u>
As at 31 December 2025 and 1 January 2026	89,136
Additions	5,790
Release to profit and loss	<u>(6,056)</u>
As at 30 June 2026	<u><u>88,870</u></u>

Note: Government grants mainly comprise incentives provided by local authorities for acquisition of plant and equipment. The amounts received are treated as deferred income and will be released to profit or loss over the estimated useful lives of the underlying plant and equipment. There is no unfulfilled obligations for the recognised income at the end of each reporting period.

35. SHARE CAPITAL

	Number of shares	Amount
		<i>RMB’000</i>
Group and Company		
Ordinary shares of RMB1.00 each		
As at 1 January 2023, 31 December 2023, 1 January 2024, 31 December 2024, 1 January 2025, 31 December 2025, 1 January 2026 and 30 June 2026	<u>861,029,140</u>	<u>861,029</u>

36. TREASURY SHARES

	Number of shares	Amount
		<i>RMB’000</i>
Group and Company		
As at 1 January 2023, 31 December 2023, 1 January 2024, 31 December 2024 and 1 January 2025	—	—
Repurchase of shares (i)	<u>47,271,295</u>	<u>608,784</u>
As at 31 December 2025, 1 January 2026 and 30 June 2026	<u><u>47,271,295</u></u>	<u><u>608,784</u></u>

(i) During year ended 31 December 2025, the Company repurchased 47,271,295 shares, which accounted for 5.5% of the Company’s total shares. The implementation of the repurchase meets the requirements of the Company’s share repurchase plan and relevant laws and regulations.

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37. RESERVES

Reserve movement of the Company:

	Capital reserve	Exchange reserve	Statutory reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	1,777,014	1,137	324,775	1,561,037	3,663,963
Profit for the year	—	—	—	493,360	493,360
Other comprehensive loss	—	(444)	—	—	(444)
Total comprehensive (loss)/income for the year	—	(444)	—	493,360	492,916
Dividend	—	—	—	(258,309)	(258,309)
Transferred to statutory reserve	—	—	49,336	(49,336)	—
Capital injection	3,152	—	—	—	3,152
As at 31 December 2023 and 1 January 2024	1,780,166	693	374,111	1,746,752	3,901,722
Profit for the year	—	—	—	963,649	963,649
Other comprehensive income	—	164	—	—	164
Total comprehensive income for the year	—	164	—	963,649	963,813
Dividend	—	—	—	(258,309)	(258,309)
Transferred to statutory reserve	—	—	96,365	(96,365)	—
As at 31 December 2024 and 1 January 2025	1,780,166	857	470,476	2,355,727	4,607,226
Profit for the year	—	—	—	832,569	832,569
Total comprehensive income for the year	—	—	—	832,569	832,569
Dividend	—	—	—	(284,854)	(284,854)
As at 31 December 2025 and 1 January 2026	1,780,166	857	470,476	2,903,442	5,154,941
Profit for the period	—	—	—	332,116	332,116
Total comprehensive income for the period	—	—	—	332,116	332,116
Dividend	—	—	—	(284,815)	(284,815)
Equity settled share-based payments	11,602	—	—	—	11,602
As at 30 June 2026	1,791,768	857	470,476	2,950,743	5,213,844
As at 1 January 2025	1,780,166	857	470,476	2,355,727	4,607,226
Profit for the period	—	—	—	530,041	530,041
Total comprehensive income for the period	—	—	—	530,041	530,041
Dividend	—	—	—	(284,854)	(284,854)
As at 30 June 2025 (unaudited)	1,780,166	857	470,476	2,600,914	4,852,413

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Notes:

Description of the Group’s reserves as below:

(a) Capital Reserve:

The amount mainly represents capital contribution in excess of nominal value of share capital.

(b) Exchange reserve:

The amount represents gains/losses arising on retranslating the net assets of entities with functional currency other than RMB into presentation currency of the Company.

(c) Special reserve:

Pursuant to certain regulations issued by the Ministry of Finance (“財政部”) and the State Administration of Work Safety (“安全監管總局”) in Chinese Mainland, entities engaged in manufacture of dangerous goods are required to set aside safety fund at 4.5% per revenue on revenue amount below RMB10,000,000, 2.25% per revenue on revenue amount between RMB10,000,000 to RMB100,000,000, 0.55% per revenue on revenue amount between RMB100,000,000 to RMB1,000,000,000, 0.2% per revenue on revenue amount over RMB1,000,000,000. A subsidiary of the Company which is engaged in manufacture of pharmaceutical products is subject to the regulations and therefore is required to set aside an amount of certain percentage of revenue to a safety fund. The safety fund can be used for safety facilities and environment improvement, and is not available for distribution to shareholders.

(d) Statutory reserve:

In accordance with the articles of association of the Company and subsidiaries established in the PRC, the Company and these subsidiaries are required to transfer 10% of the profit after taxation in accordance to China Accounting Standards for Business Enterprises to the statutory reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve shall be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years’ losses, expand the existing operations or convert into additional capital of the Company and the subsidiaries.

(e) Retained earnings:

Cumulative net gains recognised in profit or loss.

38. OVERVIEW OF THE GROUP’S EXPOSURE TO CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of each reporting period, the Group’s maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of the financial position.

In order to minimise credit risk, the Group has tasked its finance team to develop and maintain the Group’s credit risk grading to categorise exposures according to their degree of risk of default. Management uses publicly available financial information and the Group’s own historical repayment records to rate its major customers and other debtors. The Group’s exposure and the credit ratings of its counterparties are continuously monitored and the aggregate exposure is spread amongst approved counterparties.

The Group’s credit risk is primarily attributable to trade receivables and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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Trade receivables

The Group has applied the simplified approach in IFRS 9 to measure the loss allowance for trade receivables at lifetime ECL. Except for trade receivables that are credit-impaired, the Group uses a provision matrix to measure the ECLs of trade receivables from individual customers. Loss rates are calculated under a roll rate method based on the probability of a receivable progressing through successive stages of delinquency to write-off and are based on historical credit loss experience. The loss rates are calculated separately for exposures in different type of product purchased. These rates are multiplied by forward-looking factors, based on GDP forecast to reflect difference economic conditions during the period over which the historical data has been collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables.

Deposits and other receivables

The Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experiences and available forward-looking information.

The Group applies the general approach in calculating ECLs, where the Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 3 months past due.

Cash and bank balances, restricted bank deposits and bills receivables from banks

The Group’s exposure to credit risk arising from cash and bank balances, restricted bank deposits and bills receivables from bank is limited because the counterparties are banks and financial institutions with “investment grade” credit rating assigned by credit rating agency, which the Group considers to represent low credit risk. The Group assessed 12 months ECL for these balances by reference to information relating to PD and LGD of the respective credit rating published by credit rating agency. The directors of the Company considered that the ECL allowance on these balances is insignificant at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026 and therefore no loss allowance was recognised.

Amounts due from subsidiaries

The Company regularly monitors the business performance of the subsidiaries. The Company’s credit risks in these balances are mitigated through the value of the assets held by these entities and the power to control the relevant activities of these entities. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12 months ECL. For the years ended 31 December 2023, 2024 and 2025 and six months ended 30 June 2026, the Group assessed the ECL for amounts due from subsidiaries are insignificant and thus no loss allowance is recognised.

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The following table details the credit risk exposures of the Group’s trade receivables which are subject to ECL assessment:

	Average expected credit loss rate	Gross amounts	Loss allowance
		<i>RMB’000</i>	<i>RMB’000</i>
As at 31 December 2023			
Within 1 year	6.9%	611,253	41,931
1 to 2 years	27.0%	2,455	662
2 to 3 years	69.3%	1,111	770
Over 3 years	100%	541	541
Credit-impaired	100%	<u>1,024</u>	<u>1,024</u>
		<u>616,384</u>	<u>44,928</u>
As at 31 December 2024			
Within 1 year	6.8%	798,379	54,459
1 to 2 years	26.2%	5,166	1,353
2 to 3 years	53.1%	245	130
Over 3 years	100%	1,007	1,007
Credit-impaired	100%	<u>230</u>	<u>230</u>
		<u>805,027</u>	<u>57,179</u>
As at 31 December 2025			
Within 1 year	6.8%	832,965	56,600
1 to 2 years	26.4%	10,802	2,847
2 to 3 years	61.4%	2,251	1,381
Over 3 years	100%	757	757
Credit-impaired	100%	<u>986</u>	<u>986</u>
		<u>847,761</u>	<u>62,571</u>
As at 30 June 2026			
Within 1 year	6.9%	769,824	52,792
1 to 2 years	25.8%	13,093	3,377
2 to 3 years	61.4%	3,945	2,422
Over 3 years	100%	735	735
Credit-impaired	100%	<u>1,118</u>	<u>1,118</u>
		<u>788,715</u>	<u>60,444</u>

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The table below details the credit risk exposures of the Group’s deposits and other receivables which are subject to ECL assessment:

	Average expected credit loss rate	Gross amounts	Loss allowance
		<i>RMB’000</i>	<i>RMB’000</i>
As at 31 December 2023			
12 months ECL	5.9%	58,654	3,448
Credit-impaired	100%	<u>77</u>	<u>77</u>
		<u>58,731</u>	<u>3,525</u>
As at 31 December 2024			
12 months ECL	7.6%	63,457	4,842
Credit-impaired	100%	<u>77</u>	<u>77</u>
		<u>63,534</u>	<u>4,919</u>
As at 31 December 2025			
12 months ECL	7.2%	<u>62,976</u>	<u>4,522</u>
As at 30 June 2026			
12 months ECL	4.3%	<u>101,528</u>	<u>4,385</u>

The Group makes full provision when there is information indicating that the receivable is in severe financial difficulty and there is no realistic prospect of recovery.

39. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities comprising the Group will be able to continue as going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged throughout the Track Record Period.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes borrowings and lease liabilities), less cash and bank balances. Adjusted capital comprises equity attributable to owners of the Company (comprising share capital and reserves).

The Group’s adjusted net debt-to-capital ratio as at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026 was as follows:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Borrowings	279,091	281,355	284,392	169,487
Lease liabilities	43,088	36,433	29,255	40,811
Less: cash and bank balances	(1,276,018)	(287,145)	(512,632)	(479,682)
Adjusted net debt	N/A	30,643	N/A	N/A
Adjusted capital	5,512,374	5,969,510	5,833,037	5,913,756
Adjusted net debt-to-capital ratio	—	0.5%	—	—

Management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts.

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40. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000

Group

Financial assets

Financial assets measured at amortised cost	2,928,157	2,620,726	2,988,750	2,638,618
Financial assets measured at FVTPL	700,743	1,322,248	822,062	1,115,659
Financial assets measured at FVTOCI	41,122	104,170	95,927	28,294

Financial liabilities

Financial liabilities at amortised cost	1,795,686	1,806,999	1,577,479	1,409,752
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	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000

Company

Financial assets

Financial assets measured at amortised cost	2,432,532	2,425,459	2,803,862	3,161,084
Financial assets measured at FVTPL	700,386	1,266,514	731,622	949,076
Financial assets measured at FVTOCI	50,479	43,390	62,451	20,239

Financial liabilities

Financial liabilities at amortised cost	1,154,903	1,129,194	1,010,078	1,107,664
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Financial risk management objectives and policies

The Group’s major financial assets and liabilities include bank deposits, trade receivables, deposits and other receivables, cash and bank balances, trade and bills payables, other payables and accruals, borrowings and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group’s activities expose it primarily to currency risk, interest rate risk, price risk, credit risk and liquidity risk. There has been no change in the Group’s exposure to these risks or the manner in which it managed and measured the risks during each of the reporting period.

Currency risk

The Group has currency exposures. Such exposures arise from sales and purchases by operating units in currencies other than the units’ functional currencies. The operating units are mainly exposed to foreign currency of US\$ and EUR.

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The Group’s policy is to ensure that its net exposure is kept to an acceptable level by forecasting sales and purchases over the following 12 months at any point in time. The carrying amounts of the Group’s foreign currency denominated monetary assets (trade receivables and cash and bank balances) and liabilities (trade payables) at the end of each reporting period are summarised as follows:

	As at 31 December			As at
	2023	2024	2025	30 June
	RMB’000	RMB’000	RMB’000	2026
				RMB’000
Group				
Assets				
US\$	507,229	577,778	833,036	718,126
EUR	16,428	50,459	40,298	63,821
Liabilities				
US\$	8,133	10,208	8,398	8,968
EUR	—	25	46	2,563
	As at 31 December			As at
	2023	2024	2025	30 June
	RMB’000	RMB’000	RMB’000	2026
				RMB’000
Company				
Assets				
US\$	325,993	311,761	339,674	339,157
EUR	15,156	46,503	34,133	58,501
Liabilities				
US\$	2,935	2,898	1,280	4,979
EUR	—	—	—	2,563

Sensitivity analysis

The following table details the Group’s sensitivity to a 5% increase and decrease in foreign currencies against RMB. 5% represents management’s assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rate. A positive number below indicates an increase in profit before tax where foreign currencies strengthens 5% against RMB. For a 5% weakening of foreign currencies against RMB, there would be an equal and opposite impact on profit before tax.

	As at 31 December			As at
	2023	2024	2025	30 June
	RMB’000	RMB’000	RMB’000	2026
				RMB’000
Group				
Impact on profit before tax				
US\$	24,955	28,379	41,232	35,458
EUR	821	2,522	2,013	3,063

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	As at 31 December			As at
	2023	2024	2025	30 June
	RMB'000	RMB'000	RMB'000	2026
				RMB'000
Company				
Impact on profit before tax				
US\$	16,153	15,443	16,920	16,709
EUR	758	2,325	1,707	2,797

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent currency risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s and the Company’s interest rate risk rises primarily from cash and bank balances, restricted bank deposits, lease liabilities and borrowings.

Cash and bank balances and restricted bank deposits issued at variable rates expose the Group to cash flow interest rate risk. Lease liabilities and borrowings issued at fixed rate expose the Group to fair value interest rate risk. The Group has a policy of maintaining its borrowings on a fixed rate basis.

The Group does not account for any fixed rate financial assets and liabilities at FVTPL, therefore, in respect of the fixed rate instruments, a change in interest rates would not affect the profit or loss and equity of the Group and the Company at each reporting date. The management considers that the effect of cash flow interest rate risk arising from variable-rate bank balances is insignificant either due to their short-term maturity or stable interest rate.

Price risk

The Group and the Company is exposed to equity price risk through its unlisted equity investments at fair value. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the financial information available to the Group. At 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026, it is estimated that an increase/(decrease) of the price-to-book-value ratios of comparable listed companies, with all other variables held constant, would have insignificant effect on the Group’s and the Company’s profit or loss and equity.

Credit risk

As at the end of each reporting period, the Group’s maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

Credit terms are granted to customers who are in good credit reputation. In order to minimise the credit risk, management has designated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. To secure critical supplies, or to negotiate more favourable terms and forester long-term partnerships, the Group may make deposits or advances to suppliers and customers. However, these payments expose the Group to credit risk. If a customer or supplier defaults on their obligations to repay or fails to deliver as agreed, the Group may struggle to recover these funds. To mitigate this risk, the Group carefully assesses their creditworthiness and avoid making large payments to high-risk suppliers and customers. In addition, the directors of the Company review the recoverability of each significant trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group’s credit risk is significantly reduced.

As at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026, the Group has concentration of credit risk as 11.9%, 17.3%, 20.4% and 16.1%, respectively, of the total trade receivables, was due from the Group’s largest debtor. The Group’s concentration of credit risk on the top five largest debtors accounted for 33.7%, 39.2%, 39.9% and 37.7% of the total trade receivables as at 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026, respectively.

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The Group expects that there is no significant credit risk associated with cash deposits since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and bank balances and unused banking facilities deemed adequate by management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group’s and the Company’s remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows.

Liquidity risk table

	On demand or less than one year <i>RMB’000</i>	One to two years <i>RMB’000</i>	Two to five years <i>RMB’000</i>	Over 5 years <i>RMB’000</i>	Total undiscounted cash flows <i>RMB’000</i>	Carrying amount <i>RMB’000</i>
Group						
As at 31 December 2023						
Trade and bills payables	587,427	—	—	—	587,427	587,427
Other payables and accruals	1,098,737	—	—	—	1,098,737	1,098,737
Borrowings	280,100	—	—	—	280,100	279,091
Lease liabilities	12,765	12,237	8,415	16,157	49,574	43,088
Total	1,979,029	12,237	8,415	16,157	2,015,838	2,008,343
As at 31 December 2024						
Trade and bills payables	565,190	—	—	—	565,190	565,190
Other payables and accruals	1,129,012	—	—	—	1,129,012	1,129,012
Borrowings	282,000	—	—	—	282,000	281,355
Lease liabilities	14,555	5,620	8,645	13,422	42,242	36,433
Total	1,990,757	5,620	8,645	13,422	2,018,444	2,011,990
As at 31 December 2025						
Trade and bills payables	410,093	—	—	—	410,093	410,093
Other payables and accruals	1,107,693	—	—	—	1,107,693	1,107,693
Borrowings	285,000	—	—	—	285,000	284,392
Lease liabilities	7,932	5,367	13,042	7,878	34,219	29,255
Total	1,810,718	5,367	13,042	7,878	1,837,005	1,831,433
As at 30 June 2026						
Trade and bills payables	452,614	—	—	—	452,614	452,614
Other payables and accruals	946,924	—	—	—	946,924	946,924
Borrowings	170,000	—	—	—	170,000	169,487
Lease liabilities	14,318	11,810	12,975	5,439	44,542	40,811
Total	1,583,856	11,810	12,975	5,439	1,614,080	1,609,836

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	On demand or less than one year	One to two years	Two to five years	Total undiscounted cash flows	Carrying amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Company					
As at 31 December 2023					
Trade and bills payables	257,666	—	—	257,666	257,666
Other payables and accruals	977,060	—	—	977,060	977,060
Borrowings	40,100	—	—	40,100	39,869
Lease liabilities	207	217	663	1,087	968
Total	<u>1,275,033</u>	<u>217</u>	<u>663</u>	<u>1,275,913</u>	<u>1,275,563</u>
As at 31 December 2024					
Trade and bills payables	396,450	—	—	396,450	396,450
Other payables and accruals	846,545	—	—	846,545	846,545
Lease liabilities	2,294	2,294	445	5,033	4,751
Total	<u>1,245,289</u>	<u>2,294</u>	<u>445</u>	<u>1,248,028</u>	<u>1,247,746</u>
As at 31 December 2025					
Trade and bills payables	286,192	—	—	286,192	286,192
Other payables and accruals	869,932	—	—	869,932	869,932
Lease liabilities	2,294	217	228	2,739	2,631
Total	<u>1,158,418</u>	<u>217</u>	<u>228</u>	<u>1,158,863</u>	<u>1,158,755</u>
As at 30 June 2026					
Trade and bills payables	397,169	—	—	397,169	397,169
Other payables and accruals	806,736	—	—	806,736	806,736
Lease liabilities	12,112	19,053	—	31,165	30,457
Total	<u>1,216,017</u>	<u>19,053</u>	<u>—</u>	<u>1,235,070</u>	<u>1,234,362</u>
Fair value measurement					

This note provides information about how the Group determines fair value of the following financial assets and financial liabilities that are measured at fair value on a recurring basis.

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(i) *Fair value of the Group’s financial assets that are measured at fair value on a recurring basis*

	As at 31 December			As at	Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2023	2024	2025	30 June 2026				
	RMB'000	RMB'000	RMB'000	RMB'000				
Financial assets								
Unlisted equity investment								
— Mapi-Pharma Ltd	301,689	248,970	236,336	224,126	Level 3	Valuation multiples	Volatility (31 December 2023: 46.9%; 31 December 2024: 41.4%; 31 December 2025: 51.3% and 30 June 2026: 51.5%) Risk free rate (31 December 2023: 3.9%; 31 December 2024: 4.3%; 31 December 2025: 3.5% and 30 June 2026: 4.06%)	31 December 2023: Increase/(decrease) in 5% point in volatility would result in decrease in fair value by RMB64,000 and RMB299,000 Increase/(decrease) in 1% point in risk free rate would result in (decrease)/increase in fair value by RMB617,000 and RMB644,000 31 December 2024: Increase/(decrease) in 5% point in volatility would result in decrease in fair value by RMB158,000 and RMB205,000 Increase/(decrease) in 1% point in risk free rate would result in (decrease)/increase in fair value by RMB690,000 and RMB718,000 31 December 2025: Increase/(decrease) in 5% point in volatility would result in (decrease)/increase in fair value by RMB446,000 and RMB257,000 Increase/(decrease) in 1% point in risk free rate would result in (decrease)/increase in fair value by RMB466,000 and RMB473,000 30 June 2026: Increase/(decrease) in 5% point in volatility would result in (decrease)/increase in fair value by RMB257,000 and RMB80,000 Increase/(decrease) in 1% point in risk free rate would result in (decrease)/increase in fair value by RMB418,000 and RMB428,000
— Pharma Two B Ltd.	6,168	—	—	—	Level 3	Valuation multiples	Volatility (31 December 2023: 45.3%) Risk free rate (31 December 2023: 3.9%)	31 December 2023: Increase/(decrease) in 5% point in volatility would result in increase/(decrease) in fair value by RMB56,000 and RMB140,000 Increase/(decrease) in 1% point in risk free rate would result in increase/(decrease) in fair value by RMB112,000 and RMB115,000
— Vascular Graft Solutions	—	4,435	366	354	Level 3	Valuation multiples	Recent transaction price (31 December 2024: US\$1.4; 31 December 2025: US\$0.1 and 30 June 2026: US\$0.1)	31 December 2024: 5% increase/(decrease) in multiple would result in increase/(decrease) in fair value by RMB222,000 31 December 2025: 5% increase/(decrease) in multiple would result in increase/(decrease) in fair value by RMB18,000 30 June 2026: 5% increase/(decrease) in multiple would result in increase/(decrease) in fair value by RMB18,000
— SPES (Hangzhou) Biopharmaceutical Co., Ltd. (“世培(杭州)生物製藥有限公司”)	16,010	—	—	—	Level 3	Valuation multiples	R&D multiple (31 December 2023: 25.2)	31 December 2023: 5% increase/(decrease) in multiple would result in increase/(decrease) in fair value by RMB800,000
— Hangzhou Huqingyutang Pharmaceutical Holdings Co., Ltd. (“杭州胡慶余堂醫藥控股有限公司”)	205,920	223,254	246,569	241,535	Level 3	Valuation multiples	Price-to-Earnings Ratio (31 December 2023: 9.7; 31 December 2024: 10.4; 31 December 2025: 10.2 and 30 June 2026: 9.8)	31 December 2023: 5% increase/(decrease) in multiple would result in increase/(decrease) in fair value by RMB10,296,000 31 December 2024: 5% increase/(decrease) in multiple would result in increase/(decrease) in fair value by RMB11,163,000 31 December 2025: 5% increase/(decrease) in multiple would result in increase/(decrease) in fair value by RMB12,328,000 30 June 2026: 5% increase/(decrease) in multiple would result in increase/(decrease) in fair value by RMB12,077,000

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	As at 31 December			As at	Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2023	2024	2025	30 June				
	RMB'000	RMB'000	RMB'000	2026				
				RMB'000				
— Xinchang Xingcun Fumin Equity Investment Fund Partnership (Limited Partnership) (“新昌縣興村富民股權投資基金合夥企業(有限合夥)”)	10,000	10,000	10,000	10,000	Level 3	Share of net assets	Net assets value per share (31 December 2023: 1; 31 December 2024: 1; 31 December 2025: 1 and 30 June 2026: 1)	5% increase/(decrease) in multiple would result in increase/(decrease) in fair value by RMB500,000
— Shenzhen Aima Biotechnology Co., Ltd (“深圳艾碼生物科技有限公司”)	10,000	7,932	9,835	7,562	Level 3	Valuation multiples	R&D multiple (31 December 2023: 7.4; 31 December 2024: 13.9; 31 December 2025: 19.3 and 30 June 2026: 17.8)	31 December 2023: 5% increase/(decrease) in multiple would result in increase/(decrease) in fair value by RMB500,000 31 December 2024: 5% increase/(decrease) in multiple would result in increase/(decrease) in fair value by RMB397,000 31 December 2025: 5% increase/(decrease) in multiple would result in increase/(decrease) in fair value by RMB492,000 30 June 2026: 5% increase/(decrease) in multiple would result in increase/(decrease) in fair value by RMB378,000
	549,787	494,591	503,106	483,577				
Bills receivable	41,122	104,170	95,927	28,294	Level 2	Discounted future cash flow by discount rate observed from available market	N/A	N/A
Structured deposits	150,956	827,657	318,956	632,082	Level 2	Adjusted quoted price	N/A	N/A

There were no transfers between levels during each of the reporting periods.

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(ii) Reconciliation of Level 3 fair value measurements

Details of reconciliation of financial assets at FVTPL measured at Level 3 fair value measurement are set out as below:

	Years ended 31 December			Six months ended 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted equity investments				
At 1 January	504,486	549,787	494,591	503,106
Additions/transferred in	10,000	6,481	—	—
Fair value changes recognised in profit				
of loss	35,292	(45,667)	8,515	(19,529)
Disposals	—	(16,010)	—	—
Exchange realignment	9	—	—	—
As at 31 December	<u>549,787</u>	<u>494,591</u>	<u>503,106</u>	<u>483,577</u>

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group’s and the Company’s financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

41. SHARE-BASED PAYMENT

The 2025 Employee Stock Ownership Plan

In October 2025, the Company adopted an Employee Stock Ownership Plan (the “**2025 ESOP**”) for the primary purpose of attracting, retaining and motivating, the directors, key management and core employees of the Group (the “**Participants**”). The source of underlying shares for the 2025 ESOP shall be the repurchased shares of the Company. The duration period of 2025 ESOP shall be 60 months and shares held under the 2025 ESOP will be managed by a management committee. The fundings of the 2025 ESOP will be sourced from the Participants’ salaries, subscription funds or by ways allowed by the laws and regulations in the Chinese Mainland and the scale of the 2025 ESOP will be no more than RMB150,000,000.

The underlying shares held under the 2025 ESOP are subject to lock-up periods in tranches and performance targets at company level as follows:

Trench	Portion	Unlock timing	Condition
1	40%	12 months from the date of the Company’s announcement of the completion of transfer of the last tranche of the underlying shares to the ESOP	Increase in net profit in 2025 over net profit in 2024 not less than 10%
2	30%	24 months from the date of the Company’s announcement of the completion of transfer of the last tranche of the underlying shares to the ESOP	Increase in net profit of 2026 over net profit in 2024 not less than 22%
3	30%	36 months from the date of the Company’s announcement of the completion of transfer of the last tranche of the underlying shares to the ESOP	Increase in net profit of 2027 over net profit in 2024 not less than 35%

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Apart from above-mentioned Company’s performance appraisal, eligible employees have to fulfill requirement of individual performance appraisal.

Pursuant to the 2025 ESOP, 7,123,400 restricted shares were granted to the selected participants on 21 January 2026. The Company transferred 7,123,400 of its repurchased shares to a dedicated security account of the 2025 ESOP by way of non-trade transfer at a transfer price was RMB12.5 per share. The Company receive a cash consideration of RMB89,043,000 from participants and credited to “Other payables and accruals”. The lock-up periods for restricted shares granted under 2025 ESOP are 12 months, 24 months and 36 months from the granted date and 40%, 30% and 30% of the restricted shares shall be vested based on the Group’s and individual performance appraisal.

The Group determines the fair value of the restricted shares on the basis of the single-day closing price of the circulating shares on the grant date less the transfer price. The fair value of restricted shares granted were RMB47,014,000 for 2025 ESOP.

Set out below are details of the movements of the outstanding granted shares granted under the 2025 ESOP during the six months ended 30 June 2026:

	Six months ended 30 June 2026 Number of restricted shares
Outstanding at the beginning of period	—
Granted during the period	7,123,400
Cancelled during the period	<u>(456,688)</u>
Outstanding at the end of the	<u><u>6,666,712</u></u>

For period ended 30 June 2026, the Group recognised share-based payment expenses of approximately RMB11,736,000.

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group’s consolidated statements of cash flows as cash flows from financing activities.

	Borrowings	Lease liabilities	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2023	238,584	57,713	296,297
Financing cash flows	35,002	(18,334)	16,668
New leases	—	714	714
Lease modification	—	202	202
Interest expense recognised	5,266	2,049	7,315
Others	<u>239</u>	<u>744</u>	<u>983</u>
At 31 December 2023 and 1 January 2024	279,091	43,088	322,179
Financing cash flows	(3,710)	(15,563)	(19,273)
New leases	—	7,716	7,716
Lease modification	—	(1,313)	(1,313)
Interest expense recognised	6,090	1,653	7,743
Others	<u>(116)</u>	<u>852</u>	<u>736</u>

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	Borrowings	Lease liabilities	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 31 December 2024 and 1 January 2025	281,355	36,433	317,788
Financing cash flows	(21)	(17,056)	(17,077)
New leases	—	8,489	8,489
Lease modification	—	(1,548)	(1,548)
Interest expense recognised	2,517	1,438	3,955
Others	541	1,499	2,040
As at 31 December 2025 and 1 January 2026	284,392	29,255	313,647
Financing cash flows	(115,749)	(9,608)	(125,357)
New leases	—	23,096	23,096
Lease modification	—	1,285	1,285
Interest expense recognised	844	713	1,557
Others	—	(3,930)	(3,930)
As at 30 June 2026	169,487	40,811	210,298

43. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2026.

44. COMMITMENTS

(a) Capital commitment

The Group has capital commitments under non-cancellable contracts as follows:

	As at 31 December			As at
	2023	2024	2025	30 June
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Acquisition of property, plant and equipment	414,530	309,359	238,938	184,170

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The Company has capital commitments under non-cancellable contracts as follows:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Acquisition of property, plant and equipment	149,788	121,120	146,068	114,068

(b) **Operating lease commitment as lessor**

The Group leases offices, dormitories and plant under non-cancellable operating lease agreements. The leases have varying terms between 1 and 7 years. At 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026, the undiscounted lease payments receivable by the Group in future periods under operating leases with its tenants are as follows:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	15,062	11,001	17,047	14,597
After one year but within two years	9,599	4,169	13,480	9,018
After two years but within three years	3,155	1,733	7,240	5,127
After three years but within four years	1,463	906	4,620	3,911
After four years but within five years	906	215	3,608	2,742
After five years	215	—	2,669	1,821
	30,400	18,024	48,664	37,216

The Company leases offices, dormitories and plant under non-cancellable operating lease agreements. The leases have varying terms between 1 and 7 years. At 31 December 2023, 31 December 2024, 31 December 2025 and 30 June 2026, the undiscounted lease payments receivable by the Company in future periods under operating leases with its tenants are as follows:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	4,686	6,506	6,387	6,061
After one year but within two years	3,276	4,923	6,058	5,135
After two years but within three years	2,051	3,502	5,387	4,460
After three years but within four years	1,463	1,027	4,437	3,869
After four years but within five years	906	215	3,580	2,735
After five years	215	—	2,669	1,821
	12,597	16,173	28,518	24,081

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45. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Group during the Track Record Period are as follows:

<u>Names of related parties</u>	<u>Relationship</u>
Zhejiang Jinzhi Investment Co., Ltd. (浙江金至投資有限公司)	Controlled by the controlling shareholder of the Company
Jingxin Holding Group Co., Ltd. (京新控股集團有限公司)	Controlled by the controlling shareholder of the Company
Zhejiang Yuanjin Investment Management Co., Ltd. (浙江元金投資管理有限公司)	Controlled by the controlling shareholder of the Company
Xinchang Jingxin Property Management Co., Ltd. (新昌京新物業管理有限公司)	Controlled by the controlling shareholder of the Company
Zhejiang Jinlangbo Pharmaceutical Co., Ltd. (浙江金朗博藥業有限公司)	Controlled by the controlling shareholder of the Company
Xinchang Country Jingxin Real Estate Co., Ltd. (新昌縣京新置業有限公司)	Controlled by the controlling shareholder of the Company
Zhejiang Yuanjin Chemical Co., Ltd. (浙江元金化學有限公司)	Controlled by the controlling shareholder of the Company
Zhejiang Yuanjin Packaging Co., Ltd. (浙江元金包裝有限公司)	Controlled by the controlling shareholder of the Company
Zhejiang Donggao Agricultural Development Co., Ltd. (浙江東高農業開發有限公司)	Controlled by the controlling shareholder of the Company
Hangzhou Haishijia Technology Co., Ltd. (杭州海獅佳科技有限公司)	Controlled by the controlling shareholder of the Company
Hangzhou Fangyou Biotechnology Co., Ltd. (杭州方佑生物科技有限公司)	Controlled by the controlling shareholder of the Company
Hangzhou Fangyou Property Management Co., Ltd. (杭州方佑物業管理有限公司)	Controlled by the controlling shareholder of the Company
Hangzhou Jiancheng Technology Co., Ltd. (杭州健澄科技有限公司)	Jointly controlled by the controlling shareholder and a close family member of the controlling shareholder of the Company
Zhejiang Fangyou Investment Management Co., Ltd. (浙江方佑投資管理有限公司)	Controlled by the controlling shareholder of the Company
Jiangxi Jingweitong New Materials Co., Ltd. (江西京緯通新材料有限公司)	Controlled by the controlling shareholder of the Company
Shanghai Jinzhi Chemical Co., Ltd. (上海金至化工有限公司)	Controlled by the controlling shareholder of the Company
Zhejiang Jingweitong Biomaterials Co., Ltd. (浙江京緯通生物材料有限公司)	Controlled by the controlling shareholder of the Company
Xinchang Xinjin Pharmaceutical Co., Ltd. (新昌信錦藥業有限公司)	Controlled by the controlling shareholder of the Company
Hangzhou Nutrition Biotechnology Co., Ltd. (杭州紐曲星生物科技有限公司)	Associate of the Company
Shaoxing Jingweitong Technology Co., Ltd. (紹興京緯通科技有限公司)	Joint controlled by the Group and the close family member of a controlling shareholder of the Company

Note: The English names of the related parties registered in the PRC mentioned above represent the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.

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ACCOUNTANTS’ REPORT

In addition to the transactions and balances disclosed in respective notes, the Group had the following significant transactions and balances with related parties during the Track Record Period:

(a) Related party transactions:

(i) Fee paid to related parties for services/goods

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Zhejiang Yuanjin Packaging Co., Ltd.	61,608	72,076	64,933	28,976	25,535
Hangzhou Haishijia Technology Co., Ltd.	991	1,166	1,112	501	513
Xinchang Jingxin Property Management Co., Ltd.	1,535	1,601	1,777	853	441
Jiangxi Jingweitong New Materials Co., Ltd.	968	6,987	8,867	3,012	2,531
Zhejiang Donggao Agricultural Development Co., Ltd.	400	285	286	217	—
Hangzhou Fangyou Property Management Co., Ltd.	1,195	1,092	1,514	453	883
Hangzhou Nutrition Biotechnology Co., Ltd.	498	986	173	137	—
Xinchang Xinjin Pharmaceutical Co., Ltd.	—	902	4,233	4,233	1,301
	<u>67,195</u>	<u>85,095</u>	<u>82,895</u>	<u>38,382</u>	<u>31,204</u>

(ii) Revenue from related parties

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Hangzhou Haishijia Technology Co., Ltd.	18	14	3	3	10
Jiangxi Jingweitong New Materials Co., Ltd.	41	165	171	51	—
Zhejiang Yuanjin Chemical Co., Ltd.	—	93	—	—	—
Xinchang Xinjin Pharmaceutical Co., Ltd.	—	37,295	47,078	22,997	19,374
	<u>59</u>	<u>37,567</u>	<u>47,252</u>	<u>23,051</u>	<u>19,384</u>

(iii) Rental income from related parties

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Jiangxi Jingweitong New Materials Co., Ltd.	—	1,862	2,229	1,114	1,130
Zhejiang Yuanjin Chemical Co., Ltd.	—	397	—	—	—
	<u>—</u>	<u>2,259</u>	<u>2,229</u>	<u>1,114</u>	<u>1,130</u>

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(iv) *Rental payment to related parties*

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Xinchang Country Jingxin Real Estate Co., Ltd.	1,273	1,270	1,270	—	—
Zhejiang Donggao Agricultural Development Co., Ltd.	226	226	237	237	237
Hangzhou Fangyou Biotechnology Co., Ltd.	—	473	946	—	—
	<u>1,499</u>	<u>1,969</u>	<u>2,453</u>	<u>237</u>	<u>237</u>

(v) *Transfer of buildings*

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Hangzhou Fangyou Biotechnology Co., Ltd.	—	—	—	—	47,225
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>47,225</u>

(b) **Related party balances:**

As at the end of each reporting period, the Group had balances with related parties as follows:

	As at 31 December			As at
	2023	2024	2025	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
Xinchang Xinjin Pharmaceutical Co., Ltd.	—	1,897	5,240	4,280
Other receivables				
Jingxin Holding Group Co., Ltd.	1,148	—	—	—
Zhejiang Yuanjin Investment Management Co., Ltd.	890	—	—	—
Xinchang Country Jingxin Real Estate Co., Ltd.	200	200	200	200
Zhejiang Donggao Agricultural Development Co., Ltd.	50	50	50	50
	<u>2,288</u>	<u>250</u>	<u>250</u>	<u>250</u>
Trade payables				
Zhejiang Yuanjin Packaging Co., Ltd.	8,984	9,870	9,160	5,062
Jiangxi Jingweitong New Materials Co., Ltd.	1,094	2,603	3,308	121
Hangzhou Haishijia Technology Co., Ltd.	120	—	—	26
Xinchang Xinjin Pharmaceutical Co., Ltd.	—	—	—	1,302
	<u>10,198</u>	<u>12,473</u>	<u>12,468</u>	<u>6,511</u>

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ACCOUNTANTS’ REPORT

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Other payable				
Hangzhou Fangyou Biotechnology Co., Ltd.	107,780	90,168	90,168	—
Zhejiang Yuanjin Packaging Co., Ltd.	50	50	50	50
Hangzhou Haishijia Technology Co., Ltd.	1	—	—	48
Jiangxi Jingweitong New Materials Co., Ltd.	—	150	150	150
Hangzhou Fangyou Property Management Co., Ltd	—	—	—	884
	<u>107,831</u>	<u>90,368</u>	<u>90,368</u>	<u>1,132</u>

The above balances with related parties are trade in nature.

(c) Compensation of key management personnel:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

The remuneration of the directors of the Company and other members of key management of the Group during each of the reporting period were as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Directors’ fee	240	240	251	120	150
Salaries and other benefits	7,602	7,068	6,770	3,179	3,951
Performance-based bonus	3,519	4,978	4,919	2,472	1,787
Retirement benefit scheme contributions	547	614	520	257	259
Share-based payments	—	—	—	—	2,049
	<u>11,908</u>	<u>12,900</u>	<u>12,460</u>	<u>6,028</u>	<u>8,196</u>

The remuneration of key management is determined with reference to the performance of the individuals and market trends.

46. EVENT AFTER THE REPORTING PERIOD

[Subsequent to the Track Record Period, the Company repurchased 6,382,800 shares of the Company, amounted approximately to RMB81,958,000.]

Save as disclosed above, there was no significant event after the period ended 30 June 2026 and up to the date of this report.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 June 2026.

APPENDIX II	UNAUDITED [REDACTED] FINANCIAL INFORMATION
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[REDACTED]

APPENDIX II	UNAUDITED [REDACTED] FINANCIAL INFORMATION
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[REDACTED]

APPENDIX II	UNAUDITED [REDACTED] FINANCIAL INFORMATION
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[REDACTED]

APPENDIX II	UNAUDITED [REDACTED] FINANCIAL INFORMATION
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[REDACTED]

APPENDIX II	UNAUDITED [REDACTED] FINANCIAL INFORMATION
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[REDACTED]

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

TAXATION OF SECURITY HOLDERS

The income tax and capital gains tax obligations of H-share holders are subject to the laws and practices of China and the jurisdictions where the H-share holder is resident or otherwise subject to taxation. The following summary of certain relevant tax provisions is based on current laws and practices and does not address anticipated changes or amendments to relevant laws or policies, nor does it constitute any opinion or advice. This discussion does not address all possible tax consequences related to [REDACTED] in H Shares, nor does it consider the specific circumstances of any particular [REDACTED], some of whom may be subject to special regulations. Accordingly, you should consult your tax advisor regarding the tax consequences of [REDACTED] in H Shares. The discussion is based on laws and related interpretations effective as of the Latest Practicable Date, all of which are subject to change or adjustment and may have retrospective effect.

Except for income tax, capital gains tax and profits tax, sales tax, value-added tax, stamp duty and inheritance tax, this discussion does not address any other aspects of Chinese taxation. Prospective [REDACTED] should consult their financial advisors regarding the Chinese and other tax consequences of owning and selling H-shares.

TAXATION IN MAINLAND CHINA

Taxation of Dividends

Individual Investors

Pursuant to the Individual Income Tax Law of the People’s Republic of China (《中華人民共和國個人所得稅法》) (hereinafter referred to as the “**Individual Income Tax Law**”), as last amended on August 31, 2018 and effective on January 1, 2019, and the Implementing Regulations of the Individual Income Tax Law of the People’s Republic of China (《中華人民共和國個人所得稅法實施條例》), as last amended on December 18, 2018 and effective on January 1, 2019, dividends distributed by Chinese enterprises are subject to a withholding tax for individual income tax at a uniform rate of 20%. For non-Chinese resident foreign individuals, dividends received from Chinese enterprises are generally subject to individual income tax at a rate of 20%, unless specifically exempted by the State Council tax authorities or reduced/exempted under relevant tax treaties.

Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (hereinafter referred to as the “**Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income**”), signed on August 21, 2006, and effective on November 8, 2006, the Chinese government may impose a withholding tax on dividends paid by Chinese companies to Hong Kong residents (including natural persons and legal entities), but such tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interest in the Chinese company, and such Hong Kong resident is the beneficial owner of the dividends and meets other conditions, the withholding tax shall not exceed 5% of the total amount of dividends payable by the Chinese company. The State Taxation Administration issued the Fifth Protocol to the Arrangements for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (Fifth Protocol) (《對所得避免雙重徵

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

稅和防止偷漏稅的安排》第五議定書) (“**Fifth Protocol**”), which took effect on December 6, 2019, stipulates that the relevant provisions shall not apply to arrangements or transactions made with the obtaining of such tax benefits as one of their main purposes.

Corporate Investors

Pursuant to the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) (hereinafter collectively referred to as the “**Enterprise Income Tax Law**”), as amended by the Standing Committee of the National People’s Congress and effective on December 29, 2018, and the Regulations of the People’s Republic of China on the Implementation of the Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》) (hereinafter collectively referred to as the “**Enterprise Income Tax Law Implementation Regulations**”), as amended by the State Council and effective on January 20, 2025, non-resident enterprises that have not established an institution or premise within China, or that have established such an institution or premise within China but whose income derived from China has no real connection with that institution or premise, shall be subject to corporate income tax at a rate of 10% on income derived from China (including dividends distributed by Chinese resident enterprises whose shares are issued and listed in Hong Kong). The aforementioned income tax payable by non-resident enterprises shall be withheld at source. The payer shall act as the withholding agent and shall withhold the tax from the amount payable or due at each payment or due date. Such tax may be reduced or exempted in accordance with applicable treaties for the avoidance of double taxation.

According to the Notice on Issues Concerning Withholding and Remitting Corporate Income Tax on Dividends Paid by Chinese Resident Enterprises to Overseas Non-Resident H-Share Shareholders (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the State Taxation Administration and effective on November 6, 2008, Chinese resident enterprises shall withhold and remit corporate income tax at a rate of 10% on annual dividends derived from profits since 2008 paid to overseas H-share shareholders that are non-Chinese resident enterprises. The “Reply on Corporate Income Tax Issues Concerning Non-Resident Enterprises Receiving Dividends from B-Shares and Other Stocks” (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) promulgated by the State Taxation Administration and effective on July 24, 2009, further stipulates that Chinese resident enterprises issuing shares (including A-shares, B-shares, and overseas shares) on domestic and overseas stock exchanges shall uniformly withhold and remit corporate income tax at a rate of 10% when distributing dividends for 2008 and subsequent years to non-resident enterprise shareholders. Such rates may be further adjusted pursuant to tax treaties or agreements entered into between China and relevant jurisdictions, if applicable.

Under the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, the Chinese government may impose tax on dividends paid by Chinese companies to Hong Kong residents (including natural persons and legal entities), but the amount of such tax shall not exceed 10% of the total dividends payable by the Chinese company. Where a Hong Kong resident directly holds at least 25% equity interest in the Chinese company, and such Hong Kong resident is the beneficial owner of the dividends and meets other conditions, the tax levied shall not exceed 5% of the total dividends payable by the Chinese company. Pursuant to the provisions of the Fifth Protocol, such provisions shall not apply to arrangements or transactions made with obtaining such tax benefits as one of their main purposes.

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TAXATION AND FOREIGN EXCHANGE

Pursuant to applicable regulations, we intend to withhold income tax at a rate of 10% on dividends distributed to non-Chinese resident enterprise shareholders of H-shares (including [REDACTED]). Non-Chinese resident enterprises entitled to reduced tax rates under applicable income tax treaties shall apply to Chinese tax authorities for a refund of the portion of withholding tax exceeding the applicable treaty rate, subject to verification by Chinese tax authorities.

Taxes on Capital Gains from Equity Transfers

Individual Investors

Pursuant to the Individual Income Tax Law and its implementing regulations, gains realized from the sale of equity interests in Chinese resident enterprises are subject to individual income tax at a rate of 20% . Under the Notice on Continuing the Temporary Exemption from Individual Income Tax on Gains from Individual Stock Transfers (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the Ministry of Finance and the State Taxation Administration, and effective on March 30, 1998, gains from individual transfers of listed company’s shares have been temporarily exempt from individual income tax since January 1, 1997. The latest revisions to the Individual Income Tax Law, the Enterprise Income Tax Law, and the Enterprise Income Tax Law Implementation Regulations by the State Taxation Administration do not explicitly state whether the exemption from individual income tax on gains from individuals transfer of listed company’s shares will continue.

Corporate Investors

Pursuant to the Enterprise Income Tax Law and its implementing regulations, non-Chinese resident enterprises that have not established an institution or premise within China, or that have established such an institution or premise but whose income derived from China has no real connection with that institution or premise, shall be subject to enterprise income tax at a rate of 10% on income derived from China (including gains from the sale of shares in Chinese resident enterprises). The aforementioned income tax payable by non-Chinese resident enterprises shall be withheld at source. The payer shall act as the withholding agent and shall withhold the tax from the amount payable or due at each payment or due date. Such tax may be reduced or exempted in accordance with applicable tax treaties or arrangements.

Tax Policies for the Shanghai Connect

Pursuant to the “Notice on Tax Policies Concerning the Pilot Program for the Shanghai Connect” (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) issued by the Ministry of Finance, the State Taxation Administration, and the China Securities Regulatory Commission on October 31, 2014, and implemented on November 17, 2014, capital gains derived by mainland enterprises from investing in Hong Kong Stock Exchange-listed stocks through the Shanghai Connect shall be included in total income and subject to corporate income tax in accordance with the law. For dividend income received by mainland individual investors through the Shanghai Connect on H-shares listed on the Hong Kong Stock Exchange, the H-share company shall apply to China Securities Depository and Clearing Corporation Limited (hereinafter referred to as the “CSDCC”). CSDCC will provide the H-share company with a register of mainland individual investors, and the H-share company shall withhold individual income tax at a rate of 20%.

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Pursuant to the Announcement on Continuing the Implementation of Individual Income Tax Policies Related to the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect Mechanisms and the Mutual Recognition of Funds between Mainland China and Hong Kong (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》), promulgated and implemented on August 21, 2023, capital gains derived by mainland individual investors from the transfer of shares listed on the Hong Kong Stock Exchange through the Shanghai Connect and Shenzhen Connect shall be exempt from individual income tax until December 31, 2027.

According to the Notice on Tax Policies Concerning the Pilot Program for the Shanghai-Hong Kong Stock Connect Mechanism (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》), dividend income earned by mainland enterprises through the Shanghai Connect on shares listed on the Hong Kong Stock Exchange shall be included in their total income and subject to corporate income tax in accordance with the law. Among which, dividend income earned by mainland resident enterprises from H-shares held consecutively for 12 months shall be exempt from corporate income tax in accordance with the law. H-share companies shall not withhold dividend income tax on behalf of mainland enterprise investors. Taxable amounts shall be declared and paid by the enterprises themselves.

Tax Policies for the Shenzhen Connect

According to the Notice on Tax Policies Concerning the Pilot Program of the Shenzhen-Hong Kong Stock Connect Mechanism (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) issued by the Ministry of Finance, the State Taxation Administration, and the China Securities Regulatory Commission on November 5, 2016, and implemented on December 5, 2016, capital gains derived by mainland enterprise investors from trading shares listed on the Hong Kong Stock Exchange through the Shenzhen Connect shall be included in their total income and subject to corporate income tax in accordance with the law. For dividend income received by mainland individual investors through the Shenzhen Connect from H-shares listed on the Hong Kong Stock Exchange, the H-share companies shall apply to the CSDCC). The CSDCC will provide the H-share companies with a register of mainland individual investors, and the H-share companies shall withhold and remit individual income tax at a rate of 20%.

Pursuant to the Announcement on Continuing the Implementation of Individual Income Tax Policies Related to the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect Mechanisms and the Mutual Recognition of Funds between Mainland China and Hong Kong (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》), promulgated and implemented on August 21, 2023, capital gains derived by mainland individual investors from the transfer of shares listed on the Hong Kong Stock Exchange through the Shanghai Connect and Shenzhen Connect shall be exempt from individual income tax until December 31, 2027.

Pursuant to the Notice on Tax Policies Concerning the Pilot Program of the Shenzhen-Hong Kong Stock Connect Mechanism (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》), dividend income earned by mainland corporate investors through the Shenzhen Connect on shares listed on the Hong Kong Stock Exchange shall be included in their total income and subject to corporate income tax in accordance with the law. Among which, dividend income earned by mainland resident enterprises from H-shares held consecutively for 12 months shall be exempt from corporate income tax in accordance with the law. H-share companies do not withhold dividend income tax on behalf of mainland enterprises. Taxable amounts shall be declared and paid by the enterprises themselves.

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Stamp Duty

Pursuant to the Stamp Duty Law of the People’s Republic of China (《中華人民共和國印花稅法》), promulgated on June 10, 2021, and effective on July 1, 2022, non-mainland Chinese investors disposing of H-shares outside China are not subject to the provisions of the Stamp Duty Law of the People’s Republic of China.

Inheritance Tax

Pursuant to the Chinese law, the Mainland China currently does not impose an inheritance tax.

THE COMPANY’S PRINCIPAL TAXES IN CHINA

Corporate Income Tax

Pursuant to the Enterprise Income Tax Law, enterprises and other organizations deriving income within the territory of the People’s Republic of China (hereinafter collectively referred to as “**Enterprises**”) are taxpayers of enterprise income tax and shall pay enterprise income tax in accordance with the provisions of this Law. The enterprise income tax rate is 25%. High-tech enterprises requiring key support from the Chinese government are subject to a reduced enterprise income tax rate of 15%.

Enterprises are classified as resident enterprises and non-resident enterprises. Non-resident enterprises that have not established an institution or premise within China, or that have established such an institution or premise but whose income derived from China is not actually connected with that institution or premise, shall be subject to corporate income tax on income derived from China. Such tax shall be withheld at source, with the payer acting as the withholding agent. The withholding agent shall withhold the tax from the amount payable or due at each payment or due date. At the same time, any gains realized by such investors from the transfer of shares shall be subject to corporate income tax. If such gains are deemed to arise from the transfer of property within China, they shall be subject to withholding at source.

Value-Added Tax

According to the Interim Regulations of the People’s Republic of China on Value-Added Tax (《中華人民共和國增值稅暫行條例》), revised by the State Council and effective on November 19, 2017, and the Detailed Rules for the Implementation of the Interim Regulations of the People’s Republic of China on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》), revised by the Ministry of Finance on October 28, 2011, and effective on November 1, 2011, entities and individuals selling goods, providing processing, repair, and maintenance services, or importing goods within China shall pay value-added tax. Unless otherwise specified in the aforementioned regulations, the general value-added tax rate for taxpayers selling or importing goods is 17%. With China’s value-added tax reforms, the value-added tax rate has been adjusted multiple times. On December 25, 2024, the Standing Committee of the National People’s Congress promulgated the Value-Added Tax Law of the People’s Republic of China (《中華人民共和國增值稅法》), which will take effect on January 1, 2026, and the Interim Regulations of the People’s Republic of China on Value-Added Tax will be repealed simultaneously.

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China’s Foreign Exchange Administration

The Renminbi is China’s lawful currency. The State Administration of Foreign Exchange, authorized by the People’s Bank of China, is responsible for managing all matters related to foreign exchange, including the enforcement of foreign exchange regulations.

According to the Regulation on Foreign Exchange Administration of the People’s Republic of China (《中華人民共和國外匯管理條例》), revised by the State Council and effective on August 5, 2008, all international payments and transfers are categorized into current account and capital account transactions. The state imposes no restrictions on international payments and transfers under the current account. Foreign exchange earnings under the current account of Chinese enterprises may be retained or sold to financial institutions engaged in foreign exchange settlement and sale of foreign exchange businesses in accordance with relevant national regulations. Retention or sale of foreign exchange earnings under the capital account to financial institutions engaged in foreign exchange settlement and sale of foreign exchange businesses requires approval from foreign exchange authorities, except where otherwise specified by the state.

Pursuant to the Regulations on the Management of Exchange Settlement, Sale of Foreign Exchange, and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the People’s Bank of China on June 20, 1996, and effective on July 1, 1996, all remaining restrictions on the convertibility of foreign exchange under the current account were abolished, while existing restrictions on foreign exchange transactions under the capital account remained in place.

Pursuant to the relevant Chinese laws and regulations, Chinese enterprises (including foreign-invested enterprises) requiring foreign exchange for current account transactions may make payments out of their foreign exchange accounts at designated foreign exchange banks upon presentation of valid receipts and transaction vouchers, without requiring approval from the State Administration of Foreign Exchange. Foreign-invested enterprises distributing profits to shareholders in foreign exchange and domestic enterprises required to pay fixed dividends in foreign exchange may make payments out of their foreign exchange accounts or exchange funds at designated foreign exchange banks upon presentation of board resolutions on profit distribution.

Pursuant to the Decision of the State Council on a Group of Administrative Approval Items Cancelled or Adjusted and Other Matters (《國務院關於取消和調整一批行政審批項目等事項的決定》), promulgated and effective on October 23, 2014, the State Administration of Foreign Exchange and its branches no longer approve the repatriation and conversion of funds raised overseas.

Pursuant to the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Management for Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) promulgated by the State Administration of Foreign Exchange and effective on December 26, 2014, domestic joint-stock companies (hereinafter referred to as “**Domestic Companies**”) shall register their overseas listing with the local branch of the State Administration of Foreign Exchange at their place of establishment within 15 working days from the date of completion of the overseas listing issuance. Funds raised by Domestic Companies through overseas listings may be repatriated to China or retained overseas, provided that the use of such funds is consistent with the content of the document and other disclosure documents.

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Pursuant to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) issued on February 13, 2015, and effective on June 1, 2015, the State Administration of Foreign Exchange has abolished the foreign exchange registration approval for domestic direct investment and overseas direct investment. Instead, banks directly review and process foreign exchange registration for domestic and overseas direct investment, with the State Administration of Foreign Exchange and its branches exercising indirect supervision over direct investment foreign exchange registration through banks.

Pursuant to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued and implemented by the State Administration of Foreign Exchange on June 9, 2016, relevant policies have clarified that capital account foreign exchange earnings (including repatriated funds from overseas listings) subject to voluntary exchange may be exchanged at banks based on the actual operational needs of domestic institutions.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

This appendix summarizes certain aspects of PRC laws and regulations which are relevant to our Company’s operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in “Appendix III — Taxation and Foreign Exchange”. This appendix also contains a summary of laws and regulatory provisions of the PRC Company Law. The principal objective of this summary is to provide potential [REDACTED] with an overview of the principal laws and regulatory provisions applicable to our Company. This summary is not intended to include all the information which is important to the potential [REDACTED]. For a discussion of laws and regulations which are relevant to our Company’s business, see “Regulatory Overview”.

PRC LAWS AND REGULATIONS

PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》) amended and came into effect on March 11, 2018 (the “**Constitution**”) and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is the signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) which was last amended on March 13, 2023 and came into effect on March 15, 2023 (the “**Legislation Law**”), the NPC and SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing criminal, civil, State organs and other matters. The SCNPC formulates and amends the laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people’s congresses of the provinces, autonomous regions and municipalities and their standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people’s congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, ecological civilization development, historical and cultural protection, and grassroots governance based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations will become enforceable after being reported to and approved by the standing committees of the people’s congresses of the relevant provinces or autonomous regions. The standing committees of the people’s congresses of the provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval shall be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of

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the relevant provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions, a decision should be made to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, PBOC, the National Audit Office, the subordinate institutions with administrative functions directly under the State Council, and the organizations prescribed by laws may formulate departmental rules and regulations within the permissions of their respective departments based on the laws as well as the administrative regulations, decisions and orders of the State Council. Provisions of departmental rules should be the matters related to the enforcement of the laws or the administrative regulations, decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

The NPC has the power to amend or repeal any inappropriate laws enacted by the SCNPC, and to repeal any autonomous regulations and separate rules approved by the SCNPC that are in conflict with the Constitution and the Legislation Law. The SCNPC has the power to repeal any administrative regulations that are in conflict with the Constitution and the laws, and to repeal any local regulations that are in conflict with the Constitution, the laws, and the administrative regulations, and to repeal autonomous regulations and separate regulations approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government as being in conflict with the Constitution and the Legislation Law. The State Council has the right to amend or repeal any inappropriate departmental and local government regulations. The people's congresses of the provinces, autonomous regions and municipalities directly under the central government have the right to amend or repeal any inappropriate local laws or regulations promulgated or approved by their respective standing committees. The standing committees of local people's congresses have the right to repeal any inappropriate rules promulgated by the people's governments at the same level, and the people's governments of provinces and autonomous regions have the right to amend or repeal any inappropriate rules promulgated by the people's governments at lower levels.

Pursuant to the Resolution of the SCNPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, in cases where the scope of provisions of laws or decrees needs to be further defined or additional stipulations need to be made, the SCNPC shall provide interpretations or make stipulations by means of decrees. Issues related to the application of laws in a court trial should be interpreted by the Supreme People's Court, issues related to the application of laws in a prosecution process of the procuratorate should be interpreted by the Supreme People's Procuratorate, and issues related to the application of laws other than in a court trial or in a prosecution process of the procuratorate should be interpreted by the State Council and the competent authorities. At the regional level, the power to interpret regional regulations is vested in the regional legislative and administrative authorities which promulgate such regulations.

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PRC JUDICIAL SYSTEM

According to the Constitution and the Law of Organization of the People’s Court of the PRC (《中華人民共和國人民法院組織法》) amended by the SCNPC on October 26, 2018 and becoming effective on January 1, 2019, the people’s courts of the PRC are divided into the Supreme People’s Court, the local people’s courts at all levels and other special people’s courts. The local people’s courts at all levels are divided into three levels, namely, the basic people’s courts, the intermediate people’s courts and the higher people’s courts. The basic people’s courts may set up certain people’s tribunals based on the status of the region, population and cases. The Supreme People’s Court shall be the highest judicial organ of the state. The Supreme People’s Court shall supervise the administration of justice by the local people’s courts at all levels and by the special people’s courts. The people’s courts at a higher level shall supervise the judicial work of the people’s courts at lower levels.

According to the Constitution and the Law of Organization of the People’s Procuratorate of the PRC (《中華人民共和國人民檢察院組織法》) last amended by the SCNPC on October 26, 2018 and becoming effective on January 1, 2019, the people’s procuratorates are the law supervision organs of the state. The Supreme People’s Procuratorate shall be the highest procuratorial organ. The Supreme People’s Procuratorate shall direct the work of the local people’s procuratorates at all levels and of the special people’s procuratorates; the people’s procuratorates at higher levels shall direct the work of those at lower levels.

The people’s courts employ a two-tier appellate system, and judgments or rulings of the second instance at the people’s courts are final. A party may appeal against the judgment or ruling of the first instance of a local people’s courts. The people’s procuratorate may present a protest to the people’s courts at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people’s procuratorate within the stipulated period, the judgments or rulings of the people’s courts are final. Judgments or rulings of the second instance of the intermediate people’s courts, the higher people’s courts and the Supreme People’s Court and those of the first instance of the Supreme People’s Court are final. However, if the Supreme People’s Court or the people’s court at the higher level finds any definite errors in a legally effective final judgment or ruling of the people’s court at a lower level, or if the chief judge of a people’s court at any level finds any definite errors in a legally effective final judgment or ruling of such court, the case can be retried according to judicial supervision procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (2023 Revision) (the “**Civil Procedure Law**”), last amended by the SCNPC on September 1, 2023 and becoming effective on January 1, 2024, sets forth the requirements for instituting a civil action, the jurisdiction of the people’s courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Civil cases are generally heard by the courts where the defendants are located. The court of jurisdiction in a civil action may be chosen by the written agreement between the parties, provided that the court is located at a place that has direct connection with the dispute, such as the plaintiff’s or the defendant’s place of domicile, the place where the contract is performed or signed or the object of the action is located. However, such choice cannot be in conflict with the regulations of grade jurisdictions and exclusive jurisdictions in any case.

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A foreign individual, a person without nationality, a foreign enterprise or a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating actions or defending against litigations at a people’s court. Should a foreign court limit the litigation rights of PRC citizens or enterprises, the People’s court of PRC may apply the same limitations to the citizens or enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a people’s court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people’s court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A people’s court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties must comply with legally effective civil judgments and rulings. If any party to a civil action refuses to comply with a judgment or order made by a people’s court or an award made by an arbitration tribunal, the other party may apply to the people’s court for enforcement within two years. Suspension or disruption of the time limit for applying for such enforcement shall comply with the provisions of the applicable law concerning the suspension or disruption of the time-barring of actions.

When a party applies to a people’s court for enforcing an effective judgment or ruling by a people’s court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people’s court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court’s examination according to the principle of reciprocity, unless among other exceptions, the people’s court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

The Company Law of the PRC, Trial Measures and Guidelines for Articles of Association

A joint stock limited company established in the PRC seeking a listing on The HKSE is mainly subject to the following laws and regulations of the PRC.

The Company Law of the PRC (《中華人民共和國公司法》) (the “**Company Law**”) was promulgated by the SCNPC on December 29, 1993 and came into effect on July 1, 1994. It was last amended on December 29, 2023 and has taken effect on July 1, 2024.

The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Trial Measures**”) and relevant guidelines promulgated by the CSRC on February 17, 2023 and came into effect on March 31, 2023, and were applicable both direct and indirect overseas share subscription and listing of domestic enterprises. The Trial Measures also set out the filing and administration methods and regulatory requirements for the overseas issuance of securities and listing of domestic enterprises.

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On March 28, 2025, the CSRC newly promulgated Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) (the “**Guidelines for Articles of Association**”), which came into effect on the same date. Pursuant to the Trial Measures and its supporting Guidelines for the Application of Regulatory Rules — Overseas Issuance and Listing Category No.1 (《監管規則適用指引 — 境外發行上市類第1號》), domestic enterprises that directly issue and list overseas shall formulate articles of association and standardize corporate governance with reference to the Guidelines for Articles of Association and other relevant provisions of the CSRC on corporate governance.

Set out below is a summary of the major provisions of the Company Law, the Trial Measures and the Guidelines for Articles of Association which are applicable to our Company.

General Provisions

A joint stock limited company means a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares they have subscribed for and the liability of a company is limited to the full value of all the property owned by it.

A joint stock limited company must conduct its business in accordance with laws and administrative regulations. A joint stock limited company may invest in other enterprises, and its liabilities to such invested companies shall be limited to the amount of its subscribed capital contribution. Unless otherwise provided by laws, a joint stock limited company cannot be the capital contributor who has the joint liabilities associated with the debts of the invested enterprises.

Incorporation

A joint stock limited company may be established by means of promotion or stock floatation.

To establish a joint stock limited company, there shall be not less than 1 but not more than 200 promoters, more than half of whom shall have their domiciles within the territory of the PRC.

Promoters of a joint stock limited company established by means of stock floatation shall, within 30 days after full payment has been made for the shares to be issued at the time of establishment, hold an establishment meeting of the company. The promoters shall notify each subscriber of the date of the meeting or make a public announcement 15 days before the meeting is held. The establishment meeting may not be held unless the promoters or subscribers who hold more than half of the voting rights attend the meeting. At the establishment meeting, matters to be considered shall include the adoption of articles of association and the election of members of the board of directors and the board of supervisors of a company. The resolutions made at the establishment meeting shall be passed by more than half of the voting rights held by subscribers present at the meeting.

Within 30 days after the conclusion of the establishment meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the joint stock limited company. A company is formally established and has the status of a legal person after the business license has been issued by the relevant registration authority.

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Registered Capital

A shareholder may make capital contributions in currency, or in kind, intellectual property, land use right, stock rights, creditor’s rights or other non-monetary property that may be assessed in currency and transferred according to law, except the property that may not be used as capital contributions according to any law or administrative regulation. Non-monetary properties contributed as capital shall be valued and verified, and shall not be over-valued or under-valued. Where laws or administrative regulations have provisions on valuation, such provisions shall prevail.

The share transfer by a shareholder shall be conducted on a lawfully established stock exchange or by any other means as prescribed by the State Council.

Registered shares may be transferred by endorsement of shareholders or by other means stipulated by laws or administrative regulations.

Increase in Share Capital

Under the Company Law, in the case of a joint stock limited company issuing new shares, resolutions shall be passed at the general meeting in respect of the class and number of new shares, the issue price of the new shares, the commencement and end dates for the issuance of new shares and the class and number of the new shares proposed to be issued to existing shareholders, if any. If no par value stock is issued, the proceeds from the issuance of new shares shall be included into the registered capital. Additionally, if a company intends to make public offering of shares, it is required to complete the registration with the securities regulatory authority of the State Council and announces the document.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

- (i) to prepare a balance sheet and a property list;
- (ii) a company makes a resolution at the general meeting to reduce its registered capital;
- (iii) a company shall inform its creditors within 10 days and publish an announcement in newspapers or the National Enterprise Credit Information Publicity System within 30 days after the approval of resolution of reducing registered capital at the general meeting;
- (iv) the creditors shall have the right to require a company to repay its debts or provide corresponding guarantees within 30 days after receiving the notice or within 45 days after the announcement if the creditors have not received the notice;
- (v) when a company reduces its registered capital, it shall register the change with a company registration authority in accordance with the law.

When a company reduces its registered capital, it must reduce the amount of capital contribution or shares in proportion to the capital contribution or shares held by the shareholders, unless otherwise prescribed by any law, or agreed upon by all the shareholders of a limited liability company, or as specified in the articles of association of a joint stock limited company.

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Share Buy-Back

Under the Guidelines for Articles of Association, a joint stock limited company shall not acquire its own shares, except for any following circumstances: (i) where the company's registered capital is reduced; (ii) where it merges with another company holding its shares; (iii) where its shares are used for employee stock ownership plan or equity incentives; (iv) where any shareholder, who raises objections to the resolution of the shareholders' general meeting on the merger or division of the company, requests the company to purchase its shares; (v) where its shares are used for converting the corporate bonds into convertible stocks issued by the listed company; and (vi) it is necessary for a listed company to maintain its company value and its shareholders' equity.

The acquisition of shares of a company for reasons specified in the case of items (i) to (ii) above shall be subject to the resolution of the general meeting; the purchase of shares of a company for reasons specified in the case of items (iii), (v) and (vi) above shall be subject to the resolution of the board meeting attended by more than two-thirds of the directors in accordance with the articles of association or the authorization from the general meeting.

Following the acquisition by a company of its own shares, such shares shall be canceled within 10 days from the date of acquisition in the case of item (i) above; such shares shall be transferred or canceled within six months in the case of items (ii) and (iv) above; the numbers of share repurchased shall not exceed 10% of the total issued shares of the company, and shall be transferred or canceled within 3 years in the case of items (iii), (v) and (vi) above.

A listed company shall perform its information disclosure obligations in accordance with the provisions of the Securities Law when acquiring its own shares. The acquisition by a listed company of its own shares in circumstances as set out in items (iii), (v) and (vi) shall be conducted through open centralized trading. A company shall not accept its own shares as the subject of pledge.

Transfer of Shares

Shares held by a shareholder may be transferred according to the law and regulations. Under the Company Law, a shareholder should affect a transfer of his/her shares through a legally established stock exchange or by any other means as required by the State Council.

No changes to the register of members arising from the transfer of registered shares shall be made within 20 days prior to the convening of a general meeting of shareholders or within 5 days prior to the record date for the distribution of dividends. Where it is otherwise provided for in any law for the modification of the register of members of a listed company, such provisions shall prevail.

Under the Company Law, shares issued by a joint stock limited company prior to the public offering of shares shall not be transferred within one year from the date on which the shares of a company are listed and traded on a stock exchange. Directors, supervisors and senior management of the company should declare to the company the shares they hold and the changes thereof. During their terms of office, they shall not transfer more than 25% of the total number of shares held by them in the company each year. They shall not transfer the shares they hold within one year from the date on which the shares of a company are listed and traded on a stock exchange, nor within half a year after their resignation from their positions with a company.

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Shareholders

Under the Company Law and Guidelines for Articles of Association, the rights of shareholders of ordinary shares of a joint stock limited company include: (i) to attend or appoint a proxy to attend shareholders' general meetings and to exercise voting rights; (ii) to transfer shares in accordance with laws, administrative regulations and the provisions of the articles of association; (iii) to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquiries on the company's operations; (iv) to petition the people's court to revoke any resolution passed on a shareholders' meeting or a meeting of the board of directors that the contents of which is in violation of the articles of association, provided that such petition shall be submitted within 60 days of the passing of such resolution, except where the procedures for convening a shareholders' meeting or a meeting of the board of directors or the voting method only has some minor defects, which produces no substantial effect on the resolution; (v) to receive dividends and other forms of distributions in proportion to their shareholdings; (vi) in the event of the termination or liquidation of a company, to participate in the distribution of remaining assets of the company in accordance with the number of shares held; (vii) any other shareholders' rights provided for in laws, administrative regulations, other normative documents and the articles of association.

The obligations of shareholders include the obligation to abide by the articles of association, to pay the subscription monies in respect of the shares subscribed for by way of capital contribution, to be liable for the company's debts and liabilities to the extent of the numbers of shares subscribed, and any other shareholder obligation specified in the articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law. Under the Company Law, the shareholders' meeting shall exercise the following major functions and powers: (i) to elect and replace directors and supervisors (excluding employees' representatives) and to decide on matters relating to the remuneration of directors and supervisors; (ii) to examine and approve reports of the board of directors; (iii) to examine and approve reports of the board of supervisors; (iv) to examine and approve a company's profit distribution plans and loss recovery plans; (v) to resolve on the increase or reduction of a company's registered capital; (vi) to resolve on the issuance of corporate bonds; (vii) to resolve on the merger, division, dissolution, liquidation of a company and other matters; (viii) to amend the articles of association; (ix) other functions and powers specified in provision of the articles of association.

Under the Guidelines for Articles of Association, an annual shareholders' general meeting shall be held every year. An extraordinary general meeting is required to be held within two months after the occurrence of any of the following circumstances: (i) the number of directors is less than the number stipulated in the Company Law or less than two-thirds of the number specified in the articles of association; (ii) when the unrecovered losses of a company amount to one-third of the total paid-up share capital; (iii) shareholders individually or in aggregate holding 10% or more of the company's shares request to convene an extraordinary general meeting; (iv) when deemed necessary by the board of directors; (v) the board of supervisors proposes to convene the meeting; (vi) other circumstances as stipulated in the articles of association.

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Under the Company Law, the shareholders' general meeting shall be convened by the board of directors and presided over by the chairman of the board of directors. If the chairman is unable or fails to perform his/her duties, the meeting shall be presided over by the vice chairman. If the vice chairman is unable or fails to perform his/her duties, the meeting shall be presided over by a director jointly elected by more than half of the directors.

If the board of directors is unable or fails to perform the duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over the meeting. If the board of supervisors fails to convene and preside over the meeting, shareholders representing more than one-tenth of the voting rights may convene and preside over the meeting themselves.

Notice of a shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting.

Under the Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, except class shareholders. Shares held by the company itself are not entitled to any voting rights.

The cumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting in accordance with the provisions of the articles of association or the resolutions of the shareholders' general meeting. Under the cumulative voting system, each share shall have the same number of voting rights as the number of directors or supervisors to be elected at the shareholders' general meeting, and shareholders may consolidate their voting rights when casting a vote.

Under the Company Law, resolutions made at the shareholders' general meeting shall be passed by more than half of the voting rights held by the shareholders present the meeting. However, resolutions made at the shareholders' general meeting concerning the following matters shall be passed by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) increase or reduction of the registered capital; (iii) merger, division, dissolution, liquidation or change of corporate form of the company; (iv) other circumstances as provided for in the articles of association.

Board of Directors

Under the Company Law, a joint stock limited company shall have a board of directors, which consists of more than three members. Members of the board of directors may include employees' representatives, who shall be democratically elected by employees through the employees' representative congress, employees' congress or by other means.

The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. An outgoing director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of director results in the number of directors being less than the quorum.

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Under the Company Law, the board of directors exercises the following major functions and powers: (i) to convene shareholders' general meetings and report its work to shareholders' general meetings; (ii) to implement the resolutions of the shareholders' general meeting; (iii) to decide on a company's business plans and investment plans; (iv) to formulate a company's profit distribution plans and loss recovery plans; (v) to formulate proposals for the increase or reduction of a company's registered capital and the issue of corporate bonds; (vi) to formulate plans for merger, division, dissolution or change of corporate form of a company; (vii) to decide on the internal management structure of a company; (viii) to decide on the appointment or dismissal of the manager of a company and his/her remuneration; to decide on the appointment or dismissal of the deputy manager and financial officer of a company based on the nomination of the manager and as well as remuneration; (ix) to formulate a company's basic management system; (x) other functions and powers specified in the articles of association or granted by the shareholders' general meeting.

Board Meetings and Chairman of the Board of Directors

Under the Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than one-tenth of the voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization.

Directors shall be liable for the resolutions of the board of directors. If a resolution of the board of directors violates the laws, administrative regulations or the articles of association or resolutions of the shareholders' general meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the Company Law, the board shall have a chairman and may have vice chairmen. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall summon and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing, or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing, or is not performing his/her duties, a director jointly elected by more than half of the directors shall perform his/her duties.

Qualifications of Directors

Under the Company Law, the following persons are prohibited from acting as a director of a company: (i) any person who lacks civil capacity or has limited civil capacity; (ii) any person who has been convicted of criminal offences involving corruption, bribery, embezzlement or misappropriation of

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property, or disruption of the socialist market economic order, or who has been deprived of political rights as a result of a criminal offence, where less than five years have elapsed since the completion of the sentence, or, in the case of a suspended sentence, where less than two years have elapsed since the expiration of the suspension period; (iii) any person who previously served as a director, factory director or manager of a company or enterprise that has undergone bankruptcy liquidation and who bore personal responsibility for such bankruptcy, where less than three years have elapsed since the completion of the bankruptcy liquidation; (iv) any person who previously served as the legal representative of a company or enterprise whose business licence has been revoked and which has been ordered to cease operations due to violations of law, where such person bore personal responsibility for the revocation and less than three years have elapsed since the date of revocation; or (v) any person who has been listed by a people's court as a dishonest person subject to enforcement due to failure to satisfy a relatively large amount of due debts.

Board of Supervisors

Under the Company Law, a joint stock limited company may have a board of supervisors which shall comprise three members or more. The members of the board of supervisors shall include shareholders' representatives and an appropriate proportion of employees' representatives of the company, among which the proportion of the employees' representatives shall not be lower than one third, and the actual proportion shall be stipulated in the articles of association. The employees' representatives who serve as members of the board of supervisors shall be democratically elected by employees through the employees' representative congress, employees' congress or by other means.

The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor shall be three years. Upon expiration of a term, a supervisor shall be eligible for re-election and may serve consecutive terms. Where a re-election is not conducted in a timely manner upon the expiration of a supervisor's term of office, or where the resignation of supervisors results in the number of supervisors falling below the statutory quorum, the outgoing supervisor shall continue to perform the duties of a supervisor in accordance with applicable laws, administrative regulations and the articles of association until a duly re-elected or newly appointed supervisor assumes office.

The board of supervisors exercises the following powers: (i) to review the company's financial position; (ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the articles of association or the resolutions of shareholders' general meeting; (iii) when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts; (iv) to propose the convening of extraordinary shareholders' general meetings and to convene

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and preside over shareholders’ general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders’ general meeting under the Company Law; (v) to initiate proposals for resolutions to shareholders’ general meeting; (vi) to initiate proceedings against directors and senior management pursuant to Article 189 of the Company Law; and (vii) other powers specified in the articles of association.

On December 27, 2024, the CSRC promulgated the Transitional arrangements relating to the implementation of the rules under the new Company Law (關於新《公司法》配套制度規則實施相關過渡期安排), listed companies shall, before January 1, 2026, in accordance with the provisions of the Company Law, the Provisions of the State Council on Implementation of the Registered Capital Management System under the Company Law of the PRC (《國務院關於實施〈中華人民共和國公司法〉註冊資本登記管理制度的規定》) and the supporting rules of the CSRC, provide in the articles of association for the establishment of an audit committee in the board of directors, exercising the powers and functions of the supervisory board as stipulated in the Company Law, the listed companies will then have no supervisory board or supervisors. Before a listed company adjusts the establishment of the company’s internal supervisory body, the supervisory board or supervisors shall continue to comply with the provisions in the original rules of the CSRC.

The Powers of Manager and Senior Management

Pursuant to the Guidelines for Articles of Association, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers: (i) to preside over the production, operation, and management of the company, implement the resolutions of the board of directors, and report to the board of directors; (ii) to arrange for the implementation of the company’s annual business plans and investment proposals; (iii) to draft proposals for the establishment of the company’s internal management structure; (iv) to formulate the fundamental management system of the company; (v) to formulate the company’s specific rules and regulations; (vi) to propose to the board of directors the appointment or dismissal of the company’s deputy manager(s) and person-in-charge of finance; (vii) to decide on the appointment or dismissal of management personnel (other than those required to be appointed or dismissed by the board of directors); and (viii) other powers and duties granted by the articles of association of the company or the board of directors. The manager shall attend board meetings.

According to the Company Law, senior management shall mean the manager, deputy general manager(s), person-in-charge of finance, board secretary of a listed company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Under the Company Law, directors, supervisors, and senior management owe fiduciary and diligent duties to the company. They shall take measures to avoid conflicts of interest between their personal interests and those of the company, and shall not seek any improper interests by taking advantage of their position or powers. The directors, supervisors and senior management shall assume the duty of diligence to the company. When performing their duties, they shall, for the best interests of the company, exercise the reasonable care that shall be generally possessed by a manager.

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Directors, supervisors, and senior management personnel shall not engage in any of the following acts: (i) embezzling the property or misappropriating the funds of the company; (ii) depositing company funds into an account under his own name or in the name of other individuals; (iii) giving bribes or accepting any other illegal proceeds by taking advantage of his power; (iv) accept and possess commissions paid by a third party for transactions conducted with the company; (v) unauthorized divulgence of confidential business information of the company; or (vi) other acts in breach of their obligation of loyalty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Finance and Accounting

Under the Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the Company Law, a joint stock limited company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. A joint stock limited company that has publicly issued shares shall announce its financial accounting report.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions. After allocation of the statutory common reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary common reserve fund from after-tax profits. After the company has made up its losses and allocated after-tax profits to the statutory reserve fund, the remaining after-tax profits shall be distributed as follows: for a limited liability company, profits shall be distributed in proportion to the capital contributions actually paid by the shareholders, unless otherwise agreed upon by all shareholders; for a joint stock limited company, profits shall be distributed in proportion to the shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the company shall not be entitled to any distribution of profit.

The premiums received by a company from the issuance of shares at an issue price in excess of the par value of the shares, the amount of share proceeds from the issuance of no-par shares that have not been credited to the registered capital, and other items required by the financial department of the State Council to be included in the capital reserve shall be classified as the capital reserve of the company.

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The reserve of a company shall be used for making up losses, expanding the production and business scale or increasing the registered capital of the company. Where the reserve of a company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions. Where the statutory reserve is converted to increase registered capital, the amount of such reserve retained shall not be less than 25% of the registered capital of the company prior to the conversion.

No company may keep any accounting books other than the statutory accounting books. No account shall be opened in the name of any individual for the deposit of a company's funds.

Appointment and Dismissal of Accounting Firms

Pursuant to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting, board of directors or board of supervisors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting, board of directors or board of supervisors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

Distribution of Profits

According to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. If such amendments involve registered items of the company, they must be registered with the relevant authorities in accordance with applicable laws.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business licence is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

If the company falls under circumstances (i) or (ii) above and has not yet distributed its assets to shareholders, it may carry on its existence by amending its articles of association or through a resolution of the shareholders' meeting. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

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Where the company is dissolved pursuant to sub-paragraphs (i), (ii), (iv) or (v) above, the directors, who are the liquidation obligors of the company, shall form a liquidation group to carry out liquidation within 15 days from the date of occurrence of the cause of dissolution.

The liquidation group shall be composed of directors, unless otherwise stipulated in the articles of association or resolved by the shareholders' meeting to appoint other persons. If a liquidation group is not established within the stipulated period to conduct liquidation, or if after its establishment, liquidation is not carried out, interested parties may apply to a people's court to designate relevant persons to form a liquidation group to conduct liquidation. The people's court shall accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period: (i) to handle the company's assets and to prepare a balance sheet and an inventory of the assets; (ii) to notify creditors through notice or public announcement; (iii) to deal with the company's outstanding businesses related to liquidation; (iv) to pay any tax overdue as well as tax amounts arising from the process of liquidation; (v) to claim credits and pay off debts; (vi) to distribute the remaining property after all the debts of the company have been paid off; and (vii) to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within ten days as of its formation and shall make a public announcement in the newspaper or on the National Enterprise Credit Information Publicity System within 60 days. The creditors shall file their proofs of claim with the liquidation group within 30 days as of the receipt of the notice or within 45 days as of the issuance of the public announcement in the case of failing to receive such notice. When filing a proof of claim, the creditor shall describe the relevant matters of claim and provide the relevant evidentiary materials. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages owed to employees, social insurance expenses and statutory compensation, payment of outstanding taxes, and settlement of the company's debts, shall be distributed as follows: for a limited liability company, distribution shall be made in proportion to the shareholders' capital contributions; for a joint stock limited company, distribution shall be made in proportion to the shares held by the shareholders.

A company shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it shall file an application to a people's court for bankruptcy liquidation. After the people's court accepts the application for bankruptcy, the liquidation group shall hand over the liquidation matters to the bankruptcy administrator designated by the people's court.

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Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders’ general meeting or the people’s court for verification. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company’s registration.

Members of the liquidation group shall perform their liquidation duties with loyalty and diligence. Any member of the liquidation group who neglects to fulfill his liquidation duties, thus causing any loss to the company shall be liable for compensation, and any member of the liquidation group who cause any loss to any creditor due to his intentional or gross negligence shall be liable for compensation.

Merger and Division

According to the Company Law, the merger of the company may take the form of either merger by absorption or merger by new establishment. In case of merger by absorption, a company absorbs any other company and the absorbed company is dissolved. In case of merger by new establishment, two or more companies merge into a new one and the parties to the merger are dissolved.

Overseas Listing

In accordance with the Trial Measures, a domestic Chinese company seeking an overseas listing shall submit applications to the CSRC through the required administrative filing procedures stipulated under the Trial Measures.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the draughting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the draughting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On 25 December 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

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The Securities Law of the People’s Republic of China (the “**Securities Law**”) (《中華人民共和國證券法》), revised by the SCNPC on December 28, 2019, and effective from March 1, 2020, encompasses a series of provisions regulating, among other things, the issuance and trading of securities in China, the acquisition of listed companies, securities exchanges, securities companies, and the duties and responsibilities of the State Council’s securities regulatory authority. The Securities Law comprehensively governs activities in China’s securities market. The Securities Law stipulates that domestic enterprises issuing securities overseas directly or indirectly, or listing their securities for trading overseas, shall comply with the relevant regulations of the State Council. Currently, the issuance and trading of shares overseas are primarily governed by rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

Pursuant to the Arbitration Law of the People’s Republic of China (the “**Arbitration Law**”) (《中華人民共和國仲裁法》), revised by the SCNPC on September 1, 2017, and effective from January 1, 2018, the Arbitration Law applies to foreign-related economic disputes where the parties have concluded a written agreement to submit the matter to an arbitration commission established in accordance with the Arbitration Law. Prior to the formulation of arbitration rules by the China Arbitration Association, arbitration commissions may formulate provisional arbitration rules in accordance with the Arbitration Law and relevant provisions of the Civil Procedure Law of the People’s Republic of China. Where parties have agreed to resolve disputes through arbitration, a people’s court shall not accept a case initiated by one party regarding the same dispute. The Arbitration Law of the People’s Republic of China was further revised on September 12, 2025, after deliberation and adoption by the SCNPC, and will come into effect on March 1, 2026.

Under the Arbitration Law, an arbitral award is final and binding on all parties involved in the arbitration. If one party fails to comply with the award, the other party may apply to a people’s court for enforcement of the arbitral award in accordance with the Civil Procedure Law of the People’s Republic of China. If any arbitration procedure is conducted in violation of the law, such as where the composition of the arbitration commission contravenes statutory procedures, the matters addressed in the award fall outside the scope of the arbitration agreement, or the arbitration commission lacks jurisdiction over the dispute, the people’s court may rule not to enforce the arbitral award rendered by the arbitration commission. If a party seeks to enforce an arbitral award made by a foreign-related arbitration commission against another party whose domicile or assets are not within the territory of the People’s Republic of China, the party shall apply to a competent foreign court for recognition and enforcement of the award. Similarly, a people’s court may recognize and enforce arbitral awards made by foreign arbitration institutions based on the principle of reciprocity or any international treaties concluded or acceded to by China.

Under the Arrangement of the Supreme People’s Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》), promulgated by the Supreme People’s Court on January 24, 2000, and effective from February 1, 2000, and the Supplementary Arrangement of the Supreme People’s Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》), promulgated on November 26, 2020, and effective from November 27, 2020, arbitral awards made by arbitration institutions in mainland China can be enforced in Hong Kong, and arbitral awards made in Hong Kong can be enforced in mainland China.

APPENDIX V SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY

This appendix contains a summary of the principal provisions of the Company’s Articles of Association as adopted on January 28, 2026. The Articles of Association will become effective on and be implemented on the date on which the Company’s [REDACTED] shares (H shares) are [REDACTED] on the Hong Kong Stock Exchange. The main purpose of this appendix is to provide potential [REDACTED] with an overview of the Company’s Articles of Association and It may not necessarily contain all information that is important to potential [REDACTED].

ISSUE OF SHARES

The Company’s shares shall be in the form of share certificates.

The shares of the Company shall be issued in accordance with the principles of open, fairness and justice. Each share of the same class shall carry the same rights. The issuance conditions and price per share of the same class in the same issuance shall be the same; the price per share to be paid for subscription for by subscribers shall be the same.

The par value shares issued by the Company shall be denominated in Renminbi.

INCREASE, DECREASE, REPURCHASE AND TRANSFER OF SHARES

Increase and Decrease of Shares

Subject to its needs of business and development, the Company may increase the capital in accordance with the requirements of laws and regulations, and securities regulatory rules of the place where the Company’s shares are listed and resolutions approved by the general meetings, by way of the following:

- (1) Offering of shares to untargeted subscribers;
- (2) Offering of shares to targeted subscribers;
- (3) Distributing bonus shares to existing shareholders;
- (4) Converting the common reserve fund to share capital;
- (5) Other methods permitted under the laws, administrative rules and by the securities regulatory authorities in the place where the Company’s shares are listed.

The Company may reduce its registered capital. If the Company reduces its registered capital, such reduction shall be in accordance with the requirements of the Company Law, other related regulations and the procedures stated in the Articles of Association.

Repurchase of Shares

The Company may not acquire its own shares, except in any of the following circumstances:

- (1) Reduction of the Company’s registered capital;
- (2) Merger with other companies that hold the Company’s shares;

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- (3) Applying the shares for the purpose of employees' stock ownership plans or share incentives;
- (4) As a request for repurchase of shares by the shareholders who disagree with a resolution passed at a general meeting concerning the Company's merger or demerger;
- (5) Use of shares for conversion of convertible corporate bonds issued by the listed company;
- (6) Such circumstances as shall be necessary for listed company to safeguard the value of the listed company and shareholders' interests;
- (7) Other circumstances under which the Company may acquire its own shares in accordance with laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed, and the Articles of Association.

The Company may adopt centralized trading or other means recognized by the laws, administrative regulations and the securities regulatory authority and the stock exchanges in the place where the Company's shares are listed to repurchase its shares. Where the Company acquires its shares pursuant to clauses (3), (5) or (6) above, it shall be conducted through public centralized bidding.

In the event where the Company acquires its shares pursuant to Article 24(1) or 24(2), it shall be subject to a resolution passed at the general meeting. The Company's acquisition of its shares pursuant to (3), (5) or (6) above may, provided that it complies with the applicable securities regulatory rules of the place where the Company's shares are listed, be subject to the resolution passed at a meeting of the Board at which more than two thirds of the directors are present.

For A Shares, after the Company has acquired its shares pursuant to Article 24, cancellation should be effected within 10 days from the date of acquisition in the case of clause (1); transfer or cancellation shall be effected within six months in the case of clause (2) and (4). In the case of clause (3), (5) and (6), shares of the Company held by the Company in aggregate shall not exceed 10% of the total number of shares in issue of the Company, and transfer or cancellation shall be effected within three years. For H Shares, where there are separate provisions regarding matters related to share repurchases in laws, regulations, or the securities regulatory authorities securities regulatory authority in the place where the Company's shares are [REDACTED], such provisions shall prevail.

Transfer Of Shares

The transfer of the Company's shares shall be conducted in accordance with the provisions of laws, regulations, the securities regulatory rules of the place where the Company's shares are listed, and the Company's Articles of Association.

The Company shall not accept the Company's shares as a subject of a charge.

Shares already issued before the public offering of A Shares by the Company shall not be transferable within one year from the date of listing of the Company's A Shares on the stock exchange. Directors and senior management officers of the Company shall report to the Company their shareholdings in the Company (including preferred shares) and changes therein. Shares transferable during the term of office determined upon appointment shall not exceed 25% of the total number of the Company's shares of the same class held by them. The shares of the Company held by the aforesaid

APPENDIX V	SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY
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persons shall not be transferred within one year from the day when the shares of the Company started to be [REDACTED] and [REDACTED] in the stock exchanges. The aforesaid persons shall not transfer the shares in the Company held by them within half a year from the date on which their resignation from the Company comes into effect.

Shareholders, directors, or senior management officers holding more than 5% of the Company's shares, if selling the shares of the Company held or other equity securities held by them within six months after acquisition or buying back the shares within six months after selling, the profits from these transactions shall belong to the Company, and the board of directors shall reclaim the profits. However, this does not apply to securities companies holding over 5% of the shares due to the purchase of remaining stocks after [REDACTED] and as well as other circumstances specified by the securities regulatory rules of the place where the Company's shares are [REDACTED].

Shares or other securities of an equity nature held by directors, senior management officers and natural person shareholders as mentioned in the preceding paragraph, including shares or other securities of an equity nature held by their spouses, parents, children, as well as shares held through others' accounts.

If the Company's board of directors fails to comply with the above provisions, shareholders are entitled to request the board of directors to comply within 30 days. If the Company's board of directors fails to comply within the aforementioned period, shareholders are entitled to file a lawsuit directly in their own name for the Company's interests in the People's Court.

SHAREHOLDERS AND GENERAL MEETINGS

Shareholders

The Company shall establish the register of shareholders according to the proof provided by the securities registration and clearing authority in the place where the Company's shares are listed, and the register of shareholders shall bear adequate evidence of the shareholders holding shares in the Company.

Shareholders of the Company are entitled to the following rights:

- (1) Receive dividends and other forms of interest distributions according to the proportion of shares held by them;
- (2) Request to convene, call, host, participate in a general meeting or appoint their proxies to attend such meeting pursuant to the law and exercise the corresponding voting rights;
- (3) Supervise the operations of the Company, make recommendations and raise queries;
- (4) Transfer, give as gift(s) or pledge their shares pursuant to the provisions of the laws, securities regulatory rules of the place where the Company's shares are listed, and the Company's Articles of Association;

APPENDIX V	SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY
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- (5) To inspect and reproduce the Articles of Association, register of shareholders, minutes of general meetings, resolutions of the meetings of the Board, and financial and accounting reports, and shareholders who satisfy the prescribed criteria may inspect the Company's accounting books and vouchers;
- (6) In the event of the cessation or liquidation of the Company, participate in the distribution of the Company's residual assets according to the proportion of their shares;
- (7) The shareholders disagreeing with the resolution on merger or demerger by the general meeting are entitled to request the Company to acquire their shares;
- (8) Other rights stipulated by the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

Shareholders who request to inspect or copy the aforesaid relevant materials of the Company shall present evidence to prove the class and amount of shareholding in writing, and shall comply with the provisions of the Company Law, the Securities Law and other applicable laws and administrative regulations, and the securities regulatory rules of the place where the Company's shares are listed.

When shareholders propose to review the relevant information mentioned in the preceding Article or request materials, they should provide written documentation to the Company proving the type and quantity of shares they held. Upon verifying the shareholder's identity by the Company, the Company may provide the information upon the request of shareholders. Shareholder(s) individually or collectively holding 3% or more of the shares of the Company for 180 consecutive days or more may request to inspect the accounting books and vouchers of the Company. If the shareholders request to inspect the accounting books and vouchers of the Company, such request shall be made to the Company in writing and state its purposes. If the Company, on reasonable grounds, considers that the shareholders are inspecting the accounting books and vouchers for improper purposes and may result in damage to the Company's legitimate interests, the Company may refuse the inspection and make written response to the shareholders stating its reasons within 15 days upon delivery of the written request by the shareholders. If the Company refuses the inspection, the shareholders may initiate legal proceedings in the People's Court in respect thereof.

Shareholders of the Company shall have the following obligations:

- (1) Comply with law, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed, and the Articles of Association;
- (2) Pay for the shares based on the shares subscribed and the method of subscription;
- (3) Cannot withdraw their share capital except as prescribed by the law or administrative regulations;
- (4) Cannot abuse his rights as a shareholder to harm the Company's or other shareholders' interests; cannot abuse the legal personality of the Company and the limited liability of the shareholders to harm the interests of creditors of the Company;

APPENDIX V	SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY
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- (5) Other responsibilities required by laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed, and the Articles of Association.

A shareholder who abuses his shareholders' rights resulting in losses to the Company and other shareholders shall compensate according to the law. Shareholders who abuse the legal personality of the Company and limited liability of shareholders in order to escape from liability, thereby seriously damaging the interests of creditors of the Company, shall jointly and severally be responsible for the Company's debts.

General Meeting

The general meeting of the Company shall be composed of all shareholders. The general meeting shall be the organ of authority of the Company and shall exercise following functions and powers according to law:

- (1) Elect and replace directors and make decisions on matters in relation to the remuneration of the relevant directors;
- (2) Review and approve the reports of the Board;
- (3) Review and approve the profit distribution plan and loss compensation plan of the Company;
- (4) Decide on increasing or reducing the registered capital of the Company;
- (5) Pass resolutions on the issuance of bonds by the Company;
- (6) Decide on merger, demerger, spin-off, winding up, liquidation or changing the form of the Company;
- (7) Amend the Articles of Association;
- (8) Pass resolutions on the appointment and dismissal of accounting firms that undertake the Company's audit by the Company;
- (9) Review and approve the guarantee issues as prescribed in Article 48;
- (10) Review purchases and sales of significant assets within a year exceeding 30% of the latest audited total assets of the Company;
- (11) To examine and approve changes in the use of funds raised;
- (12) Review share incentive plans and employee share ownership scheme;
- (13) Review other matters to be approved at the general meeting as prescribed by the law, administrative regulations, departmental regulations, the securities regulatory rules of the place where the Company's shares are listed, or the Articles of Association.

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The general meeting may authorize the Board to make resolutions on the issuance of corporate bonds. Except as otherwise provided by laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed, or rules of the stock exchanges, the powers of the general meeting as described above shall not be exercised by the board of directors or any other body or individual through delegation.

The following external guarantees of the Company must be reviewed and passed at the general meeting.

- (1) Any subsequent guarantee in addition to the aggregate of all external guarantees provided by the Company or its controlled subsidiary with a total amount arrived at or more than 50% of the Company's latest audited net assets;
- (2) Any subsequent guarantee in addition to the aggregate of all external guarantees provided by the Company with a total amount arrived at or more than 30% of the Company's latest audited total assets;
- (3) To provide guarantee to entities with more than 70% debt equity ratio;
- (4) A single guarantee whose amount exceeds 10% of the latest audited net assets;
- (5) To provide guarantee to others by the Company within 1 year with an amount exceeding 30% of the latest audited total assets of the Company;
- (6) The guarantee provided to shareholders, de facto controller(s) and their related parties;
- (7) Other guarantees to be submitted to a general meeting for approval under the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed, or the Articles of Association.

When the general meeting reviews the provision of guarantee under clause (5) of the preceding paragraph, the resolution shall require approval by two-thirds or more of the voting rights held by the shareholders present at the meeting.

Where the general meeting or board of directors of the Company violates the aforementioned approval authority or deliberation procedures in providing external guarantees, thereby causing losses to the Company or other shareholders, the shareholders and directors bearing relevant responsibility shall be liable for corresponding compensation.

The general meetings shall include annual general meetings and extraordinary general meetings. Annual meetings shall be convened once a year and shall be held within six months from the end of the preceding financial year.

The Company shall convene an extraordinary general meeting within two months upon the occurrence of any of the following circumstances:

- (1) The number of directors is less than the number provided for in the Company Law or less than two-thirds of the minimum quorum prescribed in the Articles of Association;

APPENDIX V	SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY
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- (2) The losses of the Company that have not been made up reach one-third of the total share capital of the Company;
- (3) Shareholders who individually or collectively hold more than 10% of the shares of the Company require for such meeting;
- (4) Whenever the Board considers necessary;
- (5) When the Audit Committee proposes a meeting;
- (6) Other circumstances prescribed by the law, administrative regulations, departmental regulations, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

Convening of General Meeting

The Board shall convene the general meeting on time within the prescribed time limit.

Upon approval by more than half of all independent directors, the independent directors are entitled to propose an extraordinary general meeting to the Board. Concerning the above request, the Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, reply with a written opinion to state whether it agrees or disagrees to convene an extraordinary general meeting within 10 days upon receipt of the proposal. If the Board agrees to convene the extraordinary general meeting, it shall issue a notice of general meeting within 5 days upon making the decision. If the Board does not agree to convene an extraordinary general meeting, it shall explain the reasons and make an announcement accordingly.

The audit committee proposes an extraordinary general meeting to the Board, which shall be made in writing. Concerning the above request, the Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, reply with a written opinion to state whether it agrees or disagrees to convene an extraordinary general meeting within 10 days upon receipt of the proposal.

If the Board agrees to convene the extraordinary general meeting, it shall issue a notice of general meeting within 5 days upon making the decision. Any change made to the original proposals in the notice shall be agreed by the audit committee.

If the Board disagrees to convene the extraordinary general meeting, or does not reply within 10 days upon receipt of the proposal, it shall be deemed as failing or not discharging its duties to convene the general meeting. The audit committee shall then be entitled to convene and hold the meeting itself.

Shareholders holding 10% or more of the Company's shares (individually or together with others) are entitled to request for an extraordinary general meeting to the Board, which shall be made in writing. Within 10 days upon receipt of the above request, the Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, reply with a written opinion to state whether it agrees or disagrees to convene an extraordinary general meeting.

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If the Board agrees to convene the extraordinary general meeting, it shall issue a notice of general meeting within 5 days of the decision. Any changes made to the original request in the notice shall be agreed by the relevant shareholders.

If the Board disagrees to convene the extraordinary general meeting, or does not reply within 10 days upon receipt of the request. Shareholders holding 10% or more of the Company’s shares (individually or together with others) shall then be entitled to request for an extraordinary general meeting to the audit committee, which shall be made in writing.

If the audit committee agrees to convene the extraordinary general meeting, it shall issue a notice of general meeting within 5 days upon receipt of the request. Any changes made to the original request in the notice shall be agreed by the relevant shareholders.

If the audit committee does not issue the notice within the prescribed period, it shall be deemed as the audit committee not convening and not holding the general meeting. Shareholders holding 10% or more of the Company’s shares (individually or together with others) for 90 or more consecutive days shall then be entitled to convene and hold the meeting themselves.

Proposals of General Meeting

The contents of the proposals to be raised shall be within the scope of duties of the general meetings. It shall have a clear topic and specific matters to be resolved on, and shall be in compliance with relevant requirements of the laws, administrative regulations, the securities regulatory rules of the place where the Company’s shares are listed and the Articles of Association.

When a general meeting is held by the Company, the Board, audit committee or shareholders holding 1% or more of the Company’s shares (individually or together with others) may propose resolutions to the Company.

Shareholders holding 1% or more of the Company’s shares (individually or together with others) may submit ad hoc proposals in writing to the convener of the general meeting 10 days before the holding of the general meeting. The convener shall issue a supplementary notice of the general meeting within 2 days upon receipt of the proposals and announce the contents of the ad hoc proposals, and submit such ad hoc proposals to the general meeting for consideration, unless the ad hoc proposals are in violation of the laws, administrative regulation or the Articles of Association, or fail to fall into the scope of functions and powers of the general meeting. If, according to the securities regulatory rules of the place where the Company’s shares are listed, the general meeting must be postponed due to the issuance of a supplementary notice of the general meeting, the convening of the general meeting shall be postponed in accordance with the provisions of the said securities regulatory rules.

Except for circumstances provided in the above paragraph, the convener, after issuing the notice of the general meeting, shall neither revise the proposals stated in the notice nor add new proposals.

If a notice of general meeting does not specify the proposals or does not comply with the Articles of Association, no voting for decision should be held at the general meeting.

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Notice of General Meeting

The convener shall notify the shareholders by way of announcement 21 days prior to the date of the annual general meeting, and shall notify the shareholders by way of announcement 15 days prior to the date of the extraordinary general meeting. (Note: The date on which the meeting is to be held shall not be included when calculating the notice period.)

The notice of a general meeting shall, subject to compliance with all applicable laws, regulations and the securities regulatory rules of the place where the Company's shares are listed, be published on the Company's website or on the website designated by the Hong Kong Stock Exchange. If, according to the Articles of Association, an announcement is required to be made to holders of overseas listed foreign shares, such announcement shall also be published in the manner prescribed by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

Notice of the general meeting shall include the following:

- (1) Time, venue and duration of the meeting;
- (2) Specified matters and proposals to be deliberated at the meeting;
- (3) A clear explanation indicating that all holders of ordinary shares are entitled to attend the general meeting, or to appoint proxy(ies) in writing to attend and vote at the meeting on his or her behalf and that such proxies need not be shareholders of the Company;
- (4) Record date for shareholders who are entitled to attend the general meeting;
- (5) Name and telephone number of permanent the contact person for the affairs of the meeting;
- (6) the time and procedures for online or other means of voting.
- (7) other contents required by the laws, administrative regulations, departmental rules, the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, the securities regulatory rules of the place where the Company's shares are listed and other applicable provisions.

The notice and any supplementary notice of a general meeting shall fully and completely disclose the full and specific contents of all proposals.

After issuance of the notice of general meeting, the meeting shall not be postponed or cancelled without proper reasons and the proposals specified in the notice of general meeting shall not be withdrawn. In case of delay or cancellation, the convener shall make a public announcement giving reasons at least 2 business days before the scheduled date.

If the securities regulatory rules of the place where the Company's shares are listed contain specific provisions regarding the procedures for postponing or canceling a general meeting, such provisions shall prevail, provided that this does not contravene the regulatory requirements of the domestic jurisdiction.

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY

Holding of General Meeting

The Board and other conveners of the Company shall take necessary measures to ensure the orderly conduct of general meetings. Acts that disrupt a general meeting, provoke disturbances, or infringe upon the lawful rights and interests of shareholders shall be dealt with by taking measures to stop such acts and promptly reported to the relevant authorities for investigation and punishment.

All holders of ordinary shares registered in the register of members on the record date in accordance with the securities regulatory rules of the place where the Company’s shares are listed, or their proxies, are entitled to attend general meetings and to exercise their voting rights in accordance with applicable laws, regulations, the securities regulatory rules of the place where the Company’s shares are listed, and the Articles of Association (unless individual shareholders are required under the said securities regulatory rules to abstain from voting on specific matters). Shareholders may attend general meetings in person or appoint proxy(ies) to attend and vote on their behalf. Such proxy need not be a shareholder of the Company.

Where a general meeting requires directors or senior management to attend the meeting, such directors or senior management shall attend and respond to shareholders’ inquiries. Subject to compliance with the securities regulatory rules of the place where the Company’s shares are listed, the aforementioned persons may attend the meeting via online, video, telephone, or other means of comparable effect.

A general meeting shall be presided over by the Chairman of the Board. If the Chairman is unable or fails to perform his/her duties, the meeting shall be presided over by the Vice Chairman. If the Vice Chairman is unable or fails to perform his/her duties, the meeting shall be presided over by a director elected by a majority of the directors. A general meeting convened by the audit committee on its own shall be presided over by the convener of the audit committee. If the convener of the audit committee is unable or fails to perform his/her duties, the meeting shall be presided over by a member of the audit committee elected by a majority of the audit committee members. A general meeting convened by shareholders on their own shall be presided over by the convener or a representative nominated by the convener. If, during a general meeting, the presiding person violates the rules of procedure such that the meeting cannot proceed, a general meeting may, with the consent of shareholders holding more than half of the voting rights present at the meeting, one person may be elected to preside over the meeting, and the meeting shall continue.

The Company shall formulate rules of procedure for general meetings, specifying in detail the procedures for convening, holding, and casting votes at general meetings, including but not limited to notice, registration, deliberation of proposals, voting, vote counting, announcement of voting results, formation of meeting resolutions, minutes of the meeting and their signing, announcements, etc., as well as the principles of authorisation by the general meeting to the Board, where the content of authorisation shall be clear and specific. The rules of procedure for general meetings shall serve as an appendix to the Articles of Association, be drafted by the Board, and be approved by the general meeting.

APPENDIX V	SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY
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Voting at General Meetings

Resolutions of the general meeting include ordinary resolutions or special resolutions. Ordinary resolution at a general meeting shall be passed by more than one half of the voting rights held by shareholders (including their proxies) attending the general meeting. Special resolution at a general meeting shall be passed by more than two-thirds of the voting rights held by shareholders (including their proxies) attending the general meeting.

The following matters shall be passed by the general meeting by way of an ordinary resolution:

- (1) the work report of the Board;
- (2) the profit distribution and loss recovery plan proposed by the Board;
- (3) the appointment and removal of members of the Board, their remuneration and the payment methods thereof; and
- (4) other matters, except for those which are required by the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association to be passed by way of a special resolution.

The following matters shall be passed by the general meeting by way of a special resolution:

- (1) the increase or reduction of the registered capital of the Company;
- (2) the division, spin-off, merger, dissolution or liquidation of the Company;
- (3) any amendment to the Articles of Association;
- (4) the purchase or sale of material assets by the Company within one year or the guaranteed amount provided to others exceeding 30% of the latest audited total assets of the Company;
- (5) share incentive plan or employee stock ownership plan;
- (6) other matters which are required by the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association, and which are determined by the general meeting by way of an ordinary resolution as having a significant impact on the Company and thus requiring to be passed by way of a special resolution.

If, at any time, the shares of the Company are divided into different classes, any proposal to vary or void the rights attached to the shares of any class shall only be effective when it is passed by way of a special resolution at a separate class meeting convened by the holders of shares of that class.

APPENDIX V SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY

DIRECTORS AND BOARD OF DIRECTORS

Directors

Directors of the Company may include executive directors and non-executive directors. All independent non-executive directors shall also satisfy the independence requirements set out in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. Directors of the Company shall be individuals and shall possess the qualifications required by laws, administrative regulations, departmental rules and the securities regulatory rules of the place where the Company’s shares are listed. A person with any of the following circumstances shall not serve as a director of the Company:

- (1) has no civil capacity or has limited civil capacity;
- (2) has been subject to criminal penalties due to corruption, bribery, embezzlement or misappropriation of property or sabotaging the socialist market economic order, or has been deprived of his or her political rights due to any criminal conviction, where no more than 5 years have elapsed since the date of completion of the execution of such penalty or deprivation, or a period of 2 years has not yet elapsed since the date of expiration of the probation period in case of probation;
- (3) has served as a former director, the factory chief or the manager of a company or enterprise bankrupted or liquidated, and was held personally liable for the bankruptcy, and no more than 3 years have elapsed since the date of completion of the bankruptcy or liquidation of such company or enterprise;
- (4) has served as the legal representative of a company or enterprise whose business license was revoked or which was ordered to close down due to any violation of law, and was held personally liable for the revocation, and no more than 3 years have elapsed since the date of cancellation of business license or being ordered to close down;
- (5) has been listed as a dishonest person subject to enforcement by the people’s court due to his/her failure to pay off a relatively large sum of debt, which was not paid at maturity;
- (6) has been banned from entering the securities market by the CSRC, the Hong Kong Stock Exchange and other regulatory authorities and the time limit have not expired;
- (7) has been publicly determined by the stock exchange to be unsuitable to serve as a director and senior management officer of a listed company for a period which has not yet expired;
- (8) other circumstances stipulated by laws, administrative regulations, departmental rules, or securities regulatory rules of the place where the Company’s shares are listed.

The election or appointment of directors is in violation of the provisions in this Article, the said election, appointment or engagement shall be invalid. Where any of the circumstances herein happens to any director during his/her term of office, the Company shall remove him/her from such office and suspend him/her from performing his/her duties.

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Directors not appointed as employee representative directors shall be elected or replaced by the general meeting and may be removed from their positions before the expiration of their term. The term of office for directors is three years, and upon the expiration of their term, they may be re-elected in accordance with the securities regulatory rules of the place where the Company’s shares are listed. The terms of office of independent directors shall be the same as that of other directors of the listed company, and upon expiration of the term of office, they may be re-elected for consecutive terms, provided that such terms shall not exceed six years.

Board of Directors

The Company shall have a board of directors, which shall consist of 9 to 11 directors, including 1 employee representative director. 1 director shall be elected by the general meeting to handle the company’s affairs. The Company shall have 1 chairman and 1 vice chairman, who shall be elected by the Board with the affirmative votes of more than half of all directors. Independent directors shall not be less than one-third of the total number of Board members, among whom at least one independent director shall possess appropriate accounting or related financial management expertise, and at least 1 independent director shall ordinarily reside in Hong Kong.

The Board shall perform the following functions:

- (1) to convene the general meetings and report to the general meetings;
- (2) to implement the resolutions of the general meetings;
- (3) to determine business operation plans and investment proposals of the Company;
- (4) to formulate the plans for profit distribution and recovery of losses of the Company;
- (5) to formulate plans for increase or reduction of the registered capital of the Company, issuance of bonds or other securities and listing;
- (6) to formulate plans for major acquisitions, purchase of shares of the Company, merger, division, dissolution or changes in the form of the Company;
- (7) to determine the matters such as the Company’s external investment, purchase or sales of assets, asset pledge, external guarantee, entrusted wealth management, related transactions and external donation within the scope authorized by the general meeting;
- (8) to decide on the setup of the internal management organization of the Company;
- (9) to determine the appointment or dismissal of the president and secretary to the Board and other senior management officers of the Company, as well as to determine their remuneration and rewards and punishments; and based on the nomination of the president, to appoint or dismiss the vice president, the chief financial officer and other senior management officers of the Company, and to determine their remuneration, rewards and punishments;
- (10) to formulate the basic management systems of the Company;
- (11) to formulate plans for any amendments to the Articles of Association;

APPENDIX V	SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY
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- (12) to manage the disclosure of information of the Company;
- (13) to propose at the general meeting the appointment or replacement of the accounting firm that performs audit for the Company;
- (14) to receive the work report of the president of the Company and examine on the work of the president;
- (15) to decide on the Company repurchases its shares in circumstances specified to items (3), (5) and (6) of Article 24 of the Articles of Association;
- (16) to fulfill other duties and powers granted by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association or the general meeting.

Matters beyond the scope of authorization of the general meeting shall be submitted by the Board to the general meeting for deliberation.

Independent Directors

Independent directors shall, in accordance with the provisions of laws, administrative regulations, securities regulatory authorities of the place where the Company's shares are listed, the stock exchange and the Articles of Association, earnestly discharge their duties, play the role of participating in decision-making, monitoring and balancing, and providing professional consultation in the board of directors, safeguard the overall interests of the Company, and protect the legitimate rights and interests of minority shareholders.

Special Committees of the Board of Directors

The Board sets up audit, nomination, remuneration and appraisal, strategy and ESG committee and other special committees, which perform their duties in accordance with the Articles of Association and the authorization given by the Board. The proposals of the special committee shall be submitted to the Board for consideration and decision. All members of the special committees should be directors. Members of the audit committee shall be directors who do not serve as a senior management officer of the Company. More than half of the members shall be independent directors, and accounting professionals among the independent directors shall serve as the conveners. The majority of the members of the nomination committee, and the remuneration and appraisal committee shall be independent directors who also serve as the conveners. The Board shall be responsible for formulating the working regulations of the special committees and governing the operation of the special committees.

SENIOR MANAGEMENT OFFICERS

The Company shall have 1 president who shall be appointed or dismissed by the Board. The Company shall appoint 1 to 6 vice presidents who shall be appointed or dismissed by the Board. Senior management officers refer to the president, the vice president, the chief financial officer and the secretary of Board of the Company.

APPENDIX V	SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY
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The president shall be accountable to the Board and exercise the following functions and powers:

- (1) to manage the daily business operations of the Company, organize and implement the resolutions of the Board, and report to the Board;
- (2) to organize and implement the annual operational plan and investment plan of the Company;
- (3) to prepare the plan for the establishment of internal management of the Company;
- (4) to prepare the plan of the basic management system of the Company;
- (5) to formulate the specific rules of the Company;
- (6) to propose to the Board to appoint or dismiss the vice president, chief financial officer;
- (7) to decide to appoint or dismiss executives other than those appointed or dismissed by the Board;
- (8) to decide on the salaries, benefits, awards or punishment, appointment, dismissal or removal of the staff and workers of the Company;
- (9) to determine the matters such as external investment, purchase or sales of assets, loan approvals, asset pledge, entrusted wealth management and related transactions, provided that the transaction amount for each such transaction does not exceed 0.5% of the Company's most recent audited net assets; provided further that any matter exceeding the aforementioned limit shall be subject to the approval of the chairman or the Board.
- (10) such other functions and powers as authorized by the Articles of Association or the Board.

The president may be present at meetings of the Board.

The Company shall have a secretary to the Board, who shall be responsible for the preparation of the general meetings and the Board meetings of the Company, file keeping, the Company's shareholder information management, handling matters relating to information disclosure, etc. The secretary to the Board shall abide by the relevant requirements of laws, administrative regulations, departmental rules, and the Articles of Association.

Where senior management officers cause damage to others while performing their duties for the Company, the Company shall bear the liability for compensation; where senior management officers have intentional misconduct or gross negligence, they shall also bear the liability for compensation. If senior management officers, while performing their duties for the Company, violate the provisions of laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association, resulting in losses to the Company, they shall bear the liability for compensation.

APPENDIX V SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY

FINANCIAL ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT

Financial Accounting System

The Company shall establish its own financial accounting system in accordance with laws, administrative regulations, securities regulatory rules of the place where the Company’s shares are listed as well as the provisions of relevant national authorities.

The Company shall submit and disclose the annual report to the local branch of CSRC and the stock exchange where the Company’s shares are listed within 4 months after the end of each accounting year, and submit and disclose the interim report to the local branch of CSRC and the stock exchange where the Company’s shares are listed within 2 months after the end of the first half of each accounting year. In the event that the securities regulatory authorities at the places where the Company’s shares are listed make other provisions, such provisions shall prevail.

The above annual reports and interim reports shall be prepared in accordance with relevant laws, administrative regulations and the provisions of CSRC and the stock exchange where the Company’s shares are listed.

The Company shall not establish account books other than the statutory account books. The funds of the Company shall not be deposited in any personal account.

Profit Distribution

When allocating the after-tax profits of the current year, the Company shall allocate 10% of its profit to the statutory common reserve fund. In the event that the accumulated statutory common reserve fund of the Company has reached 50% or more of the registered capital of the Company, no allocation is needed.

In the event that the statutory common reserve fund of the Company is insufficient to offset the losses on the previous year(s), before allocating the statutory common reserve fund in accordance with the provisions of the preceding paragraph, the Company shall first offset the losses by using the profits of the current year.

After allocating the statutory common reserve fund from the after-tax profits of the Company, the Company can allocate the discretionary reserve fund from after-tax profits according to the resolution of general meeting.

After offsetting the losses and allocating the statutory common reserve fund, the remaining after tax profits shall be distributed in accordance with the proportion of shares held by the shareholders, unless it is stipulated in the Articles of Association that no profit distribution shall be made in proportion to shareholdings.

Where a general meeting distributes profits to shareholders in violation of the Company Law, the shareholders shall return the profits distributed in breach of the regulations to the Company; where such violation causes losses to the Company, the shareholders and the liable directors and senior management officers shall bear liability for compensation.

APPENDIX V SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY

The Company holding its own shares shall not participate in the profit allocation.

The Company shall appoint one or more payment receiving agents in Hong Kong for holders of H shares. The payment receiving agents shall receive and hold on behalf of such holders of H Shares any dividends allocated to H shares and other amounts payable by the Company, for future payments to such holders of H shares. The payment receiving agents appointed by the Company shall comply with laws, regulations and the provisions of the securities regulatory rules of the place where the Company’s shares are listed.

Internal Audit

The Company implements an internal audit system, with the leadership system, responsibilities and authorities, personnel allocation, financial guarantee, application of audit results and accountability for internal audit work defined.

The internal audit institution shall accept the supervision and guidance of the Audit Committee in the process of supervising and inspecting the Company’s business activities, risk management, internal control and financial information. When discovering any major issues or clues, the internal audit institution shall immediately report them directly to the Audit Committee.

The specific implementation and organization of the internal control evaluation of the Company shall be in charged by the internal audit institution. The Company issues the annual internal control evaluation report in terms of the evaluation report issued by the internal audit institution and deliberated by the Audit Committee as well as relevant materials.

Appointment of the Accounting Firm

The Company shall appoint the accounting firm complying with the laws, regulations, and securities regulatory rules of the stock exchange where the company’s shares are listed for the audit of accounting statements, verification of net assets and other relevant consultation services. The employment period is one year, and the employment can be renewed. The engagement or dismissal of accounting firms by the Company shall be decided by the general meeting. The Board of Directors shall not appoint an accounting firm before a decision is made at the general meeting.

The Company guarantees to provide the appointed accounting firm with true and complete accounting proof, accounting books, financial and accounting reports and other accounting materials and shall not refuse, conceal or falsify them.

The audit fees of accounting firms are determined by the general meeting.

When the Company dismisses or does not renew the employment of the accounting firm, it shall inform the accounting firm 15 days in advance. When the dismissal of the accounting firm is voted at the general meeting of the Company, the accounting firm is allowed to present its opinions.

If the accounting firm proposes to resign, it shall explain to the general meeting if there are any improper situations in the Company.

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase and Capital Reduction

A merger may be in the form of merger by absorption or merger by establishment of a new company. In the case of merger by absorption, the company being absorbed shall be dissolved. Merger by establishment of a new company shall refer to the establishment of a new company as a result of merger of two or more companies and dissolution of the merger parties.

In the event of merger, the merger parties shall enter into a merger agreement, and formulate a balance sheet and an inventory list for assets. The Company shall notify its creditors within 10 days from passing of the resolution on merger, and make an announcement on a designated newspaper, the National Enterprise Credit Information Publicity System, and the HKEXnews website of Hong Kong Stock Exchange (www.hkexnews.hk) within 30 days. Creditors may require the Company to repay the debts or to provide corresponding guarantee within 30 days from receipt of notification or within 45 days from the day of announcement if they do not receive notification. If the rules governing securities of the place where the shares of the company are listed have any other provisions, the relevant parties shall also comply with such provisions.

Upon merger, the creditor's rights and debts of the merger parties shall be succeeded by the Company which subsists after the merger or the newly-established Company.

In the event of division, assets of the Company shall be divided correspondingly. In the event of a division, a balance sheet and an inventory list for assets shall be prepared. The Company shall notify its creditors within 10 days from passing of the resolution on division, and make an announcement on a designated newspaper, the National Enterprise Credit Information Publicity System, and the HKEXnews website of Hong Kong Stock Exchange (www.hkexnews.hk) within 30 days. If the rules governing securities of the place where the shares of the company are listed have any other provisions, the relevant parties shall also comply with such provisions.

Changes in particulars of the companies as a result of merger or division must be registered with the registration authorities in accordance with the laws. Cancellation of a company shall be registered in accordance with the laws when a company is dissolved. Incorporation of a company shall be registered when a new company is incorporated in accordance with the laws. When increasing or reducing the registered capital, the Company shall register the changes with company registration authorities in accordance with the laws.

Dissolution and Liquidation

The Company shall be dissolved for any of the following reasons:

- (1) the expiration of the business period or other reasons for dissolution specified in the Articles of Association;
- (2) the general meeting adopts a resolution to dissolve the Company;
- (3) dissolution is required due to the merger or division of the Company;
- (4) the Company's business license is revoked, or it is ordered to close down or wind up in accordance with laws;

APPENDIX V	SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY
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- (5) where the Company gets into serious trouble in operation and management and its continuation may cause substantial losses to the interests of shareholders, and no solution can be found through any other channel, shareholders holding more than 10% of the voting rights of the Company may request the People's Court to dissolve the Company.

If the Company has any reasons for dissolution specified in the preceding paragraph, it shall publicize the reasons for dissolution through the National Enterprise Credit Information Publicity System and the HKEXnews website of Hong Kong Stock Exchange(www.hkexnews.hk) within ten days.

In case of any situation in the preceding paragraphs (1) and (2), and the property has not been distributed to shareholders, the Company may continue as a going concern by amending the Articles of Association or by resolution of the general meeting. Amendments to the Articles of Association in accordance with the provisions of the preceding paragraphs or by resolution of the general meeting shall be approved by more than two-thirds of the voting shares held by the shareholders attending the general meeting.

If the Company is dissolved pursuant to preceding paragraphs (1), (2), (4) and (5), it shall be liquidated. The directors shall be the obligors of the Company's liquidation and form a liquidation group to carry out liquidation within 15 days from the date when the cause of dissolution arises. The liquidation group is composed of directors, except as otherwise provided in the Articles of Association or as resolved by the general meeting to elect another person. The liquidation obligor shall be liable for compensation in case of failing to fulfill his/her liquidation obligations in a timely manner and causing losses to the Company or creditors.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

The Company shall amend the Articles of Association under any of the following circumstances:

- (1) following the amendment in the Company Law or the relevant laws, administrative regulations and securities regulatory rules of the place where the Company's shares are listed, the matters stipulated in the Articles of Association contradict provisions of the amended laws, administrative regulations and securities regulatory rules of the place where the Company's shares are listed;
- (2) change in the condition of the Company which makes it inconsistent with the content sets out in the Articles of Association;
- (3) the general meeting decides to amend the Articles of Association.

When a review and approval by the competent authority is required for the amendments to the Articles of Association passed by the general meetings, such amendments shall be submitted to the competent authority for approval. When an amendment to the Articles of Association involves registration, the Company shall also complete the registration of the amendment according to laws. The Board shall amend the Articles of Association according to the resolution of the general meeting on the amendment of the Articles of Association and the review and approval opinions of the competent authority. When the amendment to the Articles of Association contains information required to be disclosed by laws, regulations and securities regulatory rules of the place where the Company's shares are listed, the Company shall issue an announcement accordingly.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the PRC on February 12, 1999, and was converted into a joint stock limited company on October 25, 2001. Our Company completed the listing of our A Shares on the Shenzhen Stock Exchange (stock code: 002020) on July 15, 2004.

As of the date of this Document, our Company’s registered address and headquarters are located at No. 800 Xinchang East Road, Yulin Subdistrict, Xinchang, Zhejiang Province, PRC. Our Company’s corporate structure and Articles of Association are governed by PRC laws and regulations.

The relevant PRC laws and regulations and a summary of the Articles of Association are set out in “Appendix IV — Summary of Principal Legal and Regulatory Provisions” and “Appendix V — Summary of Articles of Association” to this Document, respectively.

Our principal place of business in Hong Kong is at 46/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong. Our Company is registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on February 12, 2026. Ms. CHAN Ching Nga has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. Her address for acceptance of service of process is the same as our principal place of business in Hong Kong.

2. Changes in Share Capital of Our Company

There has been no alteration in the share capital of our Company within two years immediately preceding the date of this Document.

3. Changes in the Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our principal subsidiaries are set out in Note 17 to the Accountant’s Report as set out in Appendix I to this Document.

Shenyang Beacon Electronic Technology Co., LTD. (瀋陽巨烽電子技術有限公司)

On August 4, 2026, Shenyang Beacon Electronic Technology Co., LTD. was incorporated with a registered share capital of RMB1 million.

HK Jingxin Global Limited (香港京新有限公司)

On November 4, 2025, HK Jingxin Global Limited was incorporated with an authorized share capital of HK\$1,000,000 divided into 1,000,000 ordinary shares of HK\$1.00 each.

Save as disclosed above, there has been no alteration in the share capital of any of the operating entities of the Company within the two years immediately preceding the date of this Document.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

4. Resolutions of Our Shareholders in Relation to the [REDACTED]

At the general meeting of our Company held on January 28, 2026, the following resolutions were passed by the Shareholders:

- (a) the [REDACTED] of H shares with a nominal value of RMB1.00 each by our Company and such H Shares be [REDACTED] on the Stock Exchange;
- (b) the number of H Shares to be [REDACTED] pursuant to the [REDACTED] before the exercise of the [REDACTED] shall not exceed [REDACTED] of the enlarged share capital of our Company upon the completion of the [REDACTED], and the [REDACTED] shall not exceed [REDACTED] of the above number of H Shares to be [REDACTED];
- (c) subject to the completion of the [REDACTED], the Articles of Association to become effective on the [REDACTED] shall be conditionally adopted, and the Board and its authorized person have been authorized to amend the Articles of Association in accordance with any comments from the relevant regulatory authorities; and
- (d) to authorize the Board and its authorized person to handle the matters relating to, among others, the [REDACTED], the [REDACTED] and the [REDACTED] of the H Shares.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contract (not being contracts entered into in the ordinary course of business) has been entered into by us within the two years preceding the date of this Document and are or may be material:

- (a) [REDACTED].

2. Our Material Intellectual Property Rights

(a) Trademarks

Registered trademarks

As of the Latest Practicable Date, our Company had registered the following trademarks which we consider to be or may be material to our business:



吉易克

京可新

京新

唯他博

京常乐

京诺宁

京 诺



APPENDIX VI

STATUTORY AND GENERAL INFORMATION

(b) *Patents*

As of the Latest Practicable Date, we were the registered owner of and had the right to use the following patents which we consider to be or may be material to our business:

(i) *Registered patents*

No.	Patent	Patentee	Place of Registration	Patent Number	Application Date
1.	Treatment of sleep disorders (睡眠障礙的治療)	the Company	PCT	CN101827597B, US10370378B2, DE602008055451T2, JP5545873B2	August 19, 2008
2.	Benzodiazepine compound solid forms, and preparation methods therefor and applications thereof (一種苯並二氮雜草化合物的固態形式及其製備方法和應用)	the Company	PRC	CN109134471B	June 27, 2017

(ii) *Pending Patents*

As of the Latest Practicable Date, we had not applied for the registration of the patents which we consider to be or may be material to our business.

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STATUTORY AND GENERAL INFORMATION

(c) Copyrights

Registered copyrights

As of the Latest Practicable Date, we were the registered owner of and had the right to use the following copyrights which we consider to be or may be material to our business:

No.	Name	Copyright Owner	Place of Registration	Registration No.	Date of Publication
1.	Software for periodic QA and calibration based on front-mounted sensors (基於前置sensor的定期QA和校準軟件)	Shenzhen Beacon Display Technology Co., Ltd. (深圳市巨烽顯示科技有限公司)	PRC	2025SR1477992	August 7, 2025
2.	Digital operating room control system (數字化手術室控制系統)	Shenzhen Beacon Display Technology Co., Ltd. (深圳市巨烽顯示科技有限公司)	PRC	2024SR0664773	May 16, 2024
3.	Medical consultation multi-window multi-host real-time touch interaction system (醫用會診多視窗多主機實時觸控交互系統)	Shenzhen Beacon Display Technology Co., Ltd. (深圳市巨烽顯示科技有限公司)	PRC	2023SR0226239	February 10, 2023
4.	Medical multi-window consultation control and display system (醫用多視窗會診控制顯示系統)	Shenzhen Beacon Display Technology Co., Ltd. (深圳市巨烽顯示科技有限公司)	PRC	2022SR1474307	November 4, 2022
5.	Digital operating room centralized management and monitoring system (數字化手術室集中管理及監控系統)	Shenzhen Beacon Display Technology Co., Ltd. (深圳市巨烽顯示科技有限公司)	PRC	2022SR1300437	August 26, 2022
6.	Jufeng medical display automatic color correction system software (巨烽醫用顯示自動色彩校正系統軟件)	Shenzhen Beacon Display Technology Co., Ltd. (深圳市巨烽顯示科技有限公司)	PRC	2021SR0058344	January 12, 2021
7.	Jufeng medical display mouse positioning control software (巨烽醫用顯示鼠標定位控制軟件)	Shenzhen Beacon Display Technology Co., Ltd. (深圳市巨烽顯示科技有限公司)	PRC	2020SR1739250	December 4, 2020
8.	Jufeng monitor GAMMA curve correction software (巨烽顯示器GAMMA曲線校正軟件)	Shenzhen Beacon Display Technology Co., Ltd. (深圳市巨烽顯示科技有限公司)	PRC	2020SR1741676	December 4, 2020

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

<u>No.</u>	<u>Name</u>	<u>Copyright Owner</u>	<u>Place of Registration</u>	<u>Registration No.</u>	<u>Date of Publication</u>
9.	Jufeng medical multi-display mouse adaptive software (巨烽醫用多顯示鼠標自適應軟件)	Shenzhen Beacon Display Technology Co., Ltd. (深圳市巨烽顯示科技有限公司)	PRC	2020SR1739260	December 4, 2020
10.	Jufeng control panel test simulation software (巨烽控制面 板測試仿真軟件)	Shenzhen Beacon Display Technology Co., Ltd. (深圳市巨烽顯示科技有限公司)	PRC	2014SR209828	December 25, 2014

(d) Domain Names

As of the Latest Practicable Date, we have registered the following domain name that we consider to be or may be material to our business:

<u>No.</u>	<u>Domain Name</u>	<u>Registrant</u>
1.	jingxinpharm.com; jingxin-pharm.com; china-jingxin.com	the Company
2.	183.131.95.33	the Company
3.	beacon-display.cn	Shenzhen Beacon Display Technology Co., Ltd. (深圳市巨烽顯示科技有限公司)
4.	shaxiliangcha.cn	Guangdong Shaxi Pharmaceutical Co., Ltd. (廣東沙溪製藥有限公司)
5.	shaxizhiyao.com; gdsxzy.com; shaxipharm.com	Guangdong Shaxi Pharmaceutical Co., Ltd. (廣東沙溪製藥有限公司)

Save as disclosed above, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

C. FURTHER INFORMATION ABOUT DIRECTORS, CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS OF OUR COMPANY

1. Particulars of Directors’ Service Contracts and Letters of Appointment

Our Company has entered into a service agreement or appointment letter with each of the Directors. The principal particulars of these service agreements and appointment letters are: (a) each of the agreement or letter is for a term of three years following the commencement date of his/her term of office; and (b) each of the agreement or letter is subject to termination in accordance with their respective terms. The service agreements and appointment letters may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, our Directors has not entered into or propose to enter into any service contracts with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

2. Remuneration of Directors

The aggregate remuneration (including fees, salaries, allowances, benefits in kind, discretionary bonuses, retirement scheme contributions) paid to our Directors for the three years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026, were approximately RMB7.0 million, RMB7.1 million, RMB7.1 million and RMB5.1 million, respectively.

It is estimated that remuneration equivalent to approximately RMB9.1 million in aggregate will be paid to the Directors by our Company for the year ending December 31, 2026, based on the arrangements in force as of the date of this Document.

No remuneration was paid by our Company to the Directors or the five highest paid individuals as inducement to join or upon joining our Company or as a compensation for loss of office during the Track Record Period. Furthermore, none of the Directors had waived or agreed to waive any remuneration during the Track Record Period. Save as disclosed above, during the Track Record Period, no other amounts shall be paid or payable by us or any of our subsidiaries to our Directors or the five highest paid individuals.

Save as disclosed above, no other payments have been made or are payable in respect of the three years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026, by any member of our Group to any of our Directors.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

3. Disclosure of interests

Disclosure of interests of Directors and chief executive of our Company

To the best knowledge of our Directors, saved as disclosed below, immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), the interest or short position of our Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to our Company and the Hong Kong Stock Exchange, once the Shares are [REDACTED] will be as follows:

(i) Interests in Shares of our Company

Name of Director	Title	Nature of interest	Number of Shares held Immediately following Completion of the [REDACTED] ⁽¹⁾	Approximate percentage of interest in our Company immediately following Completion of the [REDACTED]
Mr. LYU Gang	Chairperson of the Board, executive Director, general manager	Beneficial owner	178,796,755 A Shares (L)	[REDACTED]
		Interest in controlled corporations ⁽²⁾	188,620,488 A Shares (L)	[REDACTED]
		Interest of spouse ⁽³⁾	134,966,393 A Shares (L)	[REDACTED]
Mr. WANG Nengneng (王能能) ⁽³⁾	Executive Director and the vice chairman of our Company	Beneficial owner	3,574,186 A Shares (L)	[REDACTED]
Ms. CHEN Meili (陳美麗) ⁽⁴⁾	Vice president and chief financial officer	Beneficial owner	376,800 A Shares (L)	[REDACTED]

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) As of the Latest Practicable Date, Jingxin Holding was owned as to 51% by Mr. LYU Gang and 49% by Jinzhi Investment, respectively. As of Latest Practicable Date, Jinzhi Investment was owned as to 60% by Mr. LYU Gang and 40% by Ms. ZHANG Liling, respectively. Therefore, Mr. LYU Gang is deemed to be interested in 134,966,393 A Shares held by Jingxin Holding.

As of the Latest Practicable Date, there were [53,654,095] treasury shares held by the Company. Mr. LYU Gang, directly and indirectly through Jinzhi Investment and Jingxin Holding, controls more than one-third of the voting power at the general meetings of our Company and would be deemed to have an interest in such treasury shares held by our Company by virtue of the SFO.

- (3) Mr. LYU Gang is the husband of Ms. ZHANG Liling. Therefore, Mr. LYU Gang is deemed to be interested in the interest of Ms. ZHANG Liling.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

Disclosure of interests of substantial shareholders

(i) Interests in Shares of our Company

Save as disclosed in “Substantial Shareholders,” our Directors were not aware of any persons who would, immediately following the completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised and (ii) no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED]), having interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at Shareholders’ general meetings of our Company.

(ii) Interests in Our Subsidiaries

As of the Latest Practicable Date, to the best knowledge of our Directors, the following persons (other than members of our Group, the Directors or chief executive of our Company) were interested in 10% or more of the voting rights at general meetings of our Subsidiaries:

<u>Name of Subsidiary</u>	<u>Name of substantial shareholder</u>	<u>Approximate % of voting rights held by substantial shareholder</u>
Hangzhou Jingrui Pharmaceutical Technology Co., Ltd. (杭州京瑞醫藥科技有限公司)	Ningbo Meishan Bonded Port Area Mingze Equity Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區鳴澤股權投資管理合夥企業(有限合夥))	45.00%
Yunnan Jingxin Biotechnology Co., Ltd. (雲南京新生物科技有限公司)	Mr. XIAO Hua (肖華)	10.00%
Shenyang TORCH-BIGTIDE DIGITAL Technology Co., Ltd. (瀋陽火炬北泰數碼科技有限責任公司)	Shenyang Huoju Co., Ltd. (瀋陽火炬股份有限公司) ⁽¹⁾	15.30%
	Shenyang Technology Venture Capital Co., Ltd. (瀋陽科技風險投資有限公司) ⁽¹⁾	9.02%

Note:

- (1) To the best of the Directors’ knowledge, Shenyang Huoju Co., Ltd. (瀋陽火炬股份有限公司) and Shenyang Technology Venture Capital Co., Ltd. (瀋陽科技風險投資有限公司) are acting in concert.

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4. Agency Fees or [REDACTED] Received

Save as disclosed in the section headed “[REDACTED]” in this Document, no [REDACTED], discounts, brokerages or other special terms were granted within the two years preceding the date of this Document in connection with the [REDACTED] or sale of any capital or security of any member of our Group.

5. Disclaimers

- (a) save as disclosed in the sections headed “Substantial Shareholders” and “ — C. Further Information about Directors, Chief Executive and Substantial Shareholders of our Company — 3. Disclosure of interests — Disclosure of interests of Directors and chief executive of our Company”, none of our Directors or the chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the H Shares are [REDACTED];
- (b) none of our Directors or any of the experts referred to under paragraph headed “D. Other Information — 11. Qualification of Experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this Document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) save as disclosed in the sections headed “Directors and Senior Management — Compensation of Directors and Senior Management” and “ — C. Further Information about Directors, Chief Executive and Substantial Shareholders of our Company — 1. Particulars of Directors’ Service Contracts and Letters of Appointment”, none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (d) save as disclosed in the sections headed “Substantial Shareholders” and “ — C. Further Information about Directors, Chief Executive and Substantial Shareholders of our Company — 3. Disclosure of interests — Disclosure of interests of Directors and chief executive of our Company”, so far as is known to our Directors or the chief executive of our Company, no person (not being a Director or chief executive of our Company) will, immediately following the completion of the [REDACTED], have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

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- (e) save as disclosed in the sections headed “Business — Customers” and “Business — Suppliers”, none of our Directors or their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group in each year/period during the Track Record Period.

6. A Shares Participation Scheme

2019 A Shares Participation Scheme (Phase I)

The following is a summary of the principal terms of the 2019 A Shares Participation Scheme (Phase I). The terms of the 2019 A Shares Participation Scheme (Phase I) do not involve any grant of participation Shares by our Company after the [REDACTED] and are not subject to the provisions of Chapter 17 of the Listing Rules. The terms of the 2019 A Shares Participation Scheme (Phase I) are summarized below.

(a) Purpose

The purposes of the 2019 A Shares Participation Scheme (Phase I) are to align the interests of our Company, our shareholders and key employees, to attract and retain core talent, to enhance the initiative of our employees, and to support our Company’s long-term strategy and sustainable development.

(b) Type and Source of Shares

The A Share Incentives are granted in the form of participation Shares (“**Participation Shares**”). The Shares underlying the scheme shall be Participation Shares issued by our Company, which were repurchased from the secondary market or A shares held in the repurchase account of the Company.

(c) Administration

The 2019 A Shares Participation Scheme (Phase I) is subject to the approval of the Company’s general meeting and will be administered by a management committee (the “**Management Committee**”) authorized by the participants.

(d) Participants

Persons eligible to participate in the 2019 A Shares Participation Scheme (Phase I) are the Directors, senior management, core technical and business personnel and other core backbone employees of the Company, and other employees as determined by the Board.

(e) Maximum Entitlement of a Participant

The number of Shares granted to any individual participants under the 2019 A Shares Participation Scheme (Phase I) shall not exceed 1% of our Company’s total share capital. The total number of Participation Shares involved with 2019 A Shares Participation Scheme (Phase I) shall not exceed 10% of the total outstanding share capital of the Company.

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(f) Term

This term of the 2019 A Shares Participation Scheme (Phase I) commences from the date the Company announces the grant of the Participation Shares and will remain effect for an indefinite period until the earliest of (i) a change of control of the Company; (ii) an early termination upon approval from the participants and the Board; or (iii) the reserve of the 2019 A Shares Participation Scheme (Phase I) fails to meet the funding requirements for distribution. If the reserve of the 2019 A Shares Participation Scheme (Phase I) fails to meet the funding requirements for distribution, the 2019 A Shares Participation Scheme (Phase I) shall automatically terminate. The Management Committee shall then proceed to liquidate the assets of the 2019 A Shares Participation Scheme (Phase I). After paying relevant taxes and fees, the remaining assets shall be distributed to the participants in proportion to their respective shareholdings.

(g) Lock-up Arrangements

The lock-up arrangements under the 2019 A Shares Participation Scheme (Phase I) are determined according to the Articles of Association and applicable PRC laws and regulations.

Participation Shares granted under the 2019 A Shares Participation Scheme (Phase I) are generally subject to a lock-up period of 36 months with a statutory lock-up of 12 months from the date of grant. The 2019 A Shares Participation Scheme (Phase I) shall comply with the prohibited period stipulated by the CSRC and the Shenzhen Stock Exchange. During the lock-up period, unless otherwise provided by laws, administrative regulations, or approved by the Management Committee, the Participation Shares held by the participants under the 2019 A Shares Participation Scheme (Phase I) shall not be transferred, pledged, or otherwise disposed of in a similar manner.

(h) Distributions

The 2019 A Shares Participation Scheme (Phase I) provides staged distributions of stock proceeds from sale of Participation Shares:

- (i) In the first year after the expiration of the lock-up period, participants shall receive the first stock proceeds distribution from the Management Committee, which includes each participant’s initial personal contribution and the corresponding portion of the Company’s reward fund under the 2019 A Shares Participation Scheme (Phase I);
- (ii) In the second year after the expiration of the lock-up period, the Management Committee shall distribute stock proceeds, corresponding to 20% of the initial scale of the 2019 A Shares Participation Scheme (Phase I) every two years, for a total of five rounds of distributions;
- (iii) After the above six rounds of distributions, any remaining stock proceeds of the participants under the 2019 A Shares Participation Scheme (Phase I) shall be available for withdrawal in a lump sum upon their retirement.

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2019 A Shares Participation Scheme (Phase II)

The following is a summary of the principal terms of the 2019 A Shares Participation Scheme (Phase II). The terms of the 2019 A Shares Participation Scheme (Phase II) do not involve any grant of A Shares by our Company after the [REDACTED] and are not subject to the provisions of Chapter 17 of the Listing Rules. The terms of the 2019 A Shares Participation Scheme (Phase II) are summarized below.

(a) Purpose

The purposes of the 2019 A Shares Participation Scheme (Phase II) are to align the interests of our Company, our shareholders and key employees, to attract and retain core talent, to enhance the initiative of our employees, and to support our Company’s long-term strategy and sustainable development.

(b) Type and Source of Shares

The A Share Incentives are granted in the form of participation Shares (“**Participation Shares**”). The Shares underlying the scheme shall be Participation Shares issued by our Company, which were repurchased from the secondary market or A shares held in the repurchase account of the Company.

(c) Administration

The 2019 A Shares Participation Scheme (Phase II) is subject to the approval of the Company’s general meeting and will be administered by a management committee (the “**Management Committee**”) authorized by the participants.

(d) Participants

Persons eligible to participate in the 2019 A Shares Participation Scheme (Phase II) are the Directors, senior management, core technical, middle-level management personnel and other core backbone employees of the Company.

(e) Maximum Entitlement of a Participant

The number of Shares granted to any individual participants under the 2019 A Shares Participation Scheme (Phase II) shall not exceed 1% of our Company’s total share capital. The total number of Participation Shares involved with 2019 A Shares Participation Scheme (Phase II) shall not exceed 10% of the total outstanding share capital of the Company.

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(f) Term

This term of the 2019 A Shares Participation Scheme (Phase II) commences from the date the Company announces the grant of the Participation Shares and will remain effect for an indefinite period until the earliest of (i) a change of control of the Company; (ii) an early termination upon approval from the participants and the Board; or (iii) the reserve of the 2019 A Shares Participation Scheme (Phase II) fails to meet the funding requirements for distribution. If the reserve of the 2019 A Shares Participation Scheme (Phase II) fails to meet the funding requirements for distribution, the 2019 A Shares Participation Scheme (Phase II) shall automatically terminate. The Management Committee shall then proceed to liquidate the assets of the 2019 A Shares Participation Scheme (Phase II). After paying relevant taxes and fees, the remaining assets shall be distributed to the participants in proportion to their respective shareholdings.

(g) Lock-up Arrangements

The lock-up arrangements under the 2019 A Shares Participation Scheme (Phase II) are determined according to the Articles of Association and applicable PRC laws and regulations.

Participation Shares granted under the 2019 A Shares Participation Scheme (Phase II) are generally subject to a lock-up period of 48 months with a statutory lock-up of 12 months from the date of grant. The 2019 A Shares Participation Scheme (Phase II) shall comply with the prohibited period stipulated by the CSRC and the Shenzhen Stock Exchange. During the lock-up period, unless otherwise provided by laws, administrative regulations, or approved by the Management Committee, the Participation Shares held by the participants under the 2019 A Shares Participation Scheme (Phase II) shall not be transferred, pledged, or otherwise disposed of in a similar manner.

(h) Distributions

The 2019 A Shares Participation Scheme (Phase II) provides staged distributions of stock proceeds from sale of Participation Shares:

- (i) In the fifth year from the date on which the funds of the 2019 A Shares Participation Scheme (Phase II) are received, participants shall receive the first stock proceeds distribution from the Management Committee, with the amount distributed corresponds to 1.5 times of each participant’s initial personal contribution (the “**First Distribution**”);
- (ii) In the third year after the First Distribution, the Management Committee shall distribute stock proceeds every three years, with each distribution amount corresponding to 50% of each participant’s initial personal contribution;
- (iii) After the above distributions, any remaining stock proceeds of the participants under the 2019 A Shares Participation Scheme (Phase II) shall be available for withdrawal in a lump sum upon their retirement.

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2020 A Shares Participation Scheme (Phase III)

The following is a summary of the principal terms of the 2020 A Shares Participation Scheme (Phase III). The terms of the 2020 A Shares Participation Scheme (Phase III) do not involve any grant of A Shares by our Company after the [REDACTED] and are not subject to the provisions of Chapter 17 of the Listing Rules. The terms of the 2020 A Shares Participation Scheme (Phase III) are summarized below.

(a) Purpose

The purposes of the 2020 A Shares Participation Scheme (Phase III) are to align the interests of our Company, our shareholders and key employees, to attract and retain core talent, to enhance the initiative of our employees, and to support our Company’s long-term strategy and sustainable development.

(b) Type and Source of Shares

The A Share Incentives are granted in the form of participation Shares (“**Participation Shares**”). The Shares underlying the scheme shall be Participation Shares issued by our Company, which were repurchased from the secondary market.

(c) Administration

The 2020 A Shares Participation Scheme (Phase III) is subject to the approval of the Company’s general meeting and will be administered by a management committee (the “**Management Committee**”) authorized by the participants.

(d) Participants

Persons eligible to participate in the 2020 A Shares Participation Scheme (Phase III) are the Directors, supervisors, senior management, core technical and business personnel and other core backbone employees of the Company, and other employees as determined by the Board.

(e) Maximum Entitlement of a Participant

The number of Shares granted to any individual participants under the 2020 A Shares Participation Scheme (Phase III) shall not exceed 1% of our Company’s total share capital. The total number of Participation Shares involved with 2020 A Shares Participation Scheme (Phase III) shall not exceed 10% of the total outstanding share capital of the Company.

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(f) Term

This term of the 2020 A Shares Participation Scheme (Phase III) commences from the date the Company announces the grant of the Participation Shares and will remain effect for an indefinite period until the earliest of (i) a change of control of the Company; (ii) an early termination upon approval from the participants and the Board; or (iii) the reserve of the 2020 A Shares Participation Scheme (Phase III) fails to meet the funding requirements for distribution. If the reserve of the 2020 A Shares Participation Scheme (Phase III) fails to meet the funding requirements for distribution, the 2020 A Shares Participation Scheme (Phase III) shall automatically terminate. The Management Committee shall then proceed to liquidate the assets of the 2020 A Shares Participation Scheme (Phase III). After paying relevant taxes and fees, the remaining assets shall be distributed to the participants in proportion to their respective shareholdings.

(g) Lock-up Arrangements

The lock-up arrangements under the 2020 A Shares Participation Scheme (Phase III) are determined according to the Articles of Association and applicable PRC laws and regulations.

Participation Shares granted under the 2020 A Shares Participation Scheme (Phase III) are generally subject to a lock-up period of 24 months with a statutory lock-up of 12 months from the date of grant. The 2020 A Shares Participation Scheme (Phase III) shall comply with the prohibited period stipulated by the CSRC and the Shenzhen Stock Exchange. During the lock-up period, unless otherwise provided by laws, administrative regulations, or approved by the Management Committee, the Participation Shares held by the participants under the 2020 A Shares Participation Scheme (Phase III) shall not be transferred, pledged, or otherwise disposed of in a similar manner.

(h) Distributions

The 2020 A Shares Participation Scheme (Phase III) provides staged distributions of stock proceeds from sale of Participation Shares:

- (i) In the first year after the expiration of the lock-up period, participants shall receive the first stock proceeds distribution from the Management Committee, corresponding to 20% of the initial scale of the 2020 A Shares Participation Scheme (Phase III);
- (ii) In the second year after the expiration of the lock-up period, the Management Committee shall distribute stock proceeds, corresponding to 20% of the initial scale of the 2020 A Shares Participation Scheme (Phase III) every two years;
- (iii) After the above rounds of distributions, any remaining stock proceeds of the participants under the 2020 A Shares Participation Scheme (Phase III) shall be available for withdrawal in a lump sum upon their retirement.

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2025 A Shares Participation Scheme (Phase IV)

The following is a summary of the principal terms of the 2025 A Shares Participation Scheme (Phase IV). The terms of the 2025 A Shares Participation Scheme (Phase IV) do not involve any grant of A Shares by our Company after the [REDACTED] and are not subject to the provisions of Chapter 17 of the Listing Rules. The terms of the 2025 A Shares Participation Scheme (Phase IV) are summarized below.

(a) Purpose

The purposes of the 2025 A Shares Participation Scheme (Phase IV) are to align the interests of our Company, our shareholders and key employees, to attract and retain core talent, to enhance the initiative of our employees, and to support our Company’s long-term strategy and sustainable development.

(b) Type and Source of Shares

The A Share Incentives are granted in the form of participation Shares (“**Participation Shares**”). The Shares underlying the scheme shall be Participation Shares issued by our Company, which were repurchased from the secondary market or A shares held in the repurchase account of the Company.

(c) Administration

The 2025 A Shares Participation Scheme (Phase IV) is subject to the approval of the Company’s general meeting and will be administered by a management committee (the “**Management Committee**”) authorized by the participants.

(d) Participants

Persons eligible to participate in the 2025 A Shares Participation Scheme (Phase IV) are the Directors, supervisors, senior management, core technical personnel and other core backbone employees of the Company, and other employees as determined by the Board.

(e) Maximum Entitlement of a Participant

The number of Shares granted to any individual participants under the 2025 A Shares Participation Scheme (Phase IV) shall not exceed 1% of our Company’s total share capital. The total number of Participation Shares involved with 2025 A Shares Participation Scheme (Phase IV) shall not exceed 10% of the total outstanding share capital of the Company.

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(f) Term

This term of the 2025 A Shares Participation Scheme (Phase IV) commences from the date the Company announces the grant of the Participation Shares and will remain effect for an 60 months until the earliest of (i) a change of control of the Company; (ii) an early termination upon approval from the participants and the Board; or (iii) the reserve of the 2025 A Shares Participation Scheme (Phase IV) fails to meet the funding requirements for distribution; (iv) the Participation Shares were all sold on or before two months of the end of term. If the reserve of the 2025 A Shares Participation Scheme (Phase IV) fails to meet the funding requirements for distribution, the 2025 A Shares Participation Scheme (Phase IV) shall automatically terminate. The Management Committee shall then proceed to liquidate the assets of the 2025 A Shares Participation Scheme (Phase IV). After paying relevant taxes and fees, the remaining assets shall be distributed to the participants in proportion to their respective shareholdings.

(g) Lock-up Arrangements

The lock-up arrangements under the 2025 A Shares Participation Scheme (Phase IV) are determined according to the Articles of Association and applicable PRC laws and regulations.

Participation Shares granted under the 2025 A Shares Participation Scheme (Phase IV) are generally subject to a lock-up period of 36 months from the date of grant. The lock-up period will be released in tranches of 40%, 30% and 30% in release periods that occur (a) the first trading date after 12 months from the date of grant; (b) between the first trading date after 12 months from the date of grant and the last trading day up to 24 months from the date of grant; (c) between the first trading date after 24 months from the date of grant and the last trading day up to 36 months from the date of grant. The 2025 A Shares Participation Scheme (Phase IV) shall comply with the prohibited period stipulated by the CSRC and the Shenzhen Stock Exchange. During the lock-up period, unless otherwise provided by laws, administrative regulations, or approved by the Management Committee, the Participation Shares held by the participants under the 2025 A Shares Participation Scheme (Phase IV) shall not be transferred, pledged, or otherwise disposed of in a similar manner.

(h) Distributions

After the expiration of the lock-up period, the stock proceeds from the sale of Participation Shares shall be distributed to the respective participants in proportion to their respective shareholdings, subject to the satisfaction of the conditions for unlocking the participant's Participation Shares as stipulated in the 2025 A Shares Participation Scheme (Phase IV).

If there are Participation Shares that remained unlocked or undistributed Participation Shares, the Management Committee may sell the Participation Shares at an appropriate time based on market conditions, and the corresponding stock proceeds (including any dividends) shall belong to the Company.

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D. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As of the Latest Practicable Date, we were not aware of any litigation or arbitration proceedings of material importance pending or threatened against any member of our Group that could have a material adverse effect on our financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor has applied to the Stock Exchange for the [REDACTED] of, and permission to deal in, our H Shares to be [REDACTED] pursuant to the [REDACTED]. All necessary arrangements have been made enabling the H Shares to be admitted into [REDACTED].

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor will be paid by our Company a fee of US\$500,000 to act as a sponsor to our Company in connection with the [REDACTED].

4. Compliance Advisor

Our Company has appointed Rainbow Capital (HK) Limited as our compliance advisor in compliance with Rule 3A.19 of the Listing Rules.

5. Preliminary Expenses

As of the Latest Practicable Date, our Company has not incurred material preliminary expenses.

6. Promoters

The promoters of our Company are Zhejiang Kangxin Chemical Co., Ltd. (浙江康新化工有限公司), Xinchang County Jingxin Investment Co., Ltd. (新昌縣京新投資有限公司), Shanghai Institute of Organic Chemistry, Chinese Academy of Sciences (中國科學院上海有機化學研究所), Mr. LYU Gang (呂鋼), Ms. LYU Yueying (呂岳英), Mr. WANG Guangqiang (王光強), Ms. ZHANG Lihua (張麗娃), Mr. WU Zhengjie (吳政杰), Ms. YANG Yufei (楊鈺菲), Mr. LIN Jun (林軍), Mr. WANG Nengneng (王能能), Mr. TIAN Gengyuan (田庚元). Within the two years immediately preceding the date of this Document, no cash, securities or other benefit have been paid, allotted or given or have been proposed to be paid, allotted or given to the above promoters in connection with the [REDACTED] or related transactions in this Document.

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7. Consents of Experts

Each of the experts as referred to in “ — 11. Qualification of Experts” in this Appendix has given and has not withdrawn its consent to the issue of this Document with the inclusion of its view, report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

Save as disclosed in the section headed “[REDACTED]” in this Document, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

8. Binding Effect

This Document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Bilingual Document

The English language and Chinese language versions of this Document are being published separately in reliance on the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

10. Taxation of Holders of H Shares

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.10% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H Shares (in other words, a total of 0.20% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed stamp duty of HK\$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to 10 times the duty payable may be imposed.

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11. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this Document:

<u>Name</u>	<u>Qualifications</u>
CITIC Securities (Hong Kong) Limited	A licensed corporation to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activity as defined under the SFO
AllBright Law Offices	Legal advisers as to PRC laws
Bae, Kim & Lee LLC	Legal advisers as to South Korea laws
Frost & Sullivan	Industry consultant
BDO Limited	Certified Public Accountants Registered Public Interest Entity Auditor
Ernst & Young (China) Advisory Limited	Transfer pricing consultant

12. Miscellaneous

- (a) within the two years immediately preceding the date of this Document:
 - (i) save as disclosed in the section headed “History, Development and Corporate Structure” in this Document, no share or loan capital of our Company or any of our subsidiaries had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) save as disclosed in the section headed “[REDACTED]” in this Document, no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (iii) save as disclosed in the section headed “[REDACTED]” in this Document, no commission had been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) save as disclosed in the section headed “History, Development and Corporate Structure” in this Document, no share or loan capital of our Company or any of our subsidiaries had been under option or agreed conditionally or unconditionally to be put under option;
- (c) there are no founder, management or deferred shares, convertible debt securities nor any debentures in our Company or any of our subsidiaries;

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- (d) save as disclosed in the section headed “[REDACTED]” in this Document, none of the persons named in the sub-paragraph headed “D. Other Information — 11. Qualification of Experts” in this Appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;
- (e) our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since June 30, 2026 (being the date to which the latest audited consolidated financial statements of our Group were made up);
- (f) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this Document; and
- (g) no company within our Group is listed on any stock exchange or traded on any trading system and at present, and our Group is not seeking or proposing to seek any listing of, or permission to deal in, the share or loan capital of our Company on any other stock exchange; and there is no arrangement under which future dividends are waived or agreed to be waived.

APPENDIX VII

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE ON DISPLAY

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this Document and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the material contracts referred to in the section headed “Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts” in Appendix VI to this Document; and
- (b) the written consents referred to in the sub-section headed “Statutory and General Information — D. Other Information — 7. Consents of Experts” in Appendix VI to this Document.

2. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at <https://www.jingxinpharm.com> during a period of 14 days from the date of this Document:

- (a) the Articles of Association;
- (b) the Accountants’ Report prepared by BDO Limited, the text of which is set out in Appendix I to this Document;
- (c) the audited consolidated financial statements of our Company for the three years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026;
- (d) the report from BDO Limited on the unaudited [REDACTED] financial information, the text of which is set out in Appendix II to this Document;
- (e) the PRC legal opinion issued by AllBright Law Offices, our PRC Legal Advisor, in respect of certain aspects of our Group;
- (f) the Korean legal opinion issued by Bae, Kim & Lee LLC, our legal advisers as to South Korea laws;
- (g) the report issued by Ernst & Young (China) Advisory Limited in respect of the transfer pricing assessment;
- (h) the material contracts referred to in the section headed “Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts” in Appendix VI to this Document;
- (i) the written consents referred to in the section headed “Statutory and General Information — D. Other Information — 7. Consents of Experts” in Appendix VI to this Document;

APPENDIX VII

**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES IN HONG KONG AND AVAILABLE ON DISPLAY**

- (j) the service contracts and the letters of appointment referred to in the sub-section headed “Statutory and General Information — C. Further Information about Directors, Chief Executive and Substantial Shareholders of Our Company — 1. Particulars of Directors’ Service Contracts and Letters of Appointment” in Appendix VI to this Document;
- (k) Frost & Sullivan Report; and
- (l) the terms of the A Shares Participation Schemes.