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麗珠醫藥集團股份有限公司  
**LIVZON PHARMACEUTICAL GROUP INC.\***  
*(a joint stock company incorporated in the People's Republic of China with limited liability)*  
(Stock code: 1513)

**ANNOUNCEMENT OF AUDITED RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

The board (the “**Board**”) of directors of Livzon Pharmaceutical Group Inc.\* (the “**Company**” and its subsidiaries (together referred to as the “**Group**”)) hereby announces the audited results of the Group for the year ended 31 December 2025. This results announcement, containing the full text of the 2025 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of annual results.

The Company’s 2025 Annual Report will be available for viewing on the HKEXnews website of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.livzon.com.cn](http://www.livzon.com.cn)) on the same day.

By order of the Board  
麗珠醫藥集團股份有限公司  
**Livzon Pharmaceutical Group Inc.\***  
**Liu Ning**  
*Company Secretary*

Zhuhai, China  
24 March 2026

*As at the date of this announcement, the Executive Directors of the Company are Mr. Tang Yanggang (Vice Chairman); the Non-Executive Directors of the Company are Mr. Zhu Baoguo (Chairman), Mr. Lin Nanqi and Mr. Qiu Qingfeng; the Employee Representative Director of the Company is Ms. Ran Yongmei; and the Independent Non-Executive Directors of the Company are Mr. Bai Hua, Mr. Luo Huiyuan, Ms. Cui Lijie and Ms. Wang Zhiyao.*

\* For identification purpose only

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# CHAIRMAN'S STATEMENT



**Mr. Zhu Baoguo**

*Chairman of the Board*

## Dear Shareholders,

2025 marked a pivotal year for China's pharmaceutical industry, defined by deepening policy reforms, technological leaps, and the ascent of innovative Chinese drugs. Facing multifaceted transformation, including the normalization of volume-based procurement, stringent medical insurance cost controls, and escalating compliance supervision, Livzon has remained steadfast in its founding commitment to be "patient-centered and clinical value-driven". We have resolutely advanced our development led by innovation and internationalization, fortifying our core business while accelerating our transformation into a global innovative pharmaceutical manufacturer. This year, we achieved a synergistic leap across five dimensions: steady performance, innovative breakthroughs, accelerated internationalization, deep AI empowerment, and enhanced shareholder returns. More importantly, we have forged the capacity for sustainable, high-quality development amidst uncertainty.

# CHAIRMAN'S STATEMENT

## THE MANAGEMENT TEAM OF THE COMPANY



**Mr. Liu Daping**  
Vice President



**Mr. Du Jun**  
Vice President



**Mr. Chen Zhihua**  
Vice President



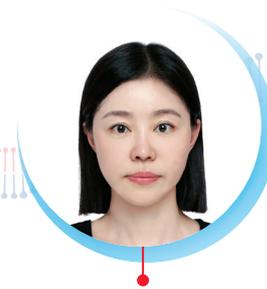
**Mr. Xu Xiao**  
Vice President



**Ms. Huang Yuxuan**  
Vice President



**Mr. Wang Sheng**  
Chief Financial Officer,  
Financial Controller



**Ms. Liu Ning**  
Secretary to the Board,  
Company Secretary



## I. STEADY PERFORMANCE: NAVIGATING CYCLES AND FORTIFYING THE FOUNDATION FOR HIGH-QUALITY DEVELOPMENT

In 2025, the Group demonstrated remarkable resilience in its overall operations. Throughout the year, the Company recorded total operating income of RMB12.02 billion and net profit attributable to the parent company after deducting non-recurring items of RMB2,009 million, representing a year-on-year increase of 1.51%. The

portfolio of key products in core therapeutic areas, including gastroenterology, GnRH/assisted reproduction, and traditional Chinese medicine, continued to scale, showcasing a robust vitality that transcends industry cycles. Furthermore, the Company sustained ample cash reserves and a healthy cash flow profile. This provides a solid guarantee for subsequent independent R&D, pipeline in-licensing, international expansion, and consistent shareholder returns.

## II. INNOVATION-DRIVEN: FROM “FOLLOWER” TO “LEADER” WITH A DIFFERENTIATED PRODUCT PORTFOLIO

2025 was a pivotal year Livzon transitioned from a “follower” to a “leader” as our innovative milestones reached fruition. True to our R&D commitment to “prioritizing the quality of life of patients”, we resolutely advanced our dual-drive strategy of “in-house R&D + BD in-licensing”. Throughout the year, we strategically acquired high-potential assets with strong synergies to our existing pipeline, systematically bolstering our core therapeutic areas including cardiovascular/cerebrovascular diseases and gonadotropin-releasing hormone (GnRH). This has allowed us to establish a sustainable innovation ecosystem featuring “immediate deliverables, mid-term development candidates, and long-term pipeline reserves”.

**Gastroenterology:** The NDA for our P-CAB drug JP-1366 Tablets has been submitted for reflux esophagitis. The IND application for a new indication in Helicobacter pylori infection eradication has been accepted, while the injectable formulation is currently in Phase II clinical trials. This “dual-dosage form” strategy will seamlessly refine the Company’s gastrointestinal product portfolio, further solidify its leadership in the domestic gastroenterology market, and provide a broader range of clinical solutions for patients.

**Autoimmune diseases:** The Company’s Class 1 innovative biologic Lecankitug Injection is the first domestically developed and the second globally developed dual IL-17A/F inhibitor. It became the only domestic candidate to demonstrate superiority in a head-to-head study against secukinumab (Cosentyx) in clinical trials for psoriasis. Its BLA has been officially accepted by the National Medical Products Administration and granted priority review, placing this globally competitive innovative drug on the “fast track” to commercialization.

**Neuropsychiatry:** We successfully launched the world’s first Aripiprazole Microsphere formulation (阿立哌唑微球制剂) (Aliwei®/阿麗唯®) for adult schizophrenia. With exceptional efficacy and safety, the product was recommended by the “Chinese Guidelines for Schizophrenia Prevention and Treatment (2025 Edition)” in its launch year and included in the 2025 National Reimbursement Drug List, significantly improving patient accessibility. At the same time, we made breakthroughs in the development of cutting-edge targets—NS-041 (a KCNQ2/3 agonist), a world-leading novel small-molecule candidate for epilepsy/depression, is currently in synchronized clinical trials for both indications; it demonstrates best-in-class potential and offers new hope for patients with refractory epilepsy and depression.

GnRH/Assisted reproduction: Our novel oral GnRH antagonist LPM7100328 Capsule has yielded significant results in Phase II clinical trials for assisted reproductive indications, and we are actively advancing toward Phase III clinical trials in the future. This product, together with our marketed products Leuprorelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球)(Beiyi<sup>®</sup>/貝依<sup>®</sup>), Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球)(Weibaoning<sup>®</sup>/維寶寧<sup>®</sup>), and Cetrorelix Acetate for Injection (注射用醋酸西曲瑞克)(Liquxin<sup>®</sup>/麗曲欣<sup>®</sup>), it will create a comprehensive, multi-pathway solution featuring “agonist + antagonist, injection + oral, short-acting + long-acting” formulations.

Innovation is not an isolated endeavor, but a systematic one. By 2025, Livzon’s innovation has evolved from single-point breakthroughs to systematic output and transitioned from technological followership to value leadership. We firmly believe that only by truly addressing unmet clinical needs can we earn the trust of physicians and the recognition of patients, ultimately realizing long-term value of the enterprise.

### III. ACCELERATING INTERNATIONALIZATION: FROM “EXPORTING PRODUCTS” TO “EXPORTING SYSTEMS”

In 2025, Livzon’s global strategy reached a new inflection point. We are no longer content with merely exporting APIs and finished dosages; instead, we have committed to a differentiated global expansion path built on physical operations, regional expertise, and localized manufacturing. This marks our strategic transition from simply reaching global markets to truly taking root within them.

Globalizing our API Business: We remain dedicated to a specialized and sophisticated development model. Today, our API portfolio leads the global market in several segments, supported by stable partnerships with international strategic clients. By leveraging continuous product iteration and high-barrier processes, we have moved beyond the homogenized competition of bulk commodities. In 2025, we fast-tracked the construction of our first overseas API facility in Indonesia to further strengthen global supply capabilities. This move extends our domestic core advantages of “integrated CMC + high-end manufacturing” overseas, fortifying the resilience of our global supply chain.

International expansion of formulations: We have deployed a pragmatic, targeted regional strategy, treating Southeast Asia and South America as our primary springboards. Through the approach of “leveraging key countries to drive regional expansion”, we are steadily scaling our localized presence. Specifically, in the Southeast Asian market, we officially announced the acquisition of Imexpharm Corporation (IMP), a listed pharmaceutical company in Vietnam, in May 2025. IMP operates a high-quality and scale-leading number of EU-GMP certified production lines in Vietnam, with a product portfolio that spans the country’s mature ETC and OTC channels. This acquisition allows the Company to deeply unlock the synergistic value of our combined product pipelines. By fully leveraging the benefits of ASEAN regional trade policies, this move creates favorable conditions for us to establish Vietnam as a strategic bridgehead to project our influence across the entire Southeast Asian market.

In the South American market, we have established Brazil as our regional anchor, assembling a local office to spearhead local market access and academic promotion. As a benchmark pharmaceutical market in South America, Brazil’s GMP standards and regulatory system carry immense weight and serve as a solid foundation for mutual recognition across Latin America. By establishing an independent and efficient operational foothold in Brazil, we are gradually expanding into neighboring countries, including Argentina and Colombia, to foster a regional synergy across South America.

Livzon’s global strategy is defined by a long-term vision and proactive planning. We are systematically building a sustainable global business system by localizing manufacturing, tailoring regional registration, building dedicated sales teams, and harmonizing our product portfolios. They are consolidating the foundation and generating the momentum required for a decade of high-quality growth.

### **IV. AI DEEP EMPOWERMENT: INTEGRATED ACROSS THE ENTIRE R&D, PRODUCTION, AND MARKETING CHAIN**

In 2025, Livzon elevated artificial intelligence to the Company's core strategy. We have moved beyond treating AI as a mere technical tool, instead embedding it as the central engine driving organizational transformation and a step-change in efficiency across R&D, production, marketing, and management.

In R&D, AI has become a critical accelerator for innovation and breakthroughs. We utilize AI algorithms for high-throughput simulation and the intelligent optimization of process parameters, drastically compressing pipeline development cycles. Specifically in microsphere formulations, we have established a leading AI-powered microscopic imaging analysis and integrity detection system. This system enables millisecond-level precision in characterizing microsphere structure, drug-loading uniformity, and release behavior, shattering the efficiency bottlenecks in high-end complex formulation R&D.

In production, AI is defining a new paradigm for lean manufacturing. Anchored by the goal of maximizing quality and efficiency, we utilize intelligent systems and data dashboards to dissolve cross-departmental silos. By building an AI-driven smart inventory management and change control mechanism, we enable real-time visibility of inventory status and efficient iteration of production scheduling, which maximizes operational efficiency and minimizes collaboration costs.

In marketing and management, AI is shifting our sales models from being experience-driven to data-driven. By leveraging intelligent academic promotion, physician profiling, and intelligent patient compliance evaluation models, we achieve precise responses and efficient outreach to clinical needs at the point of care. This ensures that every academic engagement delivers greater professional value and clinical relevance.

At Livzon, AI is the bond that integrates science, efficiency, and humanistic care. We believe that only by weaving cutting-edge technologies into the very fabric of our business can we ensure our path toward high-quality development remains both steady and sustainable.

### **V. SHAREHOLDER RETURNS: A FIRM ADVOCATE OF LONG-TERMISM**

Livzon remains unwavering in its commitment to shareholder interests. We have been actively rewarding shareholders through sustained cash dividends and share repurchases, with our shareholder return ratio standing among the forefront of the pharmaceutical industry. In 2025, we further optimized our capital structure by completing the repurchase and cancellation of approximately RMB600 million in A-shares and H-shares.

At the same time, Livzon Pharma is maintaining a steady cadence of new product launches across therapeutic areas, including neuropsychiatry, gastroenterology, assisted reproduction, autoimmune diseases, and metabolic disorders. This pipeline not only effectively hedges against policy or market risks associated with single products, but also reinforces the Company's long-term fundamentals, laying a solid foundation for consistent profitability and sustainable, high-yield shareholder returns.

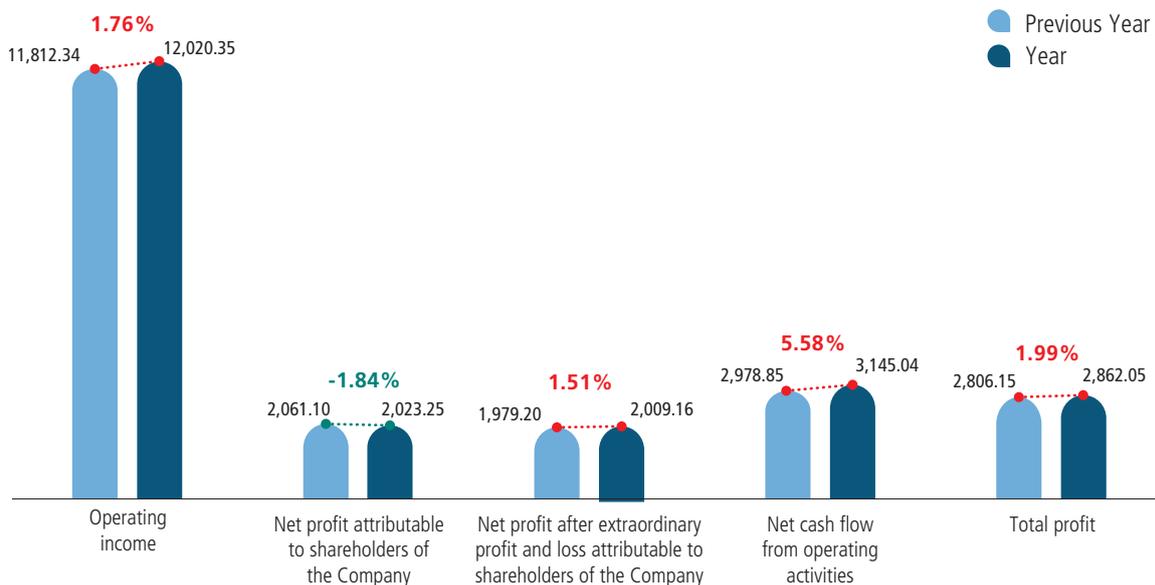
### **OUTLOOK FOR 2026: BUILDING A RESILIENT FOUNDATION AND ACCELERATING INTO A NEW ERA OF GLOBAL INNOVATION**

2026 will be a pivotal year for Livzon to navigate industry cycles and unleash its accumulated strengths. With stronger strategic resolve, we will focus on our three pillars of “business stability, innovation certainty, and international feasibility” to fortify the foundation for the steady growth of our mid-to-long-term fundamentals. Throughout the year, we will continue to leverage our diversified and highly resilient business portfolio—driving synergy across chemical drugs, traditional Chinese medicine, and APIs to further optimize our revenue structure. With our product portfolio in key therapeutic areas such as neuropsychiatry, GnRH, and gastroenterology, we have established a clear roadmap for the future. At the same time, we will never compromise on our compliance baseline. By embracing ESG principles, public welfare, and green manufacturing, we are weaving sustainability into our corporate DNA.

Through over forty years of weathering wind and rain, Livzon has remained steadfast in its founding mission of “improving patients’ quality of life”. Standing at the crossroads of transformation where new growth drivers replace the old, we will remain committed to science as our foundation, values as our guiding principle, and responsibility as our priority. We are resolutely advancing toward our vision of becoming a global innovative pharmaceutical company that earns the trust of patients, recognition of doctors, the pride of our employees, and satisfaction of our shareholders.

# FINANCIAL HIGHLIGHTS

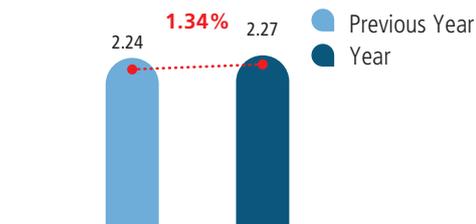
## Major Financial indicators (RMB in millions)



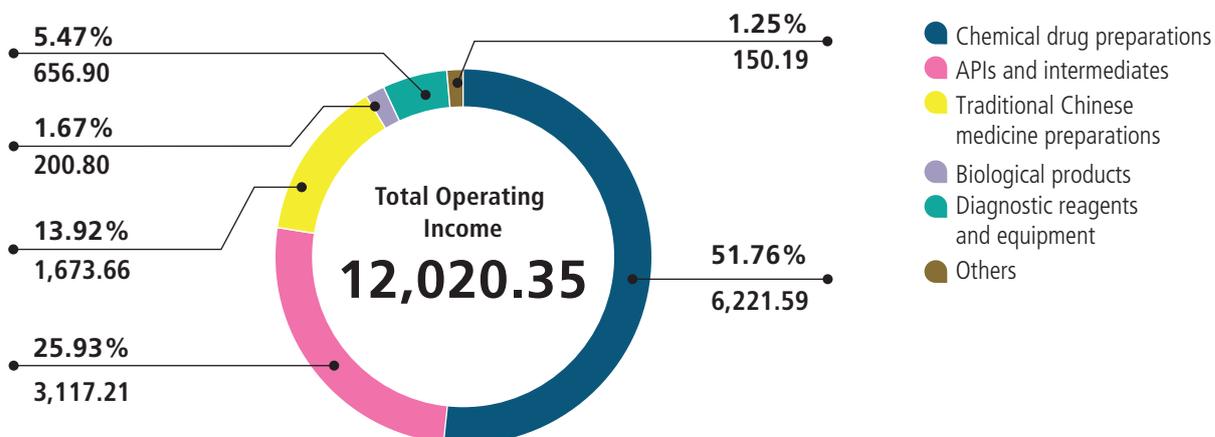
## Basic earnings per share (RMB/share)



## Diluted earnings per share (RMB/share)



## Composition of operating income (RMB in millions)

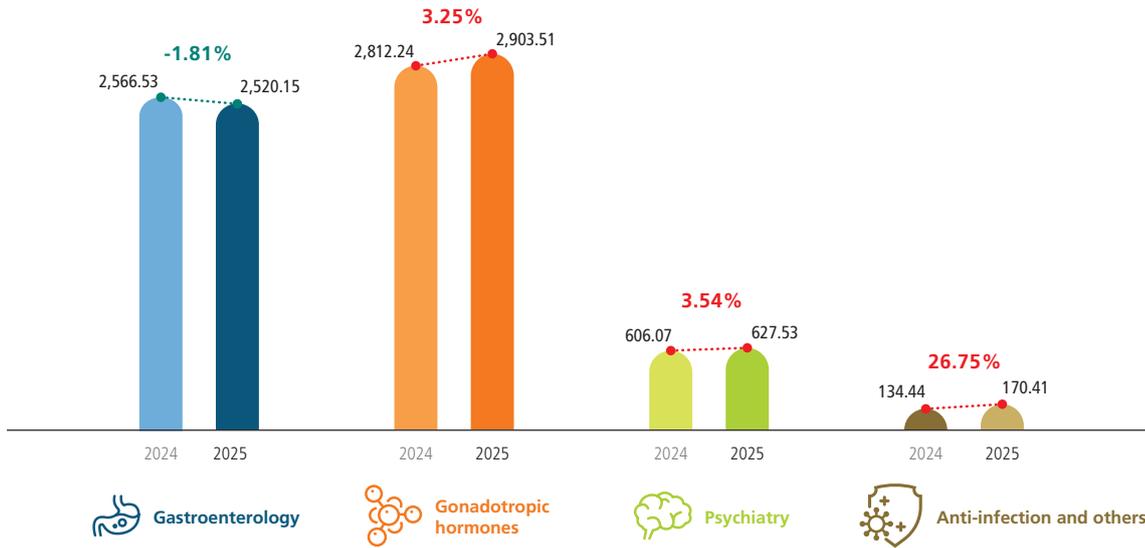


# FINANCIAL HIGHLIGHTS

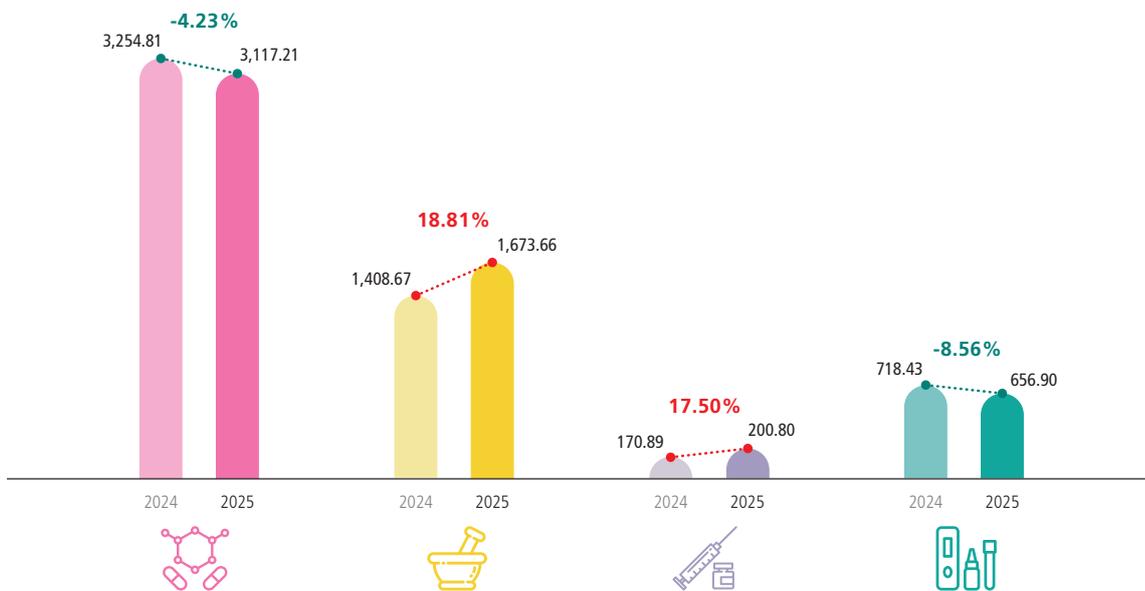
## PERFORMANCE FOR THE YEAR IN TERMS OF REVENUE FROM VARIOUS SECTORS

Unit: RMB in millions

### Chemical drug preparations



### APIs and intermediates      Traditional Chinese medicine preparations      Biological products      Diagnostic reagents and equipment



## SECTION I. IMPORTANT NOTICES AND DEFINITIONS

### IMPORTANT NOTICES

The Board of Directors, Directors, and senior management of Livzon Pharmaceutical Group Inc.\* guarantee the truthfulness, accuracy, and completeness of the content in this annual report (the "Report"). They confirm there are no false records, misleading statements, or material omissions, and assume individual and joint legal liability.

Mr. Zhu Baoguo (朱保國), the person in charge of the Company, and Mr. Wang Sheng (王勝), the Chief Financial Officer and Head of Accounting Department, hereby declare that they guarantee the truthfulness, accuracy, and completeness of the financial report in this Annual Report.

All Directors of the Company attended the Board meeting to review this Report.

The Company's Board of Directors has approved the following 2025 profit distribution plan: based on the total share capital on the record date for the implementation of the 2025 profit distribution plan, a cash dividend of RMB14.3 per 10 shares (tax inclusive) will be distributed to all shareholders of the Company. There will be no bonus shares, nor will the capital reserves be capitalized (the "Dividend Distribution Plan for the Year"). The Dividend Distribution Plan for the Year is subject to approval by the Company's 2025 Annual General Meeting ("Annual General Meeting").

The Company has analyzed the potential risk factors and corresponding strategies for its future development in Section III "Management Discussion and Analysis" of this Report. Investors are advised to review this information carefully.

This Report contains several forward-looking statements based on subjective assumptions and judgments regarding future policies and economic conditions. These statements are subject to risks, uncertainties, and assumptions, and actual results may differ materially from these statements. Investors should exercise caution that inappropriate reliance on and usage of such information may lead to investment risks.

The Report is prepared in both Chinese and English. In case of any discrepancies, the Chinese version shall prevail.

# SECTION I. IMPORTANT NOTICES AND DEFINITIONS

## DEFINITIONS

"Company"	Livzon Pharmaceutical Group Inc.* (麗珠醫藥集團股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability, whose H Shares are listed on the main board of the Hong Kong Stock Exchange and A Shares are listed on the main board of the Shenzhen Stock Exchange
"Group", "Livzon Group", "Livzon"	the Company and its subsidiaries
"Board"	the board of directors of the Company
"Director(s)"	director(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company (cancelled on 10 December 2025)
"Supervisor(s)"	supervisor(s) of the Company
"Shareholder(s)"	shareholder(s) of the Company
"A Share(s)"	the ordinary shares in the registered capital of the Company with a nominal value of RMB1.00 each, which are listed and traded on the main board of the Shenzhen Stock Exchange
"B Share(s)"	domestically listed foreign shares originally issued by the Company
"H Share(s)"	the ordinary shares in the registered capital of the Company with a nominal value of RMB1.00 each, which are listed and traded on the main board of the Hong Kong Stock Exchange
"A Shareholder(s)"	holder(s) of A Shares of the Company
"H Shareholder(s)"	holder(s) of H Shares of the Company
"Year", "Reporting Period", or "Period"	the twelve months from 1 January to 31 December 2025
"the Same Period Last Year", "the Previous Period", "the Previous Year"	the twelve months from 1 January to 31 December 2024

## SECTION I. IMPORTANT NOTICES AND DEFINITIONS

"End of the Previous Year", "End of the Previous Reporting Period"	31 December 2024
"Beginning of the Year", "Beginning of the Reporting Period", "Beginning of the Period"	1 January 2025
"End of the Year", "End of the Reporting Period", "End of the Period"	31 December 2025
"CSRC"	China Securities Regulatory Commission
"Shenzhen Stock Exchange", "SZSE"	Shenzhen Stock Exchange
"CSDCC"	Shenzhen Branch of China Securities Depository and Clearing Corporation Limited
"HKEX", "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Company Law"	the Company Law of the People's Republic of China
"Securities Law"	the Securities Law of the People's Republic of China
"Shenzhen Listing Rules"	the Stock Listing Rules of the Shenzhen Stock Exchange
"Hong Kong Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules
"SFO"	Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
"Articles of Association"	the Articles of Association of Livzon Pharmaceutical Group Inc. (《麗珠醫藥集團股份有限公司章程》)
"B-to-H Conversion"	the project of conversion of the Company's domestically listed foreign shares (B Shares) into H Shares and listing and trading on the main board of the Hong Kong Stock Exchange by way of introduction
"Joincare"	Joincare Pharmaceutical Industry Group Co., Ltd.* (健康元藥業集團股份有限公司) (stock code: 600380, Shanghai Stock Exchange), a joint stock company incorporated under the laws of the PRC, listed on the main board of the Shanghai Stock Exchange in 2001, and the controlling shareholder of the Company

## SECTION I. IMPORTANT NOTICES AND DEFINITIONS

“Joincare Group”	Joincare and its subsidiaries (excluding the Company)
“Baiyeyuan”	Shenzhen Baiyeyuan Investment Co., Ltd. * (深圳市百業源投資有限公司)
“Topsino”	Topsino Industries Limited* (天誠實業有限公司)
“Begol”	Guangzhou Begol Pharmaceutical and Health Products Import & Export Co., Ltd.* (廣州保科力醫藥保健品進出口有限公司) (formerly known as Guangzhou Begol Trading Holdings Limited* (廣州市保科力貿易公司))
“Livzon Hecheng”	Zhuhai Free Trade Zone Livzon Hecheng Pharmaceutical Co., Ltd.* (珠海保稅區麗珠合成制藥有限公司)
“Jiaozuo Hecheng”	Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd.* (焦作麗珠合成制藥有限公司)
“Livzon MAB”	Livzon MABPharm Inc.* (珠海市麗珠單抗生物技術有限公司)
“Xinbeijiang Pharma”	Livzon Group Xinbeijiang Pharmaceutical Co., Ltd.* (麗珠集團新北江制藥股份有限公司)
“Fuzhou Fuxing”	Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd.* (麗珠集團福州福興醫藥有限公司)
“Ningxia Pharma”	Livzon Group (Ningxia) Pharmaceutical Co., Ltd.* (麗珠集團(寧夏)制藥有限公司)
“Livzon Pharmaceutical Factory”	Livzon Group Livzon Pharmaceutical Factory* (麗珠集團麗珠制藥廠)
“Livzon Diagnostics”	Zhuhai Livzon Diagnostics Inc.* (珠海麗珠試劑股份有限公司)
“Sichuan Guangda”	Sichuan Guangda Pharmaceutical Co., Ltd.* (四川光大制藥有限公司)
“Shanghai Livzon”	Shanghai Livzon Pharmaceutical Co., Ltd.* (上海麗珠制藥有限公司)
“Jiaozuo Joincare”	Jiaozuo Joincare Bioproducts Co., Ltd.* (焦作健康元生物製品有限公司)

## SECTION I. IMPORTANT NOTICES AND DEFINITIONS

"Haibin Pharma"	Shenzhen Haibin Pharmaceutical Co., Ltd.* (深圳市海濱制藥有限公司)
"Lanbao Pharma"	Guangdong Lanbao Pharmaceutical Co., Ltd.* (廣東藍寶制藥有限公司)
"Sanmed Gene"	Zhuhai Sanmed Gene Diagnostics Technology Co., Ltd. (珠海市聖美基因檢測科技有限公司)
"Livzon Hong Kong"	Livzon (Hong Kong) Limited
"Shengmei Bio"	Zhuhai Shengmei Biotech Co., Ltd. (珠海聖美生物診斷技術有限公司)
"Livzon Cayman"	Livzon Biologics Limited
"Livzon HK"	Livzon Biotech Hong Kong Co., Limited* (麗珠生物科技香港有限公司)
"Livzon Bio"	Zhuhai Livzon Biomedicine Technology Co., Ltd.* (珠海市麗珠生物醫藥科技有限公司)
"China" or "PRC"	the People's Republic of China
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"RMB"	Renminbi, the lawful currency of the People's Republic of China
"HKD", "HK\$"	Hong Kong Dollar, the lawful currency of Hong Kong
"MOP"	Pataca, the lawful currency of Macao

## SECTION I. IMPORTANT NOTICES AND DEFINITIONS

"USD", "US\$"	US Dollar, the lawful currency of the United States of America
"JPY"	Japanese Yen, the lawful currency of Japan
"EUR", "Euro"	Euro, the common currency of the European Union
"MYR"	Ringgit, the lawful currency of Malaysia
"IDR", "Indonesian Rupiah"	Indonesian Rupiah, the lawful currency of the Republic of Indonesia
"CNINFO"	CNINFO ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> )
"Company's Website"	the official website of the Company ( <a href="http://www.livzon.com.cn">www.livzon.com.cn</a> )
"HKEXnews"	the website of Hong Kong Exchanges and Clearing Limited ( <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> )
"CDE"	Center for Drug Evaluation of the National Medical Products Administration
"IND"	Investigational New Drug Application
"IMP"	Imexpharm Corporation, a company incorporated in Vietnam, whose shares are listed on the Ho Chi Minh City Stock Exchange (stock code: IMP)
"BD"	Business Development
"EHS"	Environment, Health and Safety
"FDA"	U.S. Food and Drug Administration
"GMP"	Good Manufacturing Practice for Pharmaceutical Products
"GAP"	Good Agriculture Practice for Chinese Medicinal Materials
"QC"	Quality Control
"NDA"	New Drug Application
"OTC"	Over The Counter Drugs
"RWS"	Real World Study
"FIC"	First-in-class
"BIC"	Best-in-class

## SECTION II. COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### 1. COMPANY INFORMATION

	A Shares	H Shares
Stock Abbreviation	麗珠集團	Livzon Pharma <sup>Note 1</sup> , 麗珠H代 <sup>Note 2</sup>
Stock Code	000513	01513 <sup>Note 1</sup> , 299902 <sup>Note 2</sup>
Previous stock abbreviation (if any)	Not Applicable	Not Applicable
Stock exchange of listed securities	Shenzhen Stock Exchange	The Stock Exchange of Hong Kong Limited
Chinese name of the Company	麗珠醫藥集團股份有限公司	
Abbreviation of the Chinese name	麗珠集團	
English name of the Company	LIVZON PHARMACEUTICAL GROUP INC.*	
Company's English Name Abbreviation	LIVZON GROUP	
Legal representative of the Company	Zhu Baoguo (朱保國)	
Registered Address	Headquarters Building, No. 38 Chuangye North Road, Jinwan District, Zhuhai City, Guangdong Province, China	
Zip Code of Registered Address	519090	
Historical Changes in Company Registration Address	On November 6, 2013, the registered address was changed to the above-mentioned address upon approval by the Company's shareholders' meeting.	
Office address in the PRC	Headquarters Building, No. 38 Chuangye North Road, Jinwan District, Zhuhai City, Guangdong Province, China	
Postal code for office address in the PRC	519090	
Principal Place of Business in Hong Kong	Unit 1301, 13/F, YF Life Centre, 38 Gloucester Road, Wan Chai, Hong Kong	
Company's website	www.livzon.com.cn	
Email address	LIVZON_GROUP@livzon.com.cn	

*Note 1:* On January 16, 2014, the Company's domestically listed foreign shares (B shares) were converted into overseas listed foreign shares (H shares) and introduced for listing and trading on the main board of the Hong Kong Stock Exchange. The Company's H-share stock code is "01513" and the stock abbreviation is "Livzon Pharma".

*Note 2:* The abbreviation and the stock code are only used by domestic Shareholders of original B Shares of the Company in respect of their trading of H Shares of the Company after the listing of H Shares of the Company on the main board of the Hong Kong Stock Exchange.

\* For identification purpose only

## SECTION II. COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### II. CONTACT PERSON AND CONTACT INFORMATION

	<b>Board Secretary</b>	<b>Securities Affairs Representative</b>
Name	Liu Ning (劉寧)	Xia Yu (夏雨)
Contact address	Headquarters Building, No. 38 Chuangye North Road, Jinwan District, Zhuhai City, Guangdong Province, China	
Phone	(86) (756) 8135990	(86) (756) 8135023
Fax	(86) (756) 8891070	(86) (756) 8891070
Email address	liuning@livzon.com.cn	xiayu02@livzon.cn

### III. INFORMATION DISCLOSURE AND FILING LOCATION

Stock exchange websites for the disclosure of the Company's Annual Report	Shenzhen Stock Exchange website ( <a href="http://www.szse.cn">www.szse.cn</a> ), Hong Kong Exchanges and Clearing Limited's HKEXnews website ( <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> )
Name and websites of media for the disclosure of the Company's Annual Report	China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily, CNINFO ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> )
Websites for publication of the Report in Hong Kong	HKEXnews ( <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> ), Company website ( <a href="http://www.livzon.com.cn">www.livzon.com.cn</a> )
Location of this report	the Company's Board Secretary Office, the Company's principal place of business in Hong Kong

## SECTION II. COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### IV. OTHER RELEVANT INFORMATION

#### 1. Accounting firm engaged by the Company

Name of accounting firm	Grant Thornton Certified Public Accountants (Special General Partnership)
Accounting firm office address	5th Floor, Scitech Plaza, No. 22 Jianguomenwai Street, Chaoyang District, Beijing
Name of signing accountant	Wang Shuyan (王淑燕), Wei Heng (魏姮)

#### 2. Authorized Representatives and Appointed Institutions Engaged by the Company Under the Hong Kong Listing Rules

Authorized representatives appointed pursuant to the Hong Kong Listing Rules	Tang Yanggang (唐陽剛), Liu Ning (劉寧)
Company Secretary	Liu Ning (劉寧)
Name of H-Share Securities Registrar	Tricor Investor Services Limited
Address of H-Share Securities Registrar	17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong

## SECTION II. COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### V. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS PREPARED IN ACCORDANCE WITH CHINESE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

#### 1. Whether the Company has made retrospective adjustments or restatements of accounting data of prior years

Yes  No

RMB: '000

Item	2025	2024	Year-over-Year Change	2023	2022	2021
Operating income	12,020,349.22	11,812,338.85	1.76%	12,430,038.33	12,629,579.05	12,063,863.27
Net Profit Attributable to Shareholders of the Company	2,023,249.33	2,061,095.80	-1.84%	1,953,650.83	1,909,407.69	1,775,625.49
Net profit attributable to shareholders of the Company after deducting non-recurring gains and losses	2,009,164.43	1,979,195.83	1.51%	1,881,345.35	1,880,472.65	1,626,989.73
Net cash flow from operating activities	3,145,038.97	2,978,847.53	5.58%	3,248,934.19	2,772,671.30	1,902,328.14
Total profit	2,862,050.54	2,806,146.27	1.99%	2,382,666.55	2,330,550.61	2,245,688.83
Basic earnings per share (RMB/share)	2.27	2.24	1.34%	2.10	2.04	1.9
Diluted earnings per share (RMB/share)	2.27	2.24	1.34%	2.10	2.04	1.9
Basic earnings per share after deduction of extraordinary gains and losses (RMB/share)	2.25	2.15	4.65%	2.02	2.01	1.74
Weighted average return on net assets	14.67%	14.43%	0.24%	14.00%	14.31%	14.32%
Return on equity attributable to Shareholders of the Company	14.57%	14.87%	-0.3%	13.91%	13.76%	13.66%
Ratio of equity attributable to Shareholders of the Company to total assets	57.90%	56.68%	1.22%	56.07%	55.80%	58.12%

Item	31 December 2025	31 December 2024	Change as at the End of the Year from the Beginning of the Year	31 December 2023	31 December 2022	31 December 2021
Total assets	23,985,471.45	24,455,825.70	-1.92%	25,044,827.13	24,868,169.42	22,374,099.38
Total liabilities	8,438,371.29	9,550,079.10	-11.64%	10,278,124.13	9,931,885.12	8,063,079.05
Net assets attributable to Shareholders of the Company	13,888,350.57	13,862,334.19	0.19%	14,042,495.30	13,876,069.41	13,003,796.35
Share capital	887,907.17	911,345.73	-2.57%	923,938.14	935,552.69	937,865.12
Shareholders' equity per share attributable to shareholders of the Company (RMB/share)	15.64	15.21	2.83%	15.20	14.83	13.87

## SECTION II. COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### V. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS PREPARED IN ACCORDANCE WITH CHINESE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES *(continued)*

#### 1. Whether the Company has made retrospective adjustments or restatements of accounting data of prior years *(continued)*

##### Total share capital of the Company as at the trading day prior to disclosure:

Total share capital of the Company as at the trading day prior to disclosure:	887,907,171
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##### Fully diluted earnings per share based on the most updated share capital

Dividends paid for preferred shares	–
Interest paid for perpetual bonds (RMB)	–
Fully diluted earnings per share based on the most updated share capital (RMB/share)	2.28

### I. MAIN BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

As a comprehensive pharmaceutical giant encompassing the R&D, production, and marketing of pharmaceutical products, the Company's core business spans chemical drugs, biological products, traditional Chinese medicine (TCM) preparations, active pharmaceutical ingredients (APIs) and intermediates, diagnostic reagents and equipment. Guided by its mission, "putting patients' quality of life first", and its vision, "to be a leader in the pharmaceutical industry", the Company remains focused on addressing unmet clinical needs. It stays abreast of the latest trends in AI-powered drug discovery, leveraging digitalization and smart technologies to drive high-quality and sustainability.

The Company remains committed to a development strategy led by innovation and internationalization, accelerating its transformation into a global innovative pharmaceutical enterprise. During the Reporting Period, it achieved synergistic progress characterized by steady performance, innovation breakthroughs, accelerated internationalization, deep empowerment by AI, and enhanced shareholder returns. In the Year, the Company achieved operating income of RMB12.02 billion, with a year-on-year increase of 1.76%; its net profit attributable to shareholders amounted to RMB2.023 billion; its net profit after deducting non-recurring gains and losses attributable to internal shareholders reached RMB2.009 billion, with a year-on-year increase of 1.51%. In 2025, the Group's key accomplishments are summarized as follows:

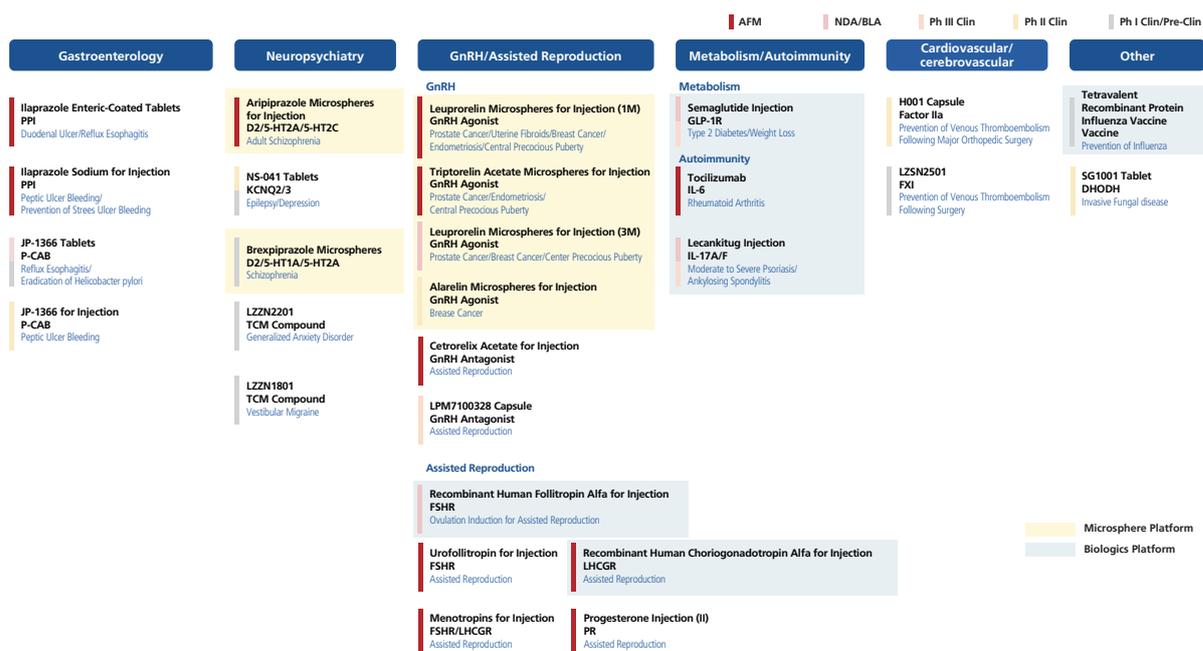
# SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

## I. MAIN BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD (continued)

### (I) Innovation-Driven Development: Building a Differentiated R&D Pipeline Centered on “Indications”

In 2025, the Company continued to intensify its commitment to innovative R&D, with total annual R&D investment reaching approximately RMB1.056 billion, accounting for 8.79% of total operating income. As of the disclosure date of the Report, the Company has a total of 40 preparation pipeline projects. Specifically, 12 are in the marketing application stage, 4 in Phase III clinical trials, and 6 in Phase II clinical trials. This establishes a sustainable innovation ecosystem featuring “tangible outputs, robust pipelines, and strategic reserves”.

1. Persistently deepening and expanding R&D layout in advantageous indications: The Company strives to strengthen its foothold in advantageous fields such as the gastroenterology, GnRH/assisted reproduction, and psychiatry/neurology, while actively expanding into chronic disease fields with significant unmet clinical needs, including autoimmunity/metabolism and cardiovascular/cerebrovascular diseases.



## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### I. MAIN BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD (continued)

#### (I) Innovation-Driven Development: Building a Differentiated R&D Pipeline Centered on “Indications” (continued)

As of the disclosure date of the Report, specific progress by core field is summarized as follows:

**Gastrointestinal field:** Steadily advancing the development of both oral and injectable P-CAB dosage forms to consolidate a leading position in gastroenterology: The Company is steadily advancing the development of both tablet and injectable forms of Potassium-Competitive Acid Blockers (P-CAB). The core product, the JP-1366 series, offers notable clinical advantages, including rapid onset of action, achieving full acid suppression from the first dose, acid-suppressive effect unaffected by CYP2C19 gene polymorphisms, and a favorable tolerability and safety profile. Specifically, the New Drug Application (NDA) for the JP-1366 Tablet (JP-1366片) in the treatment of reflux esophagitis has been accepted. An Investigational New Drug (IND) application has been submitted for its use in *Helicobacter pylori* (Hp) eradication (in combination therapy). For the injectable dosage form, JP-1366 for Injection (注射用JP-1366) indicated for peptic ulcer bleeding entered Phase II clinical trials in October 2025. As a company advancing both oral and injectable P-CAB dosage forms concurrently, we are poised to build a new product matrix covering both forms, which enables acid suppression therapy covering all applicable categories and scenarios, including both PPIs and P-CABs.

**GnRH/Assisted reproduction field:** Creating a comprehensive product treatment regimen: In terms of assisted reproduction, Progesterone Injection (II) (黃體酮注射液(II)) was successfully approved for marketing and subsequently included in the National Reimbursement Drug List (NRDL). Furthermore, the marketing application for Recombinant Human Follitropin Alfa for Injection (重組人濾泡促性腺激素注射液) was submitted during the Year, with approval expected in 2026. This positions the Company to potentially become the only domestic pharmaceutical enterprise with dual “urinary-derived and recombinant” technological pathways. In terms of GnRH, the marketing application for Leuprorelin Acetate Microspheres for Injection (3M) (注射用醋酸亮丙瑞林微球(3M)) has been submitted. As an upgrade to the Company’s marketed 1M preparation, it significantly extends the dosing interval, offering a more convenient treatment option for patients requiring long-term therapy. For Triptorelin Microspheres (曲普瑞林微球), the indication for endometriosis was successfully included in the NRDL during the Reporting Period, and patient enrollment for the Phase III clinical trial for central precocious puberty has been completed. Additionally, the newly introduced project, LPM7100328 Capsule, for the assisted reproduction indication, has commenced Phase III clinical trials. This product is expected to fill the gap in the domestic market for oral GnRH antagonists, which contributes to the construction of a comprehensive GnRH drug portfolio encompassing “injectable + oral” and “agonist + antagonist” and achieves coverage of major indications.

**Psychiatry/Neurology field:** Continuously improving the layout through long-acting preparation upgrades and innovation in cutting-edge targets: Leveraging its national-level sustained-release microsphere technology platform, the Company is strategically upgrading and iterating long-acting preparations. Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) was approved for marketing in April 2025, becoming the first domestically available and the world’s first self-developed long-acting aripiprazole microsphere preparation. It has been successfully included in the 2025 edition of the Chinese Guidelines for the Prevention and Treatment of Schizophrenia and was subsequently added to the NRDL in December 2025. The IND application for Brexpiprazole Microspheres for Injection (注射用布瑞哌唑微球) was accepted by the Center for Drug Evaluation (CDE) in January 2026. In the future, this product will complement Aripiprazole Microspheres for Injection (注射用阿立哌唑微球), Aripiprazole for Injection (Microcrystal) (注射用阿立哌唑), and Paliperidone Palmitate Injection (棕榈酸帕利哌酮注射液), further solidifying the Company’s domestic leading position in the long-acting treatment of schizophrenia. Simultaneously, breakthrough progress has been made in R&D targeting global cutting-edge mechanisms. The Company’s Class 1 innovative drug, NS-041 Tablet (NS-041片) (KCNQ2/3 Agonist), a globally advanced novel small-molecule candidate for epilepsy and depression, demonstrating its best-in-class (BIC) development potential, has initiated subject enrollment across multiple centers in its Phase II clinical trial for epilepsy. The IND for its depression indication was approved in December 2025.

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### I. MAIN BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

*(continued)*

#### (I) Innovation-Driven Development: Building a Differentiated R&D Pipeline Centered on “Indications” *(continued)*

Autoimmune/Metabolic field: Potential blockbuster products enter the commercial “fast lane”, poised to create new growth drivers: The Company’s Class 1 innovative biologic, Lecankitug Injection (萊康奇塔單抗注射液), is the first domestically developed and the second globally submitted IL-17A/F dual-target inhibitor. It is the only domestic candidate drug that has demonstrated superior efficacy over Secukinumab (Cosentyx) in a head-to-head trial for psoriasis. Its marketing application has been submitted and granted priority review status. The Phase III clinical trial indicated for ankylosing spondylitis has been successfully completed, with a marketing application expected in the first half of 2026, marking the official entry of this globally competitive innovative drug into the commercial “fast lane”. Furthermore, the marketing application for Semaglutide Injection (司美格魯肽注射液) indicated for type 2 diabetes is under review, and the application indicated for weight loss is expected to be submitted in 2026.

Cardiovascular/Cerebrovascular field: Focusing on Class 1 innovative drugs to expand into chronic disease therapy: The Company is concentrating on core anti-coagulation therapeutic scenarios within the cardiovascular/cerebrovascular field, building a differentiated product pipeline centered on the prevention of venous thromboembolism (VTE). The Class 1 innovative drug, H001 Capsule (H001膠囊), is an oral coagulation Factor IIa (thrombin) inhibitor indicated for the prevention of VTE following major orthopedic surgery. It is currently in the phase of compiling the Phase II clinical trial report. Concurrently, the Company introduced another Class 1 biologic innovative drug, LZSN2501, in 2025, also targeting the postoperative VTE prevention space. This product is a bispecific antibody targeting coagulation Factor XI (FXI). It can effectively reduce thrombotic risk while optimizing the bleeding safety window, and its once-monthly dosing frequency offers a significant patient compliance advantage. The Phase I clinical trial is planned to commence in the second half of 2026, with future potential to explore expansion into broader therapeutic areas such as stroke and atrial fibrillation.

Vaccine field: Building a globally competitive innovative product pipeline: The Company’s Tetravalent Recombinant Protein Influenza Vaccine (四價流感重組蛋白疫苗) is currently in the Phase I clinical stage, with subject enrollment completed in November 2025. Preparations for the Phase II clinical trial are now progressing steadily. Currently, no influenza vaccine utilizing the same technological approach has been approved for marketing in China. Upon future market approval, this vaccine is expected to fill a gap in the domestic market, transcend the limitations of traditional influenza vaccine technologies, and provide a novel option for influenza prevention and control efforts in China.

Accelerating delivery of core pipeline projects: Marketing applications and late-stage pipeline projects are advancing with precision. Key varieties, including Aripiprazole Microspheres for Injection (注射用阿立哌唑微球), Progesterone Injection (II) (黃體酮注射液(II)), and Lecankitug Injection (萊康奇塔單抗注射液), have either been successfully approved for marketing, had their marketing applications submitted, or been granted priority review status, thereby accelerating the realization of their clinical and commercial value. Early- and mid-stage clinical pipeline projects are progressing efficiently. Multiple varieties under development, such as JP-1366 Tablet (JP-1366片), JP-1366 for Injection (注射用JP-1366), NS-041 Tablet (NS-041片), and SG1001 Tablet (SG1001片), have successfully completed marketing application submissions or entered pivotal clinical trial stages.

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### I. MAIN BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

*(continued)*

#### (I) Innovation-Driven Development: Building a Differentiated R&D Pipeline Centered on “Indications” *(continued)*

Deepening the “internal R&D + BD” dual-drive strategy: The Company adheres to an innovation strategy that synergistically develops internal R&D and external collaborations. Guided by four core principles—pipeline synergy, patent barriers, differentiated competition, and commercialization potential—it precisely introduces high-quality innovative projects with FIC and BIC potential to rapidly complement and strengthen its pipeline in core therapeutic areas. In 2025, the Company’s BD team focused on systematic landscape development in core fields such as gastroenterology, psychiatry/neurology, metabolism, and cardiovascular/cerebrovascular diseases. This resulted in the successful in-licensing of LPM7100328 Capsule, an oral GnRH antagonist, further perfecting the product portfolio in assisted reproduction. Concurrently, the introduction of a bispecific antibody project targeting FXI injected high-quality momentum into its long-term innovative development.

Strengthening global patent portfolio and intellectual property risk management: As of December 31, 2025, the Company holds a cumulative total of 991 granted patents valid domestically and internationally, including 523 invention patents. Patent coverage encompasses core technological aspects such as innovative drug molecular structures, preparation processes, crystal forms, preparation compositions, and clinical uses. The patent grant rate has consistently remained above 80%, a relatively high level within the industry. The Company has established a comprehensive intellectual property risk prevention and control system. In 2025, Freedom-to-Operate (FTO) analysis were completed for 6 important projects. Systematic patent due diligence and risk assessments were conducted for 7 BD in-licensed projects, including LPM7100328 Capsule. Concurrently, global multi-jurisdictional patent risk screenings were performed for several core varieties, such as Aripiprazole Microspheres for Injection (注射用阿立哌唑微球), Semaglutide Injection (司美格鲁肽注射液), and Lecankitug Injection (萊康奇塔單抗注射液). Furthermore, forward-looking, targeted patent strategies were developed for key pipeline projects, such as LZHN2404, LZHN2407, and LZHG2404, further strengthening core technological barriers and supporting the global advancement and market expansion of its R&D pipeline.

#### (II) Academic Leadership: Continuously Enhancing Commercial Competitiveness

In 2025, in line with the policies and market trends of the pharmaceutical industry, the Company adhered to compliant operations, with the goals of improving patients’ access to medicines and strengthening its leadership in core therapeutic areas, and continuously optimized the commercialization system for domestic preparations to enhance its core competitiveness.

Achieving multi-dimensional synergistic efficiency through intensive omni-channel cultivation: The Company has improved its omni-channel layout covering “tertiary hospitals, primary medical care and OTC retail” and implemented differentiated operations. For the tertiary hospital channel, the Company focuses on core terminals, and drives the growth of core products through organizational structure optimization, personnel empowerment and AI empowerment. For the primary care channel, the Company has implemented the strategy of “academic sinking plus clinical support”, covering 32 provinces and cities and more than 400 cities across the country, solving the dilemmas of diagnosis, treatment and medication access in primary medical institutions. For the OTC channel, the Company has covered 230,000 pharmacies, and completed the transformation from “channel-driven” to “user-driven” through KA cooperation and brand communication, so as to enhance brand influence and market share.

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### I. MAIN BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

*(continued)*

#### (II) Academic Leadership: Continuously Enhancing Commercial Competitiveness

*(continued)*

Consolidating the foundation for growth by forward-looking layout of new products: The Company has established a sound commercialization system for newly launched and upcoming products. For instance, newly launched products such as Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) have achieved rapid roll-out of academic promotion, and were included in the national medical insurance catalog and authoritative guidelines in the same year, laying a solid foundation for rapid market expansion. The Company has also made early preparations for the commercialization and market operation of new products planned to be launched in the next 1-3 years, completing the reserve of resources and capabilities. Relying on existing advantages, the Company promotes the coordinated promotion of new products and launched products, enriches the product matrix, and fosters new growth drivers.

Strengthening the delivery of clinical value by deepening evidence-based driving: The Company has implemented “evidence-driven” academic promotion, and carried out relevant studies around core products, with a number of achievements published in high-level journals, establishing a three-dimensional evidence-based medical evidence system. It has collaborated with top academic platforms and authoritative experts to refine the clinical advantages of products, and enhanced the academic influence and terminal coverage of products through various academic forms.

Opening up full-link value delivery by upgrade with digital empowerment: Guided by the principle of “digital remodeling marketing”, the Company has integrated digitalization into all aspects of its business, built the “expert talks” science popularization platform, focused on core disease areas to deliver standardized medical knowledge, deepened brand awareness through online channels, established a closed value loop, and empowered the upgrading of the commercialization system.

#### (III) Accelerated Internationalization: Gradually Evolving From “Product Export” To “System Export”

In 2025, the Company firmly advanced its overseas expansion pathway characterized by entity-based operations, regional refinement, and localized production, continuously driving the strategic upgrade from “going global” to “taking root”. During the Reporting Period, the Company achieved overseas income of RMB1.930 billion, with a year-on-year increase of 11.97% and accounting for 16.06% of total operating income. The contribution of overseas business to the Company’s overall performance steadily increased.

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### I. MAIN BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

(continued)

#### (III) Accelerated Internationalization: Gradually Evolving From “Product Export” To “System Export” (continued)

Deepening the API “going global” strategy and upgrading collaborations with strategic customers: In 2025, the Company’s API export income grew by 12% year-on-year, with exports accounting for 60% of total API incomes. Sales in regulated markets maintained steady growth. The Company continuously optimized its global customer structure, establishing deep strategic collaborations with numerous top-tier global pharmaceutical and animal health companies, and building long-term supply relationships with dozens of high-quality overseas customers. The income contribution from strategic customers continued to rise, with long-term agreement sales accounting for over 50% of the total. Compliance management levels across various production bases steadily improved. The Fuzhou Fuxing factory successfully passed an EU-GMP inspection, and the Ningxia factory passed an FDA inspection with no action indicated and also successfully passed a German official inspection. Throughout the Year, the Company’s subordinate factories successfully passed 16 domestic official inspections in total, ensuring global supply stability through high-standard quality systems. Furthermore, leveraging its foundation of deep strategic cooperation with leading international companies, the Company steadily advanced its contract manufacturing organization (CMO) initiatives. In 2025, an animal health CMO project was successfully established, further expanding the dimensions of the API business. Additionally, the Company actively promoted the construction of an API factory in Jakarta, Indonesia. As the Group’s first overseas benchmark facility, this project represents a core initiative in the global expansion of API production capacity. Strictly adhering to current US FDA, EMEA, and PIC/S GMP standards, it will focus on producing sterile, high-end antibiotic raw materials. In the future, this will assist the Group in overcoming overseas market barriers, building a global capacity collaboration network, and providing capacity and localization support for expanding into broader international markets.

Systemic breakthroughs in market access for preparations overseas: Sales cooperation agreements have been signed for the Company’s preparation products, covering more than 50 countries in Latin America, the Middle East, Africa, the CIS, and Southeast Asia. Meanwhile, the Company successfully obtained marketing authorizations for multiple products in markets such as Pakistan, Uzbekistan, and Indonesia but has also completed registration filings and GMP certifications for numerous products in key emerging markets including Brazil and Malaysia. This has led to the initial establishment of an international registration and compliance system covering Asia and Latin America, thereby laying a solid foundation for the scaled growth of the overseas preparations business. Most critically, the Company achieved a significant milestone in the Pharmaceutical Inspection Co-operation Scheme (PIC/S) compliance and the construction of an internationalized quality management system: In the Year, it officially passed and obtained the PIC/S GMP conformity inspection in Malaysia, marking the full alignment of the Company’s quality management system with high international standards. Building on this, the Company has formally submitted and obtained acceptance for its PIC/S GMP certification application in Brazil, a core pharmaceutical market in Latin America. This step represents a crucial move in continuously advancing the internationalization of its quality system and deepening its global compliance strategy following the PIC/S certification.

Steadily advancing localized layout and regional synergies: In the Southeast Asian market, the Company officially initiated the acquisition of Imexpharm Corporation (IMP), the third-largest listed pharmaceutical company in Vietnam, in May 2025, becoming the first Chinese pharmaceutical enterprise to acquire a listed company in Vietnam. IMP boasts a scale-leading number of EU-GMP certified production lines in Vietnam and a relatively high coverage rate of medical institutions. This will provide the Company with a unique advantage to set Vietnam as a bridgehead for expanding into the broader Southeast Asian market. In the medium to long term, the Company plans to utilize IMP’s local channel resources and policy advantages to pursue the localized development and commercialization of multiple product categories, including innovative drugs, biologics, and high-end generics. In the South American market, with Brazil as its core hub, the Company has established a local office. It is focusing on advancing the registration and filing of microsphere preparations and biologics such as Semaglutide Injection (司美格魯肽注射液). Leveraging the regional mutual recognition advantages conferred by Brazil’s ANVISA certification, the Company aims to expand into neighboring Latin American countries, fostering a synergistic pattern of regional market development.

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### I. MAIN BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

*(continued)*

#### (IV) Quality First: Building a Quality Management System Covering the Entire Drug Life Cycle

During the Reporting Period, the Company consistently adhered to the principles of safe development and green, low-carbon operations. Strictly complying with national laws, regulations, and industry standards concerning work safety, environmental protection, and occupational health, the Company achieved full-year Environment, Health, and Safety (EHS) compliance with zero incidents. Concurrently, it advanced the green upgrade of manufacturing processes and energy-saving/consumption-reducing transformations, continuously improving its green production capabilities.

In terms of supply chain management, the Company continuously refined its material management systems and standardized operating procedures. Through regular internal audits and system optimization, it strengthened compliance control over its subsidiary companies, ensuring lawful, compliant, and orderly operations at all levels. Focusing on key risk nodes in the supply chain, the Company established a multi-tiered risk prevention and control mechanism. This covers critical areas such as transparent procurement execution compliance, dynamic early warning for raw material price fluctuations, strategic allocation of key materials, and the development of an alternative supplier system. These measures comprehensively enhance the supply chain's self-sufficiency capability and risk resilience, effectively ensuring the stability and continuity of production and operations.

In terms of full-process management system, the Company coordinates and advances quality control across all links including R&D, production, clinical trials, distribution and marketing, so as to build a solid line of defense for drug quality and safety. For the R&D and production quality control segment, an audit and supervision system featuring "headquarters coordination, hierarchical implementation and full coverage" has been established. Through diversified audit models, the Company expands the depth and breadth of management and control, strengthens compliance management of R&D projects and quality supervision over manufacturing processes, and simultaneously elevates the quality control standards of suppliers. This facilitates the smooth progress of key projects and ensures production compliance, demonstrating the systematicity and effectiveness of the quality management system. For the clinical system management segment, the Company continues to improve its clinical study quality management system, intensify system implementation and personnel capacity building. By conducting regular project audits and delivering professional compliance training, it consistently enhances the compliance quality of clinical trials, effectively mitigates risks in clinical study, and provides a strong guarantee for the compliant and efficient advancement of innovative drug R&D. For the Marketing Authorization Holder (MAH) system development segment, the Company keeps optimizing its MAH management system and standardized operating procedures, strengthens full-process supervision over contract manufacturing and supplier management. In light of the characteristics of innovative drug R&D, it refines quality control strategies at each stage, improves the professional competence of teams, and consolidates the supporting role of the quality system. For the distribution and marketing quality management segment, the Company strictly abides by the Good Supply Practice (GSP) for pharmaceutical products, reinforces full-process control over drug distribution operations, improves risk prevention and control mechanisms as well as the information-based traceability system to ensure safe and traceable drug distribution. Meanwhile, it efficiently responds to and handles quality-related inquiries and complaints, effectively safeguards against regulatory compliance risks in the pharmaceutical sector, and preserves the Company's brand reputation.

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### I. MAIN BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

*(continued)*

#### (V) In-depth Empowerment by AI: Throughout the Whole Chain of R&D, Production Quality and Marketing

In the field of innovative drug R&D, AI technologies have been fully integrated into the entire process of drug discovery, pharmaceutical process development, clinical development, quality control and project management, achieving a leap in R&D efficiency. In the early R&D stage, AI facilitates target validation as well as the design, screening and optimization of lead compounds, significantly shortening the cycle of early innovative drug discovery and reducing R&D costs. In vaccine R&D, AI is applied to optimize the antigen design and preparation process of the recombinant protein quadrivalent influenza vaccine, cutting the traditional process development cycle of nearly half a year by more than 50% while markedly improving antigen expression level and product yield; in the field of long acting microsphere preparations, the Company has innovatively adopted AI-powered image recognition to replace traditional manual inspection, reducing the testing time for a single batch of samples from 10 hours to just 1 minute, with a substantial improvement in both testing efficiency and accuracy.

In the field of production quality, AI technologies have fully penetrated the entire process of supply chain management, manufacturing, safe operation and quality control, with a number of benchmarking application outcomes implemented across multiple core sectors. In supply chain management, the Company has deeply embedded AI tools into key nodes including procurement execution, supplier negotiation and contract performance. Through functions such as automated system quotation, intelligent contract review and standardized document generation, it has realized the intelligent upgrading of the entire procurement process, greatly improving supply chain operation efficiency and effectively mitigating compliance and quality risks arising from manual operations; meanwhile, relying on AI technologies, the Company has established a multi dimensional supply chain risk monitoring system and set up a dynamic monitoring and intelligent early warning mechanism for price fluctuations of large value materials, realizing full cycle control over supply risks and quality stability of key raw materials, and building a solid supply chain barrier for the stable operation of production. In manufacturing and safe operation, AI-powered intelligent identification enables proactive identification and precise positioning of potential production hazards, comprehensively enhancing the digitalization level of plant safety management. In quality control, subsidiaries of the Company have launched internal quality data visualization projects to realize automatic extraction and dynamic update of product trend data, significantly enhancing product performance monitoring and risk early warning capabilities and driving a fundamental shift in quality management from passive response to proactive prevention.

In the field of marketing management, AI technologies have propelled the sales system to transform comprehensively from experience driven to data driven. The Company has established a full scope data insight system that deeply integrates multi dimensional core data, providing frontline sales teams with full process support, comprehensively improving marketing operation efficiency and terminal service capabilities and continuously unlocking the commercial value of digitalization.

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### I. MAIN BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

*(continued)*

#### (VI) Practicing the Environmental, Social and Governance (ESG) Concept and Promoting Sustainability

In 2025, Livzon Group was selected for the S&P Global Sustainability Yearbook for the third consecutive year, marking that its ESG management capabilities and sustainability competence have continued to gain recognition from international authoritative institutions. The Company deeply recognizes the core value of ESG, and has consistently integrated the concept of sustainability into its overall enterprise development strategy. By establishing a well-defined and efficient ESG governance structure with clear rights and responsibilities, the Company has set up an ESG Committee directly under the leadership of the Board of Directors, with an ESG Working Group established under the Committee, forming a full-chain management system covering top-level design to on-the-ground implementation. In the meantime, the Company has fully incorporated core sustainability objectives into the performance appraisal system for the management team, realizing an in-depth integration of strategic planning and execution efficiency, ensuring that the ESG concept runs through all links of operation and management, and facilitating the organic integration and coordinated advancement of green development, social responsibility and enterprise governance.

Guided by green and low-carbon development, the Company has continuously improved its environmental management system, carried out regular special practices such as technical renovation for energy conservation and emission reduction, and environmental capability training on a regular basis, increased investment in environmental management resources, actively implemented full-process low-carbon control in production and operation, comprehensively enhanced its environmental management level and environmental accountability capacity, and proactively addressed the potential impacts brought by climate change.

Livzon has always adhered to the original aspiration and mission of a pharmaceutical enterprise, with protecting public health as its core mandate, and actively fulfilled its social responsibilities. The Company has established a standardized public welfare management system, maintained its commitment to in-depth development in the field of medical public welfare, and adopted a package of measures to improve medicine accessibility. Relying on its advantages in large-scale production and full-chain supply chain optimization capabilities, the Company has continuously reduced the costs of drug production and distribution, making high-quality medicines accessible to a wider population, and demonstrating the social responsibility and industry commitment of a pharmaceutical enterprise with concrete actions.

### II. INDUSTRY CONDITIONS OF THE COMPANY DURING THE REPORTING PERIOD

#### 1. Basic Industry Conditions

The Company operates in the pharmaceutical manufacturing industry, a strategic industry critical to national economy, people's livelihood and national strategic security. It is characterized by strong rigid demand, high R&D investment, stringent regulatory requirements and high technical barriers, and is currently accelerating its transformation and upgrading toward high-quality development featuring innovation-driven growth, high-end manufacturing, digital and intelligent transformation, and global layout. As the concluding year of the "14th Five-Year Plan" period, 2025 witnessed the pharmaceutical industry further advancing transformation and upgrading under policy guidance, laying a solid foundation for a leap in industrial innovation capacity and in-depth high-quality development during the "15th Five-Year Plan" period. The industry as a whole has demonstrated a development trend of short-term pressure, gradual recovery, structural differentiation and sound long-term prospects.

Data released by the National Bureau of Statistics shows that from January to December 2025, industrial enterprises above designated size in China's pharmaceutical manufacturing sector achieved operating income of RMB2,487.0 billion, with a year-on-year decrease of 1.2%, and total profits of RMB349.0 billion, with a year-on-year increase of 2.7%. While the industry's income was under phased pressure, profitability took the lead in recovering, mainly driven by the growing profit contribution from high value-added products such as innovative drugs and high-end preparations. The industry has exhibited prominent structural differentiation: Enterprises with core innovation capabilities and full-process compliance management capabilities will continue to expand their competitive advantages amid industry restructuring, whereas homogeneous and low value-added enterprises will face accelerated market clearance. As a rigid-demand, weakly cyclical industry, the pharmaceutical industry's phased fluctuations are mainly driven by a combination of factors including changes in the macro environment, adjustments to industrial policies, iterations of R&D cycles and reshaping of the market competition landscape.

During the Reporting Period, the Company ranked 27th on the 2025 List of China's Top 100 Pharmaceutical Enterprises issued by the China Pharmaceutical Industry Information Center. Backed by sustained and steady R&D investment, a well structured product portfolio, synergistic advantages across the entire industrial chain, and forward looking global layout, the Company boasts strong anti cyclical and risk resilient capabilities, enabling it to steadily navigate phased industry adjustments and continuously consolidate and enhance its core competitiveness amid industrial innovation, upgrading and global development.

### II. INDUSTRY CONDITIONS OF THE COMPANY DURING THE REPORTING PERIOD *(continued)*

#### 2. Industry Policy Environment

In 2025, pharmaceutical industry policies centered on encouraging innovation, improving quality and efficiency, benefiting the people through medical insurance, and enforcing strict compliance, forming a full-process institutional system covering R&D and innovation, review and approval, payment implementation, and full life cycle supervision. These policies have not only clarified regulatory norms and development directions for high-quality industry development, but also fostered a stable and orderly environment for high-quality enterprises with core competitiveness.

##### **(1) Innovation incentive and industrial upgrading policies: Full-process support for pharmaceutical innovation to accelerate industrial transformation and achievement commercialization**

During the Reporting Period, national and local authorities successively issued intensive innovation incentive policies covering chemical drugs, biologics, traditional Chinese medicines (TCMs), and medical devices, running through the entire chain of R&D incentives, review and approval, achievement commercialization, and industrial upgrading, and continuously driving the transformation of the pharmaceutical industry toward an innovation-driven model.

In the fields of chemical drugs and biologics, policies have continued to focus on improving the efficiency of innovative drug reviews and strengthening full-process institutional support. In September 2025, the National Medical Products Administration (NMPA) issued the Announcement on Matters Concerning Optimizing the Review and Approval of Clinical Trials for Innovative Drugs, establishing a 30-day review channel for clinical trials of innovative drugs, which effectively shortened the pre-clinical R&D cycle for innovative drugs. In April 2025, nine departments including the Beijing Municipal Medical Insurance Bureau issued the Measures to Support the High-Quality Development of Innovative Medicine in Beijing (2025), introducing innovation support measures across R&D, review, payment, and market access, setting a benchmark for local innovation policies. These policies have provided clear institutional support for the clinical R&D and registration of innovative drugs, helping to shorten the cycle for the commercialization of innovative achievements.

In the field of TCM, policies uphold equal emphasis on inheritance and innovation as well as strict supervision and quality improvement, and coordinate the standardized development of the entire TCM industrial chain. In March 2025, the General Office of the State Council issued the Opinions on Improving the Quality of Traditional Chinese Medicine and Promoting the High-Quality Development of the Traditional Chinese Medicine Industry, which explicitly simplified the registration and approval procedures for preparations derived from classic ancient TCM formulas; in August 2025, the National Medical Products Administration (NMPA) promulgated the Special Provisions on the Supervision and Administration of Traditional Chinese Medicine Production, further standardizing full-process quality control in TCM manufacturing; in September 2025, the NMPA released policies optimizing the review and approval of clinical trials for innovative drugs, and in November 2025, the General Office of the State Council issued supporting policies for the development of TCM, both of which explicitly included Class 1 innovative TCM drugs in the 30-day expedited review channel. These policies provide institutional safeguards for the modernization, standardization and industrialization of the TCM industry, and foster a favorable policy environment for the R&D and registration of innovative TCM drugs and classic formula preparations.

### II. INDUSTRY CONDITIONS OF THE COMPANY DURING THE REPORTING PERIOD *(continued)*

#### 2. Industry Policy Environment *(continued)*

##### (1) Innovation incentive and industrial upgrading policies: Full-process support for pharmaceutical innovation to accelerate industrial transformation and achievement commercialization *(continued)*

In the medical device and diagnostics sector, innovation support policies have been continuously improved, with full-process institutional safeguards steadily strengthened. In January 2025, the General Office of the State Council issued the Opinions on Comprehensively Deepening the Reform of Drug and Medical Device Regulation and Promoting the High-Quality Development of the Pharmaceutical Industry, specifying that the review time limit for medical device clinical trials shall be shortened to 30 working days. In July 2025, the NMPA issued the Announcement on Measures to Optimize Full-Life Cycle Regulation and Support the Innovative Development of High-End Medical Devices, introducing ten special measures to remove bottlenecks in the whole process of innovative R&D, registration transformation and industrialization of high-end medical devices.

Furthermore, in April 2025, the Ministry of Industry and Information Technology and six other departments jointly issued the Implementation Plan for the Digital and Intelligent Transformation of the Pharmaceutical Industry (2025-2030), clarifying core objectives and implementation pathways for digital and intelligent transformation across R&D, production, supply chain and marketing in the pharmaceutical industry. This plan provides clear policy guidance for the industry to steadily advance the upgrading of intelligent manufacturing, digital supply chains and digital R&D, and drives the industry toward high-end, intelligent and green transformation and upgrading.

##### (2) Reform of the medical insurance payment system: Refined upgrading to boost medicine accessibility and enterprise innovation

In 2025, the reform of the medical insurance payment system continued to advance in a more refined and standardized manner. While upholding the core goal of benefiting the people through medical insurance, institutional optimization has reserved ample room for the development of innovative products with outstanding clinical value, accelerating the establishment of a multi-level payment system featuring “volume-based procurement for cost control + dynamic catalog adjustment + diversified payment supplements”.

The reform of DRG/DIP payment has been further implemented and deepened. In August 2025, the National Healthcare Security Administration (NHSA) issued the Interim Measures for the Administration of Diagnosis-Related Payment in Medical Insurance, which comprehensively standardized diagnosis-related payment management, improved the case-by-case special negotiation mechanism, and explicitly supported the rational clinical use of innovative drugs included in the medical insurance catalog for the treatment of complex and critically ill patients; it also clarified that provincial authorities may formulate local DRG subgroups and DIP disease libraries based on local conditions, establish a regular feedback mechanism, and that the national disease grouping plan shall be adjusted every two years in principle.

### II. INDUSTRY CONDITIONS OF THE COMPANY DURING THE REPORTING PERIOD *(continued)*

#### 2. Industry Policy Environment *(continued)*

##### (2) Reform of the medical insurance payment system: Refined upgrading to boost medicine accessibility and enterprise innovation *(continued)*

The normalized and standardized advancement of volume-based drug procurement has been steadily promoted. The 2025 Government Work Report clearly proposed to “optimize volume-based procurement policies for drugs and consumables, and strengthen quality evaluation and supervision”. National volume-based procurement has continued to improve in the direction of “ensuring basic medical needs, emphasizing quality, stabilizing supply, and promoting competition”.

The coordinated mechanism of the “dual catalogs” for basic medical insurance and commercial health insurance has been accelerated. In December 2025, the NHSA, together with the Ministry of Human Resources and Social Security, issued the 2025 National Drug Catalog for Basic Medical Insurance, Maternity Insurance and Work-Related Injury Insurance, and simultaneously released the first edition of the 2025 Commercial Health Insurance Innovative Drug Catalog. Both catalogs came into effect on January 1, 2026. Specifically, 114 new drugs were added to the latest National Medical Insurance Catalogue, with Class 1 innovative drugs accounting for 44% of the additions. A six-month transition period has been established for removed drugs, while the ‘dual-channel’ management and ‘special case negotiation’ mechanisms have been concurrently improved. Additionally, the inaugural Commercial Health Insurance Innovative Drug Catalogue specifies that listed drugs are eligible for commercial insurance coverage, creating an effective complement to basic medical insurance. During the Reporting Period, the Company’s core products, namely Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) and Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球), with newly approved indications for endometriosis, were successfully included in the 2025 National Medical Insurance Catalog, providing support for the subsequent large-scale clinical application and market penetration of these products. The dynamic adjustment of the national medical insurance catalog continues to favor innovative drugs and products with high clinical value. The continuous improvement of the multi-level medical security system has effectively broadened the commercialization paths for innovative drugs, helping to further enhance the market penetration potential of the Company’s innovative products.

##### (3) Full-life cycle compliance regulatory policies: Intensifying supervision to promote standardized industry development

In 2025, compliance supervision over the full life cycle of the pharmaceutical industry continued to tighten, covering the entire chain of R&D, production, marketing and supply chain, with enhanced regulatory enforcement. This has accelerated the industry’s efforts to establish a standardized operation and management system, and compliance capacity has become a core bottom line for survival and a key competitiveness of pharmaceutical enterprises.

On the one hand, supervision over anti-unfair competition and compliant operation has been comprehensively upgraded. In January 2025, the State Administration for Market Regulation issued the Compliance Guidelines for Pharmaceutical Enterprises on Preventing Commercial Bribery Risks, which systematically sorted out 9 typical commercial bribery scenarios and provided clear guidance for pharmaceutical enterprises in compliant operation and risk prevention and control. Meanwhile, in accordance with the Measures for the Administration of Post-Marketing Full-Life Cycle Risk Management of Drugs, regulatory authorities continued to strengthen supervision and law enforcement against false promotion, non-compliant academic marketing and other practices, driving the industry’s marketing model to transform toward compliance and academic orientation. On the other hand, digital supervision of the pharmaceutical supply chain has been accelerated. In accordance with the Measures for the Administration of Drug Traceability (2025 Revision) and the Notice on Strengthening the Collection and Application of Drug Traceability Codes in the Medical Insurance Sector, a national pilot program for digital supervision of drug traceability was fully launched in 2025. It was specified that starting from January 1, 2026, all medical institutions shall realize full collection and upload of drug traceability codes, and retail pharmacy purchase receipts shall be marked with traceability codes, marking the full establishment of a drug full-life cycle traceability and supervision system.

### III. ANALYSIS OF CORE COMPETITIVENESS

#### 1. Sophisticated Technology Platforms and Differentiated Innovation Pipeline

Based on the development trends of the pharmaceutical industry, and guided by the principle of “clinical value orientation plus differentiated innovation”, the Company focuses on core therapeutic areas including gastrointestinal tract, neuropsychiatry, GnRH and assisted reproduction, while steadily expanding into chronic disease areas with unmet adequate clinical need such as autoimmunity/metabolism and cardiovascular/cerebrovascular diseases. It has continuously increased the allocation of R&D resources, with simultaneous improvement in R&D investment intensity and pipeline commercialization efficiency.

Relying on years of in-depth industry engagement and R&D accumulation, the Company has built a leading cluster of technology platforms covering multiple sectors including long-acting sustained-release microspheres, chemical drugs, biologics and TCMs, forming differentiated technological barriers that provide solid technical support for its core competitiveness. Among them, the long-acting sustained-release microsphere technology platform, a domestically leading industrialized platform, has successfully broken through core industry technical bottlenecks such as burst release control, stability of release cycle and large-scale production of microsphere preparations. The successful launch of Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) in 2025 further consolidated the Company’s leading position in the field of schizophrenia treatment. Relevant preparations and processes are protected by multiple authorized invention patents both domestically and overseas, continuously strengthening technological barriers. The core product of the biological drug R&D platform, Lecankitug Injection (萊康奇塔單抗注射液), is the first IL-17A/F dual-target inhibitor submitted for marketing approval in China, with outstanding clinical value. The chemical drug R&D platform continues to lead industrial iteration, and a full-category acid-suppressing drug matrix from PPI to P-CAB has been established in the gastrointestinal field. The TCM modernization platform has realized the in-depth integration of TCM and modern technologies. The synergistic effect of diversified technology platforms has continuously broadened the Company’s technological leading advantages.

### III. ANALYSIS OF CORE COMPETITIVENESS *(continued)*

#### 2. Whole-Chain Advantages Empowered by AI + Intelligentization

The Company has integrated AI + intelligentization throughout the entire industrial chain covering drug R&D, clinical trials, production and marketing, achieving all-round quality improvement and efficiency enhancement. On the R&D front, taking data infrastructure as the core entry point, the Company has broken the dilemma of “data silos” in the traditional R&D sector, and built an automated laboratory data management platform. This platform transforms scattered and accumulated static data such as experiment records and chromatographic maps into flowable and reusable high-quality data assets, providing sufficient data support for the efficient operation of AI models. Meanwhile, it identifies potential experimental risks in advance through trend prediction, improving the controllability of the entire R&D process. In clinical operation, AI technologies have been fully integrated into the whole process, effectively addressing the common industrial pain points of high costs and low efficiency in clinical trials. The independently developed system of the Company enables automatic scanning and structured analysis of medical records, significantly improving the efficiency and accuracy of subject screening for clinical trials; the AI intelligent review platform notably shortens the consistency verification cycle of massive clinical data including SAE and PK data, boosting data cleaning efficiency; the “AI Multi-Dimensional Table for Projects” can dynamically identify high-risk research centers in clinical projects, and AI agents assist in the review of adverse events, effectively correcting subjective deviations of investigators and elevating the efficiency of clinical operation and management in an all-round way.

On the process and production front, for complex manufacturing processes such as biological drug manufacturing, the Company carries out digital twinning and simulation modeling through AI technologies, realizing transparent and precise control over sophisticated procedures including cell culture process scale-up. It completes multiple rounds of experimental verification via virtual simulation, and conducts physical verification only after determining the optimal process plan, significantly reducing R&D trial-and-error costs. Meanwhile, AI technologies have been deeply integrated with the Company’s core advantageous technology platforms such as the long-acting microsphere platform. Ranging from literature extraction, patent analysis and competitive product research at the project initiation stage, to scientific guidance for preparation development, and then to intelligent evaluation of microsphere integrity in the quality control process, it has fully broken through the efficiency bottlenecks of traditional manual operations, upgrading AI from a mere R&D auxiliary tool to a core empowerment engine deeply integrated into the entire R&D process.

On the marketing front, relying on an omni-channel three-dimensional marketing system covering tertiary hospitals, primary medical care and retail terminals, the Company empowers the entire marketing chain with digital technologies, builds a professional and authoritative science popularization brand position, deepening brand awareness and enhancing the practical value and implementation effect of the core strategy of “digital remodeling marketing”.

Currently, the Company is actively exploring a new stage in the application of Agentic AI, focusing on building a collaborative working system of multi-professional AI agents to continuously improve overall efficiency, further strengthen its differentiated competitive advantages, and help the Company achieve innovative breakthroughs in the development paradigm of the pharmaceutical industry.

### III. ANALYSIS OF CORE COMPETITIVENESS *(continued)*

#### 3. Diversified Business Segments and Risk Resilience Advantages

Faced with industry transformation, the Company has achieved synergy and complementary hedging across business segments through its diversified, differentiated and coordinated business layout, delivering stable operating performance and demonstrating strong operational resilience and risk resistance.

Differences in the sectors, development cycles and policy impact factors among the Company's business segments have created an effective operational risk hedging effect. The chemical and TCM segments serve as the core pillars of the Company's performance, providing solid cash flow support for its operation and development. Among them, the chemical pharmaceutical segment focuses on high-end chemical preparations. Relying on the stable market performance of mature core products such as the Ilaprazole series (艾普拉唑系列) and Leuprorelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球), the segment has maintained steady operating results. New products including Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) and Triptorelin Microspheres for Injection (注射用曲普瑞林微球) indicated for endometriosis have been successfully included in the NRDL, continuously contributing incremental growth to the segment. The TCM segment continues to provide stable cash flow for the Company through the in-depth market penetration and differentiated clinical positioning of mature products such as Shenqi Fuzheng Injection (参芪扶正注射液) and Antiviral Granules (抗病毒颗粒), effectively hedging operational pressures arising from industry policies and market fluctuations.

Meanwhile, on the basis of consolidating advantages in traditional business segments such as chemical pharmaceuticals, TCM and APIs, the Company has continuously increased investment in high-potential sectors including innovative drugs, high-barrier complex preparations, biologics and vaccines. This has formed a sound development cycle in which mature businesses underpin stability and innovative businesses drive growth, further strengthening the Company's long-term risk resilience and growth potential.

#### 4. Advantages in Global Layout and Commercialization Capabilities

The Company has built differentiated competitive barriers through the coordinated efforts of product overseas expansion and localized operations: in terms of product overseas expansion, the Company pursues a two-pronged and coordinated approach in both API and preparation businesses. As a solid foundation for its internationalization strategy, API overseas expansion relies on a high-standard quality and compliance system, stable large-scale production capacity supply, and high-quality global customer resources. The Company has established in-depth strategic cooperation with a number of leading global pharmaceutical and animal health companies, continuously optimized its global customer structure, increased the proportion of long-term supply agreements, and steadily expanded the scale and profit quality of overseas businesses; for preparation overseas expansion, the Company focuses on high-potential emerging markets such as Southeast Asia and South America. Relying on efficient international registration capabilities and international high-standard compliance systems such as PIC/S, it has achieved breakthroughs in marketing authorization in multiple key markets, and initially built a global multi-regional registration and compliance system, laying a solid foundation for the large-scale overseas growth of the preparation business.

In terms of localized operations, the Company is firmly promoting the physical layout of global production capacity and operational networks. Taking the construction of the API manufacturing plant in Jakarta, Indonesia as the core pivot, the Company plans high-end sterile API production in strict accordance with international mainstream GMP standards, forming a global coordinated production capacity network; concurrently, in the future, the Company may rely on the mature local channel resources, EU-GMP certified production capacity and local policy advantages of Vietnam's IMP to build a localized operation hub covering the Southeast Asian market; in addition, the Company has set up an office in Brazil to focus on advancing the registration and market expansion of core products, effectively breaking through trade and policy barriers in overseas markets, reducing operating costs, improving market response speed, and forming strong synergy with product overseas expansion.

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### IV. PRINCIPAL BUSINESS ANALYSIS

#### 1. Overview

For the Company's main operating conditions during the Reporting Period, please refer to the relevant content in Section III "I. The Company's Principal Business Activities During the Reporting Period" of the Report.

#### 2. Revenue and Costs

##### (1) Composition of operating income

Unit: RMB

		2025		2024		Year-on-year change
		Amount	Proportion of Operating income	Amount	Proportion of Operating income	
<b>Total Operating income</b>		<b>12,020,349,219.61</b>	<b>100.00%</b>	<b>11,812,338,854.68</b>	<b>100.00%</b>	<b>1.76%</b>
<b>By Industry</b>						
Pharmaceutical Manufacturing Industry		12,020,349,219.61	100.00%	11,812,338,854.68	100.00%	1.76%
<b>By Product</b>						
Chemical Preparation Products	Gastroenterology products	2,520,147,885.74	20.97%	2,566,528,687.73	21.73%	-1.81%
	Psychiatry products	627,526,233.04	5.22%	606,070,333.87	5.13%	3.54%
	Gonadotropic hormones products	2,903,508,904.74	24.15%	2,812,237,153.75	23.81%	3.25%
	Other Products	170,410,355.38	1.42%	134,444,402.29	1.13%	26.75%
APIs and Intermediates		3,117,209,016.09	25.93%	3,254,813,190.56	27.55%	-4.23%
Traditional Chinese Medicine Preparations		1,673,658,790.63	13.92%	1,408,665,554.58	11.93%	18.81%
Biological Products		200,803,952.93	1.67%	170,894,744.45	1.45%	17.50%
Diagnostic Reagents and Equipment		656,895,405.45	5.47%	718,428,253.32	6.08%	-8.56%
Others		150,188,675.61	1.25%	140,256,534.13	1.19%	7.08%
<b>By Region</b>						
Domestic		10,090,354,295.98	83.94%	10,088,731,562.36	85.41%	0.02%
Overseas		1,929,994,923.63	16.06%	1,723,607,292.32	14.59%	11.97%
<b>By sales model</b>						
Distribution		8,537,811,514.03	71.03%	8,140,590,428.04	68.92%	4.88%
Direct Sales		3,482,537,705.58	28.97%	3,671,748,426.64	31.08%	-5.15%

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### IV. PRINCIPAL BUSINESS ANALYSIS *(continued)*

#### 2. Revenue and Costs *(continued)*

#### (2) Industries, products, regions, or sales models accounting for more than 10% of the Company's operating income or operating profit

Unit: RMB

	Operating income	Operating costs	Gross profit margin	Year-on-year change in operating income	Year-on-year change in operating costs	Year-on-year change in gross profit margin
<b>By Industry</b>						
Pharmaceutical Manufacturing Industry	12,020,349,219.61	4,099,300,682.14	65.90%	1.76%	0.45%	Increased by 0.45 percentage points
<b>By Product</b>						
Chemical Preparation Products	6,221,593,378.90	1,178,318,525.29	81.06%	1.67%	-1.13%	Increased by 0.54 percentage points
APIs and Intermediates	3,117,209,016.09	2,031,042,171.10	34.84%	-4.23%	-2.26%	Decreased by 1.31 percentage points
Traditional Chinese Medicine Preparations	1,673,658,790.63	421,455,027.77	74.82%	18.81%	23.58%	Decreased by 0.97 percentage points
<b>By Region</b>						
Domestic	10,090,354,295.98	3,100,825,212.57	69.27%	0.02%	-3.11%	Increased by 0.99 percentage points
Overseas	1,929,994,923.63	998,475,469.57	48.27%	11.97%	13.36%	Decreased by 0.63 percentage points
<b>By sales model</b>						
Distribution	8,537,811,514.03	1,850,001,540.04	78.33%	4.88%	6.83%	Decreased by 0.40 percentage points
Direct Sales	3,482,537,705.58	2,249,299,142.10	35.41%	-5.15%	-4.26%	Decreased by 0.60 percentage points

With the adjusted basis of data statistics of the principal businesses of the Company during the Year, data of the principal businesses of the Company in the latest year after adjustment as at the End of the Year

Applicable  Not applicable

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### IV. PRINCIPAL BUSINESS ANALYSIS *(continued)*

#### 2. Revenue and Costs *(continued)*

##### (3) Principal business income by region

Unit: RMB

Regions	Amount for the Year		Amount for Previous Year	
	Income of principal businesses	Costs of principal businesses	Income of principal businesses	Costs of principal businesses
Domestic	9,966,895,585.60	3,016,196,253.91	9,976,999,763.57	3,115,011,134.23
Overseas	1,929,994,923.63	998,475,469.57	1,723,607,292.32	880,765,636.26
Total	11,896,890,509.23	4,014,671,723.48	11,700,607,055.89	3,995,776,770.49

##### (4) Whether income generated from physical sales is greater than the income generated by rendering services

Yes  No

Due to the complex product structure of the Company, and different measurement units for each product, it is impossible to convert their production and sales volume into a unified quantity for comparison.

##### (5) Execution of major sales contracts and major purchase contracts entered into by the Company as at the End of the Year

Applicable  Not applicable

##### (6) Composition of Operating costs

Unit: RMB

Industry classification	Item	2025		2024		Year-on-year change
		Amount	Proportion of operating costs	Amount	Proportion of operating costs	
Pharmaceutical industry	Costs of materials	1,863,861,284.14	45.47%	2,196,222,372.60	53.81%	-15.13%
	Labor costs	657,649,825.00	16.04%	611,873,505.92	14.99%	7.48%
	Depreciation	374,003,684.54	9.12%	365,624,726.75	8.96%	2.29%
	Energy power	358,801,589.49	8.75%	367,744,644.56	9.01%	-2.43%
	Others	298,998,195.25	7.29%	283,486,944.58	6.95%	-5.47%
	Inventory changes (beginning – end)	545,986,103.72	13.32%	256,154,762.52	6.28%	113.15%
	Total Operating Costs	4,099,300,682.14	100.00%	4,081,106,956.93	100.00%	0.45%

##### (7) changes in the consolidated scope during the Reporting Period

Yes  No

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### IV. PRINCIPAL BUSINESS ANALYSIS *(continued)*

#### 2. Revenue and Costs *(continued)*

##### (8) Significant changes or adjustments to the Company's business, products, or services during the Year

Applicable  Not applicable

##### (9) Major customers and suppliers

During the year, sales to the top five customers accounted for 8.48% of the Group's total operating revenue (2024: 8.10%), while purchases from the top five suppliers represented approximately 30.64% of the Group's total raw material procurement (2024: 32.15%).

##### Other information about major customers

Applicable  Not applicable

##### Major suppliers of the Group for the Year

Total procurement amount from the top five suppliers (RMB)	571,080,075.11
Proportion of total purchases from the top five suppliers relative to the annual total purchases	30.64%
Proportion of related party purchases in the total procurement amount from the top five suppliers relative to the annual total procurement amount	12.38%

##### Information on the top five suppliers of the Group during the year

Applicable  Not applicable

Serial Number	Supplier Name	Purchase Amount (RMB)	Proportion of Annual Total Purchase Amount
1	No.1	230,725,990.71	12.38%
2	No.2	168,258,427.97	9.03%
3	No.3	66,464,762.55	3.57%
4	No.4	54,866,654.87	2.94%
5	No.5	50,764,239.01	2.72%
Total		571,080,075.11	30.64%

*Note:* This table is based on the Group's main business operations and procurement as the statistical scope.

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### IV. PRINCIPAL BUSINESS ANALYSIS *(continued)*

#### 2. Revenue and Costs *(continued)*

##### Other information about major suppliers

✓ Applicable     Not applicable

The Group's largest supplier, Jiaozuo Joincare, is a wholly-owned subsidiary of Joincare and an related entity of the Company. Mr. Zhu Baoguo, the actual controller of the Company, indirectly holds equity in Jiaozuo Joincare. For specific ownership details, please refer to the relevant content in Section V "Share Changes and Shareholder Information" of the Report.

To the best knowledge of the Directors, none of the Directors, senior management, core technicians or any Shareholders (who, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital (excluding treasury shares)) and nor their respective close associates are interested in the aforesaid five largest suppliers (excluding Jiaozuo Joincare) and five largest customers of the Group.

#### 3. Expenses

During the year, the Group's four expenses (Selling expenses, Administrative expenses, Finance expenses, and R&D expenses) totaled RMB4,904.38 million, an increase of RMB159.22 million year-on-year, a year-on-year increase of 3.36%, as detailed in the table below:

Unit: RMB				
Item	2025	2024	Year-on-year change	Explanation of Major Changes
Selling expenses	3,580,896,256.87	3,254,638,504.70	10.02%	
Administrative expenses	598,457,787.08	613,057,559.83	-2.38%	
Finance expenses	-212,917,056.31	-155,890,077.89	-36.58%	Mainly due to an increase in deposit interest income this Period.
R&D expenses	937,945,606.31	1,033,355,508.15	-9.23%	
Total	4,904,382,593.95	4,745,161,494.79	3.36%	-

This Year, the total income tax expenses was RMB451.01 million, a decrease of RMB50.65 million compared to Last Year, a year-on-year decrease of 10.10%, mainly due to certain loss-making subsidiaries recorded reduced losses and accordingly did not incur income tax expenses.

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### IV. PRINCIPAL BUSINESS ANALYSIS *(continued)*

#### 4. R&D Investment

✓ Applicable     Not Applicable

#### List of the Company's Major R&D Projects (as of the disclosure date of the Report)

Project Name/Code	Project Objective/Indications	Project Status	Target	Anticipated impact on the Company's future development
Aripiprazole Microspheres for Injection (注射用阿立哌唑微球)	Schizophrenia	Approved for market launch	Approved for market launch	Enriches the Company's product pipeline in the neuropsychiatric field
Progesterone Injection (II)	Progesterone supplementation in assisted reproductive technology (ART)	Approved for market launch	Approved for market launch	Enriches the Company's product pipeline in the reproductive health sector
Recombinant Human Follitropin Alfa Solution for Injection (重组人促卵泡激素注射液)	Ovulation induction in assisted reproduction	NDA submitted	NDA Approved	Enriches the Company's product pipeline in the reproductive health sector
LZZG2101	Cardiovascular and cerebrovascular diseases	NDA submitted	NDA Approved	TCM preparations; can enrich the Company's product pipeline in the cardiovascular and cerebrovascular field
Leuporelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球)	Prostate cancer, breast cancer, central precocious puberty	NDA submitted	NDA Approved	The first domestic 3-month microsphere preparation; can enrich the Company's product pipeline in the GnRH field
LZZG2102	Gynecological conditions	NDA submitted	NDA Approved	TCM preparations; can expand the Company's product pipeline in the gynecological field
Aripiprazole for Injection (注射用阿立哌唑)	Schizophrenia	NDA submitted	NDA Approved	Enriches the Company's product pipeline in the neuropsychiatric field
Paliperidone Palmitate Injection (棕榈酸帕利哌酮注射液)	Schizophrenia	NDA submitted	NDA Approved	Enriches the Company's product pipeline in the neuropsychiatric field
Lecankitug Injection	Moderate to severe psoriasis	NDA submitted	NDA Approved	Enriches the Company's product pipeline in the autoimmune field
JP-1366 tablets (JP-1366片)	Reflux esophagitis	NDA submitted	NDA Approved	Enriches the Company's product pipeline in the gastrointestinal field
Semaglutide Injection	Type 2 diabetes	NDA submitted	NDA Approved	Enriches the Company's product pipeline in the metabolic field
Lecankitug Injection	Ankylosing spondylitis	Phase III Clinical Trial	Proceed with subsequent work as planned	Enriches the Company's product pipeline in the autoimmune field
Semaglutide Injection	Weight management	Phase III Clinical Trial	Proceed with subsequent work as planned	Enriches the Company's product pipeline in the metabolic field
Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球)	Central precocious puberty	Phase III Clinical Trial	Proceed with subsequent work as planned	Can expand the Company's product pipeline in the endocrine field
LPM7100328 Capsule	Assisted reproduction	Phase III Clinical Trial	Proceed with subsequent work as planned	Enriches the Company's product pipeline in the reproductive field

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### IV. PRINCIPAL BUSINESS ANALYSIS *(continued)*

#### 4. R&D Investment *(continued)*

**List of the Company's Major R&D Projects (as of the disclosure date of the Report)**

Project Name/Code	Project Objective/Indications	Project Status	Target	Anticipated impact on the Company's future development
NS-041 tablets (NS-041片)	Epilepsy	Phase II Clinical Trial	Proceed with subsequent work as planned	Enriches the Company's product pipeline in the neuropsychiatric field
JP-1366 for Injection (注射用JP-1366)	Peptic ulcer bleeding	Phase II Clinical Trial	Proceed with subsequent work as planned	Enriches the Company's product pipeline in the gastrointestinal field
H001 Capsule	Prevention of VTE after major orthopedic surgery	Phase II Clinical Trial	Proceed with subsequent work as planned	Enriches the Company's product pipeline in the cardiovascular and cerebrovascular field
Vardenafil tablets	Benign prostatic hyperplasia	Phase II Clinical Trial	Proceed with subsequent work as planned	Complementary to existing formulations; enriches product pipeline in andrology, urology, and nephrology
SG1001 tablets (SG1001片)	Invasive fungal disease	Phase II Clinical Trial	Proceed with subsequent work as planned	Enriches the Company's product pipeline in the anti-infective field
Alarelin Acetate Microspheres for Injection (注射用醋酸丙氨瑞林微球)	Breast cancer	Phase II Clinical Trial	Proceed with subsequent work as planned	Enriches the Company's product pipeline in the GnRH field
Quadrivalent Recombinant Protein Influenza Vaccine	Prevention of seasonal influenza	Phase I clinical trial	Proceed with subsequent work as planned	Enriches the Company's product pipeline in the vaccine field
NS-041 tablets (NS-041片)	Depression	IND approved	Proceed with subsequent work as planned	Enriches the Company's product pipeline in the neuropsychiatric field
Brexipiprazole Microspheres for Injection (注射用布瑞哌唑微球)	Schizophrenia	IND submitted	Proceed with subsequent work as planned	Enriches the Company's product pipeline in the neuropsychiatric field
JP-1366 tablets (JP-1366片)	Combination therapy for H. pylori eradication	IND submitted	Proceed with subsequent work as planned	Enriches the Company's product pipeline in the gastrointestinal field
LZHG1701	Prostate cancer, breast cancer, and endometriosis	Pre-clinical study	Proceed with subsequent work as planned	Can enrich the Company's product pipeline in the GnRH/reproductive field
I-2023024	Acute bacterial skin and skin structure infections	Pre-clinical study	Proceed with subsequent work as planned	Enriches the Company's product pipeline in the anti-infective field
LZSN2501	Prevention of postoperative venous thromboembolism	Pre-clinical study	Proceed with subsequent work as planned	Enriches the Company's product pipeline in the vascular disease field
LZLN1801	Vestibular migraine	Pre-clinical study	Proceed with subsequent work as planned	TCM preparation; enriches the Company's product pipeline in the neuropsychiatric field
LZLN2201	Generalized anxiety disorder	Pre-clinical study	Proceed with subsequent work as planned	TCM preparation; enriches the Company's product pipeline in the neuropsychiatric field

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### IV. PRINCIPAL BUSINESS ANALYSIS *(continued)*

#### 4. R&D Investment *(continued)*

##### R&D staff of the Company

	2025	2024	Change
Number of R&D personnel (persons)	980	908	7.93%
Proportion of R&D personnel to total number of employees	11.04%	10.01%	1.03%
<b>Educational structure of R&amp;D personnel</b>			
Undergraduate and below	628	556	12.95%
Master's degree	310	306	1.31%
Doctor	42	46	-8.7%
<b>Age composition of R&amp;D personnel</b>			
Below 30 years old	378	389	-2.83%
30~40 years old	463	403	14.89%
40~50 years old	115	91	26.37%
Over 50 years old	24	25	-4.0%

##### Investment in R&D

	2025	2024	Change ratio
Amount of R&D investment (RMB)	1,056,270,317.67	1,044,334,341.20	1.14%
Proportion of R&D investment to operating income	8.79%	8.84%	Decreased by 0.05 percentage points
Amount of capitalized R&D investment (RMB)	144,377,913.60	36,645,008.45	293.99%
Proportion of capitalized R&D investment to total R&D investment	13.67%	3.51%	Increased by 10.16 percentage points

##### Reasons for and impacts of significant changes in the composition of the Company's R&D personnel

Applicable  Not applicable

##### Reasons for significant changes in the proportion of total R&D investment to operating income compared to the Previous Year

Applicable  Not applicable

##### Reasons for substantial changes in capitalization rate of investment in R&D and the rationality

Applicable  Not applicable

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### IV. PRINCIPAL BUSINESS ANALYSIS *(continued)*

#### 5. Cash Flow

Item	Unit: RMB		
	2025	2024	Year-on-year change
Subtotal of cash inflow from operating activities	13,342,201,365.51	13,566,381,122.58	-1.65%
Subtotal of cash outflow from operating activities	10,197,162,397.42	10,587,533,595.82	-3.69%
Net cash flow from operating activities	3,145,038,968.09	2,978,847,526.76	5.58%
Subtotal of cash inflow from investing activities	7,603,780,980.05	708,952,807.83	972.54%
Subtotal of cash outflow from investing activities	11,364,837,752.13	1,369,280,525.88	729.99%
Net cash flow from investing activities	-3,761,056,772.08	-660,327,718.05	-469.57%
Subtotal of cash inflow from financing activities	3,938,939,064.00	6,105,632,957.02	-35.49%
Subtotal of cash outflow from financing activities	6,602,262,604.91	8,591,516,014.11	-23.15%
Net cash flow from financing activities	-2,663,323,540.91	-2,485,883,057.09	-7.14%
Net increase in cash and cash equivalents	-3,377,454,576.93	-158,549,741.14	-2,030.22%

### V. ANALYSIS OF FINANCIAL CONDITIONS

#### 1. Significant changes in asset composition

Item	At the End of 2025		At the Beginning of 2025		Increase/ decrease in proportion	Explanation of major changes
	Amount	As a percentage of total assets	Amount	As a percentage of total assets		
Monetary funds	9,305,381,624.06	38.80%	10,827,146,984.92	44.27%	-5.47%	No Major Changes
Accounts receivables	2,248,341,190.25	9.37%	1,935,502,036.72	7.91%	1.46%	No Major Changes
Contract assets						
Inventories	1,561,207,468.12	6.51%	1,997,642,296.29	8.17%	-1.66%	No Major Changes
Investment properties	9,084,970.71	0.04%	9,925,854.14	0.04%	0.00%	No Major Changes
Long-term equity investments	1,078,968,804.45	4.50%	1,056,220,316.06	4.32%	0.18%	No Major Changes
Fixed assets	4,054,345,129.01	16.90%	4,254,805,388.16	17.40%	-0.50%	No Major Changes
Construction in progress	234,180,002.38	0.98%	257,366,336.12	1.05%	-0.07%	No Major Changes
Right-of-use assets	33,090,291.50	0.14%	25,083,211.98	0.10%	0.04%	No Major Changes
Short-term loans	2,120,000,000.00	8.84%	2,455,000,000.00	10.04%	-1.20%	No Major Changes
Contract liabilities	104,381,754.34	0.44%	124,631,997.54	0.51%	-0.07%	No Major Changes
Long-term loans	749,356,599.04	3.12%	1,465,735,112.37	5.99%	-2.87%	No Major Changes
Leasing liabilities	17,323,404.86	0.07%	13,102,527.71	0.05%	0.02%	No Major Changes

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### V. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

#### 2. Assets and liabilities measured at fair value

✓ Applicable     Not applicable

Unit: RMB

Item	Beginning balance	Gain or loss on change in fair value for the Year	Accumulated changes in fair value in equity	Impairment provision for the Year	Amount of purchase during the Year	Amount of disposal during the Year	Other changes	Ending balance
<b>Financial assets</b>								
1. Financial assets held for trading (excluding derivative financial assets)	89,063,387.05	8,067,766.13			8,590,000,000.00	7,345,000,000.00		1,342,131,153.18
2. Derivative financial assets	299,668.02	2,237,458.56						2,537,126.58
3. Other debt investments	–							–
4. Other equity instrument investments	561,645,609.43		-38,655,232.80		407,603.40	422,631.43		522,975,348.60
5. Other non-current financial assets	–							–
Subtotal of financial assets	651,008,664.50	10,305,224.69	-38,655,232.80	–	8,590,407,603.40	7,345,422,631.43	–	1,867,643,628.36
Investment properties								
Productive biological assets								
Others								
Total	651,008,664.50	10,305,224.69	-38,655,232.80	–	8,590,407,603.40	7,345,422,631.43	–	1,867,643,628.36
<b>Financial liabilities</b>	8,096,946.08	7,673,076.34					5,086.10	418,783.64

#### Whether there were material changes in the measurement of major assets of the Company during the Year

Yes     No

#### 3. Significant changes in items of the consolidated balance sheet items

Unit: RMB

Item	31 December 2025	31 December 2024	Year-on-year change
Financial assets held for trading	1,344,668,279.76	89,363,055.07	1,404.73% <sup>(1)</sup>
Other receivables	56,912,974.18	34,558,694.17	64.68% <sup>(2)</sup>
Non-current assets due within one year	270,562,589.36 <sup>(3)</sup>	–	100.00%
Right-of-use assets	33,090,291.50	25,083,211.98	31.92% <sup>(4)</sup>
Development expenditure	364,875,894.36	220,497,980.76	65.48% <sup>(5)</sup>
Other non-current assets	388,601,515.01	589,613,391.42	-34.09% <sup>(6)</sup>
Financial liabilities held for trading	418,783.64	8,096,946.08	-94.83% <sup>(7)</sup>
Non-current liabilities due within one year	173,221,455.56	48,742,085.99	255.38% <sup>(8)</sup>
Other current liabilities	6,799,037.11	10,642,182.94	-36.11% <sup>(9)</sup>
Long-term loans	749,356,599.04	1,465,735,112.37	-48.88% <sup>(10)</sup>
Leasing liabilities	17,323,404.86	13,102,527.71	32.21% <sup>(11)</sup>
Capital reserve	271,389,337.35	529,244,187.41	-48.72% <sup>(12)</sup>
Treasury stock	–	196,616,427.46	-100.00% <sup>(13)</sup>
Other comprehensive income	-9,142,282.85	112,180,366.63	-108.15% <sup>(14)</sup>
Surplus reserve	–	744,801,154.15	-100.00% <sup>(15)</sup>
Minority interests	1,658,749,596.82	1,043,412,404.71	58.97% <sup>(16)</sup>

### V. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

#### 3. Significant changes in items of the Consolidated balance sheet *(continued)*

Reasons for year-on-year changes exceeding 30% in related data:

- (1) Mainly due to an increase in structured deposits during the period.
- (2) Mainly due to an increase in receivables from export tax rebates.
- (3) Mainly due to the transfer of cash management products maturing within one year.
- (4) Mainly due to an increase in lease contracts signed during the period.
- (5) Mainly due to increased R&D expenses from the Phase III clinical trial of JP-1366 Tablets.
- (6) Mainly due to the transfer of cash management products maturing within one year.
- (7) Mainly due to changes in exchange rates of forward foreign exchange contracts.
- (8) Mainly due to the reclassification of long-term loans to non-current liabilities due within one year.
- (9) Mainly due to the recognition of revenue upon meeting revenue recognition criteria for certain contract liabilities during the period, with corresponding output tax transferred.
- (10) Mainly due to the repayment of certain long-term loans.
- (11) Mainly due to an increase in lease contracts signed during the period, resulting in higher lease payables.
- (12) Mainly due to the cancellation of repurchased shares of the Company during the period, offsetting capital reserve.
- (13) Mainly due to the completion of the cancellation of repurchased shares during the period.
- (14) Mainly due to changes in foreign currency translation differences arising from exchange rate fluctuations.
- (15) Mainly due to the cancellation of repurchased shares of the Company during the period, offsetting the share premium in capital reserve, and offsetting the surplus reserve for any deficiency in the share premium.
- (16) Mainly due to an increase in operating profit of non-wholly-owned subsidiaries during the period compared to the previous period.

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### V. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

#### 4. Significant changes in consolidated income statement items

Item	Unit: RMB		
	This year	Same period last year	Year-on-year change
Finance expenses	-212,917,056.31	-155,890,077.89	-36.58% <sup>(1)</sup>
Investment income	50,069,316.29	17,386,915.58	187.97% <sup>(2)</sup>
Gains from changes in fair value	17,978,301.03	-15,439,155.11	216.45% <sup>(3)</sup>
Credit impairment loss	-693,083.89	-7,216,269.16	90.40% <sup>(4)</sup>
Asset impairment loss	-108,537,543.11	-181,548,029.77	40.22% <sup>(5)</sup>
Asset disposal income	-537,860.57	45,202,545.04	-101.19% <sup>(6)</sup>
Non-operating expenditure	90,365,716.78	43,733,194.34	106.63% <sup>(7)</sup>
Profit and loss attributable to minority interests	387,790,006.49	243,389,148.52	59.33% <sup>(8)</sup>
Other comprehensive net income after taxation	-131,401,873.48	5,961,662.88	-2,304.11% <sup>(9)</sup>

Reasons for year-on-year changes exceeding 30% in related data:

- (1) Mainly due to an increase in interest income from deposits during the period.
- (2) Mainly due to changes in the share of results of associates.
- (3) Mainly due to fluctuations in the market value of certain securities investments and changes in exchange rates of forward foreign exchange contracts.
- (4) Mainly due to a decrease in expected credit losses on receivables.
- (5) Mainly due to a decrease in impairment losses on assets such as inventories.
- (6) Mainly because in the previous period, the wholly-owned subsidiary Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd.\* completed its relocation to a new plant and recognized profit or loss based on the relocation compensation received.
- (7) Mainly due to an increase in losses related to non-recurring operating activities such as donations.
- (8) Mainly due to an increase in the operating profit of non-wholly-owned subsidiaries during the period compared to the previous period.
- (9) Mainly due to foreign currency translation differences arising from exchange rate fluctuations..

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### V. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

#### 5. Significant changes in items of the consolidated cash flow statement

Item	Unit: RMB		
	This year	Same period last year	Year-on-year change
Subtotal of cash inflow from investing activities	7,603,780,980.05	708,952,807.83	972.54% <sup>(1)</sup>
Subtotal of cash outflow from investing activities	11,364,837,752.13	1,369,280,525.88	729.99% <sup>(2)</sup>
Net cash flow from investing activities	-3,761,056,772.08	-660,327,718.05	-469.57% <sup>(3)</sup>
Subtotal of cash inflow from financing activities	3,938,939,064.00	6,105,632,957.02	-35.49% <sup>(4)</sup>
Effect of changes in foreign exchange rates on cash and cash equivalents	-98,113,232.03	8,813,507.24	-1,213.21% <sup>(5)</sup>
Net increase in cash and cash equivalents	-3,377,454,576.93	-158,549,741.14	-2,030.22% <sup>(6)</sup>

Reasons for year-on-year changes exceeding 30% in related data:

- (1) Mainly due to the maturity and redemption of structured deposits during the Period.
- (2) Mainly due to an increase in structured deposits during the Period.
- (3) Mainly due to an increase in structured deposits and the deposit for the acquisition of Imexpharm Corporation (IMP) in Vietnam during the Period.
- (4) Mainly due to a decrease in new borrowings during the Period.
- (5) Mainly due to exchange rate fluctuations, resulting in increased translation losses on foreign currency holdings.
- (6) Mainly due to an increase in structured deposits and the deposit for the acquisition of Imexpharm Corporation (IMP) in Vietnam during the Period.

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### V. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

#### 6. Liquidity and Financial Resources

As of December 31, 2025, the Group held monetary funds totaling RMB9,305.38 million (December 31, 2024: RMB10,827.15 million), primarily derived from cash generated by the Company's operations. The funds are primarily used for the Company's daily operations, investment activities, and dividend distribution.

Fiscal policy and objectives: The Group has established a comprehensive and sound financial management system. The goal is to ensure the security of Company funds, support production operations and business development, and enhance the efficiency of fund utilization to achieve value preservation and appreciation.

During the Year, the credit limit approved by the Company's Board of Directors and Shareholders' Meeting was RMB25,111.00 million, while the actual credit amount utilized from banks was RMB3,786.62 million.

Item	End of the Year (31 December 2025)			End of Last Year (31 December 2024)			Unit: RMB
	Amount in	Conversion rate	Amount in	Amount in	Conversion rate	Amount in	RMB
	foreign currency		RMB	foreign currency		RMB	
Cash on hand:			168,207.08				155,198.45
– RMB			167,919.91				154,936.03
– USD		7.0288			7.1884		
– EUR	34.87	8.2355	287.17	34.87	7.5257	262.42	
Bank deposits:			9,190,336,335.24				10,702,613,867.91
– RMB			6,237,011,111.91				8,903,587,468.57
– HKD	11,877,162.15	0.90322	10,727,690.40	9,931,130.18	0.92604	9,196,623.79	
– USD	394,026,875.42	7.0288	2,769,536,101.97	225,749,684.73	7.1884	1,622,779,033.71	
– JPY	542,974,126.00	0.044797	24,323,611.92	286,308,497.00	0.046233	13,236,900.74	
– EUR	75,538.80	8.2355	622,099.79	92,551.10	7.5257	696,511.82	
– MOP	6,303,168.66	0.8763	5,523,466.70	6,374,373.52	0.8985	5,727,374.61	
MYR	72,913.67	1.73193	126,281.37	17,061.18	1.61991	27,637.58	
IDR	340,827,682,238.00	0.000418	142,465,971.18	325,303,128,229.60	0.000453	147,362,317.09	
Accrued interest on deposits			–				–
Other monetary funds:			114,877,081.74				124,377,918.56
RMB			1,672,676.88				8,925,970.47
HKD	928,651.61	0.90322	838,776.71	5,493,980.19	0.92604	5,087,645.41	
USD	15,986,459.73	7.0288	112,365,628.15	15,353,110.94	7.1884	110,364,302.68	
Total	–	–	9,305,381,624.06	–	–		10,827,146,984.92

As of December 31, 2025, the Group's loan balance was RMB3,027.25 million (December 31, 2024: RMB3,956.95 million), accounting for 12.62% of total assets (December 31, 2024: 16.18%). Among them, the balance of short-term loans due within one year was RMB2,120.00 million (December 31, 2024: RMB2,455.00 million), accounting for 8.84% of total assets (December 31, 2024: 10.04%); the balance of long-term loans due after one year was RMB749.36 million (December 31, 2024: RMB1,465.74 million), accounting for 3.12% of total assets (December 31, 2024: 5.99%), and the balance of Long-term loans due within one year was RMB157.89 million (December 31, 2024: RMB36.21 million), accounting for 0.66% of total assets (December 31, 2024: 0.15%). During the Year, the Group repaid bank loans amounting to RMB4,839.35 million. There is no significant seasonal demand for the aforementioned loans.

## V. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

### 7. Capital Structure

The Group's capital structure consists of Shareholders' equity and liabilities. As of December 31, 2025, Shareholders' equity was RMB15,547.10 million, total liabilities were RMB8,438.37 million, and total assets were RMB23,985.47 million. Among them, the Group's current liabilities were RMB7,219.75 million (December 31, 2024: RMB7,625.43 million), a decrease of 5.32% from the End of the Previous Year; total non-current liabilities were RMB1,218.62 million (December 31, 2024: RMB1,924.65 million), a decrease of 36.68% from the End of the Previous Year; debt repaid during the year was RMB4,839.35 million (debt repaid Last Year was RMB6,027.70 million).

As of the End of the Year, Shareholders' equity attributable to the Company was RMB13,888.35 million (December 31, 2024: RMB13,862.33 million), an increase of 0.19% from the End of the Previous Year; Minority interests was RMB1,658.75 million (December 31, 2024: RMB1,043.41 million), an increase of 58.97% from the End of the Previous Year.

### 8. Interest Rates

As of December 31, 2025, total interest-bearing bank and other loans were RMB3,026.45 million (December 31, 2024: RMB3,955.67 million). The interest rate structure was: RMB856.55 million with a floating interest rate; RMB2,169.90 million with a fixed interest rate, with an annualized interest rate of 1.22%.

### 9. Maturity structure of outstanding debt

	31 December 2025	Unit: RMB million 31 December 2024
Within one year	3,063.38 <sup>note</sup>	3,456.79
One to two years	689.37	361.34
Two to five years	59.98	1,104.40
More than five years		
<b>Total</b>	<b>3,812.74<sup>note</sup></b>	<b>4,922.53</b>

*Note:* Except for RMB785.49 million in bills payables, the rest are bank loans.

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### V. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

#### 10. Capital commitments

Capital commitments contracted but not yet recognized in the financial statements	Balance at the End of the Year	Unit: RMB
		Balance at the Beginning of the Year
Commitments for the purchase and construction of long-term assets	221,084,956.48	143,012,133.25
Commitments for equity acquisition	1,845,730,873.77	–
Commitments for R&D expenditures	229,968,162.57	304,801,419.25
<b>Total</b>	<b>2,296,783,992.82</b>	<b>447,813,552.50</b>

#### 11. Bank loans and other borrowings

Details of the bank loans and other borrowings of the Company and its subsidiaries as of December 31, 2025, are included in the financial statements prepared in accordance with the Chinese Accounting Standards for Business Enterprises in the Report under “Notes V 23, Short-term loans; 31, Long-term loans due within 1 year; 32, Long-term loans”.

#### 12. Debt-to-capital ratio

The capital-to-liability ratio as of December 31, 2025, and December 31, 2024, was calculated by dividing the Group’s total debt on each date by its shareholders’ equity. This ratio decreased from 33.02% on December 31, 2024, to 24.52% on December 31, 2025.

#### 13. Interest Expense and Capitalization

	2025	Unit: RMB
		2024
Interest Expense <sup>(Note)</sup>	57,205,595.79	88,606,560.78
Interest Capitalization		
<b>Total Interest Expense</b>	<b>57,205,595.79</b>	<b>88,606,560.78</b>

*Note:* The interest expense is mainly due to bank loans.

#### 14. Foreign Exchange Risk

For details on the Group’s foreign exchange risk, please refer to the relevant content in “Notes IX. Financial Instruments Risk Management” of the financial statements prepared in accordance with Chinese Accounting Standards for Business Enterprises in the Report. The Company’s primary bookkeeping currency is RMB. If sales, purchases, and investment and financing activities are settled in non-RMB, corresponding foreign exchange risk exposure will arise. The Company’s management objective is to mitigate risks and secure profits. To achieve this, we have established the Foreign Exchange Risk Management System, which specifies appropriate hedging ratios and utilizes foreign exchange derivatives to control foreign exchange risks, thereby minimizing the impact of exchange rate fluctuations on the Company’s operations.

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### V. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

#### 15. Contingent Liabilities

As of December 31, 2025, the Group had no significant contingent liabilities.

#### 16. Asset Pledge

As of December 31, 2025, the Company's asset pledge restrictions are as follows:

	December 31 2025 <i>(RMB)</i>	Reason for Restriction
Assets Pledged:		
Bills receivable	140,868,943.08	Notes Pool Business, Pledge of Bills receivable
Monetary Funds	1,865,019,539.69	Deposit for Equity Acquisition and Guarantee Business
Total	2,005,888,482.77	

*Note:* On March 30, 2023, the 46th meeting of the 10th Board of Directors of the Company reviewed and approved the "Proposal for Implementing a Bill Pooling Business", authorizing the Company and its subsidiaries to share a bill pooling quota not exceeding RMB1.8 billion, which may be utilized on a revolving basis. As of December 31, 2025, the Group pledged bills receivable notes to the bank totaling RMB140,868,900.

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### VI. INVESTMENT ANALYSIS

#### 1. General Overview

Applicable  Not applicable

Amount of investment during the Year (RMB)	Amount of investment during the Same Period Last Year (RMB)	Change
11,364,837,752.13	1,369,280,525.88	729.99%

*Note:* The significant change in investment amount for the Reporting Period compared to the Previous Period was mainly due to an increase in structured deposits.

#### 2. Significant equity investments during the Year

Applicable  Not applicable

Unit: RMB

Name of the invested company	Main business	Investment method	Investment amount	Shareholding ratio	Source of funds	Partner	Investment period	Product type	Progress as of the balance sheet date	Expected return	Profit or loss of the current investment	Involvement in litigation	Disclosure date (if any)	Disclosure index (if any)
LivzonBio, Inc.* (珠海市麗珠生物醫藥科技有限公司)	Research, development, production, and sales of pharmaceutical products; pharmaceutical technology development, technical services, technology transfer, technical consulting	Capital increase	1,000,000,000.00	66.54%	Own funds	Joincare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司)	Long-term	Not Applicable	Livzon Group has made partial payment of the capital increase in accordance with the terms of the capital increase agreement.	-	-234,113,270.63	No	See Note 1 for details	See Note 1 for details
Total	-	-	1,000,000,000.00	-	-	-	-	-	-	-	-234,113,270.63	-	-	-

- Note:*
- For details, please refer to the "Overseas Regulatory Announcement – Announcement on Capital Increase to Holding Subsidiary LivzonBio and Related-Party Transaction (Updated)" published on the Company's website and HKEXnews on March 30, 2025;
  - During the Reporting Period, the Company's overseas wholly-owned subsidiary, LIAN SGP HOLDING PTE. LTD., proposed to acquire shares of Vietnamese-listed company Imexpharm Corporation through a public tender offer, with a maximum acquisition ratio of 77.94%. The transaction is still ongoing. For details, please refer to the relevant announcements published on the Company's website and HKEXnews on May 22, 2025, December 30, 2025, and March 6, 2026, including "Disclosable Transaction – Acquisition of Equity in a Vietnamese Company", "Disclosable Transaction – Proposed Public Tender Offer for Equity in a Vietnamese Company", and "Latest Progress on Disclosable Transaction – Proposed Public Tender Offer for Equity in a Vietnamese Company."

#### 3. Significant non-equity investments in progress during the Year

Applicable  Not applicable

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### VI. INVESTMENT ANALYSIS *(continued)*

#### 4. Financial asset investment

##### (1) Securities Investment Status

✓ Applicable     Not applicable

Unit: RMB

Type of securities	Securities code	Securities abbreviation	Initial investment cost	Accounting measurement model	Beginning book value	Current period fair value change gains and losses	Accumulated fair value changes included in equity	Current period purchase amount	Current period sale amount	Profit and loss during the Reporting Period	Ending book value	Accounting subject	Source of funds
Stock	00135	Kunlun Energy	4,243,647.64	Measured at fair value	7,778,736.00	-1,067,811.40				-751,490.75	6,710,924.60	Financial assets held for trading	Own funds
Fund	206001	Penghua Fund	150,000.00	Measured at fair value	987,629.66	18,262.62				18,262.62	1,005,892.28		
Stock	000963	Huadong Medicine	39,851.86	Measured at fair value	11,404,575.20	1,598,618.20				1,905,157.36	13,003,193.40		
Stock	BEAM(US)	Beam Therapeutics, Inc.	31,117,151.47	Measured at fair value	53,810,638.53	5,000,371.19				5,000,371.19	58,811,009.72		
Stock	ELTX(US)	Elicio Therapeutics, Inc.	35,363,302.05	Measured at fair value	4,853,421.34		2,553,535.81			-	7,406,957.15	Other equity instrument investments	
Stock	CARM(US)	Carisma Therapeutics, Inc.	38,807,266.00	Measured at fair value	2,168,737.48		-1,870,845.61			-	297,891.87		
Stock	02480	Luzhu Biotech-B	30,000,000.00	Measured at fair value	49,572,318.75		163,297.05			-	49,735,615.80		
Other securities investments held at the End of the period				—								—	—
Total			139,721,219.02	—	130,576,056.96	5,549,440.61	845,987.25	-	-	6,172,300.42	136,971,484.82	—	

Date of Board announcement disclosing securities investment approval    Not Applicable

Date of Shareholder meeting announcement disclosing securities investment approval (if any)    Not Applicable



# SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

## VI. INVESTMENT ANALYSIS (continued)

### 4. Financial asset investment (continued)

Name of derivative investment operator	Related party relationship	Is it a related-party transaction	Type of derivatives investment	Initial investment			Amount				Proportion of Investment Amount to Company's Net Assets at the End of the Period	Actual Profit or Loss During the Period
				amount of derivatives investment	Start date	End Date	Initial Investment Amount	Purchased During the Period	Amount Sold During the Period	Provision for Impairment (if any)		

Analysis of risks associated with derivative positions during the Reporting Period and description of control measures (including but not limited to market risk, liquidity risk, credit risk, operational risk, and legal risk)

- The Company engages in foreign exchange derivative transactions based on the principle of hedging against exchange rate and interest rate risks, not for speculative or arbitrage purposes, but the following risks still exist:
1. Market risk: Changes in domestic and international economic conditions may lead to significant exchange rate fluctuations, exposing forward foreign exchange transactions to certain market risks. However, for unilateral forward settlement or purchase transactions, the Company mitigates the risks associated with exchange rate fluctuations by analyzing and forecasting exchange rate trends and locking in settlement or purchase prices through contracts.
  2. Internal control risk: Given the high level of expertise and complexity involved in forward foreign exchange transactions, internal control risks may arise if relevant personnel fail to fully comprehend derivative information or adhere to established operating procedures during business operations.
  3. Performance risk: If the cooperating bank becomes insolvent or other events occur during the contract term, the Company may be unable to settle the original foreign exchange contract at the agreed price. When selecting partner banks for foreign exchange derivative transactions, the Company will choose large, financially strong, and operationally stable banks to mitigate default risks arising from potential bank failures.

To mitigate the risks associated with foreign exchange derivative transactions, the Company has implemented the following risk control measures:

1. Foreign exchange derivative transactions adhere to prudent and sound risk management principles and do not engage in speculative trading. The Company and its subsidiaries continuously enhance research and analysis of exchange rates, closely monitor changes in both international and domestic market conditions, adjust strategies promptly based on market developments, and minimize risks arising from exchange rate fluctuations.
2. The Company has established the "Financial Derivatives Trading Business Management System", which clearly defines the basic principles, approval authority, management and internal operational procedures, risk control, and information disclosure for foreign exchange derivative transactions to mitigate trading risks.
3. The Company and its subsidiaries select banks and other financial institutions with legal qualifications, robust financial strength, and stable operations to engage in foreign exchange derivative transactions. They prudently review the terms of relevant contracts to mitigate legal risks.

The Company faces certain risks in conducting commodity futures hedging activities, as detailed below:

1. Market risk: Systemic risks in the market; divergence between futures and spot prices; insufficient liquidity of futures contracts, etc.
2. Capital risk: If the investment amount is too large, it may lead to liquidity risk.
3. Operational risk: Futures trading is highly specialized, and improper operation or failure may result in corresponding risks. There may be a risk of losses from forced liquidation due to significant price fluctuations in the futures trading market and failure to replenish margin in a timely manner.
4. Technical risks: Uncontrollable and unpredictable system failures, network failures, communication failures, etc., may cause abnormal operation of the trading system, resulting in delayed, interrupted, or erroneous trading instructions.
5. Policy risk: Significant changes in laws, regulations, or policies governing the futures market may lead to market volatility or trading disruptions, resulting in potential risks.

To mitigate the risks associated with futures hedging operations, the Company has implemented the following risk control measures:

1. Align the hedging activities with the Company's production and operations to effectively mitigate price fluctuation risks. In the event of significant market volatility or substantial deviation from the expected price trend, strictly execute the adjustment and revision mechanism for the hedging implementation plan to manage risks appropriately. While ensuring compatibility with the raw materials required for the Company's operations, prioritize trading highly liquid and actively traded futures contracts.
2. Strictly control the scale of funds for hedging activities. Within the approved limits and timeframe authorized by the Company's Board of Directors, properly plan and utilize margin requirements, while implementing a rigorous fund transfer approval process for margin deposits. This ensures that the margin amount allocated to hedging transactions at any given time during the approved period does not exceed the authorized limit.
3. The Company has established a hedging business management policy, which clearly defines the organizational structure and responsibilities (including approval authority), authorization system, business processes, and transaction risk control for hedging operations. All staff involved in hedging must have clearly defined responsibilities and authority, with no overlapping or exceeding of their designated roles to ensure mutual oversight and accountability. At the same time, we continuously strengthen professional ethics education and business training for relevant staff to enhance their overall qualifications.
4. The Company has established a compliant computer system and related facilities to ensure the smooth operation of trading activities. In the event of a failure, take appropriate measures promptly to minimize losses.
5. Enhance the comprehension and application of relevant policies from the state and regulatory authorities, and promptly adjust hedging strategies and plans as needed.

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### VI. INVESTMENT ANALYSIS (continued)

#### 4. Financial asset investment (continued)

Name of derivative investment operator	Related party relationship	Is it a related-party transaction	Type of derivatives investment	Initial investment amount of derivatives investment			End Date	Amount			Provision for Impairment (if any)	Investment Amount at the End of the Period	Proportion of Investment Amount to Company's Net Assets at the End of the Period	Actual Profit or Loss Amount During the Period
				investment	Start date	Amount		Initial Investment Amount	Purchased During the Period	Sold During the Period				
The market price or fair value changes of derivative investments during the Reporting Period, and the analysis of derivative fair values should disclose the specific methods used along with the relevant assumptions and parameter settings.				The fair value change gains or losses from forward foreign exchange contracts during the Reporting Period amounted to RMB 9.9105 million.										
Explanation of whether there have been significant changes in the Company's accounting policies and specific accounting principles for derivatives during the Reporting Period compared to the previous Reporting Period.				No										

*Note:* The above-mentioned derivative investments for hedging purposes are accounted for as Financial assets held for trading.

(ii) Derivative investments for speculative purposes during the Reporting Period

Applicable  Not applicable

The Company did not engage in any derivative investments for speculative purposes during the Reporting Period.

### VII. MAJOR ASSET AND EQUITY SALES

#### 1. Sale of major assets

Applicable  Not applicable

#### 2. Sale of major equity

Applicable  Not applicable

### VIII. DETAILS OF MAJOR INVESTMENT OR CAPITAL ASSET ACQUISITION PLANS

On May 22, 2025, the 25th meeting of the 11th session of Board of Directors of the Company reviewed and approved the "Proposal for the Acquisition of Equity in Vietnam's IMP Company". According to the framework agreement entered by the Company's wholly-owned overseas subsidiary LIAN SGP HOLDING PTE. LTD. (hereinafter referred to as "LIAN SGP") with SK Investment Vina III Pte. Ltd. (hereinafter referred to as "SK"), Sunrise Kim Investment Joint Stock Company (hereinafter referred to as "Sunrise"), and KBA Investment Joint Stock Company (hereinafter referred to as "KBA", collectively referred to as the "Sellers") on May 22, 2025 (the "Framework Agreement"), under which LIAN SGP intends to pay VND 5,730,815,426,000 (equivalent to approximately RMB1.587 billion based on the central exchange rate on the agreement signing date) to acquire a 64.81% stake in Vietnam-listed Imexpharm Company held by the Sellers.

On December 29, 2025, LIAN SGP and the Sellers signed the amendment agreement to framework agreement (the "Amendment Agreement to Framework Agreement"), which amended the definition of "Closing Date" in the Framework Agreement to "June 30, 2026, or a later date agreed in writing by the Sellers and the Buyer" and clarified the definition of "Consolidated Control Approval for the Shares to be Acquired by the Buyer" in the conditions precedent as "The parties have obtained a continuously effective Consolidated control approval for the Buyer's intended public tender offer for the shares".

On December 30, 2025, the 31st meeting of the 11th session of Board of Directors of the Company reviewed and approved the "Proposal on the Public Tender Offer for the Equity of Vietnam IMP Company", agreeing that LIAN SGP, in accordance with relevant Vietnamese regulations, would apply to Vietnam's State Securities Commission for a public tender offer for IMP shares and issue a public offer to all shareholders of IMP. The upper limit of the adjusted equity purchase price for this transaction is VND 6,891,442,278,000.00 (approximately RMB1.846 billion at the exchange rate on the date of the Board's review), and the actual transaction price will be based on the final acceptance of the offer. This public tender offer is subject to approval by the State Securities Commission of Vietnam and other Vietnamese government or regulatory agencies.

### VIII. DETAILS OF MAJOR INVESTMENT OR CAPITAL ASSET ACQUISITION PLANS *(continued)*

According to IMP's foreign shareholding limit requirements, the maximum number of shares proposed to be acquired in this public tender offer is 120,059,970 shares, equivalent to 77.94% of IMP's registered capital, and also equivalent to 77.96% of IMP's voting shares. The proposed public tender offer price is VND 57,400 per share (approximately RMB15.37 based on the median exchange rate on the day of the Board meeting). During the public tender offer period, if any of the following circumstances occur, the offeror LIANSGP reserves the right to withdraw the public tender offer: ① The number of shares proposed to be sold by the target Company's shareholders fails to meet the minimum threshold of 99,839,990 shares, representing 64.81% of the target Company's registered capital; ② The target Company increases the total number of voting shares through conversion of preferred shares (if any) into common shares; ③ The target Company reduces the total number of voting shares; ④ The target Company issues shares, convertible corporate bonds, corporate bonds with warrants, subscription rights (excluding shares issued under the employee stock ownership plan (ESOP) approved by the target Company's shareholders' resolution No.02/2025/NQ-DHDCD-IMP dated October 28, 2025), or the value of assets sold by the target Company reaches or exceeds 35% of the total asset value stated in its most recent financial statements.

On March 6, 2026, LIAN SGP received approval from the State Securities Commission of Vietnam for this transaction. The Company will actively advance the relevant matters pertaining to this transaction.

As of the End of the Reporting Period, the acquisition has not yet been completed. For details regarding this acquisition, please refer to the Company's announcements dated May 22, 2025, and December 30, 2025, published on the Company's website and the HKEXnews website.

Save as disclosed above and in "VI. Investment Status Analysis – 2. Significant equity investments acquired during the year", the Group did not make any equity and/or other significant investments, nor any significant investments in or acquisitions of subsidiaries or associates during the Reporting Period, nor were there any other significant matters requiring disclosure. There are no other future significant investments or capital expenditure plans. Additionally, there were no significant changes in the investments held by the Group compared to the relevant information disclosed in the Company's 2024 Annual Report.

### IX. DETAILS OF EVENTS THAT HAVE A SIGNIFICANT IMPACT ON THE GROUP AFTER THE END OF THE ACCOUNTING PERIOD

Since the end of the accounting period, no significant events affecting the Group have occurred other than those disclosed in the Report.

### X. OTHER SIGNIFICANT EVENTS

During the Year, apart from those disclosed herein, the Company did not engage in any significant investments, major acquisitions, or disposals involving subsidiaries or associated companies, nor were there any other material matters requiring disclosure.

### XI. OUTLOOK ON THE COMPANY'S FUTURE DEVELOPMENT

In 2026, the Company will continue to adhere to the core development strategy of “innovation-driven, global layout, digital empowerment, and quality-oriented”. It will focus on four core areas: R&D and innovation, international expansion, commercial operation, and production quality control, further deepen the integrated application of AI technologies across the entire value chain, continuously strengthen its competitive advantages in core fields, and steadily increase the proportion of overseas income, injecting stronger impetus into the Group's high-quality and sustainability.

#### (I) Upholding the Core Strategy of Innovation-Driven Development and Continuously Improving the Tiered Innovation Pipeline

The Company will further deepen the R&D strategy of the “independent R&D + BD” dual-wheel drive, focusing on its four core advantageous areas: gastroenterology, GnRH, assisted reproduction, and neuropsychiatry, while steadily expanding into chronic disease fields with huge clinical need such as autoimmunity, metabolism, and cardiovascular/cerebrovascular diseases. It will also continue to consolidate the advantages of its core technology platforms including long-acting sustained-release microspheres, biologics, and high-end chemical drugs, and strive to build a differentiated innovation pipeline with FIC/BIC potential.

The Company will fully advance the clinical and registration progress of key pipeline projects to ensure the timely achievement of core pipeline milestones. In the neuropsychiatric field, it will continue to follow up on the marketing approval of Paliperidone Palmitate Injection (棕櫚酸帕利哌酮注射液) and Aripiprazole for Injection (Microcrystal) (注射用阿立哌唑(微晶)), and deepen its product layout in the long-acting treatment of schizophrenia based on the already launched Aripiprazole Microspheres for Injection (注射用阿立哌唑微球); in the gastrointestinal field, it will fully promote the marketing review of JP-1366 Tablets (JP-1366片) indicated for reflux esophagitis, accelerate the Phase II clinical trial progress of JP-1366 for Injection (注射用JP-1366) simultaneously, and continuously consolidate the Company's leading advantages in the gastrointestinal sector; in the autoimmune field, it will steadily advance the marketing application of Recombinant Anti-Human IL-17A/F Humanized Monoclonal Antibody Injection (重組抗人IL-17A/F人源化單株抗體注射液) for ankylosing spondylitis and timely follow up on the marketing review process for psoriasis; in the GnRH field, it will fully prepare for the launch of Leuprorelin Acetate Microspheres for Injection (3M) (注射用醋酸亮丙瑞林微球(3M)) and continuously drive the progress of pipeline projects such as LPM7100328 Capsule and Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球); in the assisted reproduction field, it will strive to facilitate the successful approval and launch of Recombinant Human Follitropin Alfa for Injection (重組人濾泡促性腺激素注射液), which will form synergy and complementarity with its already marketed products including Urofollitropin for Injection (注射用尿促卵泡素), Progesterone Injection (II) (黃體酮注射液(II)), Cetorelix Acetate for Injection (注射用醋酸西曲瑞克) and Recombinant Human Choriogonadotropin Alfa for Injection (注射用重組人絨促性激素), further improving its assisted reproduction product matrix covering the full cycle of ovulation promotion, luteal support and ovulation induction.

The Company will continue to deepen the empowerment of AI technologies throughout the entire R&D process to comprehensively improve R&D quality and efficiency. At the early drug discovery stage, it will intensify the application of AI in target validation, molecular property prediction, synthetic route optimization and other links to enhance the success rate of new drug R&D from the source; at the pharmaceutical research and clinical development stage, it will independently build and continuously upgrade the echelon of AI agents, strengthen the forward-looking assessment of regulatory compliance and the efficiency of process R&D, and continuously shorten the R&D cycle; in clinical trial operation, it will further improve the project management system deeply integrating AI and digitalization to further elevate the efficiency of subject enrollment and the success rate of clinical translation for core R&D projects.

### XI. OUTLOOK ON THE COMPANY'S FUTURE DEVELOPMENT *(continued)*

#### (I) Upholding the Core Strategy of Innovation-Driven Development and Continuously Improving the Tiered Innovation Pipeline *(continued)*

In addition, the Company's BD department, in collaboration with the R&D team and guided by AI-driven new drug R&D, will join hands with world-class academic institutions such as Stanford University and MIT as well as experts in the AI field to carry out in-depth technical collaboration and joint research on key links across the whole chain, including drug target discovery, intelligent molecular design, lead compound optimization, in vitro and in vivo pre-clinical pharmacodynamic verification, clinical protocol design and optimization, and in silico clinical trials. Meanwhile, the Company will actively expand platform-level strategic cooperation with global leading AI pharmaceutical companies and explore diverse cooperation models such as customized development, joint development and joint venture construction for innovative drugs. Through an open ecosystem, it will accelerate technology implementation and achievement commercialization, comprehensively enhance Livzon's early-stage innovative drug R&D capabilities and core competitiveness, help improve R&D quality and efficiency, and achieve high-quality expansion of the product pipeline.

#### (II) Internationalization: Accelerating Physical Layout to Build a Global Synergy Ecosystem

In 2026, the Company will continue to upgrade its overseas business from product export to physical operation and localized development, promote steady growth in overseas income and continuously increase its proportion, and form a global business development pattern featuring multi-region and multi-category synergy.

The API segment will further deepen global strategic cooperation and accelerate the realization of localized production capacity. With the core directions of "consolidating core advantages, expanding incremental markets, and advancing local deployment", it will comprehensively deepen its global layout. The Company will continue to strengthen long-term strategic cooperation with global leading pharmaceutical and animal health companies, maintain its advantages in existing regulated markets, and simultaneously accelerate the expansion of new customers and new regions to foster new increments for overseas business. It will fully advance the construction and operation of the API manufacturing plant in Indonesia to realize localized production and supply of core high-end APIs, greatly improving response efficiency in the Southeast Asian market. Meanwhile, it will continue to upgrade production processes and promote the landing of more overseas CMO projects, further expanding its international business landscape.

Concurrently, the Company will continue to tap the potential of emerging market, and simultaneously cooperate with internationally renowned enterprises in regulated markets such as Europe and the United States. Leveraging its core product advantages and technical expertise, it will carry out tiered market expansion and product launch. Among these, for competitive products in assisted reproduction and gastrointestinal fields, as well as biosimilars with cost and clinical advantages such as Semaglutide Injection (司美格鲁肽注射液), the Company will promote the establishment of localized operation systems in key Southeast Asian markets including Malaysia, Vietnam and Indonesia, effectively avoiding international trade barriers and improving market response efficiency and end-user service capabilities. Relying on its existing mature channel network, it will also initiate overseas registration applications for relevant products in other emerging market countries to achieve large-scale expansion of market coverage. For high-barrier complex formulations such as microspheres and microcrystalline products, it will focus on mid-to-high-end markets and Strict Regulatory Authority (SRA) countries, carrying out targeted registration and market access. In core global regulated markets such as Europe and the United States, it will also conduct in-depth strategic cooperation with global leaders in assisted reproduction, steadily advancing the commercialization of relevant products through complementary advantages and resource synergy.

### XI. OUTLOOK ON THE COMPANY'S FUTURE DEVELOPMENT *(continued)*

#### (II) Internationalization: Accelerating Physical Layout to Build a Global Synergy Ecosystem *(continued)*

In addition, the Company will continue to actively promote overseas rights cooperation and licensed commercialization of innovative biological drugs, accelerate the acquisition of Vietnam's IMP, and rationally coordinate resources between the two parties upon completion of the transaction. It will build IMP into a core strategic hub for compliance management, market coordination and resource integration in the Southeast Asian region, strengthening regional market responsiveness. At the same time, relying on IMP's local production and compliance system, the Company will deepen industrial chain synergy between domestic and overseas markets, complementing China's industrial chain cost advantages with overseas localized production capabilities, enhancing the stability and resilience of the global industrial and supply chains, and providing solid industrial chain support for the Company's global market expansion.

#### (III) Marketing: Upholding Compliance as the Foundation, Improving a Commercialization System Led by Academia and Empowered by Digitalization

The Company has always adhered to the bottom line of compliant operation, embedded compliance requirements into the entire marketing process, and established a compliance risk control system covering the whole business chain. By continuously standardizing marketing practices, optimizing compliance management procedures, and strengthening compliance awareness among all employees, the Company has built a solid security barrier for the steady development of the marketing system, ensuring that all marketing activities are conducted in full compliance with laws and regulations.

At the same time, the Company is actively building a new marketing model driven by the dual wheels of "academic leadership + AI empowerment" to promote high-quality and sustainable business growth. It will always take academia as the core driving force, continuously strengthen its leading role, deeply integrate cutting-edge industry research and clinical value of products, build a highly professional academic marketing content system, and deliver authoritative professional viewpoints through diverse academic exchanges, so as to continuously improve team professionalism and customer trust, and lead real clinical needs with professional value. On this basis, the Company will further deepen the in-depth application of AI technologies across all marketing scenarios, driving the comprehensive transformation of the marketing system from "experience-driven" to "digital-intelligence-driven", achieving dual improvements in marketing efficiency and accuracy. Leveraging AI technologies, the Company will deeply tap into the value of market and customer data, optimize customer communication strategies, realize precise identification of target customers and personalized academic marketing matching, and improve conversion efficiency. With AI systems, the Company will automate marketing processes, fully release the core human value of the team, redirect core resources to key business links, and provide data support for the improvement of team professional capabilities and refined management. In addition, AI will be deeply integrated into the compliance risk control system to conduct real-time intelligent monitoring of content throughout all marketing links, prevent compliance risks in advance, and realize in-depth synergy among academic leadership, AI empowerment and compliance management.

### XI. OUTLOOK ON THE COMPANY'S FUTURE DEVELOPMENT *(continued)*

#### (IV) Production and Quality: Intelligent Upgrading to Build a Full-Chain Quality Control System

In 2026, guided by the principles of intelligence, green development and standardization, the Company will comprehensively improve production and operation efficiency and full-process quality control levels, and optimize supply chain synergy, so as to provide solid support for the commercialization of new products and production capacity guarantee for existing products.

- AI-empowered production management for cost reduction, efficiency improvement and quality enhancement:** The Company will explore the in-depth integration of AI technologies with lean production and green manufacturing, continuously optimize production processes, reduce material handling losses, improve waste gas treatment efficiency, and upgrade the harmless and reduced treatment of solid waste. In terms of management efficiency, the Company will continue to unlock value through the intelligent management system built on AI tools, upgrade the AI inventory management system, realize the automation of cross-departmental collaborative processes, and optimize the cost control management system. These efforts will achieve multi-dimensional data integration and automatic calculation of key indicators, improve audit efficiency, and comprehensively strengthen digital support for cost reduction and quality improvement at the production end.
- Further strengthening quality control levels:** Centering on compliant operation, the Company will stick to the bottom line of drug quality and safety, fully implement the main responsibilities of the drug marketing authorization holder, and continuously improve the full life cycle quality management system for drugs. The key tasks include the following four aspects: First, strengthen the quality supervision of scientific research and production. Conduct unannounced inspections and special audits on production enterprises within the Group covering preparations, APIs, in vitro diagnostics and veterinary drugs, provide guidance on pharmaceutical development of key R&D projects such as TCM compound preparations based on ancient classical famous prescriptions, promote the upgrading of quality systems at production bases, and follow up on the implementation of new regulations on sterile GMP. Second, improve the quality system for clinical research. Carry out system audits and inspections of core projects, and strengthen regulatory training and quality assessment. Third, deepen the construction of the MAH system. Optimize full-process quality control covering R&D, production and supply chains, promote the application of AI technologies in quality risk early warning, data statistical analysis, deviation trend judgment and other links, and improve the risk prevention and control system. Fourth, strictly enforce sales quality management. Implement new regulations such as drug traceability, strengthen the whole-process supervision of GSP, improve the control of links including cold chain logistics and entrusted storage and transportation, and conduct internal audits and pharmacovigilance in a solid manner.

### XII. RISKS AND COUNTERMEASURES FACED BY THE COMPANY

#### 1. Risks of industry policy changes

As an important component of the national economy, the development of the pharmaceutical industry is closely tied to the industry policies established by the state. China is continuously advancing the reform of its medical and healthcare system, with ongoing revisions and improvements to relevant policies and regulations. Key initiatives—such as the implementation and adjustment of the national drug reimbursement list, enhancements to volume-based procurement programs, support policies for innovative drugs and clinical trials, and industry-wide compliance efforts—are significantly shaping the future of the pharmaceutical sector. These developments are also impacting the Company's R&D, production, and sales operations in varying degrees. In addition, external policy factors such as geopolitics and macroeconomic policies will also impact the operations of pharmaceutical companies. In December 2025, the National Healthcare Security Administration and the Ministry of Human Resources and Social Security officially released the National Reimbursement Drug List for Basic Medical Insurance, Work Injury Insurance, and Maternity Insurance (2025) and the inaugural edition of the Commercial Health Insurance Innovative Drug List. Among them, 114 drugs were newly added to the new version of the national medical insurance catalog, with Class 1 innovative drugs accounting for 44%. The development of a multi-tiered healthcare system, through coordinated payments between public and private insurance, has created a viable pricing framework and stable market outlook for high-value innovative drugs.

**Response Measures:** As of the End of the Reporting Period, the Company had a total of 194 products listed in the medical insurance catalog, including 92 in Category A and 102 in Category B. This has enhanced drug accessibility and affordability for patients while creating favorable market opportunities for hospital access to these medications. In recent years, the adjustment of the medical insurance catalog has been continuously improved and has entered an era of dynamic adjustments. Looking ahead, the Company will continue to closely monitor policy changes and adjust its strategy accordingly. Enhance market access capabilities by actively including products in the medical insurance catalog and participating in volume-based procurement to expand product market opportunities. At the same time, we continuously increase R&D investment to enhance innovation capabilities and drive product upgrades. By leveraging large-scale production and refined management, we can reduce costs and address corresponding price pressures. In addition, it will enhance compliance management, establish a robust compliance system, and ensure business operations align with policy requirements.

#### 2. Risks of fluctuation in the prices of products

Amid the normalization of national healthcare cost control and the ongoing implementation of centralized drug procurement policies, drug prices at the point of sale continue to face downward pressure. This pressure stems not only from the cyclical price reductions resulting from medical insurance catalog negotiations but also from the restructuring of the market price system due to changes in the competitive landscape following the launch of similar competing products, which may adversely affect the company's operating income and profit levels. Specifically, with the expansion and acceleration of national and local alliance procurement, generic drugs and approved varieties face the survival rule of "trading price for volume". If a company lacks advantages in cost control or supply chain resilience, it risks losing market share and seeing its profit margins shrink. At the same time, for innovative drugs, while insurance negotiations that "trade price for volume" accelerate market access, if subsequent indication expansions fall short of expectations or competing products evolve too rapidly, the actual sales volume may fail to cover the substantial upfront R&D investments, leading to profit volatility.

### XII. RISKS AND COUNTERMEASURES FACED BY THE COMPANY *(continued)*

#### 2. Risks of fluctuation in the prices of products *(continued)*

Response Measures: the Company will leverage its integrated API-formulation supply chain advantage to further enhance cost control and process optimization, utilizing large-scale production capacity to mitigate the adverse effects of market price fluctuations on profitability. Simultaneously, the Company remains committed to innovation-driven growth, focusing on differentiated products with significant clinical value and high technical barriers. By establishing product scarcity and irreplaceability, we will strengthen our pricing power, thereby reducing the risk of price erosion caused by market homogenization at its root. Additionally, the Company will continue to expand its product pipeline and optimize its portfolio across therapeutic areas, decreasing reliance on any single product or therapeutic field to minimize the financial impact of market volatility in individual products on overall operations.

#### 3. Risks in R&D for new drugs

The development of drugs from exploratory research to clinical trials involves a lengthy process, with uncertainties such as project termination due to unmet clinical data expectations. At the same time, compliance risks in clinical trials are becoming increasingly prominent, as regulatory requirements for data integrity, subject protection, and anti-corruption compliance grow more stringent, making compliance management more challenging. Additionally, regulatory agencies continue to refine their evaluation criteria for the clinical value of innovative drugs, and approval requirements may be subject to dynamic adjustments. In June 2025, the National Healthcare Security Administration, in collaboration with the National Health Commission, issued the “Several Measures to Support High-Quality Development of Innovative Drugs”. This document marked the first proposal to utilize the national unified healthcare information platform—while ensuring data security—to enhance innovative drug development with real-world data, including medical insurance disease spectra and clinical medication needs. This initiative aims to assist companies in precisely defining their R&D directions and pipeline strategies. In addition, in June 2025, the National Medical Products Administration issued the “Announcement on Optimizing the Review and Approval of Clinical Trials for Innovative Drugs”, officially launching a “30-day Fast-Track Approval Channel” for innovative drug clinical trials. This initiative reduces the review timeline from 60 to 30 working days for nationally prioritized research projects and globally synchronized development programs, significantly enhancing clinical R&D efficiency. The implementation of the above policies has reduced the risks associated with new drug development to some extent, enabling innovative pharmaceutical companies to sustain their research and innovation momentum and ensuring the long-term, high-quality growth of the pharmaceutical industry.

Response Measures: The Company will focus on addressing unmet clinical needs, continuously refine the evaluation mechanism for R&D project initiation, and strengthen pharmacoeconomic and market value assessments during the project planning phase. We will concentrate resources on developing innovative drugs and high-barrier complex formulations with clear clinical advantages and differentiated competitiveness, while continually optimizing our R&D pipeline strategy. Additionally, the Company will further enhance its compliance management system for R&D, strictly standardizing end-to-end clinical trial management in accordance with regulatory requirements. This includes reinforcing data integrity and subject protection, improving compliance risk identification and mitigation, and ensuring all R&D activities consistently operate within established compliance frameworks. In addition, the Company actively expands domestic and international collaborations for innovative drug research and development, accelerates its global expansion, actively explores overseas markets, and seeks new profit growth opportunities to support its high-quality development. Finally, the Company will fully leverage its advantages in APIs, enhance the integration of APIs and formulations, achieve coordinated development between APIs and formulations, and provide strong support for the Company’s long-term sustainable growth.

### XII. RISKS AND COUNTERMEASURES FACED BY THE COMPANY *(continued)*

#### 4. Risks of fluctuations in the supply and prices of raw materials

The supply and prices of raw materials, including Chinese medicinal herbs, APIs, excipients, and packaging materials, are consistently influenced by various external factors, thereby affecting the Company's profitability. Specifically, macroeconomic conditions, monetary policy adjustments, stricter environmental management requirements, and force majeure factors such as natural disasters may all lead to supply constraints or significant price fluctuations for these raw materials. In addition, changes in industry policies have also intensified the pressure of rising raw material prices. For example, the implementation of policies such as the new national pharmacopoeia quality standards, safety regulations, and environmental protection measures has increased costs in the chemical raw material production supply chain, further driving up procurement prices for certain raw materials.

Countermeasures: First, the Company has established GAP production bases for certain key varieties of Chinese herbal raw materials to ensure stable supply and quality of raw materials; second, the Company continuously monitors upstream raw material price trends and optimizes inventory management and procurement cycles to mitigate market fluctuation risks; third, while maintaining quality standards, the Company consistently implements lean production practices and effective cost control measures. The raw materials for the Company's main formulation products—including the llaprazole series, Shenqi Fuzheng Injection, Dele series, reproductive series, and mental health products—are fully supplied through the Group's integrated industry chain. This not only guarantees a stable supply of raw materials but also ensures cost control. In addition, the prices of raw materials for the Company's API segment are subject to fluctuations due to domestic and international industry and trade policies. However, the Company promptly implements strategic reserve procurement and other countermeasures, and can conduct futures hedging operations as needed to lock in the costs of key raw and auxiliary materials, ensuring stable production and business operations.

#### 5. Risks of environmental protection

Pharmaceutical companies may generate wastewater and exhaust gas emissions during the production process. These issues may affect the surrounding environment. Moreover, with stricter environmental supervision by national and local environmental protection authorities and increased public awareness of environmental protection, higher environmental standards are being required of API manufacturers. The costs of environmental protection and environmental management are continuously increasing, and the production and operating costs of API manufacturers are also rising accordingly.

Response Measures: The Company upholds environmental protection as its responsibility, consistently implements the concept of green development, strictly adheres to national environmental policies and regulations, establishes environmental management objectives, assessment mechanisms, and management systems, and enforces them rigorously. At the same time, the Company has established an EHS management framework, strictly enforces EHS management responsibilities at all levels, and continuously increases investment in environmental management. In addition, the Company actively conducts training activities to enhance employees' environmental awareness and capabilities, continuously improving the Company's environmental performance. In the future, the Company will further increase its investment in environmental protection, conduct regular environmental protection training and education, optimize internal control standards and management systems, continuously improve equipment, processes, and production flows related to operations, and reduce environmental impact during production and operations. At the same time, the Company will continue to refine the management of pollutant emissions and resource utilization, enhance monitoring of key emission units, consistently reduce pollutant and waste emissions, continuously improve energy and resource efficiency, and strictly control environmental risks. Moving forward, the Company will continue to implement green and low-carbon operations, with the goal of achieving carbon neutrality by 2055.

### XIII. OTHER MATTERS

#### 1. Reserves

The amount and details of changes in reserves for the Group during the current year are presented in the “Consolidated Statement of Changes in Shareholders’ Equity” and Note V.39, “Surplus Reserve”, in the financial statements included in the Report.

#### 2. Distributable Reserves

As of December 31, 2025, the Company’s distributable reserves calculated according to Chinese Enterprise Accounting Standards were RMB1.640 billion (December 31, 2024: RMB2.841 billion).

#### 3. Fixed assets

The changes in fixed assets during the Year are detailed in “Notes V.13, Fixed Assets” in the financial statements of the Report.

#### 4. Management Contracts

During the Year, the Company did not enter into or have any contracts for the management or administration of the whole or any substantial part of its business.

#### 5. Audit Committee Review

The financial results for the Year ended December 31, 2025, have been reviewed by the Company’s audit committee. For details on “Key Audit Matters”, please refer to the relevant content in the Section VII “Audit Report” of the Report.

#### 6. Relationships with Employees, Customers, and Suppliers

The success of the Group also depends on the support of employees, customers, suppliers, and shareholders. In terms of our employees, the Company upholds a people-centric approach by refining incentive and training programs to enhance their overall capabilities and support their career growth, thereby creating a win-win scenario for both employee development and the Company’s performance improvement. For our customers, we are demand-driven, dedicated to delivering high-quality products and professional services. By enhancing communication, we aim to strengthen customer engagement and expand our market share. We maintain good communication with suppliers, establish win-win cooperation strategies, strengthen supply chain management to mitigate quality risks, reduce production costs, and drive sustainable profit growth. For shareholders, we actively enhance corporate value, strengthen investor relations management, and maintain stable dividend payouts to reward shareholders while meeting business development needs and maintaining capital adequacy. For more details, please refer to the “2025 Environmental, Social, and Governance Report” of the Company.

### **XIII. OTHER MATTERS** *(continued)*

#### **7. Permitted Indemnification Provisions**

During the Year, the Company has purchased directors' and officers' liability insurance for its Directors, Supervisors, and senior management to cover potential third-party liabilities arising from the performance of their duties.

#### **8. Compliance with Laws and Regulations**

During the Year, the Group confirms that it has continuously complied with relevant laws and regulations that significantly impact the Company and maintained good working relationships with regulatory authorities through effective communication.

#### **9. Environmental Policy and Performance**

For the Group's environmental policies and performance this Year, please refer to the "2025 Environmental, Social, and Governance Report" of the Company.

### **XIV. REPURCHASE, SALE, OR REDEMPTION OF SECURITIES**

#### **1. Repurchase of A Shares**

On 24 December 2024, the repurchase of part of the Company's A Shares scheme (the "Second Repurchase Scheme of A Shares") had been considered and approved at the 2024 fourth extraordinary general meeting, the 2024 second class meeting of A Shareholders and the 2024 second class meeting of H Shareholders of the Company. In order to promote the stable development of the Company and effectively safeguard the interests of the Shareholders, the Company intends to use its own funds to repurchase part of its A Shares by means of centralized bidding, and all the repurchased shares will be cancelled for reducing the registered capital. According to the Second Repurchase Scheme of A Shares, the repurchase price shall not exceed RMB45.00 per A Share. The aggregate amount of funds to be used for the repurchase shall not be less than RMB600.0000 million (inclusive) and not more than RMB1,000.0000 million (inclusive). The implementation period of the Second Repurchase Scheme of A Shares (the "Second Repurchase Period") was twelve months from 24 December 2024. During the Repurchase Period, the Company repurchased a total of 16,193,259 A shares through centralized bidding transactions according to the A-share repurchase plan, accounting for 1.79% of the Company's total issued share capital and 2.68% of the total issued A shares, with the highest purchase price being RMB41.99 per share and the lowest price being RMB33.21 per share, using a total of RMB600,217,787.75 (excluding transaction fees).

The A shares repurchased according to the A-share Repurchase Plan were canceled on December 31, 2025.

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### XIV. REPURCHASE, SALE, OR REDEMPTION OF SECURITIES *(continued)*

#### 1. Repurchase of A Shares *(continued)*

The monthly reports on the repurchase of A shares during the Reporting Period are as follows:

Month	Number of shares repurchased (shares)	Highest purchase price per share (RMB per share)	Lowest purchase price per share (RMB per share)	Total amount of funds used (RMB ten thousand, excluding transaction fees)
January 2025	5,850,055	37.94	35.18	21,149.36
February 2025	2,852,100	36.65	35.66	10,296.90
April 2025	1,892,900	34.66	33.21	6,488.18
July 2025	277,700	41.99	41.51	1,162.82
August 2025	1,786,500	41.99	39.33	7,246.23
September 2025	1,993,790	41.99	37.71	7,929.90
November 2025	816,414	37.74	36.16	2,998.93
<b>Total</b>	<b>15,469,459</b>			<b>57,272.32</b>

#### 2. Repurchase of H Shares

The grant of general mandate to the Board to repurchase H Shares of the Company (the "First H Share Repurchase Mandate") had been considered and approved by the Board of the Company on 13 May 2024 and by the 2023 annual general meeting, the 2024 first class meeting of A Shareholders and the 2024 first class meeting of H Shareholders of the Company on 14 June 2024, respectively. The maximum number of H Shares proposed to be repurchased shall not exceed 30,705,241 H Shares, representing 10% of the total number of H Shares in issue and having not been repurchased as at the date of the passing of the resolution in relation to the Second H Share Repurchase Mandate approved by the shareholders of the Company. According to the First H Share Repurchase Authorization, the Company has cumulatively repurchased 7,245,300 H shares, accounting for 0.80% of the Company's total issued share capital as of May 13, 2025, and 2.36% of the total issued H shares, with the highest purchase price being HKD 27.80 per share and the lowest price being HKD 23.75 per share, with a total amount of HKD 190,692,395.00 (excluding transaction fees) used. As of May 14, 2025, all the repurchased H shares of the Company have been canceled. The first H share repurchase authorization expired on May 29, 2025 (i.e., at the conclusion of the Company's 2024 Annual General Meeting).

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### XIV. REPURCHASE, SALE, OR REDEMPTION OF SECURITIES *(continued)*

#### 2. Repurchase of H Shares *(continued)*

During the Reporting Period, the monthly report on the repurchase of H shares under the first H share repurchase authorization is as follows:

Month	Number of shares repurchased (shares)	Highest purchase price per share (HKD per share)	Lowest purchase price per share (HKD per share)	Total amount of funds used (HKD ten thousand, excluding transaction fees)
January 2025	271,600	27.55	26.85	737.28

The grant of general mandate to the Board to repurchase H Shares of the Company (the "Second H Share Repurchase Mandate") had been considered and approved by the Board of the Company on 23 April 2025 and by the 2024 annual general meeting, the 2025 first class meeting of A Shareholders and the 2025 first class meeting of H Shareholders of the Company on 29 May 2025, respectively. The maximum number of H Shares proposed to be repurchased shall not exceed 29,980,711 H Shares, representing 10% of the total number of H Shares (excluding treasury H shares) in issue and having not been repurchased as at the date of the passing of the resolution in relation to the Second H Share Repurchase Mandate approved by the shareholders of the Company. As of the End of the Reporting Period, the Company has not yet conducted any H share repurchase under the Second H Share Repurchase Authorization.

Except as disclosed above, during the period from 1 January 1 2025, to 31 December 2025, neither the Company nor any of its subsidiaries repurchased, sold, or redeemed any of the Company's listed securities (including the sale of treasury H shares (as defined in the Hong Kong Listing Rules)). As of the End of the Reporting Period, the Company did not hold any treasury H shares (as defined in the Hong Kong Listing Rules).

### XV. STOCK OPTION INCENTIVE PLAN

#### 1. The 2022 Share Options Incentive Scheme

On 29 August 2022, the Company convened the thirty-fourth meeting of the tenth session of the Board to consider and approve the "2022 Share Options Incentive Scheme of the Company (Draft)" 《(2022年股票期權激勵計劃(草案))》 and its summary (the "2022 Share Options Incentive Scheme"), pursuant to which, it was proposed to grant to incentive participants 20,000,000 share options which involved a total of 20,000,000 ordinary A Shares. In particular, there would be 18,000,000 shares options under the first grant (the "First Grant"), and 2,000,000 shares options under the reserved grant (the "Reserved Grant").

On 21 September 2022, the Company convened the thirty-sixth meeting of the tenth session of the Board to consider and approve the amendments to the terms of the 2022 Share Options Incentive Scheme, and approve the 2022 Share Options Incentive Scheme (Revised Draft) 《(2022年股票期權激勵計劃(草案修訂稿))》 and its summary (the "2022 Share Options Incentive Scheme (Revised)").

On 14 October 2022, the 2022 Share Options Incentive Scheme (Revised) was considered and approved at the 2022 second extraordinary general meeting, the 2022 second class meeting of A Shareholders and the 2022 second class meeting of H Shareholders of the Company.

### **XV. STOCK OPTION INCENTIVE PLAN** *(continued)*

#### **1. The 2022 Share Options Incentive Scheme** *(continued)*

##### **Purpose of the scheme**

The 2022 Share Options Incentive Scheme has been formulated to further establish and improve the Company's long-term incentive mechanism, attract and retain outstanding talents, maximize the motivation of Directors, senior management, mid-level management and relevant core personnel of the Company and effectively align Shareholders' interests, the Company's interests and individual interests of the core team members so that the parties would make joint efforts for the Company's long-term development.

##### **Incentive participants**

The incentive participants of the 2022 Share Options Incentive Scheme include the Directors, senior management, mid-level management and relevant core personnel of the Company. The incentive participants shall exclude independent Directors, Supervisors and Shareholders individually or in aggregate holding 5% or more of the shares of the Company or the de facto controllers and their spouses, parents or children.

##### **Total number of shares issuable**

On 7 November 2022, the Company convened the thirty-ninth meeting of the tenth session of the Board to consider and approve: the adjustment to the list of incentive participants and the number of share options under the First Grant of the 2022 Share Options Incentive Scheme (Revised): the adjustment to the number of incentive participants under the First Grant from 1,034 to 1,026 and the adjustment to the number of share options under the First Grant from 18,000,000 to 17,973,500. The number of share options under the Reserved Grant is 2,000,000. The total number of shares granted under the First Grant and the Reserved Grant is zero.

##### **Maximum entitlement**

None of the incentive participants will be granted share options which, if exercised in full, would result in the total number of A Shares issued and to be issued in respect of all options or awards granted under the 2022 Share Options Incentive Scheme, any other share option scheme(s) or share award scheme(s) of the Company to such incentive participants (excluding any options and awards lapsed) in the 12-month period up to and including the date of such grant exceeding 1% of A Shares in issue as at the date of such grant. The total number of A Shares which may be issued in respect of all options or awards to be granted under the 2022 Share Options Incentive Scheme, any other share option scheme(s) or share award scheme(s) of the Company must not, in aggregate, exceed 10% of A Shares in issue as at the date of approval of the 2022 Share Options Incentive Scheme by the Shareholders.

##### **Validity period of the scheme**

The validity period of the 2022 Share Options Incentive Scheme shall not be longer than 60 months (namely 22 November 2027) commencing on the registration date of the First Grant of the share options and ending on the date on which all the share options granted to the incentive participants have been exercised or otherwise cancelled. The remaining validity period of the 2022 Share Options Incentive Scheme as at the date of the Report is approximately one year and eight months.

**XV. STOCK OPTION INCENTIVE PLAN** *(continued)***1. The 2022 Share Options Incentive Scheme** *(continued)***Vesting period, exercise period and exercise date**

The vesting period (namely vesting period) of the 2022 Share Options Incentive Scheme refers to the period between the registration date of grant of the share options and the exercise date of the share options. The vesting period of the share options under the First Grant are 12 months, 24 months and 36 months, respectively, while the vesting period of the share options under the Reserved Grant are 12 months and 24 months, respectively.

The following table sets forth the exercise period under the First Grant and the exercise schedule for each tranche:

<b>Exercise Arrangement</b>	<b>Exercise Time</b>	<b>Exercise Ratio</b>
First exercise period for share options under the First Grant	Commencing on the first trading day after expiry of the 12-month period from the registration completion date of the First Grant and ending on the last trading day of the 24-month period from the registration completion date of the First Grant	40%
Second exercise period for share options under the First Grant	Commencing on the first trading day after expiry of the 24-month period from the registration completion date of the First Grant and ending on the last trading day of the 36-month period from the registration completion date of the First Grant	30%
Third exercise period for share options under the First Grant	Commencing on the first trading day after expiry of the 36-month period from the registration completion date of the First Grant and ending on the last trading day of the 48-month period from the registration completion date of the First Grant	30%

The following table sets forth the exercise period under the Reserved Grant and the exercise schedule for each tranche:

<b>Exercise Arrangement</b>	<b>Exercise Time</b>	<b>Exercise ratio</b>
First exercise period for share options under the Reserved Grant	Commencing on the first trading day after expiry of the 12-month period from the registration completion date of the Reserved Grant and ending on the last trading day of the 24-month period from the registration completion date of the Reserved Grant	50%
Second exercise period for share options under the Reserved Grant	Commencing on the first trading day after expiry of the 24-month period from the registration completion date of the Reserved Grant and ending on the last trading day of the 36-month period from the registration completion date of the Reserved Grant	50%

**Basis for determining exercise price**

The exercise price of the share options under the First Grant shall not be lower than the par value of the A Shares, and shall be the higher of the following:

- (1) the average trading price of the A Shares of the Company for the last trading day preceding the date of announcement of the 2022 Share Options Incentive Scheme (i.e. 30 August 2022) (the total transaction value of the A Shares for the last trading day/the total trading volume of the A Shares for the last trading day), being RMB30.679 per A Share;
- (2) the average trading price of the A Shares of the Company for the last 20 trading days preceding the date of announcement of the 2022 Share Options Incentive Scheme (the total transaction value of the A Shares for the last 20 trading days/the total trading volume of the A Shares for the last 20 trading days), being RMB31.303 per A Share.

### XV. STOCK OPTION INCENTIVE PLAN *(continued)*

#### 1. The 2022 Share Options Incentive Scheme *(continued)*

##### Basis for determining exercise price *(continued)*

The exercise price of the share options under the Reserved Grant shall not be lower than the par value of the A Shares, and shall be the higher of the following:

- (1) the average trading price of the A Shares of the Company for the last trading day preceding the date of announcement of the Board resolution on the grant of share options under the Reserved Grant (the total transaction value of the A Shares for the last trading day/the total trading volume of the A Shares for the last trading day);
- (2) one of the average trading prices of the A Shares of the Company for the last 20, 60 or 120 trading days preceding the date of announcement of the Board resolution on the grant of the share options under the Reserved Grant.

The incentive participants are not required to pay any amount for accepting the grant of options.

##### Performance target and individual performance assessment

- (1) Performance targets at the Company level

The share options granted under the 2022 Share Options Incentive Scheme are subject to annual assessment for exercise during the three accounting years in the exercise period, such that achieving of the performance targets by the incentive participants is a condition to exercise the share options.

The performance targets of the First Grant are as follows:

Exercise Period	Performance target
First exercise period for Share Options under the First Grant	Based on the net profit of 2021, the compound growth rate of net profit in 2022 should not be less than 15%;
Second exercise period for Share Options under the First Grant	Based on the net profit of 2021, the compound growth rate of net profit in 2023 should not be less than 15%;
Third exercise period for Share Options under the First Grant	Based on the net profit of 2021, the compound growth rate of net profit in 2024 should not be less than 15%.

*Note:* The above indicators of “net profit” and “compound growth rate of the net profit” are calculated on the basis of the net profit attributable to the shareholders of the Company after deducting the extraordinary gains or losses and excluding the share-based payment expense under the 2022 Share Options Incentive Scheme, and the same below.

The performance targets of the Reserved Grant are as follows:

Exercise Period	Performance target
First exercise period for Share Options under the Reserved Grant	Based on the net profit of 2021, the compound growth rate of net profit in 2023 should not be less than 15%;
Second exercise period for Share Options under the Reserved Grant	Based on the net profit of 2021, the compound growth rate of net profit in 2024 should not be less than 15%.

In the event the Company fails to meet the performance targets above, all share options which are exercisable by the incentive participants in the respective assessment year shall not be exercised and shall be cancelled by the Company.

**XV. STOCK OPTION INCENTIVE PLAN** *(continued)***1. The 2022 Share Options Incentive Scheme** *(continued)***Performance target and individual performance assessment** *(continued)*

## (2) Individual-Level Performance targets

The assessment of the incentive participants at individual level shall be conducted according to the Company's current requirements for remuneration and assessment, and the comprehensive appraisal results of the incentive participants for each assessment year will be graded as follows:

Assessment Results	Excellent	Good	Qualified	Unqualified
Individual Exercise Ratio		100%	80%	0%

If the performance target at the Company level for the respective year is met, the actual personal exercise amount of an incentive participant for the respective year = exercise percentage × the scheduled personal exercise amount of the incentive participant for the respective year.

The Company shall cancel the share options granted to the incentive participants which cannot be exercised in the respective year.

**Fair Value and Accounting Policy of Stock Options**

## (1) Fair Value

## First Grant

The Company selected the Black-Scholes Model to calculate the fair value of share options under the First Grant, the specific calculation method and results of the fair value per option are as follows:

Parameter	Parameter Description
Price of subject share	RMB36.89 per share (stock price on the grant date)
Exercise Price	RMB31.31 per option
Validity period of share options	The validity periods for the three exercise periods are 1, 2, and 3 years respectively
Risk-free interest rate	The risk-free rates for the three exercise periods are 1.50%, 2.10%, and 2.75% respectively, selecting the one, two, and three-year fixed deposit rates
Volatility of Underlying Stock	The volatilities for the three exercise periods are 21.00%, 20.26%, and 21.81% respectively, selecting the volatility of the Shenzhen Composite Index over the past 12 months, 24 months, and 36 months
Dividend yield of the underlying stock	The dividend yields for the three exercise periods are 3.96%, 3.24%, and 3.11%, respectively. The selected time intervals are the average dividend yields of the Company for the past one, two, and three years.

*Note 1:* The estimated dividend is calculated based on the Company's historical dividend distribution.

*Note 2:* The risk-free rate is selected based on the fixed deposit rate corresponding to the exercise period.

*Note 3:* The calculation results of the stock option value are based on several assumptions of the parameters used in this section, and the adopted model also has limitations. Therefore, the estimated fair value of the stock options may have subjective and uncertain factors.

## XV. STOCK OPTION INCENTIVE PLAN *(continued)*

### 1. The 2022 Share Options Incentive Scheme *(continued)*

#### Fair Value and Accounting Policy of Stock Options *(continued)*

##### (1) Fair Value *(continued)*

##### First Grant *(continued)*

The aforesaid parameters are substituted into the Black-Scholes Model to calculate the fair value of each share option. The costs of the corresponding period are calculated by the assumptions: exercise amount of each tranche = total amount granted × exercise percentage of the period (exercise in tranches with the exercise percentage of 40%, 30% and 30%).

	First tranche	Second tranche	Third tranche
Fair value of the share options (RMB/share)	5.80	6.41	7.51
Exercise shares (0'000 share options)	718.94	539.21	539.21
Total cost for the current period (RMB0'000)	4,169.85	3,456.30	4,049.43
Total cost (RMB0'000)		11,675.59	

Based on the above calculations, on the grant date of November 7, 2022, the group initially granted 17,973,500 stock options to the incentive recipients, with a total fair value of RMB116,755,900. This total fair value will be recognized in installments during the implementation of the 2022 option incentive plan as the incentive cost of the 2022 option incentive plan.

#### Reserved grant

The Company chooses the Black-Scholes model to calculate the fair value of the Reserved Grant stock options. The specific calculation method and results of the fair value of each option are as follows:

Parameter	Parameter Description
Price of subject share	RMB34.68 per share (stock price on the grant date)
Exercise price	RMB36.26 per share option
Option validity period	The effective periods for the two exercise periods are 1 and 2 years, respectively.
Risk-Free interest rate	The risk-free rates for the two exercise periods are 1.50% and 2.10%, respectively, selecting one- and two-year fixed deposit rates
Volatility of underlying stock	The volatilities for the two exercise periods are 14.61% and 18.83%, respectively, selecting the volatility of the Shenzhen Composite Index over the most recent 12 months and 24 months
Dividend yield of the underlying stock	The dividend yields for the two exercise periods are 4.08% and 4.02%, respectively, selecting the average dividend yield of the Company over the most recent one and two years

*Note 1:* The estimated dividend is calculated based on the Company's historical dividend distribution.

*Note 2:* The risk-free rate is selected based on the fixed deposit rate corresponding to the exercise period.

*Note 3:* The calculation results of the stock option value are based on several assumptions of the parameters used in this section, and the adopted model also has limitations. Therefore, the estimated fair value of the stock options may have subjective and uncertain factors.

**XV. STOCK OPTION INCENTIVE PLAN** *(continued)***1. The 2022 Share Options Incentive Scheme** *(continued)***Reserved grant** *(continued)*

The aforesaid parameters are substituted into the Black-Scholes model to calculate the fair value of each share option. The costs of the corresponding period are calculated by assumptions: exercise amount of each tranche = total amount granted × exercise percentage of the period (exercise in tranches with the exercise percentage of 50% and 50%).

	First Tranche	Second Tranche
Fair value of the share options (RMB/share)	1.0236	2.3200
Exercise shares (0'000 share options)	100.00	100.00
Total cost for the current period (RMB0'000)	102.36	232.00
Total cost (RMB0'000)	334.36	

According to the aforesaid calculation, on 30 October 2023, the date of grant, the Group granted 2,000,000 share options to the incentive participants under the Reserved Grant with the total fair value of RMB3.3436 million which will be recognized in phases during the implementation process of the 2022 Share Options Incentive Scheme as the incentive cost of the 2022 Share Options Incentive Scheme.

**(2) Accounting policies**

Pursuant to the requirements of Enterprise Accounting Standard No. 11 – Share-based Payments 《〈企業會計準則第11號—股份支付〉》, the Company will update the expected amount of share options exercisable on each balance sheet date during the vesting period based on latest available subsequent information such as the change in the number of incentive participants who are entitled to exercise and the completion status of performance targets. Services received during the period will be accounted in relevant costs or fees and capital reserves based on the fair value of the share options on the date of grant of the First Grant and the Reserved Grant.

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### XV. STOCK OPTION INCENTIVE PLAN *(continued)*

#### 1. The 2022 Share Options Incentive Scheme *(continued)*

##### (2) Accounting policies *(continued)*

###### First Grant

With 7 November 2022 as the date of the First Grant, granting 17,973,500 share options to 1,026 incentive participants (incentive participants were not required to pay any consideration to the Company when accepting the share options) with the exercise price of RMB31.31 per A Share. Registration of the First Grant was completed on 23 November 2022. The abbreviation of the share options: Livzon JLC3. The code of the share options: 037312.

Details of the allocation and exercise of the First Grant are set out in the table below:

Unit: 0'000 share options

Incentive Objects	Position	Beginning of the Reporting Period			During the Reporting Period					End of the Reporting Period		
		Number held <sup>(2)(3)</sup>	Number vested <sup>(2)</sup>	Number unvested <sup>(2)(3)</sup>	Number granted	Number vested <sup>(2)</sup>	Number exercised	Number expired	Number canceled <sup>(5)</sup>	Number held <sup>(2)(3)</sup>	Number vested <sup>(2)(3)</sup>	Number unvested <sup>(2)(3)</sup>
Tang Yanggang	Executive Director, Vice Chairman	4.80	-	4.80	-	-	-	-	4.80	-	-	-
Xu Guoxiang	Vice Chairman, Executive Director and Vice President (Resigned)	4.80	-	4.80	-	-	-	-	4.80	-	-	-
Si Yanxia	Vice President, Chief Financial Officer (Resigned)	3.60	-	3.60	-	-	-	-	3.60	-	-	-
Huang Yuxuan	Vice President	3.60	-	3.60	-	-	-	-	3.60	-	-	-
Du Jun	Vice President	3.60	-	3.60	-	-	-	-	3.60	-	-	-
Hou Xuemei <sup>(4)</sup>	-	1.92	-	1.92	-	-	-	-	1.92	-	-	-
Yang Daihong	Vice President (Resigned)	3.60	-	3.60	-	-	-	-	3.60	-	-	-
Yang Liang	Vice President (Resigned)	3.60	-	3.60	-	-	-	-	3.60	-	-	-
the Company's middle management personnel and related key staff (1,018 people)		498.5550	-	498.5550	-	-	-	-	498.8550	-	-	-

### **XV. STOCK OPTION INCENTIVE PLAN** *(continued)*

#### **1. The 2022 Share Options Incentive Scheme** *(continued)*

##### **(2) Accounting policies** *(continued)*

###### First Grant *(continued)*

*Note:*

- (1) The 2022 option incentive plan completed the registration of the first grant on November 23, 2022. Therefore, during the Reporting Period, the total number of stock options that can be granted under the first grant is 0.
- (2) The grant date of the above stock options is November 7, 2022, the exercise price is RMB31.31 per A-share, and the waiting period (i.e., vesting period) and exercise period, please refer to the above "Waiting Period (i.e., Vesting Period), Exercise Period and Exercise Time" and "Performance Assessment Targets and Individual Performance Assessment" related content. The total fair value of the above stock options on the grant date (November 7, 2022) is RMB116,755,900. For the fair value and accounting policy, please refer to the above "Fair Value and Accounting Policy of Stock Options" related content.
- (3) On November 4, 2022 (the trading day before the grant date), the closing price of the Company's A-shares was RMB38.10 per share.
- (4) Hou Xuemei is the spouse of the Company's director Tao Desheng, and according to the "Hong Kong Listing Rules", she is a close associate of Tao Desheng.
- (5) The exercise price of the stock options canceled during the Reporting Period is RMB31.31 per A-share.
- (6) As of the End of the Reporting Period, all stock options under the first grant have been granted, and some have vested to the incentive objects, while the remaining unvested stock options have been canceled during the Reporting Period. Therefore, as of the End of the Reporting Period, the total number of stock options that can be granted under the First Grant is 0.
- (7) The 2022 Share Options Incentive Scheme does not include Related Entity Participants (as defined in Chapter 17 of the Hong Kong Listing Rules) or Service Providers (as defined in Chapter 17 of the Hong Kong Listing Rules). The Company has also not granted or will grant options in excess of 1% of the total issued share capital of the Company to any incentive participant.

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### XV. STOCK OPTION INCENTIVE PLAN *(continued)*

#### 1. The 2022 Share Options Incentive Scheme *(continued)*

##### (2) Accounting policies *(continued)*

###### Reserved Grant

With 30 October 2023 as the date of the Reserved Grant, granting 2,000,000 share options to 243 incentive participants (incentive participants were not required to pay any consideration to the Company when accepting the share options) with the exercise price of RMB36.26 per A Share. Registration of the Reserved Grant was completed on 28 November 2023. The abbreviation of the share options: Livzon JLC4. The code of the share options: 037409.

Details of the allocation and exercise of the Reserved Grant are set out in the table below:

Unit: 0'000 share options

Incentive Objects	Position	Beginning of the Reporting Period			During the Reporting Period				End of the Reporting Period			
		Number of shares held <sup>(2)(3)</sup>	Number of shares vested	Number of shares unvested	Number granted	Number of shares vested	Number exercised	Number expired	Number of shares canceled <sup>(4)</sup>	Number held <sup>(2)(3)</sup>	Number of shares vested	Number unvested <sup>(2)(3)</sup>
Du Jun	Vice President	1.50	-	1.50	-	-	-	-	1.50	-	-	-
the Company's middle management and key personnel (242 people)		98.50	-	98.50	-	-	-	-	98.50	-	-	-

##### Note:

- (1) The registration of the Reserved Grant of the 2022 option incentive plan was completed on November 28, 2023. Therefore, during the Reporting Period, the total number of stock options that can be granted under the Reserved Grant is 0.
- (2) The grant date of the above stock options is October 30, 2023, and the exercise price is RMB36.26 per A share. For the vesting period (i.e., vesting period) and exercise period, please refer to the relevant content in "Vesting Period (i.e., vesting period), Exercise Period and Exercise Time" and "Performance Assessment Targets and Individual Performance Assessment" above. The total fair value of the aforementioned stock options on the grant date (October 30, 2023) was RMB3,343,600. For information on their fair value and accounting policies, please refer to the relevant content in "Fair Value and Accounting Policies of Stock Options" above.
- (3) On October 27, 2023 (the trading day prior to the grant date), the closing price of the Company's A shares was RMB34.27 per share.
- (4) The exercise price of the stock options cancelled during the Reporting Period was RMB36.26 per A share.
- (5) As of the End of the Reporting Period, all stock options under the reserved grant have been granted, but all shares under the reserved grant have been cancelled during the Reporting Period. Therefore, as of the End of the Reporting Period, the total number of stock options that can be granted under the reserved grant is 0.
- (6) The 2022 Share Options Incentive Scheme does not include Related Entity Participants (as defined in Chapter 17 of the Hong Kong Listing Rules) or Service Providers (as defined in Chapter 17 of the Hong Kong Listing Rules). The Company has also not granted or will grant options in excess of 1% of the total issued share capital of the Company to any incentive participant.

### **XV. STOCK OPTION INCENTIVE PLAN** *(continued)*

#### **1. The 2022 Share Options Incentive Scheme** *(continued)*

##### **(2) Accounting policies** *(continued)*

###### **Reserved Grant** *(continued)*

On May 6, 2025, the Company cancelled 384,045 stock options that had not been exercised in the first exercise period of the initial grant of stock options, 5,283,750 stock options corresponding to the third exercise period of the initial grant of stock options, and 1,000,000 stock options corresponding to the second exercise period of the reserved grant of stock options. After the completion of this cancellation, there will be no remaining stock options under the initial grant and reserved grant. For details, please refer to the announcements of the Company dated 30 August 2022, 21 September 2022, 7 November 2022, 23 November 2022, 30 October 2023, 29 November 2023, 13 May 2024, 27 May 2024, 23 April 2025, and 6 May 2025, and the Company's circular dated 27 September 2022.

#### **2. Shares issued under all share plans for stock options and awards**

During the Reporting Period, as all stock options under the 2022 Stock Option Incentive Plan have been canceled, the number of shares issued by the Company for all options and awards granted under all plans divided by the weighted average number of relevant shares issued during the Reporting Period (excluding treasury shares (as defined in the Hong Kong Listing Rules)) (A shares) is zero.

### **XVI. MEDIUM AND LONG-TERM BUSINESS PARTNER PLAN**

#### **1. The Second Phase Shareholding Plan**

On 20 May 2022, the 2021 annual general meeting of the Company considered and approved the second phase ownership scheme under the Ownership Scheme (the "Second Phase Ownership Scheme") and its administrative measures (the "Administrative Measures").

The holders of the Second Phase Ownership Scheme (the "Holders") include connected persons of the Company (the "Connected Holders"), and the maximum subscription shares held by the Connected Holders were 29,721,703 shares (the "Maximum Subscription Shares"), and the corresponding maximum subscription amount was RMB29,721,703.

On 8 July 2022, in order to ensure the smooth implementation of the Second Phase Ownership Scheme, having comprehensively considered external factors and the actual conditions of the Company, the 2022 first extraordinary general meeting of the Company considered and approved the amendment to the Second Phase Ownership Scheme and its administrative measures, which would change from being managed by commissioning the asset management agency to being managed by the Company itself.

From 10 August 2022 to 12 August 2022, the Second Phase Ownership Scheme purchased a total of 2,057,711 A Shares of the Company by means of centralized bidding transactions through the trading system of Shenzhen Stock Exchange. The average transaction price was RMB31.56 per share, and the transaction amount was approximately RMB64.9514 million. As at 12 August 2022, the Second Phase Ownership Scheme has completed the share purchase, and the Shares would be locked up for 36 months as required (from 13 August 2022 to 12 August 2025). The total number of shares involved in the Second Phase Ownership Scheme was 2,057,711 A Shares, representing approximately 0.23% of the total share capital of the Company (excluding treasury shares (as defined in the Hong Kong Listing Rules)) as at the disclosure date of the Report.

### XVI. MEDIUM AND LONG-TERM BUSINESS PARTNER PLAN *(continued)*

#### 1. The Second Phase Shareholding Plan *(continued)*

The summary of the Second Phase Ownership Scheme is as follows:

##### **Purpose and benefits of the scheme**

The Second Phase Ownership Scheme has been formulated to establish an innovative long-term incentive stock ownership mechanism for senior management and core technical teams. By attaching rights and obligations to the Holders and establishing the business partnership mechanism of “enjoying the benefits and assuming the risk together”, it is expected to effectively advance and promote the change from “managers” to “partners” in the Company, which will help to optimize the compensation structure of the Company, promote the long-term stable development of the Company and enhance the overall value of the Company.

##### **Target participants**

The scope of the Holders of the Second Phase Ownership Scheme shall include senior management of the Company, key R&D and sales personnel who have made outstanding contribution to the performance in the assessment period or will have important impact on the future performance of the Company, general managers of the business divisions of the Company, key management personnel including general managers of the subsidiaries and heads of level 1 functional departments at the headquarter of the Company. On the date of issuance of the Second Phase Ownership Scheme, the total number of participants under the Second Phase Ownership Scheme is 78, of which 9 are Directors (excluding independent non-executive Directors), Supervisors and senior management. Shareholders holding more than 5% of the shares and de facto controllers shall not participate in the Second Phase Ownership Scheme.

##### **Source of funds**

Funds for participation of the Company’s employees in the Second Phase Ownership Scheme come from the special fund (the “Special Fund”) of the Second Phase Ownership Scheme set aside by the Company. The total amount of funds to be held by the Second Phase Ownership Scheme is RMB64.96547 million, all of which are the Special Fund set aside by the Company. The employees of the Company are not required to pay any amount for participating in the Second Phase Ownership Scheme or receiving the distribution income according to the Second Phase Ownership Scheme.

##### **Number of shares and maximum entitlement**

The aggregate number of shares to be held in the Second Phase Ownership Scheme shall not exceed 10% of the total share capital of the Company, and the aggregate number of shares corresponding to the share of the Second Phase Ownership Scheme to be held by a single employee shall not exceed 1% of the total share capital of the Company.

The aggregate number of the Underlying Shares shall not include shares obtained by the Holders prior to the initial public offering of shares by the Company, shares purchased through the secondary market and shares obtained through equity incentives.

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### XVI. MEDIUM AND LONG-TERM BUSINESS PARTNER PLAN *(continued)*

#### 1. The Second Phase Shareholding Plan *(continued)*

##### Duration and lock-up period

The duration of the Second Phase Ownership Scheme shall be 48 months, which is calculated from the time when the Company makes an announcement on the transfer of the last tranche of the Underlying Shares in the Second Phase Ownership Scheme to the account in the name of the Second Phase Ownership Scheme, namely 13 August 2022 to 12 August 2026. The remaining validity period of the Second Phase Ownership Scheme as at the date of the Report is approximately five months.

Lock-up periods of the Underlying Shares obtained by the Second Phase Ownership Scheme shall be 36 months, which is calculated from the time when the Company makes an announcement on the transfer of the last tranche of the Underlying Shares in the Second Phase Ownership Scheme to the account in the name of the Second Phase Ownership Scheme, namely 13 August 2022 to 12 August 2025. On 12 August 2025, the lock-up period of Second Phase Ownership Scheme expired.

##### Shares allocation of Holders

The list and shares of Holders are set out below:

Holder	Category	Proportion of the total amount of the Second Phase of the stock holding plan	Shares not attributed at the Beginning of the Reporting Period (0'000 shares) <sup>(1)</sup>	Shares held on 1 January 2025 (0'000 shares)	Shares attributed during the period (0'000 shares) <sup>(2)</sup>	Shares canceled during the Period (0'000 shares)	Shares invalidated during the Period (0'000 shares)	Shares held on 31 December 2025 (0'000 shares)	Shares not attributed at the End of the Reporting Period (0'000 shares) <sup>(1)</sup>
Tang Yanggang	Executive Directors, Vice Chairman	6.00%	-	389.7928	-	-	-	389.7928	-
Xu Guoxiang	Executive Director (resigned)	5.00%	-	324.8274	-	-	-	324.8274	-
Five highest-paid individuals (excluding Tang Yanggang and Xu Guoxiang)		6.00%	-	389.7928	-	-	-	389.7928	-
Other individuals (71 people)		83.00%	-	5,392.1340	-	-	-	5,392.1340	-

##### Note:

- (1) The Second Phase Share Ownership Scheme was considered and approved at the 2021 Annual General Meeting on 20 May 2022. As at 12 August 2022, the Second Phase Share Ownership Scheme had purchased a total of 2,057,711 A Shares of the Company through centralized bidding transactions, with a transaction amount of RMB64.9514 million, and all 64.965470 million units of the Second Phase Share Ownership Scheme have been vested in the holders.
- (2) For the duration, lock-up period and performance targets, please refer to the relevant contents of "Duration and Lock-up Period" and "Source of Funds and Performance Targets for the Special Fund" above. Employees of the Company are not required to pay any amount for the participation in the Second Phase Share Ownership Scheme or the distribution of returns under the Second Phase Share Ownership Scheme.
- (3) On August 11, 2022 (the trading day before the share attribution), the closing price of the Company's A shares was RMB31.75 per share.

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### XVI. MEDIUM AND LONG-TERM BUSINESS PARTNER PLAN *(continued)*

#### 1. The Second Phase Shareholding Plan *(continued)*

##### Shares allocation of Holders *(continued)*

Among which, the list and shares subscription of the Connected Holders are set out below:

Holder	Position held in the Company/subsidiary	Shares subscribed (0'000 shares)	Proportion of the total amount of the Second Phase Ownership Scheme
Tang Yanggang	Executive Director, Vice Chairman	389.7928	6.00%
Huang Yuxuan	Vice President	227.3791	3.50%
Du Jun	Vice President	227.3791	3.50%
Xu Xiao	Vice President	129.9309	2.00%
Xu Guoxiang	Vice Chairman, Executive Director and Vice President (Resigned)	324.8274	5.00%
Si Yanxia	Vice President, Chief Financial Officer (Resigned)	162.4137	2.50%
Wang Maolin	Chief Supervisor (Resigned)	64.9655	1.00%
Yang Daihong	Vice President (Resigned)	194.8964	3.00%
Zhou Peng	Vice President (Resigned)	97.4482	1.50%
Yang Liang	Vice President (Resigned)	162.4137	2.50%
Hou Xuemei <sup>(Note)</sup>	—	64.9655	1.00%
Director and General Manager of the Company's subsidiary		1,055.6889	16.25%

*Note:* Hou Xuemei is the spouse of Tao Desheng, the vice chairman of the Company (resigned), and thus a connected person of the Company.

### **XVI. MEDIUM AND LONG-TERM BUSINESS PARTNER PLAN** *(continued)*

#### **2. The Third Phase Ownership Scheme**

On 7 November 2023, the 2023 second extraordinary general meeting of the Company considered and approved the third phase ownership scheme under the Ownership Scheme (the “Third Phase Ownership Scheme”) and its administrative measures (the “Administrative Measures”).

The holders of the Third Phase Ownership Scheme (the “Holders”) include connected persons of the Company (the “Connected Holders”), and the maximum subscription shares held by the Connected Holders were 31,611,878 shares (the “Maximum Subscription Shares”), and the corresponding maximum subscription amount was RMB31,611,878.

From 22 November 2023 to 22 December 2023, the Third Phase Ownership Scheme purchased a total of 2,077,100 A Shares of the Company by means of centralized bidding transactions through the trading system of Shenzhen Stock Exchange. The average transaction price was RMB34.20 per share, and the transaction amount was approximately RMB71.0403 million. As at 22 December 2023, the Third Phase Ownership Scheme has completed the share purchase, and the Shares would be locked up for 36 months as required (from 23 December 2023 to 22 December 2026). The total number of shares involved in the Third Phase Ownership Scheme was 2,077,100 A Shares, representing approximately 0.23% of the total share capital of the Company (excluding treasury shares (as defined in the Hong Kong Listing Rules)) as at the disclosure date of the Report.

The summary of the Third Phase Ownership Scheme is as follows:

#### **Purpose and benefits of the scheme**

The Third Phase Ownership Scheme has been formulated to establish an innovative long-term incentive stock ownership mechanism for senior management and core technical teams. By attaching rights and obligations to the Holders and establishing the business partnership mechanism of “enjoying the benefits and assuming the risk together”, it is expected to effectively advance and promote the change from “managers” to “partners” in the Company, which will help to optimize the compensation structure of the Company, promote the long-term stable development of the Company and enhance the overall value of the Company.

#### **Target participants**

The scope of the Holders of the Third Phase Ownership Scheme shall include senior management of the Company, key R&D and sales personnel who have made outstanding contribution to the performance in the assessment period or will have important impact on the future performance of the Company, general managers of the business divisions of the Company, key management personnel including general managers of the subsidiaries and heads of level 1 functional departments at the headquarter of the Company. On the date of issuance of the Third Phase Ownership Scheme, the total number of participants under the Third Phase Ownership Scheme is 84, of which 8 are Directors (excluding independent non-executive Directors), Supervisors and senior management. Shareholders holding more than 5% of the shares of the Company and de facto controllers shall not participate in the Third Phase Ownership Scheme.

#### **Source of funds**

Funds for participation of the Company’s employees in the Third Phase Ownership Scheme come from the special fund (the “Special Fund”) of the Third Phase Ownership Scheme set aside by the Company. The total amount of funds to be held by the Third Phase Ownership Scheme is RMB71.037901 million, all of which are the Special Fund set aside by the Company. The employees of the Company are not required to pay any amount for participating in the Third Phase Ownership Scheme or receiving the distribution income according to the Third Phase Ownership Scheme.

#### **Source of Shares**

The underlying shares (the “Underlying Shares”) shall be acquired through means permitted by applicable laws and regulations, including (without limitation) purchase via the secondary market (such as auction trading, block trading and other methods), but shall not include subscription for the Company’s newly issued shares. In the event that the Underlying Shares of the Third Phase Shareholding Plan are purchased via the secondary market, such purchase shall be completed within six months from the date on which the Third Phase Shareholding Plan was approved and adopted at the General Meeting of Shareholders.

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### XVI. MEDIUM AND LONG-TERM BUSINESS PARTNER PLAN *(continued)*

#### 2. The Third Phase Ownership Scheme *(continued)*

##### Number of shares and maximum entitlement

The aggregate number of shares to be held in the Third Phase Ownership Scheme shall not exceed 10% of the total share capital of the Company, and the aggregate number of shares corresponding to the share of the Third Phase Ownership Scheme to be held by a single employee shall not exceed 1% of the total share capital of the Company.

The aggregate number of the Underlying Shares shall not include shares obtained by the Holders prior to the initial public offering of shares by the Company, shares purchased through the secondary market and shares obtained through equity incentives.

##### Duration and lock-up period

The duration of the Third Phase Ownership Scheme shall be 48 months, which is calculated from the time when the Company makes an announcement on the transfer of the last tranche of the Underlying Shares in the Third Phase Ownership Scheme to the account in the name of the Third Phase Ownership Scheme, namely 23 December 2023 to 22 December 2027. The remaining validity period of the Third Phase Ownership Scheme as at the date of the Report is approximately one year and nine months.

Lock-up periods of the Underlying Shares obtained by the Third Phase Ownership Scheme shall be 36 months, which is calculated from the time when the Company makes an announcement on the transfer of the last tranche of the Underlying Shares in the Third Phase Ownership Scheme to the account in the name of the Third Phase Ownership Scheme, namely 23 December 2023 to 22 December 2026.

##### Shares allocation of Holders

The list and shares of Holders are set out below:

Holder	Positions held with the Company/subsidiaries of the Company	Proportion of the total amount of the third phase of the stock ownership plan	Shares not attributed at the beginning of the Reporting Period (0'000 shares) <sup>(1)</sup>	Shares held on 1 January 2025 (0'000 shares)	Shares attributed during the period (0'000 shares) <sup>(2)</sup>	Shares canceled during the period (0'000 shares)	Shares invalidated during the period (0'000 shares)	Shares held on 31 December 2025 (0'000 shares)	Shares not attributed at the End of the Reporting Period (0'000 shares) <sup>(1)</sup>
Tang Yanggang	Executive Directors, Vice Chairman	6.00%	-	426.2274	-	-	-	426.2274	-
Xu Guoxiang	Executive Director (resigned)	5.00%	-	355.1895	-	-	-	355.1895	-
Five highest-paid individuals (excluding Tang Yanggang and Xu Guoxiang)		6.00%	-	426.2274	-	-	-	426.2274	-
Other individuals (71 people)		83.00%	-	5,896.1458	-	-	-	5,896.1458	-

## XVI. MEDIUM AND LONG-TERM BUSINESS PARTNER PLAN *(continued)*

### 2. The Third Phase Ownership Scheme *(continued)*

#### Shares allocation of Holders *(continued)*

Note:

- (1) On 7 November 2023, the Third Phase Ownership Scheme was considered and approved at the 2023 second extraordinary general meeting. As at 22 December 2023, the Third Phase Ownership Scheme purchased a total of 2,077,100 A Shares of the Company by means of centralized bidding transactions with transaction amount of RMB71.0403 million, and a total of 71,037,901 shares under the Third Phase Ownership Scheme have been vested to the Holders.
- (2) For the details of duration and lock-up period, please refer to relevant contents of "Duration and lock-up period" as set out above. The employees of the Company are not required to pay any amount for participating in the Third Phase Ownership Scheme or receiving the distribution income according to the Third Phase Ownership Scheme.
- (3) On 21 December 2023 (at the trading day prior to the share being vested), the closing price of the A shares of the Company is RMB34.91 per share.

Among them, the list of related holders and the subscription situation of shares are as follows:

Holder	Position held in the Company/subsidiary	Shares subscribed (0'000 shares)	Proportion of the total amount of the Third Phase Ownership Scheme
Tang Yanggang	Executive Director, Vice Chairman	426.2274	6.00%
Huang Yuxuan	Vice President	248.6327	3.50%
Du Jun	Vice President	248.6327	3.50%
Xu Xiao	Vice President	142.0758	2.00%
Ran Yongmei	Employee Representative Director	35.52	0.50%
Xu Guoxiang	Vice Chairman, Vice President (resigned)	355.1895	5.00%
Si Yanxia	Vice President, Chief Financial Officer (Resigned)	177.5948	2.50%
Wang Maoliin	Chief Supervisor (resigned)	71.0379	1.00%
Yang Daihong	Vice President (resigned)	213.1137	3.00%
Yangliang	Vice President (resigned)	177.5948	2.50%
Hou Xuemei <sup>(Note)</sup>	—	71.0379	1.00%
Director and General Manager of the Company's subsidiary		1,136.6064	16.00%

Note: Hou Xuemei is the spouse of Tao Desheng, the Vice Chairman of the Company (resigned), and thus a related person of the Company.

## SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

### XVII. PROFIT DISTRIBUTION PLAN

For the 2025 profit distribution plan, please refer to “IX. Company Profit Distribution and Capital Reserve Conversion to Share Capital” in Section IV of the Report.

### XVIII. AUDITOR

During the Year, the financial statements of the Company were audited by Grant Thornton (Special General Partnership), which issued a standard unqualified audit report. Compared with the financial report of the Previous Year, the Company has not made any changes to its accounting policies or estimates, nor has it corrected any significant accounting errors.

On May 29, 2025, the Company’s 2024 Annual General Meeting of Shareholders approved the reappointment of Grant Thornton (Special General Partnership) as the Company’s auditor for the year 2025. The Company has not changed auditors in the past three years.

### XIV. TAXES AND TAX EXEMPTIONS

Shareholders of the Company are taxed in accordance with the following tax regulations and the amendments thereof from time to time. They shall enjoy possible tax relief according to the actual situation. The following cited laws, regulations and stipulations are all relevant provisions which were in issue during the year ended 31 December 2025. Shareholders, if necessary, shall seek professional advice from their tax and legal advisors for advices relating to tax payment or its impacts:

#### A Shareholders

Pursuant to the requirements of the Notice on Issues Concerning the Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2015] No. 101) 《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)) (hereinafter as the “2015 Notice No. 101”), where an individual acquires the stocks of a listed company from public offering or through transfer in the stock market, if the stock holding period is over 1 year, income from dividends and bonuses are temporarily exempted from individual income tax; where an individual acquires the stocks of a listed company from public offering or through transfer in the stock market, if the stock holding period is 1 month or less (1 month inclusive), income from dividends and bonuses shall be included in the taxable income in full amount; if the stock holding period is more than 1 month up to 1 year (1 year inclusive), income from dividends and bonuses shall be included in the taxable income at the reduced rate of 50% temporarily; individual income tax on the aforesaid income shall be collected at the uniform rate of 20%. In respect of the issues concerning the implementation of differential individual income tax policies on dividends and bonuses of listed companies, the Notice on Issues Concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2012] No. 85) 《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) shall apply. The 2015 Notice No. 101 has been implemented since 8 September 2015. For dividends and bonuses distributed by listed companies for which the registration date of shareholding falls after 8 September 2015, such income from dividends and bonuses shall be treated according to the 2015 Notice No. 101. For shares of the listed companies held by individual investors through his/her securities account as at the implementation date of the 2015 Notice No. 101, the stock holding period shall be calculated from the date of acquisition of such shares.

**XIV. TAXES AND TAX EXEMPTIONS** *(continued)***A Shareholders** *(continued)*

According to Article 26 of Chapter IV of the Corporate Income Tax Law of the People's Republic of China 《(中華人民共和國企業所得稅法)》, dividends, bonus and other equity investment income between qualified resident enterprises obtained by enterprises are tax-free income, and the aforementioned enterprises are Chinese resident enterprises. Companies are required to withhold and pay corporate income tax at a rate of 10% pursuant to the requirements of the Notice of the State Administration of Taxation Concerning the Relevant Questions on the Withholding and Payment of Corporate Income Tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII" (Guo Shui Han [2009] No. 47) 《(國家稅務總局關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知)》(國稅函[2009]47號)) for shareholders who are Qualified Foreign Institutional Investors (QFII). Shareholders who wish to enjoy tax concessions under tax treaties (arrangements) shall apply to the competent taxation authority for tax rebates according to the relevant rules and regulations after they received the dividends and bonuses.

In accordance with the Notice of the Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Taxation Policies Concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127) 《(財政部、國家稅務總局、證監會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)》(財稅[2016]127號)), for dividends received by investors (including enterprise and individual investors) in the Hong Kong market from investing in A shares listed on the Shenzhen Stock Exchange, and before Hong Kong Securities Clearing Company Limited is able to furnish China Securities Depository and Clearing Corporation Limited ("CSDCC") with the identity, holding period and other detailed data of the investors in the Hong Kong market, the differentiated tax treatment based on the holding period of shares will not be implemented temporarily. The Company shall withhold income tax at the rate of 10% and make withholding filings with the relevant tax authorities. For those investors who are tax residents of other countries and the tax rate applicable to dividends is lower than 10% under the tax treaty between China and the relevant countries, such investors may, by themselves or request the withholding agent to act on their behalf to, apply to the relevant tax authorities in respect of the Company for the refund of the overpaid taxes under the relevant tax treaty treatments. Once verified by the relevant tax authorities, the amount being the difference between the tax withheld and the tax calculated at the rate as prescribed under the corresponding tax treaty shall be refunded.

**H Shareholders**

In accordance with the Corporate Income Tax Law of the People's Republic of China 《(中華人民共和國企業所得稅法)》 (the "CIT Law") and the Rules for the Implementation of the Corporate Income Tax Law of the People's Republic of China 《(中華人民共和國企業所得稅法實施條例)》 (the "Implementation Rules of CIT Law"), both became effective on 1 January 2008, and the Notice on Issues Relevant to the Withholding of Corporate Income Tax on Dividends Paid by PRC Resident Enterprises to Offshore Non-resident Enterprise Holders of H Shares (Guo Shui Han [2008] No. 897) 《(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)》(國稅函[2008]897號)) promulgated by the State Administration of Taxation on 6 November 2008, the Company is obliged to withhold and pay the PRC corporate income tax on behalf of non-resident enterprise(s) at a tax rate of 10% when the Company distributes any dividends to non-resident enterprise shareholder(s) whose names appear on the register of members for H Shares of the Company. Accordingly, any H Shares which are not registered under the name(s) of individual(s) (which, for this purpose, include H Shares registered under the name of HKSCC Nominees Limited, other nominees, trustees, or other organizations or groups) shall be deemed to be H Shares held by non-resident enterprise shareholder(s), and the PRC corporate income tax shall be withheld from dividends payable thereon. Non-resident enterprise shareholder(s) may apply for a tax refund for the difference (if any) in accordance to relevant tax laws such as tax treaty (arrangement), upon receipt of any dividends.

### XIV. TAXES AND TAX EXEMPTIONS *(continued)*

#### H Shareholders *(continued)*

In accordance with the Circular on Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi [1994] No. 020) (《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)) promulgated by the Ministry of Finance and the State Administration of Taxation, overseas individuals are temporarily exempted from the PRC individual income tax for dividends or bonuses received from foreign invested enterprises. As the Company is a foreign-invested enterprise, the Company will not withhold and pay the PRC individual income tax on behalf of overseas individual shareholders whose names appear on the register of members for H Shares of the Company when the Company distributes dividends to those shareholders.

In accordance with the Notice of the Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Taxation Policies Concerning the Pilot Program of an Interconnection Mechanism for Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127) (《(財政部、國家稅務總局、證監會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》(財稅[2016] 127號)), (1) for dividends received by domestic individual investor from investing in the Company's H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the Company is obliged to withhold individual income tax at a tax rate of 20% when the Company shall apply to China Securities Depository and Clearing Corporation Limited ("CSDCC") for the registrar of domestic individual investors. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland securities investment funds through the Shenzhen-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements; (2) for dividends received by domestic enterprise investors from investing in Shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, such amount shall be reckoned in their gross revenue and subject to corporate income tax pursuant to laws. In particular, for the dividends obtained by mainland resident enterprises from holding relevant H Shares for consecutive 12 months, the corporate income taxes shall be exempted pursuant to laws. The Company shall apply to CSDCC for the registrar of domestic enterprise investors. The Company will not withhold the income tax on dividends for the domestic enterprise investors, and the tax payable shall be declared and paid by the domestic enterprise investors.

During the Year, no Shareholder has waived or agreed to waive any dividends.

### XX. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND INTERESTS IN CONTRACTS

Each director and supervisor has entered into a service contract with the Company, and the terms of these contracts are substantially identical in all material respects. Due to the cancellation of the supervisory committee, the Supervisors stepped down on December 10, 2025. The Directors' service contracts expire at the End of the 11th session of Board of Directors' term. Except as mentioned above, there are no existing or proposed service contracts between the Company and its directors or supervisors that would terminate within one year and require compensation (other than general statutory compensation).

Save for the aforesaid service contracts and matters disclosed in the Report, none of the Directors or Supervisors (or any entities connected with them) of the Company had a material interest, whether direct or indirect, in any other transactions, arrangements or contacts of significance which had been entered into by the Company, any of its subsidiaries, or its holding company or the holding company's subsidiaries for the Year ended 31 December 2025.

### XXI. ARRANGEMENT OF PURCHASING SHARES OR BONDS BY DIRECTORS

At no time during the Year did the Company, its subsidiaries, the Company's holding companies, or their subsidiaries enter into any arrangements that would enable the Company's Directors, Supervisors, or senior management to benefit from purchasing shares or bonds of the Company or any other legal entity.

### XXII. PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company and the laws applicable in China where the Company was incorporated.

### XXIII. CHARITABLE DONATION

During the year, the Group's public welfare donations amounted to RMB29.16 million (2024: RMB12.98 million).

### XXVIII. LIST OF DIRECTORS AND SUPERVISORS OF THE COMPANY DURING THE YEAR AND UP TO THE DATE OF THE REPORT

As of the disclosure date of the Report, the Company's Board of Directors consists of nine Directors, including one executive Director, three non-executive Directors, one employee representative Director, and four independent non-executive Directors.

#### Executive Directors

Mr. Tang Yanggang (Vice Chairman)  
Mr. Xu Guoxiang (Vice Chairman and Vice President) (resigned on February 28, 2026)

#### Non-executive Directors

Mr. Zhu Baoguo (Chairman)  
Mr. Tao Desheng (Vice Chairman) (resigned on February 28, 2026)  
Mr. Lin Nanqi  
Mr. Qiu Qingfeng

#### Employee Representative Director

Ms. Ran Yongmei (appointed on December 10, 2025)

#### Independent non-executive Directors

Mr. Bai Hua  
Mr. Luo Huiyuan  
Ms. Cui Lijie  
Ms. Wang Zhiyao (appointed on December 10, 2025)  
Mr. Tian Qiusheng (resigned on December 10, 2025)  
Mr. Wong Kam Wa (resigned on December 10, 2025)

On December 10, 2025, the Company's 2025 first extraordinary shareholders' meeting resolved to cancel the Board of Supervisors. Consequently, the Company's former Chairman of the Board of Supervisors, Mr. Wang Maolin (汪卯林), along with former Supervisors Mr. Huang Huamin (黃華敏) and Mr. Tang Yin (湯胤), resigned on the same day.

By order of the Board

**Zhu Baoguo**

*Chairman*

March 24, 2026

## SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

### I. BASIC CORPORATE GOVERNANCE

During the Reporting Period, the Company has consistently complied with the requirements of the Company Law, Securities Law, Guidelines for the Governance of Listed Companies, Shenzhen Listing Rules, Self-Regulatory Guidelines for Listed Companies on the Shenzhen Stock Exchange No. 1—Standardized Operation of Main Board Listed Companies, Hong Kong Listing Rules, and other regulatory documents related to the governance of listed companies issued by the China Securities Regulatory Commission, Shenzhen Stock Exchange, and Hong Kong Stock Exchange. The Company has continuously improved its corporate governance structure, strengthened internal control systems, and enhanced its overall governance standards.

In accordance with the Company Law, Guidelines for the Articles of Association of Listed Companies (2025 Revision), Transitional Arrangements for the Implementation of Supporting System Rules for the New Company Law, Shenzhen Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 1—Standardized Operations of Main Board Listed Companies, and other relevant laws, regulations, and normative documents, the Company revised its Articles of Association, Rules of Procedure for Shareholders' Meetings, Rules of Procedure for Board Meetings, and other institutional documents in 2025, and the Rules of Procedure for Supervisory Committee Meetings are no longer applicable. During the year, the Company's shareholders' meeting, board of directors, supervisory committee, and other decision-making and supervisory bodies strictly adhered to the normative operation rules and internal regulations in conducting management decisions and oversight, operating in a standardized and effective manner. Each specialized committee under the board of directors fulfills its respective duties.

During the Year, the company's shareholders' meeting, Board of directors, and other decision-making and supervisory bodies strictly adhered to the standardized operational rules and internal regulations in conducting management decisions and exercising oversight, operating in a standardized and effective manner. Each specialized committee under the board of directors fulfills its respective duties.

**Whether there are significant differences between the actual state of Company governance and the provisions of laws, administrative regulations, and the China Securities Regulatory Commission's regulations on the governance of listed companies**

Yes  No

There are no significant differences between the actual state of corporate governance and the provisions of laws, administrative regulations, and the China Securities Regulatory Commission's regulations on the governance of listed companies.

## SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

### II INDEPENDENCE OF THE COMPANY FROM ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS IN RESPECT OF ASSET, PERSONNEL, FINANCE, ORGANIZATION AND BUSINESS

The Company is fully independent from its controlling shareholder in respect of its business, personnel, assets, institutional structure and finance.

1. In terms of assets, the Company has clearly defined property rights with its controlling shareholder, maintaining complete and independent ownership of assets as well as autonomous production and operational facilities;
2. In terms of personnel, the Company and its controlling shareholder operate independently in labor, personnel, and salary management. The Company's directors and senior management are appointed in accordance with the procedures stipulated by the Company Law and the Articles of Association.
3. Financially, the Company maintains an independent financial management department and accounting system, operating separately from the controlling shareholder.
4. In terms of organizational structure, the Company maintains an independent and complete setup, strictly separate from the controlling shareholder.
5. In terms of business operations, the Company maintains independent and comprehensive business capabilities with autonomous management. It possesses standalone production, procurement, and sales systems that are strictly separate from those of the controlling shareholder.

On January 10, 2014, the actual controllers of the Company, Mr. Zhu Baoguo and Ms. Liu Guangxia, the controlling shareholder of the Company, Joicare, and its controlling shareholder, Baiyeyuan (hereinafter collectively referred to as the "Undertakers"), signed the Non-Competition Undertaking to facilitate the implementation of the Company's B-to-H Conversion. The Undertakers have provided a confirmation regarding their compliance with the terms of the "Non-Competition Undertaking", the details of which are as follows:

The Undertakers hereby confirm that from the date of signing the "Non-Competition Undertaking" (i.e., January 10, 2014) to 31 December 2025, the Undertakers and companies under their control (excluding the Company and its subsidiaries) have strictly complied with and implemented the non-competition clauses, and have not violated any terms of the "Non-Competition Undertaking" under any circumstances.

The independent non-executive directors of the Company have also reviewed the performance of the Non-Competition Undertaking by the Undertakers and believe they have complied with its stipulations. Save as disclosed in this report, none of the directors held any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group.

# SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

## III. CORPORATE GOVERNANCE DISCLOSURES UNDER THE HONG KONG LISTING RULES

### 1. Corporate governance culture

The Company is committed to operating its business with high ethical standards, reflecting its belief that achieving long-term goals requires acting with integrity, transparency, and accountability. The Company believes that doing so will ultimately maximize returns for shareholders, while also benefiting employees, business partners, and the communities in which the Company operates.

Corporate governance is the process through which the board of directors guides the group's management in operating the business to achieve its objectives. The Board of Directors is committed to maintaining and establishing sound corporate governance practices to ensure:

- (1) To deliver sustainable returns to all shareholders of the Company;
- (2) Safeguarding the interests of institutions/individuals conducting business with the Company;
- (3) Understand and appropriately manage the operational risks of each business segment;
- (4) Providing high-quality products and services that meet patient satisfaction; and
- (5) Uphold high standards of business ethics.

### 2. Compliance with the Corporate Governance Code

The Board of Directors regularly monitors and reviews the progress of the Group's corporate governance practices to ensure compliance with the relevant codes. The Company adopts the Corporate Governance Code as set out in Appendix C1 of the Hong Kong Listing Rules as its corporate governance code. The Company confirmed that during the period from 1 January 2025 to 31 December 2025, the Company strictly and fully complied with the governance principles and the code provisions (the "Code Provisions") as set out in Part 2 of the Corporate Governance Code of Appendix C1 to the Hong Kong Listing Rules.

### 3. Securities Transactions of Directors and Supervisors

The Company has adopted the Model Code as set out in Appendix C3 to the Hong Kong Listing Rules as its own Model Code regarding the securities transactions in the H Shares of the Company by the Company's Directors, Supervisors and the relevant employees as defined in the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules. After conducting thorough and specific inquiries with all directors and supervisors of the Company, the Company is not aware of any information that would reasonably indicate any director or supervisor has failed to comply with the standards for securities trading activities as stipulated in the aforementioned code from January 1, 2025, to the date of this Report's disclosure. All directors and supervisors have confirmed their compliance with the standards of the aforementioned code from January 1, 2025, to either the date of this Report's disclosure or the end of their respective terms of office. The Company has also made specific enquiry to all of the employees in respect of compliance to the standards set out in the above-mentioned code by the employees, and noted that there has been no incident of non-compliance with the standards as set out in the above-mentioned code.

## SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

### III. CORPORATE GOVERNANCE DISCLOSURES UNDER THE HONG KONG LISTING RULES *(continued)*

#### 4. Responsibilities of the Board and Management

The Board of the Company is responsible for leading and overseeing the Company and is collectively accountable for managing and supervising the Company's affairs to ensure its success. Executive Directors or senior executives and management in charge of each division and function are authorized to be responsible for the daily operation and administrative management of the Company. Directors of the Company shall act objectively and make decisions in the interests of the Company. The Company's management and senior executives regularly meet with the Board of Directors to discuss daily business operations and performance, and to implement the Board's relevant decisions. If the Board of Directors or any committee under the Board deems it necessary to seek independent professional advice, the Company will arrange for such advice as requested by the director or committee.

The Board of Directors of the Company is elected by the shareholders' meeting and is accountable to it. The scope of the Board's authority is detailed on the Company's website.

The Board is responsible for performing the functions set out in the code provision A.2.1 of the Corporate Governance Code to ensure that the Company establishes good corporate governance policies, practices and procedures. During the year, the Board of Directors has:

- (1) Develop and review the Company's corporate governance policies and practices, and make recommendations;
- (2) Review and monitor the training and ongoing professional development of directors and senior management;
- (3) Review and monitor the Company's policies and practices regarding compliance with legal and regulatory requirements;
- (4) Develop, review, and monitor the code of conduct and compliance manual for directors and employees; and
- (5) Review the Company's compliance with the Corporate Governance Code and disclose it in the corporate governance report.

As of the date of this Report's disclosure, the Company's Board of Directors comprises nine members: one executive director, Tang Yanggang (Vice Chairman); three non-executive directors, Zhu Baoguo (Chairman), Qiu Qingfeng, and Lin Nanqi; one employee representative director, Ran Yongmei; and four independent non-executive directors, Bai Hua, Luo Huiyuan, Cui Lijie, and Wang Zhiyao. For the resumes of the above directors, please refer to "VII. Information on Directors and Senior Management" in Section IV of this Report.

## SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

### III. CORPORATE GOVERNANCE DISCLOSURES UNDER THE HONG KONG LISTING RULES *(continued)*

#### 4. Responsibilities of the Board of Directors and Management *(continued)*

During the year, the Company held nine board meetings and four shareholders' meetings. The attendance of the Company's directors at these meetings was as follows:

Name	Position	Number of meetings attended during the term/ Number of meetings held during the tenure	
		Board meetings	Shareholder meetings (including class shareholder meetings)
<b>I. Executive Directors</b>			
Tang Yanggang	Vice Chairman	9/9	4/4
Xu Guoxiang	Vice Chairman, Vice President (resigned on February 28, 2026)	9/9	4/4
<b>II. Non-Executive Directors</b>			
Zhu Baoguo	Chairman	9/9	4/4
Tao Desheng	Vice Chairman (resigned on February 28, 2026)	9/9	4/4
Qiu Qingfeng	Director	9/9	4/4
Lin Nanqi	Director	9/9	1/4
<b>III. Independent Non-Executive Directors</b>			
Bai Hua	Independent Director	9/9	4/4
Luo Huiyuan	Independent Director	9/9	4/4
Cui Lijie	Independent Director	9/9	4/4
Wang Zhiyao	Independent Director (appointed on December 10, 2025)	2/2	1/1
Tian Qiusheng	Independent Director (resigned on December 10, 2025)	7/7	4/4
Wong Kam Wa	Independent Director (resigned on December 10, 2025)	7/7	4/4
<b>IV. Employee Representative Director</b>			
Ran Yongmei	Employee Representative Director (appointed on December 10, 2025)	2/2	–

In addition to the nine Board meetings mentioned above, the Chairman also held a meeting with the Company's independent non-executive directors during the year.

Except as described in the director profiles section of this Report, there are no financial, business, familial, or significant/related relationships among any members of the board of directors of the Company.

Prior notices are given for meetings convened during the Year in accordance with relevant requirements to ensure all Directors have the opportunity to attend meetings and propose matters for discussion to be incorporated into agenda. All of the Directors may obtain opinions and services from the secretary to the Board to ensure compliance with Board procedures and all applicable rules and regulations.

The Board possesses the skills, experience, and diverse perspectives required for the Company's business operations. It regularly evaluates directors to ensure they can dedicate sufficient time and contribute effectively to the Company in accordance with their respective roles and Board responsibilities. The Board has a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors), so the Board is highly independent and able to make effective independent judgement.

## SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

### III. CORPORATE GOVERNANCE DISCLOSURES UNDER THE HONG KONG LISTING RULES *(continued)*

#### 4. Responsibilities of the Board of Directors and Management *(continued)*

##### Directors' Skills and Experience

	Executive leadership and strategic planning/experience serving as a director or senior executive at other listed companies	Professional experience in the pharmaceutical industry	Accounting/Financial Management expertise	Corporate governance/legal expertise/risk management experience
<b>I. Executive Directors</b>				
Tang Yanggang	•	•	•	•
Xu Guoxiang (resigned on February 28, 2026)	•	•		•
<b>II. Non-Executive Directors</b>				
Zhu Baoguo	•	•	•	•
Tao Desheng (resigned on February 28, 2026)	•	•		
Qiu Qingfeng	•	•	•	
Lin Nanqi	•	•		
<b>III. Independent Non-Executive Directors</b>				
Bai Hua	•		•	•
Luo Huiyuan	•			•
Cui Lijie	•	•		
Wang Zhiyao (appointed on December 10, 2025)	•	•		
Tian Qiusheng (resigned on December 10, 2025)	•			
Wong Kam Wa (resigned on December 10, 2025)	•			•
<b>IV. Employee Representative Director</b>				
Ran Yongmei (appointed on December 10, 2025)	•	•		

Training and professional development: Every newly appointed director will receive a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he has a proper understanding of the Company's operations and business and is fully aware of his duties and responsibilities under the Hong Kong Listing Rules and relevant statutory provisions. The Company arranges for its directors to participate in professional training sessions organized by the China Securities Regulatory Commission and the Shenzhen Stock Exchange on an ad hoc basis, enabling them to obtain training certificates or qualifications recognized by relevant institutions. Additionally, the Company regularly provides all directors with updates on regulations, industry news, and directors' responsibilities, while encouraging them to attend courses and seminars organized by professional institutions to further their continuous professional development and enhance their knowledge and skills. All Directors have provided records of training they have taken during the year ended 31 December 2025 and attended trainings rendered by professional groups and/or learned materials about their duties and responsibilities.

# SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

## III. CORPORATE GOVERNANCE DISCLOSURES UNDER THE HONG KONG LISTING RULES *(continued)*

### 4. Responsibilities of the Board of Directors and Management *(continued)*

#### Directors' Skills and Experience *(continued)*

	Continuous Professional Development for Directors	
	Participation in Professional Training/Courses/Seminars	Reading Books and Materials
<b>I. Executive Directors</b>		
Tang Yanggang	✓	✓
Xu Guoxiang (resigned on February 28, 2026)	✓	✓
<b>II. Non-Executive Directors</b>		
Zhu Baoguo	✓	✓
Tao Desheng (resigned on February 28, 2026)	✓	✓
Qiu Qingfeng	✓	✓
Lin Nanqi	✓	✓
<b>III. Independent Non-Executive Directors</b>		
Bai Hua	✓	✓
Luo Huiyuan	✓	✓
Cui Lijie	✓	✓
Wang Zhiyao (appointed on December 10, 2025)	✓	✓
Tian Qiusheng (resigned on December 10, 2025)	✓	✓
Wong Kam Wa (resigned on December 10, 2025)	✓	✓
<b>IV. Employee Representative Director</b>		
Ran Yongmei (appointed on December 10, 2025)	✓	✓

## SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

### III. CORPORATE GOVERNANCE DISCLOSURES UNDER THE HONG KONG LISTING RULES *(continued)*

#### 5. Chairman and President

The positions of the chairman (the chairman of the Board) and the president (the chief executive officer) of the Company are held by different persons and there is a clear division of work between the two roles. The Chairman of the Company is Mr. Zhu Baoguo (朱保國), and the President is Mr. Tang Yanggang (唐陽剛).

The chairman of the Board mainly exercises the following duties and powers: to preside over general meetings and to convene and preside over Board meetings; to supervise and monitor the implementation of resolutions of Board meetings; to sign share certificates, debentures and other quoted securities of the Company; to sign important documents of the Board and other documents which should be signed by the Company's legal representative; to exercise the authority and powers of a legal representative; to exercise special discretionary power on corporate affairs in accordance with laws and in the Company's interests in case of emergency situations such as the occurrence of natural disasters of an exceptional scale and other force majeure events, and provide aftermath reports to the Board and general meetings; and to perform other duties and powers authorized by the Board.

The President, also known as the Chief Executive Officer (CEO), is accountable to the Board of Directors and exercises the following authorities: overseeing the Company's production and operational management, implementing Board resolutions, and reporting to the Board; executing the Company's annual business plans and investment programs; proposing the Company's internal management structure; drafting the Company's fundamental management policies; establishing the Company's specific regulations; recommending to the Board the appointment or removal of the Company's Vice President and Chief Financial Officer; determining the appointment or removal of management personnel not under the Board's authority; and other powers granted by the Company's Articles of Association or the Board of Directors.

#### 6. Independent Non-Executive Directors

As of the disclosure date of this Report, there are four independent non-executive directors on the board, who have consistently met the minimum requirements for the number of independent non-executive directors under the Hong Kong Listing Rules throughout the Reporting Period. Mr. Bai Hua, an independent non-executive director of the Company, possesses the requisite accounting and financial management expertise, fulfilling the requirements under Rule 3.10 of the Hong Kong Listing Rules. For Mr. Bai Hua's biography, please refer to "VII. Information on Directors and Senior Management" in Section IV of this Report.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to independence guidelines set out in Rule 3.13 of the Hong Kong Listing Rules. The Company considers all independent non-executive directors to be independent individuals.

#### 7. Term of Directors

According to the Articles of Association, all Directors of the 11th session of the Board (including non-executive Directors) are elected at general meetings with a term of three years from 21 June 2023 to 20 June 2026. Directors can be re-elected upon expiration of the term, provided that no term of office of independent non-executive Directors shall last for more than six years.

## SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

### III. CORPORATE GOVERNANCE DISCLOSURES UNDER THE HONG KONG LISTING RULES *(continued)*

#### 8. Directors' Responsibility for Financial Statements

The Directors acknowledged their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company. The directors believe that in the preparation of the financial statements, the Company has implemented appropriate accounting policies and complied with all relevant accounting standards.

#### 9. Board Committees

In accordance with the Corporate Governance Code, the Board has established three committees: the Audit Committee, the Remuneration and Assessment Committee, and the Nomination Committee, to oversee specific aspects of the Company's operations. Each board committee has established defined written terms of reference. The written terms of reference for each board committee are published on the HKEXnews website and the Company's website. Apart from the requirements under the Hong Kong Listing Rules and the Corporate Governance Code, the Company has also established the Strategy Committee in order to monitor the Company's long-term development strategic plan, conduct research and give recommendations thereon, and has established the Environmental, Social and Governance ("ESG") Committee (the "ESG Committee") to promote the development and implementation of ESG affairs of the Group.

##### **Audit Committee**

As of the End of this year, the Audit Committee under the 11th session of Board consists of three independent non-executive directors of the Company, with Mr. Bai Hua serving as the chairman, and members including Mr. Luo Huiyuan and Ms. Cui Lijie. On December 10, 2025, Mr. Tian Qiusheng resigned as an independent non-executive director and member of the Audit Committee due to the expiration of his six-year term as a director. On the same day, Ms. Cui Lijie was appointed as a member of the Audit Committee of the 11th Board of Directors. Mr. Bai Hua possesses the requisite accounting and financial management expertise in compliance with Rule 3.10 of the Hong Kong Listing Rules. The main responsibilities of the Audit Committee are to review the Company's financial reports; evaluate the Company's financial controls, risk management systems, and internal control systems; examine the relationship between the Company and its external auditors and consider the annual audit plan submitted by the external auditors; and review the Company's arrangements for employees to confidentially report concerns regarding potential improprieties in financial reporting, internal controls, or other matters.

During the Year, the Audit Committee reviewed the Group's annual, semi-annual, and quarterly financial statements, examined the accounting standards and practices adopted by the Group, the internal control system, as well as the work performed and fees charged by the auditors. On March 24, 2026, the Committee also reviewed the Company's 2025 Risk Management and Internal Control Self-Assessment Report.

## SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

### III. CORPORATE GOVERNANCE DISCLOSURES UNDER THE HONG KONG LISTING RULES *(continued)*

#### 9. Board Committees *(continued)*

##### **Audit Committee** *(continued)*

The Audit Committee held five meetings this year, with the main agenda items as follows:

- (1) On January 10, 2025, the proposal regarding the 2024 financial audit plan for Livzon Pharmaceutical Group Inc. was reviewed and approved.
- (2) On March 19, 2025, the following proposals were reviewed and approved: the proposal to review the Company's 2024 Audit Report, the Company's 2024 Financial Final Report, the proposal to review the Company's 2024 Performance Announcement and Annual Report, the proposal to review the 2024 continuing connected transactions, the proposal to review the Company's 2024 Risk Management and Internal Control Self-Assessment Report, the proposal to review the arrangements for employees to report concerns regarding misconduct, the proposal to review the evaluation report on Grant Thornton (Special General Partnership)'s 2024 audit work, the proposal to consider reappointing Grant Thornton (Special General Partnership) as the Company's 2025 audit firm.
- (3) On April 23, 2025, the proposal regarding the unaudited consolidated financial statements and quarterly performance announcement of the Company and its subsidiaries for the three months ended March 31, 2025, was reviewed and approved.
- (4) On August 19, 2025, the proposals regarding the Company's unaudited interim report, interim performance announcement, and financial statements for the six months ended June 30, 2025, as well as the proposal on the Company's continuing related-party transactions for the first half of 2025, were reviewed and approved.
- (5) On October 22, 2025, the proposal regarding the 2025 third quarter report of Livzon Pharmaceutical Group Inc. was reviewed and approved.

## SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

### III. CORPORATE GOVERNANCE DISCLOSURES UNDER THE HONG KONG LISTING RULES *(continued)*

#### 9. Board Committees *(continued)*

##### **Remuneration and Assessment Committee**

As of the End of this year, the Remuneration and Assessment Committee under the 11th Board of Directors consists of three directors, with the committee chairman being independent non-executive director Ms. Cui Lijie, and members being executive director Mr. Tang Yanggang and independent non-executive director Mr. Bai Hua (on December 10, 2025, Mr. Tian Qiusheng resigned as the Company's independent non-executive director and chairman of the Remuneration and Assessment Committee due to the expiration of his six-year term as a director. On the same day, Ms. Cui Lijie was transferred from a member to the chairman of the 11th Board of Directors Remuneration and Assessment Committee, and Mr. Tang Yanggang was appointed as a member of the 11th Board of Directors Remuneration and Assessment Committee), and the composition of the members complies with the provisions of Rule 3.25 of the Hong Kong Listing Rules. The key responsibilities of the Remuneration and Assessment Committee are to assess and review and advise the Board on the remuneration packages for and the performance of the chairman of the Board, executive Directors and senior management of the Company, and to make recommendations to the Board on the policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, so as to ensure that any Director or any of their associates shall not be involved in fixing their remuneration and related matters, as well as to review and/or approve matters relating to share plans as referred to in Chapter 17 of the Hong Kong Listing Rules.

This year, the Remuneration and Assessment Committee has held two meetings, respectively reviewing and approving the Proposal on Evaluating and Reviewing the Compensation and Overall Benefits of the Chairman of the Board, Directors, and Senior Management of the Company for 2024 and the Proposal on Canceling Part of the Stock Options in the 2022 Stock Option Incentive Plan. The share options incentive scheme of the Company does not grant options or awards to Directors and senior management as specified in Rule 17.06B(7) and (8) of the Hong Kong Listing Rules (vesting period of less than 12 months or without performance targets and/or claw-back mechanism).

The disclosure of the remuneration of senior management is included in "5. Related-Party Transactions" of Notes XXI of the financial report of this Report.

##### **Nomination Committee**

As of the End of this year, the Nomination Committee under the 11th Board of Directors consists of three directors, with the committee chairman being Mr. Luo Huiyuan, an independent non-executive director, and the members being Ms. Cui Lijie, an independent non-executive director, and Mr. Tao Desheng, a non-executive director (on May 22, 2025, Ms. Cui Lijie was appointed as a member of the Nomination Committee of the 11th Board of Directors). On December 10, 2025, Mr. Tian Qiusheng resigned as an independent non-executive director and a member of the Nomination Committee of the Company due to the expiration of his six-year term as a director. The composition of the members complies with the provisions of Rule 3.27A of the Hong Kong Listing Rules. The main responsibilities of the Nomination Committee are to review the structure, number, and composition of the Board of Directors (including gender, age, cultural and educational background, skills, knowledge, and experience); assist the Board in preparing the Board skills matrix; assess the time and contribution of each director to the Board; study and recommend to the Board the standards and procedures for the selection of directors and senior management; make recommendations to the Board on the appointment or reappointment of directors and the succession plan of directors (especially the chairman and president); review the Board diversity policy and its measurable objectives and examine its implementation and progress; assess the independence of independent non-executive directors; and support the Company in regularly evaluating the performance of the Board.

This year, the Nomination Committee has held four meetings, reviewing and approving the Proposal on Reviewing the Structure, Number, and Composition of the Board and Making Recommendations on the Size and Composition of the Board, the Proposal on Reviewing the Board Diversity Policy and Supervising its Implementation, the Proposal on Nominating the Company's Vice President, the Proposal on Nominating Ms. Wang Zhiyao as a Candidate for Independent Non-Executive Director of the Company, and the Proposal on Nominating Ms. Ran Yongmei as a Candidate for Employee Representative Director of the Company.

## SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

### III. CORPORATE GOVERNANCE DISCLOSURES UNDER THE HONG KONG LISTING RULES *(continued)*

#### 9. Board Committees *(continued)*

##### **Nomination Committee** *(continued)*

The Nomination Committee has adopted a set of nomination procedures and adopted the Director Nomination Policy on 19 November 2018. The Nomination Committee may search extensively for candidates for Directors and senior management from the Company, its subsidiaries or participating stock companies and the job market, and in accordance with the relevant laws and regulations, the Director Nomination Policy and the relevant provisions of the Articles of Association, coupled with the Company's actual circumstances, the Nomination Committee shall study the election criteria, selection procedures and term of service for Directors and senior management of the Company, and submit the resolution to the Board for approval. The Nomination Committee selects candidates for the Company's directors and senior management by considering the individual's profession, education, professional titles, detailed work experience, all concurrent positions, character and integrity, professional qualifications, independence, diversity, willingness and ability to dedicate time, potential contributions to the Board, the Company's needs, and other relevant statutory requirements and regulations. For any person nominated by shareholders for election as a director at the Company's general meeting, the Nomination Committee and/or the Board of Directors shall evaluate the candidate in accordance with the aforementioned criteria. Regarding the re-election of directors, the Nomination Committee and/or the Board of Directors shall evaluate the retiring director's overall contributions and service to the Company, their level of participation and performance on the Board, and whether they continue to meet the aforementioned assessment criteria, then provide recommendations to shareholders.

According to the Director Nomination Policy, the Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

##### **Strategy Committee**

As of the End of this year, the Strategy Committee under the eleventh board of directors is composed of three directors, with Mr. Zhu Baoguo, a non-executive director, as the chairman of the committee, and Mr. Tang Yanggang, an executive director, and Mr. Tao Desheng, a non-executive director, as members. The Strategy Committee is mainly responsible for researching and making recommendations on the Company's long-term development strategy and major investment decisions. This year, the Strategy Committee held one meeting and approved the proposal on the public tender offer to acquire the share of IMP Company in Vietnam.

##### **ESG Committee**

As of the End of this year, the ESG Committee under the eleventh board of directors is composed of five directors, with Mr. Zhu Baoguo, a non-executive director, as the chairman of the committee, and Mr. Tang Yanggang, an executive director, and Mr. Bai Hua, Ms. Cui Lijie, and Ms. Wang Zhiyao, independent non-executive directors, as members (on December 10, 2025, Mr. Tian Qiusheng and Mr. Wong Kam Wa resigned as independent non-executive directors of the Company and members of the ESG Committee due to the expiration of their six-year term as directors. On the same day, Ms. Cui Lijie and Ms. Wang Zhiyao were appointed as members of the ESG Committee of the eleventh board of directors). The key responsibilities of the ESG Committee are to review the ESG affairs of the Group and report to the Board on such matters, and to perform other responsibilities prescribed from time to time by Shenzhen Listing Rules and Hong Kong Listing Rules.

This Year, the ESG Committee held one meeting and approved the proposal of the 2024 Environmental, Social, and Governance Report of Livzon.

## SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

### III. CORPORATE GOVERNANCE DISCLOSURES UNDER THE HONG KONG LISTING RULES *(continued)*

#### 9. Board Committees *(continued)*

##### Attendance at Board Committee Meetings

This Year, the attendance at the Company's board committee meetings was as follows:

Name	Position	Number of meetings attended during tenure/Number of meetings held during tenure				
		Audit Committee Meeting	Nomination Committee Meeting	Remuneration and Assessment Committee Meeting	Strategy Committee Meeting	ESG Committee Meeting
Zhu Baoguo	Chairman				1/1	1/1
Tao Desheng	Vice Chairman (resigned on February 28, 2026)		4/4		1/1	
Tang Yanggang	Executive Director, Vice Chairman			0/0	1/1	1/1
Bai Hua	Independent non-executive Directors	5/5		2/2		1/1
Luo Huiyuan	Independent non-executive Directors	5/5	4/4			
Cui Lijie	Independent non-executive Directors	0/0	2/2	2/2		0/0
Wang Zhiyao	Independent Non-Executive Director (appointed on December 10, 2025)					0/0
Tian Qiusheng	Independent Non-Executive Director (resigned on December 10, 2025)	5/5	3/3	2/2		1/1
Wong Kam Wa	Independent Non-Executive Director (resigned on December 10, 2025)					1/1

## SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

### III. CORPORATE GOVERNANCE DISCLOSURES UNDER THE HONG KONG LISTING RULES *(continued)*

#### 10. Shareholder Participation

The Company considers effective communication with shareholders extremely important to allow shareholders to make a clear assessment of the Group's performance and to ask questions to the Board.

Major ways of communication between the Company and shareholders are as follows:

##### **Information disclosure on the Company's website**

The Company will use the most comprehensive and timely manner for disclosure of all significant information related to the Group to those who are interested in receiving the Company's information. The Company's website ([www.livzon.com.cn](http://www.livzon.com.cn)) may provide important information related to the Group's activities and corporate issues (such as annual reports and interim reports to Shareholders, announcements, ESG reports, business development and operation, corporate governance practice and other information etc.) available for inspection by Shareholders and other stakeholders. In addition, announcements issued through the Hong Kong Stock Exchange are also available on the Company's website.

##### **Consultation phone and email**

The Company provides its telephone number (86-756-8135888, 86-756-8135990, 86-756-8135992) and email address ([LIVZON\\_GROUP@livzon.com.cn](mailto:LIVZON_GROUP@livzon.com.cn)) to Shareholders for communicating with the Company.

##### **Holding Shareholders' Meeting**

The shareholders' meeting provides a practical platform for direct communication between the board of directors and shareholders. At the shareholders' meeting, the Company will present separate resolutions for each substantially different agenda item and allocate sufficient time for senior management to engage in direct communication with participating shareholders, addressing all inquiries raised.

##### **Easy Interactive Platform of the Shenzhen Stock Exchange**

The Company gathers valuable suggestions from investors via the Shenzhen Stock Exchange's Investor Relations Interactive Platform and provides comprehensive responses to questions raised by investors on the platform.

##### **WeChat Official Account**

The WeChat official account Livzon Pharma established by the Company serves as a micro-window for investors to stay updated. By subscribing to our official WeChat account, investors can receive push notifications in real time, enabling them to conveniently and efficiently track the Company's daily operations. Additionally, they can learn about our corporate culture initiatives, team-building activities, as well as events organized by the Party, labor union, and youth league.

##### **Investor Relations Activities**

The Company has established an effective communication mechanism with investors. Investors can gain insights into the Company's operations through targeted research, earnings briefings, on-site visits, roadshows, and media interviews, while maintaining open communication with the Company's management team and core technical personnel. For the above investor relations activities, the Company prepares written research summaries and publicly discloses them through the information disclosure websites designated by the CSRC and the stock exchange.

## SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

### III. CORPORATE GOVERNANCE DISCLOSURES UNDER THE HONG KONG LISTING RULES *(continued)*

#### 11. Shareholder Rights, Shareholder Communication Policy

##### **Procedures for Shareholders to Convene a Shareholders' Meeting**

According to Article 73 of the Articles of Association: "Subject to the provisions of Article 78 of these Articles of Association, shareholders individually or collectively holding 10% or more of the Company's shares have the right to request the Board of Directors to convene an extraordinary shareholders' meeting or a class shareholders' meeting and to include proposals in the meeting agenda. Such requests shall be submitted in writing to the Board of Directors". The Board of Directors shall, in accordance with applicable laws, administrative regulations, and these Articles of Association, provide written feedback within 10 days of receiving the request, indicating whether it agrees or disagrees to convene an extraordinary shareholders' meeting or a class shareholders' meeting.

If the board of directors agrees to convene an extraordinary general meeting or a class shareholders' meeting, it shall issue a notice of the shareholders' meeting within five days after adopting the board resolution. Any changes to the original request in the notice must be approved by the relevant shareholders.

If the board of directors does not agree to convene an extraordinary general meeting or a class shareholders' meeting, or fails to respond within 10 days of receiving the request, shareholders holding individually or collectively more than 10% of the Company's shares shall have the right to propose to the audit committee the convening of an extraordinary general meeting or a class shareholders' meeting, and shall submit such request to the audit committee in writing.

If the audit committee agrees to convene an extraordinary general meeting or a class shareholders' meeting, it shall issue a notice of the shareholders' meeting within five days of receiving the request. Any changes to the original request in the notice must be approved by the relevant shareholders.

If the audit committee fails to issue notice of the shareholders' meeting within the prescribed time limit, it shall be deemed that the audit committee has not convened or presided over the shareholders' meeting. Shareholders who individually or collectively hold more than 10% of the Company's shares for 90 consecutive days or more may convene and preside over the meeting themselves.

According to Articles 74, 75, and 76 of the Articles of Association: "If the Audit Committee or shareholders decide to convene a shareholders' meeting on their own, they must provide written notice to the Board of Directors and file with the stock exchange".

Shareholding proportion of the convening Shareholders who intend to convene a general meeting shall not be less than 10% prior to announcement of the resolution of the general meeting.

The audit committee or the convening shareholders shall submit relevant supporting documents to the stock exchange when issuing the notice of the shareholders' meeting and the resolution announcement.

The board of directors and the company secretary will cooperate with the shareholders' meeting convened by the audit committee or shareholders themselves. The board of directors will provide the shareholder register as of the record date for equity registration.

The necessary expenses for the shareholders' meeting convened by the audit committee or shareholders shall be borne by the Company.

## SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

### III. CORPORATE GOVERNANCE DISCLOSURES UNDER THE HONG KONG LISTING RULES *(continued)*

#### 11. Shareholder Rights, Shareholder Communication Policy *(continued)*

##### **Procedure for forwarding shareholders' inquiries to the board of directors**

Shareholders may submit their inquiries and concerns to the Company's Board of Directors in writing at any time through the Board Secretary (Company Secretary). For the contact details of the Board Secretary (Company Secretary), please refer to the relevant information under "Contact Person and Contact Information" in Section II of this Report. The Board Secretary (Company Secretary) will forward shareholders' inquiries and concerns to the Company's Board of Directors and/or relevant Board committees (as appropriate) to address shareholders' questions.

##### **Procedure for submitting shareholder proposals to the shareholders' meeting**

According to Article 78 of the Articles of Association, "When the Company convenes a shareholders' meeting, the Board of Directors, the Audit Committee, and shareholders who individually or collectively hold more than 1% of the Company's shares have the right to submit proposals to the Company.

The Shareholder(s) individually or jointly holding more than 1% of the Company's Shares may submit extra proposed resolutions in writing to the convener of a general meeting in writing 10 days prior to the meeting. The convener shall issue a supplementary notice for the shareholders' meeting within two days of receiving the proposal, disclosing the content of the interim proposal, and submit it to the shareholders' meeting for review. However, interim proposals that violate laws, administrative regulations, or the provisions of the Articles of Association, or fall outside the scope of the shareholders' meeting's authority, are excluded.

Except as provided by the preceding clause, the convener of a general meeting shall not amend the proposed resolutions set out in the notice of the meeting or add any new proposed resolutions subsequent to the issue of the notice of the general meeting.

Proposals which are not specified in the notice of the general meeting or which do not comply with Article 77 of these Articles of Association shall not be voted and resolved at the general meeting.

##### **Investor Relations**

The Company engages with investors through timely meetings and visits to discuss the Company's business operations. In addition, the Company shall promptly answer questions raised by the public and individual Shareholders through calls, Easy Interactive Platform of the Shenzhen Stock Exchange, etc. Meanwhile, the Company makes timely disclosure of these information on designated websites of the Shenzhen Stock Exchange and Hong Kong Stock Exchange and the website of the Company in strict accordance with the Shenzhen Listing Rules, the Hong Kong Listing Rules and relevant laws and regulations. Under any circumstances, the Company shall adopt prudent attitude to ensure it shall not make selective disclosure of any information that affects share prices.

##### **Investor Relations Management Policy**

The Board has formulated the Management System for the Investor Relations, which standardizes the Company's investor relations management, facilitates effective communication between the Company and shareholders and potential investors. Investors can further understand the Company's production, operation and performance through multiple channels, platforms and methods such as stock exchanges and other regulatory and open interactive communication platforms, which fully protects the right to know and vital interests of all investors.

The Company's shareholders communication policy above can provide a variety of communication channels for shareholders of the Company to express their opinions. During the Year, the Company reviewed the implementation of the shareholders communication policy and confirmed that it was effective. This year, the Company has held four shareholders' meetings (including class shareholder meetings) and five regular earnings briefings.

## SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

### III. CORPORATE GOVERNANCE DISCLOSURES UNDER THE HONG KONG LISTING RULES *(continued)*

#### 12. Articles of Association

During the year, in accordance with the latest provisions of laws and regulations including the Company Law, the Guidelines for the Articles of Association of Listed Companies (2025 Revision), the Implementation of Supporting System Rules for the New Company Law and Related Transitional Arrangements, and the Shenzhen Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 1—Standard Operation of Main Board Listed Companies, and in consideration of the Company's actual circumstances, the Company has amended its Articles of Association. Details of the amendments are available in the announcements published on the Company's website, HKEXnews, and Cninfo on December 10 and 11, 2025.

#### 13. Company Profit Distribution Policy

The profit distribution policy set forth in the Articles of Association is as follows:

- (1) The Company's profit distribution should prioritize reasonable investment returns for shareholders while considering the Company's sustainable development, and aim to maintain the continuity and stability of the distribution policy.
- (2) The Company may distribute its profit in the form of cash, shares or a combination of cash and shares or in other ways as permitted by the laws and regulations.
- (3) The Company distributes its profit annually in principle. Nevertheless, interim profit distribution in cash may be made by the Company subject to conditions.
- (4) The Company shall actively implement cash dividends based on ensuring that cash flow meets the requirements for normal operations and long-term development, and shall guarantee that the cumulative cash dividends distributed over the past three years are no less than 30% of the average annual distributable profit achieved during the same period. The specific cash dividend ratio for each year shall be proposed by the Board of Directors in accordance with relevant regulations and the Company's operating conditions for that year, and shall be subject to approval by the shareholders' meeting.

The Company shall, after considering various factors such as the characteristics of the industry where it operates, stage of development, business model, profitability and investment expenses, propose different cash dividend policy based on the following situation according to statutory procedures: (i) If the Company is at a mature stage of development with no significant capital expenditure arrangement at the time of profit distribution, cash dividend payout ratio of such profit distribution shall be at least 80%; (ii) If the Company is at a mature stage of development with significant capital expenditure arrangement at the time of profit distribution, cash dividend payout ratio of such profit distribution shall be at least 40%; and (iii) If the Company is in a growing stage of development with significant capital expenditure arrangement at the time of profit distribution, cash dividend payout ratio of such profit distribution shall be at least 20%.

- (5) The Company must satisfy the following conditions to distribute cash dividends: (i) The distributable profit realized by the Company in the current year (i.e., the after-tax profit remaining after the Company covers losses and allocates reserves) is positive; and (ii) The auditing firm issues a standard unqualified audit report on the Company's financial statements for the current year;
- (6) Conditions for the Company to issue stock dividends: If the Company's operating income and net profit show rapid growth, and the board of directors deems the Company's share capital scale and equity structure to be reasonable while meeting the requirements for cash dividend distribution, a stock dividend distribution proposal may be submitted in addition to the cash dividend distribution plan.

## SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

### III. CORPORATE GOVERNANCE DISCLOSURES UNDER THE HONG KONG LISTING RULES *(continued)*

#### 14. Diversity of the Board

The Company is of the view that the diversity of the Board is one of the essential factors in sustaining the competitive edge of the Company and facilitating the sustainable development of the Company. The Company formulated the Board Diversity Policy (the “Policy”). Under this policy, the Company will consider diversity in board composition from multiple perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, and knowledge. On this basis, decisions will be made based on the candidates’ overall value to the Company’s business and development, their potential contributions to the board of directors, and objective criteria for ensuring diversity among the Company’s board members. The Company is committed to ensuring that it has at least one female director on our board in achieving the diversity of the Board in the aspect of gender. To ensure the effectiveness of this policy, the Company’s Nomination Committee will regularly monitor and review the policy. After review, the Board of Directors concluded that the current composition of the Company’s Board is well-balanced and diverse, with members ranging in age from 39 to 63. The Board includes 3 women and 1 ethnic minority member, with professional backgrounds encompassing accounting, domestic and international legal practice, as well as extensive experience in corporate management and the pharmaceutical industry. Their knowledge structures and professional expertise are both specialized and complementary, making them well-suited to support the Company’s business development.

During the Year, the Company set a diversity target of “having no less than 49% female employees by 2032”, continuously optimized the organizational structure of our workforce, guaranteed equal opportunities for women in employment, and promoted diversity and inclusiveness in our business.

As at 31 December 2025, the Board of the Company had a total of 11 members, of which female director accounted for 27%; the executive management of the Company had a total of 8 members, of which 3 were women, representing 37.50%; female employees and male employees of the Group accounted for 47.60% and 52.40%, respectively. Our board member and employee selection process will continue to prioritize both diversity and meritocracy while monitoring the diversity of board members and staff, making timely adjustments as needed.

#### 15. Board Independence Evaluation Mechanism

The Company has established a Board independence evaluation mechanism, which provides for the Board to have strong independent elements so as to enable the Board to exercise independent judgement effectively to better protect the interests of Shareholders.

The goal of the evaluation is to enhance board efficiency, maximize strengths, and identify areas requiring improvement or further development. The evaluation process also clearly states that the Company needs to take actions to maintain and improve the performance of the Board, such as the individual training and development needs of each Director.

In accordance with the Board independence evaluation mechanism, the Board will conduct an annual review of its independence. A Board independence assessment report will be submitted to the Board, who will jointly review the findings and develop improvement plans as appropriate.

During the year ended 31 December 2025, each of the Directors has completed the independence evaluation through a separate questionnaire survey. The Company has submitted the Board Independence Assessment Report to the Board of Directors, and the assessment results are satisfactory.

During the year ended 31 December 2025, the Board has reviewed the implementation and effectiveness of the Board independence evaluation mechanism, the results of which are satisfactory.

## SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

### III. CORPORATE GOVERNANCE DISCLOSURES UNDER THE HONG KONG LISTING RULES *(continued)*

#### 16. Whistleblowing Policy

The Company has established a whistleblowing policy and system to allow employees and those who have dealings with the issuer to raise any concern regarding any possible improprieties in matters relating to the Company to the Audit Committee in a confidential and anonymous manner. The whistleblowing policy is available on the Company's website.

#### 17. Anti-Corruption Policy

The Company has established an anti-corruption policy to prevent improper or fraudulent practices within the Company. The Company has internal reporting channels for employees of the Company to report any improper or fraudulent practices. Employees may also report anonymously to the internal anti-corruption oversight department, which is responsible for investigating reported incidents and taking appropriate action. The Company will implement anti-bribery and anti-corruption activities continuously to cultivate a culture of integrity and actively provide anti-corruption training and review to ensure the effectiveness of its policies. The anti-corruption policy is available on the Company's website.

### IV AUDITOR'S REMUNERATION

As of the End of the Year, Grant Thornton (Special General Partnership) provided the Group with (i) non-annual audit service fees for 2025 amounting to RMB716,000 (tax inclusive), which included semi-annual report review, capital verification reports, etc., and (ii) annual audit service fees for 2025 of RMB2,150,000 (tax inclusive) (comprising financial statement audit fees and internal control audit fees for 2025).

### V COMPANY SECRETARY

The company secretary of the Company is Ms. Liu Ning. Ms. Liu Ning has received at least 15 hours of relevant professional training this year.

### VI RISK MANAGEMENT AND INTERNAL CONTROL

In 2025, the Company's risk management and internal control efforts primarily focused on five key areas: internal environment, risk assessment, control activities, information and communication, and internal oversight. These efforts encompassed financial monitoring, operational monitoring, compliance monitoring, as well as environmental, social, and governance (ESG) risk monitoring for the Company and its subsidiaries, along with major business activities and matters. The core focus areas included risk management and internal controls in high-risk domains such as capital management, research and development, quality control, asset management, EHS (Environment, Health, and Safety) management, sales operations, and related-party transactions. Special emphasis was placed on enhancing the Group's standardized daily operations, integrity initiatives, and the prevention and management of both internal and external operational risks.

The heads of each business department and subsidiary of the Company conducted self-inspections and evaluations of specific operating procedures, risk management, and internal control measures within their respective business scopes to ensure compliance with monitoring policies. They also received business guidance and inspections from the Company's management department. The Company's management has assessed the likelihood of risks with the heads of various business departments, provided solutions, and monitored the progress of risk management. Management is responsible for overseeing the evaluation of risk management and internal controls, and has reported to the Audit Committee and the Board of Directors on the effectiveness of the risk management and internal control systems for the year, confirming their efficacy.

## SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

### VI RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

The Company has established an Audit and Integrity Department, responsible for conducting internal audits and promoting integrity across all units within the group. The Audit and Integrity Department conducts annual audits of risk management, internal controls, and financial status for each unit in accordance with the Company's audit plan. It verifies and evaluates the completeness and effectiveness of each unit's risk management and internal control systems, while providing ongoing supervision and monitoring. The Company has dedicated audit personnel. Based on the requirements of audit projects, the Audit and Integrity Department leads the formation of audit project teams in collaboration with personnel from legal, human resources, finance, the engineering center, and the production technology headquarters. The project team conducts comprehensive internal control audits, special audits, and audits of management personnel's departure and economic responsibilities for the Company's subsidiaries. Suggestions for rectification are proposed for issues identified during the audit, and subsidiaries are organized to complete self-inspections of internal audit rectifications. In 2025, while completing the Company's comprehensive audit plan, the Audit and Integrity Department will continue to enhance specialized audits of key business areas to ensure full coverage of both audit projects and content. The Audit and Integrity Department organizes the preparation of comprehensive and special audit reports based on specific audit content, oversees the implementation of corrective actions by audited units, and reports to the Company's management. The Company's management regularly submits management reports on the effectiveness of the risk management and internal control systems to the Audit Committee and the Board of Directors.

In line with the requirements to enhance the Company's governance structure and internal control mechanisms, the Company is currently focused on strengthening and improving its risk management and internal control systems, while internal audit work is progressively advancing toward specialization, proceduralization, and standardization. The Company continues to enhance its institutional framework by establishing an internal audit system aligned with its development strategy. The Company has implemented risk management procedures and guidelines for various levels of authority, while also revising and improving relevant audit policies, codes of conduct for auditors, audit standards, audit business guidelines, whistleblowing and complaint management systems, and audit file management procedures. This year, the Company's newly established internal audit system is designed to standardize internal audit procedures, enhance audit quality, and safeguard investors' legitimate rights and interests. The system further enhances the risk management provisions, offering a rigorous and standardized risk control mechanism to support the formulation of core decisions. As of December 31, 2025, the Audit and Integrity Department had completed a total of 53 comprehensive internal control audits, 30 special audits, and 6 economic responsibility audits for the Company's subsidiaries, with the audit period spanning from 2013 to 2025.

This year, the Company completed its annual special and comprehensive audits in accordance with the audit plan, issuing a total of 225 audit recommendations. At the same time, we actively urged each subsidiary Company to develop and implement corrective measures one by one in accordance with the relevant rectification recommendations. Through audit supervision, organizations can promptly identify issues within the internal environment, effectively mitigate corporate risks, prevent corruption in key business operations, and significantly contribute to achieving organizational objectives.

The Group actively enhances integrity initiatives, continuously improves the internal control and compliance system, and establishes robust oversight mechanisms and grievance procedures. At the same time, it establishes an anti-corruption control and oversight mechanism, clearly defining the relevant responsibilities. The Company strongly encourages employees to report illegal and disciplinary violations, further improves the reporting and complaint system, refines the handling process for reports and complaints, and maintains complaint records. The Company conducts regular comprehensive internal inspections to identify any violations of laws or regulations, covering managers, employees, and business partners. In addition, the Company has established employee codes of conduct, emphasizing the use of various channels to promote internal and external anti-corruption awareness and integrity principles. This ensures that anti-corruption and integrity education become routine practices, thereby strengthening employees' integrity awareness and fostering a culture of ethical conduct within the Group.

## SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

### VI RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

The Board acknowledges its responsibility for the risk management and internal control systems and is responsible for reviewing the effectiveness and adequacy of these systems. The risk management and internal control systems are designed to manage, rather than eliminate, the risk of failing to achieve business objectives, and can only provide reasonable—not absolute—assurance against material misstatement or loss. After review, the Board has determined that the Company’s risk management and internal controls are effective and sufficient, and has obtained management’s confirmation regarding the effectiveness and sufficiency of the Company’s risk management and internal control systems.

The Group’s internal information should generally be strictly controlled within the scope of the respective department. For necessary inside information circulation among the departments of the Company and its subsidiaries, necessary approval procedures are required to be performed by departments of the Company and its subsidiaries and approval from department supervisors are required before the inside information circulates to other departments. The Company should make a truthful and complete record of all relevant insiders involved with reporting, circulation, compiling, review and disclosure of inside information before public disclosure and time for such inside information available to insiders, for enquiry from the Company and regulatory bodies.

The insiders of inside information of the Company shall be obligated to keep inside information confidential. The Directors, Supervisors, the senior management of the Company and relevant insiders shall minimize the number of insiders of inside information before public disclosure through obligatory measures. For insiders who engage in insider trading or advise others to trade using inside information, the Company shall promptly conduct self-inspections, issue disciplinary decisions, and submit the inspection results and disciplinary actions to the Guangdong Office of the China Securities Regulatory Commission and the Shenzhen Stock Exchange for filing.

For the management and monitoring of environmental, social, and governance (ESG) risks, the Company’s ESG Working Group (comprising the Company’s Senior Management and the heads of various departments, business units, and secondary enterprises) has formulated ESG-related targets and corresponding implementation measures. These are reviewed by the ESG Committee and submitted to the Board for approval, covering major ESG performance indicators such as pollutant discharge, greenhouse gas emissions, resource consumption, safe production, and quality management. The ESG Committee regularly reviews the progress toward these ESG targets and provides recommendations for action on items requiring improvement. To ensure the achievement of these targets, the Company has also effectively incorporated ESG indicators into the performance assessment of management. Meanwhile, the management actively engages in stakeholder communication, evaluates and prioritizes ESG issues, identifies ESG-related matters that significantly impact the Group’s operations and/or the interests of other important stakeholders, and clarifies the priority of ESG management. For details, please refer to the Company’s “2025 Environmental, Social and Governance Report”.

# SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

## VII INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

### 1. Basic Information

Name	Gender	Age	Position	Employment Status	Start Date of Term	End Date of Term	Number of Shares Held at the Beginning of the Period (shares)	Number of Shares Increased During the Period (shares)	Number of Shares Decreased During the Period (shares)	Other Changes (shares)	Number of Shares Held at the End of the Period (shares)	Reason for Changes in Shares
Zhu Baoguo	Male	63	Chairman, Non-Executive Director	Current	2002/06/26	2026/06/20	-	-	-	-	-	Not Applicable
Tang Yanggang	Male	56	Vice Chairman Executive Directors	Current	2026/02/28	2026/06/20	344,963	-	-	-	344,963	Not Applicable
			President	Resigned	2019/02/14	2026/06/20	-	-	-	-	-	-
Qiu Qingfeng	Male	54	Non-executive Directors	Current	2018/12/28	2026/02/28	-	-	-	-	-	Not Applicable
Lin Nanqi	Male	43	Non-executive Directors	Current	2007/04/17	2026/06/20	-	-	-	-	-	Not Applicable
Bai Hua	Male	56	Independent non-executive Directors	Current	2024/11/26	2026/06/20	-	-	-	-	-	Not Applicable
Luo Huiyuan	Male	59	Independent non-executive Directors	Current	2020/06/30	2026/06/20	-	-	-	-	-	Not Applicable
Cui Lijie	Female	50	Independent non-executive Directors	Current	2021/07/29	2026/06/20	-	-	-	-	-	Not Applicable
Wang Zhijiao	Female	39	Independent non-executive Directors	Current	2025/12/10	2026/06/20	-	-	-	-	-	Not Applicable
Ran Yongmei	Female	42	Employee Representative Director	Current	2025/12/10	2026/06/20	-	-	-	-	-	Not Applicable
Liu Daping	Male	39	President	Current	2026/02/28	2026/06/20	-	-	-	-	-	Not Applicable
			Vice President	Resigned	2024/01/30	2026/02/28	-	-	-	-	-	-
Du Jun	Male	49	Vice President	Current	2023/09/27	2026/06/20	50,090	-	-	-	50,090	Not Applicable
Huang Yuxuan	Female	59	Vice President	Current	2018/10/25	2026/06/20	183,318	-	-	-	183,318	Not Applicable
Xu Xiao	Male	48	Vice President	Current	2025/04/23	2026/06/20	-	-	-	-	-	Not Applicable
Chen Zhihua	Male	45	Vice President	Current	2026/02/28	2026/06/20	-	-	-	-	-	Not Applicable
Wang Sheng	Male	44	Chief Financial Officer	Current	2026/02/28	2026/06/20	-	-	-	-	-	Not Applicable
Liu Ning	Female	42	Board Secretary	Current	2024/12/31	2026/06/20	-	-	-	-	-	Not Applicable
Tao Desheng	Male	61	Vice Chairman, Non-Executive Director	Resigned	2014/08/26	2026/02/28	733,800	-	-	-	733,800	Not Applicable
Xu Guoxiang	Male	63	Vice Chairman, Executive Director	Resigned	2017/06/30	2026/02/28	783,800	-	-	-	783,800	Not Applicable
			Vice President	Resigned	2007/12/29	2026/02/28	-	-	-	-	-	-
Tian Qusheng	Male	70	Independent non-executive Directors	Resigned	2019/10/15	2025/12/10	-	-	-	-	-	Not Applicable
Wong Kam Wa	Male	54	Independent non-executive Directors	Resigned	2019/10/15	2025/12/10	-	-	-	-	-	Not Applicable
Si Yanxia	Female	57	Vice President, Chief Financial Officer	Resigned	2014/06/30	2026/02/28	434,423	-	-	-	434,423	Not Applicable
Yang Daitong	Male	59	Vice President	Resigned	2006/05/28	2025/04/23	516,979	-	-	-	516,979	Not Applicable
Yang Liang	Male	42	Vice President	Resigned	2020/06/30	2025/03/31	230,000	-	-	-	230,000	Not Applicable
Total	-	-	-	-	-	-	3,277,373	-	-	-	3,277,373	-

Note: Pursuant to the resolution of the 32nd meeting of the Board, it was agreed to nominate Mr. Liu Daping (劉大平) as a candidate for executive Director of the 11th session of the Board. His term of office shall commence from the date of consideration and approval by the general meeting and end on the date of expiration of the term of the 11th session of the Board of the Company. The aforementioned resolution is subject to the consideration and approval of the general meeting before taking effect.

# SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

## VII INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT *(continued)*

### 1. Basic Information *(continued)*

#### Whether any directors and senior management personnel resigned during the Reporting Period

Yes  No

- The Company's former vice president Yang Liang has resigned from his position as vice president due to personal career development reasons and no longer holds any position with the Company. For details, please refer to the announcement titled "Resignation of Senior Management Personnel" published on the Company's website and HKEXnews on March 31, 2025.
- The Company's former vice president Yang Daihong resigned from his position as vice president due to work adjustment reasons, but continues to hold other positions within the Company. For details, please refer to the announcement titled "Resignation of Senior Management Personnel" published on the Company's website and HKEXnews on April 23, 2025.
- According to the resolution of the First Extraordinary Shareholders' meeting in 2025, the Board of Supervisors was cancelled, and the Company's former chairman of the Board of Supervisors, Wang Maolin, as well as former supervisors Huang Huamin and Tang Yin, stepped down.
- The Company's former independent non-executive directors, Tian Qiusheng and Wong Kam Wa, have resigned from their positions as independent directors and members of the Board's various special committees upon completion of their six-year terms. For details, please refer to the announcement titled "Expiration of Term for Independent Non-Executive Directors" published on the Company's website and HKEXnews on October 14, 2025.
- The Company's former Directors Tao Desheng and Xu Guoxiang resigned from their positions as Directors and members of special committees upon reaching the statutory retirement age. For details, please refer to the announcement titled "(1) Resignation of Directors, President and Chief Financial Officer, and Changes to Board Committee Composition; (2) Proposed Appointments of Executive Directors, Vice Chairman and Senior Management; and (3) Change of Authorized Representatives" published on the Company's website and HKEXnews on March 1, 2026.

#### Changes in Company directors and senior management personnel

Applicable  Not applicable

Name	Position held	Type	Date	Reason
Yang Liang	Vice President	Dismissal	March 31, 2025	Resigned from the position of Vice President due to personal development reasons, and no longer holds any position in the Company
Yang Daihong	Vice President	Dismissal	April 23, 2025	Resigned from the position of Vice President due to work adjustments, but continues to hold other positions within the Company after stepping down
Xu Xiao	Vice President	Appointment	April 23, 2025	Appointed as Vice President by resolution of the 24th meeting of the 11th Board of Directors
Tian Qiusheng	Independent non-executive Directors	Resigned	December 10, 2025	The independent director resigned from the positions of independent director and committee member after serving for six consecutive years.
Wong Kam Wa	Independent non-executive Directors	Resigned	December 10, 2025	The independent director resigned from the positions of independent director and committee member after serving for six consecutive years.
Wang Zhiyao	Independent non-executive Directors	Elected	December 10, 2025	Elected as an independent non-executive director at the first extraordinary general meeting of shareholders in 2025
Ran Yongmei	Employee Representative Director	Elected	December 10, 2025	Elected as an employee representative director by the employee representative meeting

# SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

## VII INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT *(continued)*

### 1. Basic Information *(continued)*

#### Changes in Company directors and senior management personnel *(continued)*

Name	Position held	Type	Date	Reason
Tao Desheng	Vice Chairman, Non-Executive Director	Resigned	February 28, 2026	Resigned from the positions of vice chairman, non-executive director, and committee member due to reaching the statutory retirement age, and will no longer hold any position in the Company
Xu Guoxiang	Vice Chairman, Executive Director, Vice President	Resigned	February 28, 2026	Resigned from the positions of Vice Chairman, Executive Director, and Vice President of the Company upon reaching the statutory retirement age and will no longer hold any position with the Company.
Tang Yanggang	Vice Chairman	Elected	February 28, 2026	Elected as Vice Chairman at the 32nd Meeting of the 11th Board of Directors
Si Yanxia	President	Resigned	February 28, 2026	Resigned as President due to work reassignment
	Vice President, Chief Financial Officer	Resigned	February 28, 2026	Resigned from the positions of Vice President and Chief Financial Officer of the Company due to reaching the statutory retirement age, and will no longer hold any position in the Company
Liu Daping	President	Appointment and Dismissal	February 28, 2026	Appointed as President by resolution of the 32nd meeting of the 11th Board of Directors, and will no longer serve as Vice President.
Liu Daping	Vice President	Appointment and Dismissal	February 28, 2026	Appointed as President by resolution of the 32nd meeting of the 11th Board of Directors, and will no longer serve as Vice President.
Chen Zhihua	Vice President	Appointment	February 28, 2026	Appointed as Vice President by resolution of the 32nd meeting of the 11th Board of Directors
Wang Sheng	Chief Financial Officer	Appointment	February 28, 2026	Appointed as Chief Financial Officer by resolution of the 32nd meeting of the 11th Board of Directors

*Note: Ms. Wang Zhiyao obtained the legal opinion as described in Rule 3.09D of the Hong Kong Listing Rules on 22 November 2025 and confirmed she understood her obligations as a director of a listed issuer. Ms. Ran Yongmei obtained the legal opinion described in Rule 3.09D of the Hong Kong Listing Rules on October 21, 2025, and confirmed her understanding of her obligations as a director of a listed issuer.*

### 2. Employment Status

The professional backgrounds, key work experiences, and current primary responsibilities of the Company's directors and senior management are outlined below:

#### Profile of Executive Directors

Mr. Tang Yanggang, aged 56, currently serves as the Company's Executive Director, Vice Chairman, member of the Remuneration and Assessment Committee, member of the Strategy Committee, and member of the Environment, Social and Governance Committee. Graduated from Sichuan University in 1992 with a bachelor's degree in Microbiology. Senior Engineer in Pharmaceutical Engineering. In 2008, he joined Xinbeijiang Pharma, where he served as technical director, general manager, chairman of the board and secretary to the party committee. From July 2015 to October 2020, served as General Manager of the Company's API Division; from December 2018 to February 2026, served as the Company's President. Also serves as Vice President of the China Traditional Chinese Medicine Association, Vice Chairman of the Guangdong Pharmaceutical Association, member of the Zhuhai CPPCC, and Vice President of the Qingyuan Entrepreneurs Association. Since March 2023, he has been a member of the Standing Committee of the Executive Committee of Zhuhai Federation of Industry and Commerce (珠海市工商聯執行委員會) and an executive member of the Council of Zhuhai General Chamber of Commerce (珠海市總商會理事會).

# SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

## VII INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT *(continued)*

### 2. Employment Status *(continued)*

#### Profile of Non-executive Directors

Mr. Zhu Baoguo, aged 63, currently serves as the Company's Chairman, Non-Executive Director, Chairman of the Strategy Committee, and Chairman of the Environment, Social and Governance Committee. Graduated from the Department of Chemistry at Henan Normal University in 1985 with a Bachelor's degree. Since 2002, Mr. Zhu has been the chairman of the Board and from April 2006 to September 2013, he also served as the president of the Company. Mr. Zhu Baoguo is the founder of Joincare and currently serves as the Chairman of the Company. He also holds the positions of Honorary Vice President of the Shenzhen Federation of Industry and Commerce (General Chamber of Commerce), Council Member and Executive Secretary-General of The Nature Conservancy (TNC) Greater China Council, Director of the Shenzhen General Chamber of Commerce, and Chairman of the Taohuayuan Ecological Conservation Foundation. From May 2021 to October 2024, he was the independent non-executive director of Central China Management Company Limited (09982.HK).

Mr. Qiu Qingfeng, aged 54, is currently a non-executive director of the Company. Executive Master of Business Administration degree from CEIBS (China Europe International Business School). Non-practicing member of the Chinese Institute of Certified Public Accountants. Since 1996, he has held various positions at Joincare, including financial staff member, financial supervisor, finance department manager, deputy general manager, and general manager. He currently serves as a director, vice president, and chief financial officer of Joincare. From June 2005 to April 2007, he served as a supervisor and chairman of the supervisory committee of the Company.

Mr. Lin Nanqi (林楠棋), aged 43, is currently the non-executive Director of the Company. Graduated from Tianjin University of Commerce (formerly Tianjin College of Commerce) with a Bachelor of Engineering degree. He has held various positions, including workshop manager, production director, and deputy general manager at Livzon Group Xinbeijiang Pharmaceutical Co., Ltd.; general manager and chairman of Jiaozuo Joincare Bioproducts Co., Ltd.\*; general manager and director of Shenzhen Haibin Pharmaceutical Co., Ltd.\*; executive director of Shenzhen Taitai Pharmaceutical Co., Ltd.\*; and executive vice president of Joincare Pharmaceutical Industry Group Co., Ltd.\* Currently serving as a director and president of Joincare Pharmaceutical Industry Group Co., Ltd.\*

#### Profile of Independent Non-executive Directors

Mr. Bai Hua, aged 56, currently serves as an independent non-executive director of the Company, Chairman of the Audit Committee, member of the Remuneration and Assessment Committee, and member of the Environmental, Social, and Governance Committee. Mr. Bai Hua is a non-practicing member of the Chinese Institute of Certified Public Accountants (CICPA). Graduated from the School of Business at Wuhan University in 2003 with a Doctorate in Management, he has extensive research and practical experience in auditing, Company governance, risk management, and internal control. Currently a professor and doctoral supervisor in the Department of Accounting at the School of Management of Jinan University, he also serves as a director of the Guangdong Audit Society, a member of the Internal Control Professional Committee of the Chinese Accounting Society, and the deputy director of the Audit Committee of the Guangdong Listed Companies Association. Former independent director of Shenzhen Expressway Group Company Limited (600548.SH, 00548.HK) and Guangdong Hongxing Industrial Company Limited (001209.SZ); currently serving as independent director of Yangpu Medical Technology Company Limited (300030.SZ) and Skyworth Digital Company Limited (000810.SZ).

Mr. Luo Huiyuan, aged 59, currently serves as an independent non-executive director of the Company, a member of the Audit Committee, and Chairman of the Nomination Committee. Juris Master from Renmin University of China. Currently serves as the managing director and senior partner of Beijing Hairun Tianrui Law Firm. Also serves as vice president of the Beijing Chaoyang District Lawyers Association. Former independent director of Tibet Tianlu Co., Ltd.\* (600326.SH), Shanghai Challenge Textile Co., Ltd.\* (002486.SZ), CNPC Capital Company Limited\* (000617.SZ), Xianheng International Technology Co., Ltd.\* (605056.SH), and Huaxia Tianxin Intelligent IoT Co., Ltd.\*; currently serving as independent director of Zhuque Fund Management Company and Nanjing Caribou Biotech Company.

## SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

### VII INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT *(continued)*

#### 2. Employment Status *(continued)*

##### **Profile of Independent Non-Executive Directors *(continued)***

Ms. Cui Lijie, aged 50, currently serves as an independent non-executive director of the Company, chair of the Remuneration and Assessment Committee, and member of the Audit Committee, Nomination Committee, and Environmental, Social, and Governance Committee. Former director of Zhuhai Yibang Pharmaceutical Company, Ltd.\*, board secretary of Zhuhai Yibang Pharmaceutical Company, Ltd.\*, supervisor and non-independent director of Suzhou Ailong Technology Company, Ltd.\* (688329.SH), and independent director of Zhuhai Taichuan Cloud Community Technology Company, Ltd.\* (832214.NEEQ). Currently serves as a member of the Jinwan District CPPCC Committee in Zhuhai, executive committee member of the Jinwan District Women's Federation, vice president of the Zhuhai Knowledgeable Women's Federation, chairman of Zhuhai Longmen Capital Management Company, Ltd.\*, executive director and general manager of Zhuhai Longmen Medical Investment Company, Ltd.\*, executive director and general manager of Zhuhai Hengqin Longmen Investment Company, Ltd.\*, director of Suzhou Yusen New Drug Company, Ltd.\*, director of Deyi Sunshine (Beijing) Company, Ltd.\*, and director of Shenzhen Qianhai Longqishi Information Technology Company, Ltd.\*

Ms. Wang Zhiyao, formerly known as Wang Qianjun, aged 39, currently serves as an independent non-executive director and member of the Environmental, Social, and Governance Committee of the Company. Graduated from Xi'an Jiaotong University with a Bachelor of Medicine in Clinical Medicine, Renmin University of China with a Master of Public Administration, and Harvard University with a Master of Finance. Previously worked at the Tissue Engineering Research Center of the Chinese Academy of Medical Sciences, Sanofi China R&D Center, and Novartis Global R&D Headquarters. Formerly the founder and CEO of Suzhou Medical Line Pharmaceutical Technology Company, Ltd.\*, founding general manager and chief operating officer of BioShin Limited, and managing partner of Avenex Biosciences Limited; currently pursuing a PhD in biomedical sciences at The University of Hong Kong.

##### **Profile of Employee Representative Director**

Ms. Ran Yongmei, aged 42, currently serves as an employee representative director of the Company. Graduated from Chongqing Medical University in 2006 with a Bachelor's degree in Pharmacy. Ms. Ran Yongmei has worked at Shenzhen Sanofi Pasteur Biological Products Co., Ltd.\*, Shenzhen Salubris Pharmaceuticals Co., Ltd.\*, and Shenzhen Haibin Pharmaceutical Co., Ltd.\* of the Joicare Group. Joined the Company in January 2022 and currently serves as Assistant to the President, concurrently holding the position of Deputy General Manager at Livzon MABPharm Inc. in Zhuhai.

##### **Profile of Company Senior Management**

Mr. Liu Daping (劉大平), aged 39, is currently the president of the Company. Bachelor's degree from China Pharmaceutical University. Formerly served as a process engineer, workshop director, and production director at Shenzhen Haibin Pharmaceutical Co., Ltd.\*; executive deputy general manager at Shenzhen Taitai Pharmaceutical Co., Ltd.\*; deputy director of the production management center at Joicare, and general manager at Shenzhen Taitai Pharmaceutical Co., Ltd.\* Served as Vice President of the Company from January 2024 to February 2026.

Mr. Du Jun (杜軍), aged 49, is currently the vice president of the Company. Specialized in integrated traditional Chinese and Western medicine at Shanxi Medical University. Joined the Company in August 2011, he has served as Sales Director of the Prescription Drug Division, General Manager of the Southern Region of the Prescription Drug Division, and Assistant to the President. Currently, he holds the positions of General Manager of the Prescription Drug Division and Vice President, while also serving as a Director of the Journal of China Pharmaceutical University.

# SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

## VII INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT *(continued)*

### 2. Employment Status *(continued)*

#### Profile of Company Senior Management *(continued)*

Ms. Huang Yuxuan (黃瑜璇), aged 59, is currently the vice president of the Company. Bachelor's degree from Fujian Agriculture and Forestry University, completed postgraduate courses in business management at the University of International Business and Economics, and holds the title of Senior Economist. Joined the Group in 2005 and served as Deputy General Manager of Fuzhou Fuxing, Deputy General Manager of the API Division, General Manager of Zhuhai Livzon Pharmaceutical Trading Co., Ltd.\*, and Assistant to the President of the Group. He has served as Vice President of the Company since October 2018 and currently holds a concurrent position as Director of Fujian Kunhe Investment Co., Ltd.\*

Mr. Xu Xiao (徐曉), aged 48, is currently the Vice President of the Company. Senior Pharmaceutical Engineer. Bachelor's degree from China Pharmaceutical University and Master's degree from Peking University. He joined Livzon Group Livzon Pharmaceutical Factory in July 2000, and has served successively as the Workshop Director, Technical Support Department Manager, Production Technology Director, Executive Deputy Factory Director, and Assistant to the President of Livzon Group. He currently serves as the Director of Livzon Group Livzon Pharmaceutical Factory and the Dean of Livzon Group Research Institute.

Mr. Chen Zhihua (陳志華), aged 45, currently serves as Vice President of the Company. Graduated with a Bachelor's degree in Business Administration from Beijing Jiaotong University. Formerly served as a sales representative and regional manager at Jiangsu Hengrui Medicine, and as the northern region sales director at Chengdu Yuandong Biopharmaceutical. Joined the Company in March 2021 and has held the positions of general manager of the Beijing provincial company in the prescription drug division, general manager of the North China region in the prescription drug division, and assistant to the president. Currently serves as the Company's vice president, deputy general manager of the prescription drug division, and general manager of the northern region in the prescription drug division.

Mr. Wang Sheng (王勝), 44, currently serves as the Chief Financial Officer of the Company. Bachelor's degree from the University of Science and Technology of China; completed the Advanced Tax Director Program at Shanghai University of Finance and Economics and earned the Senior Tax Planner qualification. Member of the Chartered Institute of Management Accountants (CIMA), holding professional qualifications as a Certified Public Accountant in Australia, Global Chartered Management Accountant, and Certified Tax Agent in China. Formerly served as Tax Manager and Consultant at Deloitte, and as Financial Head for the Hong Kong Region and Tax Head for Greater China and North Asia at Takeda Pharmaceutical Group. Joined the Company in September 2025 as Chief Financial Officer.

Ms. Liu Ning (劉寧), aged 42, is currently the Secretary to the Board, the Company Secretary and the Authorised Representative of the Company. Bachelor of Laws. Holds qualifications as a Certified Public Accountant in China, a Legal Professional Qualification in China, and a Chartered Certified Accountant in the UK. Formerly worked in the investment banking department of a securities Company and a private equity investment fund, specializing in domestic and international investment and financing, mergers and acquisitions, and compliance consulting for listed companies. Former Deputy General Manager of Zhuhai Livzon Diagnostics Inc. From January 2021 to present, she has been an independent director of Telink Semiconductor (Shanghai) Co., Ltd.\* (泰凌微電子(上海)股份有限公司)(688591.SH).

### 3. Compensation of Directors and Senior Management

#### Decision-making process, determination basis, and actual payment of compensation for directors and senior executives

The remuneration of the Company's directors and senior management is determined by the Remuneration and Assessment Committee of the Board of Directors in accordance with the Company's compensation management system and operational performance. The remuneration of directors is subject to approval by the shareholders' meeting, while the remuneration of senior management is approved by the Board of Directors.

The Company determines the annual remuneration of directors and senior management by considering industry and regional income levels, as well as the Company's business performance and individual contributions. Additionally, the Company implements both corporate and individual performance appraisal systems for senior management. Based on the appraisal results, the Company determines the distribution of performance bonuses and year-end double pay. Furthermore, depending on the Company's annual business performance growth, special rewards may be granted with the authorization of the Board of Directors and approval of the Chairman.

# SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

## VII INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT *(continued)*

### 3. Compensation of Directors and Senior Management *(continued)*

#### Decision-making process, determination basis, and actual payment of compensation for directors and senior executives *(continued)*

The remuneration of each director, supervisor, and senior management, as well as the information of the five highest-paid individuals, is disclosed in the “Notes XXI.5. Related-Party Transactions” of the financial report in this Report.

#### Remuneration of the Company’s directors and senior management during the Reporting Period

Unit: RMB0’000

Name	Gender	Age	Position	Employment Status	Total pre-tax remuneration received from the Company	Whether remuneration is received from related parties of the Company
Zhu Baoguo	Male	63	Chairman	Current	325.00	Yes
Tang Yanggang	Male	56	Executive Director, Vice Chairman	Current	649.75	No
Qiu Qingfeng	Male	54	Non-executive Directors	Current	9.60	Yes
Lin Nanqi	Male	43	Non-executive Directors	Current	9.60	Yes
Bai Hua	Male	56	Independent non-executive Directors	Current	12.00	No
Luo Huiyuan	Male	59	Independent non-executive Directors	Current	12.00	No
Cui Lijie	Female	50	Independent non-executive Directors	Current	12.00	No
Wang Zhiyao	Female	39	Independent non-executive Directors	Current	1.00	No
Ran Yongmei	Female	42	Employee Representative Director	Current	11.66	No
Liu Daping	Male	39	President	Current	520.65	No
Du Jun	Male	49	Vice President	Current	598.98	No
Xu Xiao	Male	48	Vice President	Current	351.59	No
Huang Yuxuan (黄瑜旋)	Female	59	Vice President	Current	347.44	No
Liu Ning	Female	42	Board Secretary	Current	304.82	No
Tao Desheng	Male	61	Vice Chairman, Non-Executive Director	Resigned	300.00	No
Xu Guoxiang	Male	63	Vice Chairman, Executive Director, Vice President	Resigned	538.97	No
Tian Qiusheng	Male	70	Independent non-executive Directors	Resigned	12.00	No
Wong Kam Wa	Male	54	Independent non-executive Directors	Resigned	12.00	No
Si Yanxia	Female	57	Vice President, Chief Financial Officer	Resigned	404.36	No
Yang Daihong	Male	59	Vice President	Resigned	64.85	No
Yang Liang	Male	42	Vice President	Resigned	26.52	No
Total	–	–	–	–	4,524.79	–

*Note:* During the Reporting Period, Mr. Tang Yanggang served as the Executive Director and President of the Company. On 28 February 2026, due to work reassignment, Mr. Tang Yanggang resigned as the President and was elected as the Vice Chairman at the 32nd meeting of the 11th session of the Board. During the Reporting Period, Mr. Liu Daping served as the Vice President of the Company and was appointed as the President at the 32nd meeting of the 11th session of the Board on 28 February 2026.

#### Other Explanatory Notes

Applicable  Not applicable

# SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

## VIII COMPANY EMPLOYEE SITUATION

As of the End of this Year, the total number of employees in the Company and its wholly-owned and controlled subsidiaries is 8,878 (31 December 2024: 9,067).

### 1. Number of Employees, Professional Composition, and Education Level

Number of existing employees of the parent company (persons) at the End of the Reporting Period	1,896
Number of existing employees of principal subsidiaries (persons) at the End of the Reporting Period	6,982
Total number of employees at the End of the Reporting Period (persons)	8,878
Total number of employees receiving remuneration during the Year (persons)	8,878
Total number of retired employees to whom the parent company and its principal subsidiaries should pay pension (persons)	664

#### Professional Composition

Category of Professional Composition	Number of Professionals (persons)
Production Personnel	5,393
Sales Personnel	1,622
Technical Personnel	1,181
Financial Personnel	170
Administrative Personnel	512
Total	8,878

#### Education level

Category of Education Level	Number (persons)
Below post-secondary	5,365
Undergraduate	2,963
Master's degree	502
Doctor	48
Total	8,878

## SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

### VIII COMPANY EMPLOYEE SITUATION *(continued)*

#### 2. Compensation Policy

The Group primarily establishes its employee compensation management system based on the laws and regulations of the People's Republic of China and regulatory requirements, while also considering the Company's economic performance and referring to industry and regional compensation levels. This year, the Company's compensation policy complies with relevant national laws and regulations, ensures internal fairness, and scientifically determines employee compensation based on job value, individual performance, and work capabilities. The formulation, revision, and improvement of the Company's employee compensation system are conducted with input from employees to ensure transparency, fairness, and impartiality. To fully leverage the incentive nature of compensation and effectively motivate employees' enthusiasm, initiative, and creativity, employee compensation consists of fixed income and variable income. Variable income is directly linked to the Company's operating performance and individual performance. By establishing a distribution mechanism that aligns with the Company's development and performance contributions, employee cohesion and work efficiency are enhanced, promoting the Company's sustainable, high-quality development.

This year, the total compensation paid to all employees by the Group was RMB1,712.89 million.

#### 3. Training Program

During the Reporting Period, the Group continued to enhance its talent development strategy by leveraging the "Livzon Business School" to establish a deeply integrated digital learning ecosystem that combines online and offline platforms. The average annual training time per employee reached 83.3 hours, with the online learning platform recording over 30,000 active users and a total learning duration of 15,200 hours. The Group made steady progress in talent cultivation by implementing a stratified, categorized, precise, and efficient training system that covers employees' entire career cycles. Onboarding training focuses on awareness, compliance, and adaptation, helping new employees quickly integrate into the team and meet job requirements. Role-specific training is strategy-driven, offering customized professional skills development for R&D, production, marketing, and support functions to enhance core business capabilities. Leadership development programs, including initiatives like the "Excellence in Management" program, systematically strengthen the leadership skills of junior, mid-level, and senior managers, laying a solid foundation for improved organizational performance.

In terms of empowering business development, the Group closely aligned talent development with its core strategies, focusing on key areas such as R&D innovation, global expansion, and digital transformation to enhance specialized capabilities. In response to the need for optimizing the R&D system architecture, the Group organized and implemented "Project Management Specialized Training" to enhance standardization and efficiency across the entire R&D chain. Aligning with the requirements for R&D innovation and international business expansion, the Group conducted specialized training on overseas compliance and EU GMP, reinforcing global operational capabilities. Additionally, by hosting AI innovation competitions and promoting digital tools, the Group developed digital intelligence competency across all employees, significantly enhancing operational efficiency and effectively driving the transformation of employee mindsets and skills toward data-driven and intelligence-driven approaches.

#### 4. Labor outsourcing status

Applicable    Not applicable

## SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

### IX COMPANY PROFIT DISTRIBUTION AND CAPITAL RESERVE TO INCREASE SHARE CAPITAL SITUATION

#### Profit Distribution Policy for Ordinary Shares and in particular, the Formulation, Implementation or Adjustment of Cash Dividends Policy during the Year

Applicable  Not applicable

During the Reporting Period, the Company's profit distribution policy remained unchanged. The Company strictly implemented the profit distribution policy in accordance with the Articles of Association. The formulation and implementation of the Company's cash dividend policy complied with the provisions of the Articles of Association and the requirements of the resolutions of the general meetings. The dividend distribution standards and proportions were definite and clear; the relevant decision-making procedures and mechanisms were complete; and the independent non-executive Directors performed their duties diligently and played their due roles.

#### Earnings of the Company and profits available for distribution to ordinary shareholders of the parent Company during the Year are positive, but no cash dividend distribution plan for ordinary shares is proposed

Applicable  Not applicable

#### Profit distribution and conversion of capital reserves into share capital during the Year

Applicable  Not applicable

Number of bonus shares per 10 shares (shares)	–
Dividend per 10 shares (RMB) (tax included)	14.30
Number of shares transferred per 10 shares (shares)	–
Base number of share capital for distribution plan (shares)	887,907,171
Total cash dividend (RMB) (tax included)	1,269,707,254.53
Cash dividends paid in other forms (e.g., share repurchase) (RMB)	579,540,542.01
Total cash dividends (including other methods) (RMB)	1,849,247,796.54
Distributable profit (RMB)	1,640,234,545.73
Proportion of total cash dividends (including other methods) to total profit distribution	100%

#### Current cash dividend status

The Company's Profit distribution plan for this year: Based on the total Share capital on the equity registration date determined by the implementation of the 2025 Profit distribution plan, a cash dividend of RMB14.30 per share (tax inclusive) will be distributed to all shareholders for every 10 shares held. There will be no bonus shares, nor will the capital reserves be capitalized. The profit distribution has complied with the requirement of "If the Company is at the mature stage of development and has no significant capital expenditure plan, the proportion of cash dividends shall be at least 80% in the profit distribution" under the Articles of Association.

#### Detailed explanation of the profit distribution or capital reserve conversion plan

None

*Note:* The share capital base for the distribution plan is calculated based on the Company's total share capital as of the trading day prior to the disclosure of this Report.

## SECTION V. IMPORTANT MATTERS

### I. THE BOARD OF DIRECTORS' EXPLANATION REGARDING THE MOST RECENT NON-STANDARD AUDIT REPORT

Applicable Not applicable

### II. EXPLANATION BY THE BOARD OF DIRECTORS AND INDEPENDENT DIRECTORS (IF ANY) REGARDING THE NON-STANDARD AUDIT REPORT ISSUED BY THE ACCOUNTING FIRM FOR THIS REPORTING PERIOD

Applicable Not applicable

### III. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, OR CORRECTIONS OF SIGNIFICANT ACCOUNTING ERRORS COMPARED TO THE PREVIOUS YEAR'S FINANCIAL STATEMENTS

Applicable Not applicable

This year, the Company has no changes in accounting policies or accounting estimates, nor any corrections of major accounting errors.

### IV. EXPLANATION OF CHANGES IN THE SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS COMPARED TO THE PREVIOUS YEAR'S FINANCIAL STATEMENTS

Applicable Not applicable

During the Reporting Period, there were no changes in the scope of the Company's Consolidated financial statements.

### V. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

#### Currently Appointed Accounting Firm

On May 29, 2025, the 2024 Annual General Meeting of the Company approved the reappointment of Grant Thornton(Special General Partnership) as the auditor for the year 2025. As of the End of the Year, Grant Thornton (Special General Partnership) provided the Group with (i) non-annual audit service fees for 2025 amounting to RMB716,000 (tax inclusive), which included semi-annual report review, capital verification reports, etc., and (ii) annual audit service fees for 2025 of RMB2,150,000 (tax inclusive) (comprising financial statement audit fees and internal control audit fees for 2025).

The statement of responsibility of Grant Thornton (Special General Partnership) for the financial reporting of the Company is included in the Audit Report in Section VII of this Report.

#### Whether the Accounting Firm was Changed During the Period

Yes No

#### Whether the Accounting Firm was Changed During the Audit Period

Yes No

#### Appointment of Internal Control Audit Accounting Firm, Financial Advisor, or Sponsor

Applicable Not applicable

This year, the internal control audit accounting firm engaged by the Company was Grant Thornton (Special General Partnership), with a fee of RMB360,000 (tax inclusive).

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## SECTION V. IMPORTANT MATTERS

### VI. RISK OF DELISTING FOLLOWING ANNUAL REPORT DISCLOSURE

Applicable  Not applicable

### VII. MATTERS RELATED TO BANKRUPTCY REORGANIZATION

Applicable  Not applicable

The Company did not undergo any bankruptcy reorganization during the Reporting Period.

### VIII. MAJOR LITIGATION AND ARBITRATION MATTERS

Applicable  Not applicable

There were no significant litigation or arbitration matters involving the Company during the Reporting Period. As of the End of the Reporting Period, the total amount involved in other litigation cases that did not meet the material litigation disclosure threshold for the Company was RMB54.0825 million.

### IX. PENALTIES AND RECTIFICATION

Applicable  Not applicable

The Company did not incur any significant penalties or corrective actions during the Reporting Period.

### X. INTEGRITY STATUS OF THE COMPANY, ITS CONTROLLING SHAREHOLDERS, AND ACTUAL CONTROLLERS

Applicable  Not applicable

# SECTION V. IMPORTANT MATTERS

## XI. SIGNIFICANT RELATED-PARTY TRANSACTIONS

### 1. Related-Party Transactions Related to Daily Operations

✓Applicable     Not applicable

Related-party transaction party	Related relationship	Type of Related-Party Transaction	Content of Related-Party Transaction	Pricing Principle of Related-Party Transaction	Related-party transaction price	Related-party transaction amount (RMB ten thousand)	Proportion of Same Type of Transaction Amount	Approved transaction limit (RMB ten thousand)	Whether Exceeds Approved Limit	Settlement Method of Related-Party Transaction	Disclosure date
Guangdong Lanbao Pharmaceutical Co., Ltd.	Company where the Company's Director Serves as Director	Purchase goods	Mainly purchase pharmaceutical raw materials and other products	Negotiated based on market price	Negotiated based on market price	146.55	0.08%	600.00	No	Bank transfer	January 2, 2025
Joincare Pharmaceutical Industry Group Co., Ltd. and its subsidiaries	Controlling shareholder and its subsidiaries	Purchase goods	Mainly purchase pharmaceutical raw materials and other products	Negotiated based on market price	Negotiated based on market price	24,247.68	13.01%	34,300.00	No	Bank transfer	
Jiaozuo Joincare Bioproducts Co., Ltd.*	Subsidiaries of the controlling shareholder	Purchase goods	Mainly purchase pharmaceutical raw materials and other products	Negotiated based on market price	Newnegotiated based on market price	23,072.60	12.38%	32,000.00	No	Bank transfer	
Joincare Pharmaceutical Industry Group Co., Ltd. and its subsidiaries	Controlling shareholder and its subsidiaries	Receive labor services	Mainly receive services such as water, electricity, steam, natural gas, sewage treatment; receive services such as drug research and development	Negotiated based on market price	Negotiated based on market price	3,720.74	10.08%	9,100.00	No	Bank transfer	
Guangdong Lanbao Pharmaceutical Co., Ltd.	Company where the Company's Director Serves as Director	Sales of goods	Mainly sell pharmaceutical raw materials and other products	Negotiated based on market price	Negotiated based on market price	5,033.35	0.42%	3,100.00	Yes	Bank transfer	
Joincare Pharmaceutical Industry Group Co., Ltd. and its subsidiaries	Controlling shareholder and its subsidiaries	Sales of goods	Mainly sell pharmaceutical raw materials and other products	Negotiated based on market price	Negotiated based on market price	715.68	0.06%	4,500.00	No	Bank transfer	
Zhuhai Sanmed Biotech Inc. and its subsidiaries	Companies where the directors of the Company serve as directors and their subsidiaries	Sales of goods	Mainly sells traditional Chinese medicine gift boxes and other products	Negotiated based on market price	Negotiated based on market price	42.29	0.00%	160.00	No	Bank transfer	
Guangdong Lanbao Pharmaceutical Co., Ltd.	Company where the Company's Director Serves as Director	Provide services	Mainly provides services such as water, electricity, steam, and sewage treatment	Negotiated based on market price	Negotiated based on market price	586.70	19.88%	1,000.00	No	Bank transfer	

# SECTION V. IMPORTANT MATTERS

## XI. SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

### 1. Related-Party Transactions Related to Daily Operations *(continued)*

Related-party transaction party	Related relationship	Type of Related-Party Transaction	Content of Related-Party Transaction	Pricing Principle of Related-Party Transaction	Related-party transaction price	Related-party transaction amount	Proportion of Same Type of Transaction	Approved transaction limit	Whether Exceeds Approved Limit	Settlement Method of Related-Party Transaction	Disclosure date
						(RMB ten thousand)	Amount	(RMB ten thousand)	Limit		
Joincare Pharmaceutical Industry Group Co., Ltd. and its subsidiaries	Controlling shareholder and its subsidiaries	Provide services	Mainly provides services such as drug contract manufacturing and clinical operation management; provides services such as water and electricity	Negotiated based on market price	Negotiated based on market price	2,272.64	77.02%	6,100.00	No	Bank transfer	
Zhuhai Sanmed Biotech Inc. and its subsidiaries	Companies where the directors of the Company serve as directors and their subsidiaries	Provide services	Mainly provides services such as electricity and sewage treatment	Negotiated based on market price	Negotiated based on market price	91.29	3.09%	200.00	No	Bank transfer	
Joincare Pharmaceutical Industry Group Co., Ltd. and its subsidiaries	Controlling shareholder and its subsidiaries	Assets leased out	Mainly leases out offices and other production and office-related rentals	Negotiated based on market price	Negotiated based on market price	29.46	6.29%	70.00	No	Bank transfer	
Zhuhai Sanmed Biotech Inc. and its subsidiaries	Companies where the directors of the Company serve as directors and their subsidiaries	Assets leased out	Mainly leases out offices and other production and office-related rentals	Negotiated based on market price	Negotiated based on market price	34.57	7.39%	80.00	No	Bank transfer	
Joincare Pharmaceutical Industry Group Co., Ltd. and its subsidiaries	Controlling shareholder and its subsidiaries	Leased assets	Mainly lease production and office-related properties, vehicles, etc.	Negotiated based on market price	Negotiated based on market price	163.34	4.52%	400.00	No	Bank transfer	
Total						37,084.29	—	59,610.00	—	—	—
Details of large-scale sales returns				Not Applicable							
The total estimated amount of daily related-party transactions expected to occur during the current period by category, and their actual fulfillment during the Reporting Period (if applicable)				The total amount of daily related-party transactions with Guangdong Lanbao Pharmaceutical Co., Ltd. in 2025 is RMB57.6659 million, exceeding the estimated amount of the previous year by RMB10.6659 million; among them, the amount of related-party transactions for selling goods to Lanbao Pharma is RMB50.3335 million, exceeding the estimated amount of related-party transactions for selling goods in the previous year by RMB19.3335 million, mainly due to the increase in sales of Mevastatin to Lanbao Pharma, which is needed for the daily operations of both parties. The excess amount has been approved by the Company's management and does not need to be submitted to the Company's board of directors or shareholders' meeting for review. The Company's estimated amount of daily related-party transactions for 2025 is based on the annual upper limit of possible business amounts with related parties. The actual amount is affected by market conditions, the production and operation conditions of related parties, and other factors, and will ultimately be determined based on the actual situation of both parties. Therefore, there is a certain difference between the actual amount of related-party transactions and the estimated amount, which is a normal business behavior and will not adversely affect the Company's operations.							
Reasons for significant discrepancies between the transaction price and the market reference price (if applicable)				Not Applicable							

**Note:** During the Reporting Period, the Company entered into continuing transactions with its subsidiary, Livzon MABPharm Inc.\*, which included the provision of energy such as water and electricity, the provision of labor services, and the leasing of assets. These transactions constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The relevant matters have been considered and approved at the 22nd meeting and the 29th meeting of the 11th session of the Board. For details, please refer to the "Overseas Regulatory Announcement – Announcement on Resolutions of the 22nd Meeting of the 11th Session of the Board", "Overseas Regulatory Announcement – Announcement on Resolutions of the 29th Meeting of the 11th Session of the Board" and "Overseas Regulatory Announcement – Announcement on the Estimated Daily Related-Party Transactions for 2025" published on the Company's website and HKEXnews.

## SECTION V. IMPORTANT MATTERS

### XI. SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

#### 2. Related-party transactions involving the acquisition or sale of assets or equity

Applicable    Not Applicable

Related party	Related relationship	Type of Related-Party Transaction	Content of Related-Party Transaction	Pricing Principle of Related-Party Transaction	Book value of transferred assets (RMB ten thousand)	Appraised value of transferred assets (RMB ten thousand)	Transfer price (RMB ten thousand)	Settlement Method of Related-Party Transaction	Transaction profit and loss (RMB ten thousand)	Disclosure date	Disclosure index
Jiaozuo Joincare Bioproducts Co., Ltd.* (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Purchase of fixed assets	Procurement of machinery and equipment	Negotiated based on market price		-	6.50	bank settlement	-	Not Applicable	Not Applicable
Joincare Bioproducts Co., Ltd. (健康元藥業集團股份有限公司)	Controlling Shareholder	Sale of fixed assets	Sale of machinery and equipment	Negotiated based on market price	41.22	-	43.78	bank settlement	2.57	Not Applicable	Not Applicable
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd.* (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Sale of fixed assets	Sale of machinery and equipment	Negotiated based on market price	248.01	-	254.10	bank settlement	6.10	Not Applicable	Not Applicable
Reasons for significant differences between the transfer price and the book value or assessed value (if any)				Not Applicable							
Impact on the Company's operating results and financial position				No significant impact on the Company's operating results and financial condition							
If the relevant transaction involves performance commitments, the performance achieved during the Reporting Period				Not Applicable							

#### 3. Related-party transactions for joint external investments

Applicable    Not applicable

## SECTION V. IMPORTANT MATTERS

### **XI. SIGNIFICANT RELATED-PARTY TRANSACTIONS** *(continued)*

#### **4. Related creditor-debtor transactions**

Applicable    Not Applicable

#### **Is there any non-operating related creditor-debtor transaction**

Yes    No

The Company does not have any non-operating related creditor-debtor transactions during the Reporting Period.

#### **5. Transactions with financial Companies that have related relationships**

Applicable    Not Applicable

#### **6. Transactions between the Company's controlled financial companies and related parties**

Applicable    Not Applicable

### XII CONNECTED TRANSACTIONS AS DEFINED BY THE HONG KONG LISTING RULES

The Company's connected transactions or continuing connected transactions are transactions conducted by the Company and/or its subsidiaries with Joincare and/or its associates. Joincare directly and indirectly holds more than 30% of the Company's equity, making it the Company's controlling shareholder. Therefore, Joincare and/or its associates are related parties of the Company, and transactions between the Company and Joincare and/or its associates constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The purpose of the Company's connected transactions or continuing connected transactions with these related parties is based on the operational, business, financing, and structural reorganization needs of the Company and/or its subsidiaries. A brief description of the connected transactions or continuing connected transactions is as follows:

#### 1. One-off Connected Transactions

##### **Connected Transaction for the Equity Structure Reorganization of Subsidiary Companies**

On December 4, 2020, to optimize the Livzon Bio equity structure of the Company's subsidiary Livzon Cayman and its subordinate enterprises, and to facilitate domestic and overseas financing of these companies, the Company, Livzon International Limited, Joincare, Joincare Pharmaceutical Industry Group Co., Ltd, YF Pharmab Limited, Livzon Cayman, Livzon HK, Livzon Monoclonal, and Zhuhai Cardi Biopharmaceutical Co., Ltd. ("Cardi") jointly signed the Reorganization Framework Agreement, under which all parties conditionally agreed to enter into a series of transactions to simplify and optimize the capital and equity structure of the reorganization group ("Reorganization"). The reorganization includes multiple transactions and arrangements. For details, please refer to the Company's announcements dated December 4, 2020, and December 5, 2020, and the circular dated December 16, 2020, available on the Company's website, HKEXnews, and CNINFO.

As of the End of this Reporting Period, the equity transfer of Cardi under the reorganization has not been completed. Other relevant details can be found in the Company's 2024 Annual Report.

## SECTION V. IMPORTANT MATTERS

### XII CONNECTED TRANSACTIONS AS DEFINED BY THE HONG KONG LISTING RULES *(continued)*

#### 1. One-off Connected Transactions *(continued)*

##### **Increase capital in Livzon Bio**

On March 26, 2025, with the approval of the Board of Directors, the Company entered into the 2025 Capital Increase Agreement with Livzon Bio, pursuant to which the Company agreed to make a capital contribution of RMB1,000,000,000 in cash to Livzon Bio (the "Capital Increase"). Upon completion of the capital increase, the Company's direct equity interest in Livzon Bio will increase from 60.23% to 66.54%.

Livzon Bio is the Company's sole platform for the research and development of innovative biopharmaceuticals, including antibody drugs, recombinant protein drugs, and recombinant protein vaccines. The capital increase aims to meet the funding requirements for Livzon Bio's R&D projects and daily operations, which will help optimize and improve the capital structure while aligning with the Company's strategic development objectives.

As of March 26, 2025, Joicare directly and indirectly holds 45.96% of the Company's total issued shares, making it the Company's controlling shareholder and therefore a connected person of the Company. Since Livzon Bio is a non-wholly owned subsidiary of the Company and Joicare directly holds a 26.84% equity interest in Livzon Bio, Livzon Bio is a connected subsidiary of the Company and therefore a connected person of the Company. Therefore, the capital increase constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. Since one or more of the applicable percentage ratios (as defined in the Hong Kong Listing Rules) for the capital increase exceed 0.1% but are below 5%, the capital increase is subject to the reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules, but is exempt from the independent shareholders' approval requirement.

According to the Shenzhen Stock Exchange Listing Rules, the capital increase must be approved by an ordinary resolution at the Company's general meeting. On May 29, 2025, the Company's 2024 Annual General Meeting reviewed and approved the proposal.

For details, please refer to the announcements dated March 26, 2025, March 30, 2025, and May 8, 2025, as well as the circular dated April 24, 2025, published on the CNINFO website, the Company's website, and the HKEXnews website.

## SECTION V. IMPORTANT MATTERS

### XII CONNECTED TRANSACTIONS AS DEFINED BY THE HONG KONG LISTING RULES *(continued)*

#### 1. One-off Connected Transactions *(continued)*

##### **Deemed disposal of a subsidiary**

On December 30, 2025, the Company entered into a capital increase subscription and equity transfer agreement (“the Transaction”) with Joicare, Shenzhen Xinyou Maohai Investment Partnership (Limited Partnership) (“Xinyou Maohai”), and Fluffy Buddy Animal Health (Guangdong) Co., Ltd. (“Fluffy Buddy”). Pursuant to the agreement, Xinyou Maohai agreed to make a capital contribution of RMB15 million in cash to Fluffy Buddy (“the Capital Increase”), while Joicare agreed to transfer its 49% equity interest in Fluffy Buddy to Xinyou Maohai. Upon completion of this transaction, Xinyou Maohai will hold a 52.56% equity stake in Fluffy Buddy, while the Company’s ownership in Fluffy Buddy will be diluted from 51.00% to 47.44%. Joicare will no longer hold any equity in Fluffy Buddy, and Fluffy Buddy will cease to be included in the Company’s Consolidated financial statements.

The Company’s strategy focuses on pharmaceutical research, development, production, and sales, while also recognizing the growth potential of the pet medicine industry where Fluffy Buddy operates. This transaction represents a key initiative for the Company to concentrate on its core business, optimize its asset structure, and enhance governance efficiency. It enables the Company to allocate resources more effectively toward advancing its primary operations while maintaining exposure to Fluffy Buddy’s long-term growth prospects. Upon completion of this transaction, the Company will devote more effort and resources to technological innovation and market expansion in the pharmaceutical sector, further strengthening and enhancing the Company’s profitability. This aligns with the Company’s long-term development strategy and serves the overall interests of all shareholders.

Since this capital increase will result in a reduction of the Company’s equity in Fluffy Buddy, in accordance with Rule 14.29 of the Hong Kong Listing Rules, this capital increase constitutes a deemed disposal transaction. As of the End of this Reporting Period, Ms. Zhu Linlin serves as the Vice Chairwoman and General Manager of Fluffy Buddy, while also being a limited partner of Xinyou Maohai, holding 99.9999% of the partnership interests in Xinyou Maohai. Consequently, Xinyou Maohai is considered a connected person of the Company. Accordingly, this capital increase also constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. Since one or more percentage ratios of this capital increase exceed 0.1% but are less than 5%, this capital increase only needs to comply with the reporting and announcement requirements under Rule 14A.76 of the Hong Kong Listing Rules, but is exempt from the circular and shareholder approval requirements. This capital increase does not constitute a disclosable transaction under Chapter 14 of the Hong Kong Listing Rules.

For details, please refer to the Company’s announcement dated December 30, 2025, published on its website and disclosed on HKEXnews.

#### 2. Continuing connected transaction

##### **Entering into the 2025 Continuing Guarantee Support Framework Agreement with Livzon MAB**

On September 27, 2024, to meet the R&D, operational, and business funding needs of Livzon MAB, the Company entered into the 2025 Continuing Guarantee Support Framework Agreement with Livzon MAB (in which Joicare indirectly holds a 26.84% equity stake). Accordingly, the Company agrees to provide a guarantee of no more than RMB2.1 billion (or equivalent in foreign currency) for Livzon MAB’s credit financing during the three-year period from January 1, 2025, to December 31, 2027 (inclusive).

To ensure fairness and reciprocity in Livzon MAB’s guarantee, Joicare (which indirectly holds a 26.84% equity stake in Livzon MAB) has also issued a counter-guarantee commitment letter to the Company. Accordingly, Joicare, as the beneficiary of this guarantee, commits to providing a counter-guarantee for any amount payable by the Company under this guarantee, based on its equity proportion in Livzon MAB. The term of the counter-guarantee will expire on the date the Company’s obligations under this guarantee terminate.

For details, please refer to the Company’s announcement dated September 27, 2024, and the circular dated October 24, 2024, published on the Company’s website and HKEXnews.

During the period from January 1, 2025, to December 31, 2025, the daily balance of credit financing guaranteed by the Company for Livzon MAB shall not exceed RMB2,100 million.

## SECTION V. IMPORTANT MATTERS

### XII CONNECTED TRANSACTIONS AS DEFINED BY THE HONG KONG LISTING RULES *(continued)*

#### 2. Continuing connected transaction *(continued)*

##### **Entering into the 2025 Water and Electricity Framework Agreement with Joicare**

On December 31, 2024, the Company entered into the 2025 Water and Electricity Framework Agreement with Joicare, concerning the continuing connected transactions of the Group receiving water, electricity, steam, natural gas, and sewage treatment services from the Joicare Group for the period from January 1, 2025, to December 31, 2025, with a maximum amount of RMB42.00 million.

For details, please refer to the announcement dated December 31, 2024, published on the Company's website and HKEXnews.

##### **Entering into the 2025 Service Acceptance Framework Agreement with Joicare**

On December 31, 2024, the Company entered into the 2025 Service Acceptance Framework Agreement with Joicare, concerning the continuing connected transactions in which the Group receives labor services from the Joicare Group during the period from January 1, 2025, to December 31, 2025, with a maximum amount of RMB49.00 million.

For details, please refer to the announcement dated December 31, 2024, published on the Company's website and HKEXnews.

##### **Entering into the 2025 Service Provision Framework Agreement with Joicare**

On December 31, 2024, the Company entered into the 2025 Service Provision Framework Agreement with Joicare, regarding the continuing connected transactions in which the Group will provide services to the Joicare Group from January 1, 2025 to December 31, 2025, with a maximum amount of RMB60.00 million.

For details, please refer to the announcement of the Company dated December 31, 2024, available on the Company's website and HKEXnews.

##### **Entered into the 2025 Sales Framework Agreement with Joicare**

On December 31, 2024, the Company entered into the 2025 Sales Framework Agreement with Joicare, regarding the continuing connected transactions of the Group selling products to the Joicare Group from January 1, 2025 to December 31, 2025, with an annual cap of RMB45.00 million.

For details, please refer to the announcement dated December 31, 2024, published on the Company's website and HKEXnews.

##### **Entered into the 2025 Procurement Framework Agreement with Joicare**

On December 31, 2024, the Company entered into the 2025 Procurement Framework Agreement with Joicare, regarding the continuing connected transactions of the Group purchasing products from the Joicare Group from January 1, 2025 to December 31, 2025, with an annual cap of RMB343.00 million.

For details, please refer to the announcement dated December 31, 2024, published on the Company's website and HKEXnews.

## SECTION V. IMPORTANT MATTERS

### XII CONNECTED TRANSACTIONS AS DEFINED BY THE HONG KONG LISTING RULES *(continued)*

#### 2. Continuing connected transaction *(continued)*

##### **Entered into the 2025 Asset Leasing Framework Agreement with Livzon MAB**

On December 31, 2024, the Company entered into the 2025 Asset Leasing Framework Agreement with Livzon MAB, regarding the Group leasing assets to Livzon MAB from January 1, 2025 to December 31, 2025, with a maximum value of RMB39.00 million.

For details, please refer to the announcement of the Company dated December 31, 2024, available on the Company's website and HKEXnews.

##### **Entered into the 2025 Procurement Framework Agreement with Livzon MAB**

On December 31, 2024, the Company entered into the 2025 Procurement Framework Agreement with Livzon MAB, regarding the continuing connected transactions of the Group purchasing pharmaceuticals from Livzon MAB from January 1, 2025 to December 31, 2025, with an annual cap of RMB54.00 million.

For details, please refer to the announcement of the Company dated December 31, 2024, available on the Company's website and HKEXnews.

##### **Entering into the 2025 Water and Electricity Framework Agreement and the 2025 Water and Electricity Supplementary Agreement with Livzon MAB**

On December 31, 2024, the Company entered into the 2025 Water and Electricity Framework Agreement with Livzon MAB, concerning the continuing connected transactions of the Group providing water, electricity, steam, and sewage treatment services to Livzon MAB for the period from January 1, 2025 to December 31, 2025, with a maximum amount of RMB11.80 million, which complies with the minimum exemption threshold under Rule 14A.76(1) of the Hong Kong Listing Rules.

On December 5, 2025, to meet the operational development needs of Livzon MAB, the Company held a board meeting to review and approve the adjustment of the annual cap for the continuing connected transaction of the Group providing water, electricity, steam, and sewage treatment to Livzon MAB from January 1, 2025, to December 31, 2025, with the maximum amount adjusted from RMB11.80 million to RMB16.00 million. On the same day, the Company and Livzon MAB entered into the 2025 Water and Electricity Supplemental Agreement, which forms an integral part of the 2025 Water and Electricity Framework Agreement executed on December 31, 2024.

For details, please refer to the Company's announcement dated December 5, 2025, published on the Company's website and HKEXnews.

##### **Entering into the 2025 Labor Services Framework Agreement and the 2025 Labor Services Supplementary Agreement with Livzon MAB**

On December 31, 2024, the Company entered into the 2025 Labor Services Framework Agreement with Livzon MAB, concerning the continuing connected transactions of the Group providing labor services to Livzon MAB from January 1, 2025, to December 31, 2025. The maximum amount of RMB11.60 million complies with the minimum exemption threshold under Rule 14A.76(1) of the Hong Kong Listing Rules.

On December 5, 2025, to meet the operational development needs of Livzon MAB, the Company held a board meeting to review and approve the adjustment of the cap for the continuing connected transaction of the Group providing labor services to Livzon MAB from January 1, 2025, to December 31, 2025, with the maximum amount adjusted from RMB11.60 million to RMB45.00 million. On the same day, the Company entered into the 2025 Supplemental Service Agreement with Livzon MAB, which forms an integral part of the 2025 Service Framework Agreement executed on December 31, 2024.

For details, please refer to the Company's announcement dated December 5, 2025, published on the Company's website and HKEXnews.

## SECTION V. IMPORTANT MATTERS

### XII CONNECTED TRANSACTIONS AS DEFINED BY THE HONG KONG LISTING RULES *(continued)*

#### 2. Continuing connected transaction *(continued)*

##### **Entered into the 2026 Water and Electricity Framework Agreement with Livzon MAB**

On December 30, 2025, the Company entered into the 2026 Water and Electricity Framework Agreement with Livzon MAB, regarding the continuing connected transaction in which the Group will provide water, electricity, steam, and sewage treatment services to Livzon MAB from January 1, 2026, to December 31, 2026, with an annual cap of RMB20.00 million.

For details, please refer to the Company's announcement dated December 30, 2025, published on the Company's website and HKEXnews.

##### **Entered into the 2026 Assets Leasing Framework Agreement with Livzon MAB**

On December 30, 2025, the Company entered into the 2026 Asset Leasing Framework Agreement with Livzon MAB, regarding the Group's leasing of assets to Livzon MAB as a continuing connected transaction for the period from January 1, 2026 to December 31, 2026, with an annual cap of RMB35.00 million.

For details, please refer to the Company's announcement dated December 30, 2025, published on the Company's website and HKEXnews.

##### **Entered into the 2026 Procurement Framework Agreement with Livzon MAB**

On December 30, 2025, the Company entered into the 2026 Procurement Framework Agreement with Livzon MAB, concerning the continuing connected transaction of the group procuring pharmaceuticals from Livzon MAB from January 1, 2026, to December 31, 2026, with an annual cap of RMB75.00 million.

For details, please refer to the Company's announcement dated December 30, 2025, published on the Company's website and HKEXnews.

##### **Entered into the 2026 Service Provision Framework Agreement with Livzon MAB**

On December 30, 2025, the Company entered into the 2026 Service Provision Framework Agreement with Livzon MAB, regarding the continuing connected transaction in which the Group will provide services to Livzon MAB from January 1, 2026, to December 31, 2026, with an annual cap of RMB80.50 million.

For details, please refer to the Company's announcement dated December 30, 2025, published on the Company's website and HKEXnews.

##### **Entering into the 2026 Water and Electricity Framework Agreement with Joincare**

On December 30, 2025, the Company entered into the 2026 Water and Electricity Framework Agreement with Joincare, regarding the Group's continuing connected transactions for receiving water, electricity, steam, natural gas, and sewage treatment services from the Joincare Group during the period from January 1, 2026, to December 31, 2026, with an annual cap of RMB36.00 million.

For details, please refer to the Company's announcement dated December 30, 2025, published on the Company's website and HKEXnews.

## SECTION V. IMPORTANT MATTERS

### **XII CONNECTED TRANSACTIONS AS DEFINED BY THE HONG KONG LISTING RULES** *(continued)*

#### **2. Continuing connected transaction** *(continued)*

##### **Entering into the 2026 Service Receiving Framework Agreement with Joicare**

On December 30, 2025, the Company entered into the 2026 Service Receiving Framework Agreement with Joicare, concerning the continuing connected transactions of the Group receiving services from the Joicare Group during the period from January 1, 2026, to December 31, 2026, with an annual cap of RMB33.00 million.

For details, please refer to the Company's announcement dated December 30, 2025, published on the Company's website and HKEXnews.

##### **Entering into the 2026 Service Providing Framework Agreement with Joicare**

On December 30, 2025, the Company entered into the 2026 Service Providing Framework Agreement with Joicare, concerning the continuing connected transaction of the Group providing services to the Joicare Group during the period from January 1, 2026, to December 31, 2026, with an annual cap of RMB170.00 million.

For details, please refer to the Company's announcement dated December 30, 2025, published on the Company's website and HKEXnews.

##### **Entering into the 2026 Sales Framework Agreement with Joicare**

On December 30, 2025, the Company entered into the 2026 Sales Framework Agreement with Joicare, concerning the continuing connected transaction of the Group selling products to the Joicare Group during the period from January 1, 2026, to December 31, 2026, with an annual cap of RMB38.00 million.

For details, please refer to the Company's announcement dated December 30, 2025, published on the Company's website and HKEXnews.

##### **Entering into the 2026 Procurement Framework Agreement with Joicare**

On December 30, 2025, the Company entered into the 2026 Procurement Framework Agreement with Joicare, which governs the continuing connected transactions of the Company's purchase of products from Joicare Group during the period from January 1, 2026 to December 31, 2026, with an annual cap of RMB310.00 million.

For details, please refer to the Company's announcement dated December 30, 2025, published on the Company's website and HKEXnews.

## SECTION V. IMPORTANT MATTERS

### XII CONNECTED TRANSACTIONS AS DEFINED BY THE HONG KONG LISTING RULES *(continued)*

#### 2. Continuing connected transaction *(continued)*

##### 2025 Continuing Connected Transaction Table

The table below sets forth the continuing connected transactions for the period from January 1, 2025 to December 31, 2025 under the following framework agreements: the 2025 Water and Electricity Framework Agreement, the 2025 Service Acceptance Framework Agreement, the 2025 Service Provision Framework Agreement, the 2025 Sales Framework Agreement, and the 2025 Procurement Framework Agreement entered into with Joincare; as well as the 2025 Water and Electricity Framework Agreement, the 2025 Service Framework Agreement, the 2025 Asset Leasing Framework Agreement, the 2025 Procurement Framework Agreement, the 2025 Water and Electricity Supplementary Agreement, and the 2025 Service Supplementary Agreement entered into with Livzon MAB.

Related-party transaction party	Related relationship	Type of Related-Party Transaction	Connected Transaction Pricing Principles	2025 Connected Transaction Amount <i>(RMB ten thousand)</i>
Guangdong Lanbao Pharmaceutical Co., Ltd.* (廣東藍寶製藥有限公司)	Company where the Company's Director Serves as Director	Purchase goods	Negotiated based on market price	146.55
Joincare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司)	Controlling Shareholder	Purchase goods	Negotiated based on market price	89.51
Jiaozuo Joincare Bioproducts Co., Ltd.* (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Purchase goods	Negotiated based on market price	23,072.60
Shenzhen Haibin Pharmaceutical Co., Ltd.* (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Purchase goods	Negotiated based on market price	1,085.57
Guangzhou Respiratory Drugs Engineering Technology Co., Ltd. (廣州呼吸藥物工程技術有限公司)	Subsidiary of the controlling shareholder	Receive labor services	Negotiated based on market price	505.55
Joincare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司)	Controlling Shareholder	Receive labor services	Negotiated based on market price	29.67
Jiaozuo Joincare Bioproducts Co., Ltd.* (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Receive labor services	Negotiated based on market price	2,669.21
Shanghai Fangu Health Pharmaceutical Technology Co., Ltd.*	Subsidiary of the controlling shareholder	Receive labor services	Negotiated based on market price	313.31
Joincare Haibin Pharmaceutical Co., Ltd.*	Subsidiary of the controlling shareholder	Receive labor services	Negotiated based on market price	153.00
Shenzhen Haibin Pharmaceutical Co., Ltd.* (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Receive labor services	Negotiated based on market price	50.00
Guangdong Lanbao Pharmaceutical Co., Ltd.* (廣東藍寶製藥有限公司)	Company where the Company's Director Serves as Director	Sales of goods	Negotiated based on market price	5,033.35
Joincare Haibin Pharmaceutical Co., Ltd.*	Subsidiary of the controlling shareholder	Sales of goods	Negotiated based on market price	293.98
Joincare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司)	Controlling Shareholder	Sales of goods	Negotiated based on market price	0.93
Jiaozuo Joincare Bioproducts Industry Co., Ltd.* (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Sales of goods	Negotiated based on market price	420.53
Shenzhen Haibin Pharmaceutical Co., Ltd.* (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Sales of goods	Negotiated based on market price	0.24

## SECTION V. IMPORTANT MATTERS

### XII CONNECTED TRANSACTIONS AS DEFINED BY THE HONG KONG LISTING RULES (continued)

#### 2. Continuing connected transaction (continued)

##### 2025 Continuing Connected Transaction Table (continued)

Related-party transaction party	Related relationship	Type of Related-Party Transaction	Connected Transaction Pricing Principles	2025 Connected Transaction Amount (RMB ten thousand)
Zuhai Hengqin Weisheng Precision Medical Technology Co., Ltd.*	Subsidiaries of companies where the Company's directors serve as directors	Sales of goods	Negotiated based on market price	42.29
Guangdong Lanbao Pharmaceutical Co., Ltd.* (廣東藍寶製藥有限公司)	Company where the Company's Director Serves as Director	Provide services	Negotiated based on market price	586.70
Guangzhou Respiratory Drugs Engineering Technology Co., Ltd. (廣州呼吸藥物工程技術有限公司)	Subsidiary of the controlling shareholder	Provide services	Negotiated based on market price	172.18
Joincare (Guangdong) Food for Special Medical Purposes Co., Ltd.* (健康元(廣東)特醫食品有限公司)	Subsidiary of the controlling shareholder	Provide services	Negotiated based on market price	1.63
Joincare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司)	Controlling Shareholder	Provide services	Negotiated based on market price	2,031.09
Shenzhen Haibin Pharmaceutical Co., Ltd.* (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Provide services	Negotiated based on market price	65.89
Zuhai Sanmed Biotech Inc.	Company where the Company's Director Serves as Director	Provide services	Negotiated based on market price	59.68
Zuhai Sanmed Gene Diagnostics Ltd.* (珠海市聖美基因檢測科技有限公司)	Subsidiaries of companies where the Company's directors serve as directors	Provide services	Negotiated based on market price	31.61
Henan Province Joincare Biopharmaceutical Research Institute Co., Ltd.*	Subsidiary of the controlling shareholder	Provide services	Negotiated based on market price	1.85
Health Pharmaceutical (China) Co., Ltd.*	Subsidiary of the controlling shareholder	Assets leased out	Negotiated based on market price	1.38
Joincare (Guangdong) Food for Special Medical Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	Subsidiary of the controlling shareholder	Assets leased out	Negotiated based on market price	25.30
Topsino Industries Limited	Subsidiary of the controlling shareholder	Assets leased out	Negotiated based on market price	2.78
Zuhai Sanmed Biotech Inc.	Company where the Company's Director Serves as Director	Assets leased out	Negotiated based on market price	16.02
Zuhai Sanmed Gene Diagnostics Ltd.* (珠海市聖美基因檢測科技有限公司)	Subsidiaries of companies where the Company's directors serve as directors	Assets leased out	Negotiated based on market price	18.56
Joincare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司)	Controlling Shareholder	Leased assets	Negotiated based on market price	98.86
Jiaozuo Joincare Bioproducts Industry Co., Ltd.* (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Leased assets	Negotiated based on market price	50.14
Shenzhen Haibin Pharmaceutical Co., Ltd.* (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Leased assets	Negotiated based on market price	14.34
Livzon MABPharm Inc.* (珠海市麗珠單抗生物技術有限公司)	Subsidiary Company	Receive labor services	Negotiated based on market price	95.01
Livzon MABPharm Inc.* (珠海市麗珠單抗生物技術有限公司)	Subsidiary Company	Purchase goods	Negotiated based on market price	4,002.60

## SECTION V. IMPORTANT MATTERS

### XII CONNECTED TRANSACTIONS AS DEFINED BY THE HONG KONG LISTING RULES *(continued)*

#### 2. Continuing connected transaction *(continued)*

##### 2025 Continuing Connected Transaction Table *(continued)*

Related-party transaction party	Related relationship	Type of Related-Party Transaction	Connected Transaction Pricing Principles	2025 Connected Transaction Amount <i>(RMB ten thousand)</i>
Livzon MABPharm Inc.* (珠海市麗珠單抗生物技術有限公司)	Subsidiary Company	Sales of goods	Negotiated based on market price	3.16
Livzon MABPharm Inc.* (珠海市麗珠單抗生物技術有限公司)	Subsidiary Company	Provide services	Negotiated based on market price	4,891.52
Livzon MABPharm Inc.* (珠海市麗珠單抗生物技術有限公司)	Subsidiary Company	Assets leased out	Negotiated based on market price	2,864.35
Fluffy Buddy Animal Healthcare (Guangdong) Co., Ltd. (毛孩子動物保健(廣東)有限公司)	Subsidiary Company	Provide services	Negotiated based on market price	46.34
Fluffy Buddy Animal Healthcare (Guangdong) Co., Ltd. (毛孩子動物保健(廣東)有限公司)	Subsidiary Company	Sales of goods	Negotiated based on market price	342.88
Fluffy Buddy Animal Healthcare (Guangdong) Co., Ltd. (毛孩子動物保健(廣東)有限公司)	Subsidiary Company	Assets leased out	Negotiated based on market price	148.44
Total				49,478.60

#### Independent Non-Executive Directors' Confirmation of Continuing Connected Transactions for 2025

Regarding the continuing connected transactions for 2025, in accordance with Rule 14A.55 of the Hong Kong Listing Rules, the independent non-executive directors of the Company have reviewed and confirmed:

- Such transactions are entered into in the ordinary and usual course of business of the Group;
- Such transactions are conducted on normal commercial terms or better;
- Such transactions are conducted in accordance with the relevant agreements governing the transactions, and the terms of the transactions are fair and reasonable and in the interests of the shareholders of the Company as a whole; and
- The Group has adopted appropriate internal control procedures in its daily operations and has implemented them properly and effectively.

### XII CONNECTED TRANSACTIONS AS DEFINED BY THE HONG KONG LISTING RULES *(continued)*

#### 2. Continuing connected transaction *(continued)*

##### **Auditors' Confirmation of Connected Transactions for 2025**

The Company's auditors have reviewed the continuing connected transactions for 2025 and provided a letter to the Board in accordance with Rule 14A.56 of the Hong Kong Listing Rules, stating the following:

- The auditors have not noticed any matter that would lead them to believe that such transactions have not been approved by the Board of the Company;
- Regarding transactions involving the provision of goods or services by the Group, the auditors have not noticed any matter that would lead them to believe that such transactions have not been conducted in accordance with the Group's pricing policies;
- The auditors have not noticed any matter that would lead them to believe that such transactions have not been conducted in accordance with the relevant agreements governing such transactions; and
- The auditors have not noticed any matter that would lead them to believe that the transaction amounts have exceeded the annual transaction cap amounts for the year ended December 31, 2025.

##### **Internal Control Procedures for the Above Connected Transactions**

To regulate the above continuing connected transactions, the Company has adopted appropriate internal control procedures in its daily operations:

- Mechanisms are in place to identify connected persons, regularly review and update the list of connected persons, and conduct background checks before transactions;
- Internal management systems are in place and followed to ensure that individual continuing connected transactions are conducted in accordance with the pricing policies or mechanisms in the framework agreements;
- Transaction amounts are regularly monitored to ensure they do not exceed the annual cap;
- Internal pricing policies or mechanisms are regularly reviewed; and
- Regular meetings with management, the audit committee, and internal auditors to review related transactions and related internal controls.

### **XII CONNECTED TRANSACTIONS AS DEFINED BY THE HONG KONG LISTING RULES** *(continued)*

#### **3. Connected Transactions and Related Party Transactions**

Details of the Group's connected transactions and related-party transactions during the Year are set out in "Notes X 5. Related-Party Transactions" of the financial report prepared in accordance with the China Accounting Standards for Business Enterprises in this Report. Except for the one-off connected transactions and continuing connected transactions disclosed in this chapter, there are no other related party transactions that need to be included in the definition of "connected transactions" or "continuing connected transactions" under Chapter 14A of the Hong Kong Listing Rules and need to be disclosed in accordance with its provisions. The Company confirms that such connected transactions or continuing connected transactions have complied with the disclosure requirements of Chapter 14A of the Hong Kong Listing Rules.

## SECTION V. IMPORTANT MATTERS

### XIII. MAJOR CONTRACTS AND THEIR PERFORMANCE

#### 1. Major Guarantees

✓Applicable    □Not Applicable

Unit: RMB0'000

External guarantees provided by the Company and its subsidiaries (excluding guarantees for subsidiaries)										
Name of Guarantee Object	Date of Announcement of Guarantee Amount	Actual Guarantee Amount	Actual Occurrence Date	Actual Guarantee Amount	Type of Guarantee	Collateral (if any)	Counter-guarantee Situation (if any)	Guarantee Period	Whether Fulfilled	Whether Related Party Guarantee
Total Approved External Guarantee Limit During Reporting Period (A1)		-		Total Actual External Guarantee Amount During Reporting Period (A2)		-				
Total Approved External Guarantee Limit at End of Reporting Period (A3)		-		Total Actual External Guarantee Balance at End of Reporting Period (A4)		-				

Company's guarantee situation for subsidiaries										
Name of Guarantee Object	Date of Announcement of Guarantee Amount	Actual Guarantee Amount	Actual Occurrence Date	Actual Guarantee Amount	Type of Guarantee	Collateral (if any)	Counter-guarantee Situation (if any)	Guarantee Period	Whether Fulfilled	Whether Related Party Guarantee
Livzon Group Livzon Pharmaceutical Factory	2025.3.27	17,000.00	2024.7.18	902.94	Joint liability guarantee	None	None	2024.7.18-2027.6.30	No	No
	2025.3.27	11,500.00	2025.9.1	5,799.23	Joint liability guarantee	None	None	2025.9.1-2030.7.1	No	No
	2025.3.27	20,000.00	2024.12.6	12,000.00	Joint liability guarantee	None	None	2024.12.6-2026.3.31	No	No
	2025.3.27	15,000.00	2025.12.29	4,642.94	Joint liability guarantee	None	None	2025.12.29-2029.6.29	No	No
	2025.3.27	30,000.00	2024.4.25	36.89	Joint liability guarantee	None	None	2024.4.25-2026.10.24	No	No
Zhu Hai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd.* (珠海保稅區麗珠合成製藥有限公司)	2025.3.27	23,000.00	2025.9.1	1,559.13	Joint liability guarantee	None	None	2025.9.1-2030.7.1	No	No
	2025.3.27	10,000.00	2025.12.26	5,601.88	Joint liability guarantee	None	None	2022.12.6-2026.6.6	No	No
	2025.3.27	20,000.00	2023.8.28	3,585.98	Joint liability guarantee	None	None	2023.8.28-2026.6.28	No	No

## SECTION V. IMPORTANT MATTERS

### XIII. MAJOR CONTRACTS AND THEIR PERFORMANCE (continued)

#### 1. Major Guarantees (continued)

Name of Guarantee Object	Date of Announcement of Guarantee Amount	Company's guarantee situation for subsidiaries					Counter-guarantee Situation (if any)	Guarantee Period	Whether Fulfilled	Whether Related Party Guarantee
		Guarantee Amount	Actual Occurrence Date	Actual Guarantee Amount	Type of Guarantee	Collateral (if any)				
Livzon Group Xinbeijiang Pharmaceutical Co., Ltd.* (麗珠集團新北江製藥股份有限公司)	2025.3.27	10,000.00	2024.1.1	360.00	Joint liability guarantee	None	Other shareholders of the guaranteed party have provided counter-guarantee	2024.1.1-2026.6.30	No	No
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd.* (麗珠集團(寧夏)製藥有限公司)	2025.3.27	23,000.00	2025.9.1	14,345.41	Joint liability guarantee	None	Other shareholders of the guaranteed party have provided counter-guarantee	2025.9.1-2030.7.1	No	No
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd.* (四川光大製藥有限公司)	2025.3.27	11,500.00	2025.9.1	1,280.04	Joint liability guarantee	None	None	2025.9.1-2030.7.1	No	No
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd.* (麗珠集團福州福興醫藥有限公司)	2025.3.27	17,250.00	2025.9.1	9,213.84	Joint liability guarantee	None	Other shareholders of the guaranteed party have provided counter-guarantee	2025.9.1-2030.7.1	No	No
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd.* (焦作麗珠合成製藥有限公司)	2025.3.27	23,000.00	2025.9.1	12,766.83	Joint liability guarantee	None	None	2025.9.1-2030.7.1	No	No
	2025.3.27	15,000.00	2024.3.25	3,937.17	Joint liability guarantee	None	None	2024.3.25-2026.6.30	No	No
Gutian Fuxing Pharmaceutical Co., Ltd.*	2025.3.27	5,750.00	2025.9.1	1,003.68	Joint liability guarantee	None	None	2025.9.1-2030.7.1	No	No
Livzon Group Limin Pharmaceutical Manufacturing Factory	2025.3.27	1,500.00	2025.2.24	245.69	Joint liability guarantee	None	None	2025.2.24-2027.9.7	No	No
Total approved guarantee amount for subsidiaries during the Reporting Period (B1)		1,325,825.00		Total actual guarantee amount for subsidiaries during the Reporting Period (B2)	159,272.38					
Total approved guarantee amount for subsidiaries at the End of the Reporting Period (B3)		1,535,825.00		Total actual guarantee balance for subsidiaries at the End of the Reporting Period (B4)	162,149.50					

## SECTION V. IMPORTANT MATTERS

### XIII. MAJOR CONTRACTS AND THEIR PERFORMANCE *(continued)*

#### 1. Major Guarantees *(continued)*

Name of Guarantee Object	Date of Announcement of Guarantee Amount	Subsidiary's guarantee to subsidiaries					Counter-guarantee Situation (if any)	Guarantee Period	Whether Fulfilled	Whether Related Party Guarantee
		Guarantee Amount	Actual Occurrence Date	Actual Guarantee Amount	Type of Guarantee	Collateral (if any)				
-	-	-	-	-	-	-	-	-	-	
Total approved guarantee limits for subsidiaries during the reporting period (C1)		-		Total actual amount of guarantees provided to subsidiaries during the reporting period (C2)		-				
Total approved guarantee limits for subsidiaries at the end of the reporting period (C3)		-		Total actual guarantee balance of subsidiaries at the end of the reporting period (C4)		-				
<b>Total company guarantees (sum of the top three items)</b>										
Total approved credit limit during the reporting period (A1+B1+C1)		1,325,825.00		Total actual amount of guarantees during the reporting period (A2+B2+C2)		159,272.38				
Total approved guarantee limits at the end of the reporting period (A3+B3+C3)		1,535,825.00		Total actual guarantee balance at the end of the reporting period (A4+B4+C4)		162,149.50				
The total guaranteed balance (i.e., A4+B4+C4) as a percentage of the company's net assets						11.68%				
In which										
Balance of guarantees provided to shareholders, actual controllers, and their affiliates (D)						-				
The balance of debt guarantees provided directly or indirectly to guaranteed entities with a debt-to-asset ratio exceeding 70% (E)						84,867.85				
The amount of the guarantee exceeding 50% of net assets (F)						-				
The total amount of the three guarantees (D+E+F)						84,867.85				
For unexpired guarantee contracts, please provide a statement regarding any guarantee liabilities incurred during the reporting period or evidence indicating potential joint and several liability (if applicable).						not applicable				
Explanation of providing guarantees to external parties in violation of prescribed procedures (if applicable)						not applicable				

## SECTION V. IMPORTANT MATTERS

### XIII. MAJOR CONTRACTS AND THEIR PERFORMANCE *(continued)*

#### 2. Pledge and guarantee of bills

On 30 March 2023, the 46th meeting of the tenth session of the Board of the Company reviewed and approved the “Resolution on Conducting Bills Pooling Business” and agreed that an amount of up to RMB1.8 billion for conducting bills pooling business is to be shared by the Company and its holding subsidiaries, such amount may be utilized on rolling basis.

As at 31 December 2025, the bill pledges guaranteed are as follows:

						Unit:RMB 0'000		
Guarantor	Pledgee	Amount of bills receivable pledged	Name of the guaranteed party	Guarantee content	Guaranteed amount	Guarantee period		
Company	China Merchants Bank	10,624.00	Jiaozuo Livzon Synthetic Pharmaceutical Co., Ltd.* (焦作麗珠合成制藥有限公司)	Opening of bank acceptance bills, joint liability guarantee	30.31	Until 20 May 2026		
			Zhuhai Livzon Pharmaceutical Trading Co., Ltd.* (珠海市麗珠醫藥貿易有限公司)	Opening of bank acceptance bills, joint liability guarantee	800.00	Until 25 February 2026		
			Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd.* (麗珠集團(寧夏)制藥有限公司)	Opening of bank acceptance bills, joint liability guarantee	4,347.28	Until 12 June 2026		
			Zhuhai FTZ Livzon Synthetic Pharmaceutical Co., Ltd.* (珠海保稅區麗珠合成制藥有限公司)	Opening of bank acceptance bills, joint liability guarantee	942.83	Until 23 June 2026		
	Industrial Bank	1,928.32	Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.* (麗珠集團新北江制藥股份有限公司)	Opening of bank acceptance bills, joint liability guarantee	4,193.42	Until 17 June 2026		
			Sichuan Guangda Pharmaceutical Co., Ltd.* (四川光大制藥有限公司)	Opening of bank acceptance bills, joint liability guarantee	386.18	Until 26 June 2026		
			Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.* (麗珠集團新北江制藥股份有限公司)	Opening of bank acceptance bills, joint liability guarantee	275.81	Until 19 June 2026		
			Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd.* (麗珠集團福州福興醫藥有限公司)	Opening of bank acceptance bills, joint liability guarantee	1,234.92	Until 18 June 2026		
			ICBC	1,434.57	Zhuhai Livzon Microsphere Technology Co., Ltd.* (珠海市麗珠微球科技有限公司)	Opening of bank acceptance bills, joint liability guarantee	238.97	Until 16 June 2026
					Zhuhai FTZ Livzon Synthetic Pharmaceutical Co., Ltd.* (珠海保稅區麗珠合成制藥有限公司)	Opening of bank acceptance bills, joint liability guarantee	51.50	Until 25 January 2026
CITIC Bank	100.00	Livzon Group Livzon Pharmaceutical Factory* (麗珠集團麗珠制藥廠)	Opening of bank acceptance bills, joint liability guarantee	984.58	Until 18 June 2026			
		Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd.* (麗珠集團福州福興醫藥有限公司)	Opening of bank acceptance bills, joint liability guarantee	14.56	Until 16 January 2026			
		Sichuan Guangda Pharmaceutical Co., Ltd.* (四川光大制藥有限公司)	Opening of bank acceptance bills, joint liability guarantee	16.98	Until 16 January 2026			
		Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.* (麗珠集團新北江制藥股份有限公司)	Opening of bank acceptance bills, joint liability guarantee	0.78	Until 17 January 2026			
		Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd.* (麗珠集團(寧夏)制藥有限公司)	Opening of bank acceptance bills, joint liability guarantee	28.09	Until 17 January 2026			
			Livzon Group Livzon Pharmaceutical Factory* (麗珠集團麗珠制藥廠)	Opening of bank acceptance bills, joint liability guarantee	31.80	Until 17 January 2026		
Total balance of actual guarantees for subsidiaries at the end of the Reporting Period					13,578.02			

## SECTION V. IMPORTANT MATTERS

### XIII. MAJOR CONTRACTS AND THEIR PERFORMANCE *(continued)*

#### 3. Guarantee provided to the Company by related parties

Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司), the other shareholder of Livzon MABPharm Inc. has provided a "Letter of Undertaking for Counter Guarantee", pursuant to which it has undertaken to provide a joint liability guarantee for 26.84% of the obligation of the Company under the guarantee granted to Livzon MABPharm Inc. and the guarantee period of which will be expired on the expiry date of the Company's obligation thereunder.

Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業(有限合夥)), the other shareholder of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司), has provided a "Letter of Undertaking for Counter Guarantee", pursuant to which it has undertaken to provide a joint liability guarantee for 8.44% of the obligation of the Company under the guarantee granted to Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司).

#### 4. Entrusting others to manage cash assets

##### (1) Entrusted financial management

Applicable  Not Applicable

##### (2) Entrusted loan situation

Applicable  Not Applicable

The Company did not have any entrusted loans during the Reporting Period.

#### 5. Other significant contracts

The Company did not have any other significant contracts during the Reporting Period.

### XIV. USE OF RAISED FUNDS

Applicable  Not Applicable

There is no use of raised funds during the Reporting Period of the Company.

### XV. EXPLANATION OF OTHER MAJOR MATTERS

Applicable  Not Applicable

### XVI. MAJOR MATTERS OF THE COMPANY'S SUBSIDIARIES

Applicable  Not Applicable

# SECTION VI. SHARE CHANGES AND SHAREHOLDER INFORMATION

## I. CHANGES IN SHARES

### 1. Changes in shares

Unit: shares

	Before this change		Increase or decrease in this change (+, -)					After this change	
	Quantity	Proportion	Issuance of new shares	Bonus shares	Capital reserve to shares	Others	Subtotal	Quantity	Proportion
I. Shares with limited sale conditions	19,960,260	2.19%	-	-	-	-	-	19,960,260	2.25%
1. State-owned shares									
2. State-owned legal person shares	17,306,329	1.90%	-	-	-	-	-	17,306,329	1.95%
3. Other domestic shares	2,653,931	0.29%	-	-	-	-	-	2,653,931	0.30%
Among them: Domestic legal person shares									
Domestic natural person shares	2,653,931	0.29%	-	-	-	-	-	2,653,931	0.30%
4. Foreign shareholding									
Among them: Foreign legal person shareholding									
Foreign natural person shareholding									
II. Shares without selling restrictions	891,385,470	97.81%	-	-	-	-23,438,559	-23,438,559	867,946,911	97.75%
1. RMB ordinary shares	584,333,053	64.12%	-	-	-	-16,193,259	-16,193,259	568,139,794	63.99%
2. Foreign shares listed domestically									
3. Foreign shares listed overseas	307,052,417	33.69%	-	-	-	-7,245,300	-7,245,300	299,807,117	33.76%
4. Others									
III. Total Number of Shares	911,345,730	100.00%	-	-	-	-23,438,559	-23,438,559	887,907,171	100.00%

### Reasons for Changes in Shares

Applicable     Not Applicable

On May 14, 2025, the Company canceled 7,245,300 repurchased H shares, resulting in a decrease of 7,245,300 unrestricted H shares (foreign shares listed overseas).

On December 31, 2025, the Company canceled 16,193,259 repurchased A shares, resulting in a decrease of 16,193,259 unrestricted A shares (RMB ordinary shares).

## SECTION VI. SHARE CHANGES AND SHAREHOLDER INFORMATION

### I. CHANGES IN SHARES *(continued)*

#### 1. Changes in shares *(continued)*

##### Approval of Share Changes

Applicable  Not Applicable

On May 14, 2024, the Company held the 16th meeting of the 11th Board of Directors and on June 14, 2024, held the 2023 Annual General Meeting, the first A Shareholders' Meeting of 2024, and the first H Shareholders' Meeting of 2024, to review and approve the general authorization to the Board of Directors to repurchase the Company's H shares. As of May 13, 2025, the Company had repurchased a total of 7,245,300 H shares. As of May 14, 2025, all the repurchased H shares of the Company have been canceled.

On November 28, 2024, the Company held the 21st meeting of the 11th Board of Directors and on December 24, 2024, held the 4th Extraordinary General Meeting of 2024, the second A Shareholders' Meeting of 2024, and the second H Shareholders' Meeting of 2024, to review and approve the proposal on the repurchase of some A shares; on May 29, 2025, the Company held the 2024 Annual General Meeting, the first A Shareholders' Meeting of 2025, and the first H Shareholders' Meeting of 2025, to review and approve the proposal on continuing the repurchase of some A shares, agreeing to use the Company's own funds to repurchase some public A shares through centralized bidding transactions for the purpose of canceling and reducing registered capital. As of December 23, 2025, the repurchase period for this share repurchase had expired, and the Company had repurchased a total of 16,193,259 A shares. As of December 31, 2025, all repurchased A shares of the Company had been canceled.

##### Transfer of Share Changes

Applicable  Not Applicable

##### Impact of Share Changes on Financial Indicators such as Basic earnings per share, Diluted earnings per share, and Net Assets per Share Attributable to Ordinary Shareholders of the Company for the Most Recent Year and Period

Applicable  Not Applicable

The impact of changes in shares on the Basic earnings per share and Diluted earnings per share, net assets per share attributable to the ordinary shareholders of the Company, and other financial indicators of the Company for the most recent year and period, see "V. Major Accounting Data and Financial Indicators Prepared in Accordance with Chinese Accounting Standards" in "Section II Company Profile and Major Financial Indicators".

##### Other content that the Company deems necessary or required to be disclosed by securities regulatory authorities

Applicable  Not Applicable

# SECTION VI. SHARE CHANGES AND SHAREHOLDER INFORMATION

## 1. CHANGES IN SHARES *(continued)*

### 2. Changes in restricted shares

✓ Applicable     Not Applicable

Unit: shares

Shareholder name	Number of restricted shares at the beginning of the period	Number of restricted shares increased during the period	Number of restricted shares released during the period	Number of restricted shares at the End of the Period	Reason for restriction	Date of release from restriction
Guangzhou Begol Trading Holdings Limited	17,306,329	–	–	17,306,329	Pre-IPO restricted shares	–
Tang Yanggang	258,722	–	–	258,722	Executive locked shares	Unlock in installments based on their own tenure
Tao Desheng (resigned)	550,350	–	–	550,350	Executive locked shares	Unlock according to the rules for resigned executives
Xu Guoxiang (resigned)	587,850	–	–	587,850	Executive locked shares	Unlock according to the rules for resigned executives
Yang Daihong (resigned)	387,734	129,245	129,245	387,734	Executive locked shares	Unlock according to the rules for resigned executives
Si Yanxia (resigned)	325,817	–	–	325,817	Executive locked shares	Unlock according to the rules for resigned executives
Huang Yuxuan	137,488	–	–	137,488	Executive locked shares	Unlock in installments based on their own tenure
Yang Liang (resigned)	172,500	57,500	57,500	172,500	Executive locked shares	Unlock according to the rules for resigned executives
Du Jun	37,567	–	–	37,567	Executive locked shares	Unlock in installments based on their own tenure
Zhou Peng (resigned)	195,903	–	–	195,903	Executive locked shares	Unlock according to the rules for resigned executives
<b>Total</b>	<b>19,960,260</b>	<b>186,745</b>	<b>186,745</b>	<b>19,960,260</b>	<b>–</b>	<b>–</b>

### 3. Sufficient Public Float

According to the publicly available data accessible to the Company and to the best knowledge of the Company's directors, as of the last practicable date prior to the publication of this Report, the Company has maintained a sufficient public float as required by the Hong Kong Listing Rules.

## SECTION VI. SHARE CHANGES AND SHAREHOLDER INFORMATION

### II. SECURITIES ISSUANCE AND LISTING STATUS

#### 1. Securities Issuance during the Reporting Period (excluding preferred shares)

Applicable  Not Applicable

#### 2. Explanation of Changes in the Total Number of Company Shares and Shareholder Structure, and Changes in the Company's Asset and Liability Structure

Applicable  Not Applicable

For details, see the relevant content in "I. Changes in Shares" of Section VI of this Report.

#### 3. Existing Internal Employee Shares

Applicable  Not Applicable

# SECTION VI. SHARE CHANGES AND SHAREHOLDER INFORMATION

## III. SHAREHOLDERS AND ACTUAL CONTROLLERS

### 1. Number of Company Shareholders and Shareholding Status

Unit: shares

<b>Total number of common shareholders at the End of the Reporting Period</b>	57,162 households (including 57,144 A-shareholders and 18 H-shareholders)	<b>Total number of common shareholders at the End of the previous month before the annual report disclosure date</b>	58,219 households (including 58,201 A-shareholders and 18 H-shareholders)	<b>Total number of preferred shareholders with restored voting rights at the End of the Reporting Period (if any)</b>	0	<b>Total number of preferred shareholders with restored voting rights at the End of the previous month before the annual report disclosure date (if any)</b>	0
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#### Shareholding status of shareholders holding more than 5% or the top 10 shareholders (excluding shares lent through margin trading)

Shareholder name	Nature of shareholders	Type of shares	Shareholding ratio	Number of shares held at the End of the Reporting Period	Changes in the number of shares held during the Reporting Period		Number of shares with limited sale conditions	Number of shares without sale conditions	Pledge, mark, or freeze status	
					Number of shares held during the Reporting Period	Number of shares with limited sale conditions			Share status	Quantity
Hong Kong Securities Clearing (Nominees) Limited <small>(Note 2)</small>	Overseas legal person	H Shares	33.74%	299,557,239	-7,211,950	-	299,557,239	-	-	-
Joicare Pharmaceutical Group Industry Co., Ltd.*	Domestic non-state-owned legal entity	A Shares	24.93%	221,376,789	-	-	221,376,789	-	-	-
Guangzhou Begol Pharmaceutical and Health Products Import and Export Company (formerly known as: Guangzhou Begol Trading Holdings Limited)	State-owned legal entity	A Shares	1.95%	17,306,329	-	17,306,329	-	-	Pledged and frozen	17,306,329
Shenzhen Haibin Pharmaceutical Co., Ltd.*	Domestic non-state-owned legal entity	A Shares	1.90%	16,830,835	-	-	16,830,835	-	-	-
Hong Kong Securities Clearing Company Limited	Overseas legal person	A Shares	1.34%	11,916,442	-22,262,194	-	11,916,442	-	-	-
China Asset Management Company, Ltd.* – Social Security Fund Portfolio 1102	Others	A Shares	0.66%	5,881,739	1,597,320	-	5,881,739	-	-	-
Agricultural Bank of China Limited* – CSI 500 Exchange-Traded Open-End Index Securities Investment Fund	Others	A Shares	0.60%	5,335,201	142,000	-	5,335,201	-	-	-
Peng Xiaoqiang	Domestic Natural Person	A Shares	0.59%	5,251,967	1,103,930	-	5,251,967	-	-	-
China Life Insurance Company Limited* – Traditional – General Insurance Product – 005L – CT001 Shanghai	Others	A Shares	0.53%	4,725,119	3,610,069	-	4,725,119	-	-	-
Bank of Shanghai Company, Ltd.* – Yinhua CSI Innovative Pharmaceutical Industry Exchange-Traded Open-End Index Securities Investment Fund	Others	A Shares	0.50%	4,396,567	156,241	-	4,396,567	-	-	-

## SECTION VI. SHARE CHANGES AND SHAREHOLDER INFORMATION

### III. SHAREHOLDERS AND ACTUAL CONTROLLERS *(continued)*

#### 1. Number of Company Shareholders and Shareholding Status *(continued)*

Shareholding status of shareholders holding more than 5% or the top 10 shareholders (excluding shares lent through margin trading)										
Shareholder name	Nature of shareholders	Type of shares	Shareholding ratio	Number of shares held at the End of the Reporting Period	Changes in the number of shares held		Number of shares		Pledge, mark, or freeze status	
					during the Reporting Period	Number of shares with limited sale conditions	Number of shares without sale conditions	Share status	Quantity	
The case where strategic investors or general corporate entities become top 10 shareholders through new share placements (if applicable)	Not Applicable									
Explanation of the relationship or concerted actions among the aforementioned shareholders	(1) On January 2, 2004, Joicare and Begol entered into the "Equity Transfer and Custody Agreement" and the "Equity Pledge Agreement", whereby Begol transferred, entrusted, and pledged its 6,059,428 shares of the Company (the number of shares increased to 7,877,256 following the Company's 2014 annual share capital distribution, to 10,240,432 after the 2016 annual share capital distribution, to 13,312,561 after the 2017 annual share capital distribution, and to 17,306,329 after the 2018 annual share capital distribution) directly to Joicare; (2) Haibin Pharma is a wholly-owned subsidiary of Joicare, both directly and indirectly; (3) The Company is unaware of any potential relationships or concerted actions among the other shareholders mentioned above as defined in the "Measures for the Administration of the Takeover of Listed Companies".									
Explanation of the circumstances involving the entrustment/acceptance of voting rights or the waiver of voting rights by the aforementioned shareholders	None									
Special note regarding repurchase accounts among the top 10 shareholders (if applicable)	None									

# SECTION VI. SHARE CHANGES AND SHAREHOLDER INFORMATION

## III. SHAREHOLDERS AND ACTUAL CONTROLLERS *(continued)*

### 1. Number of Company Shareholders and Shareholding Status *(continued)*

Shareholding status of the top 10 unrestricted shareholders (excluding shares lent through securities lending and shares locked by senior management)

Shareholder name	Number of shares held without sales restrictions at the End of the Reporting Period		Type of shares	Quantity
	Reporting Period	Type of shares	Type of shares	
Hong Kong Securities Clearing (Nominees) Limited <sup>(Note 2)</sup>	299,557,239	Overseas listed foreign shares		299,557,239
Joincare Pharmaceutical Group Industry Co., Ltd.*	221,376,789	RMB ordinary shares		221,376,789
Shenzhen Haibin Pharmaceutical Co., Ltd.*	16,830,835	RMB ordinary shares		16,830,835
Hong Kong Securities Clearing Company Limited	11,916,442	RMB ordinary shares		11,916,442
China Asset Management Company, Ltd.* – Social Security Fund Portfolio 1102	5,881,739	RMB ordinary shares		5,881,739
Agricultural Bank of China Limited* – CSI 500 Exchange-Traded Open-End Index Securities Investment Fund	5,335,201	RMB ordinary shares		5,335,201
Peng Xiaoliang	5,251,967	RMB ordinary shares		5,251,967
China Life Insurance Company Limited* – Traditional – General Insurance Product – 005L – CT001 Shanghai	4,725,119	RMB ordinary shares		4,725,119
Bank of Shanghai Company, Ltd.* – Yinhua CSI Innovative Pharmaceutical Industry Exchange-Traded Open-End Index Securities Investment Fund	4,396,567	RMB ordinary shares		4,396,567
CITIC Securities Company, Ltd.* – Social Security Fund Portfolio 1106	3,626,781	RMB ordinary shares		3,626,781
Explanation of the relationship or concerted actions between the top 10 unrestricted circulating shareholders and between the top 10 unrestricted circulating shareholders and the top 10 shareholders	(1) On January 2, 2004, Joincare and Begol signed the "Equity Transfer and Custody Agreement" and the "Equity Pledge Agreement", whereby Begol directly transferred, entrusted, and pledged its 6,059,428 shares of the Company (the number of shares increased to 7,877,256 after the Company's 2014 equity distribution, to 10,240,432 after the 2016 equity distribution, to 13,312,561 after the 2017 equity distribution, and to 17,306,329 after the 2018 equity distribution) to Joincare; (2) Haibin Pharmaceutical is a wholly-owned subsidiary of Joincare; (3) The Company is unaware of any relationship or concerted actions among the other shareholders mentioned above as defined by the "Measures for the Administration of the Takeover of Listed Companies".			
Explanation of the participation of the top 10 ordinary shareholders in margin trading and securities lending business (if any) (see Note 4)	Among the above shareholders, Peng Xiaoliang holds 5,240,200 shares through a credit securities account			

- Note:**
- The shareholding situation of the top 10 shareholders above is based on the data recorded in the shareholder register provided by the Company and Hong Kong Tricor Investor Services Limited as of December 31, 2025.
  - Hong Kong Securities Clearing (Nominees) Limited is the nominal holder of the Company's H shares. The Company cannot confirm whether these shares are pledged or frozen. The shares nominally held include 163,364,672 H shares of the Company held by Topsino, a wholly-owned subsidiary of the Company's controlling shareholder, Joincare.

#### Shareholding of shareholders holding more than 5%, top 10 shareholders, and top 10 shareholders of unrestricted circulating shares participating in the securities lending business

Applicable  Not Applicable

#### Top 10 shareholders and top 10 shareholders of unrestricted circulating shares changed compared to the Previous Period due to securities lending/return reasons

Applicable  Not Applicable

#### Whether the top 10 common shareholders and the top 10 unrestricted common shareholders of the Company conducted agreed repurchase transactions during the Reporting Period

Yes  No

The top 10 common shareholders and the top 10 unrestricted common shareholders of the Company did not conduct agreed repurchase transactions during the Reporting Period.

## SECTION VI. SHARE CHANGES AND SHAREHOLDER INFORMATION

### III. SHAREHOLDERS AND ACTUAL CONTROLLERS *(continued)*

#### 2. Information on the Company's Controlling Shareholder

Name of controlling shareholder	Legal representative/ unit head	Establishment date	Organization code	Main business activities
Joincare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司)	Zhu Baoguo	December 18, 1992	91440300618874367T	General business scope: Contract manufacturing of pharmaceuticals; technical services, technical development, technical consulting, technical exchanges, technology transfer, technical promotion. (Except for projects that require approval according to law, business activities shall be carried out independently with a business license) Licensed business items: Research and development of Chinese patent medicines, chemical raw materials, chemical drug preparations, antibiotic raw materials, and antibiotic preparations (excluding the research and development of Chinese medicinal materials and secret Chinese patent medicine products protected by the state), wholesale, import and export, and related supporting businesses (not involving state-owned trade management commodities, involving quota, license management, and other special regulations management commodities, apply according to relevant national regulations); research and development of food, health food, and cosmetics; sales of pre-packaged food (excluding refrigerated and frozen food), sales of special food (sales of health food, sales of special medical purpose formula food); research and development and sales of Class I and Class II medical devices. Manufacturing of Class I medical devices; manufacturing of Class II medical devices; manufacturing of Class III medical devices; distribution of Class III medical devices. (Projects subject to approval in accordance with the law may only commence operations after obtaining approval from the relevant authorities. Specific business activities shall be conducted in compliance with the approval documents or permits issued by the relevant departments.)

During the Reporting Period, the controlling shareholder did not hold or participate in the equity of other domestic or foreign listed companies. Joincare (stock abbreviation: Joincare; stock code: 600380.SH) is a company listed on the Shanghai Stock Exchange. For information regarding the operating results, financial position, cash flows and future development strategies of Joincare, please refer to the announcements published on the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

#### Changes in controlling shareholders during the Reporting Period

Applicable  Not Applicable

The Company's controlling shareholder remained unchanged during the Reporting Period.

#### 3. The actual controller of the Company and its persons acting in concert

Name of the actual controller	Relationship with the actual controller	Nationality	Whether obtained residency in other countries or regions
Zhu Baoguo	The actual controlling person	China	No
Primary occupation and position	For details, refer to the relevant content in Section IV "VII. Information on Directors and Senior Management" of this Report.		
Status of domestic and foreign listed Companies controlled over the past 10 years	Joincare		

#### Change in the actual controller during the Reporting Period

Applicable  Not Applicable

The Company's actual controller did not change during the Reporting Period.

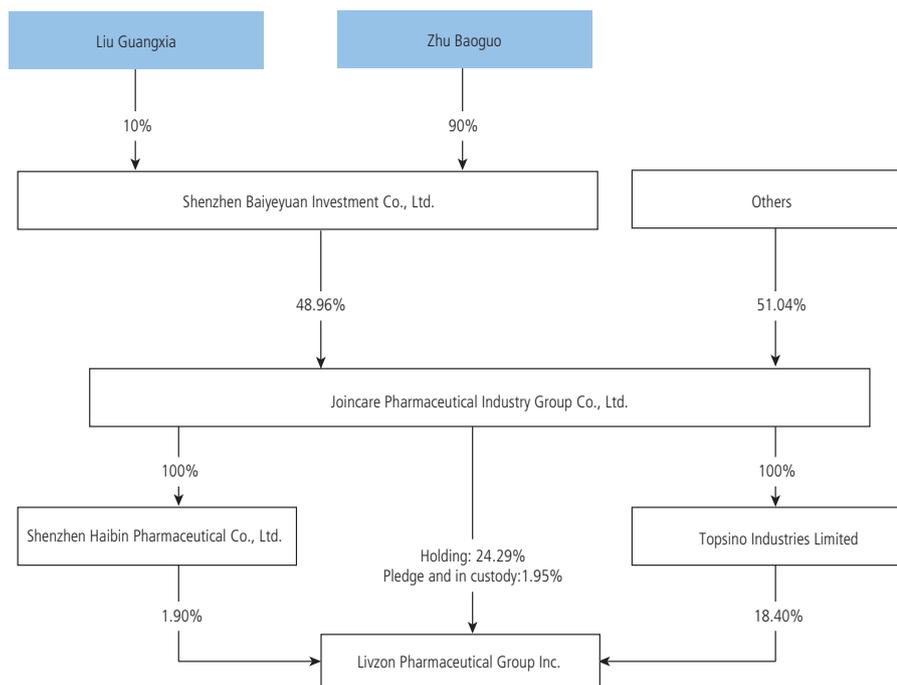
## SECTION VI. SHARE CHANGES AND SHAREHOLDER INFORMATION

### III. SHAREHOLDERS AND ACTUAL CONTROLLERS *(continued)*

#### 3. The actual controller of the Company and its persons acting in concert *(continued)*

Change in the actual controller during the Reporting Period *(continued)*

Block diagram of the ownership and control relationship between the Company and its actual controller



Note:

- Zhu Baoguo and Liu Guangxia are married.
- As of the End of the Reporting Period, Baiyeyuan held 895,653,653 shares of Joincare, representing 48.96% of the company's total shares.

**The actual controller controls the Company through a trust or other asset management methods.**

Applicable  Not Applicable

**4. The number of shares pledged by the Company's controlling shareholder or largest shareholder and its persons acting in concert accounts for 80% of the shares they hold in the Company.**

Applicable  Not Applicable

**5. Other corporate shareholders holding more than 10% of shares**

Applicable  Not Applicable

**6. Restrictions on share reduction by controlling shareholders, actual controllers, restructuring parties, and other commitment entities**

Applicable  Not Applicable

## SECTION VI. SHARE CHANGES AND SHAREHOLDER INFORMATION

### IV. SPECIFIC IMPLEMENTATION OF SHARE REPURCHASES DURING THE REPORTING PERIOD

#### Progress on share repurchase implementation

Applicable  Not Applicable

Plan disclosure time	Nature of shares to be repurchased	Number of shares to be repurchased (shares)	Proportion of total share capital	Amount to be repurchased (ten thousand yuan)	Repurchase period	Purpose of repurchase	Number of shares repurchased (shares)	Proportion of repurchased shares to the target shares involved in the equity incentive plan (if any)
November 29, 2024	A Shares	13,333,333-22,222,222	1.46%-2.44%	60,000-100,000	December 25, 2024-December 24, 2025	Cancellation, reduction of registered capital	16,193,259	Not Applicable
May 13, 2024	H Shares	Not exceeding 30,705,241	Not exceeding 3.31%	Not Applicable	June 14, 2024 – Date of the 2024 Annual General Meeting	Cancellation, reduction of registered capital	7,245,300	Not Applicable
May 29, 2025	H Shares	Not exceeding 29,980,711	Not exceeding 3.29%	Not Applicable	May 29, 2025 – Date of the 2025 Annual General Meeting	Cancellation, reduction of registered capital	–	Not Applicable

#### Progress on the implementation of share repurchases through centralized bidding transactions

Applicable  Not Applicable

### V. RELEVANT INFORMATION ON PREFERRED SHARES

Applicable  Not Applicable

The Company did not have any preferred shares during the Reporting Period.

## SECTION VI. SHARE CHANGES AND SHAREHOLDER INFORMATION

**VI. AS OF DECEMBER 31, 2025, THE INTERESTS OR SHORT POSITIONS OF THE COMPANY'S DIRECTORS AND CHIEF EXECUTIVES IN THE SHARES, RELEVANT SHARES, AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS (AS DEFINED IN PART XV OF THE SECURITIES AND FUTURES ORDINANCE) AS RECORDED IN THE REGISTER MAINTAINED BY THE COMPANY PURSUANT TO SECTION 352 OF THE SECURITIES AND FUTURES ORDINANCE, OR AS NOTIFIED TO THE COMPANY AND THE HONG KONG STOCK EXCHANGE PURSUANT TO THE MODEL CODE, ARE AS FOLLOWS:**

### Interests in the shares/relevant shares of the Company

Name of Director	Capacity	Number of shares/relevant shares held (long position)	Percentage of the issued shares of the relevant class of the Company	Percentage of total issued shares of the Company
Mr. Zhu Baoguo	Interests of controlled corporation	255,513,953 A shares <sup>(1)(2)</sup>	43.45%	28.78%
		163,364,672 H shares <sup>(1)(3)</sup>	54.49%	18.40%
Mr. Tao Desheng	Beneficial Owner Spouse interests	733,800 A shares	0.12%	0.08%
		146,806 A shares <sup>(4)</sup>	0.02%	0.02%
		880,606 A shares	0.15%	0.10%
Mr. Xu Guoxiang	Beneficial Owner	783,800 A shares	0.13%	0.09%
Mr. Tang Yanggang	Beneficial Owner	344,963 A shares	0.06%	0.04%

### Interests in shares/related shares of associated corporation of the Company

Name of Director	Name of associated corporation	Capacity	Share capital interest/shares quantity (long position)	Percentage of equity interest in associated corporation
Mr. Zhu Baoguo	Baiyeyuan	Beneficial Owner	72,000,000 (RMB) <sup>(1)</sup>	90.00% <sup>(1)</sup>
	Joincare	Interests of controlled corporation	895,653,653 shares <sup>(1)(5)</sup>	48.96% <sup>(6)</sup>
	Livzon Bio <sup>(7)</sup>	Interests of controlled corporation	294,000,000 (RMB) <sup>(1)(12)</sup>	33.07% <sup>(7)</sup>
	Livzon HK <sup>(7)</sup>	Interests of controlled corporation	4,000 shares <sup>(1)(9)</sup>	100.00% <sup>(7)</sup>
	Livzon MAB <sup>(7)</sup>	Interests of controlled corporation	1,453,330,000 (RMB) <sup>(1)(10)</sup>	100.00% <sup>(7)</sup>
Mr. Tang Yanggang	Xinbeijiang Pharma <sup>(11)</sup>	Interests of controlled corporation	20,238,780 shares <sup>(11)</sup>	8.44%
	Livzon Diagnostics <sup>(12)</sup>	Interests of controlled corporation	36,099,971 shares <sup>(12)</sup>	9.03%
Mr. Xu Guoxiang	Livzon Diagnostics <sup>(13)</sup>	Others	2,153,399 shares <sup>(13)</sup>	0.54%
Mr. Lin Nanqi	Joincare	Beneficial Owner	1,291,040 shares	0.07%
Mr. Qiu Qingfeng	Joincare	Beneficial Owner	717,409 shares	0.07%

## SECTION VI. SHARE CHANGES AND SHAREHOLDER INFORMATION

### VI. AS OF DECEMBER 31, 2025, THE INTERESTS OR SHORT POSITIONS OF THE COMPANY'S DIRECTORS AND CHIEF EXECUTIVES IN THE SHARES, RELEVANT SHARES, AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS (AS DEFINED IN PART XV OF THE SECURITIES AND FUTURES ORDINANCE) AS RECORDED IN THE REGISTER MAINTAINED BY THE COMPANY PURSUANT TO SECTION 352 OF THE SECURITIES AND FUTURES ORDINANCE, OR AS NOTIFIED TO THE COMPANY AND THE HONG KONG STOCK EXCHANGE PURSUANT TO THE MODEL CODE, ARE AS FOLLOWS: *(continued)*

#### Interests in shares/related shares of associated corporation of the Company *(continued)*

Notes:

- (1) Joincare is 48.96% owned by Baiyeyuan, and Baiyeyuan is 90% owned by Mr. Zhu Baoguo. Under the Securities and Futures Ordinance, Mr. Zhu Baoguo (朱保國) is deemed to have an interest in the Company's shares and the share capital of its associated corporations by virtue of the interests held or deemed to be held by Joincare.
- (2) Of these shares, 238,683,118 shares (of which 17,306,329 shares were directly transferred, entrusted, and pledged to Joincare by Begol pursuant to the Equity Transfer, Custody, and Pledge Agreement executed among Begol, Joincare, and Zhuhai Lishi Investment Co., Ltd.\* on January 2, 2004, as well as the Equity Transfer and Custody Agreement and the Equity Pledge Agreement executed between Begol and Joincare) and 16,830,835 shares are directly held by Joincare and its wholly-owned subsidiary, Haibin Pharma, respectively.
- (3) These shares are directly held by Joincare's wholly-owned subsidiary, Topsino.
- (4) These shares and the related shares are directly held by Mr. Tao Desheng's spouse, Ms. Hou Xuemei; therefore, Mr. Tao Desheng is deemed to have an interest in them.
- (5) Baiyeyuan holds 895,653,653 shares of Joincare.
- (6) The total number of issued shares of Joincare is 1,829,453,386. Therefore, Baiyeyuan holds a 48.96% stake in Joincare.
- (7) Livzon Bio is directly owned by Joincare at 22.58%. Livzon HK and Livzon MAB are wholly owned by Livzon Bio.
- (8) These equity interests are held by Joincare.
- (9) These shares are held by Livzon Bio.
- (10) These equity interests are held by Livzon Bio.
- (11) Xinbeijiang Pharma is 87.14% directly owned by the Company, with Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) holding an 8.44% direct stake (i.e., 20,238,780 shares). Mr. Tang Yanggang directly owns 24.00% of Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) and serves as its executive managing partner.
- (12) Livzon Diagnostics is directly held by the Company at 47.425% and by Zhuhai Liying Investment Management Partnership (Limited Partnership) ("Liying") at 9.025% (i.e., 36,099,971 shares). Mr. Tang Yanggang, as the general partner of Liying, directly holds a 19.9234% interest in Liying and has the sole authority to decide all matters concerning Liying.
- (13) Mr. Xu Guoxiang directly holds a 5.9651% stake in Liying, therefore Livzon Diagnostics is indirectly held by Mr. Xu Guoxiang at 0.54%.

Apart from the above disclosures, the directors and chief executives of the Company do not hold any interests or short positions in the shares, related shares, or debentures of the Company or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance) that are recorded in the register maintained by the Company under Section 352 of the Securities and Futures Ordinance, or that have been disclosed to the Company and the Hong Kong Stock Exchange in accordance with the Model Code.

## SECTION VI. SHARE CHANGES AND SHAREHOLDER INFORMATION

### VII. AS OF DECEMBER 31, 2025, THE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS, OTHER THAN THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY (AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE) IN THE SHARES AND RELEVANT SHARES OF THE COMPANY RECORDED IN THE REGISTER MAINTAINED BY THE COMPANY PURSUANT TO SECTION 336 OF THE SECURITIES AND FUTURES ORDINANCE ARE AS FOLLOWS:

Shareholder name	Capacity	Holder of interests Number of shares	Position	Percentage of the issued shares of the relevant class of the Company	Percentage of total issued shares of the Company
Substantial shareholder					
Baiyeyuan	Interests of controlled corporation	255,513,953 A shares <sup>(1)</sup>	Long position	43.45%	28.78%
	Interests of controlled corporation	163,364,672 H shares <sup>(2)</sup>	Long position	54.49%	18.40%
		418,878,625 shares			47.18%
Liu Guangxia	Spouse interests	255,513,953 shares of A shares <sup>(3)</sup>	Long position	43.45%	28.78%
		163,364,672 shares of H shares <sup>(3)</sup>	Long position	54.49%	18.40%
		418,878,625 shares			47.18%
Joincare	Beneficial Owner	221,376,789 shares of A shares	Long position	37.64%	24.93%
	Interests of controlled corporation	16,830,835 shares of A shares <sup>(4)</sup>	Long position	2.86%	1.90%
	Holder of shares for secured party	17,306,329 shares of A shares <sup>(5)</sup>	Long position	2.94%	1.95%
		255,513,953 shares of A shares		43.45%	28.78%
	Interests of controlled corporation	163,364,672 H shares <sup>(2)</sup>	Long position	54.49%	18.40%
Topsino	Beneficial Owner	163,364,672 shares of H shares	Long position	54.49%	18.40%

*Notes:*

- (1) Of these shares, 238,683,118 and 16,830,835 are directly held by Joincare and its wholly-owned subsidiary Haibin Pharma, respectively.
- (2) These shares are directly held by Joincare's wholly-owned subsidiary, Topsino.
- (3) Ms. Liu Guangxia is the spouse of Mr. Zhu Baoguo (朱保國) and is therefore deemed to hold the same share interests as Mr. Zhu Baoguo (朱保國).
- (4) These shares are directly held by Joincare's wholly-owned subsidiary, Haibin Pharma.
- (5) These shares were directly transferred, entrusted, and pledged to Joincare by Begol pursuant to the "Equity Transfer, Entrustment and Pledge Agreement" executed on January 2, 2004, among Begol, Joincare, and Zhuhai Lishi Investment Co., Ltd., as well as the "Equity Transfer and Entrustment Agreement" and "Equity Pledge Agreement" entered into between Begol and Joincare.

Except as disclosed above, no person other than the directors or chief executives of the Company holds any interest or short position in the Company's shares or related shares as recorded in the register maintained under section 336 of the Securities and Futures Ordinance.

## SECTION VII. FINANCIAL REPORT

### I. AUDIT REPORT

GTC SZ (2026) No. 442A004223

**To the shareholders of Livzon Pharmaceutical Group Inc.:**

#### 1. Audit Opinions

We have audited the financial statements of Livzon Pharmaceutical Group Inc. (hereinafter referred to as "Livzon Group"), including the consolidated and company balance sheets as of December 31, 2025, the consolidated and company income statements, consolidated and company cash flow statements, consolidated and company statements of changes in Shareholders' equity for the year ended December 31, 2025, and the related notes to the financial statements.

In our opinion, the accompanying financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises in all material respects and fairly present the Consolidated and Company financial position of Livzon Group as of December 31, 2025, as well as its consolidated and company operating results and cash flows for the Year 2025.

#### II. Basis for the Audit Opinion

We conducted the audit in accordance with the Chinese Standards on Auditing for Certified Public Accountants. Our responsibilities under those standards are further described in the section "CERTIFIED PUBLIC ACCOUNTANT'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS" of the audit report. We are independent of the Livzon Group Company in accordance with the Code of Ethics for Chinese Certified Public Accountant, and we have fulfilled our other ethical responsibilities. We believe that the audit evidences obtained by us are sufficient, appropriate, and provide the basis for our audit opinions.

### III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the current period's financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our audit opinion; we do not express a separate opinion on these matters.

#### (1) Revenue Recognition

For related information disclosure, please refer to Notes III.29 and V.41 of the financial statements.

##### 1. Description of the Item

In 2025, Livzon Group's main business revenue was RMB11,896.8905 million. Due to the significance of revenue to the overall financial statements and the substantial risk of material misstatement regarding whether the revenue is genuine and accurately recorded in the appropriate accounting period. Therefore, we have identified revenue recognition as a key audit matter.

##### 2. Audit Response

- (1) Evaluate and test the design and operating effectiveness of management's key internal controls related to revenue recognition.
- (2) Obtain the agreements signed between the Company and its customers, verify key contract terms including delivery and acceptance, payment and settlement, as well as exchange and return policies.
- (3) By reviewing the business registration information of customers and consulting relevant Company personnel, confirm whether there is any affiliation between the customers and the Company; understand the reasons for customer changes and contract performance, and in conjunction with the Company's direct customer business system, sample and analyze the end-user sales of products purchased from the Company by customers.
- (4) Retrieve and review the records of returns and exchanges in the Company's supply chain system to verify whether there are any significant abnormal returns or exchanges that could impact revenue recognition.
- (5) Select samples of revenue transactions recorded in 2025, verify supporting documents such as contracts, purchase orders, delivery documents, shipping documents, accounting vouchers, and periodic reconciliation letters, review the fund flow records of receipts, and perform confirmation procedures on customer sales and accounts receivables by sampling.
- (6) Perform revenue analysis by product category, taking into account market and industry trends, business expansion factors, and third-party consulting firm market data to assess the reasonableness of revenue fluctuations.
- (7) Select samples of sales revenue transactions before and after the balance sheet date, review sales contracts, invoices, shipping documents, transportation records, and accounting vouchers to assess whether revenue was recorded in the correct accounting period.

## SECTION VII. FINANCIAL REPORT

### III. Key Audit Matters *(continued)*

#### (2) Provision for Bad Debts on Accounts Receivables

For related information disclosure, please refer to Note 3.11 and Note 5.4 of the financial statements.

##### 1. Description of the Item

As of December 31, 2025, the accounts receivables balance in the company consolidated balance sheet of Livzon Group was RMB2,302.4855 million, with a bad debt provision of RMB54.1443 million, which is material to the financial statements as a whole. Since management needs to apply significant accounting estimates and judgments when assessing the expected recoverable amount of accounts receivables, failure to collect receivables on time or at all, resulting in bad debt losses, would have a material impact on the financial statements. Therefore, we have identified the provision for bad debts of accounts receivables as a key audit matter.

##### 2. Audit Response

- (1) Evaluate and test the design and operating effectiveness of key internal controls related to accounts receivables management.
- (2) Understand the basis and process for determining the expected credit loss rate, as well as the key parameters and assumptions used in the expected credit loss model, including the criteria for grouping accounts receivables based on customer credit risk characteristics and the historical migration rate data incorporated into the expected loss rate. By reviewing the information used for judgment—including verifying the accuracy of historical migration rates—assess whether the expected credit loss rate accounts for and appropriately adjusts to current economic conditions and forward-looking information, and evaluate the reasonableness of the bad debt provision estimate.
- (3) Obtain the bad debt provision schedule for accounts receivables, verify that the provision method complies with the bad debt provision policy, and recalculate the bad debt provision amount to ensure accuracy.
- (4) Analyze the ratio of the ending balance of the allowance for doubtful accounts to accounts receivables, and compare the allowance for doubtful accounts in the prior period with the actual occurrence, to assess whether the allowance for doubtful accounts is adequate.
- (5) Analyze the aging of accounts receivables and the credit status of customers, and evaluate the reasonableness of the allowance for doubtful accounts through audit procedures such as confirmations and inspection of subsequent collections.

### IV. Additional Information

The management of Livzon Group is responsible for additional information. Other information includes the information covered in the 2025 Annual Report of Livzon Group, but excludes the financial statements and our audit report.

Our audit opinion on the financial statements does not cover other information, nor do we provide any form of assurance conclusion regarding other information.

In connection with our audit of the financial statements, our responsibility is to review the other information and, in doing so, to consider whether such information is materially inconsistent with the financial statements or our audit findings, or appears to be materially misstated.

Based on the work we have performed, if we determine that there is a material misstatement in the other information, we should report that fact. In this regard, we have nothing to report.

## SECTION VII. FINANCIAL REPORT

### V. Responsibilities of Management and Governance for Financial Statements

The management of Livzon Group is responsible for preparing the financial statements in accordance with the Accounting Standards for Business Enterprises to present a true and fair view, and for designing, implementing, and maintaining necessary internal controls to ensure the financial statements are free from material misstatements caused by fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing matters related to going concern (if applicable), and applying the going concern assumption unless management plans to liquidate the Company, cease operations, or has no viable alternative.

The governance layer is responsible for overseeing the financial reporting process of the Company.

### VI. Responsibilities of the Certified Public Accountant Regarding the Financial Statement Audit

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an audit report containing our audit opinion. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when one exists. Misstatements may arise from fraud or error and are considered material if it is reasonably expected that, individually or in aggregate, they could influence the economic decisions of users made based on the financial statements.

In performing the audit in accordance with auditing standards, we apply professional judgment and maintain professional skepticism throughout the audit process. At the same time, we also perform the following tasks:

- (1) Identify and assess the risks of material misstatement in the financial statements due to fraud or error, design and implement audit procedures to address these risks, and obtain sufficient appropriate audit evidence to form the basis for the audit opinion. Because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or overriding internal controls, the risk of failing to detect a material misstatement due to fraud is higher than that due to error.
- (2) Understand the internal controls related to the audit to design appropriate audit procedures.
- (3) Assess the appropriateness of management's selection of accounting policies and the reasonableness of accounting estimates and related disclosures.

### VI. Responsibilities of the Certified Public Accountant Regarding the Financial Statement Audit *(continued)*

- (4) Conclude on the appropriateness of management's use of the going concern assumption. At the same time, based on the audit evidence obtained, we conclude whether there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, auditing standards require us to draw attention in our auditor's report to the related disclosures in the financial statements; if such disclosures are inadequate, we should issue a modified opinion. Our conclusions are based on the information available as of the audit report date. However, future events or circumstances may cause the Company to no longer be able to continue as a going concern.
- (5) Evaluate the overall presentation, structure, and content of the financial statements, and assess whether the financial statements fairly present the related transactions and events.
- (6) Obtain sufficient and appropriate audit evidence on the financial information of entities or business activities within the Livzon Group to express an opinion on the financial statements. We are responsible for directing, supervising, and executing the group audit and assume full responsibility for the audit opinion.

We communicate with those charged with governance regarding the planned scope, timing, and significant findings of the audit, including any material weaknesses in internal control identified during our audit.

We also provide those charged with governance with a statement confirming our compliance with ethical requirements related to independence. We communicate with them all relationships and other matters that could reasonably be considered to affect our independence, along with any applicable related safeguards.

From the matters communicated with those charged with governance, we determine which matters were of most significance in the audit of the current period's financial statements and therefore constitute key audit matters. We describe these matters in our auditor's report unless laws or regulations prohibit public disclosure of the matters or, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton(Special General Partnership)      Certified Public Accountant (China)      Wang Shuyan (王淑燕)  
(Project Partner)

Certified Public Accountant (China)      Wei Heng (魏姮)

China • Beijing  
March 24, 2026

# CONSOLIDATED AND COMPANY BALANCE SHEET

## II. FINANCIAL STATEMENTS

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount at the End of the Year		Amount at the Beginning of the Year	
		Consolidated	Company	Consolidated	Company
<b>Current assets:</b>					
Monetary funds	5.1	9,305,381,624.06	4,467,826,388.38	10,827,146,984.92	6,635,542,800.19
Financial assets held for trading	V.2	1,344,668,279.76	614,493,738.06	89,363,055.07	11,404,575.20
Bills receivable	V.3	1,137,537,531.35	627,714,842.99	1,313,604,720.17	673,226,891.51
Accounts receivables	V. 4	2,248,341,190.25	1,069,267,800.55	1,935,502,036.72	972,481,999.45
Receivables financing		–	–	–	–
Prepayments	V. 5	126,230,480.63	31,191,598.21	149,477,979.10	33,948,499.09
Other receivables	V. 6	56,912,974.18	150,218,710.10	34,558,694.17	343,051,410.41
Of which: Interest receivable		–	–	–	–
Dividends receivable		–	–	–	–
Inventories	V. 7	1,561,207,468.12	282,594,580.93	1,997,642,296.29	430,530,510.77
Contract assets		–	–	–	–
Held-for-sale assets		–	–	–	–
Non-current assets due within one year	V. 8	270,562,589.36	270,562,589.36	–	–
Other current assets	V. 9	67,169,409.39	443,555.11	72,684,877.86	443,555.11
<b>Total current assets</b>		<b>16,118,011,547.10</b>	<b>7,514,313,803.69</b>	<b>16,419,980,644.30</b>	<b>9,100,630,241.73</b>
<b>Non-current assets:</b>					
Debt investments		–	–	–	–
Other debt investments		–	–	–	–
Long-term receivables		–	–	–	–
Long-term equity investments	V. 10	1,078,968,804.45	5,491,088,574.24	1,056,220,316.06	4,639,108,916.39
Other equity instrument investments	V. 11	522,975,348.60	302,694,622.64	561,645,609.43	301,855,344.29
Other non-current financial assets		–	–	–	–
Investment properties	V. 12	9,084,970.71	–	9,925,854.14	–
Fixed assets	V. 13	4,054,345,129.01	64,408,829.07	4,254,805,388.16	73,100,631.48
Construction in progress	V. 14	234,180,002.38	270,028.31	257,366,336.12	270,028.31
Productive biological assets		–	–	–	–
Oil and gas assets		–	–	–	–
Right-of-use assets	V. 15	33,090,291.50	7,055,078.34	25,083,211.98	1,984,702.44
Intangible assets	V. 16	468,847,878.26	30,694,021.92	403,681,866.63	28,202,791.90
Development expenditure	V. 17	364,875,894.36	207,288,475.91	220,497,980.76	128,218,680.33
Goodwill	V. 18	124,911,302.94	–	124,911,302.94	–
Long-term deferred expenses	V. 19	159,862,729.57	5,587,580.23	175,748,366.88	7,915,196.40
Deferred income tax assets	V. 20	427,716,034.59	232,491,190.67	356,345,428.36	165,234,242.75
Other non-current assets	V. 21	388,601,515.01	112,187,311.05	589,613,391.42	332,709,154.32
<b>Total non-current assets</b>		<b>7,867,459,901.38</b>	<b>6,448,567,712.38</b>	<b>8,035,845,052.88</b>	<b>5,678,599,688.61</b>
<b>Total assets</b>		<b>23,985,471,448.48</b>	<b>13,962,881,516.07</b>	<b>24,455,825,697.18</b>	<b>14,779,229,930.34</b>

# CONSOLIDATED AND COMPANY BALANCE SHEET

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount at the End of the Year		Amount at the Beginning of the Year	
		Consolidated	Company	Consolidated	Company
<b>Current Liabilities:</b>					
Short-term loans	V. 23	2,120,000,000.00	–	2,455,000,000.00	–
Financial liabilities held for trading		418,783.64	16,116.17	8,096,946.08	–
Bills payables	V. 24	785,490,545.87	2,107,708,721.20	965,581,088.61	2,312,599,858.49
Accounts payables	V. 25	532,802,335.77	438,026,057.86	618,397,523.74	315,012,554.57
Receipts in advance					
Contract liabilities	V. 26	104,381,754.34	29,894,977.50	124,631,997.54	13,010,535.05
Employee benefits payables	V. 27	366,922,904.59	130,322,082.12	330,257,959.08	97,844,042.36
Taxes and surcharge payables	V. 28	199,427,216.06	25,649,271.33	202,697,245.73	9,610,259.20
Other payables	V. 29	2,930,288,767.84	7,621,575,449.55	2,861,381,342.08	6,637,330,323.52
Of which: Interest payable					
Dividends payable		9,017,248.88	20,174.46	9,890,041.38	20,174.46
Held-for-sale liabilities					
Non-current liabilities due within one year	V. 30	173,221,455.56	5,905,625.23	48,742,085.99	1,444,410.23
Other current liabilities	V. 31	6,799,037.11	3,886,347.07	10,642,182.94	1,677,573.27
<b>Total current liabilities</b>		<b>7,219,752,800.78</b>	<b>10,362,984,648.03</b>	<b>7,625,428,371.79</b>	<b>9,388,529,556.69</b>
<b>Non-current liabilities:</b>					
Long-term loans	V. 32	749,356,599.04	–	1,465,735,112.37	–
Bonds payables					
Leasing liabilities	V. 33	17,323,404.86	1,305,202.86	13,102,527.71	589,146.14
Long-term payables					
Long-term employee benefits payables					
Provisions					
Deferred gains	V. 34	242,158,993.30	44,280,000.00	238,422,836.35	48,790,000.00
Deferred income tax liabilities	V. 20	210,283,513.54	44,386,290.66	207,390,254.92	43,930,378.41
Other non-current liabilities					
<b>Total non-current liabilities</b>		<b>1,219,122,510.74</b>	<b>89,971,493.52</b>	<b>1,924,650,731.35</b>	<b>93,309,524.55</b>
<b>Total liabilities</b>		<b>8,438,875,311.52</b>	<b>10,452,956,141.55</b>	<b>9,550,079,103.14</b>	<b>9,481,839,081.24</b>
<b>Shareholders' equity:</b>					
Share capital	V.35	887,907,171.00	887,907,171.00	911,345,730.00	911,345,730.00
Other equity instruments					
Of which: Preferred shares					
Perpetual bonds					
Capital reserve	V.36	271,389,337.35	253,139,494.51	529,244,187.41	1,006,190,587.35
Less: treasury shares	V.37	–	–	196,616,427.46	196,616,427.46
Other comprehensive income	V.38	-9,142,282.85	189,585,762.71	112,180,366.63	195,929,818.05
Special reserve				–	–
Surplus reserve	V.39	–	539,838,100.57	744,801,154.15	539,838,100.57
Undistributed profits	V.40	12,738,196,339.64	1,640,234,545.73	11,761,379,178.60	2,840,703,040.59
Total equity attributable to shareholders of the parent company		13,888,350,565.14	3,510,705,074.52	13,862,334,189.33	5,297,390,849.10
Minority interests		1,658,749,596.82	–	1,043,412,404.71	–
<b>Total Shareholders' equity</b>		<b>15,547,100,161.96</b>	<b>3,510,705,074.52</b>	<b>14,905,746,594.04</b>	<b>5,297,390,849.10</b>
<b>Total liabilities and Shareholders' equity</b>		<b>23,985,471,448.48</b>	<b>13,962,881,516.07</b>	<b>24,455,825,697.18</b>	<b>14,779,229,930.34</b>

Chairman of the Board and Legal Representative:  
Zhu Baoguo

President:  
Liu Daping

Chief Financial Officer and Head of Accounting Department:  
Wang Sheng

# CONSOLIDATED AND COMPANY INCOME STATEMENT

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount for the Year		Amount for the Previous Year	
		Consolidated	Company	Consolidated	Company
<b>I. Operating income</b>	V. 41	12,020,349,219.61	5,562,486,537.86	11,812,338,854.68	5,474,501,557.35
Less: Operating costs	V. 41	4,099,300,682.14	4,070,307,813.72	4,081,106,956.93	3,962,875,243.11
Tax and surcharge	V. 42	154,168,489.25	25,878,406.03	142,593,270.21	23,553,795.48
Selling expenses	V. 43	3,580,896,256.87	1,498,063,297.05	3,254,638,504.70	1,241,638,354.02
Administrative expenses	V. 44	598,457,787.08	190,301,376.46	613,057,559.83	207,799,734.11
R&D expenses	V. 45	937,945,606.31	197,478,966.71	1,033,355,508.15	243,786,231.49
Finance expenses	V. 46	-212,917,056.31	-141,397,642.75	-155,890,077.89	-109,370,288.98
Of which: Interest expenses		57,205,595.79	49,181,451.34	88,606,560.78	58,700,592.11
Interest income		297,577,267.38	195,245,942.34	247,956,636.96	175,816,834.50
Add: Other income	V. 47	125,344,336.36	21,617,715.46	142,537,121.92	25,745,853.10
Investment income ("-" represents losses)	V. 48	50,069,316.29	148,116,698.89	17,386,915.58	271,929,916.03
Of which: Income from investments in associates and joint ventures		44,017,004.76	49,925,362.49	9,869,948.94	27,370,002.29
Gains on derecognition of financial assets at amortized cost ("-" represents losses)		-	-	-	-
Gains from hedging net exposure ("-" represents losses)		-	-	-	-
Gains from changes in fair value ("-" represents losses)	V. 49	17,978,301.03	3,073,046.69	-15,439,155.11	-2,261,138.32
Credit impairment loss ("-" represents losses)	V. 50	-693,083.89	-1,526,004.54	-7,216,269.16	-1,317,385.80
Asset impairment loss ("-" represents losses)	V. 51	-108,537,543.11	-79,816,034.54	-181,548,029.77	-39,534,878.75
Gains from disposal of assets ("-" represents losses)	V. 52	-537,860.57	-1,614.02	45,202,545.04	14,987.80
<b>II. Operating profit ("-" represents losses)</b>		2,946,120,920.38	-186,681,871.42	2,844,400,261.25	158,795,842.18
Add: Non-operating income	V. 53	6,295,341.04	397,666.21	5,479,200.66	5,752.21
Less: Non-operating expenditure	V. 54	90,365,716.78	80,149,897.94	43,733,194.34	29,466,581.29
<b>III. Total profit ("-" represents net losses)</b>		2,862,050,544.64	-266,434,103.15	2,806,146,267.57	129,335,013.10
Less: Income tax expenses	V. 55	451,011,210.36	-48,025,340.79	501,661,315.08	-2,539,943.73
<b>IV. Net profit ("-" represents net losses)</b>		2,411,039,334.28	-218,408,762.36	2,304,484,952.49	131,874,956.83
(1) Classified by operating continuity:					
Of which: Net profit from continuing operations ("-" represents net losses)		2,411,039,334.28	-218,408,762.36	2,304,484,952.49	131,874,956.83
Net profit from discontinued operations ("-" represents net losses)		-	-	-	-
(2) Classification by ownership:					
Of which: Net profit attributable to shareholders of the parent company ("-" represents net losses)		2,023,249,327.79	-218,408,762.36	2,061,095,803.97	131,874,956.83
Profit and loss attributable to minority interests (net loss is filled in with "-")		387,790,006.49	-	243,389,148.52	-

# CONSOLIDATED AND COMPANY INCOME STATEMENT

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount for the Year		Amount for the Previous Year	
		Consolidated	Company	Consolidated	Company
<b>V. Other comprehensive net income after taxation</b>		-131,401,873.48	-6,344,055.34	5,961,662.88	3,390,568.69
Other comprehensive net income after taxation attributable to shareholders of the parent company		-128,474,298.11	-6,344,055.34	8,838,354.94	3,390,568.69
(1) Other comprehensive income not to be reclassified into profit or loss		-44,769,993.24	-6,442,328.21	-6,641,016.43	3,041,411.39
1. Changes in remeasurement of defined benefit plans				-	-
2. Other comprehensive income not to be reclassified into profit or loss under equity method		-2,737,414.81	-2,737,414.81	-12,168,039.33	-12,168,039.33
3. Changes in fair value of other equity instrument investments		-42,032,578.43	-3,704,913.40	5,527,022.90	15,209,450.72
4. Changes in fair value of enterprise's own credit risk				-	-
5. Others				-	-
(2) Other comprehensive income to be reclassified into profit or loss		-83,704,304.87	98,272.87	15,479,371.37	349,157.30
1. Other comprehensive income to be reclassified into profit or loss under equity method		106,439.92	98,272.87	319,802.85	349,157.30
2. Changes in fair value of other debt investments		-	-	-	-
3. Amount of financial assets reclassified to other comprehensive income		-	-	-	-
4. Credit impairment provision for other debt investments		-	-	-	-
5. Cash flow hedging reserve		-	-	-	-
6. Translation difference of financial statements denominated in foreign currency		-83,810,744.79	-	15,159,568.52	-
7. Others		-	-	-	-
Other comprehensive net income after taxation attributable to minority interests		-4,567,376.42	-	-2,876,692.06	-
<b>VI. Total comprehensive income</b>		<b>2,279,637,460.80</b>	<b>-224,752,817.70</b>	<b>2,310,446,615.37</b>	<b>135,265,525.52</b>
Total comprehensive income attributable to shareholders of the parent company		1,894,775,029.68	-224,752,817.70	2,069,934,158.91	135,265,525.52
Total comprehensive income attributable to minority interests		383,222,630.07	-	240,512,456.46	-
<b>VII. Earnings per share</b>					
(1) Basic earnings per share	V. 56	2.27		2.24	-
(2) Diluted earnings per share	V. 56	2.27		2.24	-

Chairman of the Board and Legal Representative:  
Zhu Baoguo

President:  
Liu Daping

Chief Financial Officer and Head of Accounting Department:  
Wang Sheng

# CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount for the Year		Amount for the Previous Year	
		Consolidated	Company	Consolidated	Company
<b>I. Cash flow from operating activities:</b>					
Cash received from sale of goods and supply of services rendered		12,810,998,095.68	6,124,269,226.25	13,064,645,207.09	6,202,302,676.38
Refund of taxes and levies		75,314,248.75	–	76,711,005.02	–
Cash received relating to other operating activities	V. 57	455,889,021.08	702,659,178.11	425,024,910.47	247,087,918.49
<b>Subtotal of cash inflow from operating activities</b>		<b>13,342,201,365.51</b>	<b>6,826,928,404.36</b>	<b>13,566,381,122.58</b>	<b>6,449,390,594.87</b>
Cash paid for purchase of goods and services rendered		3,119,440,295.17	4,805,056,737.87	3,414,733,096.27	4,687,005,811.69
Cash paid to and on behalf of employees		1,712,885,338.56	504,929,742.68	1,663,867,071.81	494,162,423.31
Payments for various taxes and levies		1,472,070,437.19	218,710,543.21	1,530,699,198.68	256,295,849.68
Cash paid relating to other operating activities	V. 57	3,892,766,326.50	1,689,632,340.20	3,978,234,229.06	1,548,233,259.93
<b>Subtotal of cash outflow from operating activities</b>		<b>10,197,162,397.42</b>	<b>7,218,329,363.96</b>	<b>10,587,533,595.82</b>	<b>6,985,697,344.61</b>
<b>Net cash flow from operating activities</b>		<b>3,145,038,968.09</b>	<b>-391,400,959.60</b>	<b>2,978,847,526.76</b>	<b>-536,306,749.74</b>
<b>II. Cash flow from investing activities:</b>					
Cash received from disposal of investments		7,567,723,765.51	4,040,567,790.00	691,122,838.98	7,500,000.00
Cash received on investment income		33,941,437.39	105,500,765.47	16,247,044.42	793,684,880.73
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,990,528.12	1,046,628.23	1,582,924.43	49,640.00
Net cash received from disposal of subsidiaries and other operating units		–	–	–	–
Cash received relating to other investing activities	V. 57	125,249.03	–	–	–
<b>Subtotal of cash inflow from investing activities</b>		<b>7,603,780,980.05</b>	<b>4,147,115,183.70</b>	<b>708,952,807.83</b>	<b>801,234,520.73</b>
Cash payments for acquisition of fixed assets, intangible assets and other long-term assets		574,136,191.60	94,945,905.22	570,155,693.35	27,022,995.57
Cash payments for investments		8,927,728,986.15	5,562,273,977.72	794,177,833.87	961,261,200.54
Net cash paid for acquisition of subsidiaries and other operating units		–	–	–	–
Cash paid relating to other investing activities	V. 57	1,862,972,574.38	2,180,656.37	4,946,998.66	–
<b>Subtotal of cash outflow from investing activities</b>		<b>11,364,837,752.13</b>	<b>5,659,400,539.31</b>	<b>1,369,280,525.88</b>	<b>988,284,196.11</b>
<b>Net cash flow from investing activities</b>		<b>-3,761,056,772.08</b>	<b>-1,512,285,355.61</b>	<b>-660,327,718.05</b>	<b>-187,049,675.38</b>

# CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount for the Year		Amount for the Previous Year	
		Consolidated	Company	Consolidated	Company
<b>III. Cash flow from financing activities:</b>					
Cash received from investments		28,799,064.00	–	238,398,429.05	208,554,501.05
Of which: Cash received by subsidiaries from investments of minority interests		28,799,064.00	–	29,843,928.00	–
Cash received from borrowings		3,910,140,000.00	–	5,865,552,394.66	–
Cash received relating to other financing activities	V. 57	–	1,308,354,666.86	1,682,133.31	447,983,639.86
<b>Subtotal of cash inflow from financing activities</b>		<b>3,938,939,064.00</b>	<b>1,308,354,666.86</b>	<b>6,105,632,957.02</b>	<b>656,538,140.91</b>
Cash paid on repayment of debts		4,839,350,637.73	–	6,027,703,823.63	170,000,000.00
Cash paid for distribution of dividends, profit or interests		1,139,017,917.01	980,377,602.31	1,670,069,834.05	1,250,955,511.70
Of which: Dividends and profits paid to minority interests by subsidiaries		106,022,792.50	–	329,763,238.75	–
Cash paid relating to other financing activities	V. 57	623,894,050.17	586,755,473.91	893,742,356.43	861,129,980.93
<b>Subtotal of cash outflow from financing activities</b>		<b>6,602,262,604.91</b>	<b>1,567,133,076.22</b>	<b>8,591,516,014.11</b>	<b>2,282,085,492.63</b>
<b>Net cash flow from financing activities</b>		<b>-2,663,323,540.91</b>	<b>-258,778,409.36</b>	<b>-2,485,883,057.09</b>	<b>-1,625,547,351.72</b>
<b>IV. Effect of changes in foreign exchange rates on cash and cash equivalents</b>		<b>-98,113,232.03</b>	<b>-5,248,103.31</b>	<b>8,813,507.24</b>	<b>-5,783,497.65</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>-3,377,454,576.93</b>	<b>-2,167,712,827.88</b>	<b>-158,549,741.14</b>	<b>-2,354,687,274.49</b>
Add: Balance of cash and cash equivalents at the Beginning of the Period		10,817,816,661.30	6,635,539,216.26	10,976,366,402.44	8,990,226,490.75
<b>VI. Balance of cash and cash equivalents at the End of the Period</b>		<b>7,440,362,084.37</b>	<b>4,467,826,388.38</b>	<b>10,817,816,661.30</b>	<b>6,635,539,216.26</b>

Chairman of the Board and Legal Representative:  
Zhu Baoguo

President:  
Liu Daping

Chief Financial Officer and Head of Accounting Department:  
Wang Sheng

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Amount for the Year												
	Equity attributable to Shareholders' equity of the parent Company										Total Shareholders' equity		
	Share capital	Preferred Stock	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provisions		Undistributed profits	Minority interests
<b>I. Balance as at the End of the Previous Year</b> Add: Adjustment for changes in accounting policies Correction of accounting errors in prior period Consolidation of enterprises under common control Others	911,345,730.00	-	-	-	529,244,187.41	196,616,427.46	112,180,366.63	-	744,801,154.15	-	11,761,379,178.60	1,043,412,404.71	14,905,746,594.04
<b>II. Balance at the Beginning of the Year</b>	911,345,730.00	-	-	-	529,244,187.41	196,616,427.46	112,180,366.63	-	744,801,154.15	-	11,761,379,178.60	1,043,412,404.71	14,905,746,594.04
<b>III. Increase/decrease during the period</b> (* - represents decreases)	-23,438,559.00	-	-	-	-257,854,850.06	-196,616,427.46	-121,322,649.48	-	-744,801,154.15	-	976,817,161.04	615,337,192.11	641,353,567.92
(1) Total comprehensive income	-	-	-	-	-	-	-128,474,298.11	-	-	-	2,023,249,327.79	384,862,431.12	2,279,637,460.80
(2) Capital contributed and reduced by shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Common stock contributed by shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contributed by holders of other equity instruments	-	-	-	-	-	579,873,224.38	-	-	-	-	-	-	-
3. Share-based equity-settled payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Extraction during the period	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Provision to general risk reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Internal transfer within shareholders' equity	-	-	-	-	-	-	7,151,648.63	-	-	-	-	-	-
1. Transfer of capital reserve to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserve to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Make up for losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Changes in defined benefit plans transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Other comprehensive income transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
1. This period extraction	-	-	-	-	-	-	-	-	-	-	-	-	-
2. This period usage	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IV. Balance as at the End of the Year</b>	887,907,171.00	-	-	-	271,389,337.35	-	-9,142,282.85	-	-	-	12,738,196,333.64	1,658,749,596.82	15,547,100,161.96

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Unit: RMB

Prepared by: Livzon Pharmaceutical Group Inc.

Item	Amount for the Previous Year												
	Share capital	Preferred Stock	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provisions	Undistributed profits	Minority interests	Total Shareholders' equity
<b>I. Balance as at the End of the Previous Year</b>	923,938,139.00	-	-	-	1,322,498,474.23	-	143,071,567.85	-	744,801,154.15	-	10,908,185,967.49	724,207,693.32	14,766,702,996.04
Add: Adjustment for changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of accounting errors in prior period	-	-	-	-	-	-	-	-	-	-	-	-	-
Consolidation of enterprises under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>II. Balance at the Beginning of the Year</b>	923,938,139.00	-	-	-	1,322,498,474.23	-	143,071,567.85	-	744,801,154.15	-	10,908,185,967.49	724,207,693.32	14,766,702,996.04
<b>III. Increase/decrease during the period</b>	-12,592,409.00	-	-	-	-793,254,286.82	196,616,427.46	-30,891,201.22	-	-	-	853,193,211.11	319,204,711.39	139,049,598.00
(** represents decreases)													
(1) Total comprehensive income	-12,592,409.00	-	-	-	-821,565,916.38	196,616,427.46	8,838,354.94	-	-	-	2,061,095,803.97	240,512,456.46	2,310,446,615.37
(2) Capital contributed and reduced by shareholders	6,660,955.00	-	-	-	201,893,546.05	858,562,382.65	-	-	-	-	-	407,275,499.92	-623,499,252.92
1. Common stock contributed by shareholders	-	-	-	-	-	-	-	-	-	-	-	29,843,928.00	-620,163,953.60
2. Capital contributed by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based equity-settled payments	-	-	-	-	-	-	-	-	-	-	-	1,991,095.09	-3,335,299.32
4. Others	-19,253,364.00	-	-	-	-5,326,394.41	-661,945,955.19	-	-	-	-	-	375,440,476.83	-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	-	-1,247,632,149.02	-327,175,000.00	-1,574,807,149.02
1. Extraction during the period	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Provision to general risk reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Internal transfer within shareholders' equity	-	-	-	-	-	-	-39,729,556.16	-	-	-	-	-	-
1. Transfer of capital reserve to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserve to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Make up for losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Changes in defined benefit plans transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Other comprehensive income transferred to retained earnings	-	-	-	-	-	-	-39,729,556.16	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
1. This period extraction	-	-	-	-	-	-	-	-	-	-	-	-	-
2. This period usage	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	911,345,730.00	-	-	-	28,311,629.56	196,616,427.46	112,180,366.63	-	744,801,154.15	-	11,761,379,178.60	1,043,472,404.71	14,915,746,594.04
<b>IV. Balance as at the End of the Year</b>	911,345,730.00	-	-	-	529,244,187.41	196,616,427.46	112,180,366.63	-	744,801,154.15	-	11,761,379,178.60	1,043,472,404.71	14,915,746,594.04

Chairman of the Board and Legal Representative:  
Zhu Baoguo

President:  
Liu Daping

Chief Financial Officer and Head of Accounting Department:  
Wang Sheng

# STATEMENT OF CHANGES IN COMPANY SHAREHOLDERS' EQUITY

Unit: RMB

Prepared by: Livzon Pharmaceutical Group Inc.

Item	Amount for the Year							Total Shareholders' equity			
	Share capital	Preferred Stock	Perpetual bonds	Other equity instruments Others	Capital reserve	Less: treasury shares	Other comprehensive income		Special reserve	Surplus reserve	Undistributed profits
<b>I. Balance as at the End of the Previous Year</b>	911,345,730.00	-	-	-	1,006,190,387.35	196,616,427.46	195,929,818.05	-	539,838,100.57	2,840,703,040.59	5,297,390,849.10
Add: Adjustment for changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Correction of accounting errors in prior period	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
<b>II. Balance at the Beginning of the Year</b>	911,345,730.00	-	-	-	1,006,190,387.35	196,616,427.46	195,929,818.05	-	539,838,100.57	2,840,703,040.59	5,297,390,849.10
<b>III. Increase/Decrease during the period ("-" represents decreases)</b>	-23,438,559.00	-	-	-	-753,051,092.84	-196,616,427.46	-6,344,055.34	-	-	-1,200,468,494.86	-1,786,685,774.58
(1) Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-
(2) Capital contributed and reduced by shareholders	-	-	-	-	-	-	-	-	-	-	-
1. Common stock contributed by shareholders	-	-	-	-	-	-	-	-	-	-	-
2. Capital contributed by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-
3. Share-based equity-settled payments	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	-	-
1. Extraction during the period	-	-	-	-	-	-	-	-	-	-	-
2. Provision to general risk reserve	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(4) Internal transfer within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserve to share capital	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserve to share capital	-	-	-	-	-	-	-	-	-	-	-
3. Make up for losses	-	-	-	-	-	-	-	-	-	-	-
4. Changes in defined benefit plans transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-
5. Other comprehensive income transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. This period extraction	-	-	-	-	-	-	-	-	-	-	-
2. This period usage	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-
<b>IV. Balance as at the End of the Year</b>	887,907,171.00	-	-	-	253,139,494.51	-	189,585,762.71	-	539,838,100.57	1,640,234,545.73	3,510,705,074.52

# STATEMENT OF CHANGES IN COMPANY SHAREHOLDERS' EQUITY

Unit: RMB

Prepared by: Livzon Pharmaceutical Group Inc.

Item	Amount for the Previous Year							Total Shareholders' equity			
	Share capital	Preferred Stock	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income		Special reserve	Surplus reserve	Undistributed profits
I. Balance as at the End of the Previous Year	923,938,139.00	-	-	-	1,436,829,269.06	-	192,539,249.36	-	539,838,100.57	3,956,460,332.78	7,049,604,990.77
Adj.: Adjustment for changes in accounting policies											
Correction of accounting errors in prior period											
Others											
II. Balance at the Beginning of the Year	923,938,139.00	-	-	-	1,436,829,269.06	-	192,539,249.36	-	539,838,100.57	3,956,460,332.78	7,049,604,990.77
III. Increase/decrease during the period ("+" represents increases)	-12,592,409.00	-	-	-	-430,638,681.71	196,616,427.46	3,390,568.69	-	-	-1,115,757,192.19	-1,752,214,141.67
(1) Total comprehensive income	-12,592,409.00	-	-	-	-448,420,877.74	196,616,427.46	3,390,568.69	-	-	131,874,956.83	135,665,525.52
(2) Capital contributed and reduced by shareholders	6,660,955.00	-	-	-	201,893,546.05	858,562,382.65	-	-	-	-	-657,629,814.20
1. Common stock contributed by shareholders											
2. Capital contributed by holders of other equity instruments											
3. Share-based equity-settled payments											
4. Others											
(3) Profit distribution	-19,253,364.00	-	-	-	-642,692,591.19	-661,945,955.19	-	-	-	-1,247,632,149.02	-1,247,632,149.02
1. Extraction during the period											
2. Provision to general risk reserve											
3. Distribution to shareholders											
4. Others											
(4) Internal transfer within shareholders' equity											
1. Transfer of capital reserve to share capital											
2. Transfer of surplus reserve to share capital											
3. Make up for losses											
4. Changes in defined benefit plans transferred to retained earnings											
5. Other comprehensive income transferred to retained earnings											
6. Others											
(5) Special reserve											
1. This period extraction											
2. This period usage											
(6) Others											
IV. Balance as at the End of the Year	911,345,730.00	-	-	-	1,006,190,587.35	196,616,427.46	195,929,818.05	-	539,838,100.57	2,840,703,040.59	5,297,390,849.10

Chief Financial Officer and Head of Accounting Department:  
Wang Sheng

President:  
Liu Daping

Chairman of the Board and Legal Representative:  
Zhu Baoguo

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## I. BASIC INFORMATION OF THE COMPANY

In March 1992, Livzon Pharmaceutical Group Inc. (麗珠醫藥集團股份有限公司) (hereinafter referred to as the "Company") was transformed into a company limited by shares by directed placement, with seven companies namely, Macau Nam Yue (Group) Co., Ltd. (澳門南粵(集團)有限公司), Zhuhai Credit Cooperative Union (珠海市信用合作聯社), Guangdong Medicine Group Co., Ltd. (廣東省製藥工業公司), Zhuhai Medicine Corporation (珠海市醫藥總公司), Guangzhou Medicines & Health Products Imp. & Exp. Corp. (廣州醫藥保健品進出口公司), Zhuhai branch of Bank of China (中國銀行珠海市分行) and Zhuhai Guihua Employees Mutual Aid Association (珠海桂花職工互助會) as its promoters to make share contribution by converting their net assets in their original sino-foreign joint ventures with limited liability into consideration, and by directed placement from other domestic legal persons and internal staff pursuant to the approval document [1992] No. 29 issued by Zhuhai Economic System Reform Commission (珠海市經濟體制改革委員會) and the approval document [1992] No. 45 jointly issued by Joint Examination Group for Pilot Joint Stock Enterprise in Guangdong Province (廣東省企業股份制試點聯審小組) and Guangdong Economic System Reform Committee (廣東省經濟體制改革委員會).

In 1993, pursuant to Yue Zheng Jian Fa Zi [1993] No. 001 document (粵證監發字[1993] 001號文) issued by Guangdong Securities Regulatory Commission (廣東省證券監督管理委員會), Shen Ren Yin Fu Zi [1993] No.239 document (深人銀覆字[1993]第239號文) issued by Special Economic Zone branch of the People's Bank of China (中國人民銀行深圳經濟特區分行) and Zheng Jian Fa Shen Zi [1993] No. 19 document (證監發審字[1993] 19號文) issued by China Securities Regulatory Commission, the Company was listed on the Shenzhen Stock Exchange.

In 1998, the promoters of the Company, namely Zhuhai Credit Cooperative Union (珠海市信用合作聯社), Guangdong Medicine Group Co., Ltd. (廣東省製藥工業公司), Zhuhai Guihua Employees Mutual Aid Association (珠海桂花職工互助會) and Zhuhai branch of Bank of China (中國銀行珠海市分行) entered into an equity transfer agreement with China Everbright (Group) Corporation (中國光大(集團)總公司), respectively, and transferred all their shares to China Everbright (Group) Corporation (中國光大(集團)總公司). Upon completion of the transfer, China Everbright (Group) Corporation (中國光大(集團)總公司) held 38,917,518 domestic legal person shares of the Company. Macau Nam Yue (Group) Co., Ltd. (澳門南粵(集團)有限公司), the foreign promoter of the Company, entered into an equity transfer agreement with China Everbright Pharmaceutical Co., Ltd. (中國光大醫藥有限公司), and transferred all of the 18,893,448 foreign-invested legal person shares held by it to China Everbright Pharmaceutical Co., Ltd. (中國光大醫藥有限公司).

On 12 April 2002, China Everbright (Group) Corporation (中國光大(集團)總公司) entered into an equity custody agreement with Xi'an Dongsheng Group Co., Ltd. (西安東盛集團有限公司), and assigned the 38,917,518 domestic legal person shares of the Company held by it in the custody of Xi'an Dongsheng Group Co., Ltd. (西安東盛集團有限公司). On 21 December 2004, Xi'an Dongsheng Group Co., Ltd. (西安東盛集團有限公司) accepted the transfer of 38,917,518 legal person shares of the Company held by China Everbright (Group) Corporation (中國光大(集團)總公司). As at 31 December 2004, China Everbright (Group) Corporation (中國光大(集團)總公司) did not hold any share in the Company, and Xi'an Dongsheng Group Co., Ltd. (西安東盛集團有限公司) directly held 38,917,518 legal person shares of the Company, representing 12.72% of the total share capital of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## I. BASIC INFORMATION OF THE COMPANY *(continued)*

On 4 February 2005, Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司) (herein after referred to as "Joincare Group") entered into an equity transfer agreement and an equity pledge agreement with Xi'an Dongsheng Group Co., Ltd. (西安東盛集團有限公司), pursuant to which, Xi'an Dongsheng Group Co., Ltd. (西安東盛集團有限公司) directly transferred and pledged the 38,917,518 domestic legal person shares of the Company (representing 12.72% of the total share capital of the Company) to Joincare Group. On 3 August 2006, the procedures for the transfer of the 38,917,518 domestic legal person shares to Joincare Group were completed.

As at 31 December 2012, Joincare Group and its subsidiaries held a total of 140,122,590 shares of the Company through transfer agreements and direct purchase from the secondary market, representing 47.3832% of the total share capital of the Company, therefore it became the largest shareholder of the Company and had de facto control in the Company. Of which, 6,059,428 legal person shares held in the name of Guangzhou Begol Trading Holdings Limited (廣州市保科力貿易公司) did not complete the procedures for the transfer to Joincare Group.

As at 31 December 2025, the share capital of the Company was RMB887,907,171.

The place of incorporation and the head office of the Company are located in 38 Chuangye North Road, Jinwan District, Zhuhai City.

The Company is engaged in the pharmaceutical manufacturing industry.

The nature of business and principal activities of the Company and its subsidiaries: primarily engaged in the R&D, production and sale of pharmaceutical products, which covered drug preparation products, active pharmaceutical ingredients ("APIs") and intermediates as well as diagnostic reagents and equipment and also included a wide range of therapeutic fields such as gastroenterology, assisted reproduction, psychiatry and tumor immunity.

During the Reporting Period, there was no change in the principal activities of the Company.

The financial statements and notes to the financial statements of the Company were approved at the 33rd meeting of the 11th session of the Board on 24 March 2026.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## II. BASIS OF PREPARATION FOR THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the MOF and its application guidance, interpretations and the other related provisions (collectively, the "Accounting Standards for Business Enterprises"). In addition, the Company also discloses relevant financial information in accordance with the Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting (2023 Revision) issued by the CSRC.

The financial statements have been prepared on the going-concern basis.

The Company's accounting is measured on an accrual basis. Except for certain financial instruments, these financial statements are generally measured at historical cost. In case of asset impairment, the Group shall make provisions for impairment in accordance with applicable provisions.

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Company determines capitalization condition of R&D expenses and revenue recognition policies on the basis of its production and operation characteristics. Details of accounting policies are set out in Note III. 22 and Note III. 29.

### 1. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements comply with the Accounting Standards for Business Enterprises, which gave a true and complete view of the consolidated and the Company's financial position as at 31 December 2025, and the consolidated and the Company's operating results and the consolidated and the Company's cash flow and other relevant information from January 2025 to December 2025.

### 2. Accounting period

The accounting period of the Company is classified into an accounting year and an interim accounting period. An interim accounting period refers to a reporting period shorter than an accounting year. The accounting year of the Company is from 1 January to 31 December in each calendar year.

### 3. Business cycle

A business cycle of the Company consists of 12 months, which is the classification standard for the liquidity of assets and liabilities.

### 4. Functional currency

The Company and its domestic subsidiaries use RMB as their functional currency according to the primary economic environment in which they operate. The functional currency of the Company and its domestic subsidiaries is RMB. Overseas subsidiaries of the Company usually recognise HK dollar, Macau dollar, Indonesian rupiah and US dollar as their functional currencies according to the primary economic environment in which these subsidiaries operate. The Company prepares its financial statements in RMB.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 5. Methods for determining materiality criteria and basis for selection

Item	Materiality criteria
Important receivables for which provision for bad debt has been made on individual basis	The amount of individual provision accounts for more than 5% of the total amount of each category of receivables and the amount exceeds RMB50 million
Write-off of important receivables in the Period	The amount of individual write-off accounts for more than 5% of the total amount of each category of receivables and the amount exceeds RMB50 million
Important construction in progress	The budgeted investment amount of individual project accounts for more than 5% of the total consolidated assets and the amount exceeds RMB100 million
Important contract liabilities aged over one year	Contract liabilities aged over one year account for more than 10% of the total contract liabilities and the amount exceeds RMB50 million
Important accounts payable and other payables aged over one year	Accounts payable/other payables with an individual age of over one year account for more than 10% of the total accounts payable/other payables and the amount exceeds RMB50 million
Important non-wholly owned subsidiaries	One or both of the total assets, operating income and net profit (or absolute loss) of a subsidiary account for more than 10% of the corresponding items in the consolidated financial statements
Important capitalized R&D items	The closing balance of individual project accounts for more than 10% of the closing balance of development expenditure and the amount exceeds RMB100 million
Important investing activities items	Individual investment activity accounts for more than 10% of the total cash inflow or outflow related to investment activities received or paid and the amount exceeds RMB100 million
Important joint ventures or associates	The book value of long-term equity investment in individual investee accounts for more than 3% of the total consolidated net assets and the amount exceeds RMB500 million, or the investment profit or loss under the equity method of long-term equity investment accounts for more than 10% of the consolidated net profit

### 6. Accounting treatment for business combinations involving enterprises under common control and business combinations involving enterprises not under common control

#### 6.1 Business combinations involving enterprises under common control

For the business combination involving entities under common control, the assets acquired and liabilities assumed in a business combination by the combining party from the combined party are measured based on the combined party's carrying amounts in the consolidated financial statements of the ultimate controlling party as at the combination date. The difference between the carrying amount of the consideration paid for the combination and the net assets acquired is adjusted against share premium under the capital reserve, with any excess adjusted against retained earnings.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 6. Accounting treatment for business combinations involving enterprises under common control and business combinations involving enterprises not under common control *(continued)*

#### 6.1 Business combinations involving enterprises under common control *(continued)*

Business combination involving enterprises under common control and achieved in a number of transactions

In the separate financial statements, the initial investment cost will be recognised at the carrying amount of the Company's share in the combined party's net assets in the consolidated financial statements of the ultimate controlling party calculated based on the percentage of shareholding on the date of combination. The difference between the initial investment cost and the sum of the carrying amount of the investment held before the combination and the carrying amount of consideration paid for the combination at the combination date is adjusted against share premium under the capital reserve, with any excess adjusted against retained earnings.

In the consolidated financial statements, the assets acquired and liabilities assumed in a business combination by the combining party from the combined party are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party as at the combination date. The difference between sum of the carrying amount of the investment held before the combination and the carrying amount of the consideration paid for the combination at the combination date and the carrying amount of the net assets acquired is adjusted against share premium under the capital reserve, with any excess adjusted against retained earnings. For long-term equity investment held before the control over the combined party is obtained, profit or loss, other comprehensive income and other changes to equity interest attributable to the owners recognised from the later of the acquisition of the original equity interest and the date when the combining party and the combined party are placed under common control until the date of combination shall be offset against retained profit at the beginning of the period of the comparative financial statements or profit or loss of the current period respectively.

#### 6.2 Business combinations involving enterprises not under common control

For the business combinations involving enterprises not under common control, the combination cost shall be the fair value of the assets transferred, liabilities incurred or assumed, and equity securities issued by the acquirer for acquisition of control in the acquiree on the acquisition date. The assets, liabilities and contingent liabilities acquired or assumed on the date of acquisition are recognised at fair value.

Where the combination cost exceeds the fair value of the acquiree's identifiable net assets in the business combination, the difference is recognised as goodwill and is subsequently measured at cost less accumulated impairment provisions. Where the combination cost is less than the fair value of the acquiree's identifiable net assets in the business combination, the difference shall be included in profit or loss for the current period after review.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 6. Accounting treatment for business combinations involving enterprises under common control and business combinations involving enterprises not under common control *(continued)*

#### 6.2 Business combinations involving enterprises not under common control *(continued)*

Business combination involving enterprises not under common control and achieved in a number of transactions

In the separate financial statements, the initial cost of the investment is the sum of the carrying amount of the acquiree's equity investment held before the acquisition date and the additional investment cost on the acquisition date. In respect of the equity investment held prior to the acquisition date, other comprehensive income will not be recognised using equity method on the acquisition date, and such investment will be accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the investee at the time of disposal. Owners' equity recognised due to the changes of other owners' equity other than the changes of net loss and profit, other comprehensive income and profit distribution shall be transferred to profit or loss for the current period when disposed. If the equity investment held prior to the acquisition date is measured at fair value, the cumulative changes in fair value recognised in other comprehensive income shall be transferred to retained earnings for the current period when accounted for using cost method.

In the consolidated financial statements, the combination cost is the sum of consideration paid on the acquisition date and fair value of the acquiree's equity held prior to the acquisition date. The equity of the acquirees held before the acquisition date is re-measured at the fair value of the equity on the acquisition date and the differences between the fair value and the carrying amount are recognised in the investment income for the current period; in respect of any other comprehensive income attributable to the equity interest in the acquiree held prior to the acquisition date and any changes of other owners' equity shall be transferred to profit or loss for the current period on the acquisition date, except for the other comprehensive income incurred due to the changes arising from remeasuring net liabilities or net assets of defined benefit plan attributable to the investee and the other comprehensive income related to non-trading equity instrument investments originally designated as at fair value through other comprehensive income.

#### 6.3 Transaction fees attribution during the business combination

The intermediary and other relevant administrative expenses such as audit, legal service and valuation advisory for business combinations are recognised in profit or loss when incurred. Transaction costs of equity or debt securities issued as the considerations of business combination are included in the initial recognition amounts of equity or debt securities.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 7. Judgment criteria for control and preparation of consolidated financial statements

#### 7.1 Judgment criteria for control

The scope of consolidated financial statements is determined based on control. Control means the Company has exposures or rights to variable returns from its involvement with an investee and the ability to affect those returns through power over such investee. The Company will reassess when changes in relevant elements involved in the definition of control are caused by changes in relevant facts and circumstances.

In determining whether to incorporate structured entities into the scope of consolidation, the Company assesses whether it controls the structured entities based on all facts and circumstances, including the assessment of the purpose and design of the establishment of the structured entities, the identification of the types of variable returns, and whether they have assumed some or all of the variable returns through their involvement in the relevant activities.

#### 7.2 Method for preparation of the consolidated financial statements

The consolidated financial statements are based on the financial statements of the Company and its subsidiaries, and are prepared by the Company in accordance with other relevant information. In preparing the consolidation financial statements, the Company and its subsidiaries are required to apply consistent accounting policy and accounting period, significant intra-group transactions and balances shall be offset.

A subsidiary or a business acquired through a business combination involving entities under common control in the reporting period shall be included in the scope of the consolidation of the Company from the date when it is under control of the ultimate controlling party, and then its operating results and cash flows will be included in the consolidated income statement and the consolidated cash flow statement, respectively.

For a subsidiary or a business acquired through a business combination involving entities not under common control in the reporting period, its income, expenses and profits are included in the consolidated income statement, and its cash flows are included in the consolidated cash flow statement from the acquisition date to the end of the reporting date.

The shareholders' equity of the subsidiaries that are not attributable to the Company shall be presented under shareholders' equity in the consolidated balance sheet as minority interests. The portion of net profit or loss of subsidiaries for the current period attributable to minority interests is presented in the consolidated income statement under the "profit or loss of minority interest". When the amount of loss attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount shall be allocated against minority interests.

#### 7.3 Purchase of minority interests in the subsidiaries

The difference between the long-term equity investments costs acquired by the purchase of minority interests and the share of the net assets that the subsidiaries continue to calculate from the date of purchase or the date of consolidation in proportion to the new shareholding ratio, and the difference between the disposal of some equity investment without losing control over its subsidiaries and the disposal of the long-term equity investment corresponding to the share of the net assets of the subsidiaries from the date of purchase or the date of consolidation, shall be adjusted against share premium under the capital reserve in the consolidated balance sheet, with any excess adjusted against retained earnings.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 7. Judgment criteria for control and preparation of consolidated financial statements (continued)

#### 7.4 Treatment of loss of control of subsidiaries

Where the Company loses its control over the original subsidiary due to the disposal of some equity investment or other reasons, the remaining equity is re-measured at its fair value on the date when the Company loses its control. The difference between the sum of the consideration acquired due to the disposal of the equity and the fair value of the remaining equity, and the Company's share in the sum of carrying value of net assets of the original subsidiary and goodwill calculated on an on-going basis from the acquisition date based on the original shareholding proportion is recognised in the investment income for the current period when the control is lost.

Other comprehensive income in relation to the original subsidiary's equity investment shall be accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the original subsidiary when the control is lost and other changes in equity interest attributable to the owners related to the original subsidiary involving accounting for using the equity method shall be transferred to profit or loss for the current period when the control is lost.

#### 7.5 Treatment of disposal through several transactions until the loss of control of subsidiaries

Where the Company disposes of the equity interests in the subsidiary through several transactions until it loses control, and the transaction terms, conditions and economic effects satisfy one or several of the following circumstances, such several transactions shall be deemed as a basket of transactions in accounting treatment:

- ① Such transactions are entered into simultaneously or upon the consideration of the mutual impacts;
- ② No complete commercial result will be realised without such transactions as a whole;
- ③ The occurrence of one transaction depends on the occurrence of at least another transaction;
- ④ The result of an individual transaction is not economical, but it would be economical after taken into account of other transactions in the series.

In the separate financial statements, where the Company disposes of the equity investment in the subsidiary through several transactions until the loss of control, and such transactions are not regarded as "a basket of transactions", the carrying amount of the long-term equity investment involving each disposal will be carried forward, with the difference between the proceeds from the disposal and the carrying amount of the long-term equity investment involving the disposal being accounted into the investment incomes for the current period; where the transactions constitute "a basket of transactions", the difference between the consideration of each disposal and the carrying amount of the long-term equity investment involving the disposal before the loss of the control, is recognised as the other comprehensive income and will be carried forward to the profit or loss for the current period when the control is lost.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### 7. Judgment criteria for control and preparation of consolidated financial statements (continued)

#### 7.5 Treatment of disposal through several transactions until the loss of control of subsidiaries (continued)

In the consolidated financial statements, where the Company disposes of the equity investment in the subsidiary through several transactions until the loss of control, the measurement of the remaining equity interest and the accounting treatment of the losses and gains of the disposal will be made with reference to the "Treatment of loss of control of subsidiaries" as described above. For the difference between the consideration of each disposal before the loss of the control and the carrying amount of the Company's share in the net assets involving the disposal of such subsidiary calculated on an on-going basis from the acquisition date, the treatment will be made as follows:

- ① In case the transactions are "a basket of transactions", such difference is recognised as the other comprehensive income and will be carried forward to the profit or loss for the current period when the control is lost.
- ② In case the transactions are not "a basket of transactions", such difference is accounted into share premium under the capital reserve as equity, and shall not be carried forward to the profit or loss for the current period when the control is lost.

### 8. Classification of joint arrangement and accounting treatment for joint operation

A joint arrangement is an arrangement jointly controlled by two or more parties. The Company's joint arrangement is classified into the joint operation and the joint venture.

#### 8.1 Joint operation

A joint operation is a joint arrangement whereby the Company have rights and obligations to the relevant assets and liabilities.

The Company recognizes the following items in relation to its interest in a joint operation, and makes corresponding accounting treatment in accordance with relevant accounting standards:

- A. The solely-held assets, and its share of any assets held jointly;
- B. The solely-assumed liabilities, and its share of any liabilities incurred jointly;
- C. Its revenue from the sale of its share of the output arising from the joint operation;
- D. Its share of the revenue from the sale of the output by the joint operation;
- E. The solely-incurred expenses, including its share of any expenses incurred jointly.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 8. Classification of joint arrangement and accounting treatment for joint operation

(continued)

#### 8.2 Joint ventures

A joint venture is a joint arrangement whereby the Company only entitled to the net assets of the arrangement.

The Company's investment in joint ventures is accounted for using the equity method according to the rules of the long-term equity investment.

### 9. Standards for determination of cash and cash equivalents

Cash and cash equivalents of the Company include cash on hand, bank deposit readily available for payment and those investments held by the Company that are short-term (normally due in three months since the acquisition date), highly liquid, readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

### 10. Foreign currency business and translation of financial statements in foreign currency

#### 10.1 Foreign currency business

Foreign currency transactions incurred by the Company are translated to the functional currency at the spot exchange rates on the date of the transactions upon initial recognition, which is normally the median exchange rate quoted by the People's Bank of China on that day with the same below; provided that the foreign currency exchange business or the transactions involving foreign currency exchange incurred by the Company are translated to the functional currency at the actual exchange rates.

Monetary items denominated in foreign currencies are translated to functional currency at the spot exchange rate on the balance sheet date. Exchange differences arising from the differences between the spot exchange rate prevailing at the balance sheet date and those spot rates used on initial recognition or at the previous balance sheet date are recognised in profit or loss for the current period; non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the spot exchange rate on the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rate on the date the fair value is determined; the resulting exchange differences between the amounts in functional currency upon translation and in original functional currency are recognised in profit or loss or other comprehensive income for the current period based on the nature of non-monetary items.

#### 10.2 Translation of financial statements in foreign currency

At the balance sheet date, when translating the foreign currency financial statements of overseas subsidiaries, the assets and liabilities in the balance sheet are translated at the spot exchange rate at the balance sheet date; all items except for "undistributed profits" of the shareholders' equity are translated at the spot exchange rate on the transaction date.

The revenue and expenses in the income statement are translated at the spot exchange rate on the transaction date.

All items in the cash flow statement are translated at the spot exchange rate on the transaction date. The effect of exchange difference on cash is adjusted and separately presented as "Effect of changes in foreign exchange rates on cash and cash equivalents" in the cash flow statement.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### 10. Foreign currency business and translation of financial statements in foreign currency (continued)

#### 10.2 Translation of financial statements in foreign currency (continued)

The exchange differences arising from translation of the financial statements are presented as the "other comprehensive income" in the shareholders' equity of the balance sheet.

When the Group disposes of the overseas operation and loses control, the differences arising from the translation of the financial statements in foreign currency that have been presented under the shareholders' equity in the balance sheet and involving such overseas operation are carried forward to the profit or loss for the current period in whole or in the proportion of the disposal of the overseas operation.

### 11. Financial instruments

Financial instruments are contracts creating financial assets of a party and financial liabilities or equity instruments of other parties.

#### 11.1 Recognition and derecognition of financial instruments

A financial asset or financial liability is recognised when the Company becomes one of the parties under a financial instrument contract.

The financial assets will be derecognised if any of the following conditions is satisfied:

- ① The contractual right to receive the cash flow of the financial assets is terminated;
- ② The financial asset has been transferred and the transferred financial asset satisfies the following conditions of derecognition.

If the current obligation of a financial liability (or a part thereof) has been discharged, the financial liability (or that part of the financial liability) will be derecognised. When the Company (as the debtor) and the lender have signed an agreement which uses a new financial liability to replace the existing financial liability, and the contract terms of the new financial liability are substantially different with the existing financial liability, the existing financial liability shall be derecognised, and the new financial liability shall be recognised at the same time

The regular transactions of the financial assets are recognised and derecognised at the transaction date.

#### 11.2 Classification and measurement of financial assets

The Company classifies financial assets into three categories: financial assets at amortised cost; financial assets at fair value through other comprehensive income; and financial assets at fair value through profit or loss based on the business model for managing financial assets and their contractual cash flow characteristics upon initial recognition.

Financial assets are measured at fair value on initial recognition. The relevant transaction cost of financial assets at fair value through profit or loss is directly recognised in profit or loss for the current period, and that of other types of financial assets is included in the initial recognition amount. Accounts receivables arising from sales of goods or rendering services, without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Company.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 11. Financial instruments (continued)

#### 11.2 Classification and measurement of financial assets (continued)

① Financial assets at amortised cost

The Company shall classify financial assets that meet the following conditions and are not designated as financial assets at fair value through profit or loss as financial assets measured at amortised cost:

- A. The Company's business model for managing the financial assets is to collect contractual cash flow;
- B. The terms of the financial asset contract stipulate that the cash flow generated on a specific date is only the payment for principal and interest accrued on the outstanding principal.

After initial recognition, these financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets which are measured at amortised cost and not part of any hedging relationship are included in the profit and loss of the current period upon derecognition, amortisation using the effective interest method, or impairments recognition.

② Financial assets at fair value through other comprehensive income

The Company shall classify financial assets that meet the following conditions and are not designated as financial assets at fair value through profit or loss as financial assets measured at fair value through other comprehensive income:

- A. The Company's business model for managing the financial assets is both to collect contractual cash flows and to sell the financial assets;
- B. The terms of the financial asset contract stipulate that the cash flow generated on a specific date is only the payment for principal and interest accrued on the outstanding principal.

After initial recognition, these financial assets are subsequently measured at fair value. Interest, impairment losses or gains and exchange losses and gains calculated using the effective interest method are recognized in profit or loss for the current period, while other gains or losses are recognised in other comprehensive income. The cumulative profit or loss previously included in other comprehensive income will be transferred to the profit or loss for the current period upon derecognition of the financial assets.

③ Financial assets at fair value through profit or loss

In addition to the above financial assets which are measured at amortised cost or at fair value through other comprehensive income, the Company classifies all other financial assets as financial assets at fair value through profit or loss. When initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Company irrevocably designates some financial assets that should have been measured at amortised cost or at fair value through other comprehensive income as financial assets at fair value through profit or loss.

After initial recognition, these financial assets are subsequently measured at fair value, and the profits or losses (including interest and dividend income) generated from which are recognised in profit or loss for the current period, unless the financial assets are part of the hedging relationship.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 11. Financial instruments *(continued)*

#### 11.2 Classification and measurement of financial assets *(continued)*

##### ③ Financial assets at fair value through profit or loss *(continued)*

However, with respect to non-trading equity instrument investments, the Company may irrevocably designate them as financial assets measured at fair value through other comprehensive income at initial recognition. The designation is made on the basis of individual investment, and the relevant investment conforms to the definition of equity instruments from the issuer's point of view.

After initial recognition, financial assets are subsequently measured at fair value. Dividend income that meets the requirements is recognised in profit and loss, and other gains or losses and changes in fair value are recognised in other comprehensive income. When derecognised, the accumulated gains or losses previously recognised in other comprehensive income are transferred from other comprehensive income to retained earnings.

The business model of managing financial assets refers to how the Company manages financial assets to generate cash flow. The business model decides whether the source of cash flow of financial assets managed by the Company is to collect contractual cash flow, sell financial assets or both of them. Based on objective facts and the specific business objectives of financial assets management decided by key management, the Company determines the business model of financial assets management.

The Company evaluates the characteristics of the contractual cash flow of financial assets to determine whether the contractual cash flow generated by the relevant financial assets on a specific date is only to pay principal and interest accrued on the outstanding principal. Among them, principal refers to the fair value of financial assets at the time of initial recognition; interest includes the consideration of time value of money, credit risk related to the amount of outstanding principal in a specific period, and other basic borrowing risks, costs and profits. In addition, the Company evaluates the terms of the contracts that may lead to changes in the time distribution or amount of contractual cash flow of financial assets to determine whether they meet the requirements of the above contractual cash flow characteristics.

Only when the Company changes its business model of managing financial assets, all the financial assets affected shall be reclassified on the first day of the first reporting period after the business model changes, otherwise, financial assets shall not be reclassified after initial recognition.

#### 11.3 Classification and measurement of financial liabilities

On initial recognition, the Company's financial liabilities are classified into financial liabilities at fair value through profit or loss and financial liabilities at amortised cost. For financial liabilities not classified as financial liabilities at fair value through profit or loss, the relevant transaction costs are included in the initially recognised amount.

##### ① Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at fair value through profit or loss upon initial recognition. Such financial liabilities are subsequently measured at fair value, all gains and losses arising from changes in fair value and dividend and interest expenses relating to the financial liabilities are recognised in profit or loss for the current period.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 11. Financial instruments (continued)

#### 11.3 Classification and measurement of financial liabilities (continued)

② Financial liabilities at amortised cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest method; gains and losses arising from derecognition or amortisation are recognised in profit or loss for the current period.

③ Distinction between financial liabilities and equity instruments

Financial liability refers to a liability that meets one of following criteria:

- Contractual obligation to deliver cash or other financial assets to other parties.
- Under any potential adverse condition, contractual obligation to exchange financial assets or financial liabilities with other parties.
- A non-derivative contract that will or may be settled in the entity's own equity instruments for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments.
- A derivative contract that will or may be settled in the entity's own equity instruments, except for derivative instrument contracts that exchange a fixed amount of cash or another financial asset for a fixed number of the entity's own 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.

If the Company cannot unconditionally avoid fulfilling a contractual obligation by delivering cash or other financial assets, the contractual obligation meets the definition of financial liability.

If a financial instrument must or are able to be settled by the Company's own equity instrument, the Company should consider whether the Company's equity instrument used for settling such instrument is a substitute of cash or other financial assets or the residual interest in the issuer's assets that the instrument holder enjoys after deducting all of its liabilities. If the former, the instrument is the financial liability of the Company; if the latter, the instrument is the equity instrument of the Company.

#### 11.4 Derivative financial instruments and embedded derivatives

The Company's derivative financial instruments include forward foreign exchange contracts and are initially measured at fair value on the date of the derivative contract signed and are subsequently measured at fair value. A derivative with positive fair value shall be recognised as an asset, and a derivative with negative fair value shall be recognised as a liability. Any profit or loss arising from changes of fair value and not compliance with the accounting provision of hedging shall be recognised as profit or loss for current period.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 11. Financial instruments *(continued)*

#### 11.4 Derivative financial instruments and embedded derivatives *(continued)*

For the hybrid instrument which includes embedded derivatives, where the host contract is a financial asset, requirements in relation to the classification of financial assets shall apply to the hybrid instrument as a whole. Where the host contract is not a financial asset, and the hybrid instrument is not measured at fair value through the profit and loss for accounting purposes, there is no close relation between the embedded derivatives and the host contract in terms of economic features and risks, and if the instrument is subject to the same conditions as the embedded derivatives, exists independently and meets the definition of derivatives, the embedded derivatives shall be separated from the hybrid instrument and treated as separate derivative financial instruments. If it is unable to separately measure the embedded derivatives upon acquisition or on the subsequent balance sheet date, the hybrid instrument shall be entirely designated as a financial asset or financial liability at fair value through the profit and loss.

#### 11.5 Fair value of the financial instrument

The methods for determining the fair value of the financial assets or financial liabilities are set out in Note III. 12.

#### 11.6 Impairment of financial assets

The following items are subject to impairment accounting and recognition of loss allowances based on expected credit losses:

- Financial assets at amortised cost;
- Receivables and debt instruments investments that are measured at fair value through other comprehensive income;
- Contract assets as defined in the Accounting Standard for Business Enterprises No. 14 – Revenue;
- Lease receivables;
- Financial guarantee contracts, except for those measured at fair value through profit or loss, for those the transfer of financial assets does not satisfy the derecognition condition or those formed as a result of continued involvement of the transferred financial assets.

#### Measurement of expected credit loss (ECL)

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Company discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

The Company takes into account reasonable and valid information on past events, current conditions and forecasts of future economic conditions, with the risk of default as the weight, to calculate the probabilistic weighted amount of the present value of the difference between the cash flow receivable from contract and the expected cash flow to be received and recognise the expected credit loss.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 11. Financial instruments (continued)

#### 11.6 Impairment of financial assets (continued)

##### Measurement of expected credit loss (ECL) (continued)

The Company separately measures the expected credit losses of financial instruments at different stages. If the credit risk of a financial instrument does not increase significantly since the initial recognition, it would be classified in Stage 1, the Company would measure loss allowance based on the future 12-month expected credit losses. If the credit risk of a financial instrument has significantly increased since the initial recognition but not yet credit-impaired, it would be classified in Stage 2, the Company would measure loss allowance based on the lifetime expected credit losses of that instrument. If a financial instrument has credit-impaired since the initial recognition, it would be classified in Stage 3, and the Company would measure loss allowance based on the lifetime expected credit losses of that instrument.

For a financial instrument with lower credit risk on the balance sheet date, the Company assumes that its credit risk has not increased significantly since the initial recognition, and measures loss allowance based on the 12-month expected credit losses.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument. Future 12-month expected credit losses are the expected credit losses that result from all possible default events on a financial instrument within the 12 months after the balance sheet date (or the expected life of the instrument, if it is less than 12 months), and are portion of lifetime expected credit losses.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk (including the option to renew).

For the financial instruments classified in Stage 1 and Stage 2 and those with lower credit risk, the Company would measure the interest income by the book balance (that is, without deduction for impairment allowance) and the effective interest rate. For financial instruments classified in Stage 3, the Company would measure the interest income by the amortised cost (that is, book balance less impairment allowance) and the effective interest rate.

For bills receivable, accounts receivables, receivables financing, other receivables, contract assets and others, if the credit risk characteristics of a customer are significantly different from other customers in the portfolio, or if there is a significant change in the credit risk characteristics of the customer, the Company makes bad debt provision for the accounts receivables on individual basis. Except for accounts receivables for which bad debt provision is made on individual basis, the Company classifies accounts receivables into portfolios based on credit risk characteristics, and measures bad debt provision on portfolios basis.

##### Bills receivable, accounts receivables and contract assets

For bills receivable, accounts receivables and contract assets, regardless whether it has significant financing components or not, the Company has always measured its loss allowance at an amount equal to lifetime expected credit losses.

If the expected credit losses of one individual financial asset or contract assets cannot be estimated at a reasonable cost, the Company classifies bills receivable, accounts receivables and contract assets into portfolios based on credit risk characteristics, and measures expected credit losses on portfolios basis to determine portfolios by the following basis:

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 11. Financial instruments (continued)

#### 11.6 Impairment of financial assets (continued)

**Bills receivable, accounts receivables and contract assets** (continued)

- A. Bills receivable
- Bills receivable portfolio 1: Bank acceptance bills
  - Bills receivable portfolio 2: Commercial acceptance bills
- B. Accounts receivables
- Accounts receivables portfolio 1: Amount due from domestic customers
  - Accounts receivables portfolio 2: Amount due from overseas customers
  - Accounts receivables portfolio 3: Receivables of consolidated companies Contract assets
  - Contract assets portfolio: Sale of products

For bills receivable and contract assets classified into portfolios, the Company measures expected credit losses based on the risk exposures of default and lifetime expected credit losses rate with reference to the historical credit loss experience, current situation and forecasts of future economic conditions.

For accounts receivables classified into portfolios, the Company measures expected credit losses through preparing a table of concordance between the aging of accounts receivables and lifetime expected credit losses rate with reference to the historical credit loss experience, current situation and forecasts of future economic conditions. The aging of accounts receivables is calculated from the date of billing.

#### **Other receivables**

The Company classifies other receivables into certain portfolios based on credit risk characteristics, and measures expected credit losses on portfolios basis to determine portfolios by the following basis:

- Other receivables portfolio 1: Receivables of export tax refund
- Other receivables portfolio 2: Receivables of deposits under guarantee and security deposits and lease expenses
- Other receivables portfolio 3: Other receivables
- Other receivables portfolio 4: Other receivables of consolidated companies

For other receivables classified into portfolios, the Company measures expected credit losses based on the risk exposures of default and future 12-month or lifetime expected credit losses rate. For other receivables classified into portfolios by aging, the aging is calculated from the date of recognition.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 11. Financial instruments *(continued)*

#### 11.6 Impairment of financial assets *(continued)*

##### **Debt investments and other debt investments**

For debt investments and other debt investments, the Company measures expected credit losses based on the nature of investments, counterparties and various types of risk exposures and the risk exposures of default and future 12-month or lifetime expected credit losses rate.

##### **Assessment of significant increase in credit risk**

By comparing the risk of default of financial instruments occurring on the balance sheet date and on the initial recognition date, the Company determines the relative changes in risk of default over the expected life of financial instruments and assesses whether the credit risk of financial instruments have increased significantly since the initial recognition.

When determine whether credit risks have significantly increased since the initial recognition, the Company considers information that is reasonable and supportable, including forward-looking information, that is available without undue cost or effort. The information considered by the Company includes:

- Failure to make payments of principal or interest on debtors' contractually due dates;
- An actual or expected significant deterioration in a financial instrument's external or internal credit rating (if any);

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 11. Financial instruments (continued)

#### 11.6 Impairment of financial assets (continued)

##### Assessment of significant increase in credit risk (continued)

- An actual or expected significant deterioration in the operating results of debtors;
- Existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtors' abilities to repay to the Company.

Depending on the nature of the financial instruments, the Company assesses whether credit risks have significantly increased on either an individual financial instrument basis or a collective financial instrument basis. When the assessment is performed on a collective financial instrument basis, the Company can classify the financial instruments based on the shared credit risk characteristics, such as past due information and credit risk ratings.

The Company determines that the credit risk on a financial instrument has increased significantly if it is more than 30 days past due.

##### Credit-impaired financial assets

The Company assesses whether financial assets at amortised cost and debt investments at fair value through other comprehensive income are credit-impaired on balance sheet date. A financial asset is credit-impaired when one or more events that have an adverse impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable information:

- significant financial difficulty of the issuer or debtor;
- a breach of contract by debtor, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the debtor's financial difficulty, the Company having granted to the debtor a concession that would not otherwise consider;
- it is probable that the debtor will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties of the issuer or debtor.

##### Presentation of allowance for ECL

The Company remeasures the ECLs on each balance sheet date to reflect changes in the financial instruments' credit risk since initial recognition, and the increase or reversal of the loss allowance resulted therefrom is recognised as an impairment gain or loss in profit or loss for the current period. For financial assets at amortised cost, the loss allowance is offset against their carrying amounts in the balance sheet. For debt investments at fair value through other comprehensive income, the Company recognises the loss allowance in other comprehensive income and does not deduct the carrying amount of the financial assets.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 11. Financial instruments *(continued)*

#### 11.6 Impairment of financial assets *(continued)*

##### Write-off

The book balance of the carrying amount of a financial asset will be written off to the extent that there is no realistic prospect of recovery of contractual cash flows of the financial asset by the Company (either partially or in full). A write-off constitutes a derecognition of the relevant financial asset. This is generally the case the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Subsequent recovery of an asset that was previously written off is recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

#### 11.7 Transfer of financial assets

Transfer of financial assets refers to the transfer or delivery of financial assets to the other party (the transferee) other than the issuer of financial assets.

The Company derecognises a financial asset only if it transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; the Company should not derecognise a financial asset if it retains substantially all the risks and rewards of ownership of the financial asset.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it shall be treated as follows: if the Company has forgone control over the financial asset, it should derecognise the financial asset and recognise the assets and liabilities generated; if the Company retains its control over the financial asset, it should recognise the financial asset to the extent of its continuing involvement in the transferred financial asset and recognise the relevant liability accordingly.

#### 11.8 Offsetting financial assets and financial liabilities

When the Company has the legal right to offset recognised financial assets and financial liabilities, and the legal right can be executed at present, and the Company has a plan to settle by net amount or to realize the financial assets and repay the financial liabilities at the same time, the financial assets and financial liabilities will be offset and the net amount will be presented in the balance sheet. Otherwise, the financial assets and financial liabilities shall be presented separately in the balance sheet and cannot be offset.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 12. Fair value measurement

The fair value is defined as 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.

The Company measures the relevant asset or liability at fair value assuming the orderly transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability. In the absence of such a principal market, the Company assumes that the transaction takes place at the most advantageous market for the relevant asset or liability. A principal market (or the most advantageous market) is the transaction market that the Company can enter into at the measurement date. The Company adopts the same hypothesis which would be used by the market participants in asset or liability pricing to maximize their economic benefit.

If there is an active market for the financial asset or financial liability, the Company uses the quotation on the active market as its fair value. For financial instrument without an active market, the Company uses valuation technique to recognise its fair value. However, under limited circumstances, the Company may use all information about the results and operation of the investee obtained after the date of initial recognition to determine whether the cost represents its fair value. Cost may represent the best estimate of fair value of the relevant financial asset within the scope of distribution, and such cost represents the appropriate estimate of fair value within the scope of distribution.

For non-financial assets measured at fair value, the Company takes into account a market participant's ability to generate economic benefits by using the asset in its best use or by selling it to another market participant that would use the asset in its best use.

The Company uses the valuation techniques that are appropriate in the circumstances and for which sufficient data and other information available, and maximizes the use of relevant observable inputs, while unobservable inputs will be used only when the observable inputs cannot or impracticable to be obtained.

For the assets and liabilities measured or disclosed at fair value in the financial statements, fair value hierarchies are categorized into three levels based on the lowest level inputs that are significant to the entire fair value measurement: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities 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.

At each balance sheet date, the Company re-assesses the assets and liabilities measured at fair value on continuing basis recognised in the financial statements to determine whether any transfer occurs between fair value hierarchies.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 13. Inventories

#### 13.1 Classification of inventories

The Company's inventories include, among others, raw materials, packaging materials, work in progress, finished goods, subcontracting materials and low-value consumables.

#### 13.2 Method of costing for inventory acquisition and distribution

Inventories are measured at actual cost on acquisition. Cost of inventories comprises actual costs of purchase and which incurred in bringing the inventories to their present location and condition. Cost of distribution of inventories is calculated using the weighted average cost method. Low-value consumables and packaging materials are amortised in full upon the use.

#### 13.3 The underlying factors in the determination and the basis of provision for diminution in value of inventories

On the balance sheet date, the inventories are calculated at the lower of cost and the net realisable value. When the net realisable value is lower than the cost, the provision for diminution in value of inventories is made.

Net realisable value is the estimated selling price less the estimated costs of completion, selling expenses and related taxes. The net realisable value of inventories is determined based on objective evidence, and consideration will be given to the purpose of holding the inventories and the effects of the events after balance sheet date.

The Company usually makes provision for diminution in value of inventories on an item-by-item basis. For large volume inventories with low unit price, the provision for diminution in value of inventories is made by categories.

At the balance sheet date, if the factors that previously give rise to the write-down of inventories no longer exist, the provision for diminution in value of inventories should be reversed within the amount of the provision that has been made.

#### 13.4 Inventory system

The Company maintains a perpetual inventory system.

#### 13.5 Amortisation methods for low-value consumables

Low-value consumables of the Company are amortised in full when used.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 14. Assets held for sale and discontinued operations

#### 14.1 Standards for determination and accounting treatment for non-current assets or the disposal group classified as held for sale

Non-current assets and disposal groups are classified as held for sale if the Company recovers its book value mainly by selling (including the exchange of non-monetary assets with commercial substance) rather than continuing to use it.

The aforesaid non-current assets do not include investment property subsequently measured with the basis of fair value; the biological assets measured with the basis of fair value less selling costs; the assets formed by employee benefits; financial assets and deferred income tax assets and the right arising from insurance contracts.

A disposal group is a group of assets to be disposed through sale or other means as a whole in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. In certain circumstance, disposal groups include the goodwill obtained through business combination.

Non-current assets and disposal groups that meet the following conditions are classified as held for sale: according to the practice of disposing of this type of assets or disposal groups in a similar transaction, a non-current asset or disposal group is available for immediate sale at its present condition; the sale is likely to occur, that is, a decision has been made on a sale plan and a determined purchase commitment is made, and the sale is expected to be completed within one year. Where the loss of control over the subsidiaries is due to the sales of investment in subsidiaries, no matter whether the Company retains part of the equity investment after selling or not, the investment in subsidiaries shall be classified as held for sale in the separate financial statements when it satisfies the conditions for category of held for sale; all assets and liabilities of subsidiaries shall be classified as held for sale in the consolidated financial statements.

The difference between carrying amount of non-current assets or disposal groups classified as held for sale and the net amount of fair value less selling costs shall be recognised as impairment loss on assets upon initial measurement or when such non-current assets or disposal groups are remeasured at the balance sheet date. For the amount of impairment loss on assets recognised in disposal groups, the carrying amount of disposal groups' goodwill shall be offset against first, and then offset against the carrying amount of non-current assets according to the proportion of carrying amount of the individual non-current assets in the disposal groups.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 14. Assets held for sale and discontinued operations (continued)

#### 14.1 Standards for determination and accounting treatment for non-current assets or the disposal group classified as held for sale (continued)

If on a subsequent balance sheet date, the net amount of the fair value of a held-for-sale non-current asset or disposal group less its selling costs increases, the amount reduced previously shall be recovered, and reversed in the asset impairment loss recognised on the non-current asset after the non-current asset is classified into held-for-sale category. The reversed amount is recognised in current profit or loss. The carrying value of goodwill which has been offset cannot be reversed.

No depreciation or amortisation is provided for the non-current assets in the held-for-sale and the assets in the disposal group held for sale. The interest on the liabilities and other costs in the disposal group held for sale is recognised continuously. As far as all or part of investment in the associates and joint ventures is concerned, for the part classified into the held-for-sale category, the accounting with equity method shall be ceased, while the remaining part (which is not classified into the held-for-sale category) shall still be accounted for using the equity method. When the Company loses the significant influence on the associates and joint venture due to the sale, the use of equity method shall be ceased.

When certain non-current asset or disposal group classified into the held-for-sale category no longer meets the classification criteria for held-for-sale category, the Company shall stop classifying it into the held-for-sale category and measure it according to the lower of the following two amounts:

- ① The carrying amount of the asset of disposal group before it was classified into the held-for-sale category after being adjusted with the depreciation, amortisation or impairment that could have been recognized if it was not classified into the held-for-sale category;
- ② The recoverable amount.

#### 14.2 Recognition standards of discontinued operation

Discontinued operation refers to the component meeting one of the following conditions that has been disposed of by the Company or classified by the Company into the held-for-sale type and can be identified separately:

- ① The component represents an independent principal business or a separate principal business place.
- ② The component is a part of the related plan for the contemplated disposal of an independent principal business or a separate principal business place.
- ③ The component is a subsidiary acquired exclusively for the purpose of resale.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 14. Assets held for sale and discontinued operations *(continued)*

#### 14.3 Presentation

The Company presents the non-current assets held for sale and the assets in the disposal group held for sale under “assets classified as held for sale”, and the liabilities in the disposal group held for sale under “liabilities classified as held for sale” in the balance sheet.

The Company presents the profit and loss for continuing operation and profit and loss for discontinued operation in the income statement, respectively. The impairment loss and reversal amount and disposal profit and loss of the non-current assets held for sale or disposal group not meeting the definition of discontinued operation will be presented as the profit and loss of continuing operation. The operating profit and loss (such as impairment loss and reversal amount) and disposal profit and loss of the discontinued operation will be presented as the profit and loss of the discontinued operation.

The disposal group proposed for retirement rather than sale and meeting the condition about the relevant component in the definition of the discontinued operation will be presented as discontinued operation from the date of retirement.

For the discontinued operation reported in the current period, the information formerly presented as profit and loss of continuing operation will be presented as the profit and loss of discontinued operation for the comparable accounting period in the financial statement of the current period. If the discontinued operation no longer meets the classification criteria for held-for-sale category, the information formerly presented as profit and loss of discontinued operation will be presented as the profit and loss of continuing operation for the comparable accounting period in the financial statement of the current period.

### 15. Long-term equity investment

The long-term equity investment includes the equity investment in the subsidiary, joint ventures and associates. The investee over which the Company has significant influence is the associates of the Company.

#### 15.1 Determination of initial investment cost

The long-term equity investment resulting from corporate merger: For the long-term equity investment resulting from merger of companies under the same control, the carrying amount of the ownership equity of the merged party obtained on the merger date presented in the consolidated financial statement of the final controlling party will be used as the investment cost. For the long-term equity investment resulting from merger of companies under different controls, the merger cost will be used as the investment cost of the long-term equity investment.

The long-term equity investment obtained by other means: For the long-term equity investment obtained by paying cash, the actually paid purchase price will be used as the initial investment cost. For the long-term equity investment obtained by issuing equity securities, the fair value of the issued equity securities will be used as the initial investment cost.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 15. Long-term equity investment (continued)

#### 15.2 Subsequent measurement and recognition method of profit or loss

The investment in subsidiary will be accounted for using cost method, unless the investment meets the criteria of held-for-sale category. The investment in associates and joint venture will be accounted with equity method.

For the long-term equity investment accounted for using cost method, except for the price actually paid upon the investment or the cash dividend or profit in the consideration that has been declared but not released, the cash dividend or profit declared and distributed by the investee is recognised as the investment income and recorded into the profit and loss for the current period.

For the long-term equity investment accounted for using equity method, the investment cost of the long-term equity investment shall not be adjusted if the initial investment cost of the long-term equity investment is higher than the Company's share in the fair value of the identifiable net value of the investee at the time of investment; if the initial investment cost of the long-term equity investment is lower than the Company's share in the fair value of the identifiable net value of the investee at the time of investment, the carrying amount of the long-term equity investment will be adjusted, with the difference recorded into the profit and loss for the current period of investment.

When accounted for using the equity method, return on investment and other comprehensive income are recognised according to the share in the investee's realised net profit or loss and other comprehensive income respectively, and the carrying amount of the long-term equity investment is adjusted. The carrying amount of the long-term equity investment will be deducted according to the profit distribution declared by the investee or cash dividend attributable to the Company. The carrying amount of long-term equity investment will be adjusted for changes to equity interest attributable to the owners of the investee other than net profit or loss, other comprehensive income and profit distribution, and recorded into capital reserve (other capital reserve). The Company's share of the net profit or loss of the investees will be recognised after adjustment of the net profit of the investees according to the accounting policy and accounting period of the Company on the basis of fair value of all identifiable assets of the investee on acquisition.

If the Company is able to exert significant influence or implement joint control (which does not constitute control) on the investee through additional investment or other reason, the sum of the fair value of the original equity plus the additional investment cost will be used as the initial investment cost, which will be accounted for with equity method, on the conversion date. If the original equity has been classified as non-trading equity instrument investments measured at fair value through other comprehensive income, the related accumulated change of fair value originally recorded into other comprehensive income will be transferred into the retained earnings when accounted for using equity method.

If an entity loses joint control or has no significant influence over investees due to the elimination of parts of the equity investment, the surplus equity after disposal shall be recognised in accordance with "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", and the difference between fair value and carrying amount should be recognised as profit or loss for current period. Other comprehensive income of original equity investment recognised under equity method shall be recognised in accordance with the same foundation used by the investees when dispose the relevant assets or liabilities directly in the termination of equity method. Other changes of owners' equity related to the original equity investment shall be transferred into profit or loss for current period.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 15. Long-term equity investment *(continued)*

#### 15.2 Subsequent measurement and recognition method of profit or loss *(continued)*

If an entity loses control over investees due to the elimination of parts of the equity investment, the surplus owners' equity that is able to implement joint control or have significant influence over investees shall be measured at equity method and is deemed to be adjusted under equity method since the acquisition date. The surplus owners' equity that is unable to implement joint control or have no significant influence over investees shall be processed in accordance with "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", and the difference between fair value and carrying amount at the day of loss of control shall be recognised as profit or loss for current period.

If the shareholding ratio of the Company is reduced due to the increase of capital of other investors, and thus the control is lost, but the joint control or significant influence can be exerted on the investee, the Company should recognise the net assets increased due to the capital increase of the investee according to the new shareholding ratio. The difference between the original book value of the long-term equity investment corresponding to the decrease in the shareholding ratio should be included in the current profit and loss; then, according to the new shareholding ratio, the investment shall be deemed to be adjusted under equity method since the acquisition date.

The Company recognises the unrealized profit or loss of intra-transaction with associates and joint ventures that belongs to itself according to the percentage of shareholding and recognises the investment gains or losses after offset. However, the loss arising from the unrealized intra-transaction between the Company and investees, which belongs to the impairment loss of assets transferred, cannot be offset.

#### 15.3 Basis of determining common control and significant influence on the investee

Joint control is the contractually agreed sharing of control over an arrangement under which the decisions relating to any activity require the unanimous consent of the parties sharing control. In determining whether there is a joint control, the first judge is to determine whether the relevant arrangement is controlled collectively by all the parties involved or the group of the parties involved and then determine whether the decisions of the relevant activities related to the arrangement should require the unanimous consent of the parties involved. If the parties involved or the group of the parties involved must act consistently to determine the relevant arrangement, it is considered that the parties involved or the group of the parties involved control the arrangement. If two or more parties involve in the collective control of certain arrangement, it shall not be considered as joint control. Protection of rights shall not be considered in determining whether there is joint control.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 15. Long-term equity investment (continued)

#### 15.3 Basis of determining common control and significant influence on the investee (continued)

Significant influence refers to the power to participate in the decision-making process for financial and operational policies of the investees without control or common control over the formulation of such policies. When determining whether it has significant influence over the investee, the influence of the voting shares of the investee held by the investor directly or indirectly and the potential voting rights held by the investor and other parties which are exercisable in the current period and converted to the equity of the investee, including the warrants, stock options and convertible bonds that are issued by the investee and can be converted in the current period, shall be taken into account.

#### 15.4 Held-for-sale equity investment

Refer to Note III. 14 for the relevant accounting treatment of the equity investment to associates or joint ventures all or partially classified as assets held for sale.

The surplus equity investments that are not classified as assets held for sale shall be accounted for using equity method.

The equity investment to associates or joint ventures already classified as held for sale, if no longer meets the conditions of assets held for sale, shall be adjusted retroactively using equity method from the date of being classified as assets held for sale.

#### 15.5 Methods for impairment test and impairment provision

Refer to Note III. 23 for investment to subsidiaries, associates and joint ventures and the methods for impairment provision of assets.

### 16. Investment properties

Investment properties are properties held to earn rental or capital appreciation or both. The investment properties of the Company include land use rights that have already been leased out, land use rights that are held for the purpose of sale after capital appreciation, and buildings that have already been leased out, etc.

Investment properties of the Company are measured initially at cost upon acquisition, and subject to depreciation or amortisation in the relevant periods according to the relevant provisions on fixed assets or intangible assets.

The Company adopts the cost model for subsequent measurement of the investment properties. The method for asset impairment provision is set out in Note III. 23.

The balance after the disposal income from the disposal, transfer, retirement or damage of the investment

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 17. Fixed assets

#### 17.1 Conditions for recognition of fixed assets

The Company's fixed assets represent the tangible assets held by the Company for using in the production of goods, rendering of services, leasing out or for operation and administrative purposes with useful life over one accounting year.

The fixed asset can be recognised only when it is probable that the related economic benefits will flow to the entity and the cost of the fixed asset can be reliably measured.

The Company's fixed assets are initially measured at the actual cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the related economic benefits will flow to the Company and the related cost can be reliably measured. The daily repair costs of fixed assets that do not meet the recognition criteria of subsequent expenditures of fixed assets are recorded in the profit or loss for the current period or included in the cost of the relevant assets according to beneficiaries when incurred. The carrying amount of the replaced part is derecognised.

#### 17.2 Depreciation methods of fixed assets

Fixed assets are depreciated using the equal annual instalment method. Fixed assets start to be depreciated when the assets are ready for their intended use and stop to be depreciated when the assets are derecognised or classified as held-for-sale non-current assets. For those fixed assets without considering impairment provision, the Company's annual depreciation rates are shown as follows according to the category, expected useful lives and estimated net residual values rates:

Category	Useful life (year)	Residual rate %	Annual depreciation rate %
Properties and buildings	20	5-10	4.75-4.5
Machine and equipment	10	5-10	9.5-9
Transportation equipment	5	5-10	19-18
Electric equipment and others	5	5-10	19-18

Where, for the fixed assets for which depreciation provision is made, to determine the depreciation rate, the accumulated amount of the fixed asset depreciation provision that has been made shall be deducted.

#### 17.3 Refer to Note III. 23 for the impairment testing and the impairment provision of fixed assets.

#### 17.4 The Company reviews the useful life and estimated net residual value of fixed asset and the depreciation method applied annually at each of the year end.

The useful lives of fixed asset are adjusted if their expected useful lives are different from the original estimates; the estimated net residual values are adjusted if they are different from the original estimates.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 17. Fixed assets (continued)

#### 17.5 Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposal on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

### 18. Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises necessary project expenditure incurred during construction, borrowing cost that are eligible for capitalization and other necessary cost incurred to bring the fixed assets ready for their intended use.

Construction in progress is transferred to fixed assets when the assets are ready for their intended use. The standards for transfer of construction in progress of the Company to fixed assets are as follows:

Category	Standards for transfer to fixed assets
Properties and buildings	(1) the main construction works and ancillary works have been substantially completed; (2) the construction project meets the pre-determined design requirements and it has been inspected and accepted by survey, design, construction, supervision and other entities; (3) they have been inspected and accepted by departments such as fire protection department, land and resources department, planning department; (4) they have passed the on-site GMP inspection and received the certificate of GMP compliance inspection if they are subject to GMP certification; (5) if the construction projects reach the expected usable state but has not yet completed the final account, they will be transferred to fixed assets at the estimated value based on the actual cost of construction from the date when they reach the expected usable state.
Production and ancillary equipment subject to installation and commissioning	(1) the relevant equipments and other ancillary facilities have been installed; (2) the equipments can maintain a normal and stable operation over a period of time after commissioning; (3) production equipments are able to steadily produce qualified products over a period of time; (4) the equipments have been inspected and accepted by asset management personnel and users; (5) they have passed GMP on-site inspection and received the certificate of GMP compliance inspection if they are subject to GMP certification.

For provision for impairment of construction in progress, refer to Note III. 23.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 19. Borrowing costs

#### 19.1 Recognition principle of capitalization of borrowing costs

For borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, they shall be capitalized and included in the cost of related assets; other borrowing costs are recognised as expenses and included in profit or loss for the current period when incurred. Capitalization of such borrowing costs can commence only when all of the following conditions are satisfied:

- ① Expenditures for the asset incurred, capital expenditure includes the expenditure in the form of cash payment, transfer of non-cash assets or the interest-bearing liabilities for the purpose of acquiring, constructing or producing assets eligible for capitalization;
- ② Borrowing costs incurred;
- ③ Activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

#### 19.2 Capitalization period of borrowing costs

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The borrowing cost incurred after that is recognised as an expense to the extent that occurred and included in profit or loss for the current period.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months; the borrowing costs in the normally interrupted period continue to be capitalized.

#### 19.3 Calculation of the capitalization rate and amount of borrowing costs

The interest expense of the specific borrowings incurred at the current period, deducting any interest income earned from depositing the unused specific borrowings in bank or the investment income arising from temporary investment, shall be capitalized. The capitalization amount is determined by multiplying the weighted average of the excess amount of cumulative expenditures on the asset over the amount specific borrowings by the capitalization rate of the general borrowings used. The capitalization rate of the general borrowing is determined on the basis of the weighted average effective interest rate of general borrowings.

During the capitalization period, the exchange differences on foreign currency special borrowings shall be capitalized; the exchange differences on foreign currency general borrowings shall be recognised as current profits or losses.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 20. Biological assets

#### 20.1 Determination of biological assets

Biological assets refer to assets comprising living animals and plants. No biological asset shall be recognised unless it meets the conditions as follows simultaneously:

- ① An enterprise possesses or controls the biological asset as a result of past transaction or event;
- ② The economic benefits or service potential concerning this biological asset are likely to flow into the enterprise;
- ③ The cost of this biological asset can be measured reliably.

#### 20.2 Classification of biological assets

The Company's biological assets are consumable biological assets which include traditional Chinese medical herbal plant species.

The consumable biological assets refer to the biological assets held for sale, or biological assets to be harvested as agricultural products in the future, consisting of growing traditional Chinese medical herbal plant species. The consumable biological asset is initially measured at cost. The cost of any consumable biological asset by way of self-planting, cultivating, propagating or breeding is the necessary cost directly attributable to this asset prior to the harvest, consisting of borrowing costs that meet the conditions of capitalization. The subsequent expenses for the maintenance, protection and raising of a consumable biological asset after the harvest shall be included in the profits or loss for the current period.

The cost of a consumable biological asset shall, at the time of harvest or sale, be carried forward at its book value by the weighted average method.

#### 20.3 Impairment of biological assets

If the net realizable value of a consumable biological asset is lower than its carrying amount, provision of impairment loss is made and recognised in the profit or loss for the current period as the excess of the carrying amount over the net realizable value. If the factors affecting the impairment of the consumable biological asset no longer exist, the amount of write-down shall be resumed and shall be reversed from the original provision for the impairment loss before being recognised in the profit or loss for the current period.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 21. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the enterprise. An intangible asset is recognised only when all of the following conditions are satisfied:

- ① It is probable that the economic benefits associated with the intangible assets will flow to the enterprise;
- ② The cost of the intangible asset can be reliably measured.

Intangible assets are initially measured at actual cost.

- ① Where the payment for acquisition of an intangible asset is postponed beyond the normal credit terms, which substantially constitutes a financing transaction, the present value of the purchase price will be recognised as the cost of intangible assets.
- ② The intangible assets acquired from debtor under debt restructuring are stated at the fair value, and the difference between the carrying amount of the restructured debt and the fair value of the intangible assets acquired from debtor under debt restructuring is recognised in the profit or loss for the current period. For non-monetary assets exchange with commercial substance, if the fair value of the assets received or transferred can be reliably measured, the intangible assets received in the exchange of non-monetary assets shall normally be stated at the fair value of the assets transferred, unless there is objective evidence indicating that the fair value of the assets received is more reliable; for the exchange of non-monetary assets that does not meet the above conditions, the cost of intangible assets received is recognised at the carrying amount of the assets transferred with the relevant taxes, hence no gains or losses shall be recognised.
- ③ The intangible assets acquired in the business combinations under common control are stated at the carrying amount of the intangible assets of the acquiree. The intangible assets acquired in the business combinations not under common control are recognised at its fair value.

The Company shall make judgement to determine the useful life of intangible assets upon acquisition based on its analysis. For intangible assets with finite useful life, the useful life shall be estimated from its length of service, its output in the future or other similar factors involved. When there is no foreseeable limit to the period over which an intangible asset is expected to generate economic benefits for the enterprise, it is regarded as having an indefinite useful life.

Amortisation of intangible assets: intangible assets with finite useful life are amortised in the profit or loss using the straight-line method over the estimated useful life. An intangible asset with indefinite useful life is not amortised. The useful life for an intangible asset with a finite useful life and the method of amortisation are reviewed by the Company at least once at the end of each financial year. If the useful life and amortisation method for the intangible assets are different from the previous estimate, the change of amortisation is recognised prospectively.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 21. Intangible assets (continued)

Amortisation of intangible assets with finite useful life is as follows:

Category	Useful life	Basis for determining useful life	Amortisation	Notes
Land use rights	50-56 years	Registration Term and Estimated Useful Life of the Land Use Right Certificate	Equal annual instalment method	
Patent and technical know-how	1-10 years	The shorter of the expected period of benefits and the patent validity period	Equal annual instalment method	
Software	2-5 years	Expected period of benefits	Equal annual instalment method	
Trademark rights	5 years	The shorter of the expected period of benefits and the trademark validity period	Equal annual instalment method	
Others	10 years	Expected period of benefits	Equal annual instalment method	

When it is estimated that an intangible asset can no longer bring future economic benefits to the enterprise on the balance sheet date, the carrying amount of the intangible asset should be reversed to the profit or loss for the current period.

Please refer to Note III. 23 for the provision of impairment of intangible assets.

### 22. Research and development expenditure

The Company's research and development expenses are expenses directly related to the Company's research and development activities, including the compensation of research and development employee, direct investment expenses, depreciation expenses and long-term deferred expenses, equipment commissioning expenses, amortisation expenses of intangible asset, outsourced external research and development expenses, clinical trial expenses, other expenses, etc. Shared equipment, production lines and sites for research and development activities and other production and operation activities are included in research and development expenses according to the allocation of the proportion of working hours and area.

Expenditures on an internal research and development project are classified into expenditures on the research phase and expenditures on the development phase.

Expenditures on the research phase refer to the costs incurred for original, exploratory and planned researches with the prospect of gaining new scientific or technical knowledge and understanding to collect data and prepare for further development activities. There is great uncertainty as to whether research in progress can move onto development phase and whether intangible assets can be created at the end of the development phase. Expenditures on the research phase shall be recognised in the profit or loss for the current period when incurred.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 22. Research and development expenditure *(continued)*

Expenditures on the development phase refer to the cost incurred for applying research findings or other knowledge to a plan or design to produce new materials, devices, products or make substantial improvement thereof before the commercial production or use. In the development phase, facilitating by the works conducted during the research phase, the Company shall be capable to demonstrate the feasibility of creating new products or new technologies. Expenditures on the development phase will be capitalized only when all of the following conditions are satisfied: it is technically feasible to complete the intangible asset so that it will be available for use or sale; the Company intends to complete the intangible asset and use or sell it; it can be demonstrated how the intangible asset will generate economic benefits, including proving that the intangible assets or the products produced by it will have markets, or the intangible assets for internal use will be useful; there are adequate technical, financial and other resources to complete the development and the Company is able to use or sell the intangible assets; and expenditures on the development phase attributable to the intangible assets can be reliably measured. The development expenditures that do not satisfy the above conditions shall be recognised in the profit or loss for the current period.

Capitalised expenditures on the development phase are shown as development expenditures in the balance sheet and reclassified as intangible assets on the date the project meets the intended purpose.

Capitalisation conditions for specific research and development projects are as follows: upon obtaining relevant approvals, such as the "Clinical Test Approval (臨床試驗批件)", "Drug Registration Approval (藥品註冊批件)" obtained in accordance with the Provisions for Drug Registration 《(藥品註冊管理辦法)》 promulgated by the State Food and Drug Administration or approvals issued by international drug administration institutions, or satisfying the conditions of pilot in research and development projects, after considering both the research and development process of the pharmaceutical industry and the Company's own research and development features, the expenses occurred after obtaining such approval or commencing the pilot may be capitalized as research and development expenses provided that the conditions for development are satisfied according to the Company's assessment; the remaining research and development expenditures will be charged to research and development expenses; and the purchase price of any production technology or formulation acquired externally is recognised as development expenses and any project requiring further research and development is recognised according to the standards as mentioned above.

Where it is impossible to differentiate the expenditures on the research phase and the expenditures on the development phase, all the research and development expenditures are recognised in the profit or loss for the current period.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 23. Impairment of assets

The impairment of the long-term equity investments in subsidiaries, associates and joint ventures, investment properties subsequently measured at cost, fixed assets, construction in progress, right-of-use assets, intangible assets, goodwill, etc. (excluding inventories, deferred income tax assets and financial assets) is determined as follows:

On the balance sheet date, the Company determines whether there may be indication of impairment of assets, if there is any indication of impairment, the Company will estimate the recoverable amount for impairment test. For goodwill arising from a business combination, intangible assets with indefinite useful life and the intangible assets that are not yet ready for use are tested for impairment annually regardless of whether such indication exists.

The recoverable amount of an asset is determined by the higher amount of its fair value less disposal costs and the present value of future cash flows expected to be derived from the assets. The Company estimates the recoverable amount based on individual asset; for an individual asset which is difficult to estimate the recoverable amount, the Company shall determine the recoverable amount of the asset group to which the asset belongs. The determination of an asset group is based on whether major cash inflows generated by the asset group are independent of the cash inflows from other assets or asset groups.

When the asset or asset group's recoverable amount is lower than its carrying amount, the Company reduces its carrying amount to its recoverable amount, the reduced amount is included in the profit or loss for the current period, while the provision for impairment of assets is recognised accordingly.

In terms of impairment test of the goodwill, the carrying amount of the goodwill arising from business combination shall be allocated to the related asset groups on a reasonable basis from acquisition date; where it is difficult to allocate to the related asset groups, it is allocated to the combination of related asset groups. The related asset groups or combination of asset groups are those which can benefit from the synergies of the business combination and are not larger than the reportable segments identified by the Company.

In the impairment test, if there is any indication that an asset group or a combination of asset groups related to goodwill may be impaired, the Company first tests the asset group or combination of asset groups excluding goodwill for impairment, calculates the recoverable amount and recognises the corresponding impairment loss. An impairment test is then carried out on the asset group or combination of asset groups containing goodwill by comparing its carrying amount with its recoverable amount. If the recoverable amount is lower than the carrying amount, an impairment loss is recognised for goodwill.

Once asset impairment loss is recognised, it cannot be reversed in subsequent accounting periods.

### 24. Long-term deferred expenses

The Company's long-term deferred expenses are measured at actual cost and evenly amortized on straight-line basis over the expected beneficial period. For the long-term deferred expense items that cannot benefit the subsequent accounting periods, their amortized value shall be entirely included in the profit or loss for the current period.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 25. Employee compensation

#### 25.1 The scope of employee compensation

Employee compensation refers to all forms of remuneration and compensation given by the Company in exchange for service rendered by employees or the termination of employment. Employee compensation includes short-term remuneration, post-employment benefits, termination benefits and other long-term employee benefits. Employee compensation also includes benefits provided to employees' spouses, children, other dependants, survivors of the deceased employees or to other beneficiaries.

According to liquidity, employee compensation is presented separately as "employee benefits payables" item and "long-term employee benefits payables" item in the balance sheet.

#### 25.2 Short-term employee compensation

During the accounting period in which the employees render the related services, actually incurred wages, bonuses, social insurance contributions (including medical insurance fees, work-related injury insurance fees, maternity insurance fees, etc.) and housing provident fund are recognised as liability and included in the profit or loss for the current period or related asset costs.

#### 25.3 Post-employment benefits

Post-employment benefit plans mainly include defined contribution plans. Defined contribution plans refer to the post-employment benefit plans under which an entity pays fixed contributions into a separate fund and will have no obligation to pay further contributions. The Company is only involved in defined contribution plans.

Defined contribution plans include the basic pension insurance, unemployment insurance, etc.

During the accounting period in which the employees render services, the amount payable calculated according any defined contribution plan is recognised as a liability and included in the profit or loss for the current period or related asset costs.

#### 25.4 Termination benefits

When the Company provides termination benefits to employees, employee compensation liabilities arising from termination benefits are recognised and included in the profit or loss for the current period at the earlier of the following dates: when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; the Company recognises costs or expenses related to the restructuring that involves the payment of termination benefits.

For the implementation of the internal retirement plan for an employee, the economic compensation before the official retirement date is a termination benefit. The wage of and social insurance contributions for the internally retired employee which would have incurred from the date on which the employee ceases rendering services to the Company to the scheduled retirement date will be included in the profit or loss for the current period. Economic compensation after the official retirement date (such as normal pension) is accounted for as post-employment benefits.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 25. Employee compensation (continued)

#### 25.5 Other long-term benefits

When other long-term employee benefits provided to the employees by the Company meet the conditions of a defined contribution plan, those benefits shall be accounted for in accordance with the relevant provisions of the above defined contribution plans.

### 26. Provisions

An obligation related to a contingency is recognised as a provision when all of the following conditions are satisfied:

- (1) The obligation is a present obligation of the Company;
- (2) It is probable that an outflow of economic benefits of the Company will be required to settle the obligation;
- (3) The amount of the obligation can be measured reliably.

Provisions are initially measured at the best estimate of the payment to settle the associated obligations and consider the relevant risk, uncertainty and time value of money. If the impact of time value of money is significant, the best estimate is determined as its present value of future cash outflow. The Company reviews the carrying amount of provisions on the balance sheet date and adjusts the carrying amount to reflect the best estimate.

If all or some expenses incurred for settlement of recognised provisions are expected to be borne by a third party or another party, the compensation amount shall, on a recoverable basis, be recognised as asset separately, and compensation amount recognised shall not be more than the carrying amount of the liability recognised.

### 27. Share-based payment and equity instruments

#### 27.1 Category of share-based payment

Share-based payment of the Company is classified into equity-settled share-based payment and cash-settled share-based payment.

#### 27.2 Determination of fair value of equity instrument

For options and other equity instruments granted by the Company with active market, the fair value is determined at the active market quotations. For options and other equity instruments with no active market, option pricing model shall be used to estimate the fair value of the equity instruments. Factors as follows shall be taken into account using option pricing models: A. the exercise price of the option; B. the validity period of the option; C. the current market price of the share; D. the expected volatility of the share price; E. predicted dividend of the share; F. risk-free rate of the option within the validity period.

#### 27.3 Recognition basis for the best estimate of exercisable equity instruments

On each balance sheet date during the pending period, the Company, based on the latest subsequent information such as the latest update on the change in the number of entitled employees, makes best estimate to adjust the expected number of equity instruments that can be exercised. As at the exercise date, the final estimated number of exercisable equity instruments should equal the actual number of exercisable equity instruments.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 27. Share-based payment and equity instruments *(continued)*

#### 27.4 Accounting treatment for implementation, amendment and termination of share-based payment plans

Equity-settled share-based payment is measured at the fair value of the equity instruments granted to employees. Instruments which are exercisable immediately upon the grant are included in relevant costs or expenses at the fair value of equity instruments on the date of grant and capital reserves are increased accordingly. If exercising is conditional upon completion of services in the pending period or fulfillment of performance conditions, on each balance sheet date during the pending period, based on the best estimate of the number of exercisable equity instruments, the services received for the period are recognised as the costs or expenses and capital reserves at fair value of the equity instruments as at the date of grant. After the exercise date, relevant costs or expenses and total shareholders' equity have been recognised and will not be adjusted.

Cash-settled share-based payments are measured at the fair value of the liabilities (share-based or other equity instrument-based) assumed by the Company. Instruments which are exercisable immediately upon the grant are included in relevant costs or expenses at the fair value of liabilities assumed by the Company on the date of grant and liabilities are increased accordingly. If exercising is conditional upon completion of services in the pending period or fulfillment of performance conditions, on each balance sheet date during the pending period, based on the best estimate of the exercisable situation, the services received for the period are recognised as the costs or expenses and corresponding liabilities at fair value of the liabilities assumed by the Company. On each balance sheet date before the relevant liabilities are settled and settlement date, the fair value of liabilities is remeasured and the resulting changes are included in the profit and loss for the current period.

When the Company modifies the share-based payment plan, and if such modification increases the fair value of the equity instruments granted, the increase in services received will be recognised accordingly following the increase in fair value of the equity instruments; if such modification increases the number of equity instruments granted, the increase in fair value of the equity instruments is recognised as a corresponding increase in services received. The increase in fair value of the equity instruments refers to the difference in fair values on the date of modification before and after the modification in respect of the equity instruments. If the modification reduces the total fair value of the share-based payments or adopts any form that is unfavorable to employees to modify the terms and conditions of the share-based payment plan, accounting treatment will be continued to be conducted in respect of the services received and the modification will be deemed to have never occurred, unless the Company had cancelled part or all of the equity instruments granted.

During the pending period, if the equity instruments granted are cancelled (except for failure to meet the non-market conditions of the exercising conditions), the Company will undertake an accelerated exercising in respect of the cancelled equity instruments that have been granted, include the remaining amount that shall be recognised during the pending period in the profit and loss for the current period immediately and recognise capital reserve accordingly. Where employees or other parties are permitted to choose to fulfill non-exercising conditions but have not fulfilled during the pending period, the Company will treat the granted equity instruments as cancelled.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 27. Share-based payment and equity instruments (continued)

#### 27.5 Accounting treatment for share-based payment transactions involving the Company and the shareholders or the actual controller of the Company

For share-based payment transactions involving the Company and the shareholders or the actual controller of the Company, the settlement enterprise and the enterprise receiving services (one under the Company while the other external to the Company) shall follow the requirements below to conduct accounting treatment in the Company's consolidated financial statements:

- ① For settlement enterprises settling through their own equity instruments, such share-based payment transaction will be treated as equity-settled share-based payment; except for this, such share-based payment transaction will be treated as cash-settled share-based payment.

Where a settlement enterprise is an investor of an enterprise receiving services, the fair value of the equity instruments on the date of grant or the fair value of the liabilities that shall be assumed are recognised as long-term equity investment in the enterprise receiving services, at the same time, capital reserve (other capital reserve) or liabilities are recognised.

- ② Where an enterprise receiving services has no settlement obligations or grants its own equity instruments to employees, such share-based payment transaction will be treated as equity-settled share-based payment; where an enterprise receiving services has settlement obligations and grants equity instruments (other than its own) to employees, such share-based payment transaction will be treated as cash-settled share-based payment.

For a share-based payment transaction occurring among enterprises under the Company where the enterprise receiving services and the settlement enterprise are not the same enterprise, such share-based payment transaction shall be recognised and measured in each of the respective financial statements of the enterprise receiving services and the settlement enterprise by reference to the above principles.

### 28. Preferred shares, perpetual bonds and other financial instruments

#### 28.1 Distinction between financial liabilities and equity instruments

The Company classifies the financial instrument or its components as financial assets, financial liabilities or equity instruments at the initial recognition based on the contract terms of the issued financial instruments and the economic substances they reflect, instead of only in legal form, and combining the definitions of financial assets, financial liabilities and equity instruments.

#### 28.2 Accounting treatment of preferred shares, perpetual bonds and other financial instruments

The financial instruments issued by the Company are initially recognised and measured in accordance with the financial instrument standards; thereafter, interests or dividends are accrued or distributed on each balance sheet date and processed in accordance with relevant specific accounting standards for specific enterprises. That is, on the basis of the classification of a financial instrument issued, the accounting treatment of interest expenses or dividend distributions of the instrument is determined. For financial instruments classified as equity instruments, interest expenses or dividend distributions are treated as profit distributions of the Company, and repurchases and cancellations are treated as changes in equity; for financial instruments classified as financial liabilities, interest expenses or dividend distributions are in principle treated according to borrowing costs, and gains or losses arising from repurchases or redemptions are included in the profit or loss for the current period.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 28. Preferred shares, perpetual bonds and other financial instruments (continued)

#### 28.2 Accounting treatment of preferred shares, perpetual bonds and other financial instruments (continued)

The transaction costs such as charges and commissions incurred by the Company when issuing financial instruments, if classified as debt instruments and measured at amortized cost, are included in the initial measurement amount of the issued instruments; if classified as equity instruments, are deducted from equity.

### 29. Revenue

#### 29.1 General principles

The Company shall recognise revenue when the Company satisfies the performance obligation of the contract, that is, the customer obtains control of relevant goods or services.

When the contract contains two or more performance obligations, on the effective date of the contract, the Company allocates the transaction price to each performance obligation based on the percentage of respective unit price of a good or service guaranteed by each performance obligation, and the revenue is measured according to the transaction price allocated to each performance obligation.

If one of the following conditions is fulfilled, the Company satisfies a performance obligation over time; otherwise, it satisfies a performance obligation at a point in time:

- ① When the customer simultaneously receives and consumes the benefits provided by the Company when the Company performs its obligations under the contract.
- ② When the customer is able to control the commodity in progress in the course of performance by the Company under the contract.
- ③ The product produced by the Company under the contract is irreplaceable and the Company has the right to payment for performance completed to date during the term of the contract.

For a performance obligation satisfied over time, the Company shall recognise revenue over time by measuring the process towards complete satisfaction of the performance obligation. When the progress of performance cannot be reasonably determined, if the costs incurred by the Company are expected to be recoverable, the revenue will be recognised to the extent of the costs incurred until the progress of performance can be reasonably determined.

For a performance obligation satisfied at a point in time, the Company shall recognise revenue when the customer obtains control of relevant goods or services. When determining whether the customer has obtained control of the goods or services, the Company will consider the following indications:

- ① The Company has the current right to receive payment for the goods or services, which is when the customer has the current payment obligations for the goods.
- ② The Company has transferred the legal title of the goods to the customer, which is when the customer possesses the legal title of the goods.
- ③ The Company has transferred the physical possession of goods to the customer, which is when the customer obtains physical possession of the goods.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 29. Revenue *(continued)*

#### 29.1 General principles *(continued)*

- ④ The Company has transferred all of the substantial risks and rewards of ownership of the goods to the customer, which is when the customer obtains all of the substantial risks and rewards of ownership of the goods.
- ⑤ When the customer has accepted the goods or services.
- ⑥ When other information indicates that the customer has obtained control of the goods.

A contract asset represents the Company's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditioned on factors other than passage of time, for which the impairment allowance for expected credit loss is recognised (see Note III. 11(6)). The Company shall present any unconditional (i.e. if only the passage of time is required) rights to consideration from the customer separately as a receivable. A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or the amount is due) from the customer.

The contract assets and liabilities under the same contract shall be shown on a net basis. If the net amount stated in debit balance, it will be presented under the items of "Contract assets" or "Other non-current assets" according to its liquidity; If the net amount stated in credit balance, it will be presented under the items of "Contract liabilities" or "Other non-current liabilities" according to its liquidity.

#### 29.2 Specific methods

The Company enters into sales contracts with customers. Revenue from sales is recognised according to the invoiced amount upon the delivery of goods to the designated carrier or purchaser according to the orders received from customers; revenue from export sales is recognised mainly by adopting FOB mode according to custom declaration upon making declaration for goods and completing the export procedures.

The credit period granted by the Company to various customers is consistent, and there is no significant financing component.

The cooperation model between the Company and its distributors is buy-out sales, and the sales revenue recognition under the distribution model is consistent with the direct sales model.

For sales with a sales return clause, revenue is recognised to the extent that it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The Company recognises liabilities according to the expected refund amount, and recognises the balance of the book value when the goods expected to be returned are transferred, net of the estimated costs to recover the goods (including the impairment of the value of the returned goods) as an asset.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 30. Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract.

Incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained, e.g. an incremental sales commission. The Company recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Other expenses incurred by the Company for obtaining the contract, except for the incremental costs expected to be recovered, are recognised in profit or loss for the current period when incurred.

If the costs to fulfil a contract are not within the scope of inventories or other accounting standards, the Company recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- ① the costs relate directly to an existing or anticipated contract, including direct labour, direct materials, manufacturing overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Company entered into the contract;
- ② the costs enhance resources of the Company that will be used in satisfying performance obligations in the future;
- ③ the costs are expected to be recovered.

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the "assets related to contract costs") are amortised on a basis that is consistent with the revenue recognition of the goods or services relating the assets and recognised in profit or loss for the current period.

The Company recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

- ① remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates;
- ② The cost estimated to be happened for the transfer of related goods or services.

The costs of contract performance recognised as assets, if the amortisation period is less than one year or a normal operating cycle upon the initial recognition, are presented as "Inventories" item, and if the amortisation period is more than one year or a normal operating cycle upon the initial recognition, are presented as "Other non-current assets" item.

The contract obtaining costs recognised as assets, if the amortisation period is less than one year or a normal operating cycle upon the initial recognition, are presented as "Other current assets" item, and if the amortization period is more than one year or a normal operating cycle upon the initial recognition, are presented as "Other non-current assets" item.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 31. Government grants

A government grant shall be recognised only when the enterprise can comply with the conditions attaching to the grant and the enterprise can receive the grant.

If a government grant is in the form of a transfer of a monetary asset, the item is measured at the amount received. If a government grant is in the form of a transfer of a non-monetary asset, the item is measured at fair value; when fair value is not reliably determinable, the item is measured at a nominal amount of RMB1.

Government grant related to assets represents the government grant received for acquisition and construction of long term assets, or forming long term assets in other ways. Except for these, all are government grant related to income.

Regarding the government grant which is not clearly defined in the official documents and can form long term assets, the part of government grant which can be referred to the value of the assets is classified as government grant related to assets and the remaining part is government grant related to income. For the government grant that is difficult to distinguish, the entire government grant is classified as government grant related to income.

The government grant related to assets is recognised as deferred income and would be transferred to profit or loss in reasonable and systematic manner within the period of use of the relevant assets. The government grant related to income which is used to compensate the relevant costs or losses incurred should be recognised in the profit or loss for the current period; the government grant related to income which is used to compensate the relevant costs or losses for the subsequent period is recognised as deferred income and shall be recognised in profit or loss during the period for which the relevant cost or loss is recognised. Government grants measured in nominal terms are directly included in the profit or loss for the current period. The Company has adopted a consistent approach to the same or similar government grant business.

The government grants related to daily activities are recognised as other gains in accordance with the substance of economic business. Government grants that are not related to daily activities are recognised as non-operating income.

If the recognised government grants need to be refunded, adjust the carrying amount of assets when the carrying amount of assets is offset at the time of initial recognition; the balance of deferred income is offset against the carrying amount of the balance of deferred income and the excess is recognised in the profit or loss for the current period. Under other circumstances, it is directly recognised in the profit or loss for the current period.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 32. Deferred income tax assets and deferred income tax liabilities

Income tax expense comprises current income tax expense and deferred income tax expense. Current income tax and deferred income tax are included in the profit or loss for the current period as tax expense, except for deferred income tax arising from a business combination, which is adjusted against the carrying amount of goodwill, and deferred income tax related to transactions or events that are directly recognised in shareholders' equity which are recognised directly in shareholders' equity.

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base are recognised as deferred income tax using the balance sheet liability method.

All the taxable temporary differences are recognised as deferred income tax liabilities except for those incurred in the following transactions:

- (1) The initial recognition of goodwill, and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit when the transaction occurs (except for a single transaction that gives rise to equal taxable temporary differences and deductible temporary differences arising from the assets and liabilities initially recognised);
- (2) The taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, and the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Company recognises a deferred income tax asset for the carry-forward of deductible temporary differences, deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, deductible losses and tax credits can be utilised, except for those incurred in the following transactions:

- (1) The transaction is neither a business combination nor affects accounting profit or taxable profit when the transaction occurs (except for a single transaction that gives rise to equal taxable temporary differences and deductible temporary differences arising from the assets and liabilities initially recognised);
- (2) The deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred income tax asset is recognised when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future, and it is probable that taxable profits will be available in the future, against which the temporary difference can be utilized.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their tax effect is reflected.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 32. Deferred income tax assets and deferred income tax liabilities *(continued)*

At the balance sheet date, the Company reviews the carrying amount of a deferred income tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred income tax asset to be utilised, the carrying amount of the deferred income tax asset is reduced. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are presented on a net basis after offsetting when all the following conditions are met:

- (1) The taxpayer of the Company has the legal right to settle the current income tax assets and current income tax liabilities on a net basis;
- (2) The deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same taxation authority on the same taxpayer within the Company.

### 33. Leases

#### 33.1 Identification of leases

At the inception of a contract, the Company, as a lessee or lessor, assesses if the customer in a contract has the right to obtain substantially all the economic benefits from use of the identified assets and the right to direct the use of the identified assets in the period of use. The Company would identify that a contract is a lease or contains a lease if a party of the contract transfers the right to control the use of one or more identified assets for a period of time in exchange for consideration.

#### 33.2 The Company as the lessee

At the inception of a lease, the Company recognises all its leases as the right-of-use assets and lease liabilities, except for the short-term leases and the leases of low-value assets which are treated with a simplified approach.

For the accounting policies on the right-of-use assets, please refer to Note III. 34.

Lease liabilities are initially measured based on the present value of outstanding lease payment at the inception of a lease, discounted using the interest rate implicit in the lease, or the incremental borrowing rate in case the interest rate implicit in the lease cannot be determined. Lease payment include: fixed payments and in-substance fixed payments, less any lease incentives (if there is a lease incentive); variable lease payment that are based on an index or a rate; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; payments of penalties for terminating the lease option, if the lease term reflects that the lessee will exercise that option; and amounts expected to be payable under the guaranteed residual value provided by the lessee. The Company shall subsequently calculate the interest expenses of lease liabilities over the lease term at the fixed periodic interest rate, and include it into the profit or loss for the current period. Variable lease payments not included in the measurement of lease liabilities are charged to profit or loss in the period in which they actually arise.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 33. Leases *(continued)*

#### **Short-term lease**

Short-term lease refers to the lease that the lease term does not exceed 12 months from the inception of a lease, and the lease that includes the option of purchase is not a short-term lease.

The Company recognises the amount of lease payments of short-term lease in the cost of the related asset or the profit or loss for the current period, on a straight-line method over each period of the lease term.

#### **Leases of low-value assets**

Leases of low-value assets refer to a lease with a value of less than RMB0.04 million when the individual leased asset is a brand-new asset.

The Company recognised the lease payments for the leases of low-value assets in the relevant asset cost or the profit or loss for the current period on a straight-line basis over each period of the lease term.

For the leases of low-value assets, the Company chooses to adopt the above simplified treatment method in accordance with the specific conditions of each lease.

#### **Lease modification**

When there is a lease modification and the following conditions are simultaneously met, the Company accounts for the lease modification as a separate lease: ① the lease modification expands the scope of the lease by adding the right to use one or more leased assets; ② the additional consideration is equal to the separate price of the expanded scope of the lease as adjusted for the circumstances of the contract.

If the lease modification is not accounted for as a separate lease, on the effective date of the lease modification, the Company reallocates the consideration of the modified contract, re-determines the lease term, and remeasures the lease liability based on the present value of the modified lease payment calculated at the revised discount rate.

If the lease modification results in a reduction in the scope of the lease or a shortened lease term, the Company reduces the carrying amount of the right-of-use assets accordingly, and includes the gains or losses in relation to partial or complete termination of the lease in profit or loss for the current period.

If other lease modifications result in the remeasurement of lease liabilities, the Company adjusts the carrying amount of the right-of-use assets accordingly.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 33. Leases (continued)

#### 33.3 The Company as the lessor

When the Company is the lessor, the lease that substantially transfers all the risks and rewards related to the ownership of assets is recognised as a finance lease, and leases other than finance leases are recognised as operating leases.

##### Finance leases

In a finance lease, the Company uses the net lease investment as the carrying amount of finance lease receivables at the inception of a lease. The net lease investment is the sum of the unguaranteed residual value and the present value of the outstanding lease payment at the inception of a lease, discounted using the interest rate implicit in the lease. The Company, as the lessor, calculates and recognises the interest income over each period of the lease term at a fixed periodic interest rate. Variable lease payments not included in the measurement of the net lease investment, which are obtained by the Company as a lessor, are recognised in profit or loss as incurred.

The derecognition and impairment of financial lease receivables is accounted for in accordance with the provisions of "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instrument" and "Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets".

##### Operating leases

For the rental of operating leases, the Company recognises it in the profit or loss for the current period on a straightline basis over each period of the lease term. The initial direct cost incurred in connection with an operating lease shall be capitalized and amortised on the same basis for recognition of rental income during the lease term, and shall be included in installments in the profit or loss for the current period. The variable lease payment, which is obtained in connection with an operating lease and not included in the lease receivables, shall be included in the profit and loss for the current period when they actually occur.

##### Lease modification

The Company accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any receipts in advance or lease receivable relating to the original lease as part of the lease receivable for the new lease.

When there is a modification to a finance lease and the following conditions are simultaneously met, the Company accounts for the modification as a separate lease: ① the modification expands the scope of the lease by adding the right to use one or more leased assets; ② the additional consideration is equal to the separate price of the expanded scope of the lease as adjusted for the circumstances of the contract.

If the modification to finance lease is not accounted for as a separate lease, the Company will deal with the modified lease under the following circumstances: ① If the modification takes effect on the commencement date of the lease and the lease will be classified as an operating lease, the Company will account for it as a new lease from the effective date of the lease modification, and take the net lease investment before the effective date of the lease modification as the carrying amount of the leased assets; ② If the modification takes effect on the commencement date of the lease and the lease will be classified as a finance lease, the Company will account for it in accordance with the requirements on modifying or renegotiating a contract under the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instrument".

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 34. Right-of-use assets

#### 34.1 Recognition condition of right-of-use assets

The right-of-use assets of the Company are defined as the right of underlying assets in the lease term for the Company as a lessee.

Right-of-use assets are initially measured at cost as at the commencement date of the lease, which consists of: the amount of the initial measurement of the lease liabilities; any lease payments made at or before the commencement date of the lease less any lease incentives received if any; initial direct expenses incurred by the Company as a lessee; costs to be incurred by the Company as a lessee in dismantling and removing a leased asset, restoring the site on which it is located or restoring the leased assets to the condition required by the terms of the lease. The Company as a lessee recognises and measures the costs of demolition and restoration according to "Accounting Standards for Business Enterprises No. 13 – Contingencies", and subsequently adjusts for any remeasurement of lease liabilities.

#### 34.2 Depreciation method of right-of-use assets

The Company calculates depreciation on a straight-line basis. Right-of-use assets in which the Company as a lessee is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated over the remaining useful life. Otherwise, right-of-use assets are depreciated over the shorter of the lease term and its remaining useful life.

#### 34.3 For methods of impairment testing and provision for impairment for right-of-use assets, please refer to Note III. 23.

### 35. Repurchase of shares

Prior to cancellation or transfer of shares repurchased, the Company recognises all expenditures arising from share repurchase as cost of treasury shares in the treasury share account. Considerations and transaction fee incurred from there purchase of shares shall lead to the elimination of owners' equity and does not recognise profit or loss when shares of the Company are repurchased, transferred or cancelled.

The difference between the actual amount received and the carrying amount of the treasury stock are recognised as capital reserve when the treasury stocks are transferred, and if the capital reserve is not sufficient to be offset, the excess amount shall be recognised to offset surplus reserve and undistributed profit. When the treasury stocks are cancelled, the capital shall be reduced by the number of shares and par value of cancellation shares, the difference between the actual amount received and the carrying amount of the treasury stock are recognised as capital reserve, and if the capital reserve is not sufficient to be offset, the excess amount shall be recognised to offset surplus reserve and undistributed profit.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 36. Significant accounting judgements and estimates

Significant accounting estimates and critical assumptions adopted by the Company are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The significant accounting estimates and critical assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are set out below:

#### 36.1 Classification of financial assets

Significant judgements involved in determining the classification of financial assets include analysis of business model and characteristics of the contractual cash flows.

Factors considered by the Company in determining the business model of financial assets management for a group of financial assets include past experience on how financial asset's performance is evaluated and reported to key management personnel, how risks affecting the performance of financial asset are assessed and managed and how managers of related businesses are compensated.

When assessing whether the contractual cash flows of financial assets are consistent with basic lending arrangement, the Company adopts the following significant judgements: whether the time distribution or amounts of the principal within the duration may change due to early repayment and other reasons; whether the interest includes only the time value of money, credit risk, other basic lending risks and the consideration for cost and profit. For example, the amounts of early repayment only reflect outstanding principal, the interest based on outstanding principal and reasonable compensation paid for early termination of a contract.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 36. Significant accounting judgements and estimates *(continued)*

#### 36.2 Measurement of ECL for account receivables

The Company calculates ECL of account receivables according to their exposure at default and ECL rate, and determines ECL rate based on probability of default and loss given default. When determining ECL rate, the Company adopts data like historical credit loss experience in combination with current situation and forward-looking information to adjust historical data. When considering forward-looking information, the Company uses indicators including the risk of economic downturn, external market environment, technology environment and changes on customer situation. The Company periodically monitors and reviews assumptions relevant to the measurement of ECL.

#### 36.3 Impairment of non-current assets other than financial assets (excluding goodwill)

The Company assesses whether there are any indicators of impairment for non-current assets other than financial assets as at the balance sheet date. For intangible assets that have not yet reached their usable status, in addition to the annual impairment test, when there are indications of impairment, an impairment test is also conducted. Other non-current assets other than financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or asset group exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its present value of future cash flows. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or asset group and choose a suitable discount rate in order to calculate the present value of those cash flows.

#### 36.4 Impairment of goodwill

The Company evaluates whether goodwill is impaired at least once a year. This requires an estimate of the value in use of the asset groups to which the goodwill is allocated. In estimating the value in use, the Company needs to estimate the future cash flows generated from the asset groups and also to choose an appropriate discount rate in order to calculate the present value of the future cash flows.

#### 36.5 Development expenditure

Determining the amounts to be capitalized requires the management to make assumptions regarding the expected future cash flows generated from assets, discount rates to be applied and the expected period of benefits.

#### 36.6 Deferred income tax assets

The deferred income tax assets will be recognised for all unused tax losses to the extent that it is probable that there will be sufficient taxable profits against which the loss is utilised. This requires the management to exert numerous judgments to estimate the timing and amount of the future taxable profits so as to determine the amount of deferred income tax assets to be recognised with reference to the tax planning strategy.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 36. Significant accounting judgements and estimates *(continued)*

#### 36.7 Revenue recognition

As stated in Note III. 29, the Company makes the following significant accounting judgements and estimates in terms of revenue recognition: identifying customer contracts; estimating the recoverability of the considerations that are entitled to be obtained by transferring goods to customers; identifying the performance obligation in the contract; estimating the variable consideration in the contract and cumulative revenue recognised where it is highly probable that a significant reversal therein will not occur when the relevant uncertainty is resolved; assessing whether there is a significant financing component in the contract; estimating the individual selling price of the individual performance obligation in the contract, etc. The Company makes judgments primarily based on historical experiences and works. Changes in these significant judgments and estimates may have significant impacts on the operating income, operating costs, and profit or loss of the current or subsequent periods.

#### 36.8 Determination of the fair value of unlisted equity investment

The fair value of unlisted equity investments represents the expected future cash flows discounted at the prevailing discount rate of items with similar terms and risk characteristics. It requires the Company to estimate the expected future cash flows and discount rates, and therefore there is uncertainty. Under limited circumstances, if the information used to determine the fair value is insufficient, or the possible estimated amount of fair value is widely distributed, and cost represents the best estimate of the fair value within such scope, the cost may represent an appropriate estimate of the fair value within such distribution scope.

### 37. Changes in significant accounting policies and accounting estimates

#### 37.1 Changes in accounting policies

None.

#### 37.2 Changes in significant accounting estimates

None.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## IV. TAXATION

### 1. The main taxes and tax rates

Types of tax	Basis of taxation	Statutory tax rate (%)
Value added tax	Taxable value added amount	3, 6, 13
Urban maintenance and construction tax	Actual amount of turnover tax paid	1, 5, 7
Education surcharges	Actual amount of turnover tax paid	3
Local education surcharges	Actual amount of turnover tax paid	Note 1
Enterprise income tax	Taxable income	Note 2

Note 1: The Company and its subsidiaries that are incorporated in Zhuhai shall pay local education surcharges that are charged at 2% on the turnover tax to be paid; other subsidiaries shall pay local education surcharges according to the tax rate as specified at their places of incorporation on the basis of turnover tax to be paid.

Note 2: The enterprise income tax rates applicable to the Company and its subsidiaries are set out as follows:

#### Name of taxpayer Income tax rate (%)

Name of taxpayer	Income tax rate(%)
Livzon Pharmaceutical Biotechnology Co., Ltd. (麗珠醫藥生物科技有限公司), Lian Hong Kong Limited (麗安香港有限公司), Livzon Biologics Hong Kong Limited (麗珠生物科技香港有限公司)	16.5
Companhia de Macau Carason Limitada (澳門嘉安信有限公司), Li Zhu (Macau) Limitada (麗珠(澳門)有限公司), Macau Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (澳門麗珠中藥現代化科技有限公司)	0 or 12 (Tax rate is 12% where the taxable income is MOP0.6 million or more; for those with taxable income less than MOP0.6 million, they are exempted from income taxes.)
The Company and Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠), Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠), Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司), Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司), Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司), Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司), Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司), Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司), Shanghai Livzon Biotechnology Co., Ltd. (上海麗珠生物科技股份有限公司), Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司), Zhuhai Lihe Medical Diagnostic Product Company Limited (珠海麗禾醫療診斷產品有限公司), Zhuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (珠海市麗珠中藥現代化科技有限公司), Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	15
LIVZON MALAYSIA SDN. BHD.	17 or 24 (Tax rate is 17% where registered capital is less than RM2.5 million or initial profit is less than RM0.6 million; tax rate is 24% where registered capital is more than RM2.5 million or initial profit is more than RM0.6 million)
LIAN SGP HOLDING PTE LTD	17
PT. LIVZON PHARMA INDONESIA	22
Livzon MPharma (US) Inc./麗珠單抗生物技術(美國)有限公司	21
Livzon International Ventures, Livzon International Ventures I, Livzon International Ventures II, LIAN International Holding Ltd	0
Other subsidiaries	25 or be entitled to preferential tax policies for small and low-profit enterprises

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## IV. TAXATION (continued)

### 2. Tax preference and approvals

#### 2.1 Preferential value added tax

In accordance with the Announcement on Value Added Tax on Biological Products Sold by Pharmaceutical Operation Enterprises (Announcement of State Administration of Taxation 2012 No. 20) and the Notice of the Ministry of Finance, the General Administration of Customs, the State Administration of Taxation and the National Medical Products Administration on the Value-Added Tax Policies for Anti-Cancer Drugs (Cai Shui [2018] No. 47), the biological products and anti-cancer drugs sold by the Company are subject to value added tax at 3% by the simple approach.

#### 2.2 Preferential enterprise income tax

The Company and its subsidiaries, Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠), Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠), Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司), Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司), Sichuan guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司) and Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司) have been entitled to the preferential income tax policies for high and new technology enterprises since 2023 for a valid period of three years; Livzon Group Xinbeiji Jiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司), Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) have been officially recognized and filed as a high and new technology enterprise in the current period; Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司) and Shanghai Livzon Biotechnology Co., Ltd. (上海麗珠生物科技股份有限公司) has been entitled to the preferential income tax policies for high and new technology enterprise since 2024 for a valid period of three years; Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司) was approved to enjoy the enterprise taxation preference of the Encouraged Industries in Western China. Such companies were subject to an enterprise income tax rate of 15% for the Period.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Preferential Enterprise Income Tax Policies of the Guangdong-Macao In-depth Cooperation Zone of Hengqin (Cai Shui [2022] No. 19), qualified industrial enterprises located in the Guangdong-Macao In-depth Cooperation Zone of Hengqin will be subject to a reduced enterprise income tax rate of 15%. Zhuhai Lihe Medical Diagnostic Product Company Limited (珠海麗禾醫療診斷產品有限公司) and Zhuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (珠海市麗珠中藥現代化科技有限公司) met relevant conditions, and were subject to an enterprise income tax rate of 15% for the Period.

In accordance with Article 27 of the Enterprise Income Tax Law of the People's Republic of China and Article 86 of the Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China, the business of planting Chinese herbal medicines engaged by the subsidiaries of the Company, Datong Livzon Qiyuan Medicine Co., Ltd. (大同麗珠芪源藥材有限公司) and Longxi Livzon Shenyuan Medicine Co., Ltd. (隴西麗珠參源藥材有限公司) are exempted from enterprise income tax.

According to the preferential tax policies for small low-profit enterprises, until 31 December 2027, the portion of annual taxable income of a small low-profit enterprise which does not exceed RMB3 million is subject to enterprise income tax at a tax rate of 5%.

According to the preferential tax policies for Indonesian small and micro enterprises, the portion of taxable income of a small and micro enterprise which does not exceed IDR4.8 billion is subject to enterprise income tax at a rate of 11%.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Monetary funds

Items	Balance at the End of the Period	Balance at the End of the Previous Year
Cash on hand	168,207.08	155,198.45
Bank deposits	9,190,336,335.24	10,702,613,867.91
Other monetary funds	114,877,081.74	124,377,918.56
Accrued interest on deposits		
<b>Total</b>	<b>9,305,381,624.06</b>	<b>10,827,146,984.92</b>
Of which: Total amount of overseas deposits	2,798,882,295.32	1,397,909,086.05

- ① Other monetary funds are mainly deposits for investments.
- ② Restricted funds in bank deposits and other monetary funds were deducted from cash and cash equivalents in cash flow statement. Other than such funds, there are no other amounts subject to restricted uses under charge, pledge or lockup, kept outside China and having probable risks in its collection of the balance at the End of the Period. Below are the details of the use of restricted monetary funds:

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Deposits under guarantee (restrictions are disclosed in Note 5.22)	1,865,019,539.69	9,330,323.62

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2. Financial assets held for trading

#### 2.1 Classification

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Financial assets measured at fair value through profit or loss for the current period	1,344,668,279.76	89,363,055.07
Of which: Funds	1,005,892.28	987,629.66
Structured deposits	1,262,600,133.18	15,081,807.66
Equity instrument investments	78,525,127.72	72,993,949.73
Derivative financial assets	2,537,126.58	299,668.02
<b>Total</b>	<b>1,344,668,279.76</b>	<b>89,363,055.07</b>

- ① The Company's investments in equity instruments and certain debt instruments for financial assets held for trading at the End of the Period were listed for trading on stock exchanges such as Shenzhen Stock Exchange, The Stock Exchange of Hong Kong Limited and NASDAQ in the United States. Their fair value was determined based on the closing price on the last trading day in the Reporting Period.
- ② Derivative financial assets represent foreign currency forward contracts, futures contracts, gains from unexpired contracts measured at fair value was recognised as financial assets at balance sheet date.

**2.2 No restrictive financial asset measured at fair value through profit or loss was realised in the balance at the End of the Period.**

**2.3 There were no hedging instruments in the balance at the End of the Period and no hedging transactions occurred during the Period.**

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 3. Bills receivable

Type of bills	Balance at the End of the Period			Balance at the End of the Previous Year		
	Gross amount	Provision for bad debt	Carrying amount	Gross amount	Provision for bad debt	Carrying amount
Bank acceptance bills	1,137,537,531.35		1,137,537,531.35	1,313,604,720.17		1,313,604,720.17

#### 3.1 Pledged bills receivable at the End of the Period

Type	Pledged amount at the End of the Period
Bank acceptance bills	140,868,943.08

#### 3.2 Endorsed or discounted bills receivable not yet mature by the date of balance sheet at the End of the Period

Type	Amount derecognized at the End of the Period	Amount not derecognized at the End of the Period
Bank acceptance bills not yet mature but already endorsed	65,584,129.67	
Bank acceptance bills not yet mature but already discounted		
Total	65,584,129.67	

During the Period, the Company discounted bank acceptance bills of RMB0.00 (Previous Period: RMB0.00) to a bank.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 3. Bills receivable (continued)

3.3 There were no bills transferred into account receivables for non-performance by the issuer at the End of the Period.

### 3.4 Classified according to the method of provision for bad debt

Category	Balance at the End of the Period				Balance at the End of the Previous Year				
	Gross amount		Provision for bad debt		Gross amount		Provision for bad debt		
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying value
Provision for bad debt on individual basis									
Provision for bad debt on collective basis	1,137,537,531.35	100.00		1,137,537,531.35	1,313,604,720.17	100.00			1,313,604,720.17
Of which:									
Bank acceptance bills	1,137,537,531.35	100.00		1,137,537,531.35	1,313,604,720.17	100.00			1,313,604,720.17
<b>Total</b>	<b>1,137,537,531.35</b>	<b>100.00</b>		<b>1,137,537,531.35</b>	<b>1,313,604,720.17</b>	<b>100.00</b>			<b>1,313,604,720.17</b>

Bills receivable with provision for bad debt on individual basis:

Nil.

Bills receivable with provision for bad debt on collective basis:

Item with provision on collective basis: Bank acceptance bills

Name	Balance at the End of the Period			Balance at the End of the Previous Year		
	Bills receivable	Provision for bad debt	Expected credit loss rate (%)	Bills receivable	Provision for bad debt	Expected credit loss rate (%)
Within 1 year	1,137,537,531.35			1,313,604,720.17		

3.5 No provision for bad debt was made, recovered or reversed during the Period.

3.6 No bills receivable was actually written-off during the Period.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 4. Accounts receivables

#### 4.1 Disclosed using the aging analysis method

Aging	Balance at the End of the Period	Balance at the End of the Previous Year
Within 1 year		
Of which: Within 3 months (including 3 months)	2,022,178,747.14	1,784,642,012.31
4 – 6 months (including 6 months)	209,840,790.19	129,562,751.22
7 – 12 months (including 12 months)	47,468,200.63	31,445,440.67
Subtotal within 1 year:	2,279,487,737.96	1,945,650,204.20
1 – 2 years (including 2 years)	5,763,780.61	9,392,826.91
2 – 3 years (including 3 years)	2,575,277.04	33,645,227.77
Over 3 years	14,658,703.96	6,805,625.80
Subtotal	2,302,485,499.57	1,995,493,884.68
Less: Provision for bad debt	54,144,309.32	59,991,847.96
Total	2,248,341,190.25	1,935,502,036.72

According to the credit policies of the Company, the Company usually grants a credit period ranging from 30 to 90 days to its customers. The aging of accounts receivable is calculated from the date of billing.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 4. Accounts receivables (continued)

#### 4.2 Classified according to the method of provision for bad debt

Category	Balance at the End of the Period					Balance at the End of the Previous Year				
	Gross amount		Provision for bad debt		Carrying value	Gross amount		Provision for bad debt		Carrying value
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)		Amount	Percentage (%)	Amount	Expected credit loss rate (%)	
Provision for bad debt on individual basis	5,625,775.22	0.24	5,625,775.22	100.00		24,973,539.22	1.25	17,637,135.88	70.62	7,336,403.34
Of which:										
Due from domestic customers	5,625,775.22	0.24	5,625,775.22	100.00		24,973,539.22	1.25	17,637,135.88	70.62	7,336,403.34
Of which: Due from overseas customers										
Provision for bad debt on collective basis	2,296,859,724.35	99.76	48,518,534.10	2.11	2,248,341,190.25	1,970,520,345.46	98.75	42,354,712.08	2.15	1,928,165,633.38
Of which:										
Due from domestic customers	1,840,716,607.50	79.95	40,101,590.66	2.18	1,800,615,016.84	1,535,413,320.03	76.94	35,452,948.18	2.31	1,499,960,371.85
Of which: Due from overseas customers	456,143,116.85	19.81	8,416,943.44	1.85	447,726,173.41	435,107,025.43	21.81	6,901,763.90	1.59	428,205,261.53
<b>Total</b>	<b>2,302,485,499.57</b>	<b>100.00</b>	<b>54,144,309.32</b>	<b>2.35</b>	<b>2,248,341,190.25</b>	<b>1,995,493,884.68</b>	<b>100.00</b>	<b>59,991,847.96</b>	<b>3.01</b>	<b>1,935,502,036.72</b>

Accounts receivables with provision for bad debt on individual basis :

Name	Balance at the End of the Period				Balance at the End of the Previous Year			
	Gross amount	Provision for bad debt	Expected credit loss rate (%)	Reason for making provision	Gross amount	Provision for bad debt	Expected credit loss rate (%)	Reason for making provision
Customers-1	549,549.81	549,549.81	100.00	Expected that the possibility of full recovery is relatively low.	10,081,549.81	7,057,084.87	70.00	Expected that the possibility of full recovery is relatively low.
Customers-2	126.00	126.00	100.00		4,363,408.00	3,054,385.60	70.00	
Customers-3	2,679,262.00	2,679,262.00	100.00		2,679,262.00	1,875,483.40	70.00	
Customers-4					2,120,846.00	1,484,592.20	70.00	
Customers-5					1,746,986.00	1,222,890.20	70.00	
<b>Total (other customers)</b>	<b>2,396,837.41</b>	<b>2,396,837.41</b>	<b>100.00</b>		<b>3,981,487.41</b>	<b>2,942,699.61</b>	<b>73.91</b>	
<b>Total</b>	<b>5,625,775.22</b>	<b>5,625,775.22</b>	<b>100.00</b>		<b>24,973,539.22</b>	<b>17,637,135.88</b>	<b>70.62</b>	

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 4. Accounts receivables (continued)

#### 4.2 Classified according to the method of provision for bad debt (continued)

Accounts receivables with provision for bad debt on collective basis:

Item with provision on collective basis: Due from domestic customers

	Balance at the End of the Period			Balance at the End of the Previous Year – Accounts receivables		
	Accounts receivables	Provision for bad debt	Expected credit loss rate (%)	Accounts receivables	Provision for bad debt	Expected credit loss rate (%)
Within 3 months (including 3 months)	1,650,965,598.60	17,241,346.73	1.04	1,394,190,805.19	14,130,809.26	1.01
4 – 6 months (including 6 months)	128,621,382.45	6,458,457.76	5.02	88,534,970.68	4,400,341.57	4.97
7 – 12 months (including 12 months)	43,772,400.54	4,403,643.39	10.06	28,669,323.19	2,875,533.03	10.03
1 – 2 years	5,749,020.13	1,150,058.07	20.00	9,392,826.91	1,887,783.46	20.10
2 – 3 years	2,575,277.04	1,815,155.97	70.48	8,338,629.67	5,871,716.47	70.42
Over 3 years	9,032,928.74	9,032,928.74	100.00	6,286,764.39	6,286,764.39	100.00
<b>Total</b>	<b>1,840,716,607.50</b>	<b>40,101,590.66</b>	<b>2.18</b>	<b>1,535,413,320.03</b>	<b>35,452,948.18</b>	<b>2.31</b>

Item with provision on collective basis: Due from overseas customers

	Balance at the End of the Period			Balance at the End of the Previous Year		
	Accounts receivables	Provision for bad debt	Expected credit loss rate (%)	Accounts receivables	Provision for bad debt	Expected credit loss rate (%)
Within 3 months (including 3 months)	371,213,148.54	3,933,282.05	1.06	390,451,207.12	3,975,162.36	1.02
4 – 6 months (including 6 months)	81,219,407.74	4,108,481.93	5.06	41,027,780.54	2,050,586.84	5.00
7 – 12 months (including 12 months)	3,695,800.09	372,778.83	10.09	2,776,117.48	279,500.11	10.07
1 – 2 years	14,760.48	2,400.63	16.26			
2 – 3 years				851,920.29	596,514.59	70.02
<b>Total</b>	<b>456,143,116.85</b>	<b>8,416,943.44</b>	<b>1.85</b>	<b>435,107,025.43</b>	<b>6,901,763.90</b>	<b>1.59</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 4. Accounts receivables (continued)

#### 4.3 Provision for bad debt made, recovered or reversed during the Period

	Amount of provision for bad debt
Balance at the Beginning of the Period	59,991,847.96
Provision for the Period	-497,937.14
Recoveries or reversals during the Period	
Write-off during the Period	5,349,601.50
<b>Balance at the End of the Period</b>	<b>54,144,309.32</b>

As at December 31, 2025 and December 31, 2024, the Company had no accounts receivables that are past due but not impaired.

#### 4.4 Accounts receivables that were actually written off during the Period

Item	Amount written off
Total (domestic customers)	4,509,579.94
Total (overseas customers)	840,021.56

#### 4.5 Top five balances of accounts receivables by debtors at the End of the Period

The total amount of the top five balances of accounts receivables by debtors at the End of the Period was RMB226,338,452.22, representing 9.83% of the total balances of accounts receivables at the End of the Period, and the corresponding aggregate amount of the balances of provision for bad debt at the End of the Period was RMB4,087,335.88.

#### 4.6 Accounts receivables derecognized due to the transfer of financial assets

In 2025, the Group conducted non-recourse factoring for a few accounts receivables, and almost all risks and rewards of ownership have been transferred to other parties. The corresponding accounts receivables derecognized amounted to RMB28,304,598.43, and the gains and losses related to the derecognition were RMB0.

#### 4.7 The Company has no assets or liabilities formed by its continuous involvement of transferring accounts receivables.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 5. Prepayments

#### 5.1 Disclosure of prepayments by aging analysis

Aging	Balance at the End of the Period Amount		Balance at the End of the Previous Year	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	120,149,812.12	95.00	139,296,516.84	93.19
1 – 2 years	3,353,546.70	2.65	7,154,918.99	4.79
2 – 3 years	1,084,802.94	0.86	931,627.21	0.62
Over 3 years	1,879,415.77	1.49	2,094,916.06	1.40
Subtotal	126,467,577.53	100.00	149,477,979.10	100.00
Less: Allowance for impairment	237,096.90			
Total	126,230,480.63	100.00	149,477,979.10	100.00

#### 5.2 Prepayments to units with top five balances at the End of the Period by payees of the prepayments

The total amount of prepayments with top five balances at the End of the Period by payees of the prepayments was RMB30,462,040.79, representing 24.09% of the total balance of prepayments at the End of the Period.

### 6. Other receivables

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Dividends receivable		
Other receivables	56,912,974.18	34,558,694.17
Total	56,912,974.18	34,558,694.17

#### 6.1 Other receivables

① Disclosed using the aging analysis method

Aging	Balance at the End of the Period	Balance at the End of the Previous Year
Within 1 year	55,888,013.52	31,660,138.52
1 – 2 years	4,283,323.13	2,663,796.10
2 – 3 years	10,000.00	4,490,233.15
Over 3 years	7,335,300.33	7,065,376.82
Subtotal	67,516,636.98	45,879,544.59
Less: Provision for bad debt	10,603,662.80	11,320,850.42
Total	56,912,974.18	34,558,694.17

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 6. Other receivables (continued)

#### 6.1 Other receivables (continued)

② Disclosed by nature

Item	Balance at the End of the Period			Balance at the End of the Previous Year		
	Gross Amount	Provision for bad debt	Carrying Amount	Gross Amount	Provision for bad debt	Carrying Amount
Deposits under guarantee, deposits and lease expenses	4,979,995.04	503,346.55	4,476,648.49	3,847,950.90	1,448,629.93	2,399,320.97
Reserve fund and advances	10,953,596.32	595,450.32	10,358,146.00	16,948,099.83	1,583,569.07	15,364,530.76
Balance with associates	4,015,131.88	40,151.32	3,974,980.56	654,810.12	6,548.10	648,262.02
Borrowing due from external entities	5,000,000.00	5,000,000.00		5,000,000.00	5,000,000.00	
Tax refund on exports	32,973,586.60	1,890,313.55	31,083,273.05	12,746,669.03	137,836.48	12,608,832.55
Others	9,594,327.14	2,574,401.06	7,019,926.08	6,682,014.71	3,144,266.84	3,537,747.87
<b>Total</b>	<b>67,516,636.98</b>	<b>10,603,662.80</b>	<b>56,912,974.18</b>	<b>45,879,544.59</b>	<b>11,320,850.42</b>	<b>34,558,694.17</b>

③ Provision for bad debt

At the End of the Period, there was no provision for bad debt in Step 1.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 6. Other receivables (continued)

#### 6.1 Other receivables (continued)

##### ③ Provision for bad debt (continued)

At the End of the Period, the provision for bad debt in Step 2 was as follows:

Category	Gross amount	Expected credit loss rate over the lifetime (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt on collective basis	61,781,244.51	7.88	4,868,270.33	56,912,974.18	
Export tax refund receivable	32,973,586.60	5.73	1,890,313.55	31,083,273.05	
Deposits under guarantee and security deposits and lease expenses receivable	4,979,995.04	10.11	503,346.55	4,476,648.49	
Other receivables	23,827,662.87	10.39	2,474,610.23	21,353,052.64	
Total	61,781,244.51	7.88	4,868,270.33	56,912,974.18	

At the End of the Period, the provision for bad debt in Step 3 was as follows:

Category	Gross amount	Expected credit loss rate over the lifetime (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt on individual basis	5,735,392.47	100.00	5,735,392.47		
Other receivables	5,735,392.47	100.00	5,735,392.47		Expected that the possibility of full recovery is relatively low
Total	5,735,392.47	100.00	5,735,392.47		

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 6. Other receivables (continued)

#### 6.1 Other receivables (continued)

##### ③ Provision for bad debt (continued)

As at 31 December 2024, the provision for bad debt was as follows:

As at 31 December 2024, there was no provision for bad debt in Step 1:

As at 31 December 2024, the provision for bad debt in Step 2 was as follows

Category	Gross amount	Expected credit loss rate over the lifetime (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt on collective basis	38,254,152.12	9.66	3,695,457.95	34,558,694.17	
Export tax refund receivable	12,746,669.03	1.08	137,836.48	12,608,832.55	
Deposits under guarantee and security deposits and lease expenses receivable	3,847,950.90	37.65	1,448,629.93	2,399,320.97	
Other receivables	21,659,532.19	9.74	2,108,991.54	19,550,540.65	
Total	38,254,152.12	9.66	3,695,457.95	34,558,694.17	

As at 31 December 2024, the provision for bad debt in Step 3 was as follows:

Category	Gross amount	Expected credit loss rate over the lifetime (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt on individual basis	7,625,392.47	100.00	7,625,392.47		
Other receivables	7,625,392.47	100.00	7,625,392.47		Expected that the possibility of full recovery is relatively low
Total	7,625,392.47	100.00	7,625,392.47		

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 6. Other receivables (continued)

#### 6.1 Other receivables (continued)

- ④ Provision for bad debt made, recovered or reversed during the Period

	Step 1	Step 2	Step 3	Total
	Expected credit loss over the next 12 months	Expected credit loss over the lifetime (without impairment of credit)	Expected credit loss over the lifetime (with impairment of credit)	
<b>Provision for bad debt</b>				
Balance at the Beginning of the Period		3,695,457.95	7,625,392.47	11,320,850.42
Balance at the Beginning of the Period during the Period				
– Transferred to Step 3				
Provision for the Period		1,191,021.03		1,191,021.03
Reversal during the Period				
Write-off during the Period			1,890,000.00	1,890,000.00
Other changes		-18,208.65		-18,208.65
Balance at the End of the Period		4,868,270.33	5,735,392.47	10,603,662.80

- ⑤ Other receivables that were actually written off during the Period

Item	Amount written off
Other receivables that were actually written off	1,890,000.00

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 6. Other receivables (continued)

#### 6.1 Other receivables (continued)

⑥ Top five balances of other receivables by debtors at the End of the Period

Name of entity	Nature of amount	Balance of other receivables at the End of the Period	Aging	Percentage in the total balance of other receivables at the End of the Period (%)	Balance of provision for bad debt at the End of the Period
Export tax rebate receivable	Export tax rebate	32,973,586.60	Within 1 year	48.84	1,890,313.55
Guangzhou Galxy Sunshine Biological Products Co., Ltd. (廣州銀河陽光生物製品有限公司)	Borrowings	5,000,000.00	Over 5 years	7.41	5,000,000.00
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Inter-company balance with a related party	2,871,384.96	Within 1 year	4.25	28,713.85
Dongguan Hai Aoruisi Pharmaceutical Technology Co., Ltd. (東莞市海奧瑞思醫藥科技有限公司)	Other	1,161,920.00	Within 1 year	1.72	59,955.07
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶制藥有限公司)	Inter-company balance with a related party	1,143,746.92	Within 1 year	1.69	11,437.47
Total	-	43,150,638.48	-	63.91	6,990,419.94

⑦ No accounts receivables of the Company has been derecognized due to the transfer of financial assets.

⑧ The Company has no assets or liabilities formed by its continuous involvement of transferring other receivables.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 7. Inventories

#### 7.1 Inventories by types

Item	Balance at the End of the Period			Balance at the End of the Previous Year		
	Gross amount	Provision for diminution in value	Carrying amount	Gross amount	Provision for diminution in value	Carrying amount
Raw materials	350,463,048.46	11,533,778.17	338,929,270.29	446,645,045.62	18,795,817.23	427,849,228.39
Packaging materials	95,371,219.00	22,054,542.19	73,316,676.81	90,815,125.39	26,226,191.54	64,588,933.85
Work in progress	337,318,842.39	456,085.98	336,862,756.41	457,174,029.20	71,560,335.13	385,613,694.07
Finished goods	656,194,784.04	24,334,004.15	631,860,779.89	929,478,569.11	25,889,302.03	903,589,267.08
Sub-contracting materials	1,738,534.65		1,738,534.65	1,734,123.93		1,734,123.93
Low-value consumables	23,925,636.89	51,692.09	23,873,944.80	38,557,228.82	13,262,003.36	25,295,225.46
Goods in transit	20,784,387.74		20,784,387.74	32,780,385.25		32,780,385.25
Consumable biological assets	19,737,998.28		19,737,998.28	17,112,905.05		17,112,905.05
Proprietary semi-finished goods	121,901,546.06	19,613,160.45	102,288,385.61	166,624,123.20	31,860,889.29	134,763,233.91
Contract performance cost	11,814,733.64		11,814,733.64	4,315,299.30		4,315,299.30
<b>Total</b>	<b>1,639,250,731.15</b>	<b>78,043,263.03</b>	<b>1,561,207,468.12</b>	<b>2,185,236,834.87</b>	<b>187,594,538.58</b>	<b>1,997,642,296.29</b>

#### 7.2 Provision for diminution in value of inventories

Item	Balance at the Beginning of the Period	Increase during the period		Decrease during the Period		Balance at the End of Period
		Provision	Others	Reversal or write-off	Others	
Raw materials	18,795,817.23	3,466,344.18		10,728,383.24		11,533,778.17
Packaging materials	26,226,191.54	2,065,775.55		6,237,424.90		22,054,542.19
Work in progress	71,560,335.13			71,104,249.15		456,085.98
Finished goods	25,889,302.03	23,919,475.07		25,474,772.95		24,334,004.15
Low-value consumables	13,262,003.36	51,512.16		13,261,823.43		51,692.09
Proprietary semi-finished goods	31,860,889.29	8,363,067.57		20,610,796.41		19,613,160.45
<b>Total</b>	<b>187,594,538.58</b>	<b>37,866,174.53</b>		<b>147,417,450.08</b>		<b>78,043,263.03</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 7. Inventories (continued)

#### 7.2 Provision for diminution in value of inventories (continued)

Item	Basis for determination of net realizable value/remaining consideration and costs to be incurred	Reason for reversal or write-off of provision for diminution in value of inventories/provision for impairment in contract performance cost for the Period
Raw materials	The estimated selling price less the estimated costs of completion, selling expenses and related taxes	Processing, sale of finished goods and discard
Packaging materials	The estimated selling price less related taxes	Discard
Work in progress	The estimated selling price less the estimated costs of completion, selling expenses and related taxes	Processing of finished goods and discard
Finished goods	The estimated selling price less estimated selling expenses and related taxes	Sale and discard
Low-value consumables	The estimated selling price less related taxes	Discard
Proprietary semi-finished goods	The estimated selling price less the estimated costs of completion, selling expenses and related taxes	Sale and discard

#### 7.3 No borrowing costs had been capitalised in the balance of inventories of the Company at the End of the Period.

### 8. Non-current assets due within one year

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Fixed deposits	270,562,589.36	

### 9. Other current assets

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Input VAT pending deduction/attestation	4,851,132.83	7,280,059.39
Remaining VAT credit	48,705,615.68	42,484,488.76
Prepayment of income tax	13,169,105.77	22,476,774.60
Others	443,555.11	443,555.11
Total	67,169,409.39	72,684,877.86

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 10. Long-term equity investments

Investee	Balance at the Beginning of the Period (Carrying amount)	Change during the Period						Balance at the End of the Period (Carrying amount)	Balance of provision for impairment at the End of the Period		
		Balance of provision for impairment at the Beginning of the Period	Acquired additional investments	Decrease in investments	Investment profit and loss under equity method	Adjustment for other comprehensive income	Other equity changes			Cash dividends or profit declared distribution	Provision for impairment
<b>Associates</b>											
Livzon Medical Electronic Equipment (Plant) Co., Ltd. (麗珠集團麗珠電子設備有限公司)	1,200,000.00	1,200,000.00								1,200,000.00	1,200,000.00
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶制藥有限公司)	120,452,740.87			18,166,086.75		19,788,401.29					118,830,426.33
Sherzhen Youbao Technology Co., Ltd. (深圳市有宝科技有限公司)	1,299,140.19	1,299,140.19									
AbCyte Therapeutics Inc.	11,543,155.66			-135,431.11							11,407,724.55
L&L Biopharma, Co., Ltd. (上海健信生物醫藥科技有限公司)	13,815,403.19			-1,096,735.15							12,718,668.04
Zhuhai Sanned Biotech Inc. (珠海聖美生物診斷技術有限公司)	23,371,683.53			-23,469,956.40	98,272.87						
Asia Biopharma Inc.	14,985,614.41			-190,988.11							14,794,626.30
Henan Province Joincare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司)	6,766,602.74		2,450,000.00	-4,479,218.04							4,737,384.70
Atom Therapeutics Co., Ltd. (杭州新元素藥業股份有限公司)	86,902,370.94			-13,916,115.48	8,167.05						72,994,422.51
Tianjin Tongrentang Group Co., Ltd.* (天津同仁堂集團股份有限公司)	749,294,204.58			69,375,550.82	-2,737,414.81						815,932,340.59
Beijing Ininite Intelligence Pharmaceutical Technology Co., Ltd. (北京英霽智藥科技有限公司)	17,570,377.24			-191,816.27							17,378,560.97
Shenzhen KangTi Biopharma Technology Co., Ltd. (深圳康體生物醫藥科技有限公司)	10,219,022.71			-44,372.25							10,174,650.46
<b>Total</b>	<b>1,057,420,316.06</b>	<b>1,200,000.00</b>	<b>2,450,000.00</b>	<b>1,299,140.19</b>	<b>44,017,004.76</b>	<b>-2,630,974.89</b>	<b>19,788,401.29</b>	<b>1,080,168,804.45</b>	<b>1,200,000.00</b>		

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 11. Other equity instrument investments

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Zhuhai China Resources Bank Co., Ltd. (珠海華潤銀行股份有限公司)	222,808,000.00	228,006,000.00
GLOBAL HEALTH SCIENCE	102,426,507.06	143,205,685.40
Nextech V Oncology S.C.S., SICAV-SIF	22,009,054.08	22,515,721.72
Yizun Biopharmaceutics (Zhejiang) Co., Ltd. (羿尊生物醫藥(浙江)有限公司) (previous name: Yizun Biopharmaceutics (Shanghai) Co., Ltd. (羿尊生物醫藥(上海)有限公司), the same applies below)	31,102,700.00	24,737,630.38
ELICIO THERAPEUTICS, INC.	7,406,957.15	4,853,421.34
CARISMA THERAPEUTICS, INC.	297,891.87	2,168,737.47
Beijing Luzhu Biotechnology Co., Ltd. (北京綠竹生物技術股份有限公司)	49,735,615.80	49,572,318.75
Guangzhou Keentai Biomedical Technology Co., Ltd. (廣州科恩泰生物醫藥科技有限公司)	12,000,000.00	12,000,000.00
Others	75,188,622.64	74,586,094.37
<b>Total</b>	<b>522,975,348.60</b>	<b>561,645,609.43</b>

As the aforesaid project is a long-term investment that the Company plans to hold for strategic purposes, the Company designates it as a financial asset measured at fair value through other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 11. Other equity instrument investments (continued)

Item	Gains and losses included in other comprehensive income for the Period	Cumulative gains and losses included in other comprehensive income at the End of the Period	Dividend income recognised for the Period	Cumulative gains and losses transferred to retained earnings due to derecognition	Reason for derecognition
Zhuhai China Resources Bank Co., Ltd. (珠海華潤銀行股份有限公司)	-4,418,300.00	125,359,904.00			
GLOBAL HEALTH SCIENCE Nextech V Oncology S.C.S., SICAV-SIF	-40,779,178.34	-58,739,850.40			
Nextech V Oncology S.C.S., SICAV-SIF	-914,271.04	-8,360,908.90			
Youji Biopharmaceutics (Zhejiang) Co., Ltd. (羿霽生物製藥(浙江)有限公司)	3,134,001.16	439,948.43			
ELICIO THERAPEUTICS, INC.	2,553,535.81	-27,956,344.90			
CARISMATHERAPEUTICS, INC.	-1,870,845.60	-38,509,374.13			
Beijing Luzhu Biotechnology Co., Ltd. (北京綠竹生物技術股份有限公司)	122,472.79	14,801,711.84			
Guangzhou KinoTeck Therapeutics Co., Ltd. (廣州科恩泰生物醫藥科技有 限公司)					
Other	7,291,655.42	55,771,083.41	1,679.56	-7,151,648.63	Partial recovery of investments

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 12. Investment properties

Item	Properties and buildings
I. Original book value	
1. Balance at the Beginning of the Period	17,727,141.51
2. Addition during the Period	
(1) Transfer from fixed assets	
3. Decrease during the Period	
4. Balance at the End of the Period	17,727,141.51
II. Accumulated depreciation and amortization	
1. Balance at the Beginning of the Period	7,801,287.37
2. Addition during the Period	840,883.43
(1) Provision for amortization	840,883.43
(2) Transfer from fixed assets	
3. Decrease during the Period	
4. Balance at the End of the Period	8,642,170.80
III. Provision for impairment	
1. Balance at the Beginning of the Period	
2. Addition during the Period	
3. Decrease during the Period	
4. Balance at the End of the Period	
IV. Carrying amount	
1. Carrying amount at the End of the Period	9,084,970.71
2. Carrying amount at the Beginning of the Period	9,925,854.14

### 13. Fixed assets

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Fixed assets	4,054,345,129.01	4,254,805,388.16
Disposal of fixed assets		
Total	4,054,345,129.01	4,254,805,388.16

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 13. Fixed assets (continued)

#### ① Status of fixed assets

Item	Plant and building	Machinery and equipment	Motor vehicles	Electronic devices and others	Total
I. Original book value					
1. Balance at the Beginning of the Period	3,937,499,045.39	4,118,321,712.13	79,009,362.43	647,321,629.59	8,782,151,749.54
2. Addition during the Period	49,130,518.15	225,289,989.65	6,422,910.85	41,748,646.59	322,592,065.24
(1) Acquisition	21,456,036.07	52,927,077.60	6,090,695.79	30,553,331.55	111,027,141.01
(2) Construction in progress transferred	27,674,482.08	172,362,912.05	332,215.06	11,195,315.04	211,564,924.23
3. Decrease during the Period	3,530,861.56	45,795,138.95	3,222,896.14	14,046,834.10	66,595,730.75
(1) Disposal or written-off	3,530,861.56	45,795,138.95	3,028,455.77	14,046,834.10	66,401,290.38
(2) Others			194,440.37		194,440.37
4. Balance at the End of the Period	3,983,098,701.98	4,297,816,562.83	82,209,377.14	675,023,442.08	9,038,148,084.03
II. Accumulated depreciation					
1. Balance at the Beginning of the Period	1,680,699,665.06	2,295,165,229.05	62,452,806.32	435,939,172.52	4,474,256,872.95
2. Addition during the Period	186,984,797.14	254,557,865.20	6,795,497.05	62,875,127.92	511,213,287.31
(1) Provision	186,984,797.14	254,557,865.20	6,795,497.05	62,875,127.92	511,213,287.31
3. Decrease during the Period	1,193,379.20	37,489,694.62	3,048,593.81	12,094,964.11	53,826,631.74
(1) Disposal or written-off	1,193,379.20	37,489,694.62	2,856,785.91	12,094,900.88	53,634,760.61
(3) Others			191,807.90	63.23	191,871.13
4. Balance at the End of the Period	1,866,491,083.00	2,512,233,399.63	66,199,709.56	486,719,336.33	4,931,643,528.52
III. Provision for impairment					
1. Balance at the Beginning of the Period	25,391,870.37	26,573,120.81		1,124,497.25	53,089,488.43
2. Addition during the Period		2,835.34		155,127.00	157,962.34
(1) Provision		2,835.34		155,127.00	157,962.34
3. Amount decrease during the Period		926,838.46		161,185.81	1,088,024.27
(1) Disposal or written-off		926,838.46		161,185.81	1,088,024.27
4. Balance at the End of the Period	25,391,870.37	25,649,117.69		1,118,438.44	52,159,426.50
IV. Carrying amount					
1. Carrying amount at the End of the Period	2,091,215,748.61	1,759,934,045.51	16,009,667.58	187,185,667.31	4,054,345,129.01
2. Carrying amount of balance at the Beginning of the Period	2,231,407,509.96	1,796,583,362.27	16,556,556.11	210,257,959.82	4,254,805,388.16

At the balance sheet date, the company engaged an appraiser to conduct an impairment test on assets related to the vaccine business. The discounted cash flow method was used to estimate the recoverable amount of the asset group. Based on the test, no impairment was identified for this cash-generating unit.

The estimated future cash flows of the cash-generating unit were determined based on the financial budget prepared by management for the beneficial period of the asset group.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 13. Fixed assets (continued)

① Status of fixed assets (continued)

The key assumptions adopted in the impairment test using the discounted future cash flow method are as follows:

The calculation of the present value of the estimated future cash flows for the cash-generating unit used key assumptions including a gross profit margin of 76.85% to 88.36%, an operating revenue growth rate of -30% to 150%, and a cash flow discount rate of 13.50%. Management determined these assumptions based on historical performance prior to the budget period and forecasts of market development.

② Temporary idled fixed assets

Item	Original book value	Accumulated depreciation	Provision for impairment	Carrying amount	Remarks
Plant and building	14,243,288.67	12,250,584.90		1,992,703.77	
Machinery and equipment	15,668,962.02	14,786,868.73		882,093.29	
Electronic devices and others	317,278.72	301,414.77		15,863.95	
<b>Total</b>	<b>30,229,529.41</b>	<b>27,338,868.40</b>		<b>2,890,661.01</b>	

③ The Company has no fixed assets leased under financial leasing.

④ Fixed assets leased out under operating leases

Item	Carrying amount
Plant and building	590,907.21

⑤ Fixed assets pending for certificate of ownership

Item	Carrying amount	Reasons for pending for certificate of ownership
Plant and building	86,551,209.86	Procedure in progress

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Construction in progress

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Construction in progress Construction supplies	234,180,002.38	257,366,336.12
<b>Total</b>	<b>234,180,002.38</b>	<b>257,366,336.12</b>

#### ① Breakdown of construction in progress

Item	Balance at the End of the Period			Balance at the End of the Previous Year		
	Gross amount	Provision for impairment	Net carrying amount	Gross amount	Provision for impairment	Net carrying amount
Semaglutide Project (司美專案)	12,789,108.77		12,789,108.77	47,742,942.52		47,742,942.52
P03 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠制藥廠P03建設專案)	58,144,309.60		58,144,309.60	41,750,648.05		41,750,648.05
Jiaozuo new factory relocation project (焦作新廠遷建專案)	64,454,446.84		64,454,446.84	55,831,987.95		55,831,987.95
Indonesia Factory Construction Project of Livzon Group (麗珠集團印尼工廠建設專案)	25,769,394.21		25,769,394.21			
Others	73,192,083.42	169,340.46	73,022,742.96	112,210,098.06	169,340.46	112,040,757.60
<b>Total</b>	<b>234,349,342.84</b>	<b>169,340.46</b>	<b>234,180,002.38</b>	<b>257,535,676.58</b>	<b>169,340.46</b>	<b>257,366,336.12</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Construction in progress (continued)

② Changes of significant construction in progress

Name of Project	Balance at the Beginning of the Period	Additions during the Period	Transferred to fixed assets	Other deductions	Accumulated amount of interest capitalized	Amount of interest capitalized for the Period	Of which: interest capitalized before the Period	Balance at
								the End of the Period
Semaglutide Project (司美項目)	47,742,942.52	14,489,954.66	49,443,788.41					12,789,108.77
P03 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠制藥廠 P03建設項目)	41,750,648.05	16,948,841.36	555,179.81					58,144,309.60
Jiaozuo New Factory Relocation Project (焦作新廠遷建項目)	55,831,987.95	8,622,458.89						64,454,446.84
Indonesia Factory Construction Project of Livzon Group (麗珠集團印尼工廠建設項目)		25,769,394.21						25,769,394.21
<b>Total</b>	<b>145,325,578.52</b>	<b>65,830,649.12</b>	<b>49,998,968.22</b>					<b>161,157,259.42</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Construction in progress (continued)

② Changes of significant construction in progress (continued)

Name of Project	Budgeted amount	Percentage of accumulated cost incurred over budgeted amount (%)	Construction progress (%)	Sources of funds
Semaglutide Project (司美項目)	168,900,000.00	80.47	80.00	Self-funding
P03 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠P03建設項目)	106,033,900.00	55.36	55.00	Self-funding
Jiaozuo new factory relocation project (焦作新廠遷建項目)	184,261,900.00	74.61	75.00	Self-funding
Indonesia Factory Construction Project of Livzon Group (麗珠集團印尼工廠建設項目)	191,000,000.00	13.49	15.00	Self-funding
Total	650,195,800.00	-	-	-

③ Provision for impairment of construction in progress

Item	Balance at the Beginning of the Period	Provision for the Period	Decrease in the Period	Balance at the End of the Period
Others	169,340.46			169,340.46

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 15. Right-of-use assets

Item	Plant and building	Machinery and equipment	Total
I. Original book value			
1. Balance at the Beginning of the Period	51,356,122.68		51,356,122.68
2. Addition during the Period	27,570,320.92	3,147,044.40	30,717,365.32
(1) Leasing	27,570,320.92	3,147,044.40	30,717,365.32
3. Decrease during the Period	24,049,251.01		24,049,251.01
4. Balance at the End of the Period	54,877,192.59	3,147,044.40	58,024,236.99
II. Accumulated depreciation			
1. Balance at the Beginning of the Period	26,272,910.70		26,272,910.70
2. Addition during the Period	22,421,806.73	288,479.07	22,710,285.80
(1) Provision	22,421,806.73	288,479.07	22,710,285.80
3. Decrease during the Period	24,049,251.01		24,049,251.01
4. Balance at the End of the Period	24,645,466.42	288,479.07	24,933,945.49
III. Provision for impairment			
1. Balance at the Beginning of the Period			
2. Addition during the Period			
3. Decrease during the Period			
4. Balance at the End of the Period			
IV. Carrying amount			
1. Carrying amount at the End of the Period	30,231,726.17	2,858,565.33	33,090,291.50
2. Carrying amount at the Beginning of the Period	25,083,211.98		25,083,211.98

During the Period, the Company recognized lease expenses related to short-term leases and the leases of low-value assets of RMB6.9022 million.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 16. Intangible assets

#### 16.1 Status of Intangible assets

Item	Land use right	Patent and technical know-how	Software	Trademark rights	Others	Total
I. Original book value						
1. Balance at the Beginning of the Period	289,144,745.43	838,450,317.41	73,904,817.10	28,716.98	13,201,934.53	1,214,730,531.45
2. Additions for the Period	86,613,594.86	5,126,792.46	4,549,760.42		8,653,554.00	104,943,701.74
(1) Acquisition	86,613,594.86	5,126,792.46	4,549,760.42		8,653,554.00	104,943,701.74
(2) Internal R&D						
3. Decrease for the Period		7,409,106.97				7,409,106.97
(1) Disposal or written off		7,409,106.97				7,409,106.97
4. Balance at the End of the Period	375,758,340.29	836,168,002.90	78,454,577.52	28,716.98	21,855,488.53	1,312,265,126.22
II. Accumulated amortization						
1. Balance at the Beginning of the Period	98,287,970.79	634,402,271.16	58,243,565.74	25,611.71	8,898,251.72	799,857,671.12
2. Additions for the Period	6,439,198.65	24,545,217.64	5,273,973.49	471.72	3,002,828.95	39,261,690.45
(1) Provision	6,439,198.65	24,545,217.64	5,273,973.49	471.72	3,002,828.95	39,261,690.45
3. Decrease for the Period		5,683,824.09				5,683,824.09
(1) Disposal or written off		5,683,824.09				5,683,824.09
4. Balance at the End of the Period	104,727,169.44	653,263,664.71	63,517,539.23	26,083.43	11,901,080.67	833,435,537.48
III. Provision for impairment						
1. Balance at the Beginning of the Period	981,826.94	10,209,166.76				11,190,993.70
2. Additions for the Period		170,716.64				170,716.64
(1) Provision		170,716.64				170,716.64
3. Decrease for the Period		1,379,999.86				1,379,999.86
(1) Disposal or written off		1,379,999.86				1,379,999.86
4. Balance at the End of the Period	981,826.94	8,999,883.54				9,981,710.48
IV. Carrying amount						
1. Carrying amount at the End of the Period	270,049,343.91	173,904,454.65	14,937,038.29	2,633.55	9,954,407.86	468,847,878.26
2. Carrying amount at the Beginning of the Period	189,874,947.70	193,838,879.49	15,661,251.36	3,105.27	4,303,682.81	403,681,866.63

The proportion of intangible assets created due to the internal R&D in the balance of intangible assets at the End of the Period is 48.72%.

#### 16.2 Intangible assets pending for certificates of ownership

N/A

#### 16.3 Notes to intangible assets

The land use rights represent the state-owned land use rights obtained by the Company in accordance with PRC laws in China, and the term of grant will be 50 years commencing from the date of obtaining the land use rights. They also include the state-owned land use rights obtained by the Company within Indonesia in accordance with Indonesian laws, with an initial grant term of 30 years from the acquisition date. This term can be extended for 20 years upon expiration, and a second extension of 30 years is permitted, making the cumulative maximum term 80 years.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 17. Development expenditure

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Development expenditure	220,497,980.76	144,377,913.60		364,875,894.36

Please refer to Note VI. Research and Development Expenditure for details.

### 18. Goodwill

#### 18.1 Original book value of goodwill

Name of investee	Balance at the Beginning of the Period	Increase in the Period – Arose from business combination	Increase in the Period – Others	Decrease in the Period – Disposal	Decrease in the Period – Others	Balance at the End of the Period
Balance at the End of the Period Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	47,912,269.66					47,912,269.66
Sichuan Sugan Pharmaceutical Manufacturing Co., Ltd. (四川大冢製藥有限公司)	13,863,330.24					13,863,330.24
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	46,926,155.25					46,926,155.25
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Co., Ltd. (麗珠集團新北製藥股份有限公司)	7,271,307.03					7,271,307.03
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)	2,045,990.12		21,870,805.09			23,916,795.21
Zhuhai FTZ Livzon Hutchison Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	3,492,752.58					3,492,752.58
Shanghai Zhongtuo Pharmaceutical Technology Co., Ltd. (上海中拓曼妥思科技有限公司)	21,870,805.09				21,870,805.09	
Total	143,382,609.97		21,870,805.09		21,870,805.09	143,382,609.97

In accordance with the Absorption Merger Agreement and the resolution of the shareholders' meeting of Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd., the company absorbed Shanghai Zhongtuo Pharmaceutical Technology Co., Ltd.

#### 18.2 Provision for impairment of goodwill

Name of investee	Balance at the Beginning of the Period	Decrease in the Period Provision	Decrease in the Period Others	Balance at the End of the Period Disposal	Balance at the End of the Period Others	Balance at the End of the Period
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	11,200,000.00					11,200,000.00
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	7,271,307.03					7,271,307.03
Total	18,471,307.03					18,471,307.03

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 18. Goodwill *(continued)*

#### 18.2 Provision for impairment of goodwill *(continued)*

Goodwill of the Company arose from its business combination involving enterprises not under common control.

On the balance sheet date, the Company conducted impairment test on goodwill and adopted the asset groups related to goodwill to estimate the present value of the future cash flow when estimating the recoverable amount of the investment cost.

The estimated future cash flow of asset groups is calculated according to the five-year financial budget plan made by the management, the cash flows in the years beyond the five-year budget plan remain stable.

Key assumptions of discounted future cash flow for goodwill impairment test are as follows:

For the calculation of estimated present value of future cash flow of the asset groups related to goodwill of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠), key assumptions are a gross margin of 72.19%~73.36% and a business revenue growth rate of -57.34%~ 4.72% as well as a cash flow discount rate of 14.72%. The management took into account historical conditions and predictions for future market development in making the above assumptions.

For the calculation of estimated present value of future cash flow of the asset groups related to goodwill of Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司), key assumptions are a gross margin of 68.26%~ 69.20% and a business revenue growth rate of 0~11.41% as well as a cash flow discount rate of 15.15%. The management took into account historical conditions and predictions for future market development in making the above assumptions.

For the calculation of estimated present value of future cash flow of the asset groups related to goodwill of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司), key assumptions are a gross margin of 60.17%~63.40% and a business revenue growth rate of 0~2.22% as well as a cash flow discount rate of 15.04%. The management took into account historical conditions and predictions for future market development in making above assumptions.

For the calculation of estimated present value of future cash flow of the asset groups related to goodwill of Shanghai Zhongtuo Pharmaceutical Technology Co., Ltd. (上海中拓醫藥科技有限公司), key assumptions are a gross margin of 50.84%~72.27% and a business revenue growth rate of 0~323.85% as well as a cash flow discount rate of 15.56%. The management took into account historical conditions and predictions for future market development in making above assumptions.

As tested, the management of the Company expects that no impairment provision is needed during the Reporting Period.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 19. Long-term deferred expenses

Item	Balance at the Beginning of the Period	Increase during the Period	Decrease during the Period		Balance at the End of the Period
			Amortisation for the period	Other decrease	
Renovation costs of offices	22,192,916.35	501,312.66	4,135,409.17		18,558,819.84
Renovation costs of plants	106,146,328.77	9,253,729.68	17,455,001.46		97,945,056.99
Resins and fillers	17,816,735.67	14,471,384.10	18,781,420.29		13,506,699.48
License fees	18,584,004.57	150,000.00	3,408,909.92		15,325,094.65
Others	11,008,381.52	12,352,109.18	8,671,789.69	161,642.40	14,527,058.61
<b>Total</b>	<b>175,748,366.88</b>	<b>36,728,535.62</b>	<b>52,452,530.53</b>	<b>161,642.40</b>	<b>159,862,729.57</b>

### 20. Deferred income tax assets and deferred income tax liabilities

#### 20.1 Deferred income tax assets and deferred income tax liabilities without offsetting

Item	Balance at the End of the Period		Balance at the End of the Previous Year	
	Deductible taxable temporary difference	Deferred income assets/liabilities	Deductible taxable temporary difference	Deferred income assets/liabilities
<b>Deferred income tax assets</b>				
Provision for impairment of assets	273,638,148.33	42,473,767.15	202,777,799.75	33,685,563.46
Accrued expenses	926,171,271.86	139,329,177.53	568,516,781.08	85,277,517.17
Deductible losses	979,574,597.52	146,963,855.86	588,291,021.85	88,243,653.28
Deferred income	189,642,888.72	28,446,433.31	232,244,090.61	34,836,613.59
Unrealized losses from intra-company transactions	179,199,874.05	27,194,082.15	342,822,538.33	51,484,093.65
Share incentive costs	98,809,144.73	14,821,371.71	146,115,191.99	21,917,278.80
Changes in fair value	49.77	12.44	19,969,938.37	3,805,031.12
Lease liabilities	32,651,114.50	4,916,016.64	25,632,966.15	3,855,370.02
Other deductible temporary difference	157,142,118.73	23,571,317.80	221,049,675.46	33,240,307.27
<b>Subtotal</b>	<b>2,836,829,208.21</b>	<b>427,716,034.59</b>	<b>2,347,420,003.59</b>	<b>356,345,428.36</b>
<b>Deferred income tax liabilities</b>				
Valuation of financial instruments held for trading and derivative financial instruments	18,923,939.42	2,896,322.70	12,583,829.07	1,925,721.93
Changes in fair value of other equity instruments through other comprehensive income	273,643,370.74	43,725,983.83	276,736,095.37	44,063,292.82
Accelerated depreciation of fixed assets	988,070,884.64	149,634,288.82	985,797,180.92	149,087,333.27
Unrealized gains from intra-company transactions	56,940,000.00	8,541,000.00	56,940,000.00	8,541,000.00
Right-of-use assets	33,090,291.50	4,981,893.19	25,083,211.98	3,772,906.90
<b>Subtotal</b>	<b>1,370,668,486.30</b>	<b>209,779,488.54</b>	<b>1,357,140,317.34</b>	<b>207,390,254.92</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 20. Deferred income tax assets and deferred income tax liabilities (continued)

#### 20.2 Breakdown of deductible temporary difference and deductible losses of unrecognized deferred income tax assets

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Deductible temporary difference	244,245,545.44	528,647,041.74
Deductible losses	3,816,607,351.14	3,881,533,397.01
Total	4,060,852,896.58	4,410,180,438.75

#### 20.3 Deductible losses of unrecognized deferred income tax assets will expire in the following years

Year	Balance at the End of the Period	Balance at the End of the Previous Year	Remarks
2025		407,871,974.13	
2026	554,979,730.64	554,979,730.64	
2027	714,834,712.84	714,968,022.87	
2028	1,111,332,221.27	1,113,026,403.45	
2029	948,794,609.01	951,567,738.41	
2030	355,511,159.56		
Indefinite	131,154,917.82	139,119,527.51	
Total	3,816,607,351.14	3,881,533,397.01	

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 21. Other non-current assets

#### Other non-current assets

Item	Balance at the End of the Period			Balance at the End of the Previous Year		
	Gross carrying amount	Allowance for impairment	Carrying Amount	Gross carrying amount	Allowance for impairment	Carrying Amount
Remaining VAT credit	14,541,254.81		14,541,254.81	3,338,832.19		3,338,832.19
Payment for acquisition of project and equipment	121,776,197.86	70,105,592.70	51,670,605.16	119,280,875.84		119,280,875.84
Time deposits	313,598,554.04		313,598,554.04	466,993,683.39		466,993,683.39
Others	8,791,101.00		8,791,101.00			
<b>Total</b>	<b>458,707,107.71</b>	<b>70,105,592.70</b>	<b>388,601,515.01</b>	<b>589,613,391.42</b>		<b>589,613,391.42</b>

### 22. Assets with restricted ownership or right of use

Item	Book balance	At the End of the Period		
		Carrying value	Type of restrictions	Restricted situation
Monetary funds	1,865,019,539.69	1,865,019,539.69	Locked up	Deposits for letters of guarantee and other businesses
Bills receivable	140,868,943.08	140,868,943.08	Pledged	Pledged bills receivable for the bill pool business
<b>Total</b>	<b>2,005,888,482.77</b>	<b>2,005,888,482.77</b>		

Item	Book balance	At the End of the Previous Year		
		Carrying value	Type of restrictions	Restricted situation
Monetary funds	9,330,323.62	9,330,323.62	Locked up	Deposits for letters of guarantee and other businesses
Bills receivable	282,356,860.08	282,356,860.08	Pledged	Pledged bills receivable for the bill pool business
<b>Total</b>	<b>291,687,183.70</b>	<b>291,687,183.70</b>		

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 23. Short-term loans

#### 23.1 Classification of short-term loans

Item	Balance at the End of the Period	Balance at the End of Last Year
Loans on credit	2,000,000,000.00	2,295,000,000.00
Loans on guarantee	120,000,000.00	100,000,000.00
Pledged borrowings		60,000,000.00
Total	2,120,000,000.00	2,455,000,000.00

23.2 The Company has no overdue but outstanding short-term loans.

### 24. Bills payables

Type	Balance at the End of the Period	Balance at the End of Last Year
Bank acceptance bills	785,490,545.87	965,581,088.61

The Company has no due but unpaid bills payables for the Period.

### 25. Accounts payables

Item	Balance at the End of the Period	Balance at the End of Last Year
Within 3 months (including 3 months)	369,367,494.96	424,390,062.49
4 – 6 months (including 6 months)	14,986,321.86	27,358,168.95
7 – 12 months (including 12 months)	28,216,984.86	20,294,215.36
1 – 2 years (including 2 years)	25,691,857.58	64,871,885.90
Over 2 years	94,539,676.51	81,483,191.04
Total	532,802,335.77	618,397,523.74

25.1 The aging of accounts payables is calculated from the date of billing.

25.2 As at the End of the Period, there was no significant accounts payables aged over 1 year.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 26. Contract liabilities

Item	Balance at the End of the Period	Balance at the End of Last Year
Within 1 year	77,699,193.05	93,948,412.46
Over 1 year	26,682,561.29	30,683,585.08
<b>Total</b>	<b>104,381,754.34</b>	<b>124,631,997.54</b>

As at the End of the Period, there was no significant contract liabilities aged over 1 year; the amount of income recognized during the Period which was included in the carrying amount of the contract liabilities at the Beginning of the Period is RMB69,644,149.95.

### 27. Employee benefits payables

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Short-term remuneration	330,257,959.08	1,601,618,597.69	1,565,681,363.27	366,195,193.50
Post-resignation benefits – defined contribution plans		140,821,868.86	140,094,157.77	727,711.09
Dismissal benefits		10,506,992.64	10,506,992.64	
<b>Total</b>	<b>330,257,959.08</b>	<b>1,752,947,459.19</b>	<b>1,716,282,513.68</b>	<b>366,922,904.59</b>

#### 27.1 Short-term remuneration

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Salaries, bonuses, allowances and subsidies	329,000,003.64	1,396,984,094.13	1,361,502,225.04	364,481,872.73
Employee welfare	888,646.50	84,214,067.88	84,103,374.24	999,340.14
Social insurance fees Including:		60,815,334.58	60,616,838.93	198,495.65
1. Medical insurance fees		54,388,878.83	54,225,586.83	163,292.00
2. Work-related injury insurance fees		5,862,057.36	5,826,853.71	35,203.65
3. Maternity insurance fees		564,398.39	564,398.39	
Housing provident fund	206,810.40	53,132,127.15	53,019,882.70	319,054.85
Labour union fees and employee education fees	162,498.54	6,472,973.95	6,439,042.36	196,430.13
Special funds of the share ownership scheme				
<b>Total</b>	<b>330,257,959.08</b>	<b>1,601,618,597.69</b>	<b>1,565,681,363.27</b>	<b>366,195,193.50</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 27. Employee benefits payables (continued)

#### 27.2 Defined contribution plan

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Post-resignation benefits		140,821,868.86	140,094,157.77	727,711.09
Including: 1. Basic pension insurance fees		135,165,358.52	134,471,623.85	693,734.67
2. Unemployment insurance fees		5,656,510.34	5,622,533.92	33,976.42
Total		140,821,868.86	140,094,157.77	727,711.09

The Company participates in pension insurance and unemployment insurance plans established by the government in accordance with relevant requirements. According to the plans, the Company makes contributions to these plans in accordance with relevant requirements of the local government. Save for the above contributions, the Company no longer undertakes further payment obligation. The corresponding cost is charged to the profit or loss for the current period or the cost of relevant assets when it occurs.

### 28. Taxes payables

Taxes	Balance at the End of the Period	Balance at the End of Last Year
Value added tax	84,803,056.97	63,382,722.69
Urban maintenance and construction tax	8,085,932.42	6,631,369.85
Enterprise income tax	82,427,530.19	112,878,344.55
Property tax	6,081,758.79	6,071,344.17
Land use tax	1,761,374.82	1,560,812.06
Individual income tax	7,515,491.92	4,120,518.93
Stamp duty	2,507,734.37	2,515,035.51
Education surcharges	5,527,983.09	4,402,109.74
Flood prevention fees	20,300.76	20,300.76
Others	696,052.73	1,114,687.47
Total	199,427,216.06	202,697,245.73

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 29. Other payables

Item	Balance at the End of the Period	Balance at the End of Last Year
Dividends payable	9,017,248.88	9,890,041.38
Other payables	2,921,271,518.96	2,851,491,300.70
<b>Total</b>	<b>2,930,288,767.84</b>	<b>2,861,381,342.08</b>

#### 29.1 Dividends payable

Item	Balance at the End of the Period	Balance at the End of Last Year
Dividends on ordinary shares	20,174.46	20,174.46
Qingyuan Xinbeijiang (Group) Company (清遠新北江企業(集團)公司)	1,200,710.00	1,200,710.00
Other legal persons and individual shares of subsidiaries	4,945,313.73	5,302,168.02
Staff shares of subsidiaries	2,851,050.69	3,366,988.90
<b>Total</b>	<b>9,017,248.88</b>	<b>9,890,041.38</b>

Important dividends payable outstanding over 1 year:

Name of shareholder	Amount of dividends payable	Reason for non-payment
Qingyuan Xinbeijiang (Group) Company (清遠新北江企業(集團)公司)	1,200,710.00	Not yet paid
Other legal persons and individual shares of subsidiaries	4,945,313.73	Not yet paid
Staff shares of subsidiaries	2,851,050.69	Not yet paid
<b>Total</b>	<b>8,997,074.42</b>	—

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 29. Other payables (continued)

#### 29.2 Other payables

Item	Balance at the End of the Period	Balance at the End of Last Year
Office expenses	69,740,676.43	70,346,214.43
Deposits under guarantees	50,785,226.78	52,996,402.13
Utilities expenses	26,040,696.04	22,230,909.18
Research expenses	38,348,158.29	58,908,906.21
Business promotion expenses	2,615,444,827.46	2,526,916,478.34
Technology transfer funds	7,507,925.96	5,456,393.91
Balance with associates	7,185,232.02	9,778,409.44
Advisory, consultancy and information disclosure expenses	3,581,293.87	3,706,689.58
Business meeting expenses	11,155,996.14	10,857,362.82
Others	91,481,485.97	90,293,534.66
<b>Total</b>	<b>2,921,271,518.96</b>	<b>2,851,491,300.70</b>

At the End of the Period, there were no significant other accounts payables aged over 1 year.

### 30. Non-current liabilities due within one year

Item	Balance at the End of the Period	Balance at the End of Last Year
Long-term loans due within 1 year	157,893,745.92	36,211,647.55
Lease liabilities due within 1 year	15,327,709.64	12,530,438.44
<b>Total</b>	<b>173,221,455.56</b>	<b>48,742,085.99</b>

#### 30.1 Long-term loans due within 1 year

Item	Balance at the End of the Period	Balance at the End of Last Year
Loans on credit	57,817,357.03	36,211,647.55
Secured loans	100,076,388.89	
<b>Total</b>	<b>157,893,745.92</b>	<b>36,211,647.55</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 31. Other current liabilities

Item	Balance at the End of the Period	Balance at the End of Last Year
Tax for items pending for settlement	6,799,037.11	10,642,182.94

### 32. Long-term loans

Item	Balance at the End of the Period	Interest rate range	Balance at the End of Last Year	Interest rate range
Loans on credit	57,817,357.03	2.35%	94,336,947.20	2.70%-2.95%
Loans on guarantee	849,432,987.93	2.40%-2.50%	1,407,609,812.72	2.50%-2.65%
Subtotal	907,250,344.96		1,501,946,759.92	
Less: Long-term loans due within 1 year	157,893,745.92	2.35%-2.50%	36,211,647.55	2.80%-2.95%
Total	749,356,599.04		1,465,735,112.37	

### 33. Lease liabilities

Item	Balance at the End of the Period	Balance at the End of Last Year
Amount payable under lease	32,651,114.50	25,632,966.15
Less: Lease liabilities due within one year	15,327,709.64	12,530,438.44
Total	17,323,404.86	13,102,527.71

During the Period, the amount of interest expenses of lease liabilities was RMB1.9366 million, which was recorded in finance expenses – interest expenses.

### 34. Deferred gains

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Government grants	238,422,836.35	66,188,550.00	62,452,393.05	242,158,993.30

For details of the government grants included in deferred gains, see Note VIII. Government grants.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 35. Share capital

2025

Item	Balance at the Beginning of the Period		Changes for the Period				Balance at the End of the Period		
	Amount	Percentage (%)	Issuance of new shares	No. of bonus shares	Reserve Fund capitalized	Others	Subtotal	Amount	Percentage (%)
<b>I. Shares subject to selling restrictions</b>									
1. Shares held by State Government									
2. Shares held by State-owned entities	17,306,329	1.90						17,306,329	1.95
3. Shares held by other domestic holders	2,653,931	0.29						2,653,931	0.30
Including: Shares held by domestic natural persons	2,653,931	0.29						2,653,931	0.30
4. Shares held by foreign holders									
Including: Shares held by domestic natural persons									
Shares subject to selling restrictions aggregate	19,960,260	2.19						19,960,260	2.25
<b>II. Shares not subject to selling restrictions</b>									
1. Ordinary shares denominated in Renminbi	584,333,053	64.12				-16,193,259	-16,193,259	568,139,794	63.99
2. Overseas listed foreign shares (H-share)	307,052,417	33.69				-7,245,300	-7,245,300	299,807,117	33.76
Shares not subject to selling restrictions aggregate	891,385,470	97.81				-23,438,559	-23,438,559	867,946,911	97.75
<b>Total number of shares</b>	<b>911,345,730</b>	<b>100.00</b>				<b>-23,438,559</b>	<b>-23,438,559</b>	<b>887,907,171</b>	<b>100.00</b>

According to the relevant requirements of the Guideline No. 1 on Self-Discipline Supervision of Companies Listed on the Shenzhen Stock Exchange – Standardized Operation of Main Board Listed Companies (《深圳證券交易所上市公司自律監管指引第1號—主板上市公司規範運作》), there are 2,653,931 locked shares held by the senior management.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 35. Share capital (continued)

2024

Item	Balance at the Beginning of the Year		Issuance of new shares	Changes for the Period			Balance at the End of the Period	
	Amount	Percentage (%)		No. of bonus shares	Reserve Fund capitalized	Others	Subtotal	Amount
<b>I. Shares subject to selling restrictions</b>								
1. Shares held by State Government								
2. Shares held by State-owned entities	17,306,329	1.87					17,306,329	1.9
3. Shares held by other domestic holders	2,604,405	0.28	114,827			-65,301	49,526	2,653,931
Including: Shares held by domestic natural persons	2,604,405	0.28	114,827			-65,301	49,526	2,653,931
4. Shares held by foreign holders								
Including: Shares held by foreign natural persons								
Shares subject to selling restrictions aggregate	19,910,734	2.15	114,827			-65,301	49,526	19,960,260
<b>II. Shares not subject to selling restrictions</b>								
1. Ordinary shares denominated in Renminbi	594,196,188	64.31	6,546,128			-16,409,263	-9,863,135	584,333,053
2. Overseas listed foreign shares (H-share)	309,831,217	33.54				-2,778,800	-2,778,800	307,052,417
Shares not subject to selling restrictions aggregate	904,027,405	97.85	6,546,128			-19,188,063	-12,641,935	891,385,470
<b>III. Total number of shares</b>	<b>923,938,139</b>	<b>100.00</b>	<b>6,660,955</b>			<b>-19,253,364</b>	<b>-12,592,409</b>	<b>911,345,730</b>

According to the relevant requirements of the Guideline No. 1 on Self-Discipline Supervision of Companies Listed on the Shenzhen Stock Exchange – Standardized Operation of Main Board Listed Companies (《深圳證券交易所上市公司自律監管指引第1號—主板上市公司規範運作》), there are 2,653,931 locked shares held by the senior management.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 36. Capital reserve

#### 2025

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Share premium	257,854,850.06		257,854,850.06	
Other capital reserve	271,389,337.35			271,389,337.35
Total	529,244,187.41		257,854,850.06	271,389,337.35

The decrease in the share premium for the Period represented: the decrease in share premium of RMB753,051,092.84 as a result of the cancellation of 23,438,559 repurchased shares; the decrease in share premium of RMB306,825,696.99 due to the difference between the capital contribution and the corresponding net assets shares for the disproportionate capital increase to a subsidiary. The portion of the decrease in share premium that could not be fully offset was written off against the surplus reserve by RMB744,801,154.15 and the undistributed profits by RMB57,220,785.62.

#### 2024

Item	Balance at the Beginning of the Year	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Share premium	1,029,948,025.05	246,039,893.03	1,018,133,068.02	257,854,850.06
Other capital reserve	292,550,449.18	36,253,521.64	57,414,633.47	271,389,337.35
Total	1,322,498,474.23	282,293,414.67	1,075,547,701.49	529,244,187.41

The increase in the share premium for the Period represented: ① an increase in share premium of RMB201,893,546.05 as a result of the exercise of 6,660,955 share options during the Period, and the withdrawal of share incentive expenses of RMB41,698,520.18 was transferred from other capital reserves into share premium; ② upon the exercise of share options, pursuant to the taxation rules, the difference between deductible expenses before taxation and the amount of provision decreased income tax payable by RMB2,447,826.80, the share premium was increased accordingly.

The decrease in the share premium in the Period represented: ① the decrease in share premium of RMB642,692,591.19 as a result of cancellation of 19,253,364 repurchased shares; ② the decrease in share premium due to the difference of RMB375,440,476.83 between the capital contribution and acquisition payment and the corresponding net assets shares of the subsidiary for the disproportionate capital increase to a subsidiary and acquisition of minority equity in a subsidiary.

Other capital reserve increase for the Period represented: ① withdrawal of share incentive expenses of RMB10,389,718.88; ② capital reserve increase of RMB25,863,802.76 due to changes in equity calculated under the equity method. The decrease in other capital reserve for the Period represented: ① the withdrawal of share incentive expenses of RMB41,698,520.18 was transferred from other capital reserves into share premium; ② failure to meet the performance conditions set by the Share Options Incentive Scheme, resulting in the reversal of previously accrued share incentive expenses amounting to RMB15,716,113.29.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 37. Treasury shares

2025

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Repurchase of A Shares and H Shares	196,616,427.46	579,873,224.38	776,489,651.84	

The increase in treasury shares for the Period represented: the repurchase of the total amount of capital used for 15,741,059 Shares of the Company through centralized bidding transactions. The decrease in treasury shares for the Period represented: the cancellation of 23,438,559 repurchased shares.

2024

Item	Balance at the Beginning of the Year	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Repurchase of A Shares and H Shares		858,562,382.65	661,945,955.19	196,616,427.46

The increase in treasury shares for the Period represented: the repurchase of the total amount of capital used for 26,950,864 Shares of the Company through centralized bidding transactions. The decrease in treasury shares for the Period represented: the cancellation of 19,253,364 repurchased shares.

### 38. Other comprehensive income

2025

Item	Balance at the Beginning of the Period (1)	Amount incurred before income tax for the Period	Amount for the Period					Balance at the End of the Period (4)=(1)+(2)+(3)
			Less: Amount recognized in other comprehensive income in previous period transferred to profit or loss for current period	Less: Amount recognised in other comprehensive income in previous period transferred to retained earnings for current period (2)	Less: Income tax expenses	Attributable to parent company after tax (3)	Attributable to minority interests after tax	
<b>I. Other comprehensive income not to be reclassified into profit or loss</b>	108,011,315.86	-41,392,647.61		-7,151,648.63	2,084,077.31	-44,769,993.24	1,293,268.32	70,392,971.25
1. Other comprehensive income not to be reclassified into profit or loss under equity method	10,324,216.71	-2,737,414.81				-2,737,414.81		7,586,801.90
2. Changes in fair value of investments in other equity instruments	97,687,099.15	-38,655,232.80		-7,151,648.63	2,084,077.31	-42,032,578.43	1,293,268.32	62,806,169.35
<b>II. Other comprehensive income to be reclassified into profit or loss</b>	4,169,050.77	-87,925,148.56				-83,704,304.87	-4,220,843.69	-79,535,254.10
1. Other comprehensive income to be reclassified into profit or loss under equity method	755,642.47	106,439.92				106,439.92		862,082.39
2. Translation differences of financial statements denominated in foreign currency	3,413,408.30	-88,031,588.48				-83,810,744.79	-4,220,843.69	-80,397,336.49
<b>Total other comprehensive income</b>	<b>112,180,366.63</b>	<b>-129,317,796.17</b>		<b>-7,151,648.63</b>	<b>2,084,077.31</b>	<b>-128,474,298.11</b>	<b>-2,927,575.37</b>	<b>-9,142,282.85</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 38. Other comprehensive income (continued)

2024

Item	Balance at the Beginning of the Period (1)	Amount incurred before income tax for the Period	Amount for the Period		Less: Income tax expenses	Attributable to parent company after tax (3)	Attributable to minority interests after tax	Balance at the End of the Period (4)=(1)+(2)+(3)
			Less: Amount recognised in other comprehensive income in previous period earnings transferred to profit or loss for current period	Less: Amount recognised in other comprehensive income in previous period earnings transferred to retained earnings for current period (2)				
<b>I. Other comprehensive income not to be reclassified into profit or loss</b>	154,381,888.45	-12,883,866.89		39,729,556.16	-3,201,850.31	-6,641,016.43	-3,041,000.15	108,011,315.86
1. Other comprehensive income not to be reclassified into profit or loss under equity method	22,492,256.04	-12,168,039.33				-12,168,039.33		10,324,216.71
2. Changes in fair value of investments in other equity instruments	131,889,632.41	-715,827.56		39,729,556.16	-3,201,850.31	5,527,022.90	-3,041,000.15	97,687,099.15
<b>II. Other comprehensive income to be reclassified into profit or loss</b>	-11,310,320.60	15,643,679.46				15,479,371.37	164,308.09	4,169,050.77
1. Other comprehensive income to be reclassified into profit or loss under equity method	435,839.62	319,802.85				319,802.85		755,642.47
2. Translation differences of financial statements denominated in foreign currency	-11,746,160.22	15,323,876.61				15,159,568.52	164,308.09	3,413,408.30
<b>Total other comprehensive income</b>	<b>143,071,567.85</b>	<b>2,759,812.57</b>		<b>39,729,556.16</b>	<b>-3,201,850.31</b>	<b>8,838,354.94</b>	<b>-2,876,692.06</b>	<b>112,180,366.63</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 39. Surplus reserve

#### 2025

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Statutory surplus reserve	577,212,833.75		577,212,833.75	
Discretionary surplus reserve	63,796,201.34		63,796,201.34	
Reserve funds	82,108,376.71		82,108,376.71	
Enterprise development fund	21,683,742.35		21,683,742.35	
Total	744,801,154.15		744,801,154.15	

The decrease in surplus reserve for the current period is detailed in Note 5, 36.

#### 2024

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Statutory surplus reserve	577,212,833.75			577,212,833.75
Discretionary surplus reserve	63,796,201.34			63,796,201.34
Reserve funds	82,108,376.71			82,108,376.71
Enterprise development fund	21,683,742.35			21,683,742.35
Total	744,801,154.15			744,801,154.15

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 40. Retained earnings

#### 40.1 Movement in retained earnings

Item	Amount for the Period	Amount for Previous Period	Appropriation or allocation proportion
Retained earnings at the End of Previous Year before adjustments	11,761,379,178.60	10,908,185,967.49	–
Adjustment for total retained earnings at the Beginning of the Period (+ for increase, – for decrease)			
Retained earnings at the Beginning of the Period after adjustment	11,761,379,178.60	10,908,185,967.49	
Add: Net profit attributable to owners of the parent company for the Period	2,023,249,327.79	2,061,095,803.97	–
Disposal of other equity instruments	-7,151,648.63	39,729,556.16	–
Less: Appropriation to statutory surplus reserve			
Dividends payable to ordinary shares	982,059,732.50	1,247,632,149.02	
Others	57,220,785.62		
Retained earnings at the End of the Period	12,738,196,339.64	11,761,379,178.60	

For other decreases, see Note 5, 36.

Breakdown of adjustments to the retained earnings as at the Beginning of the Period:

- ① The effect of the retrospective adjustments arising from Accounting Standards for Business Enterprises and the related new requirements on the retained earnings as at the Beginning of the Period amounted to RMB0.00.
- ② The effect of changes in accounting policies on the retained earnings as at the Beginning of the Period amounted to RMB0.00.
- ③ The effect of corrections of significant accounting errors on the retained earnings as at the Beginning of the Period amounted to RMB0.00.
- ④ The effect of the change of the scope of combination under common control on the retained earnings as at the Beginning of the Period amounted to RMB0.00.
- ⑤ The effect of other adjustments on the retained earnings as at the Beginning of the Period amounted to RMB0.00.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 40. Retained earnings (continued)

#### 40.2 Notes to appropriation of profits

Item	The Period	Unit: RMB'000
		Previous Period
Dividends:		
Final dividends for 2024 paid during the Year (Note 2)	982,059.73	
Final dividends for 2023 paid during the Year (Note 3)	—	1,247,632.15
Final dividends declared after balance sheet date:		
Final dividends for 2025 (Note 1)		—
Final dividends for 2024 (Note 2)	—	982,059.73

*Note 1:* On 24 March 2026, the 2025 Annual Profit Distribution Plan was resolved and approved at the 33rd meeting of the eleventh session of the Board of the Company, it is expected to distribute cash dividend of RMB14.30 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2025 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized.

*Note 2:* On 26 March 2025, the 2024 Annual Profit Distribution Plan was resolved and approved at the 23rd meeting of the 11th session of the Board of the Company, it is expected to distribute cash dividend of RMB11.00 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2024 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized. The profit distribution plan was approved at the general meeting held on 29 May 2025 and the payment was completed.

*Note 3:* On 28 March 2024, the 2023 Annual Profit Distribution Plan was resolved and approved at the 13th meeting of the eleventh session of the Board of the Company, it is expected to distribute cash dividend of RMB13.50 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2023 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized. The profit distribution plan was approved at the general meeting held on 14 June 2024 and the payment was completed.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 41. Operating income and operating cost

#### 41.1 Operating income and operating cost

Item	Amount for the Period		Amount for Previous Period	
	Income	Cost	Income	Cost
Principal activities	11,896,890,509.23	4,014,671,723.48	11,700,607,055.89	3,995,776,770.49
Other activities	123,458,710.38	84,628,958.66	111,731,798.79	85,330,186.44
<b>Total</b>	<b>12,020,349,219.61</b>	<b>4,099,300,682.14</b>	<b>11,812,338,854.68</b>	<b>4,081,106,956.93</b>

The Company operates in a single operating segment in the PRC, i.e. the manufacture of pharmaceuticals. Accordingly, no information on operating segment of the Company is presented.

#### 41.2 Operating income and operating costs presented by product types

Item	Amount for the Period		Amount for Previous Period	
	Income	Cost	Income	Cost
<b>Principal activities:</b>				
Chemical drug preparations	6,221,593,378.90	1,178,318,525.29	6,119,280,577.64	1,191,792,820.74
APIs and intermediates	3,117,209,016.09	2,031,042,171.10	3,254,813,190.56	2,078,062,928.99
Traditional Chinese medicine preparations	1,673,658,790.63	421,455,027.77	1,408,665,554.58	341,044,343.07
Biological products	200,803,952.93	78,694,252.67	170,894,744.45	107,637,053.53
Diagnostic reagents and equipment	656,895,405.45	281,038,436.88	718,428,253.32	259,860,292.34
Others	26,729,965.23	24,123,309.77	28,524,735.34	17,379,331.82
<b>Subtotal</b>	<b>11,896,890,509.23</b>	<b>4,014,671,723.48</b>	<b>11,700,607,055.89</b>	<b>3,995,776,770.49</b>
<b>Other activities:</b>				
Sales materials, processing charge, etc.	43,386,980.07	32,183,712.69	51,392,431.10	33,489,439.28
Lease fees	4,676,822.00	2,196,803.45	8,333,634.18	1,059,122.29
Others	75,394,908.31	50,248,442.52	52,005,733.51	50,781,624.87
<b>Subtotal</b>	<b>123,458,710.38</b>	<b>84,628,958.66</b>	<b>111,731,798.79</b>	<b>85,330,186.44</b>
<b>Total</b>	<b>12,020,349,219.61</b>	<b>4,099,300,682.14</b>	<b>11,812,338,854.68</b>	<b>4,081,106,956.93</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 41. Operating income and operating cost (continued)

#### 41.3 Major business income and cost presented by major regions of operations

Item	Amount for the Period		Amount for Previous Period	
	Income	Cost	Income	Cost
Domestic	9,966,895,585.60	3,016,196,253.91	9,976,999,763.57	3,115,011,134.23
Overseas	1,929,994,923.63	998,475,469.57	1,723,607,292.32	880,765,636.26
Total	11,896,890,509.23	4,014,671,723.48	11,700,607,055.89	3,995,776,770.49

#### 41.4 Operating income and operating costs presented by transfer time of commodities

Item	Amount for the Period		Amount for Previous Period	
	Income	Cost	Income	Cost
Principal activities:				
Of which: recognized at a point of time	11,896,890,509.23	4,014,671,723.48	11,700,607,055.89	3,995,776,770.49
Other activities:				
Of which: recognized at a point of time	118,781,888.38	82,432,155.21	103,398,164.61	84,271,064.15
Lease income	4,676,822.00	2,196,803.45	8,333,634.18	1,059,122.29
Total	12,020,349,219.61	4,099,300,682.14	11,812,338,854.68	4,081,106,956.93

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 42. Taxes and surcharges

Item	Amount for the Period	Amount for Previous Period
Urban maintenance and construction tax	62,739,375.13	55,617,784.18
Education surcharges	48,253,610.20	42,674,083.90
Land use tax	6,288,689.44	6,494,143.85
Property tax	27,317,084.31	27,506,870.22
Stamp duty	8,435,351.64	9,179,912.90
Vehicle and vessel usage tax	86,354.66	48,010.64
Environmental protection tax	267,048.34	345,198.31
Others	780,975.53	727,266.21
<b>Total</b>	<b>154,168,489.25</b>	<b>142,593,270.21</b>

Note: For the calculation and payment standards for major taxes and surcharges, please refer to Note IV Taxation.

### 43. Selling expenses

Item	Amount for the Period	Amount for Previous Period
Marketing and promotional expenses	2,832,381,375.44	2,572,030,592.64
Staff salaries	447,365,180.37	478,299,696.53
Office, entertainment and travelling expenses	104,713,150.49	80,056,716.96
Business meeting expenses	115,100,390.58	67,258,392.21
Others	81,336,159.99	56,993,106.36
<b>Total</b>	<b>3,580,896,256.87</b>	<b>3,254,638,504.70</b>

### 44. Administrative expenses

Item	Amount for the Period	Amount for Previous Period
Staff salaries	335,145,013.80	317,305,664.73
Share incentive expenses		-3,335,299.32
Depreciation and amortization	84,222,458.92	84,676,264.78
Advisory, consultancy and information disclosure fees	8,650,590.29	21,580,332.62
Quality project expenses	39,193,648.54	37,508,757.46
Office, entertainment and travelling expenses	45,050,057.36	52,223,506.17
Repair of utilities, transportation and miscellaneous expenses	17,529,393.79	19,450,599.60
Recruitment and staff training expenses	4,610,242.72	6,897,737.18
Auditors' fees	2,306,603.77	2,169,811.32
Others	61,749,777.89	74,580,185.29
<b>Total</b>	<b>598,457,787.08</b>	<b>613,057,559.83</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 45. R&D expenses

Item	Amount for the Period	Amount for Previous Period
Material costs	152,357,525.63	137,842,329.62
Staff salaries	312,785,237.89	322,640,661.93
Testing fees	274,132,959.62	412,670,548.22
Depreciation and amortization	95,109,120.72	102,263,824.84
Outsourced research and development expenses	68,867,924.53	18,222,452.84
Others	34,692,837.92	39,715,690.70
<b>Total</b>	<b>937,945,606.31</b>	<b>1,033,355,508.15</b>

### 46. Finance expenses

Item	Amount for the Period	Amount for Previous Period
Interest expenses	57,205,595.79	88,606,560.78
Less: Interest income	297,577,267.38	247,956,636.96
Exchange gains/losses	22,922,555.87	-944,480.13
Commission charges and others	4,532,059.41	4,404,478.42
<b>Total</b>	<b>-212,917,056.31</b>	<b>-155,890,077.89</b>

### 47. Other income

Item	Amount for the Period	Amount for Previous Period	Related to assets/ Related to income
Government grants	62,363,852.63	44,032,755.02	Related to assets
Government grants	48,519,694.48	76,238,029.31	Related to income
Tax withholding commission charges	1,330,536.40	2,492,687.73	
Additional deduction of value added tax	13,130,252.85	19,773,649.86	
<b>Total</b>	<b>125,344,336.36</b>	<b>142,537,121.92</b>	

For specific information on government grants, please refer to Note VIII Government grants for details; for reasons of government grants which are non-recurring profit or loss items, please refer to Note XVIII. 1.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 48. Investment income

Item	Amount for Current Period	Amount for Previous Period
Long-term equity investments income under equity method	44,017,004.76	9,869,948.94
Investment income from the disposal of long-term equity investments	-731,350.19	
Investment income from financial assets held for trading during the holding period	622,859.81	745,083.08
Dividend income from other equity instrument investments	1,679.56	3,567,312.00
Investment income from disposal of financial assets held for trading (Note 1)	6,159,122.35	3,204,571.56
<b>Total</b>	<b>50,069,316.29</b>	<b>17,386,915.58</b>

Note 1: Details of investment income from disposal of financial assets held for trading are as follows:

Item	Amount for Current Period	Amount for Previous Period
Equity instrument investments held for trading – Stock investments		16,921.08
Debt instrument investment held for trading	10,867,842.15	2,509,507.92
Derivatives not designated as hedging instruments	-4,708,719.80	678,142.76
Of which: Forward foreign exchange contract	-4,708,719.80	678,142.76
Others		-0.20
<b>Total</b>	<b>6,159,122.35</b>	<b>3,204,571.56</b>

### 49. Gains from changes in fair value

Sources of gains from changes in fair value	Amount for the Period	Amount for Previous Period
Financial assets held for trading	10,305,224.69	-7,429,026.15
Of which: Funds	18,262.62	50,041.19
Structured Deposits	2,518,325.52	81,807.66
Investments in equity instruments	5,531,177.99	-5,244,566.75
Derivative financial assets	2,237,458.56	-2,316,308.25
Financial liabilities held for trading	7,673,076.34	-8,010,128.96
Of which: Derivative financial liabilities	7,673,076.34	-8,010,128.96
<b>Total</b>	<b>17,978,301.03</b>	<b>-15,439,155.11</b>

### 50. Credit impairment loss ("-" represents losses)

Item	Amount for the Period	Amount for Previous Period
Bad debt loss of accounts receivables	497,937.14	-4,640,137.92
Bad debt loss of other receivables	-1,191,021.03	-2,576,131.24
<b>Total</b>	<b>-693,083.89</b>	<b>-7,216,269.16</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 51. Asset impairment loss ("-" represents losses)

Item	Amount for the Period	Amount for Previous Period
Loss on obsolete stocks	-37,866,174.53	-76,326,348.41
Impairment loss on fixed assets	-157,962.34	-12,796,672.86
Impairment loss on intangible assets	-170,716.64	
impairment loss on prepayments	-237,096.90	
impairment loss on other non-current assets	-70,105,592.70	
Impairment loss on development expenditure		-92,425,008.50
<b>Total</b>	<b>-108,537,543.11</b>	<b>-181,548,029.77</b>

### 52. Gains on disposal of assets

Item	Amount for the Period	Amount for Previous Period
Gains on disposal of fixed assets ("-" represents losses)	-537,860.57	45,202,545.04

### 53. Non-operating income

Item	Amount for the Period	Amount for Previous Period	Amount charged to non-recurring gains or losses during the Period
Gains on destruction or retirement of non-current assets	54,035.62	89,565.26	54,035.62
Income from scraps	2,393,837.98	2,079,068.48	2,393,837.98
Compensation income	110,588.01	980,165.70	110,588.01
Waiver of payables	2,804,132.14	1,653,963.38	2,804,132.14
Others	932,747.29	676,437.84	932,747.29
<b>Total</b>	<b>6,295,341.04</b>	<b>5,479,200.66</b>	<b>6,295,341.04</b>

### 54. Non-operating expenses

Item	Amount for the Period	Amount for Previous Period	Amount charged to non-recurring gains or losses during the Period
Charitable donation expenses	29,157,282.75	12,977,288.43	29,157,282.75
Loss on destruction or retirement of non-current assets	2,729,713.60	7,150,533.15	2,729,713.60
Others	58,478,720.43	23,605,372.76	58,478,720.43
<b>Total</b>	<b>90,365,716.78</b>	<b>43,733,194.34</b>	<b>90,365,716.78</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 55. Income tax expenses

#### 55.1 Breakdown of income tax expenses

Item	Amount for the Period	Amount for Previous Period
Current income tax calculated according to tax laws and relevant rules	522,076,660.28	555,302,654.48
Of which: Domestic enterprise income tax	504,152,262.22	541,025,969.69
Corporate income tax in Hong Kong and Macao	17,924,398.06	14,276,684.79
Deferred income tax expenses	-71,065,449.92	-53,641,339.40
Total	451,011,210.36	501,661,315.08

#### 55.2 Reconciliation between income tax expenses and total profit is set out below:

Item	Amount for the Period	Amount for Previous Period
Total profit	2,862,050,544.64	2,806,146,267.57
Income tax expenses calculated at statutory tax rate	715,512,636.16	701,536,566.89
Effect of different tax rates applicable to subsidiaries	-655,867.43	355,486.03
Effect of tax reduction and exemption	-401,100,244.48	-408,164,738.25
Effect of non-taxable income	-1,046,485.13	-1,722,909.17
Effect of using the equity method	-5,061,238.86	790,148.59
Effect of non-deductible expenses	17,663,566.33	11,918,500.97
Credit (charge) on deductible temporary differences on which deferred income tax assets are not recognized for the Year	-1,780,790.27	18,516,707.50
Deductible losses of deferred income tax assets are not recognized for the Year	88,243,633.42	104,733,514.93
Utilization of deductible losses of deferred income tax assets not recognized in prior periods	-1,354,157.57	-3,547,557.09
Others	40,590,158.19	77,245,594.68
Income tax expenses	451,011,210.36	501,661,315.08

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 56. Earnings per share

Basic earnings per share was calculated by dividing the consolidated net profit attributable to the ordinary shareholders of the parent company by the weighted average number of ordinary shares of the parent company outstanding.

Diluted earnings per share was calculated by dividing the consolidated net profit attributable to the ordinary shareholders of the parent company after the adjustment of dilutive potential ordinary shares by the weighted average number of ordinary shares of the Company outstanding after adjustment. In calculating the weighted average number of ordinary shares increased after conversion of dilutive potential ordinary shares into issued ordinary shares, the dilutive potential ordinary shares which were issued in previous periods are assumed to be converted at the beginning of current year and the dilutive potential ordinary shares which were issued during the current year are assumed to be converted at the date of issue.

The calculation of basic and diluted earnings per share is as follows:

Calculation of earnings per share	Amount for the Period	Amount for Previous Period
Net profit attributable to ordinary shareholders of the parent company	2,023,249,327.79	2,061,095,803.97
Of which: Net profit from continuing operations	2,023,249,327.79	2,061,095,803.97
Net profit from discontinued operations		
Weighted average number of ordinary shares of the Company outstanding	893,097,198	920,350,151
Effect of dilution – weighted average number of ordinary shares (share options)		
Weighted average number of ordinary shares of the Company outstanding after adjustment	893,097,198	920,350,151
Basic earnings per share	2.27	2.24
Of which: Basic earnings per share of continuing operations	2.27	2.24
Basic earnings per share of discontinued operations	–	–
Diluted earnings per share	2.27	2.24
Of which: Diluted earnings per share of continuing operations	2.27	2.24
Diluted earnings per share of discontinued operations	–	–

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 57. Notes to cash flow statement items

#### 57.1 Cash received relating to other operating activities

Item	Amount for the Period	Amount for Previous Period
Government grants	114,686,403.97	92,135,558.09
Interest income	280,409,807.37	283,826,879.43
Deposits for letter of credit/bank acceptance bills	939,511.82	5,297,446.89
Movements in capital and others	59,853,297.92	43,765,026.06
<b>Total</b>	<b>455,889,021.08</b>	<b>425,024,910.47</b>

#### 57.2 Cash paid relating to other operating activities

Item	Amount for the Period	Amount for Previous Period
Business promotion expenses	2,766,430,143.34	2,824,062,225.69
R&D expenses	410,192,219.85	579,318,840.27
Bank charges	4,532,059.41	4,404,478.42
Deposits for letter of credit and bank acceptance bills	1,025,527.89	9,636,803.41
Other expenses paid	681,843,960.32	519,928,551.30
Movements in capital and others	28,742,415.69	40,883,329.97
<b>Total</b>	<b>3,892,766,326.50</b>	<b>3,978,234,229.06</b>

#### 57.3 Cash received relating to major investing activities

Item	Amount for the Period	Amount for Previous Period
Fixed/Structured deposits	7,345,000,000.00	300,000,000.00
Cash management	221,733,344.10	315,281,444.47
<b>Total</b>	<b>7,566,733,344.10</b>	<b>615,281,444.47</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 57. Notes to cash flow statement items (continued)

#### 57.4 Cash received relating to other investing activities

Item	Amount for the Period	Amount for Previous Period
Collateral	50,000.00	
Others	75,249.03	
Total	125,249.03	

#### 57.5 Cash paid relating to major investing activities

Item	Amount for the Period	Amount for Previous Period
Fixed/Structured deposit	8,693,632,876.72	458,472,433.42
Cash management	222,980,638.51	314,230,400.45
Total	8,916,613,515.23	772,702,833.87

#### 57.6 Cash paid relating to other investing activities

Item	Amount for the Period	Amount for Previous Period
Equity acquisition deposit	1,855,603,200.00	
Deposits under guarantee		25,000.00
Foreign exchange forward contract losses	7,369,374.38	4,921,998.66
Total	1,862,972,574.38	4,946,998.66

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 57. Notes to cash flow statement items (continued)

#### 57.7 Cash received relating to other financing activities

Item	Amount for the Period	Amount for Previous Period
Collection and advance payment of individual income tax		1,682,133.31

#### 57.8 Cash paid relating to other financing activities

Item	Amount for the Period	Amount for Previous Period
Repurchase of shares and commission charges	579,873,224.38	858,562,382.65
Collection and advance payment of individual income tax	6,000.00	70,429.97
Rental	25,521,449.63	20,707,098.65
Withholding income tax	18,493,376.16	14,402,445.16
Total	623,894,050.17	893,742,356.43

#### 57.9 Changes in liabilities arising from financing activities

Item	Balance at the Beginning of the Period	Cash changes		Non-cash changes			Balance at the End of the Period
		Cash inflow	Cash outflow	Accrued interest	Changes in fair value	Others	
Short-term loans	2,455,000,000.00	3,850,000,000.00	4,201,895,683.37	19,995,656.70		-3,099,973.33	2,120,000,000.00
Long-term loans	1,501,946,759.92	60,140,000.00	690,109,759.70	35,273,344.74			907,250,344.96
Lease liabilities	25,632,966.15		25,521,449.63	1,936,594.35		30,603,003.63	32,651,114.50
Total	3,982,579,726.07	3,910,140,000.00	4,917,526,892.70	57,205,595.79		27,503,030.30	3,059,901,459.46

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 58. Supplemental information to cash flow statement

#### 58.1 Supplemental information to cash flow statement

Item	Amount for the Period	Amount for Previous Period
<b>1. Reconciliation from net profit to cash flow from operating activities:</b>		
Net profit	2,411,039,334.28	2,304,484,952.49
Add: Asset impairment loss	108,537,543.11	181,548,029.77
Credit impairment loss	693,083.89	7,216,269.16
Depreciation of fixed assets, depreciation for investment property	512,054,170.74	515,998,045.84
Amortization of right-of-use assets	22,710,285.80	19,289,189.73
Amortization of intangible assets	39,261,690.45	39,848,871.73
Amortization of long-term deferred expenses	52,452,530.53	52,104,208.84
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" represents gains)	537,860.57	-45,202,545.04
Loss on retirement of fixed assets ("-" represents gains)	2,675,677.98	7,060,967.89
Loss on fair value change ("-" represents gains)	-17,978,301.03	15,439,155.11
Finance expenses ("-" represents gains)	73,709,591.57	87,003,804.40
Investment losses ("-" represents gains)	-50,069,316.29	-17,386,915.58
Decrease in deferred income tax assets ("-" represents increase)	-73,791,992.53	-53,105,559.40
Increase in deferred income tax liabilities ("-" represents decrease)	2,726,542.61	-535,780.00
Decrease in inventories ("-" represents increase)	398,568,653.64	-13,317,464.76
Decrease in operating items receivable ("-" represents increase)	-279,102,392.10	270,243,771.15
Increase in operating items payable ("-" represents decrease)	-58,985,995.13	-388,506,175.25
Others		-3,335,299.32
Net cash flow from operating activities	3,145,038,968.09	2,978,847,526.76
<b>2. Major investment and financing activities irrelevant to cash income and expenses:</b>		
Conversion of debts into capital		
Convertible corporate bonds due within 1 year		
The increased right-of-use assets of current period	30,717,365.32	24,533,731.75
<b>3. Net change in cash and cash equivalents:</b>		
Cash balance at the End of the Period	7,440,362,084.37	10,817,816,661.30
Less: Cash balance at the Beginning of the Period	10,817,816,661.30	10,976,366,402.44
Add: Balance of cash equivalents at the End of the Period		
Less: Balance of cash equivalents at the Beginning of the Period		
Net increase in cash and cash equivalents	-3,377,454,576.93	-158,549,741.14

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 58. Supplemental information to cash flow statement (continued)

#### 58.2 Net cash payment for acquisition of subsidiaries during the Period

Nil.

#### 58.3 Net cash received from disposal of subsidiaries during the Period

Nil.

#### 58.4 Composition of cash and cash equivalents

Item	Balance at the End of the Period	Balance at the End of Last Year
I. Cash	7,440,362,084.37	10,817,816,661.30
Of which: Cash on hand	168,207.08	155,198.45
Bank deposits that are readily available for payment	7,325,316,795.55	10,693,287,128.22
Other monetary funds that are readily available for payment	114,877,081.74	124,374,334.63
II. Cash equivalents		
Of which: Bond investments due within 3 months		
III. Balance of cash and cash equivalents at the End of the Period	7,440,362,084.37	10,817,816,661.30

Cash and cash equivalents excluded restricted cash and cash equivalents used by the Company.

#### 58.5 Monetary funds that are not cash and cash equivalents

Item	Balance at the End of the Period	Balance at the End of the Previous Year	Reasons that are not cash and cash equivalents
Security deposits for equity acquisitions, bank guarantees and other business purposes	1,865,019,539.69	9,330,323.62	Locked up

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 59. Foreign currency monetary items

Item	Balance in foreign currency at the End of the Period	Exchange rate for conversion	Equivalent RMB balance at the End of the Period
Monetary funds			
Of which: HKD	12,805,813.76	0.90322	11,566,467.11
EUR	75,573.67	8.2355	622,386.96
USD	410,013,335.15	7.0288	2,881,901,730.12
MOP	6,303,168.66	0.8763	5,523,466.70
JPY	542,974,126.00	0.044797	24,323,611.92
MYR	72,913.67	1.73193	126,281.37
IDR	340,827,682,238.00	0.000418	142,465,971.18
Accounts receivables			
Of which: USD	64,015,937.79	7.0288	449,955,223.54
JPY	103,604,760.00	0.044797	4,641,182.43
EUR	21,838.05	8.2355	179,847.26
Other receivables			
Of which: HKD	962,658.89	0.90322	869,492.76
Other unliquid assets			
Of which: HKD	8,900,000.00	0.90322	8,251,101.03
Accounts payables			
Of which: EUR	5,665.41	8.2355	46,657.48
USD	32,512.31	7.0288	228,522.52
JPY	30,871,895.16	0.044797	1,382,968.29
IDR	82,892,250.00	0.000418	34,648.96
Other payables			
Of which: USD	14,251,008.38	7.0288	100,167,487.70
HKD	58,665.01	0.90322	52,987.41
EUR	72,326.88	8.2355	595,648.02
MYR	7,400.00	1.73193	12,816.28
IDR	1,877,632,528.96	0.000418	784,850.40

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 60. Leases

#### 60.1 As a lessee

Item	Amount for the Period
Short-term lease expenses	6,902,193.00

#### 60.2 As a lessor

Operating leases

① Lease income

Item	Amount for the Period
Lease income	4,676,822.00

② The undiscounted lease receivables to be received in each of the five consecutive accounting years after the balance sheet date, and the total undiscounted lease receivables to be received in the remaining years.

Post balance sheet date	Balance as at the End of the Period	Balance as at the End of the Previous Year
Year 1	2,909,522.36	3,615,049.52
Year 2	1,117,254.90	2,014,770.60
Year 3	756,990.00	378,934.10
Year 4	300,000.00	
Year 5	175,000.00	
Total	5,258,767.26	6,008,754.22

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## VI. RESEARCH AND DEVELOPMENT EXPENDITURE

### 1. Research and development expenditure

Item	Amount for the Period		Amount for Previous Period	
	Expensed amount	Capitalised amount	Expensed amount	Capitalised amount
Material costs	152,357,525.63	854,553.86	137,842,329.62	2,086,757.27
Staff salaries	312,785,237.89		322,640,661.93	
Testing fees	274,132,959.62	73,914,642.95	412,670,548.22	20,066,519.10
Depreciation and amortization	95,109,120.72		102,263,824.84	
Purchased projects under research	68,867,924.53	68,347,170.00	18,222,452.84	14,450,298.12
Others	34,692,837.92	1,261,546.79	39,715,690.70	41,433.96
<b>Total</b>	<b>937,945,606.31</b>	<b>144,377,913.60</b>	<b>1,033,355,508.15</b>	<b>36,645,008.45</b>

### 2. Development expenditure

Item	Balance at the Beginning of the Period	Increase in the period		Decrease in the period		Balance at the End of the Period
		Internal development expenditure	Others increases	Recognized as intangible assets	Recognized in profit and loss for current period	
Biologics						
Chemical drug preparation	220,497,980.76	76,030,743.60	68,347,170.00			364,875,894.36
<b>Total</b>	<b>220,497,980.76</b>	<b>76,030,743.60</b>	<b>68,347,170.00</b>			<b>364,875,894.36</b>

#### 2.1 Significant capitalized research and development projects

Item	Progress of research and development	Anticipate how economic benefits will be generated	Point of time for commencement of capitalization	Specific basis for capitalization
JP1366 Project	The clinical trial has been approved	Marketing	Clinical stage	Obtain approval for clinical trial and evaluated by the Company

#### 2.2 Provision for development expenditure

Item	Balance at the Beginning of the Period	Provision for the Period	Decrease during the Period	Balance at the End of the Period
Biologics	92,425,008.50		92,425,008.50	

### 3. Purchased projects under research

The JP1366 Project has been approved for market launch in Korea, and the Company is responsible for domestic clinical trials after the purchase. The Company has assessed that the future economic benefits of the projects will probably flow to the entity, and therefore the purchase price is recognised as development expense.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## VII. EQUITY IN OTHER ENTITIES

### 1. Equity in subsidiaries

#### 1.1 Group structure

Name of subsidiaries	Type	Type of legal entity	Principal place of business	Place of registration	Nature of business	Registered capital	Percentage of shareholding (%)		Acquisition method
							Direct	Indirect	
Lizhu (Hong Kong) Co., Limited (麗珠(香港)有限公司)	Wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD451 million	100		Set-up
Ando Development Limited (安滔發展有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD0.5 million		100	Set-up
Livzon International Ventures	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD5.25 million		100	Set-up
Livzon International Ventures I	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD5.15 million		100	Set-up
Livzon International Ventures II	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD0.05 million		100	Set-up
Lian Hong Kong Limited (麗安香港有限公司)	Wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD313 million	100		Set-up
LIVZON MALAYSIA SDN. BHD.	Subsidiary of a wholly-owned subsidiary	Limited company	Malaysia	Malaysia	Technology development	MYR 100		100	Set-up
LIAN International Holding LTD	Subsidiary of a holding subsidiary	Limited company	Virgin Islands	Virgin Islands	Investment	USD0.055 million		100	Set-up
LIAN SGP HOLDING PTE. LTD	Subsidiary of a holding subsidiary	Limited company	Singapore	Singapore	Investment	USD300 million		100	Set-up
PT. LIVZON PHARMA INDONESIA	Subsidiary of a holding subsidiary	Limited company	Jakarta	Jakarta	Manufacture of medicine	IDR1,306,080 million		80	Set-up
Zhuhai Modern Chinese Medicine High Technology Co., Ltd. (珠海現代中藥高科技有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Provision of services	RMB6 million	75	25	Set-up
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB450 million	74.46	25.54	Set-up
Livzon Group Livzon Pharmaceutical Marketing Co., Ltd. (麗珠集團麗珠醫藥營銷有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Trade of goods	RMB20 million	60.04	39.96	Set-up
Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Trade of goods	RMB60 million	66.67	33.33	Set-up
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)	Holding subsidiary	Limited company	Shanghai	Shanghai	Manufacture of medicine	RMB87.3289 million	36	15	Set-up
Shanghai Livzon Biotechnology Co., Ltd. (上海麗珠生物科技股份有限公司)	Subsidiary of a holding subsidiary	Limited company	Shanghai	Shanghai	Manufacture of medicine	RMB10 million		75	Set-up

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## VII. EQUITY IN OTHER ENTITIES (continued)

### 1. Equity in subsidiaries (continued)

#### 1.1 Group structure (continued)

Name of subsidiaries	Type	Type of legal entity	Principal place of business	Place of registration	Nature of business	Registered capital	Percentage of shareholding (%)		Acquisition method
							Direct	Indirect	
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB128.28 million	100		Set-up
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Jiaozuo	Jiaozuo	Manufacture of medicine	RMB155.2 million		100	Set-up
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	Holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB400 million	47.425 (Note)		Set-up
Companhia de Macau Carason Limitada (澳門嘉安信有限公司)	Subsidiary of a holding subsidiary	Limited company	Macao	Macao	Trade of goods	MOP0.10 million		100	Set-up
Zhuhai Lihe Medical Diagnostic Product Company Limited (珠海麗禾醫療診斷產品有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB15 million		100	Set-up
Shanghai Lihang Biotechnology Co., Limited (上海麗航生物科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Shanghai	Shanghai	Provision of services	RMB1 million		100	Set-up
Suzhou Lidi Biological Technology Co., Ltd. (蘇州麗迪生物科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Suzhou	Suzhou	Technology development	RMB1 million		100	Set-up
Zhuhai Liheng Medical Diagnostic Products Co., Ltd. (珠海立恒醫療診斷產品有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB15 million		100	Set-up
Livzon Pharmaceutical Biotechnology Co., Ltd. (麗珠醫藥生物科技有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Provision of services	HKD0.01 million		100	Set-up
Zhuhai Livzon Advertising Co., Ltd. (珠海麗珠廣告有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Provision of services	RMB1 million	10	90	Set-up
Livzon Group Livzon Baitemeng Biological Materials Co., Ltd. (麗珠集團麗珠-拜阿蒙生物材料有限公司)	Holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB12 million	57	25	Set-up
Livzon Group Livzon Medical Research Centre (麗珠集團麗珠醫藥研究所)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB10 million	60.04	39.96	Set-up
Livzon Group Vaccine Engineering Inc. (麗珠集團疫苗工程股份有限公司)	Holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB65 million	83.85		Set-up
Li Zhu (Macao) Limitada (麗珠(澳門)有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Macao	Macao	Investment	MOP0.10 million		100	Set-up
Zhuhai Livzon Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB503.48685 million	60	40	Set-up

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## VII. EQUITY IN OTHER ENTITIES (continued)

### 1. Equity in subsidiaries (continued)

#### 1.1 Group structure (continued)

Name of subsidiaries	Type	Type of legal entity	Principal place of business	Place of registration	Nature of business	Registered capital	Percentage of shareholding (%)		Acquisition method
							Direct	Indirect	
Zhuhai Livzon Investment Development Co., Ltd. (珠海市麗珠投資發展有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Investment	RMB500 million	90	10	Set-up
LivzonBio, Inc. (珠海市麗珠生物醫藥科技有限公司)	Holding subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB1,301.921384 million	66.74		Set-up
Livzon Biologics Hong Kong Limited	Subsidiary of a holding	Limited company	Hong Kong	Hong Kong	Investment	HKD0.0004 million		100	Set-up
Zhuhai Kadi Medical Biotechnology Inc. (珠海市卡迪生物醫藥有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB1 million		100	VIE
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB1,550 million		100	Set-up
Livzon MABPharm (US) Inc. (麗珠單抗生物技術(美國)有限公司)	Subsidiary of a holding subsidiary	Limited company	Boston	Boston	Technology development	USD1.10 million		100	Set-up
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Wholly-owned subsidiary	Limited company	Pengzhou	Pengzhou	Manufacture of medicine	RMB149 million	57.41	42.59	Consolidation not under common control
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	Holding subsidiary	Limited company	Qingyuan	Qingyuan	Manufacture of medicine	RMB239.8877 million	87.14		Consolidation not under common control
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	Subsidiary of a holding subsidiary	Limited company	Pingluo county	Pingluo county	Manufacture of medicine	RMB200 million		100	Set-up
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	Subsidiary of a holding subsidiary	Limited company	Fuzhou	Fuzhou	Manufacture of medicine	USD49.80 million		100	Consolidation not under common control
Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	Subsidiary of a holding subsidiary	Limited company	Gutian county	Gutian county	Manufacture of medicine	RMB26.70 million	25	75	Consolidation not under common control
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Wholly-owned subsidiary	Limited company	Shaoguan	Shaoguan	Manufacture of medicine	RMB61.56101 million	65.10	34.90	Consolidation not under common control
Datong Livzon Qiyuan Medicine Co., Ltd. (大同麗珠芪源藥材有限公司)	Subsidiary of a holding subsidiary	Limited company	Hunyuán county	Hunyuán county	Crop farming	RMB4 million		92.50	Set-up
Longxi Livzon Shenyuan Medicine Co., Ltd. (隴西麗珠參源藥材有限公司)	Subsidiary of a holding subsidiary	Limited company	Longxi count	Longxi count	Crop farming	RMB4 million		100	Set-up
Zhuhai Livzon Ruiyan Zhixin Pharmaceutical Technology Co., Ltd. (珠海市麗珠睿研智新醫藥科技有限責任公司)	Holding subsidiary	Limited company	Shanghai	Shanghai	Technology development	RMB3.6 million	55	45	Set-up

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## VII. EQUITY IN OTHER ENTITIES (continued)

### 1. Equity in subsidiaries (continued)

#### 1.1 Group structure (continued)

Name of subsidiaries	Type	Type of legal entity	Principal place of business	Place of registration	Nature of business	Registered capital	Percentage of shareholding (%)		Acquisition method
							Direct	Indirect	
Wuhan Kangli Health Investment Management Co., Ltd. (武漢康麗健康投資管理有限公司)	Holding subsidiary	Limited company	Wuhan	Wuhan	Investment	RMB1,000 million	60		Set-up
Fluffy Buddy Animal Healthcare (Guangdong) Co., Ltd. (毛孩子動物保健(廣東)有限公司)	Holding subsidiary	Limited company	Qingyuan	Qingyuan	Manufacture of medicine	RMB200 million	51		Set-up
Zhuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (珠海市麗珠中藥現代化科技有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB130 million	50	50	Set-up
Macao Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (澳門麗珠中藥現代化科技有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Macao	Macao	Trade of goods	MOP0.10 million		100	Set-up
Linfen Lizhu Qiaoyuan Medicine Co., Ltd. (臨汾麗珠翹源藥材有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Linfen	Linfen	Crop farming	RMB5 million		51	Set-up

**Note:** The Company is the largest shareholder of Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) (“Livzon Diagnostics”). Pursuant to Article 104 of the Articles of Association of Livzon Diagnostics, the board of directors of Livzon Diagnostics consists of nine Directors. The Company will appoint 4 directors of its board of directors, representing more than half of the 6 non-independent directors, and one of them shall be appointed as the chairman of the board of directors. Pursuant to Article 72 and 73 of the Articles of Association of Livzon Diagnostics, “ordinary resolutions made by the General Meetings must be passed by more than half of the voting rights represented by the shareholders (including proxies) present at the shareholders’ general meetings”. Ordinary resolutions include annual financial budget, final accounts and other related businesses. Through its influence over the shareholders’ general meetings and the board of directors of Livzon Diagnostics, the Company has the control over Livzon Diagnostics. As such, the Company includes Livzon Diagnostics in the scope of consolidation.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## VII. EQUITY IN OTHER ENTITIES (continued)

### 1. Equity in subsidiaries (continued)

#### 1.2 Important non-wholly owned subsidiaries

Name of subsidiaries	Percentage of minority interests (%)	Profit and loss attributable to minority interests for the Period	Dividends declared or of distribution to minority interests during the Period	Balance of equity of minority interests at the End of the Period
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)(consolidated)	49.00	346,307,589.60		992,501,217.14
Zuhai Livzon Diagnostics Inc (珠海麗珠試劑股份有限公司)(consolidated)	52.575	63,688,633.50	105,150,000.00	419,045,421.04
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)(consolidated)	33.26	-85,910,717.89		-261,082,305.82
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)(consolidated)	12.86	70,012,979.00		386,908,138.99

#### 1.3 Major financial information on important non-wholly owned subsidiaries

Name of subsidiaries	Balance at the End of the Period					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)(consolidated)	2,677,859,574.19	151,550,588.36	2,829,410,162.55	793,383,428.06	7,446,866.70	800,830,294.76
Zuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)(consolidated)	883,131,743.52	201,198,519.18	1,084,330,262.70	279,170,820.30	8,115,023.72	287,285,844.02
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)(consolidated)	171,932,497.57	264,867,521.96	436,800,019.53	436,636,747.75	785,137,131.71	1,221,773,879.46
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)(consolidated)	2,498,220,237.54	1,807,541,505.73	4,305,761,743.27	765,484,656.08	50,471,759.54	815,956,415.62

Name of subsidiaries	Balance at the End of the Period					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)(consolidated)	1,868,136,767.19	159,804,277.61	2,027,941,044.80	697,690,712.71	8,002,219.41	705,692,932.12
Zuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)(consolidated)	988,847,440.52	229,832,057.63	1,218,679,498.15	310,953,005.41	31,670,198.60	342,623,204.01
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)(consolidated)	157,024,866.59	306,633,242.55	463,658,109.14	262,210,341.98	1,482,905,954.67	1,745,116,296.65
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)(consolidated)	2,496,593,982.63	1,783,865,951.81	4,280,459,934.44	1,375,162,136.55	47,594,515.37	1,422,756,651.92

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## VII. EQUITY IN OTHER ENTITIES (continued)

### 1. Equity in subsidiaries (continued)

#### 1.3 Major financial information on important non-wholly owned subsidiaries (continued)

Name of subsidiaries	Amount for the Period				Amount for Previous Period			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Shanghai Livzon Pharmaceutical Manufacturing Co.Ltd. (上海麗珠製藥有限公司) (consolidated)	2,172,393,276.55	705,929,736.29	705,929,736.29	777,872,519.70	2,012,800,539.23	661,879,663.06	661,879,663.06	756,788,608.74
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) (consolidated)	659,479,605.83	121,138,627.69	120,988,124.54	79,214,531.61	722,834,548.13	121,247,408.27	121,346,384.06	137,254,362.63
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) (consolidated)	58,410,966.60	-233,708,922.30	-233,710,319.78	-87,102,185.21	46,423,814.38	-479,515,900.21	-479,516,524.63	-153,515,743.32
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) (consolidated)	2,499,147,918.19	544,424,409.09	544,424,409.09	893,714,900.81	2,361,240,808.38	525,458,456.87	525,458,456.87	834,603,747.87

#### 1.4 Transactions that result in change of owners' equity in subsidiaries without losing control

##### ① Changes of owners' equity of in subsidiaries

The Company originally held 55.13% equity interest in Zhuhai Livzon Biopharmaceutical Technology Co., Ltd. (珠海市麗珠生物醫藥科技有限公司) ("Livzon Biopharmaceutical"). On 17 November 2023, the Company entered into the Capital Contribution Agreement of Zhuhai Livzon Biopharmaceutical Technology Co., Ltd. (《關於珠海市麗珠生物醫藥科技有限公司之增資協議》) with Livzon Biopharmaceutical, pursuant to which the registered capital of Livzon Biopharmaceutical was increased from RMB889,023,284.00 to RMB1,095,472,334.00. The Company was to pay in full the newly-increased registered capital of RMB206,449,050.00 by 31 December 2028. The subscription consideration was RMB1,000,000,000, and the portion exceeding the subscribed capital contribution was accounted for in capital reserves.

On 26 March 2025, the Company entered into a further Capital Contribution Agreement of Zhuhai Livzon Biopharmaceutical Technology Co., Ltd. (《關於珠海市麗珠生物醫藥科技有限公司之增資協議》) with Livzon Biopharmaceutical, which was approved by the resolution of the annual general meeting of 2024 on 29 May 2025. Pursuant to the Agreement, the registered capital of Livzon Biopharmaceutical was increased from RMB1,095,472,334.00 to RMB1,301,921,384.00. The Company is to pay in full the newly-increased registered capital of RMB206,449,050.00 within 24 months after the completion of the industrial and commercial change registration for this capital increase. The subscription consideration is RMB1,000,000,000, and the portion exceeding the subscribed capital contribution is to be accounted for in capital reserves.

During the current period, the Company made capital contributions totaling RMB712,060,000.00. This capital increase resulted in an increase of RMB306,825,696.99 in minority interests, and a decrease in capital reserve.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## VII. EQUITY IN OTHER ENTITIES (continued)

### 1. Equity in subsidiaries (continued)

#### 1.4 Transactions that result in change of owners' equity in subsidiaries without losing control (continued)

- ② Effect of the transactions on minority interest and equity attributable to the owners of the parent company

Item	Livzon Diagnostics
Acquisition cost – Cash	712,060,000.00
Total acquisition cost	712,060,000.00
Less: Difference in net assets shares of subsidiaries calculated based on the proportion of equity acquired	405,234,303.01
Of which: adjustment in capital reserve	306,825,696.99

#### 2. Business combinations involving enterprises not under common control

Nil.

#### 3. Changes in the scope of consolidation due to other reasons

Nil.

### 4. Equity in associates

#### 4.1 Important associates

Name of joint ventures or associates	Principal place of business	Place of registration	Nature of business	Percentage of shareholding (%)		Accounting treatments for investments in joint ventures or associates
				Direct	Indirect	
Associates						
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	Tianjin	Tianjin	Manufacture of medicine	40.00		Equity method

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## VII. EQUITY IN OTHER ENTITIES (continued)

### 4. Equity in associates (continued)

#### 4.2 Major financial information on important associates

Item	Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司) 2025.12.31
Owners' equity attributable to the parent company	793,686,642.29
Net assets shares calculated based on the proportion of the shares	317,474,656.91
Adjusting items	
Of which: Goodwill	498,457,683.68
Carrying amount of equity investment in associates	818,716,443.81

Item	Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司) 2025.12.31
Operating income	1,037,459,639.72
Dividends received by the enterprise from associates for the Period	

The Company calculated share of assets by shareholding ratio based on the amount attributable to the parent company in the associates' consolidated financial statements. The amounts of associates on the consolidated financial statements take into account the fair value of net identifiable assets and liabilities of the associate when acquiring the investment and the effect of unifying accounting policies.

#### 4.3 Summarized financial information of other non-important associates

Item	Balance at the End of the Period/ Amount for the Period	Balance for Previous Period/ Amount for Previous Period
<b>Associates:</b>		
Total carrying amount of investments	263,036,463.86	306,926,111.48
Total amount calculated by percentage of shareholding		
Net profit	-25,358,546.06	-45,987,862.08
Other comprehensive income	106,439.92	319,802.85
Total comprehensive income	-25,252,106.14	-45,668,059.23

#### 4.4 Explanation of major restrictions on the capacity of capital transfer from associates to the Company

Nil.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## VIII. GOVERNMENT GRANTS

### 1. Government grants included in deferred income

Classification	Beginning of the Period	Increase during the Period	Decrease during the Period	Balance at the End of the Period
Government grant related to assets	237,400,995.84	41,418,550.00	62,430,552.54	216,388,993.30
Government grant related to income	1,021,840.51	24,770,000.00	21,840.51	25,770,000.00
Total	238,422,836.35	66,188,550.00	62,452,393.05	242,158,993.30

#### 1.1 Government grants included in deferred income will be measured by gross amount method subsequently

Type	Balance at the Beginning of the Period	Amount of Additional grant for the Period	Amount carried forward into profit and loss for the Period	Other changes	Balance at the End of the Period	Presentation forward into profit and loss for the Period
Government grant related to assets	237,400,995.84	41,418,550.00	62,363,852.63	66,699.91	216,388,993.30	Other income
Government grant related to income	1,021,840.51	24,770,000.00	21,840.51		25,770,000.00	Other income
Total	238,422,836.35	66,188,550.00	62,385,693.14	66,699.91	242,158,993.30	

The above government grants were mainly from grants for projects such as R&D, technology transformation, technology innovation and relocation from relevant government authorities such as development and reform, finance, technology and industrial information bureau of prefecture, provincial and municipal level government of the place where the Company and its subsidiaries operate.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## VIII. GOVERNMENT GRANTS (continued)

### 2. Government grants charged to profit and loss of current period by adopting gross amount method

Type	Amount charged to profit and loss for the Previous Period	Amount charged to profit and loss for the Period	Presentation item charged to profit and loss
Government grant related to assets	62,363,852.63	44,032,755.02	Other income
Government grant related to income	48,519,694.48	76,238,029.31	Other income
Total	110,883,547.11	120,270,784.33	

Government grants were mainly from grants for projects such as enterprises operation, R&D, technology transformation, technology innovation, export credit insurance and employment assurance from relevant government authorities such as development and reform, finance, commerce, technology, technology and industrial information bureau, human resources and social security bureau of prefecture, provincial and municipal level government of the place where the Company and its subsidiaries operate.

### 3. Government grants adopting the netting method to offset the relevant cost

Nil.

### 4. Government grants refunded during the Period

Nil.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

The major financial instruments of the Company include monetary funds, bills receivable, accounts receivable, other receivables, other current assets, financial assets held for trading, other equity instrument investments, bills payable, accounts payable, other payables, short-term loans, financial liabilities held for trading, non-current liabilities due within one year, long-term loans, lease liabilities and long-term payables. The details of these financial instruments are disclosed in the respective notes. The risks relating to these financial instruments and the risk management policies adopted by the Company to minimize these risks are disclosed as below. The management of the Company manages and monitors the exposure of these risks to ensure the above risks are controlled in the limited range.

### 1. Risk management objectives and policies

The operation activities of the Company are subject to various types of financial risks: market risk (mainly including foreign exchange risks and interest rate risks), credit risk and liquidity risk. The Company formulates an overall risk management plan with respect to the unforeseeability of the financial market in order to minimize the potential adverse impacts on the financial performance of the Company.

#### (1) Foreign exchange risk

The Company conducts its operations primarily in China. Substantially all of the transactions are denominated and settled in Renminbi. However, the Company still has some import and export businesses regarding APIs and diagnostic reagents that are settled in U.S. dollar and Japanese Yen. The Company's businesses outside China (mainly in Hong Kong) are settled in Hong Kong dollars. In addition, the Company will have foreign currency loans according to the operating needs. In summary of the above, the Company still exposes to certain foreign exchange risks. Taking into account the foreign exchange risks acceptable to the Company, the Company adopted non-hedging foreign currency forward contracts to control foreign exchange risk. However, as to the foreign exchange risk in loans, the Company shall closely monitor the trend of the exchange rate of Renminbi, and timely adjust the extent of borrowings, so as to minimize the risks.

Financial assets and liabilities in foreign currencies held by the Company expressed in Renminbi are stated below:

① 31 December 2025

Unit: RMB'000

Item	HKD item	USD item	EUR item	JPY item	MYR item	IDR item	MOP item
Financial assets in foreign currency:							
Monetary funds	11,566.47	2,881,901.73	622.39	24,323.61	126.28	142,465.97	5,523.47
Financial assets held for trading	65,521.93						
Accounts receivables		449,955.22	179.85	4,641.18			
Other receivables	869.49						
Other equity instrument investments	132,140.41						
Other non-current assets	8,251.10						
Subtotal:	218,349.40	3,331,856.95	802.24	28,964.79	126.28	142,465.97	5,523.47
Financial liabilities in foreign currency:	402.62						
Accounts payables		228.52	46.66	1,382.97		34.65	
Other payables	52.99	100,167.49	595.65		12.82	784.85	
Subtotal:	455.61	100,396.01	642.31	1,382.97	12.82	819.50	

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

### 1. Risk management objectives and policies (continued)

#### (1) Foreign exchange risk (continued)

② 31 December 2024

Item	Unit: RMB'000						
	HKD item	USD item	EUR item	JPY item	MYR item	IDR item	MOP item
Financial assets in foreign currency:							
Monetary funds	14,284.27	1,733,143.34	696.77	13,236.90	27.64	147,362.32	5,727.37
Financial assets held for trading	61,589.37						
Accounts receivables		433,127.03					
Other receivables	889.71						
Other equity instrument investments	172,980.32						
<b>Subtotal:</b>	<b>249,743.67</b>	<b>2,166,270.37</b>	<b>696.77</b>	<b>13,236.90</b>	<b>27.64</b>	<b>147,362.32</b>	<b>5,727.37</b>
Financial liabilities in foreign							
Accounts payables		1,518.91	42.64	1,152.88			
Other payables	54.33	31,671.97				5.89	
<b>Subtotal:</b>	<b>54.33</b>	<b>33,190.88</b>	<b>42.64</b>	<b>1,152.88</b>		<b>5.89</b>	

As at 31 December 2025, in respect of the Company's financial assets and liabilities denominated in Hong Kong dollar, U.S. dollar, EUR, Japanese Yen and Macau dollar, should the value of RMB appreciate or depreciate by 5% against Hong Kong dollar, U.S. dollar, EUR, Japanese Yen and Macau dollar, and other factors remain unchanged, the Company would be subject to an increase or decrease in profit of approximately RMB181.219 million (31 December 2024: approximately RMB127.43092 million).

#### (2) Interest rate risk

The Company's exposures to interest rate risk are mainly arising from interest-bearing liabilities such as bank loans. The interest rates are affected by the macro monetary policies of China, hence the Company will face the risks arising from fluctuations of interest rates in the future.

The finance department of the head office of the Company continues to monitor the level of interest rate. The rise in the interest rate will increase the cost of additional interest-bearing liabilities and the interest expenses of the Company's outstanding interest-bearing liabilities of which the interests are calculated at floating rates, and will have material adverse impact on the financial results of the Company. The management will make timely adjustment based on the updated market conditions. The directors of the Company consider that the future changes in the interest rate will not have material adverse impact on the operating results of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## **IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS** *(continued)*

### **1. Risk management objectives and policies** *(continued)*

#### **(3) Credit risk**

Credit risk is primarily attributable to cash and cash equivalents, restricted funds, accounts receivable and other receivables. In respect of deposits at banks, they are placed in several banks with good reputation, and the credit risk faced by us is limited. In respect of receivables, the Company will assess the credit limit granted to customers for credit purpose. Moreover, as the customer base is large, the credit risk from accounts receivable is not concentrated. In respect of the settlement of bills receivable, since more quality bills such as bank acceptance bills are used, it is expected that there should be no significant credit risks as to whether the Company decides to hold the bills for redemption upon maturity or endorse them to external parties for payment based on capital requirements. In addition, the impairment provisions for accounts receivable and other receivables are adequate to manage the credit risk.

Among the accounts receivable of the Company, the accounts receivable from the top five customers accounted for 9.83% (31 December 2024: 9.85 %); among other receivables of the Company, the other receivables from the top five customers accounted for 63.91% (31 December 2024: 46.08%).

#### **(4) Liquidity risk**

Liquidity risk refers to the risk of shortage of funds that the Company may encounter in meeting its obligations of settlement by delivering cash or other financial assets.

The Company adopts prudent liquidity risk management for the sufficient supply of monetary funds and liquidity. It secures readily available credit loans from banks mainly by maintaining adequate monetary funds and banking facilities. Apart from indirect financing from banks, a number of financing channels are available, such as direct financing by inter-bank market (including short-term financing bills and medium-term notes) and corporate bonds etc. These instruments can effectively reduce the effects of the scale of financing and the macro monetary policies of China on indirect bank financing, and enable us to secure adequate funds in a flexible manner.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

### 1. Risk management objectives and policies (continued)

#### (4) Liquidity risk (continued)

As at the balance sheet date, the contractual cash flows of financial assets and financial liabilities of the Company are presented below in terms of maturity:

① 31 December 2025

Item	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial assets:					
Monetary funds	9,305,381,624.06				9,305,381,624.06
Financial assets held for trading	1,344,668,279.76				1,344,668,279.76
Bills receivables	1,137,537,531.35				1,137,537,531.35
Accounts receivables	2,248,341,190.25				2,248,341,190.25
Other receivables	56,912,974.18				56,912,974.18
Non-current liabilities due within one year	270,562,589.36				270,562,589.36
Other non-current assets		313,598,554.04	8,251,101.00		321,849,655.04
Subtotal:	14,363,404,188.96	313,598,554.04	8,251,101.00		14,685,253,844.00
Financial liabilities:					
Short-term loans	2,120,000,000.00				2,120,000,000.00
Financial liabilities held for trading	418,783.64				418,783.64
Bills payables	785,490,545.87				785,490,545.87
Accounts payables	532,802,335.77				532,802,335.77
Other payables	2,930,288,767.84				2,930,288,767.84
Non-current liabilities due within one year	173,221,455.56				173,221,455.56
Lease liabilities		7,368,908.46	9,954,496.40		17,323,404.86
Long-term loans		689,372,705.59	59,983,893.45		749,356,599.04
Subtotal:	6,542,221,888.68	696,741,614.05	69,938,389.85		7,308,901,892.58

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

### 1. Risk management objectives and policies (continued)

#### (4) Liquidity risk (continued)

② 31 December 2024

Item	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial assets:					
Monetary funds	10,827,146,984.92				10,827,146,984.92
Financial assets held for trading	89,363,055.07				89,363,055.07
Bills receivables	1,313,604,720.17				1,313,604,720.17
Accounts receivables	1,935,502,036.72				1,935,502,036.72
Other receivables	34,558,694.17				34,558,694.17
Other current assets		262,603,561.62	204,390,121.77		466,993,683.39
Subtotal:	14,200,175,491.05	262,603,561.62	204,390,121.77		14,667,169,174.44
Financial liabilities:					
Short-term loans	2,455,000,000.00				2,455,000,000.00
Financial liabilities held for trading	8,096,946.08				8,096,946.08
Bills payables	965,581,088.61				965,581,088.61
Accounts payables	618,397,523.74				618,397,523.74
Other payables	2,861,381,342.08				2,861,381,342.08
Non-current liabilities due within one year	48,742,085.99				48,742,085.99
Other current liabilities					
Lease liabilities		4,199,179.12	8,903,348.59		13,102,527.71
Long-term loans		361,336,865.48	1,104,398,246.89		1,465,735,112.37
Subtotal:	6,957,198,986.50	365,536,044.60	1,113,301,595.48		8,436,036,626.58

### 2. Capital management

The capital management policies are made to keep the continuous operation of the Company, to enhance the return to shareholders, to benefit other stakeholders and to maintain the best capital structure to minimize the cost of capital.

For the maintenance or adjustment of the capital structure, the Company may adjust financing methods, the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instruments or make an asset disposal to reduce the liabilities.

The Company monitors the capital structure with the gearing ratio (calculated by dividing total liabilities by total assets). On 31 December 2025, the Company's gearing ratio is 35.18% (31 December 2024: 39.05%).

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)*

### 3. Transfer of financial assets

#### (1) Classification of transfer methods

Transfer method	Nature of transferred financial assets	Amount of transferred financial assets	Confirmation of derecognition	Basis of judgement for derecognition
Endorse	Bills receivable	65,584,129.67	Derecognized	Contractual rights to receive cash flows from financial assets have been derecognized and almost all risks and rewards have been transferred
Factoring	Accounts receivable	28,304,598.43	Derecognized	Without recourse right

#### (2) Financial assets derecognized on transfer

Item	Transfer method	Amount derecognized	Profits or losses related to derecognition
Bills receivable	Endorse	65,584,129.67	
Accounts receivable	Transfer	28,304,598.43	

On 31 December 2025, the carrying amount of the Company's bank acceptance bills undue and endorsed to suppliers for settling accounts payable was RMB65,584,129.67 (31 December 2024: RMB34,906,855.80); the Company had no commercial acceptance bills undue and endorsed to suppliers for settling accounts payable (31 December 2024: RMB0.00). On 31 December 2025, the due dates were within 1 to 6 months. In accordance with the relevant provisions of the Law of Negotiable Instruments, if payment is refused by the bank of acceptance, the holder of the bills shall have a right of recourse against the Company (the "Continuing Involvement"). The Company is of the view that it had transferred substantially all risks and rewards of the bills. Accordingly, their carrying amounts of the associated accounts payable which had been settled would be derecognized. The maximum loss and the undiscounted cash flows from the Continuing Involvement and repurchase were equal to their respective carrying amounts. In the opinion of the Company, the fair value of the Continuing Involvement was not significant.

In 2025, no gain or loss was generated by the Company on the date of transfer of the bills. The Company had no current or accumulated gain or expense arising from the Continuing Involvement in financial assets which had been derecognized. The endorsement was incurred evenly throughout the Period.

#### (3) Financial assets which are transferred but have not been derecognized in their entirety

Nil.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## X. FAIR VALUE

Based on the inputs of the lowest level that are of great significance to the measurement as a whole in the fair value measurement, the fair value can be categorized as:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than the quoted market price of assets or liabilities in Level 1, either directly (the prices) or indirectly (derived from prices).
- Level 3: Any input that is not based on observable market data (unobservable inputs) is used for assets or liabilities.

### (1) Items and amounts measured at fair value

As at 31 December 2025, assets and liabilities measured at fair value are listed as follows based on the three hierarchies as set out above:

Item	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Recurring fair value measurement				
(I) Financial assets held for trading	79,531,020.00	2,537,126.58	1,262,600,133.18	1,344,668,279.76
1. Funds	1,005,892.28			1,005,892.28
2. Structured deposits			1,262,600,133.18	1,262,600,133.18
3. Equity instrument investments	78,525,127.72			78,525,127.72
4. Derivative financial assets		2,537,126.58		2,537,126.58
(II) Other equity instrument investments	57,440,464.82		465,534,883.78	522,975,348.60
Total assets measured at fair value on a recurring basis	136,971,484.82	2,537,126.58	1,728,135,016.96	1,867,643,628.36
(III) Financial liabilities held for trading		418,783.64		418,783.64
1. Derivative financial liabilities		418,783.64		418,783.64
Total liabilities measured at fair value on a recurring basis				
II. Non-recurring fair value measurement Held-for-sale assets				
Total assets measured at fair value on a non-recurring basis				
Total liabilities measured at fair value on a non-recurring basis				

During the year ended 31 December 2025, the Company's investment in LUNGLIFE AI, INC. was delisted from the London Stock Exchange. Consequently, the fair value measurement of this investment was transferred from Level 1 to Level 3 of the fair value hierarchy. Other than this, there were no transfers between Level 1 and Level 2, nor any transfers into or out of Level 3 for the fair value measurements of the Company's financial assets and financial liabilities.

For financial instruments traded in an active market, the Company measures their fair values at quoted price in the active market. The Company's level 1 trading financial assets and equity instrument investment held for trading are listed and traded in Shenzhen, Hong Kong, the United States and other places, and their fair values are determined based on the closing price on the last trading day of the Reporting Period.

For financial instruments that are not traded in an active market, the Company measures their fair values using valuation techniques. The valuation models used are mainly discounted cash flow model and market comparable entity model. Inputs of the valuation techniques mainly include risk-free interest rate, benchmark interest rate, foreign exchange rate, credit spread, liquidity premium, lack of liquidity discount, etc.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## X. FAIR VALUE (continued)

### (2) Information about the fair value measurement of level 2

Item	Fair value at the End of the Period	Valuation techniques
Derivative financial assets	2,537,126.58	The fair value is measured at the forward exchange rates quoted by the respective matured contract
Derivative financial liabilities	418,783.64	The fair value is measured at the forward exchange rates quoted by the respective matured contract

### (3) The quantitative information of important unobservable input used in the level 3 fair value measurement

Item	Fair value at the End of the Period	Valuation techniques
Financial assets held for trading – Structural deposits	1,262,600,133.18	Expected revenue
Other equity instrument investments – Zhuhai China Resources Bank Co., Ltd. (珠海華潤銀行股份有限公司)	222,808,000.00	Market method
Other equity instrument investments – Yizun Biopharmaceutics (Zhejiang) Co., Ltd. (羿尊生物醫藥(浙江)有限公司)	31,102,700.00	Market method
Other equity instrument investments – Zhuhai Medpha Biotechnology Co., Ltd. (珠海麥得發生物科技股份有限公司)	38,457,808.50	Latest financing price
Other equity instrument investments – Xiangrong (Shanghai) Biotechnology Co, Ltd. (享融(上海)生物科技股份有限公司)	36,098,956.59	Latest financing price
Other equity instrument investments – GLOBAL HEALTH SCIENCE	102,426,507.06	Net assets
Other equity instrument investments – Nextech V Oncology S.C.S., SICAV-SIF	22,009,054.08	Net assets
Other equity instrument investments – LUNGLIFE AI, INC.	131,857.55	Net assets
Other equity instrument investments – Others	12,500,000.00	Cost

### (4) Reconciliation of fair value measurements categorized within Level 3 of the fair value hierarchy

Item (Amount for the Period)	Total current gains or losses				Purchase, issuance, sale and settlement				Movements in unrealized gains or losses for the period through profit or loss for assets held at the end of the Reporting Period		
	Balance at the Beginning of the Period	Transfers into Level 3	Transfers out of Level 3	Included in profit and loss	Included in other comprehensive income	Purchase	Issuance	Sale		Settlement	Balance at the End of the Period
Financial assets held for trading	15,081,807.66			13,386,167.67		8,590,000,000.00			7,355,867,842.15	1,262,600,133.18	2,518,325.52
Other equity instrument investments	504,011,413.93	1,039,717.94			-39,501,220.06	407,603.40		422,631.43		465,534,883.78	
Total	519,093,221.59	1,039,717.94		13,386,167.67	-39,501,220.06	8,590,407,603.40		422,631.43	7,355,867,842.15	1,728,135,016.96	2,518,325.52

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XI. RELATED PARTIES AND RELATED TRANSACTIONS

### 1. Parent company of the Company

Name of parent company	Place of registration	Nature of business	Registered capital (RMB0'000)	Percentage of the Company's shareholding held by the parent company (%)	Percentage of the Company's voting rights held by the parent company (%)
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Shenzhen	Production and operation of oral liquid, drugs and healthcare food	182,945.34	24.93	24.93

Notes to the parent company of the Company:

As at 31 December 2025, the Company's parent company and its subsidiaries held a total of 418,878,625 shares in the Company, representing 47.18% of the total share capital of the Company. Among these shares, 17,306,329 legal person shares were held in the name of Guangzhou Begol Trading Holdings Limited (廣州市保科力貿易公司) and the transfer procedures were not completed. The transfer procedures for other shares were completed.

The ultimate controller of the Company: Zhu Baoguo.

### 2. The Company's subsidiaries

Please refer to Note VII.1 for the details of subsidiaries.

### 3. Associates of the Company

Please refer to Note V.10 and Note VII.4 for the details of the associates.

Other joint ventures or associates entered into related transactions with the Company during the Period, or during the prior period with remaining closing balance were as follows:

Name of joint ventures and associates	Relationship with the Company
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Associate
AbCyte Therapeutics Inc.	Associate
L&L Biopharma, Co., Ltd. (健信生物科技(寧波)有限公司)	Associate
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Associate
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	A company controlled by the associate
Zhuhai Hengqin Weisheng Precision Medicine Technology Co., Ltd. (珠海橫琴維勝精準醫學科技有限公司)	A company controlled by the associate
Aetio Biotherapy, Inc.	Associate
Henan Province Joincare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司)	Associate and a company controlled by the parent company
Atom Therapeutics Co., Ltd. (杭州新元素藥業股份有限公司)	Associate
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	Associate
Beijing Infinite Intelligence Pharmaceutical Technology Co., Ltd. (北京英飛智藥科技有限公司)	Associate
Shenzhen KangTi Biopharma Technology Co., Ltd (深圳康體生物醫藥科技有限公司)	Associate

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XI. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

### 4. Other related parties of the Company

Name of related parties	Relationship with the Company
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	A company controlled by the parent company
Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	A company controlled by the parent company
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	A company controlled by the parent company
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	A company controlled by the parent company
Health Pharmaceutical (China) Co., Ltd. (健康藥業(中國)有限公司)	A company controlled by the parent company
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	A company controlled by the parent company
Shenzhen Taitai Biotechnology Co., Ltd. (深圳太太生物科技有限公司)	A company controlled by the parent company
Shenzhen Taitai Gene Engineering Co., Ltd. (深圳太太基因工程有限公司)	A company controlled by the parent company
Topsino Industries Limited (天誠實業有限公司)	A company controlled by the parent company
Guangzhou Respiratory Drugs Engineering Technology Co., Ltd. (廣州呼吸藥物工程技術有限公司)	A company controlled by the parent company (no longer controlled)
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	A company controlled by the parent company
Joincare (Guangdong) Special Medicine Food Co., Ltd. (健康元(廣東)特醫食品有限公司)	A company controlled by the parent company
Joincare Pharmaceutical Group Industry Co., Ltd.	A company controlled by the parent company
Zhuozhou Jingnan Yongle Golf Club Co., Ltd. (涿州京南永樂高爾夫俱樂部有限公司)	A company controlled by the controlling shareholder of the parent company
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Subsidiaries of the company in which a Director of the Company serves as a director (No longer serving as a director)
WeBank Co., Ltd. (深圳前海微眾銀行股份有限公司)	A company in which a Director of the Company serves as a director
Zhuhai Medpha Biotechnology Co., Ltd. (珠海麥得發生物科技股份有限公司)	A company in which a Director of the Company serves as a director
Zhuhai Xianghetai Investment Management Partnership (Limited Partnership) (珠海祥和泰投資管理合夥企業(有限合夥))	An enterprise controlled by senior management of the Company
Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業(有限合夥))	An enterprise controlled by senior management of the Company
Zhuhai Liying Investment Management Partnership (Limited Partnership) (珠海麗英投資管理合夥企業(有限合夥))	An enterprise controlled by senior management of the Company
Jiangsu Yiyingjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技 有限公司) and its subsidiaries	An enterprise controlled by senior management of the Company
Zhuhai Puxiaoying Enterprise Management Co., Ltd. (珠海市蒲小英企業管理有限公司)	A company controlled by close family members of a Director of the Company
Directors, Supervisors and other senior management personnel	Key management personnel

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

### 5. Related transactions

#### (1) Related purchase and sales

- ① Purchase of goods, receipt of services

Related party	Description of related party transaction	Pricing basis and decision-making procedures of the related party transactions	Amount for the Period	Amount for the Previous Period
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Raw materials	The market price	1,465,486.74	3,396,106.21
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Raw materials	The market price	10,855,726.78	12,747,512.25
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	Raw materials	The market price		48,318.85
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Finished goods	The market price	895,057.56	439,786.47
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Raw materials	The market price	230,725,990.85	223,765,802.46
Jiangsu Yiyingjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司) and its subsidiaries	Finished goods	The market price		29,816.00
Purchase of goods in aggregate			243,942,261.93	240,427,342.24
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Water, electricity, and power	The market price	26,692,074.25	31,369,416.62
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	R&D	Based on negotiation	3,133,132.07	20,196,582.93
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	R&D, testing and modern service	Based on negotiation	296,687.19	2,397,667.27
Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Processing	Based on negotiation	1,530,000.00	7,759,299.58
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	R&D	Based on negotiation	500,000.00	1,000,000.00
Beijing Infinite Intelligence Pharmaceutical Technology Co., Ltd. (北京英飛智藥科技有限公司)	R&D	Based on negotiation		83,168.32
Guangzhou Respiratory Drugs Engineering Technology Co., Ltd. (廣州呼吸藥物工程技術有限公司)	R&D	Based on negotiation	5,055,477.35	12,523,551.33
Receipt of services in aggregate			37,207,370.86	75,329,686.05

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

### 5. Related transactions (continued)

#### (1) Related purchase and sales (continued)

##### ② Sales of goods, provision of services

Related party	Description of related party transaction	Pricing basis and decision-making procedures of the related party transactions	Amount for the Period	Amount for the Previous Period
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Finished goods	The market price	50,333,451.35	19,178,761.03
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Finished goods	The market price	2,413.27	1,174.31
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Finished goods	The market price	4,205,291.16	4,831,041.76
Joicare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Finished goods	The market price	2,939,823.01	1,908,898.45
Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Finished goods	The market price	9,280.24	11,095.45
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Finished goods	The market price		3,318.58
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Finished goods	The market price		309.73
Zhuhai Hengqin Weisheng Precision Medicine Technology Co., Ltd. (珠海橫琴維勝精準醫學科技有限公司)	Finished goods	The market price	422,931.85	154,412.03
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Finished goods	The market price		2,402,637.85
Sales of goods in aggregate			57,913,190.88	28,491,649.19
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Water, electricity and power	The market price	5,866,980.69	4,638,451.76
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Power and modern service	The market price	316,084.30	601,680.74
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Power and modern service	The market price	596,826.99	220,674.65
Joicare (Guangdong) Food for Special Medical Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	Water, electricity and power	The market price	16,332.04	132,600.76
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Processing and testing	Based on negotiation	658,870.32	150,127.15
Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	R&D, processing and testing	Based on negotiation	20,310,875.23	9,072,291.49
Guangzhou Respiratory Drugs Engineering Technology Co., Ltd. (廣州呼吸藥物工程技術有限公司)	R&D	Based on negotiation	1,721,849.06	3,776,000.00
Henan Province Joicare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司)	Processing and testing	Based on negotiation	18,492.58	11,990.70
Provision of services in aggregate			29,506,311.21	18,603,817.25

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

### 5. Related transactions (continued)

#### (2) Related party leases

① The Company as a lessor

Name of lessee	Type of leased assets	Lease income recognized for the Period	Lease income recognized for the Previous Period
Health Pharmaceutical (China) Co., Ltd. (健康藥業(中國)有限公司)	Plant & buildings	13,761.51	38,532.12
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Plant & buildings	160,162.36	1,170,980.93
Topsino Industries Limited (天誠實業有限公司)	Plant & buildings	27,802.39	27,487.93
Joincare (Guangdong) Food for Special Medical Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	Plant & buildings	253,028.56	253,028.56
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Plant & buildings	185,559.96	230,926.66

② The Company as a lessee

Name of lessor	Type of leased assets	Lease expenses recognized for the Period	Lease income recognized for the Previous Period
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Plant & buildings	988,597.77	779,581.65
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Plant & buildings, equipment	501,420.54	501,420.54
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	Plant & buildings		15,000.00
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Transportation & equipment	143,362.80	83,628.30

#### (3) Related party asset transfers

Related party	Description of related party transaction	Amount for the Period	Amount for the Previous Period
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Technology transfer		2,000,000.00
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Purchase of equipment	65,018.55	
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Sale of equipment	2,541,048.64	100,668.65
Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Sale of equipment		1,092,673.04
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	Transfer of 45% equity interest in Ruiyan Zhixin Pharmaceuticals (睿研智新醫藥)		1,575,000.00
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Sale of equipment	437,845.92	

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

### 5. Related transactions (continued)

#### (4) Related party guarantees

- ① The details on the guarantees provided to the subsidiaries by the Company were set out as follows

##### A. Credit facilities guarantees

Unit: RMB'000

Name of guaranteed party	Actual date of event (Signing date of agreement)	Balance at the End of the Period	Actual Guaranteed amount	Guaranteed amount	Description and type of guarantee	Period of guarantee
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2024.10.18	84,867.85	84,867.85	210,000.00	Bank loans, joint liability guarantee	2024.10.18-2028.3.17 (HSBC, China Merchants, ICBC, Bank of Communications, China CITIC Bank, etc.)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2024.7.18	902.94	902.94	17,000.00	Opening letter of credit and bank acceptance bills, joint liability guarantee	2024.7.18-2027.6.30 (Bank Of Communications)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2025.9.1	5,799.23	5,799.23	11,500.00	Opening bank acceptance bills, joint liability guarantee	2025.9.1-2030.7.1 (Standard Chartered Bank)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2024.12.6	12,000.00	12,000.00	20,000.00	Opening bank acceptance bills, joint liability guarantee	2024.12.6-2026.3.31 (Construction Bank)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2025.12.29	4,642.94	4,642.94	15,000.00	Opening bank acceptance bills, joint liability guarantee	2024.3.22-2026.6.30 (CR Bank)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2024.4.25	36.89	36.89	30,000.00	Opening bank acceptance bills, joint liability guarantee	2024.12.6-2026.3.31 (China Merchants)
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2025.9.1	1,559.13	1,559.13	23,000.00	Opening bank acceptance bills, joint liability guarantee	2025.9.1-2030.7.1 (Standard Chartered Bank)

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

### 5. Related transactions (continued)

#### (4) Related party guarantees (continued)

① The details on the guarantees provided to the subsidiaries by the Company were set out as follows (continued)

##### A. Credit facilities guarantees (continued)

Name of guaranteed party	Actual date of event (Signing date of agreement)	Balance at the End of the Period	Actual Guaranteed amount	Guaranteed amount	Description and type of guarantee	Period of guarantee
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2022.12.6	5,601.88	5,601.88	10,000.00	Opening bank acceptance bills, joint liability guarantee	2022.12.6-2026.6.6 (CR Bank)
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2023.8.28	3,585.98	3,585.98	20,000.00	Opening bank acceptance bills, joint liability guarantee	2023.8.28-2026.6.28 (Bank of Communications)
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2024.1.1	360.00	360.00	10,000.00	Opening letter of guarantee, joint liability guarantee	2024.1.1-2026.6.30 (Industrial and Commercial Bank of China)
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	2025.9.1	14,345.41	14,345.41	23,000.00	Opening bank acceptance bills, joint liability guarantee	2025.9.1-2030.7.1 (Standard Chartered Bank)
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	2025.9.1	1,280.04	1,280.04	11,500.00	Opening bank acceptance bills, joint liability guarantee	2025.9.1-2030.7.1 (Standard Chartered Bank)
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	2025.9.1	9,213.84	9,213.84	17,250.00	Opening bank acceptance bills, joint liability guarantee	2025.9.1-2030.7.1 (Standard Chartered Bank)

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

### 5. Related transactions (continued)

#### (4) Related party guarantees (continued)

- ① The details on the guarantees provided to the subsidiaries by the Company were set out as follows (continued)

##### A. Credit facilities guarantees (continued)

Name of guaranteed party	Actual date of event (Signing date of agreement)	Balance at the End of the Period	Actual Guaranteed amount	Guaranteed amount	Description and type of guarantee	Period of guarantee
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	2025.9.1	12,766.83	12,766.83	23,000.00	Opening bank acceptance bills, joint liability guarantee	2025.9.1-2030.7.1 (Standard Chartered Bank)
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	2024.3.25	3,937.17	3,937.17	15,000.00	Opening bank acceptance bills, joint liability guarantee	2024.3.25-2026.6.30 (Bank Of Communications)
Gutian Fixing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	2025.9.1	1,003.68	1,003.68	5,750.00	Opening bank acceptance bills, joint liability guarantee	2025.9.1-2030.7.1 (Standard Chartered Bank)
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	2025.2.24	245.69	245.69	1,500.00	Opening bank acceptance bills, joint liability guarantee	2025.2.24-2027.9.7 (Bank Of Communications)
Total actual amount guaranteed for subsidiaries during the Reporting Period			159,272.38			
Total balance of actual amount guaranteed for subsidiaries at the end of the Reporting Period			162,149.50			

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

### 5. Related transactions (continued)

#### (4) Related party guarantees (continued)

- ① The details on the guarantees provided to the subsidiaries by the Company were set out as follows (continued)

#### B. Pledge and guarantee of bills

On 30 March 2023, the 46th meeting of the tenth session of the Board of the Company reviewed and approved the "Resolution on Conducting Bills Pooling Business" and agreed that an amount of up to RMB1.8 billion for conducting bills pooling business is to be shared by the Company and its holding subsidiaries, such amount may be utilized on rolling basis. As at 31 December 2025, the bill pledges guaranteed are as follows:

Unit: RMB0'000

Guarantor	Pledgee	Pledged amount of bills receivable	Name of guaranteed party	Description of guarantee	Guaranteed amount	Period of guarantee
The Company	China Merchants Bank	10,624.00	Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	30.31	Until 20 May 2025 (inclusive)
			Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	Opening bank acceptance bills, joint liability guarantee	800.00	Until 25 Jun 2026 (inclusive)
			Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	4,347.28	Until 12 Jun 2026 (inclusive)
			Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	942.83	Until 23 Jun 2026 (inclusive)
			Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	Opening bank acceptance bills, joint liability guarantee	4,193.42	Until 17 Jun 2026 (inclusive)
Industrial Bank	1,928.32	Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	386.18	Until 26 Jun 2026 (inclusive)	
		Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	Opening bank acceptance bills, joint liability guarantee	275.81	Until 19 Jun 2026 (inclusive)	
		Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	Opening bank acceptance bills, joint liability guarantee	1,234.92	Until 18 Jun 2026 (inclusive)	
Industrial and Commercial Bank of China	1,434.57	Zhuhai Livzon Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司)	Opening bank acceptance bills, joint liability guarantee	238.97	Until 16 Jun 2026 (inclusive)	
		Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Opening bank acceptance bills, joint liability guarantee	51.50	Until 25 Jan 2026 (inclusive)	
		Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	984.58	Until 18 Jun 2026 (inclusive)	

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

### 5. Related transactions (continued)

#### (4) Related party guarantees (continued)

- ① The details on the guarantees provided to the subsidiaries by the Company were set out as follows (continued)

B. Pledge and guarantee of bills (continued)

Guarantor	Pledgee	Pledged amount of bills receivable	Name of guaranteed party	Description of guarantee	Guaranteed amount	Period of guarantee
	China CITIC Bank	100.00	Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	Opening bank acceptance bills, joint liability guarantee	14.56	Until 16 Jun 2026 (inclusive)
			Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	16.98	Until 16 Jun 2026 (inclusive)
			Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	Opening bank acceptance bills, joint liability guarantee	0.78	Until 17 Jun 2026 (inclusive)
			Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	28.09	Until 17 Jun 2026 (inclusive)
			Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Opening bank acceptance bills, joint liability guarantee	31.80	Until 17 Jun 2026 (inclusive)
Total balance of actual guaranteed amount for subsidiaries at the End of the Reporting Period					13,578.02	

- ② Guarantee provided to related parties by the Company

Nil.

- ③ Guarantee provided to the Company by related parties

Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司), the other shareholder of Livzon MABPharm Inc. has provided a "Letter of Undertaking for Counter Guarantee", pursuant to which it has undertaken to provide a joint liability guarantee for 26.84% of the obligation of the Company under the guarantee granted to Livzon MABPharm Inc. and the guarantee period of which will be expired on the expiry date of the Company's obligation thereunder.

Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業(有限合夥)), the other shareholder of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司), has provided a "Letter of Undertaking for Counter Guarantee", pursuant to which it has undertaken to provide a joint liability guarantee for 8.44% of the obligation of the Company under the guarantee granted to Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司).

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

### 5. Related transactions (continued)

#### (5) Remuneration of key management personnel

① Directors', supervisors' and senior management's remuneration is disclosed as follows

2025

Unit: RMB'000

	Fees of Director/ Supervisor	Salaries and allowances	Social insurance	Housing provident fund	Bonus	Compensation Signing bonus	for loss of office	Others	Total
Non-executive Directors:									
Zhu Baoguo (朱保國)	325.00								325.00
Tao Desheng (陶德勝)	300.00								300.00
Qiu Qingfeng (邱慶豐)	9.60								9.60
Lin Nanqi (林楠棋)	9.60								9.60
Executive Directors:									
Tang Yanggang (唐陽剛)*	9.60	184.62	7.97	2.05	427.33			18.18	649.75
Xu Guoxiang (徐國祥)*	300.00	92.31			128.48			18.18	538.97
Independent Non-executive Directors:									
Bai Hua (白華)	12.00								12.00
Tian Qiusheng (田秋生)	12.00								12.00
Wong Kam Wa (黃錦華)	12.00								12.00
Luo Huiyuan (羅會遠)	12.00								12.00
Cui Lijie (崔麗婕)	12.00								12.00
Wang Zhiyao (王智瑤)	1.00								1.00
Employee Representative Director									
Ran Yongmei (冉永梅)	0.80	7.69	0.60	0.17	2.39				11.65
Supervisors:									
Wang Maolin (汪卯林)	7.20	60.00	7.71	2.05	59.20			16.02	152.18
Tang Yin (湯胤)	6.00								6.00
Huang Huamin (黃華敏)	6.00								6.00
Other senior management:									
Liu Daping (劉大平)*		132.31	9.08	2.64	358.95			17.67	520.65
Du Jun (杜軍)*		147.70	8.84	2.64	421.62			18.19	598.99
Xu Xiao (徐曉)		97.73	8.08	2.05	221.35			22.38	351.59
Huang Yuxuan (黃瑜璇)		101.54			222.43			23.46	347.43
Liu Ning (劉寧)		96.60	7.77	2.06	195.24			3.15	304.82
Yang Daihong (楊代宏)		60.00	3.84	1.00					64.84
Si Yanxia (司燕霞)*		138.47			237.72			28.18	404.37
Yang Liang (楊亮)		23.08	1.88	0.50				1.05	26.51
<b>Total</b>	<b>1,034.80</b>	<b>1,142.05</b>	<b>55.77</b>	<b>15.16</b>	<b>2,274.71</b>			<b>166.46</b>	<b>4,688.95</b>

"\*" represents the five highest paid individuals in 2024. Except for participating in pension insurance and unemployment insurance (i.e. social insurance in the above table) plans established by the government as required, the Company has not provided other pension plans to all current and former directors, supervisors and senior management.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

### 5. Related transactions (continued)

#### (5) Remuneration of key management personnel (continued)

① Directors', supervisors' and senior management's remuneration is disclosed as follows (continued)

Mr. Xu Xiao (徐曉) was appointed in April 2025; Ms. Wang Zhiyao (王智瑤) and Ms. Ran Yongmei (冉永梅) were appointed in December 2025; Mr. Yang Liang (楊亮) resigned in March 2025; Mr. Yang Daihong (楊代宏) resigned in April 2025; Mr. Wong Kam Wa (黃錦華), Mr. Wang Maolin (汪卯林), Mr. Tang Yin (湯胤), and Mr. Huang Huamin (黃華敏) resigned in December 2025.

2024

Unit: RMB0'000

	Fees of Director/ Supervisor	Salaries and allowances	Social insurance	Housing provident fund	Bonus	Signing bonus	Compensation for loss of office	Others	Total
Non-executive Directors:									
Zhu Baoguo (朱保國)	325.00								325.00
Tao Desheng (陶德勝)	300.00								300.00
Qiu Qingfeng (邱慶豐)	9.60								9.60
Yu Xiong (俞雄)	8.80								8.80
Lin Nanqi (林楠琪)	0.95								0.95
Executive Directors:									
Tang Yanggang (唐陽剛)*	9.60	178.47	7.10	1.95	430.63			18.18	645.93
Xu Guoxiang (徐國祥)*	300.00	92.31			133.46			18.18	543.95
Independent Non-executive Directors:									
Bai Hua (白華)	12.00								12.00
Tian Qiusheng (田秋生)	12.00								12.00
Wong Kam Wa (黃錦華)	12.00								12.00
Luo Huiyuan (羅會遠)	12.00								12.00
Cui Lijie (崔麗婕)	12.00								12.00
Supervisors:									
Wang Maolin (汪卯林)	7.20	59.23	6.91	1.95	80.24			9.79	165.32
Tang Yin (湯胤)	6.00								6.00
Huang Huamin (黃華敏)	6.00								6.00
Other senior management:									
Du Jun (杜軍)*		130.77	7.04	2.33	419.62			17.60	577.36
Liu Dapin (劉大平)*		110.00	7.37	2.34	260.50			17.70	397.91
Yang Daihong (楊代宏)		117.69	6.90	1.95	236.47			18.08	381.10
Si Yanxia (司燕霞)*		134.62			237.59			18.18	390.40
Huang Yuxuan (黃瑜璇)		100.35			141.81			18.07	260.23
Yang Liang (楊亮)		91.08	6.81	1.95	97.95			17.51	215.31
<b>Total</b>	<b>1,033.15</b>	<b>1,014.53</b>	<b>42.13</b>	<b>12.46</b>	<b>2,038.29</b>			<b>153.30</b>	<b>4,293.86</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

### 5. Related transactions (continued)

#### (5) Remuneration of key management personnel (continued)

- ① Directors', supervisors' and senior management's remuneration is disclosed as follows (continued)

"\*" represents the five highest paid individuals in 2024. Except for participating in pension insurance and unemployment insurance (i.e. social insurance in the above table) plans established by the government as required, the Company has not provided other pension plans to all current and former directors, supervisors and senior management.

Mr. Liu Daping (劉大平) was appointed in January 2024; Mr. Lin Nanqi (林楠棋) was appointed in November 2024; Mr. Yu Xiong (俞雄) resigned in October 2024.

- ② Individuals with highest emoluments

For 2025, two of the five highest paid individuals were directors of the Company and three of them were members of the senior management of the Company; for 2024, two of the five highest paid individuals were directors of the Company and three of them were members of the senior management of the Company. The remuneration of directors and senior management of the Company were already disclosed in Note XI.5. (5) "Remuneration of key management personnel", and the emoluments of the five highest paid individuals were within the following bands:

Item	2025	2024
Number of individuals within the band of RMB0-RMB1,000,000		
Number of individuals within the band of RMB1,000,001-RMB1,500,000		
Number of individuals within the band of RMB1,500,001-RMB2,000,000		
Number of individuals within the band of RMB2,000,001-RMB2,500,000	—	—
Number of individuals within the band of RMB2,500,001-RMB3,000,000	—	—
Number of individuals within the band of RMB3,000,001-RMB3,500,000	—	—
Number of individuals within the band of RMB3,500,001-RMB4,000,000	—	2
Number of individuals within the band of RMB4,000,001-RMB4,500,000	1	—
Number of individuals within the band of RMB4,500,001-RMB5,000,000	—	—
Number of individuals within the band of RMB5,000,001-RMB5,500,000	2	1
Number of individuals within the band of RMB5,500,001-RMB6,000,000	1	1
Number of individuals within the band of RMB6,000,001-RMB6,500,000	1	1
Number of individuals within the band of RMB6,500,001-RMB7,000,000	—	—
Number of individuals within the band of RMB7,000,001-RMB7,500,000	—	—
Number of individuals within the band of RMB7,500,001-RMB8,000,000	—	—
Number of individuals within the band of RMB8,000,001-RMB8,500,000	—	—

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

### 5. Related transactions (continued)

#### (5) Remuneration of key management personnel (continued)

##### ③ Emoluments band of senior management

Item	2025	2024
Number of individuals within the band of RMB0-RMB1,000,000	2	—
Number of individuals within the band of RMB1,000,001-RMB1,500,000	—	—
Number of individuals within the band of RMB1,500,001-RMB2,000,000	—	1
Number of individuals within the band of RMB2,000,001-RMB2,500,000	—	1
Number of individuals within the band of RMB2,500,001-RMB3,000,000	—	1
Number of individuals within the band of RMB3,000,001-RMB3,500,000	2	—
Number of individuals within the band of RMB3,500,001-RMB4,000,000	1	3
Number of individuals within the band of RMB4,000,001-RMB4,500,000	1	—
Number of individuals within the band of RMB4,500,001-RMB5,000,000	—	—
Number of individuals within the band of RMB5,000,001-RMB5,500,000	2	1
Number of individuals within the band of RMB5,500,001-RMB6,000,000	1	1
Number of individuals within the band of RMB6,000,001-RMB6,500,000	1	1
Number of individuals within the band of RMB6,500,001-RMB7,000,000	—	—
Number of individuals within the band of RMB7,000,001-RMB7,500,000	—	—
Number of individuals within the band of RMB7,500,001-RMB8,000,000	—	—
Number of individuals within the band of RMB8,000,001-RMB8,500,000	—	—

During the years 2025 and 2024, no emolument was paid by the Company to the directors, supervisors or five highest paid individuals as an inducement to join or upon joining the Company; or as compensation for loss of office. None of the directors or supervisors waived any remuneration.

#### (6) Other related transactions

##### ① Capital Contribution in LivzonBio Inc.

On 17 November 2023, the Company signed the Capital Contribution Agreement of LivzonBio, Inc. (《關於珠海市麗珠生物醫藥科技有限公司之增資協議》) with LivzonBio, and it was approved by a resolution at the 2023 third extraordinary general meeting on 19 December 2023. The registered capital of LivzonBio will be increased from RMB889,023,284.00 to RMB1,095,472,334.00, and the newly-increased registered capital of RMB206,449,050.00 will fully paid by the Company before 31 December 2028. The subscription consideration is RMB1,000,000,000, and the subscription consideration exceeding the subscribed capital contribution will be accounted in capital reserves.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

### 5. Related transactions (continued)

#### (6) Other related transactions (continued)

① Capital Contribution in LivzonBio Inc. (continued)

On 26 March 2025, the Company signed the Capital Contribution Agreement of Zhuhai Livzon Biopharmaceutical Technology Co., Ltd. (《關於珠海市麗珠生物醫藥科技有限公司之增資協議》) with LivzonBio, and it was approved by a resolution at the 2024 annual general meeting on 29 May 2025. The registered capital of LivzonBio was increased from RMB1,095,472,334.00 to RMB1,301,921,384.00, and the newly-increased registered capital of RMB206,449,050.00 is to be fully paid by the Company within 24 months after the completion of the industrial and commercial change registration for this capital increase. The subscription consideration is RMB1,000,000,000, and the subscription consideration exceeding the subscribed capital contribution is to be accounted for in capital reserves.

During the current period, the Company made capital contributions totaling RMB712,060,000.00.

② Equity Transfer and Capital Increase and Expansion of Fluffy Buddy Animal Health (Guangdong) Co., Ltd.

Fluffy Buddy Animal Health (Guangdong) Co., Ltd.\* (毛孩子動物保健(廣東)有限公司) (“Fluffy Buddy”) was a subsidiary controlled by the Company. The Company directly held 51% equity interest in Fluffy Buddy, and its controlling shareholder, Joicare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司) (“Joicare”), directly held the remaining 49% equity interest.

On 30 December 2025, the Company, Joicare, Shenzhen Xinyou Maohai Investment Partnership (Limited Partnership)\* (深圳市心有毛孩投資合夥企業(有限合夥)) (“Xinyou Maohai”), and Fluffy Buddy entered into the Agreement on Capital Subscription and Equity Transfer (《增資認購及股權轉讓協議》). This was considered a connected transaction, and the Proposal on the Connected Transaction Concerning the Equity Transfer and Capital Increase and Expansion of a Subsidiary was approved by the resolution of the Thirty-first Meeting of the Eleventh Session of the Board of Directors of the Company. Pursuant to the agreement, Joicare intended to transfer its 49% equity interest in Fluffy Buddy (corresponding to a registered capital of RMB98,000,000 in Fluffy Buddy, of which RMB73,500,000 had been paid-in and RMB24,500,000 had not) to Xinyou Maohai for a consideration of RMB51,450,000 (the “Equity Transfer”). Concurrently, Xinyou Maohai intended to subscribe to a capital increase of RMB15,000,000 in Fluffy Buddy for a consideration of RMB15,000,000 (the “Capital Increase”, together with the Equity Transfer, the “Transaction”). The Company intended to waive its pre-emptive rights to the Equity Transfer and its pre-emptive subscription rights to the Capital Increase, and Joicare intended to waive its pre-emptive subscription rights to the Capital Increase.

Upon completion of the Transaction, Xinyou Maohai would hold 52.56% equity interest in Fluffy Buddy, the Company would hold 47.44% equity interest, and Joicare would no longer hold any equity interest in Fluffy Buddy. Consequently, Fluffy Buddy would cease to be consolidated within the Company’s financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

### 6. Amounts due from/to related parties

#### (1) Amounts due from related parties

Item	Related parties	Balance at the End of the Period		Balance as at the End of the Previous Year	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Bills receivables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)			6,000,000.00	
Bills receivables	Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	2,490,000.00		88,000.00	
Bills receivables	Joincare (Guangdong) Food for Special Medical Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	139,399.13		88,370.33	
Bills receivables	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	180,800.00		5,459,077.17	
Subtotal of bills receivable		2,810,199.13		11,635,447.50	
Accounts receivables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	24,786,400.00	260,257.20		
Accounts receivables	Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)			53,978.00	545.18
Accounts receivables	Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	202,591.25	2,066.43		
Accounts receivables	Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	291,290.32	14,214.97	1,821,547.17	282,060.12
Accounts receivables	Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	816,000.00	8,748.60		
Subtotal of accounts receivables		26,096,281.57	285,287.20	1,875,525.17	282,605.30
Prepayments	Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	211,200.00		211,200.00	
Prepayments	Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)			1,143,720.00	
Prepayments	Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)			102,899.70	
Subtotal of prepayments		211,200.00		1,457,819.70	
Other receivables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	1,143,746.92	11,437.47	511,310.14	5,113.10
Other receivables	Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)			134,875.00	1,348.75
Other receivables	Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)			8,624.98	86.25
Other receivables	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	2,871,384.96	28,713.85		
Subtotal of other receivables		4,015,131.88	40,151.32	654,810.12	6,548.10

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

### 6. Amounts due from/to related parties (continued)

#### (2) Amounts due to related parties

Item	Related parties	Balance at the End of the Period	Balance as at the End of the Previous Year
Bills payables	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	122,399,706.08	137,095,500.00
Bills payables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	4,170,203.66	5,562,366.60
Bills payables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	607,200.00	2,292,000.00
Subtotal of bills payables		127,177,109.74	144,949,866.60
Accounts payables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	0.02	1,447,382.56
Accounts payables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	441,600.00	276,000.00
Accounts payables	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	71,594,798.89	61,537,500.00
Subtotal of accounts payables		72,036,398.91	63,260,882.56
Contract liabilities	Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)		68,563.91
Contract liabilities	Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)		80,000.00
Subtotal of contract liabilities			148,563.91
Other payables	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	7,185,232.02	9,778,409.44
Subtotal of other payables		7,185,232.02	9,778,409.44

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XII. SHARE-BASED PAYMENT

### 1. General information about share-based payment

#### (1) Share options incentive schemes

On 14 October 2022, the “Resolution on 2022 Share Options Incentive Scheme (Revised Draft) and its Summary”, the “Resolution on Administrative Measures for Appraisal System of the 2022 Share Options Incentive Scheme” and the “Resolution on the General Meeting for Granting Mandate to the Board to Deal with Matters Regarding the 2022 Share Options Incentive Scheme” were considered and approved at the 2022 Second Extraordinary General Meeting, the 2022 Second Class Meeting of A Shareholders and the 2022 Second Class Meeting of H Shareholders. On 7 November 2022, the “Resolution on the Related Matters of the First Grant of 2022 Share Options Incentive Scheme” was considered and approved at the 39th meeting of the tenth session of the Board, pursuant to which, 7 November 2022 was set as the date of grant, on which 17.9735 million Share Options were granted to 1,026 incentive participants at an exercise price of RMB31.31 per A Share. Completion and effective date of the registration of the share options granted: 23 November 2022.

The share options (a total of 361,000 options) granted to 25 former incentive participants under the First Grant of 2022 Share Options Incentive Scheme were cancelled as the incentive conditions were no longer met due to the resignation of the incentive participants. After the cancellation, the number of share options under the First Grant of 2022 Share Options Incentive Scheme of the Company was adjusted from 17.9735 million to 17.6125 million, and the number of incentive participants under the First Grant was adjusted from 1,026 to 1,001.

On 12 October 2023, the “Resolution on the Related Matters of the Proposed Reserved Grant of 2022 Share Options Incentive Scheme” was considered and approved at the 4th meeting of the 11th session of the Board, pursuant to which, 30 October 2023 was set as the date of grant, on which 2 million Share Options were granted to 243 incentive participants at an exercise price of RMB36.26 per A Share. Completion and effective date of the registration of the share options granted: 28 November 2023.

On 13 May 2024, the proposal on the Cancellation of Part of the Share Options under the 2022 Share Options Incentive Scheme was considered and approved at the 16th meeting of the 11th session of the Board. As the Company failed to meet the performance targets at the Company level for the second exercise period under the Initial Grant and the first exercise period under the Reserved Grant, the corresponding 5,283,750 share options under the second exercise period of the Initial Grant and 1,000,000 share options under the first exercise period of the Reserved Grant could not be exercised and were cancelled by the Company.

On 23 April 2025, the proposal on the Cancellation of Part of the Share Options under the 2022 Share Options Incentive Scheme was considered and approved at the 24th meeting of the 11th session of the Board. The Board approved the cancellation of 384,045 share options that had expired and remained unexercised by 31 grantees during the first exercise period under the Initial Grant of the Company’s 2022 Share Options Incentive Scheme. Furthermore, as the Company failed to meet the performance targets at the Company level for the third exercise period under the Initial Grant and the second exercise period under the Reserved Grant, the Board approved the cancellation of the corresponding 5,283,750 share options under the third exercise period of the Initial Grant and 1,000,000 share options under the second exercise period of the Reserved Grant of the 2022 Share Options Incentive Scheme. The cancellation procedures for the aforementioned share options were fully completed on 6 May 2025.

#### (2) Other equity incentives

Nil.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XII. SHARE-BASED PAYMENT *(continued)*

### 2. Equity settled share-based payments

Determination on fair value of equity instruments as at the date of grant	Black-Scholes Model, market price
Significant parameters on fair value of equity instruments as at the date of grant	Risk-free interest rate, historical volatility of share price, dividend yield
Basis for determining quantity of exercisable equity instruments	Determined based on exercising conditions and expected turnover rate
Reasons for significant discrepancies between estimate for the Period and the Previous Period	Without significant discrepancies
Accumulated amount of equity settled share-based payments included in capital reserve	238,229,819.52

### 3. Cash settled share-based payments

Nil.

### 4. Share-based payment expense for the Period

Nil.

## XIII. COMMITMENTS AND CONTINGENCIES

### 1. Significant commitments

#### (1) Capital commitments

Contracted but not recognised in the financial statement	Balance at the End of the Period	Balance as at the End of the Previous Year
Commitments in relation to acquisition of long-term assets	221,084,956.48	143,012,133.25
Commitments in relation to R&D expenditure	229,968,162.57	304,801,419.25
Commitments for equity acquisitions (see Note 15.1)	1,845,730,873.77	

#### (2) Other commitments

Nil.

#### (3) Performance of previous commitments

The Company has duly performed the capital expenditure commitments and the operating lease commitments and the other commitments as at 31 December 2024 in the same manner as the previous commitments.

### 2. Contingencies

As at 31 December 2025, there were no significant contingencies required to be disclosed by the Company.

# NOTES TO THE FINANCIAL STATEMENTS

*(Unless specified otherwise, all amounts are denominated in RMB)*

## XIV. POST BALANCE SHEET DATE EVENTS

### Profit distribution

On 24 March 2026, the Company held the 33rd meeting of the eleventh session of the Board of the Company and passed the resolution of 2025 annual profit distribution plan. It is expected to distribute cash dividend of RMB14.30 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2025 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized.

The above mentioned profit distribution plan shall be submitted to the annual general meeting of 2025 of the Company for consideration and approval.

As at 24 March 2026, the Company has no other events that needed to be disclosed after the balance sheet date.

## XV. OTHER SIGNIFICANT MATTERS

### Acquisition of IMP Company

On 22 May 2025, the proposal on the Proposed Acquisition of Equity Interest in Vietnam IMP Company was considered and approved at the 25th meeting of the 11th session of the Board. Pursuant to the Framework Agreement entered into on 22 May 2025 by the Company's wholly-owned overseas subsidiary, LIAN SGP HOLDING PTE. LTD. ("LIAN SGP"), with SK Investment Vina III Pte. Ltd. ("SK"), Sunrise Kim Investment Joint Stock Company ("Sunrise"), and KBA Investment Joint Stock Company ("KBA", together with SK and Sunrise, the "Sellers"), LIAN SGP intended to pay VND 5,730,815,426,000 (approximately RMB1,587 million based on the central parity rate on the date of the agreement signing) to acquire an aggregate of 64.81% shareholding in the Vietnam-listed company Imexpharm Corporation held by the Sellers.

On 29 December 2025, LIAN SGP and the Sellers entered into the Amendment Agreement to Framework Agreement, stipulating that the "Long-stop Date" refers to 30 June 2026, or a later date as mutually agreed in writing by the Sellers and the Buyer.

On 30 December 2025, the proposal on the Proposed Voluntary Offer to Acquire Equity Interest in Vietnam IMP Company was considered and approved at the 31st meeting of the 11th session of the Board. The Board approved that LIAN SGP, in accordance with relevant Vietnamese regulations, apply to the State Securities Commission for a voluntary offer to acquire IMP shares and issue a public offer to all shareholders of IMP. The adjusted maximum proposed equity purchase consideration for this transaction is VND 6,891,442,278,000.00 (approximately RMB1,846 million based on the central parity rate on the date of the Board's review), with the actual transaction consideration subject to the final shares accepting the offer. This voluntary offer is still subject to approvals from the Vietnamese State Securities Commission and other Vietnamese governmental or regulatory authorities.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XV. OTHER SIGNIFICANT MATTERS (continued)

### Acquisition of IMP Company (continued)

In accordance with the foreign ownership limit requirements of IMP, the maximum number of shares to be acquired through this intended voluntary offer is 120,059,970 shares, equivalent to 77.94% of IMP's registered capital and 77.96% of IMP's voting shares. The intended voluntary offer price is VND 57,400 per share (approximately RMB15.37 based on the central parity rate on the date of the Board's review). During the offer period, LIAN SGP, as the offeror, reserves the right to withdraw the voluntary offer should any of the following circumstances occur: (i) the number of shares intended to be sold by the shareholders of the target company does not reach the minimum threshold of 99,839,990 shares, representing 64.81% of the target company's registered capital; (ii) the target company increases the total number of voting shares through methods such as the conversion of preferred shares (if any) into ordinary shares; (iii) the target company reduces the total number of voting shares; (iv) the target company issues shares, convertible bonds, bonds with warrants, subscription rights (excluding shares issued under the employee stock ownership plan (ESOP) approved pursuant to the resolution of the General Meeting of Shareholders No.02/2025/NQ-DHDCD-IMP dated 28 October 2025), or the value of assets sold by the target company reaches or exceeds 35% of the total asset value stated in its latest financial statements.

On March 6, 2026, LIAN SGP received approval from the State Securities Commission of Vietnam for this transaction. The Company will actively advance the relevant matters pertaining to this transaction.

As at 31 December 2025, save as the disclosed above, there were no other significant matters required to be disclosed by the Company.

## XVI. NET CURRENT ASSETS AND TOTAL ASSETS LESS CURRENT LIABILITIES

### 1. Net current assets

Item	Balance at the End of the Period	Balance as at the End of the Previous Year
Current assets	16,118,011,547.10	16,419,980,644.30
Less: Current liabilities	7,219,752,800.78	7,625,428,371.79
Net current assets	8,898,258,746.32	8,794,552,272.51

### 2. Total assets less current liabilities

Item	Balance at the End of the Period	Balance as at the End of the Previous Year
Total assets	23,985,471,448.48	24,455,825,697.18
Less: Current liabilities	7,219,752,800.78	7,625,428,371.79
Total assets less current liabilities	16,765,718,647.70	16,830,397,325.39

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE COMPANY

### 1. Bills receivable

Type of bill	Balance at the End of the Period			Balance as at the End of the Previous Year		
	Book balance	Provision for bad debts	Carrying value	Book balance	Provision for bad debts	Carrying value
Bank acceptance bills	627,714,842.99		627,714,842.99	673,226,891.51		673,226,891.51

#### (1) Bills receivable that were pledged at the End of the Period

Type	Pledged amount at the End of the Period
Bank acceptance bills	140,868,943.08

As at 31 December 2025, bills with carrying amount of RMB140,868,943.08 (31 December 2024: RMB282,356,860.08) were pledged for bank acceptance bills.

#### (2) There were no bills receivable endorsed or discounted at the End of the Period but not yet due at the date of balance sheet

For the Period, the bank acceptance bills issued by the Company to banks amounted to RMB0.00 (Previous Period: RMB0.00).

#### (3) There were no bills transferred into accounts receivables for non-performance by the issuer at the End of the Period.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 1. Bills receivable (continued)

#### (4) Classification by the method of provision for bad debts

Type	Balance at the End of the Period					Balance at the End of the Previous Year				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying value	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying value
Provision for bad debts on individual basis										
Provision for bad debts on collective basis	627,714,842.99	100.00			627,714,842.99	673,226,891.51	100.00			673,226,891.51
Of which:										
Bank acceptance bills	627,714,842.99	100.00			627,714,842.99	673,226,891.51	100.00			673,226,891.51
<b>Total</b>	<b>627,714,842.99</b>	<b>100.00</b>			<b>627,714,842.99</b>	<b>673,226,891.51</b>	<b>100.00</b>			<b>673,226,891.51</b>

Bills receivable with provision for bad debts on individual basis:

Nil.

Bills receivable with provision for bad debts on collective basis:

Item on collective basis: Bank acceptance bills

Description	Balance at the End of the Period			Balance at the End of the Previous Year		
	Bills receivable	Provision for bad debts	Expected credit loss rate (%)	Bills receivable	Provision for bad debts	Expected credit loss rate (%)
Within 1 year	627,714,842.99			673,226,891.51		

(5) No provision for bad debts was made, recovered or reversed during the Period.

(6) There is no bills receivable actually written-off for the Period.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 2. Accounts receivables

#### (1) Disclosure using the aging analysis method

Aging	Balance at the End of the Period	Balance as at the End of the Previous Year
Within 1 year		
Of which: Within 3 months (including 3 months)	1,048,384,779.12	943,360,335.29
4-6 months (including 6 months)	24,088,134.47	33,978,325.32
7-12 months (including 12 months)	7,944,309.59	3,330,021.99
Subtotal within 1 year:	1,080,417,223.18	980,668,682.6
1-2 years (including 2 years)	1,467,330.22	2,289,918.56
2-3 years (including 3 years)	1,590,390.54	5,025,091.22
Over 3 years	3,310,853.70	350,643.68
Subtotal	1,086,785,797.64	988,334,336.06
Less: Provisions for bad debts	17,517,997.09	15,852,336.61
Total	1,069,267,800.55	972,481,999.45

#### (2) Disclosure according to the method of provision for bad debts

Type	Balance at the End of the Period					Balance at the End of the Period				
	Book balance		Provision for bad debts		Carrying value	Book balance		Provision for bad debts		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts on collective basis	1,086,785,797.64	100.00	17,517,997.09	1.61	1,069,267,800.55	988,334,336.06	100.00	15,852,336.61	1.60	972,481,999.45
Of which:										
Due from domestic customers	1,086,785,797.64	100.00	17,517,997.09	1.61	1,069,267,800.55	988,334,336.06	100.00	15,852,336.61	1.60	972,481,999.45
Total	1,086,785,797.64	100.00	17,517,997.09	1.61	1,069,267,800.55	988,334,336.06	100.00	15,852,336.61	1.60	972,481,999.45

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 2. Accounts receivables (continued)

#### (2) Disclosure according to the method of provision for bad debts (continued)

Accounts receivables with provision for bad debts on collective basis:

Item on collective basis: Due from domestic customers

Description	Balance at the End of the Period			Balance as at the End of the Previous Year		
	Account receivables	Provision for bad debts	Expected credit loss rate (%)	Account receivables	Provision for bad debts	Expected credit loss rate (%)
Within 3 months (including 3 months)	1,048,384,779.12	10,814,731.72	1.03	943,360,335.29	9,527,892.17	1.01
4-6 months (including 6 months)	24,088,134.47	1,176,001.95	4.88	33,978,325.32	1,658,370.42	4.88
7-12 months (including 12 months)	7,944,309.59	797,639.33	10.04	3,330,021.99	333,668.20	10.02
1-2 years	1,467,330.22	293,034.97	19.97	2,289,918.56	458,670.69	20.03
2-3 years	1,590,390.54	1,125,735.42	70.78	5,025,091.22	3,523,091.45	70.11
Over 3 years	3,310,853.70	3,310,853.70	100.00	350,643.68	350,643.68	100.00
<b>Total</b>	<b>1,086,785,797.64</b>	<b>17,517,997.09</b>	<b>1.61</b>	<b>988,334,336.06</b>	<b>15,852,336.61</b>	<b>1.60</b>

#### (3) Provision for bad debts made, recovered or reversed during the Period

	Amount of provision for bad debts
Balance at the Beginning of the Period	15,852,336.61
Provision made for the Period	1,852,456.26
Recovery or reversal during the Period	
Write-off for the Period	186,795.78
<b>Balance at the End of the Period</b>	<b>17,517,997.09</b>

As at 31 December 2024 and 31 December 2023, the Company had no accounts receivables that are past due but not impaired.

#### (4) Accounts receivables that were actually written off during the Period

Item	Amount written off
Total (domestic customers)	186,795.78

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 2. Accounts receivables (continued)

#### (5) The top five balances of accounts receivables by debtors as at the End of the Period

The total of the top five balances of accounts receivables by debtors as at the End of the Period was RMB155,576,846.22 for the Period, representing 14.32% of the total balance of account receivables for the End of the Period, the aggregate balance of corresponding provisions for bad debts as at the End of the Period was RMB1,704,383.19.

(6) There are no derecognised accounts receivables in the Company due to the transfer of financial assets.

(7) The Company has no assets or liabilities formed by its continuous involvement of transferring accounts receivables.

### 3. Other receivables

Item	Balance at the End of the Period	Balance as at the End of the Previous Year
Dividend receivables		
Other receivables	150,218,710.10	343,051,410.41
Total	150,218,710.10	343,051,410.41

#### (1) Other receivables

① Disclosure by nature of the amount

Item	Balance at the End of the Period			Balance as at the End of the Previous Year		
	Book balance	Provision for bad debts	Carrying value	Book balance	Provision for bad debts	Carrying value
Security deposits, rental deposits, and lease payments	316,502.50	16,331.53	300,170.97			
Reserve fund and advances	5,167,936.74	89,637.26	5,078,299.48	9,232,491.98	706,567.86	8,525,924.12
Other receivables of each company within the scope of combination	141,004,409.32		141,004,409.32	333,711,459.47		333,711,459.47
Borrowing due from external entities	5,000,000.00	5,000,000.00		5,000,000.00	5,000,000.00	
Others	4,245,236.12	409,405.79	3,835,830.33	949,285.26	135,258.44	814,026.82
Total	155,734,084.68	5,515,374.58	150,218,710.10	348,893,236.71	5,841,826.30	343,051,410.41

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 3. Other receivables (continued)

#### (1) Other receivables (continued)

- ② Provision made for bad debts

As at the End of the Period, provision for bad debts at Step 1:

Type	Book balance	Expected credit losses rate over the next 12 months (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debts on collective basis	141,004,409.32			141,004,409.32	
Amounts of exercised options	141,004,409.32			141,004,409.32	Recoverable
<b>Total</b>	<b>141,004,409.32</b>			<b>141,004,409.32</b>	

As at the End of the Period, provision for bad debts at Step 2:

Type	Book balance	Expected credit losses rate over the lifetime (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debts on collective basis	9,729,675.36	5.30	515,374.58	9,214,300.78	
Security deposits, rental deposits, and lease payments	316,502.50	5.16	16,331.53	300,170.97	
Other receivables	9,413,172.86	5.30	499,043.05	8,914,129.81	-
<b>Total</b>	<b>9,729,675.36</b>	<b>5.30</b>	<b>515,374.58</b>	<b>9,214,300.78</b>	

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 3. Other receivables (continued)

#### (1) Other receivables (continued)

##### ② Provision made for bad debts (continued)

As at the End of the Period, provision for bad debts at Step 3:

Type	Book balance	Expected credit losses rate over the lifetime (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debts on collective basis	5,000,000.00	100.00	5,000,000.00		
Other receivables	5,000,000.00	100.00	5,000,000.00		Not expected to be recoverable
<b>Total</b>	<b>5,000,000.00</b>	<b>100.00</b>	<b>5,000,000.00</b>		

On 31 December 2024, provision made for bad debts:

As at 31 December 2024, provision for bad debts at Step 1:

Type	Book balance	Expected credit losses rate over the next 12 months (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debts on collective basis	333,711,459.47			333,711,459.47	
Other receivables of each company within the scope of combination	333,711,459.47			333,711,459.47	Recoverable
<b>Total</b>	<b>333,711,459.47</b>			<b>333,711,459.47</b>	

As at 31 December 2024, provision for bad debts at Step 2:

Type	Book balance	Expected credit losses rate over the lifetime (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debts on collective basis	10,181,777.24	8.27	841,826.30	9,339,950.94	
Other receivables	10,181,777.24	8.27	841,826.30	9,339,950.94	–
<b>Total</b>	<b>10,181,777.24</b>	<b>8.27</b>	<b>841,826.30</b>	<b>9,339,950.94</b>	

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 3. Other receivables (continued)

#### (1) Other receivables (continued)

##### ② Provision made for bad debts (continued)

As at 31 December 2024, the provision for bad debt in Step 3:

Type	Book balance	Expected credit losses rate over the lifetime (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debts on individual basis	5,000,000.00	100.00	5,000,000.00		
Other receivables	5,000,000.00	100.00	5,000,000.00		Not expected to be recoverable
<b>Total</b>	<b>5,000,000.00</b>	<b>100.00</b>	<b>5,000,000.00</b>		

##### ③ Provision for bad debts made, recovered or reversed during the Period

Provision for bad debts	Step 1	Step 2	Step 3	Total
	Expected credit loss over the next 12 months	Expected credit loss over the lifetime (without impairment of credit)	Expected credit loss over the lifetime (with impairment of credit)	
Balance at the Beginning of the Period		841,826.30	5,000,000.00	5,841,826.30
Balance at the Beginning of the Period during the Period				
– Transferred to Step 3				
Provision made for the Period		-326,451.72		-326,451.72
Write-off for the Period				
Balance at the End of the Period		515,374.58	5,000,000.00	5,515,374.58

##### ④ There is no other receivables that were actually written off during the Period.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## VII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 3. Other receivables (continued)

#### (1) Other receivables (continued)

- ⑤ Top five balances of other receivables by debtors at the End of the Period

Name of unit	Nature of Receivables	Balance of other receivables at the End of the Period	Aging	Proportion to total balance of other receivables at the End of the Period (%)	Balance of provision for bad debt at the End of the Period
Ando Development Limited (安滔發展有限公司)	Receivables from third parties	102,364,879.85	Within 1 year: RMB3,403,087.89; 1-2 years: RMB3,410,897.24; 2-3 years: RMB56,168.53; Over 3 years: RMB95,494,726.19.	65.73	
Livzon Group Vaccine Engineering Inc. (麗珠集團疫苗工程股份有限公司)	Receivables from third parties	21,033,572.39	Within 1 year: RMB200.00; 1-2 years: RMB200.00; 2-3 years: RMB2,000.00; Over 3 years: RMB21,031,172.39.	13.50	
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Receivables from third parties	17,239,887.38	Within 1 year	11.07	
Guangzhou Galaxy Sunshine Biological Products Co., Ltd. (廣州銀河陽光生物製品有限公司)	Loans	5,000,000.00	Over 5 years	3.21	5,000,000.00
Dongguan Hai Aoruisi Pharmaceutical Technology Co., Ltd. (東莞市海奧瑞思醫藥科技有限公司)	Loans	1,161,920.00	Within 1 year	0.75	59,955.07
Total	-	146,800,259.62		94.26	5,059,955.07

- ⑥ No amounts receivables of the Company has been derecognized due to the transfer of financial assets.
- ⑦ The Company has no assets or liabilities formed by its continuous involvement of transferring other receivables.

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 4. Long-term equity investments

Item	Balance at the End of the Period			Balance at the End of the Previous Year		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Investments in subsidiaries	4,666,037,145.20	17,287,569.18	4,648,749,576.02	3,855,647,145.20	17,287,569.18	3,838,359,576.02
Investments in associates	843,538,998.22	1,200,000.00	842,338,998.22	801,949,340.37	1,200,000.00	800,749,340.37
<b>Total</b>	<b>5,509,576,143.42</b>	<b>18,487,569.18</b>	<b>5,491,088,574.24</b>	<b>4,657,596,485.57</b>	<b>18,487,569.18</b>	<b>4,639,108,916.39</b>

#### (1) Investments in subsidiaries

Investee	Balance at the Beginning of the Period	Increase during the Period	Decrease during the Period	Balance at the End of the Period	Provision for impairment for the Period	Balance of provision for impairment at the End of the Period
Zhuhai Livzon Baiameng Biological Materials Co., Ltd. (珠海麗珠一拜阿蒙生物材料有限公司)	3,934,721.95			3,934,721.95		
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	361,060,443.85			361,060,443.85		
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	170,872,457.35			170,872,457.35		
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)	31,438,404.00			31,438,404.00		
Zhuhai Modern Chinese Medicine High Technology Co., Ltd. (珠海現代中藥高科技有限公司)	4,539,975.00			4,539,975.00		
Livzon Group Livzon Medical Research Centre (麗珠集團麗珠醫藥研究所)	6,004,000.00			6,004,000.00		
Lizhu (Hong Kong) Co., Limited (麗珠(香港)有限公司)	265,149,450.47			265,149,450.47		
Lian Hong Kong Limited (麗安香港有限公司)	140,000,000.00			140,000,000.00		
Ando Development Limited (安滔發展有限公司)	534,050.00			534,050.00		
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	378,259,319.91			378,259,319.91		17,287,569.18
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	67,877,200.00			67,877,200.00		
Livzon Group Livzon Pharmaceutical Marketing Co., Ltd. (麗珠集團麗珠醫藥營銷有限公司)	12,008,000.00			12,008,000.00		
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	184,301,219.52			184,301,219.52		
Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	40,020,000.00			40,020,000.00		

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 4. Long-term equity investments (continued)

#### (1) Investments in subsidiaries (continued)

Investee	Balance at the Beginning of the Period	Increase during the Period	Decrease during the Period	Balance at the End of the Period	Provision for impairment for the Period	Balance of provision for impairment at the End of the Period
Livzon Group Vaccine Engineering Inc. (麗珠集團疫苗工程股份有限公司)	54,500,000.00			54,500,000.00		
Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	6,675,000.00			6,675,000.00		
Zhuhai Livzon Investment Development Co., Ltd. (珠海市麗珠投資發展有限公司)	171,000,000.00			171,000,000.00		
Zhuhai Livzon Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司)	224,092,110.00	78,000,000.00		302,092,110.00		
LivzonBio, Inc. (珠海市麗珠生物醫藥科技有限公司)	1,610,170,793.15	712,060,000.00		2,322,230,793.15		
Zhuhai Livzon Ruiyan Zhixin Pharmaceutical Technology Co., Ltd. (珠海市麗珠睿研智新醫藥科技有限責任公司)	1,650,000.00	330,000.00		1,980,000.00		
Zhuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (珠海市麗珠中藥現代化科技有限公司)	45,000,000.00	20,000,000.00		65,000,000.00		
Fluffy Buddy Animal Healthcare (Guangdong) Co., Ltd. (毛孩子動物保健(廣東)有限公司)	76,500,000.00			76,500,000.00		
Wuhan Kangli Health Investment Management Co., Ltd. (武漢康麗健康投資管理有限公司)	60,000.00			60,000.00		
<b>Total</b>	<b>3,855,647,145.20</b>	<b>810,390,000.00</b>		<b>4,666,037,145.20</b>		<b>17,287,569.18</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 4. Long-term equity investments (continued)

#### (2) Investments in associates

Investee	Balance at the Beginning of the Period	Additional/ new investments	Decreased investments	Change during the Period						Balance at the End of the Period	Balance of provision for impairment at the End of the Period	
				Investment profit and loss recognized under the equity method	Adjustment in other comprehensive income	Other equity change	Cash dividend or profit distribution declared	Provision for impairment	Others			
<b>Associates</b>												
Livzon Medical Electronic Equipment (Plant) Co., Ltd. (麗珠醫用電子設備(廠)有限公司)	1,200,000.00										1,200,000.00	1,200,000.00
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	26,784,312.07			4,019,768.07			4,397,422.51				26,406,657.63	
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	1,299,140.19		1,299,140.19									
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	23,371,683.53			-23,469,956.40	98,272.87							
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	749,294,204.58			69,375,550.82	-2,737,414.81						815,932,340.59	
<b>Total</b>	<b>801,949,340.37</b>		<b>1,299,140.19</b>	<b>49,925,362.49</b>	<b>-2,639,141.94</b>		<b>4,397,422.51</b>				<b>843,538,998.22</b>	<b>1,200,000.00</b>

### 5. Operating income and operating cost

#### (1) Operating income and operating cost

Item	Amount for the Period		Amount for the Previous Period	
	Income	Cost	Income	Cost
Principal activities	5,433,612,761.01	3,957,152,489.72	5,425,057,351.83	3,921,481,716.40
Other activities	128,873,776.85	113,155,324.00	49,444,205.52	41,393,526.71
<b>Total</b>	<b>5,562,486,537.86</b>	<b>4,070,307,813.72</b>	<b>5,474,501,557.35</b>	<b>3,962,875,243.11</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 5. Operating income and operating cost (continued)

#### (2) Operating income, operating cost presented by product types

Item	Amount for the Period		Amount for the Previous Period	
	Income	Cost	Income	Cost
Principal activities:				
Chemical preparations	4,073,019,161.21	3,120,553,442.71	4,156,980,186.69	3,172,721,723.63
Traditional Chinese medicine preparations	1,163,557,308.14	727,937,367.52	1,101,417,529.93	661,287,929.36
Biological products	197,036,291.66	108,661,679.49	166,659,635.21	87,472,063.41
Subtotal	5,433,612,761.01	3,957,152,489.72	5,425,057,351.83	3,921,481,716.40
Other activities:				
Sales materials, etc.	4,627,001.36	4,594,495.97	14,369,095.38	14,387,738.79
Lease fees	261,259.15		8,290,322.94	
Others	123,985,516.34	108,560,828.03	26,784,787.20	27,005,787.92
Subtotal	128,873,776.85	113,155,324.00	49,444,205.52	41,393,526.71
Total	5,562,486,537.86	4,070,307,813.72	5,474,501,557.35	3,962,875,243.11

#### (3) Major business income and cost presented by major regions of operations

Item	Amount for the Period		Amount for the Previous Period	
	Income	Cost	Income	Cost
Domestic	5,433,612,761.01	3,957,152,489.72	5,425,057,351.83	3,921,481,716.40

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE COMPANY (continued)

### 5. Operating income and operating cost (continued)

#### (4) Operating income and operating costs presented by transfer time of commodities

Item	Amount for the Period		Amount for the Previous Period	
	Income	Cost	Income	Cost
Principal activities:				
Of which: recognized at a point of time	5,433,612,761.01	3,957,152,489.72	5,425,057,351.83	3,921,481,716.40
Other activities:				
Of which: recognized at a point of time	128,612,517.70	113,155,324.00	41,153,882.58	41,393,526.71
Lease income	261,259.15		8,290,322.94	
<b>Total</b>	<b>5,562,486,537.86</b>	<b>4,070,307,813.72</b>	<b>5,474,501,557.35</b>	<b>3,962,875,243.11</b>

### 6. Investment Income

Item	Amount for the Period	Amount for the Previous Period
Long-term equity investments income under cost method	94,850,000.00	241,825,000.00
Long-term equity investments income under equity method	49,925,362.49	27,370,002.29
Investment income from financial assets held for trading during its holding period	306,539.16	306,539.16
Investment income from disposal of financial assets held for trading	3,766,147.43	1,033,853.65
Investment income generated from the disposal of long-term equity investments	-731,350.19	1,394,520.93
<b>Total</b>	<b>148,116,698.89</b>	<b>271,929,916.03</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Unless specified otherwise, all amounts are denominated in RMB)

## XVIII. SUPPLEMENTARY INFORMATION

### 1. Statement of non-recurring profit or loss over the current period

Item	Amount for the Period	Amount for the Previous Period
Profit or loss from disposal of non-current assets, including the written-off portion of provisions made for asset impairment	-3,944,888.74	38,141,577.15
Government grants included in the current profit or loss, however, except for those which are closely related to the normal business of an enterprise, comply with the policies of the State, entitled in accordance with determined standards and that have a continuous impact on the Company's profit or loss	110,883,547.11	120,270,784.33
Gains or losses arising from changes in fair value derived from financial assets and financial liabilities held by non-financial enterprises and gains or losses generated on disposal of financial assets and financial liabilities, except for effective hedging activities related to the ordinary operating business of the Company	24,137,423.38	-12,234,583.55
Other non-operating income and expenses other than the abovementioned items	-81,394,697.76	-31,193,025.79
Total non-recurring profit or loss	49,681,383.99	114,984,752.14
Less: Effect on income tax of non-recurring profit or loss	15,491,173.56	19,295,298.12
Less: Net effect of non-recurring profit or loss attributable to the Company's minority shareholders (after tax)	20,105,309.72	13,789,475.52
Non-recurring profit or loss attributable to the Company's ordinary shareholders	14,084,900.71	81,899,978.50

The Company recognizes non-recurring profit or loss items according to the Explanatory Announcement No. 1 on Corporate Information Disclosure for the Public Offering of Securities-Non-recurring Profit or Loss (2023 Revision) (ZJHGG (2023) No. 65).

### 2. Rate of return on net assets and earnings per share

#### 2025

Profit during the Reporting Period	Rate of return on weighted average net assets %	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company's ordinary shareholders	14.67	2.27	2.27
Net profit attributable to the Company's ordinary shareholders after a deduction of non-recurring profit or loss	14.57	2.25	2.25

#### 2024

Profit during the Reporting Period	Rate of return on weighted average net assets %	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company's ordinary shareholders	14.43	2.24	2.24
Net profit attributable to the Company's ordinary shareholders after a deduction of non-recurring profit or loss	13.86	2.15	2.15

Livzon Pharmaceutical Group Inc.

24 March 2026