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)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2026

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 unaudited interim results of the Group for the six months ended 30 June 2026. This results announcement, containing the full text of the 2026 Interim 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 interim results.

Both the Chinese and English versions of this results announcement are available on the websites of the Company (www.livzon.com.cn) and Hong Kong Exchanges and Clearing Limited ("**HKEx**") (www.hkexnews.hk).

The 2026 Interim Report will be published on the websites of HKEx (www.hkexnews.hk) and the Company (www.livzon.com.cn) and will be despatched to the holders of H shares of the Company who have elected to receive printed copies in due course.

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
21 August 2026

As at the date of this announcement, the executive directors of the Company are Mr. Liu Daping (President) and 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. Luo Huiyuan, Ms. Cui Lijie, Ms. Wang Zhiyao and Ms. Kang Li.

* *For identification purpose only*

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This report is prepared in both Chinese and English. In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

DEFINITIONS

In this Report, unless the context otherwise requires, the following expressions shall have the following meanings:

"the 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 whose A Shares are listed on the main board of the Shenzhen Stock Exchange
"Group", "the Group"	the Company and its subsidiaries
"the Board"	the board of directors of the Company
"Director(s)"	director(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
"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
"Reporting Period", "the Period" or "this Period"	the six months from 1 January to 30 June 2026
"Same Period Last Year" or "Previous Period"	the six months from 1 January to 30 June 2025
"End of the Previous Year"	31 December 2025
"Beginning of the Reporting Period", "Beginning of the Period" or "Beginning of the Year"	1 January 2026
"End of the Reporting Period" or "End of the Period"	30 June 2026

DEFINITIONS

"CSRC"	China Securities Regulatory Commission
"Shenzhen Stock Exchange"	Shenzhen Stock Exchange
"CSDCC"	Shenzhen Branch of China Securities Depository and Clearing Corporation Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"NMPA"	National Medical Products Administration（國家藥品監督管理局）. As the context requires, including its predecessor, China Food and Drug Administration（中華人民共和國國家食品藥品監督管理總局）
"China Accounting Standards for Business Enterprises"	Accounting Standards for Business Enterprises–Basic Standard and 38 specific accounting standards, the Application Guidance to Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other related requirements subsequently promulgated by the Ministry of Finance of the PRC on 15 February 2006
"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"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix C1 of the Hong Kong Listing Rules
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Hong Kong Listing Rules
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Implementation Regulations of the Drug Administration Law"	the Implementation Regulations of the Drug Administration Law of the People's Republic of China (State Council Order No. 828)
"Joincare"	Joincare Pharmaceutical Group Industry Co., Ltd.*（健康元藥業集團股份有限公司）, a joint stock company incorporated under the laws of the PRC with limited liability and listed on the main board of the Shanghai Stock Exchange in 2001 (stock code: 600380), and one of the Company's controlling shareholders
"Joincare Group"	Joincare and its subsidiaries (excluding the Group)
"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）

DEFINITIONS

"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 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 Manufacturing Inc.*（麗珠集團新北江製藥股份有限公司）
"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 Manufacturing Co., Ltd.*（麗珠集團（寧夏）製藥有限公司）
"Livzon Diagnostics"	Zhuhai Livzon Diagnostics Inc.*（珠海麗珠試劑股份有限公司）
"Sichuan Guangda"	Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd.*（四川光大製藥有限公司）
"Haibin Pharma"	Shenzhen Haibin Pharmaceutical Co., Ltd.*（深圳市海濱製藥有限公司）
"Hengqin Weisheng"	Zhuhai Hengqin Weisheng Precision Medicine Technology Co., Ltd.*（珠海橫琴維勝精準醫學科技有限公司）
"Blue Treasure Pharma"	Guangdong Blue Treasure Pharmaceutical Co., Ltd.*（廣東藍寶製藥有限公司）
"Sanmed Gene"	Zhuhai Sanmed Gene Diagnostics Ltd.*（珠海市聖美基因檢測科技有限公司）
"Sanmed Biotech"	Zhuhai Sanmed Biotech Inc.*（珠海聖美生物診斷技術有限公司）
"Livzon HK"	Livzon Biologics Hong Kong Limited*（麗珠生物科技香港有限公司）
"LivzonBio"	LivzonBio, Inc.*（珠海市麗珠生物醫藥科技有限公司）
"China", "PRC" or "PRC Domestic"	the People's Republic of China, and for the convenience of reference of this report only, excluding Taiwan Region, Hong Kong Special Administrative Region and Macao Special Administrative Region of China
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"RMB"	Renminbi, the lawful currency of the PRC
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"MOP"	Macau Patacas, the lawful currency of Macau

DEFINITIONS

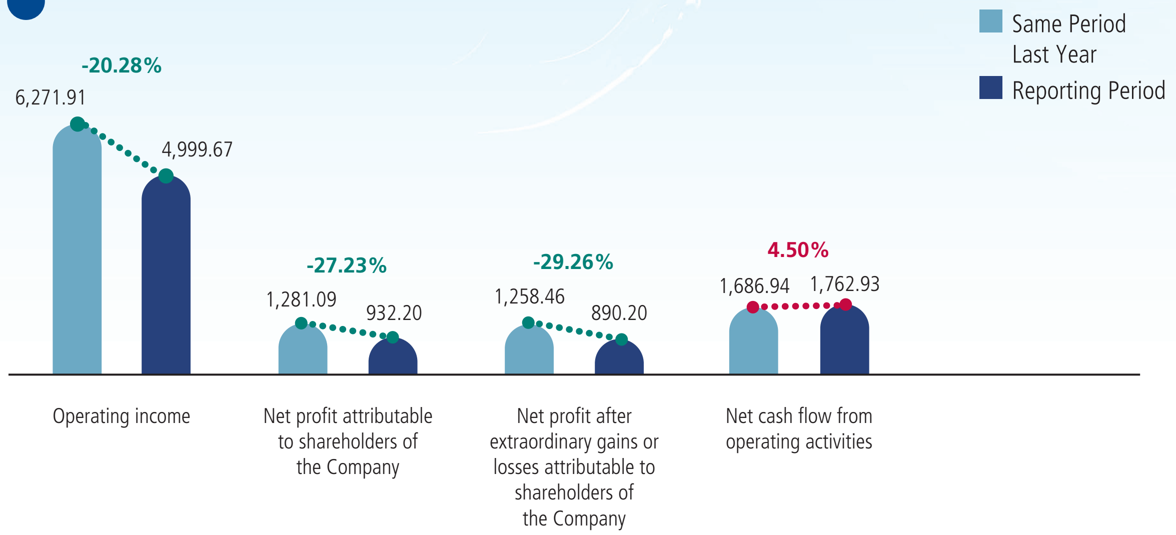
"US$" or "USD"	US dollars, the lawful currency of the United States
"Japanese Yen" or "JPY"	Japanese Yen, the lawful currency of Japan
"EUR"	EUR, the official currency for member nations of the European Union
"MYR"	the lawful currency of Malaysia
"IDR"	the lawful currency of Indonesia
"VND"	the lawful currency of the Socialist Republic of Vietnam
"Company's website"	the website of the Company (www.livzon.com.cn)
"R&D"	research and development
"AI"	Artificial Intelligence
"IND"	Investigational New Drug
"IMP"	Imexpharm Corporation, a company incorporated in Vietnam, whose shares are listed on HOSE (stock code: IMP)
"BD"	Business Development
"EHS"	Environment, Health, Safety
"FDA"	Food and Drug Administration
"GMP"	Good Manufacturing Practice
"MAH"	Marketing Authorization Holder
"NDA"	New Drug Application
"OTC"	Over The Counter
"RWS"	Real World Study

In this interim report, unless the context otherwise requires, the terms "associate", "close associate", "connected person", "connected transaction", "continuing connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings ascribed to them under the Listing Rules.

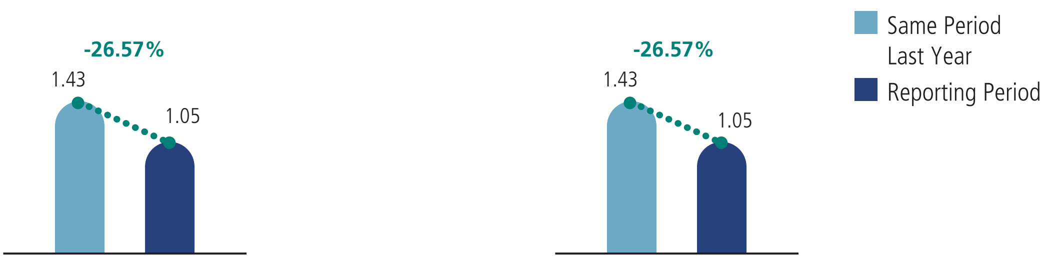
Unless otherwise specified, figures in this report are generally rounded to two decimal places. Any discrepancies in the decimal places between the totals and the sums of the direct addition of individual items in certain tables are mainly due to rounding differences.

FINANCIAL HIGHLIGHTS

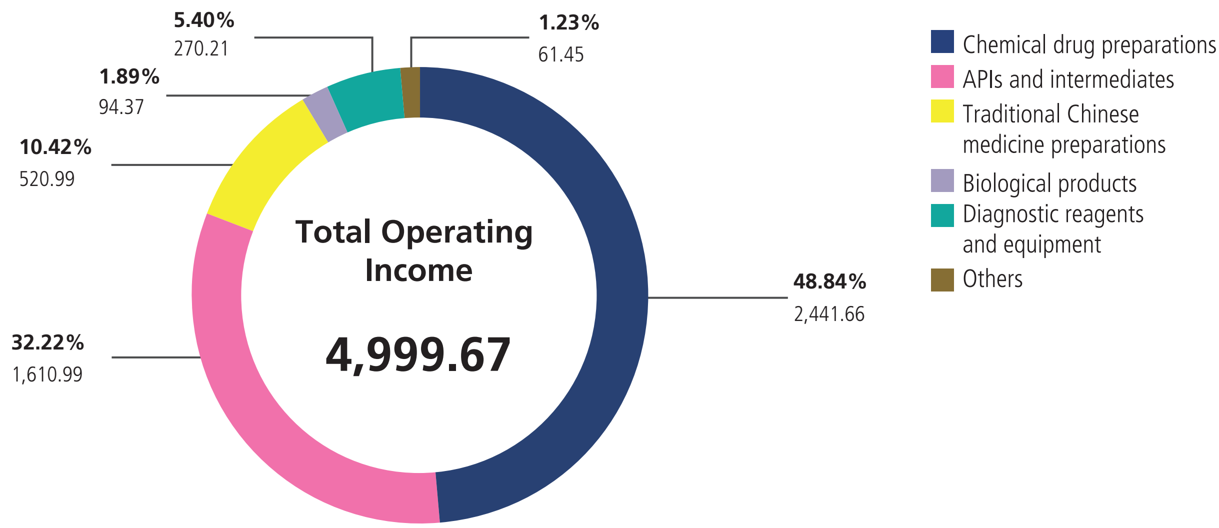
Major financial indicators (RMB in millions)



Basic earnings per share (RMB/share) Diluted earnings per share (RMB/share)



Composition of operating income (RMB in millions)

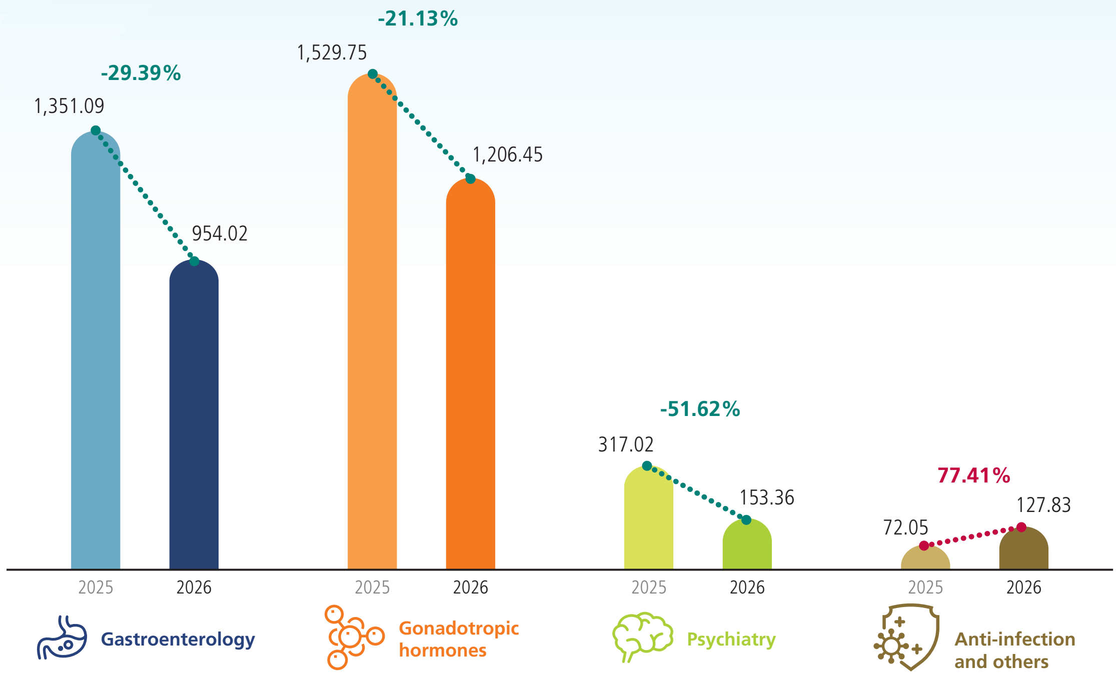


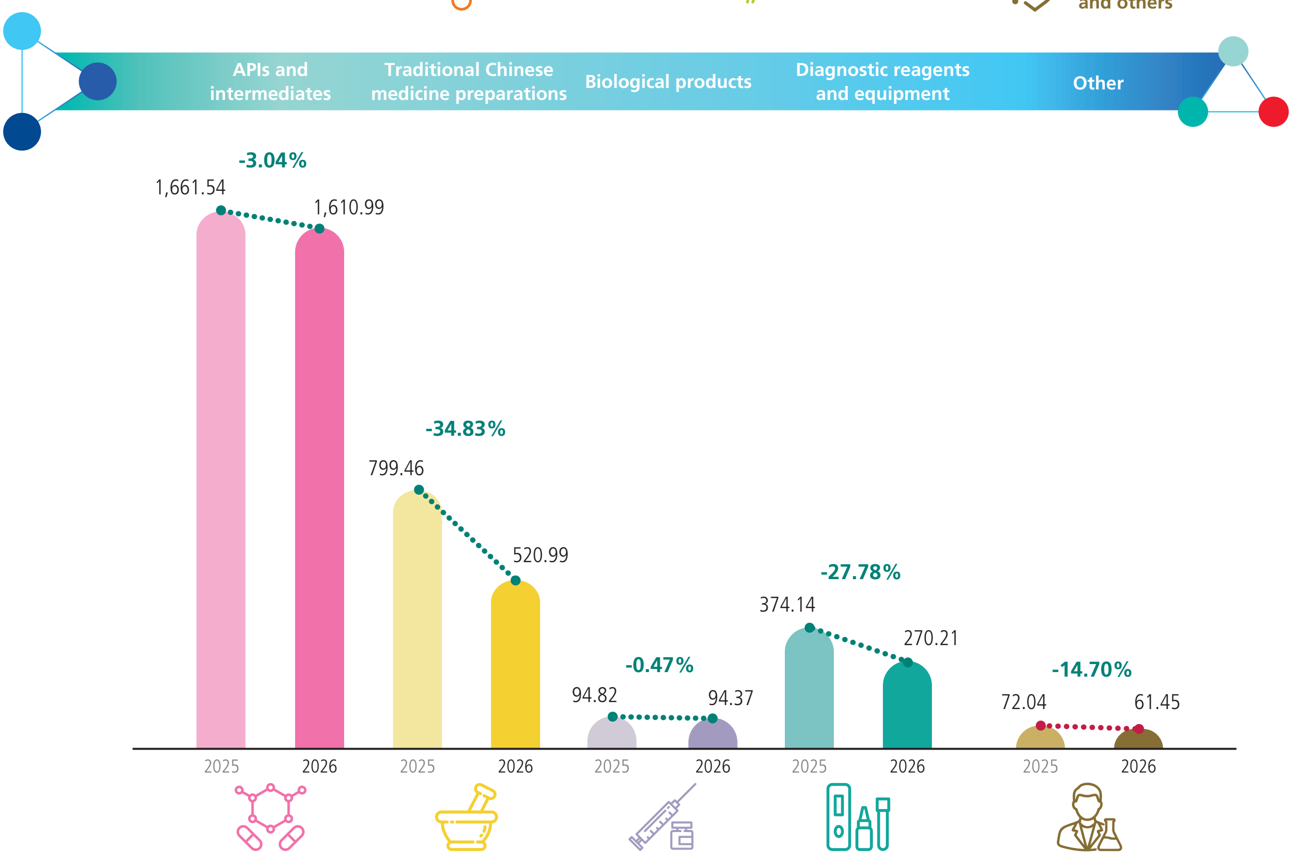
FINANCIAL HIGHLIGHTS

PERFORMANCE FOR THE REPORTING PERIOD IN TERMS OF REVENUE FROM VARIOUS SECTORS

Unit: RMB in millions

Chemical drug preparations





COMPANY PROFILE

I. Company Information

	A Shares	H Shares
Stock abbreviation	麗珠集團	Livzon Pharma
Stock code	000513	01513
Previous stock abbreviation (if any)	Not applicable	Not applicable
Stock exchange of listed securities	Shenzhen Stock Exchange	Hong Kong Stock Exchange
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.*	
Abbreviation of the English name	LIVZON GROUP	
Legal representative of the Company	Zhu Baoguo（朱保國）	
Registered address in the PRC	Headquarters Building, 38 Chuangye North Road, Jinwan District, Zhuhai City, Guangdong Province, the PRC	
Postal code of registered address in the PRC	519090	
Office address in the PRC	Headquarters Building, 38 Chuangye North Road, Jinwan District, Zhuhai City, Guangdong Province, the PRC	
Postal code of office address in the PRC	519090	
Principal place of business in Hong Kong	Room 1301, 13/F., YF Life Centre, 38 Gloucester Road, Wanchai, Hong Kong	
Company's website	www.livzon.com.cn	
E-mail	LIVZON_GROUP@livzon.com.cn	

* *For identification purpose only*

II. Contact Persons and Contact Details

	Board Secretary	**Securities Affairs Representative**
Name	Liu Ning（劉寧）	Xia Yu（夏雨）
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E-mail	liuning@livzon.com.cn	xiayu02@livzon.cn

III. List of Members of the Board

As at the date of disclosure of this Report, the Board is comprised of ten Directors, including two executive Directors, three non-executive Directors, one employee representative Director and four independent non-executive Directors.

Executive Directors

Mr. Liu Daping（劉大平先生）(President) (appointed with effect from 29 May 2026)
Mr. Tang Yanggang（唐陽剛先生）(Vice Chairman)
Mr. Xu Guoxiang（徐國祥先生）(Vice President and Vice Chairman) (resigned with effect from 28 February 2026)

Non-executive Directors

Mr. Zhu Baoguo（朱保國先生）(Chairman)
Mr. Lin Nanqi（林楠棋先生）
Mr. Qiu Qingfeng（邱慶豐先生）
Mr. Tao Desheng（陶德勝先生）(Vice Chairman) (resigned with effect from 28 February 2026)

Employee Representative Director

Ms. Ran Yongmei（冉永梅女士）

Independent Non-executive Directors

Mr. Luo Huiyuan（羅會遠先生）
Ms. Cui Lijie（崔麗婕女士）
Ms. Wang Zhiyao（王智瑤女士）
Ms. Kang Li（康立女士）(appointed with effect from 29 May 2026)
Mr. Bai Hua（白華先生）(retired with effect from 29 May 2026)

IV. Committees of the Board

As at the date of disclosure of this Report, the Board has five committees, namely the Audit Committee, the Remuneration and Assessment Committee, the Nomination Committee, the Strategy Committee and the Environmental, Social and Governance Committee.

Audit Committee

Ms. Kang Li (Chairman) (appointed with effect from 29 May 2026)
Mr. Bai Hua (retired with effect from 29 May 2026)
Mr. Luo Huiyuan
Ms. Cui Lijie

Remuneration and Assessment Committee

Ms. Cui Lijie (Chairman)
Mr. Tang Yanggang
Ms. Kang Li (appointed with effect from 29 May 2026)
Mr. Bai Hua (retired with effect from 29 May 2026)

Nomination Committee

Mr. Luo Huiyuan (Chairman)
Mr. Tang Yanggang (appointed with effect from 24 March 2026)
Ms. Cui Lijie
Mr. Tao Desheng (resigned with effect from 28 February 2026)

Strategy Committee

Mr. Zhu Baoguo (Chairman)
Mr. Tang Yanggang
Ms. Ran Yongmei (appointed with effect from 24 March 2026)
Mr. Tao Desheng (resigned with effect from 28 February 2026)

Environmental, Social and Governance Committee

Mr. Zhu Baoguo (Chairman)
Mr. Tang Yanggang
Ms. Cui Lijie
Ms. Wang Zhiyao
Ms. Kang Li (appointed with effect from 29 May 2026)
Mr. Bai Hua (retired with effect from 29 May 2026)

I. DESCRIPTION OF THE INDUSTRY IN WHICH THE COMPANY OPERATES AND ITS MAIN BUSINESS DURING THE REPORTING PERIOD

(I) Industry Development

1. Basic Industry Overview

(1) Macroeconomic Operating Characteristics: The Industry Is Under Pressure During the Transition Between Old and New Growth Drivers

As a sophisticated industry vital to national welfare, public health, and strategic security, pharmaceutical manufacturing is defined by inelastic demand, high R&D intensity, stringent regulatory oversight, and steep technological barriers. In the first half (H1) of 2026, the sector reached a critical juncture in its transition between old and new growth drivers, marked by deep-seated adjustments. The industry remained in a phase of periodic consolidation, reflecting the profound impact of price restructuring for mature products and shifting demand patterns across sales channels. On one hand, bolstered by an accelerating aging demographic and sustained unmet clinical needs, China's total healthcare expenditure and baseline demand for medicines remained robust. On the other hand, amid deepening healthcare reforms and refined cost controls under national medical insurance programs, the industry's product mix underwent rapid optimization. Market demand shifted away from sheer volume toward prioritizing clinical value and cost-effectiveness. Consequently, while traditional mature products faced margin and share pressures, market opportunities expanded significantly for innovative drugs and high-barrier complex formulations.

(2) Industrial Upgrade Trend: Transitioning from Scale Expansion to Value Creation

Currently, China's pharmaceutical industry is undergoing profound structural transformation. The industry is rapidly pivoting from an extensive growth model reliant on scale toward a high-quality development paradigm driven by innovation premiums, global market expansion, and digital-intelligent transformation. The competitive logic of the industry has shifted from "volume-for-price" to "winning through quality". High-value-added products, including innovative drugs, high-end formulations, and high-barrier complex formulations, are contributing an increasing share of industry profits. Meanwhile, emerging technologies such as AI-powered drug discovery, smart manufacturing, and digital supply chains are deeply permeating the sector, reshaping profit pools, R&D cycles, and operational efficiency. Strategic R&D pipeline management, international compliance capabilities, and digital operational efficiency are becoming key variables for enterprises to navigate industry cycles.

According to data from the General Administration of Customs and the National Medical Products Administration (NMPA), in H1 2026, China's total exports of pharmaceutical products reached approximately RMB98.88 billion, while exports of medical instruments and devices totaled roughly RMB77.069 billion. During the same period, Chinese innovative drug assets secured 81 license-out deals, with an aggregate transaction value of approximately USD110 billion, approaching the full-year 2025 total of USD135.655 billion. Notably, Chinese pharmaceutical companies accounted for eight of the global top 10 pharmaceutical transactions by value, representing a 59.3% share of worldwide deal flow. Concurrently, leading pharmaceutical companies accelerated the rollout of localized manufacturing bases and in-market sales channels across emerging markets such as ASEAN and Latin America, marking a strategic shift from pure product sales to deeper vertical integration within global industrial chains. Furthermore, the pervasive integration of emerging technologies, including AI-powered drug discovery, smart manufacturing, and digital supply chains, is reshaping R&D productivity and operational efficiency. With the continued implementation of the Implementation Plan for Digital and Intelligent Transformation of the Pharmaceutical Industry (2025–2030), the industry's roadmap toward intelligent manufacturing, digital supply chain, and platform-based R&D is becoming increasingly well-defined.

I. DESCRIPTION OF THE INDUSTRY IN WHICH THE COMPANY OPERATES AND ITS MAIN BUSINESS DURING THE REPORTING PERIOD *(continued)*

(I) Industry Development *(continued)*

1. Basic Industry Overview *(continued)*

(2) Industrial Upgrade Trend: Transitioning from Scale Expansion to Value Creation *(continued)*

Against this backdrop, companies reliant solely on single products or markets face intensified competitive elimination. Conversely, those possessing diversified business portfolios, innovative pipelines, comprehensive industrial chain depth, and established global operational networks are poised to erect durable competitive moats capable of weathering industry cycles amid ongoing market bifurcation.

Livzon Group is a leading comprehensive pharmaceutical giant in China, with a well-established industrial system and a high degree of integration across R&D, manufacturing, and commercialization. The Company has long been listed in authoritative rankings including the "Top 100 Industrial Enterprises in China's Chemical Pharmaceutical Industry by Comprehensive Strength" and the "Top 100 Chinese Chemical Pharmaceutical Enterprises". The Company has successively been recognized as a National High-Tech Enterprise, a National Technology Innovation Demonstration Enterprise, and a National Enterprise Technology Center. Leveraging its diversified business portfolio, well-tiered innovation pipeline, end-to-end industrial chain synergies, and global footprint, the Company demonstrates strong resilience against industry cycles and risks, and continues to consolidate and enhance its core competitiveness amid the industry's innovation-driven upgrading and high-quality development.

2. Industry Policies

In H1 2026, pharmaceutical industry policies sustained the reform tone set in the opening year of the 15th Five-Year Plan period. Policy focus shifted from pure cost control toward a multidimensional balance centered on "incentivizing genuine innovation, diversified payment sharing, and full-chain compliance governance". Regulatory authorities advanced efforts along five key fronts: accelerated review and approval, implementation of data protection, expansion of payment systems, deepened price governance, and upgraded compliance oversight, creating a healthier, more stable, and sustainable institutional environment for pharmaceutical companies with core innovation capabilities and high-standard compliance systems.

In terms of accelerating review and approval, the newly revised Regulation on the Implementation of the Drug Administration Law officially took effect on 15 May, 2026. The Regulation codifies effective measures from recent reforms, including breakthrough therapy designation, conditional approval, and priority review, into long-term institutional arrangements at the administrative regulation level. It formalizes a clinical-value-driven priority review pathway and establishes a statutory framework for pharmaceutical trial data protection. At the same time, local jurisdictions accelerated rollouts of end-to-end supportive policies, with leading pharmaceutical hubs such as Beijing and Guangzhou issuing implementing rules to streamline the continuum from "R&D–review–manufacturing–application". As the NMPA fully implements its mandate for "early intervention, enterprise-specific strategies, end-to-end guidance, and research-review coordination", the development and approval timelines for high-clinical-value drugs have been substantially compressed. This marks the transition of China's drug review and approval system from ad-hoc reforms to institutionalized, high-efficiency and high-quality operations, significantly lowering time-to-market costs for innovative pharmaceutical companies and expediting the commercialization pathway for products with distinct clinical advantages–from bench to bedside.

I. DESCRIPTION OF THE INDUSTRY IN WHICH THE COMPANY OPERATES AND ITS MAIN BUSINESS DURING THE REPORTING PERIOD *(continued)*

(I) Industry Development *(continued)*

2. Industry Policies *(continued)*

In terms of data protection, the revised Regulation instituted a formal drug trial data protection regime at the statutory level. In parallel, the NMPA issued the Measures for the Implementation of Drug Trial Data Protection (Announcement No. 47 of 2026), stipulating data protection periods of 6 years for innovative drugs, 4 years for improved new drugs, and 3 years for first-to-file generics–providing critical interim market exclusivity safeguards. The Measures further define closed-loop review protocols: applications referencing protected data may only be submitted within one year prior to the protection period's expiry; upon completion of technical review by the Center for Drug Evaluation (CDE), the review clock halts until the protection period lapses, at which point final marketing authorization may be granted. This framework resolves a pivotal gap in China's intellectual property protection architecture. By instituting enforceable market exclusivity barriers, it effectively curtails copycat strategies predicated on low-level imitation and data dependency. Moreover, it strengthens industry incentives for investing in first-in-class innovation and high-barrier improved new drugs, ensures commensurate returns on R&D-intensive assets over their lifecycles, and redirects capital and research resources toward technologically demanding therapeutic areas.

In terms of payment mechanisms, in January 2026, the National Healthcare Security Administration (NHSA) released for public comment the Guidelines for Comprehensive Real-World Evidence-Based Value Assessment of Drugs for Medical Insurance (Trial), signaling a pivot in the medical insurance payment system toward "value-based purchasing". As real-world evidence (RWE) is progressively integrated into payer decision-making, innovative products backed by robust clinical evidence are poised to secure more favorable reimbursement status. In late May 2026, the NHSA unveiled the Work Plan for the Adjustment of the 2026 National Drug Lists for Basic Medical Insurance, Maternity Insurance, Work Injury Insurance, and Commercial Health Insurance Innovative Drugs. Notably, it debuted a "pre-application" mechanism, permitting drugs that have completed technical review but are awaiting final marketing approval to apply in advance–significantly compressing the timeline from approval to reimbursement. The Plan also introduced three new eligibility criteria for drugs not currently listed, fostering better alignment between the commercial health insurance innovative drug catalog and the basic medical insurance scheme. In July 2026, the National Health Commission (NHC) and relevant departments jointly issued the National List of Essential Medicines (2026 Edition). The total number of listed drugs rose from 685 to 794, with innovative drugs included in the selection scope for the first time, resulting in the addition of 16 such therapies. The document stipulates that eligible essential drugs will be prioritized for adjustments between Category A and Category B reimbursement tiers, thereby opening a channel for innovative drugs to penetrate primary healthcare institutions. Collectively, these systemic reforms on the payment front are driving a fundamental transformation of China's pharmaceutical payment landscape–shifting from "cost containment" to "comprehensive value-based purchasing".

In terms of price governance, February 2026 saw the nationwide rollout of the 11th round of national centralized Volume-Based Procurement (VBP). This round debuted an "anchor price" mechanism and a re-entry ("resurrection") mechanism, while instituting a de minimis threshold excluding products with annual sales below RMB100 million from procurement. Adhering to the principles of "stabilizing clinical use, ensuring quality, preventing involution, and deterring bid collusion", the round significantly narrowed average price differentials. This marks the transition of VBP from a "lowest-price-wins" paradigm toward a multidimensional equilibrium balancing "quality, supply security, and innovation". In May 2026, the NHSA established a "red-yellow labeling" warning and linkage mechanism within its Work Plan for the Adjustment of the 2026 National Medical Insurance Drug List. This mechanism aligns the medical insurance payment standards for procured drugs with their online listing prices, specifically designed to curb disorderly predatory pricing and unjustifiably high listing prices. Consequently, it safeguards reasonable profit margins for enterprises possessing scalable manufacturing advantages and high-standard quality control systems. Furthermore, in April 2026, the General Office of the State Council issued Several Opinions on Improving the Drug Price Formation Mechanism, advocating for a "whole-lifecycle, omnichannel, and cross-sectoral" drug price governance system. This framework guides the pursuit of a balance between sustainability of medical insurance funds and incentives for pharmaceutical innovation.

I. DESCRIPTION OF THE INDUSTRY IN WHICH THE COMPANY OPERATES AND ITS MAIN BUSINESS DURING THE REPORTING PERIOD *(continued)*

(I) Industry Development *(continued)*

2. Industry Policies *(continued)*

In terms of compliance supervision, the Compliance Guidelines for Pharmaceutical Enterprises to Prevent Commercial Bribery Risks, issued by the State Administration for Market Regulation (SAMR), continued to be implemented and enforced rigorously throughout the Year. These guidelines systematically delineate nine categories of typical commercial bribery risk scenarios. In June 2026, 14 government departments, including the NHC, jointly issued the Key Points for Addressing Unhealthy Practices in Pharmaceutical Procurement, Sales, and Medical Services in 2026, further deepening sector-wide compliance governance. Meanwhile, the strategic push for digital and intelligent transformation and biomanufacturing within the pharmaceutical industry gained momentum. The Implementation Plan for Digital and Intelligent Transformation of the Pharmaceutical Industry (2025–2030) is catalyzing digital upgrades across R&D, manufacturing, and supply chain operations. The normalization and penetrative nature of compliance oversight are reshaping commercial paradigms. Traditional extensive marketing tactics are being phased out, compelling enterprises to pivot comprehensively toward professional, academic promotion anchored in clinical value. Simultaneously, national policy directives on digital and intelligent transformation and biomanufacturing have elevated industry thresholds for R&D, manufacturing, and supply chain sophistication. Under this regulatory impetus, leading enterprises equipped with end-to-end compliance and quality control systems and advanced manufacturing capabilities are poised to thrive within an increasingly healthy and standardized industry landscape.

(II) Main Business of the Company

The Company and its subsidiaries (hereinafter referred to as the "Group" or "the Group") is a comprehensive pharmaceutical giant primarily engaged in the R&D, manufacturing, and sales of pharmaceutical products. Adhering to its mission of "putting patients' quality of life first" and vision of "to become a leader in the pharmaceutical industry", it is advancing toward becoming an international innovative pharmaceutical enterprise. Its core business segments include chemical drug preparation products, active pharmaceutical ingredients (APIs) and intermediates, traditional Chinese medicine (TCM) preparations, biological products, diagnostic reagents and equipment, covering therapeutic areas such as gastroenterology, neuropsychiatry, GnRH/assisted reproduction, autoimmune diseases, metabolism, and cardiovascular and cerebrovascular diseases.

During the Reporting Period, the Group recorded operating income of RMB5.00 billion, a year-on-year decrease of 20.28%; net profit attributable to shareholders of the Company of RMB932 million, a year-on-year decrease of 27.23%; and net profit after deducting non-recurring gains and losses attributable to internal shareholders of RMB890 million, a year-on-year decrease of 29.26%. The performance of each business segment is as follows:

1. **Chemical Drug Preparation Business Segment:** During the reporting period, the Group's chemical drug preparation segment recorded sales revenue of RMB2.442 billion, down 25.33% year on year. Key drivers of the decline included: Sales revenue from key products including the Ilaprazole Sodium（艾普拉唑鈉）series and Menotropins for Injection（注射用尿促性素）fell after price cuts tied to national medical insurance adjustments; sales revenue of Leuprorelin Acetate for Injection（注射用醋酸亮丙瑞林）in the Guangdong Alliance region tumbled; starting from the Year, Fluvoxamine Maleate Tablets（馬來酸氟伏沙明片）used to treat psychiatric conditions became subject to the 11th round of national VBP, weighing on sales performance.

2. **APIs and Intermediates Business Segment:** During the Reporting Period, the Group's APIs and intermediates segment recorded sales revenue of RMB1.611 billion, down 3.04% year on year. Key drivers included:

   The domestic API market remained in a cyclical trough while undergoing structural recovery, leading to a modest pullback in domestic sales. Export operations, anchored in specialty APIs, proved notably resilient, with high-end antibiotics and intermediates delivering standout performance. This effectively offset transient domestic market headwinds, allowing the segment to sustain stable gross margins and profitability.

I. DESCRIPTION OF THE INDUSTRY IN WHICH THE COMPANY OPERATES AND ITS MAIN BUSINESS DURING THE REPORTING PERIOD *(continued)*

(II) Main Business of the Company *(continued)*

3. **Traditional Chinese Medicine (TCM) Preparations and Other Segments:** During the Reporting Period, the Group's TCM preparations segment recorded sales revenue of RMB521 million, down 34.83% year on year; other segments, including diagnostic reagents and equipment, and biological products, achieved an aggregate sales revenue of RMB426 million, representing a year-on-year decrease of 21.25%. The decline was primarily attributed to factors including lower incidence of influenza and respiratory illnesses in China during Q1 2026 versus the year-earlier period, which weighed on revenue from the Company's anti-viral granules（抗病毒顆粒）and the diagnostic segment's respiratory-related product offerings.

To address the impact of concentrated short-term sales headwinds, the Group rolled out the following key measures:

1. The Group retained its competitive edge across the fields of gastroenterology, GnRH/assisted reproduction, and neuropsychiatry. Gastroenterology: While Ilaprazole Sodium for Injection（注射用艾普拉唑鈉）faced transient pressure from price cuts under national reimbursement negotiations, its pricing system has undergone phased adjustments and is expected to stabilize. With patent protection secured through 2036, market penetration is poised for continued growth. GnRH/Assisted reproduction & neuropsychiatry: Legacy products encountered concentrated pressure from price erosion and national VBP. However, a pipeline of follow-on products in the key areas has reached or is nearing commercialization. For example, in GnRH/Assisted reproduction, Triptorelin Acetate Microspheres for Injection（注射用醋酸曲普瑞林微球）(for endometriosis) entered its first year of national reimbursement during the Year; Recombinant Human Follicle Stimulating Hormone（重組人促卵泡激素）secured marketing approval in June; and Leuprorelin Acetate Microspheres for Injection (3M)（注射用醋酸亮丙瑞林微球（3M））is on track for approval within the Year. In neuropsychiatry, Aripiprazole for Injection（注射用阿立哌唑）(one-month), the world's first microsphere formulation of the mainstream antipsychotic aripiprazole, also commenced its first year under national reimbursement and is actively advancing hospital access. These innovative drugs and high-barrier complex formulations exhibit strong market competitiveness and differentiated clinical profiles, which will continuously enhance the Group's product portfolio, laying a solid foundation for subsequent rapid sales volume growth.

2. Accelerating globalization to unlock new growth fronts. The API segment sustained its trajectory of product mix adjustment over the past two years, with overseas business, high-margin products, and specialty APIs capturing increasing revenue shares. The Group remains committed to leveraging its export foundation by prioritizing innovative differentiated products, expanding the overseas client base, and penetrating regulated markets. Meanwhile, it is ramping up overseas marketing of finished drugs by expediting international registrations and channel development. High-barrier complex formulations, microspheres and other complex dosage forms, which hold competitive advantages in global emerging markets, are positioned as new growth drivers;

3. Confronting a near-term operating environment marked by revenue and profit softness, the Group prioritized operational quality by tightening budgetary oversight, refining expense management, and enhancing resource allocation efficiency. Operating cash flow remained robust, demonstrating the Company's stable earnings quality and sound collection capability. Through structural expense optimization, granular control over period expenses (including administrative and selling expenses), organizational streamlining, process digitization, and AI-enabled tools, the Group boosted per-capita productivity and management responsiveness. Furthermore, a dynamic R&D evaluation mechanism was deployed to concentrate resources on projects with unambiguous clinical value, clear technical pathways, and strong commercial viability, thereby maximizing R&D ROI.

I. DESCRIPTION OF THE INDUSTRY IN WHICH THE COMPANY OPERATES AND ITS MAIN BUSINESS DURING THE REPORTING PERIOD *(continued)*

(II) Main Business of the Company *(continued)*

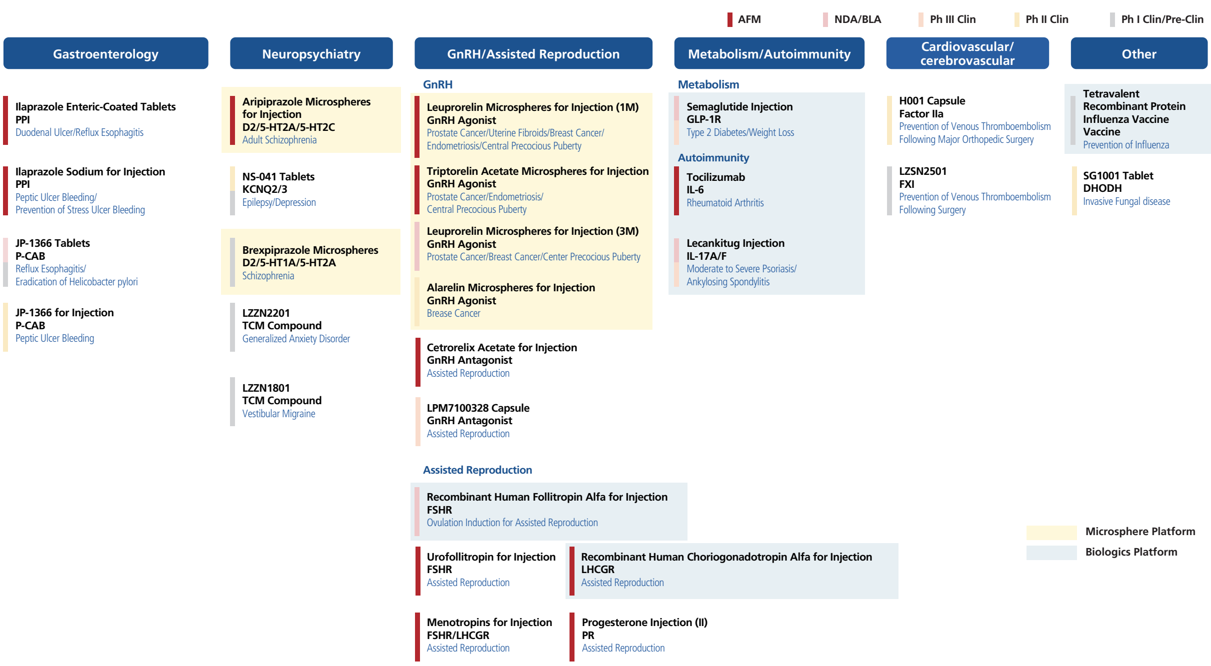
In H1 2026, the Group completed the following key tasks:

1. Innovation-driven development: accelerating the realization of key pipeline milestones and continuously enhancing multi-platform synergy capabilities

During the Reporting Period, the Group upheld its R&D strategy anchored in unmet clinical needs and differentiated innovation. Aligning with the AI-powered drug development megatrend, it continuously reinforced and deepened iterative innovation across its core competitive areas, including gastroenterology, GnRH/assisted reproduction, and neuropsychiatry, while accelerating expansion into broad chronic disease areas such as autoimmune diseases, metabolic disorders, and cardiovascular and cerebrovascular conditions. Meanwhile, through R&D organizational optimization, dynamic project reevaluation, regulatory alignment, compliant clinical operations management, and external partnerships, the Company channeled resources toward key projects and advantageous platforms. This advanced R&D deliverables beyond clinical value validation into regulatory submission, commercial readiness, and global collaboration.

As of the disclosure date of the Report, there were 38 formulation projects under R&D, including 12 at the marketing application stage, 4 in Phase III clinical trials, and 4 in Phase II clinical trials.

(1) Supporting Product Portfolio Advancement Through Key Milestone Achievements in Major Pipelines and Deepening Multi-Indication and Multi-Formulation Development in Advantageous Fields



As of the disclosure date of the Report, the key progress of the Group's R&D pipeline by therapeutic area is as follows:

I. DESCRIPTION OF THE INDUSTRY IN WHICH THE COMPANY OPERATES AND ITS MAIN BUSINESS DURING THE REPORTING PERIOD *(continued)*

(II) Main Business of the Company *(continued)*

1. Innovation-driven development: accelerating the realization of key pipeline milestones and continuously enhancing multi-platform synergy capabilities *(continued)*

(1) Supporting Product Portfolio Advancement Through Key Milestone Achievements in Major Pipelines and Deepening Multi-Indication and Multi-Formulation Development in Advantageous Fields *(continued)*

① Gastrointestinal Field

The potassium-competitive acid blocker (P-CAB) JP-1366 series constitutes a pivotal strategic asset within the Group's GI portfolio. During the Reporting Period, under a differentiated development strategy of "single-compound, multi-indication + multi-dosage forms", the Company aggressively advanced the R&D progress of the JP-1366 series, including both tablet and injectable formulations. Specifically:

- The indication of JP-1366 Tablets（JP-1366片）for reflux esophagitis has entered the marketing review stage. The indication for Helicobacter pylori (Hp) eradication, in combination with antibiotics, has completed first-patient dosing in its Phase III trial, with the head-to-head non-inferiority pivotal trial progressing at an accelerated pace;

- JP-1366 for Injection（注射用JP-1366）for peptic ulcer bleeding has initiated Phase III clinical trials.

Through the concurrent development of tablets, injectable formulations, and multiple indications, the Group is fostering product category synergies between the JP-1366 series and established GI products including Ilaprazole（艾普拉唑）, Bismuth Potassium Citrate Capsules（枸櫞酸鉍鉀膠囊）, and Weisanlian（維三聯）, thereby further cementing its leadership in gastroenterology therapeutics.

② GnRH (Gonadotropin-Releasing Hormone)/Assisted Reproduction Field

In the GnRH field, the assisted reproduction indication of the oral GnRH antagonist LPM7100328 Capsules（LPM7100328膠囊）has initiated Phase III clinical trials. Distinguishing itself from existing injectable GnRH analogues, this project helps diversify the Group's formulation portfolio in assisted reproduction. Recombinant Human Follitropin Alfa Solution for Injection(Pen)（重組人促卵泡激素注射液（注射筆））secured marketing approval in June 2026. The Group is concurrently advancing commercial rollout, tender participation, and hospital access, while progressing with studies on a new 150 IU prefilled pen injector specification as scheduled. Phase III trials for the central precocious puberty indication of Triptorelin Acetate Microspheres for Injection（注射用醋酸曲普瑞林微球）are nearing completion; LZHG1701 has commenced bioequivalence (BE) trials. Leuprorelin Acetate Microspheres for Injection (3M)（注射用醋酸亮丙瑞林微球（3M））is under marketing review and is on track for approval within the Year; the breast cancer indication of Alarelin Acetate Microspheres for Injection（注射用醋酸丙氨瑞林微球）is progressing through Phase II clinical trials. Collectively, these projects, alongside marketed products such as Leuprorelin Microspheres (1M)（亮丙瑞林微球（1M））and Triptorelin Microspheres（曲普瑞林微球）, solidify the Group's strategic footprint in downregulation, ovulation induction, and long-acting formulations.

I. DESCRIPTION OF THE INDUSTRY IN WHICH THE COMPANY OPERATES AND ITS MAIN BUSINESS DURING THE REPORTING PERIOD *(continued)*

(II) Main Business of the Company *(continued)*

1. Innovation-driven development: accelerating the realization of key pipeline milestones and continuously enhancing multi-platform synergy capabilities *(continued)*

(1) Supporting Product Portfolio Advancement Through Key Milestone Achievements in Major Pipelines and Deepening Multi-Indication and Multi-Formulation Development in Advantageous Fields *(continued)*

③ Neuropsychiatry Field

The Group continues to advance its long-acting formulation and novel mechanism pipelines. Brexpiprazole Microspheres for Injection（注射用布瑞哌唑微球）has initiated Phase I clinical trials, with first-patient dosing successfully completed in July, marking its formal transition into human studies. The project exerts synergistic effects via partial agonism of dopamine D2 and 5-HT1A receptors coupled with antagonism of norepinephrine receptors, demonstrating a differentiated safety profile over contemporary agents. Its one-month sustained-release profile is engineered to alleviate the daily dosing burden for schizophrenia patients and mitigate risks of missed doses and treatment discontinuation. Globally, no long-acting brexpiprazole formulation has yet secured regulatory approval.

NS-041 Tablets（NS-041片）(KCNQ2/3 potassium channel opener) is a Class 1 innovative chemical drug introduced by the Group with a novel anti-epileptic mechanism. During the Reporting Period, the Phase II clinical trial of this project for the focal epilepsy indication progressed steadily, with more than 140 patients enrolled to date. Currently, no similar drugs to NS-041 Tablets（NS-041片）are available in the domestic market, and the product has demonstrated development potential as a best-in-class (BIC) therapy.

In addition, the IND application for the vestibular migraine indication of LZZN1801, a Class 1.1 innovative traditional Chinese medicine drug, was submitted in June 2026. This product will further enrich the Group's product pipeline in the neuropsychiatry field.

④ Autoimmune/Metabolic Field

Lecankitug（萊康奇塔單抗）(IL-17A/F bispecific antibody), a first-in-class domestically developed IL-17A/F bispecific antibody (Class 1 innovative drug), demonstrated superior efficacy versus Secukinumab in a head-to-head clinical trial. The moderate-to-severe psoriasis indication has been granted priority review, while the pivotal Phase III registration study for ankylosing spondylitis delivered excellent results, underscoring compelling advantages including rapid onset, deep remission, sustained durability, and efficacy in TNFi-experienced populations. The marketing application for this indication has been accepted, establishing a synergistic dual-indication development paradigm.

Furthermore, the Type 2 diabetes mellitus indication of Semaglutide Injection（司美格魯肽注射液）is currently under regulatory review, while the marketing application for the weight management indication has been accepted.

I. DESCRIPTION OF THE INDUSTRY IN WHICH THE COMPANY OPERATES AND ITS MAIN BUSINESS DURING THE REPORTING PERIOD *(continued)*

(II) Main Business of the Company *(continued)*

1. Innovation-driven development: accelerating the realization of key pipeline milestones and continuously enhancing multi-platform synergy capabilities *(continued)*

(1) Supporting Product Portfolio Advancement Through Key Milestone Achievements in Major Pipelines and Deepening Multi-Indication and Multi-Formulation Development in Advantageous Fields *(continued)*

⑤ Cardiovascular and Cerebrovascular Field

H001 Tablets, a Class 1 innovative chemical drug, is the domestic first direct thrombin (Factor IIa) inhibitor indicated for venous thromboembolism (VTE) prophylaxis following major orthopedic surgery. During the Reporting Period, the Company completed a Phase II clinical trial enrolling patients undergoing total knee arthroplasty (TKA). Currently, marketed oral anticoagulants in China are primarily factor Xa inhibitors, while no factor IIa inhibitor has secured approval in China for orthopedic VTE prophylaxis. H001 Tablets（H001片） are poised to fill the domestic product void in this therapeutic area, with potential to expand into broader indications such as stroke prevention in non-valvular atrial fibrillation.

Recombinant Humanized Anti-FXI Bispecific Antibody Injection（重組人源化抗FXI双特异性抗体注射液）, the world's first bispecific antibody targeting the dual FXI A2+CD epitopes, is indicated for preventing VTE in adult patients after TKA. Its IND application was formally accepted in August 2026. As another strategic deployment in the Group's anticoagulation portfolio, featuring superior anticoagulant efficacy, low bleeding risk, and full-course coverage with a single dose, this candidate is poised to form a differentiated product mix spanning biologics and small molecules alongside H001 Tablets（H001片）, thereby addressing patients' anticoagulation treatment needs across varied clinical settings.

In addition, Banxia Baizhu Tianma Decoction Granules（半夏白術天麻湯顆粒）, a Category 3.1 classical formula-derived traditional Chinese medicine, obtained marketing approval in July 2026. It is mainly indicated for otogenic vertigo, hypertension, neurological vertigo, and other related conditions, advancing the Company's dual-track development strategy covering innovative chemical drugs and traditional Chinese medicines.

(2) Improving R&D Efficiency Through Organizational Optimization, Registration Responsiveness, Clinical Operations and External Collaboration to Solidify the Foundation for Innovation Transformation

During the Reporting Period, the Group continuously optimized its R&D organizational and project management mechanisms with a focus on R&D efficiency and quality management. The Clinical R&D Center completed a systematic organizational optimization, streamlining cross-functional synergy across nonclinical research, medical affairs, pharmacovigilance, statistical programming, data management, clinical pharmacology, and scientific research management to materially shorten decision cycles. It also launched a unified intelligent R&D project management platform to tighten centralized decision oversight and enable efficient cross-departmental data reuse. The Company further refined its dynamic evaluation mechanism for projects under R&D to fully safeguard the clinical progression and regulatory success of priority projects.

I. DESCRIPTION OF THE INDUSTRY IN WHICH THE COMPANY OPERATES AND ITS MAIN BUSINESS DURING THE REPORTING PERIOD *(continued)*

(II) Main Business of the Company *(continued)*

1. Innovation-driven development: accelerating the realization of key pipeline milestones and continuously enhancing multi-platform synergy capabilities *(continued)*

(2) Improving R&D Efficiency Through Organizational Optimization, Registration Responsiveness, Clinical Operations and External Collaboration to Solidify the Foundation for Innovation Transformation *(continued)*

In terms of clinical operations, the Group continued to sharpen execution quality and efficiency across pivotal workflow nodes, including site initiation, subject enrollment, database lock, and on-site inspections, for key projects under R&D. During the Reporting Period, multiple clinical projects advanced on schedule and achieved predefined milestones. Projects including the Phase II trial of JP-1366 for Injection（注射用JP-1366）completed planned enrollment and progressed into subsequent phases, including data lock. Clinical studies for projects including LPM7100328 Capsules（LPM7100328膠囊）, NS-041 Tablets（NS-041片）, SG1001 Tablets（SG1001片）, LZHG1701, and Brexpiprazole Microspheres for Injection（注射用布瑞哌唑微球）completed multicenter site initiation and achieved first-subject screening and enrollment. Projects including clinical sites for the Phase III trial of Lecankitug（萊康奇塔單抗）in psoriasis and Paliperidone Palmitate（棕櫚酸帕利哌酮）successfully cleared clinical site inspections.

In terms of compliance and quality management, aligning strictly with the newly revised Good Clinical Practice (GCP) and the international guideline ICH E6(R3), the Group executed an iterative upgrade of its GCP compliance framework. It instituted a clinical compliance risk control system characterized by "proactive prevention, tiered oversight, digital enablement, and closed-loop execution". The Company comprehensively revised its Standard Operating Procedures (SOPs) for clinical trials, supplementing them with adaptive protocols governing full lifecycle data governance, PI performance of duties to implement sponsor primary responsibilities, and intelligent clinical trial management. This fortified lifecycle quality management from the inception of R&D activities.

In terms of external collaboration and business development (BD), the Group conducted target screening based on pipeline synergy, patent exclusivity, clinical differentiation, and commercialization potential. Efforts remained concentrated on core therapeutic areas, including gastroenterology, GnRH/assisted reproduction, neuropsychiatry, and cardiovascular and cerebrovascular diseases, while scaling exploratory assessments in emerging areas such as metabolic dysfunction-associated steatohepatitis (MASH), chronic kidney disease, and central nervous system disorders. Additionally, the Group prioritized AIDD (Artificial Intelligence-Driven Drug Discovery) as a strategic axis for external partnership, advancing technology scouting, validation, and joint development initiatives across key stages: small-molecule design, antibody discovery and optimization, protein engineering, and ADMET (Absorption, Distribution, Metabolism, Excretion, and Toxicity) modeling. Furthermore, the Group intensified intellectual property filings around its core products under R&D and technology platforms, submitting 34 new patent applications and securing 39 domestic grants plus 7 overseas grants. As of the end of the Reporting Period, the Group held a global portfolio of 741 active granted patents (693 domestic, 48 overseas), inclusive of 475 invention patents; 281 patent applications remained pending.

I. DESCRIPTION OF THE INDUSTRY IN WHICH THE COMPANY OPERATES AND ITS MAIN BUSINESS DURING THE REPORTING PERIOD *(continued)*

(II) Main Business of the Company *(continued)*

1. Innovation-driven development: accelerating the realization of key pipeline milestones and continuously enhancing multi-platform synergy capabilities *(continued)*

(3) Advancing Early Discovery and Clinical R&D Efficiency via AIDD and Intelligent R&D Agent Platforms, Shifting Innovation Pipelines from Experience-Led to Data-Driven Evolution

During the early drug discovery stage, the Group built an end-to-end AIDD platform which integrates core modules including target identification, molecular generation, ADMET prediction, and retrosynthetic analysis, enabling protein structure prediction, molecular docking, batch property prediction, and FEP evaluation. During the Reporting Period, the platform boosted the hit rate of novel active molecules by up to 2–5x and slashed the virtual screening cycle for compounds from several months via conventional workflows to mere days, which underscored the Group's paradigm shift in R&D from "manual trial and error" to data-driven innovation.

In pharmaceutical research and process development, AI has powered a leap from discrete-point optimization to systematic scaling. In chemical process development, the Group established an AI-agent-driven framework for intermediate process optimization and automated predictive modeling. Using an assisted reproduction project as a proof point, it identified optimal process pathways through multidimensional physicochemical property evaluation and algorithm-based prediction, slashing the conventional process scouting cycle from >1 month to <1 week. In the long-acting injectable (LAI) space, the Group deployed multimodal LLMs and a multi-agent collaborative platform to build an AI-driven formulation and process research system. This successfully trimmed the formulation screening cycle for LZHG1701 to 7 months, delivering sharp efficiency gains, with key quality attributes (CQAs) closely aligned with those of the reference listed drug (RLD). In biologics, the Group developed a cross-scale process scale-up prediction model powered by CFD (Computational Fluid Dynamics) + AI. Trained on multiscale empirical data, the model delivers high-fidelity predictions of expression titers, charge variants, and glycosylation profiles at commercial manufacturing scale, sharply compressing the transfer timeline from lab-scale research to commercial production.

In addition, in traditional Chinese medicine R&D, the Group established a fully integrated intelligent R&D platform covering both classic prescriptions and innovative traditional Chinese medicines. The platform enables intelligent-assisted analysis and simulation across the entire process, including regulatory classification determination, formula analysis, ingredient and target prediction, pharmaceutical research, clinical trial design, and comprehensive quality control. The platform significantly reduces the traditionally time-consuming processes of literature review, formula analysis, and target analysis. It can also automatically compare relevant national standards and specifications to ensure compliance, reusability, and traceability throughout the R&D process, thus providing strong digital technology support for the modernization and innovative transformation of traditional Chinese medicine R&D.

During the clinical research stage, the Group comprehensively deepened digitalization and intelligent efficiency enhancement throughout the process. The Clinical R&D Center launched a unified intelligent digital platform. It integrates a tool matrix covering five major business modules, including medical management, non-clinical research, pharmacovigilance, clinical pharmacology, statistics and data management, and enables standardized centralized management of R&D data and assets. During the Reporting Period, tools including the intelligent subject eligibility screening system, clinical pharmacology analysis platform, and serious adverse event (SAE) medical assessment system were successfully implemented. These tools significantly improved efficiency and reduced costs in key areas such as subject screening, clinical pharmacology analysis, and pharmacovigilance risk response, while substantially enhancing clinical operation quality and overall response speed.

I. DESCRIPTION OF THE INDUSTRY IN WHICH THE COMPANY OPERATES AND ITS MAIN BUSINESS DURING THE REPORTING PERIOD *(continued)*

(II) Main Business of the Company *(continued)*

1. Innovation-driven development: accelerating the realization of key pipeline milestones and continuously enhancing multi-platform synergy capabilities *(continued)*

(3) Advancing Early Discovery and Clinical R&D Efficiency via AIDD and Intelligent R&D Agent Platforms, Shifting Innovation Pipelines from Experience-Led to Data-Driven Evolution *(continued)*

During the reporting period, measurable efficiency gains have been realized across multiple clinical R&D scenarios. The GLP toxicology pre-review system supported the LPM7100328 Capsules（LPM7100328膠囊）project by completing reviews of multiple key toxicology reports, cutting the conventional manual review cycle from days to hours. The SAE medical assessment system deployed for the Lecankitug（萊康奇塔單抗）project slashed assessment time from 2-3 hours to just 5-8 minutes. The C-QTc modeling platform supported concentration-QTc analyses for JP-1366, trimming per-analysis runtime from 2-3 days to 15 minutes, a 10-20x efficiency gain. In clinical DDI (drug-drug interaction) studies and protocol design, the clinical pharmacology AI agent compresses the end-to-end workflow from 2-3 business days to <1 hour, delivering a 16-24x efficiency uplift. Collectively, these deployments are shifting the Company's clinical R&D capabilities across data processing, medical decision-making, regulatory submission support, and risk-control response–from siloed, experience-led workflows to standardized, traceable, and reusable systematic capabilities.

2. Commercialization Excellence: Driving Product Value Realization Through Evidence-Based Academic Promotion, Advancing Access Coordination and Refined Omnichannel Operations

During the Reporting Period, navigating an external landscape defined by deepening healthcare reforms and intensifying market competition, the Group upheld compliant operations as its baseline and leveraged evidence-based academic promotion as its engine. It continued to refine its commercialization system spanning "clinical evidence–policy access–channel coverage–terminal conversion–patient engagement". By continuously optimizing resource allocation to prioritize key brands, core accounts, and new launches, the Company enhanced marketing operational quality, thereby building momentum for business recovery and accelerated product uptake in the upcoming cycle.

(1) Elevating Terminal Coverage Quality via Tiered Channel Operations

The Group continued to optimize its multidimensional omnichannel marketing network encompassing tertiary/secondary hospitals, primary healthcare institutions, OTC retail, and emerging channels, implementing precision-operating models calibrated to terminal attributes, product profiles, and patient journey mapping.

During the Reporting Period, the Group advanced its tiered coverage strategy across tiered hospitals and primary healthcare institutions. Within the tiered hospital segment, it concentrated resources on cultivating benchmark flagship accounts, securing over 800 new tendered admissions to secondary and tertiary hospitals in H1. Within the primary healthcare segment, the Group accelerated the penetration of core and priority products into community health centers, clinics, and non-public hospitals. It fostered multi-product synergistic development and stimulated terminal consumption through sustained patient education initiatives.

In the OTC retail segment, the Group further deepened retail footprint expansion and alliances with Key Account (KA) pharmacy chains. During the Reporting Period, its OTC network spanned over 380,000 partnered pharmacies, capturing an ~80% cooperation rate with top-tier KA chains. The Group amplified disease state awareness via digital media campaigns, synchronizing offline retail infrastructure build-out with chain network integration to improve consumer health service touchpoints.

For emerging channels, the Group capitalized on the deepening "dual-channel" policy and the internet healthcare surge. It actively scaled internet hospitals, DTP specialty pharmacies, and online prescription platforms, forging a compliant O2O (Online-to-Offline) integrated patient service ecosystem.

I. DESCRIPTION OF THE INDUSTRY IN WHICH THE COMPANY OPERATES AND ITS MAIN BUSINESS DURING THE REPORTING PERIOD *(continued)*

(II) Main Business of the Company *(continued)*

2. Commercialization Excellence: Driving Product Value Realization Through Evidence-Based Academic Promotion, Advancing Access Coordination and Refined Omnichannel Operations *(continued)*

(2) Strengthening Professional Promotion Through Evidence-Based Medicine and Academic Network Development

Anchored in clinical value, the Group continuously advanced the publication of high-impact academic findings, secured positioning in authoritative clinical guidelines, and expanded real-world evidence (RWE) and multicenter clinical research programs, thereby cementing the evidentiary foundations of its product portfolio. Leveraging a three-tiered academic dissemination network led by national key opinion leaders, extended through regional opinion leaders, and cascading to primary-care physicians, the Company drove the penetration of premium academic resources and standardized clinical protocols into secondary specialized hospitals, community health centers, and county-level primary care facilities.

During the Reporting Period, in the neuropsychiatry field, Aripiprazole Microspheres for Injection（注射用阿立哌唑微球）was designated as the sole first-line recommended therapy in the world's inaugural clinical guideline for first-episode psychiatric disorders in women. This guideline, published in the prestigious international journal Schizophrenia Bulletin, endorses long-acting injectable (LAI) therapy, providing evidentiary support for clinical adoption. Meanwhile, to advance standardized schizophrenia management and promote LAI utilization, the Group initiated an RWE study for Aripiprazole Microspheres for Injection（注射用阿立哌唑微球）, successfully activating 68 investigative sites and its target enrollment of 1,084 patients. Furthermore, the Group launched site collaboration for a study evaluating Perospirone Hydrochloride Tablets（鹽酸哌羅匹隆片）in adolescent bipolar disorder, with 22 active sites and 98 patients enrolled to date.

In the gastrointestinal field, Phase III outcomes for the core product Ilaprazole（艾普拉唑）series in critical care were published in Annals of Intensive Care. The product was incorporated into the inaugural domestic Guidelines for the Prevention, Diagnosis, and Treatment of Stress Ulcers in Critically Ill Patients (2026 Edition), further broadening its clinical utility in intensive care settings. The Group intends to initiate a prospective real-world cohort study for Ilaprazole Sodium for Injection（注射用艾普拉唑鈉）, benchmarking its rebleeding rates, retreatment rates, and pharmacoeconomic value against Esomeprazole Sodium for Injection（注射用艾司奧美拉唑鈉）in real clinical practice. This initiative aims to accumulate evidence validating the product's efficacy and economic value in authentic treatment scenarios.

In the GnRH/assisted reproduction field, the Group continued to advance academic initiatives and medical programs for key products. During the Reporting Period, it launched multiple large-scale real-world evidence (RWE) studies for Triptorelin Acetate Microspheres for Injection（注射用醋酸曲普瑞林微球）. It orchestrated academic symposia, CSCO guideline roadshows, and expert consensus forums targeting endometriosis and prostate cancer, initially establishing a three-tiered academic dissemination network characterized by national KOL leadership, regional expert reach, and broad clinician coverage. Furthermore, the Group spearheaded multiple RWE studies and multicenter Investigator-Initiated Trials (IITs) for Recombinant Human Follicle Stimulating Hormone（重組人促卵泡激素）and Progesterone Injection（黃体酮注射液）. These efforts accumulated clinical evidence supporting the advantages of Progesterone Injection（黃体酮注射液）as an aqueous injection formulation compared with traditional preparations, established a full-cycle evidence-based system covering "ovulation induction + luteal support", and laid a foundation for product access and guideline inclusion.

In the traditional Chinese medicine (TCM) field, the Group continued to bolster the evidence base for major TCM products via modern evidence-based methodologies. During the Reporting Period, its portfolio including Shenqi Fuzheng Injection（参芪扶正注射液）and Qianliean Suppository（前列安栓）yielded eight academic publications. Research on Shenqi Fuzheng Injection（参芪扶正注射液）covered diverse evidence types, including pharmacokinetics, randomized controlled trials (RCTs), network meta-analyses, and clinical application reviews. Its application was expanded in the treatment of malignant maxillofacial tumors, providing large-scale evidentiary support for clinical value evaluation of the product.

I. DESCRIPTION OF THE INDUSTRY IN WHICH THE COMPANY OPERATES AND ITS MAIN BUSINESS DURING THE REPORTING PERIOD *(continued)*

(II) Main Business of the Company *(continued)*

2. Commercialization Excellence: Driving Product Value Realization Through Evidence-Based Academic Promotion, Advancing Access Coordination and Refined Omnichannel Operations *(continued)*

(2) Strengthening Professional Promotion Through Evidence-Based Medicine and Academic Network Development *(continued)*

Regarding digital academic promotion, the Group's "Experts Talk"（專家説）professional health education platform amassed a cumulative following of 5.66 million users across all digital channels. In H1 2026 alone, it added 470,000 new followers, hosted over 200 livestream sessions, and garnered over one million views. This has progressively forged a compliant operational closed-loop integrating online professional education, offline academic exchange, and long-term chronic disease health education, guiding patients toward standardized, sustained therapy.

(3) Accelerating New Product Growth Through Proactive Market Access and Launch Preparedness

The Group focused on key marketed products and products expected to launch to establish a commercialization system grounded in "access breakthroughs as the cornerstone, evidence-based academic promotion as the priority, and digital marketing as the enabler", thereby rapidly translating innovative achievements into market performance.

For marketed products, Aripiprazole Microspheres for Injection（注射用阿立哌唑微球）–leveraging its status secured via national reimbursement negotiations–achieved cumulative coverage across over 300 core terminals during the Reporting Period, establishing dual distribution channels spanning hospitals and community networks. The product has been incorporated into government-funded free LAI treatment programs for severe mental disorders across multiple provinces and municipalities, including Beijing and Guangdong, significantly enhancing patient accessibility and affordability. Currently, the penetration rate of long-acting injectables (LAIs) for schizophrenia in China is less than 1%, far lower than the 25%–30% level in European and American countries, presenting vast potential market opportunities. To amplify its clinical value, the Group intensified awareness of LAI therapy in standardized schizophrenia care through guideline roadshows, national/regional conferences, RWE studies, and community projects. Meanwhile, it launched a digital patient education system highlighted by an AI-powered public welfare short-drama series on schizophrenia, which achieved a total exposure exceeding 4 million impressions across the internet. This has significantly enhanced patient and caregiver understanding of, and adherence to, long-term standardized treatment protocols. The endometriosis indication of Triptorelin Acetate Microspheres for Injection（注射用醋酸曲普瑞林微球）was added to the National Reimbursement Drug List (NRDL) in 2025. Capitalizing on its innovative microsphere technology and clinical value, the Group executed national conferences, regional academic tours, and specialized academic programs across its two core indications. Improved reimbursement accessibility is now progressively translating into measurable terminal uptake and sales expansion.

For products expected to be launched soon, including Lecankitug（萊康奇塔單抗）, JP-1366 Tablets（JP-1366片）and Banxia Baizhu Tianma Decoction Granules（半夏白術天麻湯顆粒）, the Group proactively initiated pre-launch commercialization preparation and market development activities, completed target patient profiling and analysis of competitive landscape evolution, and established a commercialization plan covering brand system development, differentiated positioning, academic promotion, patient education and training, and medical insurance access pathways. The Group also deeply integrated its existing brand and channel resources in relevant fields. Meanwhile, through active participation in cutting-edge expert seminars such as "New Perspectives on Reflux", the Group accurately captured frontline clinical insights, which laid a solid foundation for the rapid realization of clinical value transformation after product launch.

I. DESCRIPTION OF THE INDUSTRY IN WHICH THE COMPANY OPERATES AND ITS MAIN BUSINESS DURING THE REPORTING PERIOD *(continued)*

(II) Main Business of the Company *(continued)*

3. Quality-Centric Operations: Fortifying the Foundation for Compliant Manufacturing, Green Operations, and Global Supply

The Group always regards operational quality as the bedrock of its steady business performance. Anchoring its strategy in pharmaceutical quality and safety as well as operational stability, it continuously refines a lifecycle quality management system centered on the primary accountability of the Marketing Authorization Holder (MAH). Guided by the principles of proactive risk mitigation, digital enablement, green-low carbon initiatives, and lean operations, this system provides fundamental support for ensuring the supply of key products, maintaining supply chain controllability, executing global expansion, and sustaining long-term operational stability.

(1) Closed-Loop Oversight: Improving the Lifecycle Quality System

Centered on primary accountability of MAH, the Group continuously enhances its quality management system covering R&D, clinical development, manufacturing, and commercial distribution. For R&D and manufacturing quality oversight, the Group advances quality control upstream through specialized audits, simulated inspections, monthly quality surveillance, and risk-tiered response. During the Reporting Period, it completed six audit cycles utilizing 82 person-days of resources, covering key R&D projects, manufacturing sites, and other quality supervision matters. For key R&D projects, the Group employs a closed-loop model: "simulated inspection–deficiency identification–corrective guidance–reassessment and verification". This methodology facilitates the preemptive identification and resolution of compliance risks. Regarding clinical quality oversight, the Group aligned with the updated Good Clinical Practice (GCP) requirements by revising over 200 system documents, comprehensively bolstering compliance monitoring across clinical trials. At the same time, it conducted 13 clinical audits and 6 specialized training sessions targeting 5 key clinical projects, safeguarding the authenticity and reliability of clinical data and protecting the rights of trial participants. In sales quality management, the Group optimized procedural workflows for drug traceability and distribution compliance, achieving full-chain barcode traceability for drugs with a traceability coverage rate of 100%. In developing its MAH system, the Group deployed the Document and Training Management System (DMS&TMS) and the Quality Review System (QRS). Integrating these tools with operational realities, it optimized several system-level documents, further reinforcing controls over release of marketed products, oversight of contract manufacturing, supplier audits, and quality risk management for products under R&D.

(2) Lean Manufacturing Development and Process Innovation Driving Efficiency Gains

During the Reporting Period, the Group advanced project development centered on capacity expansion, intelligent transformation, and green-low carbon transitions, while also bolstering overseas manufacturing capacity and engineering management capacity-building. Aligning with the supply demands of key products, it methodically progressed projects including the capacity expansion of the Aripiprazole Microspheres for Injection（注射用阿立哌唑微球）production line, the Fuzhou Fuxing Dalbavancin（達巴萬星）capacity ramp-up, and the debottlenecking and expansion of Vancomycin（萬古黴素）production. These efforts continuously improved the Group's manufacturing footprint for high-end formulations and core APIs. The Jakarta API Manufacturing Base in Indonesia, the Group's first overseas benchmark factory, is being executed in full compliance with current GMP standards mandated by the US FDA, EMA, and PIC/S. The project has transitioned into the production line construction phase.

I. DESCRIPTION OF THE INDUSTRY IN WHICH THE COMPANY OPERATES AND ITS MAIN BUSINESS DURING THE REPORTING PERIOD *(continued)*

(II) Main Business of the Company *(continued)*

3. Quality-Centric Operations: Fortifying the Foundation for Compliant Manufacturing, Green Operations, and Global Supply *(continued)*

(3) Intelligent Supply Chain Upgrade Fortifying Risk Defenses

In supply chain management, the Group deployed an end-to-end differentiated control strategy, leveraging digital-intelligent tools to enable supply chain cost management and overall resilience. By implementing AI-powered intelligent procurement decision-making tools, it dismantled data silos across the integrated procurement, warehousing, and distribution workflows. This significantly compressed process cycle times and sharpened procurement decision accuracy. Through regular supplier risk assessments, long-term agreement (LTA) lock-ins, centralized procurement, direct-from-origin procurement, and quota optimization, complemented by the domestic substitution of core critical materials, the Group constructed a multidimensional supply chain risk defense system. These measures substantially reduced procurement costs for bulk materials and key consumables while elevating supply chain autonomy, controllability, and the capability to ensure stable supply and pricing.

(4) Benchmarking Against International Quality Systems and Strengthening Routine Compliance Audits

The Group continued to advance the internationalization of its quality management system. During the Reporting Period, all production lines for marketed products maintained a 100% compliance rate in GMP conformity inspections. It actively benchmarked against exacting international standards, including ICH Q10, US FDA regulations, and cGMP, thereby sustaining high-standard compliant operations. This stringent quality system, coupled with a routinized compliance audit mechanism, has comprehensively reinforced the bedrock of pharmaceutical safety. It provides a robust quality safeguard for the high-quality compliant delivery of products and the development of a global brand.

4. Deepening Global Footprint: Advancing Internationalization Through High-Standard Regulatory Access and Localized Operations

During the Reporting Period, centering on its dual international growth engines APIs and finished drugs, the Group continuously augmented its market access capabilities in regulated markets, deepened strategic partnerships, and advanced entity-based overseas operations and localized channel development. This facilitated the progressive build-out of a global commercial network spanning developed markets, emerging markets, and regional partners. During the Reporting Period, the Group generated overseas income of approximately RMB1.129 billion, accounting for 22.58% of total operating income, with this income mix demonstrating steady year-on-year expansion.

(1) Milestone Progress in the Integration of Overseas Entity-Based Operations

During the Reporting Period, the Group finalized a public tender offer for IMP, a listed Vietnamese pharmaceutical firm, securing a 67.87% equity stake and attaining controlling interest. Integration efforts are now well underway. Manufacturing management: Leveraging IMP's existing EU-GMP certified facilities, the Company is advancing the harmonization of the Group's preparation manufacturing system with IMP's quality system to unify compliance and operational standards. Product introduction: Aligned with Southeast Asian market demand, the Group is executing phased technology transfers and import registrations. The initial phase has commenced technical implementation for three sterile injectables (Ilaprazole Sodium for Injection（注射用艾普拉唑鈉）, Daptomycin（達托霉素）, and Tedizolid Phosphate for Injection（注射用磷酸特地唑胺）) while advancing import dossiers for four key products (Recombinant Human Follicle Stimulating Hormone（重組人促卵泡激素）, Recombinant Human Choriogonadotropin alfa for Injection（注射用重組人絨促性素）, Cetrorelix Acetate for Injection（注射用醋酸西曲瑞克）, and Lecankitug（萊康奇塔單抗）. Channel integration: Capitalizing on IMP's local manufacturing credentials and regional Free Trade Agreements (FTAs), the Group is operationalizing Vietnam as a hub to radiate into the broader ASEAN market. This is designed to curtail import tariffs and compress logistics lead times, thereby bolstering local market price competitiveness and supply chain responsiveness.

I. DESCRIPTION OF THE INDUSTRY IN WHICH THE COMPANY OPERATES AND ITS MAIN BUSINESS DURING THE REPORTING PERIOD *(continued)*

(II) Main Business of the Company *(continued)*

4. Deepening Global Footprint: Advancing Internationalization Through High-Standard Regulatory Access and Localized Operations *(continued)*

(2) Continued Upgrade of Global Strategic API Partnerships

During the Reporting Period, amidst industry-wide pricing headwinds and intensifying competition, the Group's API business sustained robust overseas performance. This resilience was underpinned by high-quality supply, long-term contractual partnerships, and a strategic pivot toward high-value-added (HVA) products. In H1 2026, overseas API income reached approximately RMB1.013 billion, up 3.97% year-on-year, accounting for 62.88% of the segment's total income. Regulated markets including North America and Europe contributed over 40% of export income, cementing their position as the largest overseas income source, with India ranking as the second-largest market. The Group's sales governed by Long-Term Agreements (LTAs) constituted over 50% of the total, helping enhance order stability and buffer against market volatility.

(3) Continued Breakthroughs in Overseas Commercialization of Finished Drugs

During the Reporting Period, the Group continuously accelerated the global rollout of its finished drug portfolio through pivotal product registrations, regional partnerships, and channel development. In H1 2026, the number of overseas finished drugs distributors exceeded 40, covering five key geographies: Southeast Asia, the Middle East, Eurasia, Latin America, and Africa. During the Reporting Period, the Group advanced regulatory dossiers for 21 finished drug products across 45 countries, with 14 products currently under active review. As of the end of the Reporting Period, the Group had secured 35 marketing authorizations for 18 finished drug product specifications across 12 countries/regions, establishing a robust pipeline for future commercialization growth.

In terms of partnerships in key regions, the Group's reproductive health portfolio has ascended to the No. 1 market share position in Pakistan, capturing 38% of the urinary-derived hCG market and 50% of the Menotropins for Injection（注射用尿促性素）market, achieving 100% sales terminal coverage. In Indonesia's rHCG (recombinant human Chorionic Gonadotropin) market, Livzon's rHCG, the sole biosimilar available locally, commands an estimated 44% market share. The Group inked Letters of Intent (LoIs) with globally leading assisted reproduction enterprises to advance strategic partnerships in high-end regulated markets. Gastroenterology products saw LoIs signed across Singapore, Malaysia, and other Southeast Asian territories, further entrenching the Group's regional footprint. Furthermore, Semaglutide Injection（司美格魯肽注射液）successfully cleared the Brazilian Health Regulatory Agency (ANVISA) GMP inspection. With registration approval anticipated in the second half of 2026, it is poised to become the first biosimilar produced in China to be approved in Brazil.

5. Practicing ESG Principles and Promoting Sustainable Development

The Group has fully embedded sustainability concepts into its strategic decision-making. It established an ESG Committee and task forces under the direct oversight of the Board of Directors, and integrated ESG indicators carrying a 10% weighting in individual performance appraisals to track the achievement of environmental and carbon reduction targets. This fosters a top-down, end-to-end management mechanism. In early 2026, the Group evaluated the achievement of its 2021–2025 Environmental Targets. Incorporating industry trends and stakeholder feedback, it unveiled the Livzon Group Environmental Management and Carbon Reduction Targets (2026–2030), charting a definitive action roadmap for the next phase of green development.

I. DESCRIPTION OF THE INDUSTRY IN WHICH THE COMPANY OPERATES AND ITS MAIN BUSINESS DURING THE REPORTING PERIOD *(continued)*

(II) Main Business of the Company *(continued)*

5. Practicing ESG Principles and Promoting Sustainable Development *(continued)*

(1) Environmental Governance and Green Manufacturing

Adhering to its green philosophy, all manufacturing sites of the Group operate in compliance with the ISO 14001 Environmental Management System, underpinned by a control architecture governing "three wastes" governance, noise control, and energy consumption. During the Reporting Period, the Group conducted over 30 targeted audits, fortifying the foundation of ESG management through systematic governance.

In green manufacturing, the Group prioritized energy mix optimization and pollution governance upgrades. By deploying facilities such as solvent recovery systems, distributed photovoltaic (PV) arrays, and electric boilers, it curbed hazardous waste generation and optimized energy utilization. The adoption of Regenerative Thermal Oxidation (RTO) technology enabled centralized exhaust gas treatment, while new multi-stage recovery units boosted solvent recycling rates, markedly enhancing environmental performance. Meanwhile, leveraging AI-assisted analytics and digital system upgrades, the Group improved fermentation potency, extraction yields, and process monitoring capabilities, thereby empowering green manufacturing through digital enablement.

In safety and occupational health, subsidiaries conduct routine safety training and hazard assessments, maintaining a 100% physical examination coverage rate for employees. Through closed-ventilation feeding systems, replacement with low-noise equipment, and automation upgrades, the Group mitigates dust exposure and noise hazards at the source, effectively safeguarding employee health and rights.

Regarding green supply chain management, the Group has deeply integrated an "ecology-first" ethos into its herbal sourcing network. It promotes wild-simulated cultivation, understory planting, and ecological farming models. By relying on natural growing conditions, banning chemical fertilizers and pesticides, and preserving ecological buffer zones, the Group minimizes disturbances to local ecosystems and aids biodiversity restoration. Each sourcing base implements systematic ecological protection rooted in its authentic producing region.

(2) Talent Development and Organizational Development

In H1 2026, the Group continued to promote institutional system development by revising the Code of Labor Employment and Ethical Conduct and the Privacy Policy, while issuing the new Responsible AI Policy. These actions further fortified the Group's internal governance framework.

In talent development, the Group filled key vacancies essential for the globalization of finished drug operations. It also optimized the organizational structure of the Clinical R&D Center, streamlining staff levels while enhancing operational efficiency. The Company conducted regular specialized training on integrity and compliance, sustaining high participation rates and trainee satisfaction.

Amid digital and intelligent transformation, the Group bolstered employee training and reskilling. It organized regular internal AI training sessions and hosted various AI competitions, including "AI Hackathons". External experts were invited to deliver specialized lectures. These efforts encouraged frontline staff, technical backbones, and key post holders to apply AI tools in production settings, facilitating the conversion of knowledge into practical skills. Through multi-tiered training and hands-on practice, the Company improved employees' professional adaptability and career prospects, supporting a stable and high-quality industrial transformation.

I. DESCRIPTION OF THE INDUSTRY IN WHICH THE COMPANY OPERATES AND ITS MAIN BUSINESS DURING THE REPORTING PERIOD *(continued)*

(II) Main Business of the Company *(continued)*

5. Practicing ESG Principles and Promoting Sustainable Development *(continued)*

(3) Safeguarding Primary Healthcare and Nurturing the Future of the Industry

Livzon integrates social responsibility into its corporate strategy, with its "Public Welfare Program for Prevention and Treatment of Chronic Diseases" now in its eighth year. As of H1 2026, the program had covered 37 regions across 12 provinces and four autonomous regions nationwide, benefiting more than 48,000 patients in total. Adopting a "needs matching + targeted distribution" model, the program partners with professional bodies including the China Foundation for Rural Development and Shenzhen Women and Children Foundation. It has established a closed loop encompassing field assessment, resource matching, and logistics. Leveraging the county-level health bureaus' "dynamic monitoring + designated distribution" mechanism, the program delivers medicines directly to grassroots households, providing tangible support for the rural revitalization strategy and the Healthy China initiative.

Additionally, the Group has long championed pharmaceutical education. It established scholarship and teaching award programs in partnership with universities such as China Pharmaceutical University, Shenyang Pharmaceutical University, and Sichuan University. By funding scholarships and research projects, it motivates students and young faculty, thereby building a talent reservoir for the industry's sustainable development.

II. ANALYSIS OF CORE COMPETITIVENESS

(I) Building a Solid Foundation for Stable Operations and Continuous Expansion Through Diversified Business Segments and Accumulated Advantages in Key Therapeutic Areas

The Group is a comprehensive pharmaceutical giant primarily engaged in the R&D, manufacturing, and sales of pharmaceutical products. Following years of development, it has built a robust business portfolio spanning chemical preparations, APIs and intermediates, TCM preparations, biological products, and diagnostic reagents and equipment. This diversified structure allows the Group to sustain operational resilience across varying policy and product life cycles as well as competitive landscapes. It also furnishes a comprehensive operational foundation for the commercialization of innovations, international expansion, and industrial chain synergy.

In therapeutic areas, the Group maintains a long-standing focus on core fields such as gastroenterology, GnRH/assisted reproduction, and neuropsychiatry, while progressively extending its reach into chronic disease areas including autoimmune diseases, metabolic disorders, and cardiovascular and cerebrovascular conditions. This portfolio is not reliant on standalone products. Instead, it evolves through continuous iteration leveraging established brands, clinical acceptance, distribution networks, R&D expertise, and technology platforms. This approach creates a composite advantage, ensuring a transition from stable revenue generation by mature products to the successive rollout of innovative pipeline assets. For instance, in gastroenterology, assisted reproduction, and neuropsychiatry, the Group capitalizes on established market footholds from current products while advancing successor assets targeting P-CAB, GnRH, long-acting microspheres, and sustained-release formulations. This strategy helps boost intra-field product synergy, facilitates academic outreach, and streamlines commercialization workflows.

Business diversification further bolsters the Group's resilience against industry volatility. Confronted with expanding VBP, national reimbursement negotiations, pricing adjustments, demand fluctuations, and intensifying competition, the Group leverages the structural complementarity across its segments. This drives a gradual optimization of the income mix, shifting focus from traditional mature products to innovative products, high-barrier preparations, premium APIs, and international operations. Such diversification underpins sustainable long-term growth.

II. ANALYSIS OF CORE COMPETITIVENESS *(continued)*

(II) Building Sustained Innovative Product Continuity Through Differentiated Pipelines and Diverse Technology Platforms

Guided by unmet clinical needs and differentiated value, the Group advances R&D to build a multi-tiered R&D system encompassing novel chemical drugs, modified new drugs, high-barrier complex formulations, biological products, and innovative TCM products. Moving beyond single-target or standalone product development, the Group prioritizes systematic deployment across multiple mechanisms, dosage forms, and indications within its core therapeutic areas. This approach ensures that R&D outputs coalesce into product matrices and maintain sequential pipeline continuity within each disease field.

The Group has built a product portfolio centered on indications, in gastroenterology, the Group has strategically developed the JP-1366 series leveraging the P-CAB mechanism. By pursuing tablet and injectable formulations alongside diverse indications, it is expanding the product's utility from single-indication treatment to multi-scenario clinical applications. In the GnRH/assisted reproduction field, the Group has built an integrated portfolio encompassing ovulation induction, downregulation, oral GnRH antagonists, and long-acting formulations. In neuropsychiatry, leveraging its microsphere and long-acting release platforms, the Group continues to expand its portfolio of long-acting formulations. These strategies reflect a conscious departure from merely chasing market fads. Instead, they represent a deepening of differentiated development, grounded in established therapeutic areas, platform technologies, and commercial infrastructure.

The Group has built substantial technological expertise in complex formulations and long-acting release platforms. Products and projects such as Triptorelin Microspheres（曲普瑞林微球）, Aripiprazole Microspheres（阿立哌唑微球）, Brexpiprazole Microspheres（布瑞哌唑微球）, and LZHG1701 exemplifies its capabilities in high-barrier formulation process, quality control, industrial scale-up, and lifecycle management. Characterized by protracted R&D cycles, intricate manufacturing processes, and exacting quality consistency requirements, these platforms allow the Group to erect technological barriers. To a certain extent, this distinguishes its offerings from commodity generics and simple dosage-form products.

In the field of biologics, the Group is one of the few enterprises equipped with dual capabilities in the R&D and industrialization of both antibody drugs (monoclonal/bispecific antibodies) and recombinant protein vaccines, covering a full-chain technology platform spanning antibody screening and evaluation, process development and quality control analysis, as well as commercial-scale production. Lecankitug (IL-17A/F bispecific antibody) demonstrated head-to-head clinical superiority over Secukinumab and was granted Priority Review and Approval, underscoring the Group's robust capabilities in innovative biologics project initiation, non-clinical development, clinical development, and CMC research. Beyond antibody drugs, the recombinant influenza virus protein vaccine represents another strategic deployment in the vaccine pipeline following the COVID-19 vaccine. Leveraging mature recombinant protein expression and purification process platforms, it substantially enhances the quality and yield of influenza vaccines. Together with the monoclonal antibody platform, it forms a diversified technological layout emphasizing both treatment and prevention, providing comprehensive platform-level support for the continuous pipeline progression of innovative products.

Concurrently, the Company is advancing capabilities in AIDD, AI-assisted process development, and clinical digital platforms. It applies artificial intelligence across the entire value chain from drug discovery, molecular design, and ADMET prediction to process optimization, complex formulation screening, clinical pharmacology analysis, and medical writing. The value of AI extends far beyond discrete efficiency gains. It consolidates disparate R&D experience, experimental data, and clinical data into searchable, reusable, and traceable data assets. This capability provides enduring support for R&D decision-making across projects, functions, and technology platforms.

II. ANALYSIS OF CORE COMPETITIVENESS *(continued)*

(III) Enhancing the Certainty of Innovation Commercialization Through Integrated Collaboration Across R&D, CMC, Clinical Development and Regulatory Registration

Competition in pharmaceutical innovation hinges not merely on early-stage target selection and clinical concepts, but on the capacity to execute a high-quality, end-to-end transition, spanning drug discovery, CMC, clinical trials, regulatory filing, and pre-launch readiness. The Group continually improves its organizational mechanisms to prioritize R&D efficiency and quality management. It fosters cross-functional synergy spanning nonclinical research, medical affairs, pharmacovigilance, statistics and data management, clinical pharmacology, and R&D program management. This integration has culminated in a project management system governing the entire R&D lifecycle.

In CMC and pharmaceutical development, the Group has built platforms for chemical process development, complex formulation design, scale-up of biologics, and modernization of TCM R&D. These platforms enhance control over the conversion of R&D achievements to industrial manufacturing. For high-barrier formulations, biologics, and innovative TCM products, CMC competence dictates product quality consistency, regulatory review efficiency, and the stability of subsequent commercial supply. It constitutes a vital pillar supporting the successful execution of the Group's innovation pipeline.

In clinical development and regulatory capabilities, the Group has forged a comprehensive operational system covering protocol design, site initiation, patient enrollment, data management, pharmacovigilance, site inspection, and regulatory engagement. Aligning with current GCP and ICH E6(R3) requirements, the Group continuously refines mechanisms for clinical trial SOPs, full lifecycle data governance, principal investigator accountability, and intelligent trial control. These measures help safeguard trial quality and data reliability against a backdrop of intensifying regulatory scrutiny. This systematic capability enables the concurrent progression of multiple projects under R&D and streamlines the handoff from clinical validation to regulatory filing for key projects.

Furthermore, the Group employs a dynamic R&D project evaluation mechanism to channel resources into priority projects exhibiting clear clinical value, viable technical pathways, and compelling market potential. This mechanism helps minimize resource dissipation and suboptimal investment, thereby elevating the overall quality of the R&D portfolio and aligning innovation spend with the long-term build-out of the product pipeline.

(IV) Enhancing Product Value Realization Capabilities Through Evidence-Based Medicine, Market Access Coordination, and Comprehensive Channel Networks

The core of the Group's commercialization capabilities lies not only in sales network coverage, but also in its ability to translate clinical value into physician recognition, patient accessibility and terminal utilization. The Group has continuously refined its multi-dimensional marketing network covering channels including tiered hospitals, primary healthcare, OTC retail, specialized distribution, internet healthcare, and DTP pharmacies. By tailoring operations to product characteristics, patient pathways and terminal attributes, it provides the infrastructure to sustain mature brands, secure new product access, and drive the uptake of innovative assets.

In academic promotion, the Group prioritizes evidence-based medicine. It continuously advances real-world studies, RCT studies, guidelines and consensus statements, academic publications, and multicenter research projects centered on key products. Relevant studies and academic projects across neuropsychiatry, gastroenterology, GnRH/assisted reproduction, TCM, and urology provide an evidence base for communicating the clinical value of products.

II. ANALYSIS OF CORE COMPETITIVENESS *(continued)*

(IV) Enhancing Product Value Realization Capabilities Through Evidence-Based Medicine, Market Access Coordination, and Comprehensive Channel Networks *(continued)*

In market access, the Group has established capabilities in policy tracking and access strategies covering the National Reimbursement Drug List (NRDL), National List of Essential Medicines, VBP rules, innovative drug launch pricing, and commercial health insurance innovative drug lists. As of the end of June 2026, 194 of the Group's products were listed in the current NRDL (92 Class A, 102 Class B), while 103 products were included in the 2026 National List of Essential Medicines. The synergy between these access capabilities, clinical evidence, and channel coverage helps enhance product accessibility and expedites the approval-to-market transition for innovative and high-barrier products.

At the same time, the Group is advancing digital marketing and AI enablement. Through application scenarios including competitor intelligence monitoring, activity data analysis, conference management, scientific education content production, patient education, and product knowledge base development, the Group is gradually improving market insights, content production efficiency, and terminal service capabilities. The integration of digital capabilities with existing sales networks helps enhance the sophistication of marketing management and strengthen the Group's responsiveness to changing needs among physicians, patients and terminal channels.

(V) Building Systematic International Competitiveness Through International Registration, Global Customer Collaboration, and Overseas Entity-Based Operations

The Group continues to advance its internationalization strategy. Its overseas business is evolving from traditional product exports into a systematic model that balances regulatory registration, quality compliance, customer collaboration, and entity-based operations. Within the API segment, leveraging its extensive track record in international registration, quality certification, and customer service, the Group has secured a solid foothold in both regulated and emerging markets.

International registration and quality compliance are important components of the Group's global competitiveness. During the Reporting Period, the Group secured 8 new international API registrations, raising the cumulative total to 292. It also obtained 4 new international API certifications, extending coverage to 106 countries and regions. The Group continuously drives the standardization and integration of quality systems across all manufacturing sites. Aligning with benchmarks such as ICH Q10, GMP, EU GMP, and US cGMP, it sharpens its preparedness for international inspections via routine internal audits, risk screening, and supplier management. These competencies underpin product market access and bolster the Group's standing with top-tier global pharmaceutical partners.

The Group collaborates with nearly one-third of the Top 50 global human pharmaceutical companies and over half of the Top 10 global animal/pet health firms. Several of these collaborations have expanded beyond single products to encompass broader portfolios. These partnerships attest to the Group's comprehensive strengths in quality assurance, reliable supply, regulatory backing, and technical responsiveness. They serve as a bulwark for the Group's operational resilience against pricing pressures and industry cyclicality.

In overseas entity-based operations, the Group leverages strategic assets such as Vietnam IMP and the Jakarta API facility to extend its internationalization from "product export" to the offshore expansion of "manufacturing capacity, regulatory registration, distribution channels, and operational frameworks". Vietnam IMP enables the Group to establish local synergy across R&D, manufacturing, and sales, building a foundation for market penetration across Southeast Asia. The Jakarta API facility serves to improve the global manufacturing footprint for sterile APIs, enhancing the Group's responsiveness to Southeast Asian and broader overseas markets. As these overseas entity-based operations progress, the Group's international business is poised to progressively build stronger capabilities in local market access, local supply, and local channel coordination.

III. PRINCIPAL BUSINESS ANALYSIS

1. Year-on-year changes in major financial data

Unit: RMB

	Current Reporting Period	Same period of previous year	Year-on-year change	Reasons for changes
Operating income	**4,999,669,708.65**	6,271,912,644.11	-20.28%	-
Operating costs	**1,936,074,118.96**	2,131,486,497.05	-9.17%	-
Selling expenses	**1,148,128,757.39**	1,736,694,564.36	-33.89%	The Company optimized and adjusted its marketing system, leading to a year-on-year decrease in selling expenses.
Administrative expenses	**268,351,015.73**	299,475,439.09	-10.39%	-
Finance expenses	**12,645,838.42**	-165,118,251.30	107.66%	Mainly due to a decrease in interest income from bank deposits and an increase in foreign exchange losses during the current period.
Income tax expense	**205,121,458.80**	276,888,506.24	-25.92%	-
R&D investment	**381,502,576.04**	490,563,551.92	-22.23%	-
Net cash flows from operating activities	**1,762,934,734.53**	1,686,940,768.20	4.50%	-
Subtotal of cash inflows from investing activities	**5,291,889,443.34**	2,810,036,510.01	88.32%	Mainly due to the unfreezing of performance bonds for the equity acquisition of IMP in Vietnam and the recovery of matured structured deposits in the current period.
Subtotal of cash outflows from investing activities	**5,838,788,686.87**	3,380,578,078.81	72.72%	Mainly due to the payment for the acquisition equity of IMP in Vietnam and the increase in investment financial assets in the current period.
Net cash flows from investing activities	**-546,899,243.53**	-570,541,568.80	4.14%	-
Subtotal of cash inflows from financing activities	**3,312,348,273.92**	1,790,140,000.00	85.03%	Mainly due to the optimization of the liability structure of subsidiaries, the replacement of long-term borrowings with short-term borrowings, and the increase in new borrowings in the current period.
Subtotal of cash outflows from financing activities	**4,516,273,205.58**	3,356,199,686.14	34.57%	Mainly due to the optimization of the debt structure of subsidiaries in the current period, replacing long-term borrowings with short-term borrowings, as well as an increase in dividend payments.
Net cash flows from financing activities	**-1,203,924,931.66**	-1,566,059,686.14	23.12%	-
Net increase in cash and cash equivalents	**-89,456,559.27**	-475,704,898.53	81.19%	Mainly due to the payment for share repurchases in the prior period.
Effect of changes in foreign exchange rates on cash and cash equivalents	**-101,567,118.61**	-26,044,411.79	-289.98%	Mainly due to changes in exchange rates resulting in increased foreign exchange losses on held foreign currency funds.
Minority interests	**188,715,961.84**	270,133,282.06	-30.14%	Mainly due to the decrease in profits of non-wholly-owned subsidiaries in the current period.
Other comprehensive income, net of tax	**-306,672,003.95**	-59,117,732.98	-418.75%	Mainly due to changes in fair value of investments in other equity instruments and changes in exchange differences on translation of foreign currency financial statements resulting from exchange rate fluctuations.

III. PRINCIPAL BUSINESS ANALYSIS *(continued)*

2. Composition of operating income

Unit: RMB

		Reporting Period		Corresponding period of last year		
		Amount	Proportion to operating income	Amount	Proportion to operating income	Year-on-year change
Total operating income		4,999,669,708.65	100.00%	6,271,912,644.11	100.00%	-20.28%
By industry						
Pharmaceutical manufacturing industry		4,999,669,708.65	100.00%	6,271,912,644.11	100.00%	-20.28%
By product						
Chemical preparations	Digestive tract	954,019,857.43	19.08%	1,351,090,312.58	21.54%	-29.39%
	Mental health	153,364,396.96	3.07%	317,019,780.74	5.05%	-51.62%
	Gonadotropic hormone	1,206,451,207.32	24.13%	1,529,752,523.25	24.39%	-21.13%
	Anti-infectives and others	127,830,177.01	2.56%	72,054,720.62	1.15%	77.41%
Active pharmaceutical ingredients and intermediates		1,610,985,773.51	32.22%	1,661,538,809.09	26.49%	-3.04%
Chinese prescription medicines		520,986,581.07	10.42%	799,458,766.97	12.75%	-34.83%
Biologic products		94,372,908.29	1.89%	94,818,856.99	1.51%	-0.47%
Diagnostic reagents and equipment		270,208,467.23	5.40%	374,135,046.17	5.97%	-27.78%
Others		61,450,339.83	1.23%	72,043,827.70	1.15%	-14.70%
By region						
Domestic		3,870,681,569.69	77.42%	5,267,743,649.33	83.99%	-26.52%
Overseas		1,128,988,138.96	22.58%	1,004,168,994.78	16.01%	12.43%

III. PRINCIPAL BUSINESS ANALYSIS *(continued)*

3. R&D investment

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

No.	Name/code of major R&D project	Project objective (indications)	Project status	Target	Anticipated impact on the Group's future development
1	Recombinant Human Follitropin Alfa Solution for Injection（重組人促卵泡激素注射液）	Ovulation induction in assisted reproduction	Approved for market launch	Approved for market launch	Enriches the Group's product pipeline in the reproductive field
2	Banxia Baizhu Tianma Decoction Granules（半夏白術天麻湯顆粒）	For ascendant wind-phlegm syndrome, manifesting as dizziness, headache, thoracic and epigastric fullness, nausea, and vomiting	Approved for market launch	Approved for market launch	A TCM preparation that enriches the Group's product pipeline in the cardiovascular and cerebrovascular field
3	Leuprorelin Acetate Microspheres for Injection (3M)（注射用醋酸亮丙瑞林微球（3M））	Prostate cancer, breast cancer, central precocious puberty	NDA submitted	Approved for market launch	The first domestic 3-month microsphere generic drug that enriches the Group's product pipeline in oncology and endocrinology and further improves the layout of long-acting GnRH microsphere products
4	JP-1366 Tablets（JP-1366片）	Reflux esophagitis	NDA submitted	Approved for market launch	Enriches the Group's product pipeline in the gastrointestinal field
5	Lecankitug Injection（萊康奇塔單抗注射液）	Moderate-to-severe psoriasis	NDA submitted	Approved for market launch	Enriches the Group's product pipeline in the autoimmune disease field
6	Lecankitug Injection（萊康奇塔單抗注射液）	Ankylosing spondylitis	NDA submitted	Approved for market launch	Enriches the Group's product pipeline in the autoimmune disease field
7	Semaglutide Injection（司美格魯肽注射液）	Type 2 diabetes mellitus	NDA submitted	Approved for market launch	Enriches the Group's product pipeline in the metabolic disease field
8	Semaglutide Injection（司美格魯肽注射液）	Weight management	NDA submitted	Approved for market launch	Expands the Group's product portfolio in weight management

III. PRINCIPAL BUSINESS ANALYSIS *(continued)*

3. R&D investment *(continued)*

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

No.	Name/code of major R&D project	Project objective (indications)	Project status	Target	Anticipated impact on the Group's future development
9	Paliperidone Palmitate Injection（棕櫚酸帕利哌酮注射液）	Schizophrenia	NDA submitted	Approved for market launch	Enriches the Group's product pipeline in the neuropsychiatry field
10	Aripiprazole for Injection（注射用阿立哌唑）	Schizophrenia	NDA submitted	Approved for market launch	Enriches the Group's product pipeline in the neuropsychiatry field
11	LZZG2102	Gynecological diseases	NDA submitted	Approved for market launch	A TCM preparation that enriches the Group's product pipeline in the gynecology field
12	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	Enriches the Group's product pipeline in the endocrinology field and further improves the layout of long-acting GnRH microsphere products
13	LPM7100328 Capsules（LPM7100328膠囊）	Assisted reproduction	Phase III clinical trial	Proceed with subsequent work as planned	Enriches the Group's product pipeline in the reproductive field and further improves the layout of GnRH drug products
14	JP-1366 for Injection（注射用JP-1366）	Peptic ulcer bleeding	Phase III clinical trial	Proceed with subsequent work as planned	Enriches the Group's product pipeline in the gastrointestinal field
15	JP-1366 Tablets（JP-1366片）	Used in combination with antibiotics for H. pylori eradication	Phase III clinical trial	Proceed with subsequent work as planned	Enriches the Group's product pipeline in the gastrointestinal field
16	LZHG1701	Prostate cancer, breast cancer, and endometriosis	BE study	Proceed with subsequent work as planned	Enriches the Group's product pipeline in oncology and gynecology and further improves the layout of GnRH drug products
17	NS-041 Tablets（NS-041片）	Epilepsy	Phase II clinical trial	Proceed with subsequent work as planned	Enriches the Group's product pipeline in the neuropsychiatry field

III. PRINCIPAL BUSINESS ANALYSIS *(continued)*

3. R&D investment *(continued)*

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

No.	Name/code of major R&D project	Project objective (indications)	Project status	Target	Anticipated impact on the Group's future development
18	H001 Tablets（H001片）	Prevention of venous thromboembolism after major orthopedic surgery	Phase II clinical trial	Proceed with subsequent work as planned	Enriches the Group's product pipeline in the cardiovascular and cerebrovascular field
19	SG1001 Tablets（SG1001片）	Invasive fungal infections	Phase II clinical trial	Proceed with subsequent work as planned	Enriches the Group's product pipeline in the anti-infective field
20	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 Group's product pipeline in oncology and further improves the layout of long-acting GnRH microsphere products
21	Brexpiprazole Microspheres for Injection（注射用布瑞哌唑微球）	Schizophrenia	Phase I clinical trial	Proceed with subsequent work as planned	Enriches the Group's product pipeline in the neuropsychiatry field
22	LZSN2501	Postoperative prevention of venous thromboembolism	Clinical trial application submitted	Proceed with subsequent work as planned	Enriches the Group's product pipeline in the cardiovascular and cerebrovascular field
23	LZZN1801	Vestibular migraine	Preclinical research	Proceed with subsequent work as planned	A TCM preparation that enriches the Group's product pipeline in the neuropsychiatry field
24	LZZN2201	Generalized anxiety disorder	Preclinical research	Proceed with subsequent work as planned	A TCM preparation that enriches the Group's product pipeline in the neuropsychiatry field

III. PRINCIPAL BUSINESS ANALYSIS *(continued)*

4. Expenses

During the Reporting Period, the Group's four expenses (selling expenses, administrative expenses, finance expenses, and R&D expenses) totaled RMB1,787.15 million, a decrease of RMB515.95 million, representing a year-on-year decrease of 22.40%, as detailed in the table below:

Unit: RMB

Item	Current period amount	Previous period amount	Year-on-year change	Explanation of significant changes
Selling expenses	**1,148,128,757.39**	1,736,694,564.36	-33.89%	The Company optimized its marketing system, resulting in a year-on-year decrease in selling expenses.
Administrative expenses	**268,351,015.73**	299,475,439.09	-10.39%	No significant changes
Finance expenses	**12,645,838.42**	-165,118,251.30	107.66%	Mainly due to a decrease in interest income from bank deposits and an increase in foreign exchange losses during the current period.
R&D expenses	**358,022,399.34**	432,050,650.15	-17.13%	No significant changes
Total	**1,787,148,010.88**	2,303,102,402.30	-22.40%	

IV. NON-PRINCIPAL BUSINESS ANALYSIS

Unit: RMB

	Amount	Proportion of total profit	Explanation of formation reasons	Whether sustainable
Investment income	84,300,099.90	6.36%	Mainly due to the fluctuations in gains and losses accounted for under the equity method for associates, and the declaration of dividends by other investees.	No
Gains or losses from changes in fair value	4,965,487.71	0.37%	Mainly due to changes in fair value of financial assets held.	No
Asset impairment	-14,710,112.64	-1.11%	Mainly due to the poor operation of certain investees, resulting in the provision for impairment of investments in them.	No
Non-operating income	6,061,991.78	0.46%	Mainly due to transfer of payables no longer required to be paid and proceeds from disposal of scrap materials.	No
Non-operating expenditure	12,268,211.91	-0.93%	Mainly due to donation expenses and losses from asset write-offs.	No
Other income	46,499,242.80	3.51%	Mainly due to government subsidies received.	No

V. ANALYSIS OF ASSETS AND LIABILITIES

1. Significant changes in asset composition

As of June 30, 2026, the Company's asset composition was as follows:

Unit: RMB

	At the end of the Reporting Period (June 30, 2026)		At the end of previous year (December 31, 2025)			
	Amount	As a percentage of total assets	Amount	As a percentage of total assets	Change %	Explanation of significant changes
Monetary funds	**7,440,783,197.94**	**31.54%**	9,305,381,624.06	38.80%	-7.26%	No significant changes
Accounts receivable	**1,973,052,167.49**	**8.36%**	2,248,341,190.25	9.37%	-1.01%	No significant changes
Contract assets	**–**	**–**	–	–	–	–
Inventories	**1,797,643,098.88**	**7.62%**	1,561,207,468.12	6.51%	1.11%	No significant changes
Investment properties	**8,664,528.99**	**0.04%**	9,084,970.71	0.04%	0.00%	No significant changes
Long-term equity investments	**1,266,499,598.81**	**5.37%**	1,078,968,804.45	4.50%	0.87%	No significant changes
Fixed assets	**4,160,528,551.96**	**17.64%**	4,054,345,129.01	16.90%	0.74%	No significant changes
Construction in progress	**289,489,839.82**	**1.23%**	234,180,002.38	0.98%	0.25%	No significant changes
Right-of-use assets	**179,230,109.12**	**0.76%**	33,090,291.50	0.14%	0.62%	No significant changes
Short-term loans	**3,395,815,777.99**	**14.39%**	2,120,000,000.00	8.84%	5.55%	No significant changes
Contract liabilities	**74,209,327.65**	**0.31%**	104,381,754.34	0.44%	-0.13%	No significant changes
Long-term loans	**25,900,000.00**	**0.11%**	749,356,599.04	3.12%	-3.01%	No significant changes
Leasing liabilities	**18,484,346.58**	**0.08%**	17,323,404.86	0.07%	0.01%	No significant changes

V. ANALYSIS OF ASSETS AND LIABILITIES *(continued)*

2. Assets and liabilities measured at fair value

During the Reporting Period, there were no significant changes in the Company's principal asset measurement attributes. As of 30 June, 2026, the Company's assets and liabilities measured at fair value were as follows:

Unit: RMB

Item	Beginning balance	Gains or losses from changes in fair value for the period	Accumulated changes in fair value in equity	Impairment provision during the period	Amount of purchase during the period	Amount of disposal during the period	Other changes	Ending balance
Financial assets								
1. Financial assets held for trading (excluding derivative financial assets)	1,342,131,153.18	6,476,948.55			1,963,985,381.80	2,930,000,000.00		382,593,483.53
2. Derivative financial assets	2,537,126.58	-1,747,725.43						789,401.15
3. Other debt investments	–							–
4. Other equity instrument investments	522,975,348.60		-268,474,026.20		1,601,747,514.95			1,856,248,837.35
5. Other non-current financial assets	–							–
Subtotal of financial assets	1,867,643,628.36	4,729,223.12	-268,474,026.20	–	3,565,732,896.75	2,930,000,000.00	–	2,239,631,722.03
Investment properties								–
Productive biological assets								–
Others								–
Total	1,867,643,628.36	4,729,223.12	-268,474,026.20	–	3,565,732,896.75	2,930,000,000.00	–	2,239,631,722.03
Financial Liabilities	418,783.64	236,264.59					7,727.21	174,791.84

V. ANALYSIS OF ASSETS AND LIABILITIES *(continued)*

3. Assets subject to restrictions on rights

As of 30 June, 2026, the Company's assets with restricted rights due to mortgages, pledges, and other guarantees were as follows:

	30 June, 2026 *(RMB)*	Reason for restriction
Monetary funds	3,974,600.00	Pledged borrowings, operational deposits for letters of guarantee, letters of credit, etc.
Notes receivable	102,897,791.93	Notes receivable pledged under the notes pool business
Accounts receivable	25,900,000.00	Pledged/mortgaged borrowings, issuance of letters of guarantee and letters of credit
Inventories	45,325,000.00	
Right-of-use assets	25,557,437.78	Mortgage loans
Intangible assets	813,997.54	Mortgage loans
Total	204,468,827.25	

V. ANALYSIS OF ASSETS AND LIABILITIES *(continued)*

4. Liquidity and financial resources

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 reasonably improve the efficiency of fund utilization to achieve value preservation and appreciation. As of 30 June, 2026, the Group held monetary funds totaling RMB7,440.78 million (31 December, 2025: RMB9,305.38 million), primarily derived from cash generated from operating activities. The funds were primarily used for the Group's daily operating activities, investment activities, and distribution of dividends. The Group mainly holds cash and cash equivalents in RMB.

During the Reporting Period, the maximum credit facility approved by the Board of Directors and the general meeting of shareholders of the Company for application was RMB22,941.00 million, and the credit facility actually applied for and utilized from banks was RMB4,068.28 million. In addition, as at the end of the reporting period, the amount of banking facilities actually utilised by the Company's overseas subsidiary, IMP, amounted to RMB58.96 million.

As of 30 June, 2026, the Group's loan balance was RMB3,421.72 million (31 December, 2025: RMB3,027.25 million), accounting for 14.50% of total assets (31 December, 2025: 12.62%). Among these, the balance of short-term loans due within one year was RMB3,395.82 million (31 December, 2025: RMB2,120.00 million), accounting for 14.39% of total assets (31 December, 2025: 8.84%); the balance of long-term loans due after one year was RMB25.9 million (31 December, 2025: RMB749.36 million), accounting for 0.11% of total assets (31 December, 2025: 3.12%), and the balance of long-term loans due within one year was RMB0 million (31 December, 2025: RMB157.89 million), accounting for 0% of total assets (31 December, 2025: 0.66%).

During the Reporting Period, the Group repaid bank loans of RMB2,926.45 million. None of the above loans was subject to significant seasonal demand.

V. ANALYSIS OF ASSETS AND LIABILITIES *(continued)*

5. Capital structure

The Group's capital structure consists of shareholders' equity and liabilities. As of 30 June, 2026, shareholders' equity was RMB14,597.73 million, total liabilities were RMB8,993.76 million, and total assets were RMB23,591.49 million. Among these, the Group's current liabilities were RMB8,461.79 million (31 December, 2025: RMB7,219.75 million), representing an increase of 17.20% compared with the end of the previous year; total non-current liabilities were RMB531.97 million (31 December, 2025: RMB1,218.62 million), representing a decrease of 56.35% compared with the end of the previous year; during the Reporting Period, the Group repaid debts of RMB2,926.45 million (debts repaid in the corresponding period of last year: RMB2,155.55 million). As of the end of the Reporting Period, equity attributable to shareholders of the Company was RMB13,365.83 million (31 December, 2025: RMB13,888.35 million), representing a decrease of 3.76% compared with the end of the previous year; non-controlling interests were RMB1,231.90 million (31 December, 2025: RMB1,658.75 million), representing a decrease of 25.73% compared with the end of the previous year.

6. Capital commitments

As of 30 June, 2026, the Company's capital commitments were as follows:

Unit: RMB

Capital commitments contracted but not yet recognized in the financial statements	**Ending balance**	Beginning balance
Commitments for the purchase and construction of long-term assets	**243,008,934.27**	221,084,956.48
Commitments for equity acquisition	**–**	1,845,730,873.77
Commitments for R&D expenditures	**198,932,936.93**	229,968,162.57
Total	**441,941,871.20**	2,296,783,992.82

V. ANALYSIS OF ASSETS AND LIABILITIES *(continued)*

7. Interest rates

As of 30 June, 2026, total interest-bearing bank and other borrowings were RMB3,421.05 million (December 31, 2025: RMB3,026.45 million). The interest rate structure was as follows: RMB45.80 million bore interest at floating rates, and RMB3,375.25 million bore interest at fixed rates, with an annualized interest rate of 1.29%. All borrowings of the Group are denominated in RMB or VND.

8. Maturity structure of outstanding debt

As of 30 June, 2026, the maturity structure of the Company's outstanding debt was as follows:

Unit: RMB

	30 June, 2026	31 December, 2025
Within one year	**4,176,806,919.26**(1)	3,063,384,291.79
One to two years	**–**	689,372,705.59
Two to five years	**25,900,000.00**	59,983,893.45
More than five years	**–**	–
Total	**4,202,706,919.26**	3,812,740,890.83

(1) Of this total amount, RMB780.99 million was notes payable and the remainder comprised bank loans.

9. Debt-to-capital ratio

As of 30 June, 2026 and 31 December, 2025, the gearing ratio was calculated by dividing the Group's total liabilities by shareholders' equity as of those dates. The gearing ratio increased from 24.52% as of 31 December, 2025 to 28.79% as of 30 June, 2026, mainly due to the implementation of profit distribution plans by the Company and its subsidiaries, which resulted in a decrease in total owners' equity during the current period.

V. ANALYSIS OF ASSETS AND LIABILITIES *(continued)*

10. Bank loans and other borrowings

Details of bank and other borrowings of the Company and its subsidiaries as of June 30, 2026 are set out in "Note V 23. Short-term borrowings; 32. Long-term borrowings" to the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises in this report.

11. Interest expense and capitalization

As of 30 June, 2026, the Company's interest expense and capitalization were as follows:

Unit: RMB

	Current period	Previous period
Interest expense [(1)]	**21,793,068.92**	29,903,696.96
Interest capitalization	**–**	–
Total interest expense	**21,793,068.92**	29,903,696.96

(1) Interest expenses were mainly attributable to bank borrowings.

12. 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.

13. Contingent liabilities

As of 30 June, 2026, the Group had no material contingent liabilities.

14. Employees, remuneration, pension scheme, and training

As of 30 June, 2026, the Group had 8,415 employees (31 December, 2025: 8,878 employees). The Group determines employee remuneration mainly based on the laws and regulations of the People's Republic of China, the Company's economic performance, and prevailing market remuneration levels. During the Reporting Period, the Group paid salaries, bonuses, allowances, subsidies, welfare expenses, housing provident fund contributions, and social insurance contributions for all employees totaling RMB1,024.13 million (previous period: RMB999.51 million).

During the Reporting Period, there was no change in the employee remuneration policy. Employees of the Group participated in the basic social pension insurance organized and implemented by local labor and social security authorities. Upon employees' retirement, local labor and social security authorities are responsible for paying basic social pension benefits to retired employees. The Group is required to contribute a certain percentage of employees' salaries to the basic social pension insurance scheme to provide retirement benefits for employees. The Group's sole obligation with respect to contributions to the basic social pension insurance scheme is to make contributions in accordance with relevant regulations. There were no changes to the details of such retirement benefits.

V. ANALYSIS OF ASSETS AND LIABILITIES *(continued)*

14. Employees, remuneration, pension scheme, and training *(continued)*

During the Reporting Period, centered on development strategies and business needs, the Group continuously enhanced its talent cultivation and development mechanisms. By understanding the capability requirements across various business segments and positions, the Group carried out training for new employees, professional skill enhancement, management capability development, and compliance training through a combination of online and offline channels, thereby constantly improving employees' professional competence and capacity to perform their duties.

The Group focused on key areas including R&D innovation, production and quality, marketing, internationalization, and digital transformation to conduct targeted capability building, while promoting the application of artificial intelligence and digital tools in learning and working scenarios. Meanwhile, the Group conducted training on topics such as business ethics and anti-corruption, information security, and privacy protection, continuously reinforcing employees' compliance awareness and risk consciousness.

The Group attaches great importance to the cultivation of young talents and reserve talents, adheres to scientific, impartial, and transparent mechanisms for talent selection, promotion, and evaluation, and supports employee growth while continuously refining its talent pipeline through mentorship, on-the-job practice, specialized training, and project experience. Looking ahead, the Group will, aligned with its strategic development needs, further optimize talent cultivation and development mechanisms to build a talent team that matches the Group's development strategy, possesses innovative capabilities and a global vision, thereby providing talent safeguards for the Group's high-quality and sustainable development.

15. Dividends and bonus shares

On 29 May, 2026, the Company convened the 2025 Annual General Meeting, which reviewed and approved the 2025 profit distribution plan. Based on the total share capital of the Company as determined on the record date for implementation of the 2025 profit distribution plan (excluding the number of shares repurchased by the Company but not yet canceled), a cash dividend of RMB14.30 (tax inclusive) per every 10 shares would be distributed to all shareholders of the Company. No bonus shares would be issued, and no capital reserve would be converted into share capital under this profit distribution plan.

Pursuant to the 2025 profit distribution plan, the cash dividend for the Company's A shares was paid on 16 June, 2026, and the cash dividend for the Company's H shares was paid on 13 July, 2026.

The Company does not propose to distribute an interim dividend or issue bonus shares for the six months ended 30 June, 2026. No interim dividend was distributed by the Company during the six months ended 30 June, 2026.

VI. INVESTMENT ANALYSIS

1. Significant investments

On 22 May, 2025, the 25th meeting of the Eleventh Board of Directors of the Company reviewed and approved the "Proposal on the Proposed Acquisition of Equity Interests in IMP, Vietnam". Pursuant to the Framework Agreement entered into on 22 May, 2025 by LIAN SGP HOLDING PTE. LTD. (the "LIAN SGP"), an overseas wholly-owned subsidiary of the Company, with SK Investment Vina III Pte. Ltd. ("SK"), Sunrise Kim Investment Joint Stock Company ("Sunrise"), and KBA Investment Joint Stock Company ("KBA", collectively with SK and Sunrise, the "Sellers"), LIAN SGP intended to acquire an aggregate of 64.81% equity interest in Imexpharm Corporation, a listed company in Vietnam, held by the Sellers, for VND 5,730,815,426,000 (equivalent to approximately RMB1.587 billion based on the middle exchange rate on the date of signing of the agreement).

On 29 December, 2025, LIAN SGP entered into the Amendment Agreement to Framework Agreement with the Sellers, amending the definition of the "Closing Date" under the Framework Agreement to " 30 June, 2026, or such later date as mutually agreed in writing by the Sellers and the Buyer", and clarifying the definition of the condition precedent "the merger control approval for the shares proposed to be acquired by the Buyer has been obtained" as "the parties have obtained valid and ongoing merger control approval for the shares proposed to be acquired by the Buyer through a public tender offer".

On 30 December, 2025, the 31st meeting of the Eleventh Board of Directors of the Company reviewed and approved the "Proposal on the Proposed Public Tender Offer for the Acquisition of Equity Interests in IMP, Vietnam". The Board agreed that LIAN SGP would apply to the State Securities Commission of Vietnam for a public tender offer to acquire IMP shares in accordance with relevant Vietnamese regulations and would make a tender offer to all IMP shareholders. The adjusted maximum equity purchase price payable for the proposed transaction was VND6,891,442,278,000.00 (equivalent to approximately RMB1.846 billion, based on the middle exchange rate on the Board approval date). The actual transaction consideration is contingent upon the number of shares ultimately tendered and accepted. This public tender offer was subject to approval by the State Securities Commission of Vietnam and other relevant Vietnamese governmental or regulatory authorities.

Pursuant to IMP's foreign ownership limit requirements, the maximum number of shares to be acquired via this public tender offer was 120,059,970, representing 77.94% of IMP's registered capital and 77.96% of its voting shares. The proposed tender offer price was VND57,400 per share (equivalent to approximately RMB15.37 per share, based on the middle exchange rate on the Board approval date). During the public tender offer period, LIAN SGP, as the offeror, was entitled to withdraw the tender offer if any of the following events occurred: (1) the shares proposed to be sold by target shareholders fell short of the minimum threshold of 99,839,990 shares (64.81% of registered capital); (2) the target company increased its total voting shares by converting preferred shares (if any) to ordinary shares or through other means; (3) the target company reduced its total voting shares; or (4) the target company issued shares, convertible bonds, bonds with warrants, or subscription rights (excluding shares issued under the ESOP approved by Resolution No. 02/2025/NQ-DHDCD-IMP dated 28 October, 2025), or disposed of assets valued at 35% or more of the total assets in its latest financial statements.

VI. INVESTMENT ANALYSIS *(continued)*

1. Significant investments *(continued)*

On 6 March, 2026, LIAN SGP received approval from the State Securities Commission of Vietnam for this transaction. On 29 April, 2026, the public tender offer period concluded, with target shareholders accepting LIAN SGP's offer for 104,545,781 shares. On 11 May, 2026, LIAN SGP received a notice from the Ho Chi Minh City Branch of the Vietnam Securities Depository and Clearing Corporation (CNVSDC) confirming completion of the transfer of ownership related to the public tender offer: The ownership transfer procedures for its acquisition of 104,545,781 IMP shares had been completed. Following completion of the acquisition, the Company, through LIAN SGP, held 104,545,781 IMP shares, representing 67.87% of IMP's registered capital and 67.88% of its voting shares. For further details regarding the acquisition, please consult the Company's announcements dated 22 May, 2025, 30 December, 2025, 6 March, 2026, 29 April, 2026, and 11 May, 2026, as published on the Company's website and HKExnews.

Except as disclosed above, during the Reporting Period, the Group made no acquisitions of equity interests and/or other significant investments, nor did it have any other significant future investment or capital expenditure plans as at the date of the report. Furthermore, the Group's investment portfolio showed no significant changes compared with the relevant information disclosed in the Company's 2025 annual report.

2. Disposal of significant assets and equity interests

During the Reporting Period, the Group did not dispose of any significant assets. During the Reporting Period, the Group did not dispose of any significant equity interests.

3. Investments in financial assets

During the Reporting Period, to effectively manage the uncertainty risks arising from exchange rate fluctuations on the Group's foreign currency-denominated assets, the Group utilized financial derivatives, including foreign exchange forward contracts, to lock in rates and hedge exposures. The Group has established the Foreign Exchange Risk Management Measures and the Management Measures for Commodity Futures Hedging Business to govern foreign exchange and commodity futures derivatives and control associated risks. The Group engaged in no speculative derivative investments during the Reporting Period. During the Reporting Period, the fair value changes in foreign exchange forward contracts resulted in losses of RMB-1.5115 million (30 June, 2025: RMB8.5787 million).

4. Use of Proceeds from Fundraising

During the Reporting Period, the Company made no use of proceeds from fundraising.

VII. RISKS FACED BY THE COMPANY AND RESPONSE MEASURES

(I) Risk of Pressure on the Growth of Core Products Due to Policy Changes and Intensified Market Competition

Pricing and market access pressures stemming from profound industry policy adjustments: Amid advancing healthcare reform and implementation of the revised Regulations on the Implementation of the Drug Administration Law, national centralized drug procurement and medical insurance negotiations have entered a new phase of quality improvement and broader coverage. Pricing systems for mature products face restructuring pressure, with industry gross margins trending downward. Regulatory logic is also shifting from a singular focus on cost containment and price cuts to comprehensive compliance governance across the entire value chain. This raises compliance costs for commercial operations and vendor management, and imposes transitional constraints on the transformation of traditional promotion models.

Growth challenges arising from a reshaped competitive landscape: Accelerated launches of same-target innovative drugs and biosimilars have intensified homogeneous competition in high-demand therapeutic areas. Consequently, market pricing flexibility and medical insurance access negotiations face mounting pressure from multi-stakeholder dynamics. In expanding into new therapeutic areas such as immunology and metabolism, the Group confronts both entrenched channel barriers erected by industry incumbents and aggressive pricing pressures from rival products. Should the pace of new product listing, hospital coverage expansion, or market education lag behind expectations, the commercialization ramp-up could decelerate, challenging the seamless transition between legacy and nascent growth drivers.

Response measures:

First, establish clinical value barriers through differentiated innovation and high-quality evidence generation. The Group adheres to an R&D philosophy oriented toward unmet clinical needs and differentiated innovation. It generates comprehensive evidence-based medical data through high-quality clinical validation, securing positions in authoritative guidelines, and conducting large-scale real-world studies to communicate product clinical value.

Second, accelerate the commercial uptake of new products to optimize the revenue mix. Leveraging its multi-dimensional, omnichannel marketing network, the Group expedites hospital listing and penetration into primary care markets for products approved in recent years. Through a three-pronged approach encompassing access, academic promotion, and digital engagement, the Group enhances market penetration efficiency, steering the revenue mix toward innovation-led structural growth.

Third, continuously deepen compliance governance and cost control. The Group upholds compliance as the lifeline of its operations, fully executing the primary responsibilities of the Marketing Authorization Holder (MAH). Compliance controls are embedded across the entire commercialization lifecycle to ensure the continuity and stability of academic promotion under stringent standards. Meanwhile, through integrated industrial chain collaboration and the digital-intelligent upgrade of its supply chain, the Group continuously optimizes the all-in cost of individual products.

VII. RISKS FACED BY THE COMPANY AND RESPONSE MEASURES *(continued)*

(II) Risks Associated with Long Development Cycles, High Investments, and Uncertainties in New Drug R&D

New drug R&D exhibits the common industry traits of high investment, long cycles, and significant risk. First, R&D and clinical progress may fall short of expectations. Trial progression is subject to multiple complex factors, including trial participant recruitment rates, clinical protocol optimization, site activation efficiency. This raises the possibility of extended development timelines or schedule delays for certain projects. Second, evolving regulatory policies necessitate adjustments to registration strategies. As drug review and approval policies continue to advance, registration strategies must be adjusted dynamically if the regulatory landscape is disrupted by competing products securing prior approval, or if influenced by external factors such as regional policies. Third, intensifying homogeneous competition poses commercial access risks. Competition in popular target tracks within China is becoming increasingly fierce. The clustered approval of multiple similar products squeezes market pricing flexibility and exerts pressure on medical insurance access negotiations and terminal market penetration following the launch of the Group's new drugs.

Response measures: In response to the above risks, the Group has established a risk identification and response mechanism covering the entire R&D lifecycle:

First, deepen dynamic evaluation and optimize resource allocation. The Group institutionalizes dynamic reassessment mechanisms across the full project lifecycle. It implements tiered and categorical management across dimensions including clinical value, technical feasibility, and market competitiveness. Pipelines lacking competitive advantages are promptly terminated or adjusted to ensure the efficient concentration of core resources on strategically critical projects, thereby securing both resource allocation efficiency and the momentum of key projects.

Second, strengthen proactive registration planning and regular regulatory communication. The Group reinforces upfront planning for registration strategies, closely tracks evolving domestic and international regulatory policies, and fully leverages expedited pathways such as priority review and breakthrough therapy designation to accelerate approval processes. Simultaneously, it has established a rapid-response mechanism for policy risks and maintains an ongoing, constructive dialogue with regulatory authorities to ensure the compliance and viability of registration pathways.

Third, leverage digital and AI capabilities to comprehensively deepen AI integration across the entire continuum of drug discovery, process development, and clinical operations. This approach shortens development cycles, reduces trial-and-error costs, and enhances R&D robustness across both efficiency and quality dimensions.

VII. RISKS FACED BY THE COMPANY AND RESPONSE MEASURES *(continued)*

(III) Risks Associated with International Operations and Overseas Integration

As the Group's internationalization strategy advances in depth, the operating environment for overseas business has grown increasingly complex. On the one hand, factors such as international geopolitical volatility, rising trade protectionism, and sharp exchange rate fluctuations may adversely impact the Group's overseas income and profitability. Certain countries with underdeveloped regulatory frameworks impose stringent local access requirements, which may derail the sales ramp-up of products. On the other hand, regulatory barriers for overseas registration persist at elevated levels. Marked disparities exist across jurisdictions in drug review standards, GMP certification requirements, and patent protection regimes, inflating both the uncertainty and time costs associated with registration applications. Furthermore, in advancing the construction and operation of overseas manufacturing bases and integrating the operations of IMP in Vietnam, the Group faces multifaceted challenges, including cultural integration across multinational management teams, alignment of quality systems, execution of technology transfer, and consolidation of local distribution channels. Should integration progress fall short of expectations, the strategic outcomes of the Group's overseas entity-based operations may be undermined.

Response measures: In response to the above risks, the Group has established a systematic risk prevention and response mechanism:

First, strengthen the recruitment and cultivation of high-caliber, versatile talent to solidify the organizational foundation for international operations. The Group continuously optimizes its organizational structure, prioritizing the introduction of high-caliber talent for international operations to provide robust talent support for overseas market deployment. Simultaneously, it adopts a "localized management" model. While respecting local laws and business cultures, the Group empowers overseas local management teams to fully leverage their market insights and channel resources, thereby achieving an organic integration of headquarters' strategic control and locally flexible operations.

Second, deepen the development of compliance systems to fortify the defensive line for overseas operations. The Group strictly benchmarks against international quality management standards, including ICH Q10 and PIC/S, spearheading the standardization and integration of compliance systems across all manufacturing sites. To address disparities in overseas registration regulations, the Group has established dedicated tracking mechanisms. It has deployed AI-powered systems for country-specific registration management, maintaining close vigilance on new regulatory issuances to anticipate policy shifts and enable prompt intervention. During the integration of IMP in Vietnam, the Group has instituted a regular interface management mechanism to ensure controllability over key nodes such as technology transfer and quality system convergence.

Third, mitigate location-specific trade friction risks through localized operations. By establishing localized production bases and operating entities in key markets such as Vietnam and Indonesia, the Group effectively circumvents tariff barriers, shortens supply chain radii, and accelerates market responsiveness. Concurrently, the Company promotes RMB settlement in selected countries and regions, hedging against exchange rate and trade policy risks across multiple dimensions.

Fourth, optimize the global customer mix and bolster counter-cyclical resilience. In the API segment, the Group continuously deepens strategic cooperation with core customers, increasing the proportion of sales under Long-Term Agreements (LTA). This stabilizes the order structure to buffer against market volatility. In the finished drug segment, the Group strategically expands into emerging markets represented by Indonesia, Saudi Arabia, Brazil, and Russia. This reduces the risks of current reliance on individual countries and optimizes the global market footprint.

VII. RISKS FACED BY THE COMPANY AND RESPONSE MEASURES *(continued)*

(IV) Risks Associated with Work Safety and Environmental Protection

As the national "dual carbon" strategy advances in depth and environmental and work safety regulations evolve throughout the 15th Five-Year Plan period, pharmaceutical manufacturers, particularly in the API and complex formulation segments, face escalating EHS (Environment, Health and Safety) compliance costs. In H1 2026, national and local regulators rolled out new rules on hazardous chemical safety management, new pollutant control, and carbon accounting. These raise the bar for manufacturers regarding risk-tiering controls, hazard identification and control, and clean production level. The industry as a whole faces markedly heightened pressure on work safety and green, low-carbon transition.

Against this backdrop, the Group, a comprehensive pharmaceutical giant operating multiple large API and finished drug manufacturing bases, confronts extensive EHS management chains and stringent standards. Should subsidiaries fail to keep abreast of updated policies, persistently upgrade facilities and equipment, or deepen refined process controls, compliance and operating costs may rise, potentially disrupting production rhythms and undermining stable development.

Response measures: In response to the above risks, the Group upholds its EHS philosophy: "Safety first, prevention foremost, green and low-carbon, sustainable development". It has elevated safety and environmental protection to a strategic priority and is building out a comprehensive safeguards system:

First, fully implement the EHS accountability system and regular audit mechanism. The Group has refined its work safety accountability system to cover all personnel and reinforced the oversight responsibility of its EHS Management Committee. During the Reporting Period, the Group intensified regular audits and cross-facility inspections, conducting over 30 targeted audits. All identified hazards were corrected with 100% closure. No major safety, environmental, or occupational health incidents occurred in H1.

Second, leverage digital and AI technologies to enable smart safety defenses. The Group has rolled out "AI+EHS" management, deploying a round-the-clock intelligent alert network. AI-powered hazard monitoring and smart control platforms facilitate real-time alerts for high-risk zones and tiered hazard controls. Coupled with digital training and assessment modules, this approach holistically elevates the intrinsic safety level of all employees.

Third, scale up investment in eco-friendly and low-carbon initiatives while upgrading green processes. The Group continues to increase investment in energy conservation, emission cuts, and resource recovery from the "three wastes". It is advancing green projects, including organic solvent recovery, high-efficiency RTO flaring, and distributed photovoltaics, and is planning reclaimed water reuse systems to secure dual wins in environmental and economic benefits.

Fourth, chart the course for the 15th Five-Year Plan and carbon neutrality. The Group is mapping out its long-term EHS roadmap for the period, intensifying clean production audits and energy mix optimization. It is actively pursuing accreditation as a National Green Factory, thereby ensuring steady progress toward its strategic goal of achieving carbon neutrality by 2055.

VIII. PURCHASE, SALE, OR REDEMPTION OF SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, 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 held no treasury H shares (as defined in the Hong Kong Listing Rules).

IX. SHARE OPTION INCENTIVE SCHEME

On 29 August, 2022, the Company convened the 34th meeting of the Tenth Board of Directors, which reviewed and approved the 2022 Share Option Incentive Scheme (Draft) and its summary (the "2022 Option Incentive Scheme"). The Scheme proposes granting 20,000,000 share options to participants, covering a total of 20,000,000 A-share ordinary shares. Of these, 18,000,000 options constitute the initial grant (the "Initial Grant"), and 2,000,000 options are reserved for future grants (the "Reserved Grant"). Participants in the 2022 Option Incentive Scheme comprise directors, senior management, middle management, and relevant key core employees of the Company. The participants exclude independent directors, as well as shareholders or actual controllers holding, individually or collectively, 5% or more of the Company's shares, together with their spouses, parents, and children.

1. Initial Grant

The Initial Grant was dated 7 November, 2022, when 17,973,500 share options were granted to 1,026 participants at an exercise price of RMB31.31 per A share (the participants paid no consideration to the Company upon acceptance of these options). Registration of the Initial Grant was completed on 23 November, 2022. The options are abbreviated as Livzon JLC3 (code: 037312).

At the beginning of the Reporting Period, the aggregate number of share options held, vested, and unvested by participants under the Initial Grant stood at zero. Consequently, no grants, allocations, or exercises occurred during the Reporting Period.

2. Reserved Grant

The Reserved Grant was dated 30 October, 2023, with 2,000,000 share options granted to 243 participants at an exercise price of RMB36.26 per A share (the participants paid no consideration to the Company upon acceptance of these options). Registration of the Reserved Grant was completed on 28 November, 2023. The options are abbreviated as Livzon JLC4 (code: 037409).

At the beginning of the Reporting Period, the aggregate number of share options held, vested, and unvested by participants under the Reserved Grant stood at zero. Consequently, no grants, allocations, or exercises occurred during the Reporting Period.

IX. SHARE OPTION INCENTIVE SCHEME *(continued)*

2. Reserved Grant *(continued)*

At both the beginning and end of the Reporting Period, the total number of share options available for grant under the 2022 Option Incentive Scheme was zero.

All share options under the 2022 Option Incentive Scheme were canceled on 6 May, 2025. Accordingly, for the Reporting Period, the weighted average number of shares issued in respect of all options and awards granted under the scheme, relative to the weighted average number of relevant issued shares of the corresponding class (excluding treasury shares (as defined in the Hong Kong Listing Rules) (A shares)), was zero.

X. MEDIUM AND LONG-TERM BUSINESS PARTNER SHAREHOLDING PLAN

1. The Second Shareholding Plan

On 20 May, 2022, the 2021 Annual General Meeting of the Company reviewed and approved the second shareholding plan under the Shareholding Plan (the "Second Shareholding Plan") and its management rules (the "Management Rules").

The participants in the Second Shareholding Plan (the "Participants") include connected persons of the Company (the "Connected Participants"). The maximum subscription entitlement held by such Connected Participants is 29,721,703 units (the "Maximum Subscription Entitlement"), corresponding to a maximum subscription amount of RMB29,721,703.

On 8 July, 2022, to ensure the smooth implementation of the Second Shareholding Plan and having regard to external factors and the Company's actual circumstances, the 2022 First Extraordinary General Meeting reviewed and approved amendments to the Second Shareholding Plan and its Management Rules, shifting the management mode from an appointed asset manager to self-management by the Company.

From 10 August to 12 August, 2022, the Second Shareholding Plan purchased a total of 2,057,711 A Shares of the Company through the Shenzhen Stock Exchange trading system via centralized competitive trading, at an average price of RMB31.56 per share, with a total transaction amount of approximately RMB64.9514 million. As of 12 August, 2022, the Second Shareholding Plan had completed the share purchases. In accordance with relevant regulations, these shares are subject to a 36-month lock-up period (from 13 August, 2022 to 12 August, 2025). The total number of shares under the Second Shareholding Plan is 2,057,711 A Shares, representing approximately 0.23% of the Company's total share capital (excluding treasury shares (as defined in the Hong Kong Listing Rules)) as at the disclosure date of the Report.

The summary of the Second Shareholding Plan is as follows:

Purpose and benefits of the plan

The Second Shareholding Plan is designed to establish an innovative long-term incentive mechanism through share ownership by senior management and core technical teams. By conferring rights and obligations upon the Participants, it establishes a business partner mechanism characterized by "shared interests and shared risks". This drives the transformation of the Company's "managers" into "partners", optimizes the Company's remuneration structure, promotes long-term stable development, and enhances the Company's overall value.

X. MEDIUM AND LONG-TERM BUSINESS PARTNER SHAREHOLDING PLAN *(continued)*

1. The Second Shareholding Plan *(continued)*

Eligible participants

The Participants in the Second Shareholding Plan comprise senior management of the Company, key R&D and sales personnel who have made outstanding contributions to performance during the assessment period or will materially impact the Company's future performance, general managers of business divisions, general managers of subsidiaries, heads of first-tier functional departments at headquarters, and other core management personnel. As at the date of issuance of the Second Shareholding Plan, the Plan comprised 78 participants in total, including 9 directors (excluding independent non-executive directors), supervisors, and officers. Shareholders holding 5% or more of the shares and the actual controller do not participate in the Second Shareholding Plan.

Source of funds

The funding source for employee participation in the Second Shareholding Plan is the special fund earmarked for the Second Shareholding Plan (the "Special Fund"), which is appropriated by the Company. The total funding amount for the Second Shareholding Plan is RMB64,965,470, entirely derived from the Special Fund appropriated by the Company. Employees of the Company are not required to make any payment to participate in the Second Shareholding Plan or to receive any distributions of benefits thereunder.

Number of shares and maximum entitlement

The aggregate number of shares held under the Second Shareholding Plan shall not exceed 10% of the Company's total share capital. The aggregate number of shares attributable to the interests held by any individual employee under the Second Shareholding Plan shall not exceed 1% of the Company's total share capital.

The total number of underlying shares excludes shares acquired by Participants prior to the Company's initial public offering and listing, shares personally purchased on the secondary market, and shares acquired under equity incentives.

Term and lock-up period

The term of the Second Shareholding Plan was 48 months, commencing from the date of the Company's announcement that the final tranche of underlying shares under the Second Shareholding Plan had been transferred to the name of the Second Shareholding Plan (i.e., from 13 August, 2022 to 12 August, 2026). The Third Meeting of Participants of the Second Shareholding Plan and the 34th meeting of the Eleventh Board of Directors of the Company reviewed and approved the "Proposal on Adjusting Relevant Contents of the Second Shareholding Plan and Extending the Term" on 22 April, 2026 and 23 April, 2026, respectively. They resolved to amend the relevant provisions of the Second Shareholding Plan and its Management Rules, and to extend the Plan's term by 12 months, to 12 August, 2027. As at the date of the Report, the remaining term of the Second Shareholding Plan was approximately one year.

The lock-up period for the underlying shares acquired under the Second Shareholding Plan was 36 months, commencing from the date of the Company's announcement that the final tranche of such shares had been transferred to the name of the Second Shareholding Plan (i.e., from 13 August, 2022 to 12 August, 2025). The lock-up period expired on 12 August, 2025.

X. MEDIUM AND LONG-TERM BUSINESS PARTNER SHAREHOLDING PLAN *(continued)*

1. The Second Shareholding Plan *(continued)*

Allocation of participants' interests

The list of Participants and allocation of interests are as follows:

Participant	Category	Percentage of the total amount of the Second Shareholding Plan	Unvested portion at the beginning of the Reporting Period (10,000 units) [1]	Portion held as at January 1, 2026 (10,000 units)	Portion vested during the period (10,000 units) [2]	Portion canceled during the period (10,000 units)	Portion lapsed during the period (10,000 units)	Portion held as at June 30, 2026 (10,000 units)	Unvested portion at the end of the Reporting Period (10,000 units) [1]
Tang Yanggang	Executive Director and Vice Chairman	6.00%	–	389.7928	–	–	–	389.7928	–
Xu Guoxiang	Executive Director (resigned)	5.00%	–	324.8274	–	–	–	324.8274	–
Five highest-paid persons (excluding Tang Yanggang and Xu Guoxiang)		6.00%	–	389.7928	–	–	–	389.7928	–
Other persons (71)		83.00%	–	5,392.1340	–	–	–	5,392.1340	–

Notes:

(1) The Second Shareholding Plan was considered and approved at the 2021 Annual General Meeting on 20 May, 2022. As of 12 August, 2022, the Second Shareholding Plan had purchased a total of 2,057,711 A Shares of the Company through centralized competitive trading, with a transaction amount of RMB64,951,400. All 64,965,470 units under the Second Shareholding Plan had been vested to the Participants.

(2) For details regarding the term, lock-up period, and assessment indicators, please refer to the sections "Term and lock-up period" and "Source of funds and assessment indicators for the special fund" above. Employees of the Company are not required to make any payment to participate in the Second Shareholding Plan or to receive any distributions thereunder.

(3) On 11 August, 2022 (the trading day immediately preceding the vesting date), the closing price of the Company's A Shares was RMB31.75 per share.

X. MEDIUM AND LONG-TERM BUSINESS PARTNER SHAREHOLDING PLAN *(continued)*

1. The Second Shareholding Plan *(continued)*

The list of Connected Participants and their subscription details are as follows:

Participant	Position held in the Company/its subsidiaries	Subscribed portion (10,000 units)	Percentage of the total amount of the Second Shareholding Plan
Tang Yanggang	Executive Director and 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 and Chief Financial Officer (resigned)	162.4137	2.50%
Wang Maolin	Chief Supervisor (resigned)	64.9655	1.00%
Hou Xuemei *(Note)*	–	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, former Vice Chairman of the Company (resigned on 28 February, 2026), and is therefore a connected person of the Company.

X. MEDIUM AND LONG-TERM BUSINESS PARTNER SHAREHOLDING PLAN *(continued)*

3. The Third Shareholding Plan

On 7 November, 2023, the 2023 Second Extraordinary General Meeting of the Company reviewed and approved the third shareholding plan under the Shareholding Plan (the "Third Shareholding Plan") and its management rules (the "Management Rules").

The participants in the Third Shareholding Plan (the "Participants") include connected persons of the Company (the "Connected Participants"). The maximum subscription entitlement held by the Connected Participants is 31,611,878 units (the "Maximum Subscription Entitlement"), corresponding to a maximum subscription amount of RMB31,611,878.

From 22 November, 2023 to 22 December, 2023, the Third Shareholding Plan purchased a total of 2,077,100 A Shares of the Company through the Shenzhen Stock Exchange trading system via centralized competitive trading, at an average price of RMB34.20 per share, with a total transaction amount of approximately RMB71.0403 million. As of 22 December, 2023, the Third Shareholding Plan had completed the share purchases. In accordance with relevant regulations, these shares are subject to a 36-month lock-up period (from 23 December, 2023 to 22 December, 2026). The total number of shares under the Third Shareholding Plan is 2,077,100 A Shares, representing approximately 0.23% of the Company's total share capital (excluding treasury shares (as defined in the Hong Kong Listing Rules)) as at the disclosure date of the Report.

The summary of the Third Shareholding Plan is as follows:

Purpose and benefits of the plan

The Third Shareholding Plan is designed to establish an innovative long-term incentive mechanism through share ownership by senior management and core technical teams. By conferring rights and obligations upon the Participants, it establishes a business partner mechanism characterized by "shared interests and shared risks". This drives the transformation of the Company's "managers" into "partners", optimizes the Company's remuneration structure, promotes long-term stable development, and enhances the Company's overall value.

Eligible participants

The Participants in the Third Shareholding Plan comprise senior management of the Company, key R&D and sales personnel who have made outstanding contributions to performance during the assessment period or will materially impact the Company's future performance, general managers of business divisions, general managers of subsidiaries, heads of first-tier functional departments at headquarters, and other core management personnel. As at the date of issuance of the Third Shareholding Plan, the Plan comprised 84 participants in total, including 8 directors (excluding independent non-executive directors), supervisors, and officers. Shareholders holding 5% or more of the shares and the actual controller do not participate in the Third Shareholding Plan.

X. MEDIUM AND LONG-TERM BUSINESS PARTNER SHAREHOLDING PLAN *(continued)*

3. The Third Shareholding Plan *(continued)*

Source of funds

The funding source for employee participation in the Third Shareholding Plan is the special fund earmarked for the Third Shareholding Plan (the "Special Fund"), which is appropriated by the Company. The total funding amount for the Third Shareholding Plan is RMB71,037,901, entirely derived from the Special Fund appropriated by the Company. Employees of the Company are not required to make any payment to participate in the Third Shareholding Plan or to receive any distributions of benefits thereunder.

Source of shares

The underlying shares (the "Underlying Shares") shall be acquired through purchases in the secondary market (including but not limited to competitive bidding transactions and block trades) and other methods permitted by laws and regulations (excluding subscriptions for newly issued shares of the Company). Where the Underlying Shares under the Third Shareholding Plan are acquired through purchases in the secondary market, such purchases shall be completed within six months after approval of the Third Shareholding Plan by the General Meeting.

Number of shares and maximum entitlement

The aggregate number of shares held under the Third Shareholding Plan shall not exceed 10% of the Company's total share capital. The aggregate number of shares attributable to the interests held by any individual employee under the Third Shareholding Plan shall not exceed 1% of the Company's total share capital.

The total number of underlying shares excludes shares acquired by Participants prior to the Company's initial public offering and listing, shares personally purchased on the secondary market, and shares acquired under equity incentives.

Term and lock-up period

The term of the Third Shareholding Plan is 48 months, commencing from the date of the Company's announcement that the final tranche of underlying shares under the Third Shareholding Plan had been transferred to the name of the Third Shareholding Plan (i.e., from 23 December, 2023 to 22 December, 2027). As at the date of the Report, the remaining term of the Third Shareholding Plan was approximately one year and four months.

The lock-up period for the underlying shares acquired under the Third Shareholding Plan was 36 months, commencing from the date of the Company's announcement that the final tranche of such shares had been transferred to the name of the Third Shareholding Plan (i.e., from 23 December, 2023 to 22 December, 2026).

X. MEDIUM AND LONG-TERM BUSINESS PARTNER SHAREHOLDING PLAN *(continued)*

3. The Third Shareholding Plan *(continued)*

Allocation of participants' interests

The list of Participants and allocation of interests are as follows:

Participant	Position held in the Company/its subsidiaries	Percentage of the total amount of the Third Shareholding Plan	Unvested portion at the beginning of the Reporting Period (10,000 units) (1)	Portion held as at 1 January, 2026 (10,000 units)	Portion vested during the period (10,000 units) (2)	Portion canceled during the period (10,000 units)	Portion lapsed during the period (10,000 units)	Portion held as at 30 June, 2026 (10,000 units)	Unvested portion at the end of the Reporting Period (10,000 units) (1)
Tang Yanggang	Executive Director	6.00%	–	426.2274	–	–	–	426.2274	–
Xu Guoxiang	Executive Director (resigned)	5.00%	–	355.1895	–	–	–	355.1895	–
Five highest-paid persons (excluding Tang Yanggang and Xu Guoxiang)		6.00%	–	426.2274	–	–	–	426.2274	–
Other persons (71)		83.00%	–	5,896.1458	–	–	–	5,896.1458	–

Notes:

(1) The Third Shareholding Plan was considered and approved at the 2023 Second Extraordinary General Meeting on 7 November, 2023. As of 22 December, 2023, the Third Shareholding Plan had purchased a total of 2,077,100 A Shares of the Company through centralized competitive trading, with a transaction amount of RMB71,040,300. All 71,037,901 units under the Third Shareholding Plan had been vested to the Participants.

(2) For details regarding the term, lock-up period, and assessment indicators, please refer to the sections "Term and lock-up period" and "Source of funds and assessment indicators for the special fund" above. Employees of the Company are not required to make any payment to participate in the Third Shareholding Plan or to receive any distributions thereunder.

(3) On 21 December, 2023 (the trading day immediately preceding the vesting date), the closing price of the Company's A Shares was RMB34.91 per share.

X. MEDIUM AND LONG-TERM BUSINESS PARTNER SHAREHOLDING PLAN *(continued)*

3. The Third Shareholding Plan *(continued)*

Allocation of participants' interests *(continued)*

The list of Connected Participants and their subscription details are as follows:

Participant	Position held in the Company/ its subsidiaries	Subscribed portion (10,000 units)	Percentage of the total amount of the Third Shareholding Plan
Tang Yanggang	Executive Director and 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 and Vice President (resigned)	355.1895	5.00%
Si Yanxia	Vice President and Chief Financial Officer (resigned)	177.5948	2.50%
Wang Maolin	Chief Supervisor (resigned)	71.0379	1.00%
Hou Xuemei (Note)	–	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, former Vice Chairman of the Company (resigned on 28 February, 2026), and is therefore a connected person of the Company.

XI. OTHERS

1. Events after the Reporting Period That have a significant impact on the Group

Since the end of the Reporting Period, no events that have had a significant impact on the Group have occurred, except as disclosed in the Report.

2. Other significant matters

During the Reporting Period, except as disclosed in the Report, the Company did not conduct any significant investments, significant acquisitions or disposals relating to subsidiaries, associates or joint ventures, nor did any other significant matters requiring disclosure occur. The Company also had no other significant future investments or capital expenditure plans.

3. Audit Committee and review of financial information

As at the date of the interim report, the Audit Committee comprised three independent non-executive directors, namely Ms. Kang Li, Mr. Luo Huiyuan, and Ms. Cui Lijie. Ms. Kang Li serves as the Chairperson of the Audit Committee and possesses the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Hong Kong Listing Rules. The Audit Committee, together with the management of the Company, has reviewed the accounting principles and practices adopted by the Group and discussed matters relating to risk management, internal control, and financial reporting, including the review of the Group's interim results for the six months ended 30 June, 2026. The Board of Directors and the Audit Committee have no disagreement regarding the accounting treatments adopted by the Group.

The Group's interim results for the six months ended 30 June, 2026 have not been audited or reviewed by the Company's external auditor.

I. Corporate Governance

1. Overview

During the Reporting Period, the Company has, at all times, strictly complied with the Company Law, the Securities Law, the Guidelines for Corporate Governance of Listed Companies, the Shenzhen Listing Rules, the Guideline No. 1 on Self-Discipline Supervision of Companies Listed on the Shenzhen Stock Exchange – Standardised Operation of Main Board Listed Companies, and other normative documents relating to the governance of listed companies issued by the CSRC, the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, and has continuously improved the Company's corporate governance structure, strengthened its internal control systems and enhanced its standard of corporate governance.

The Board is of the view that the actual state of the Company's corporate governance is in compliance with the requirements of normative documents such as the Guidelines for Corporate Governance of Listed Companies, without any deviation.

During the Reporting Period, the general meetings, the Board and other decision-making and supervisory bodies of the Company have all carried out decision-making and supervision strictly in accordance with the requirements of normative operating rules and internal systems, and the operation thereof has been standardised and effective. The special committees under the Board have all performed their respective duties.

2. Compliance with the Corporate Governance Code

The Company confirms that during the period from 1 January 2026 to 30 June 2026, the Company has strictly complied with the principles and code provisions set out in Part 2 of the Corporate Governance Code as set out in Appendix C1 of the Hong Kong Listing Rules.

3. Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix C3 of the Hong Kong Listing Rules as its own code of conduct governing dealings in the Company's H Shares by the Directors and "Relevant Employees" as defined under the Corporate Governance Code as set out in Appendix C1 of the Hong Kong Listing Rules. Having made specific enquiry of all Directors of the Company, the Company was not aware of any information that reasonably indicated non-compliance by any Director with the standards set out in the above code regarding securities transactions during the period from 1 January 2026 to 30 June 2026, and all Directors have confirmed that they have complied with the standards set out in the above code during the period from 1 January 2026 to 30 June 2026. The Company has also made specific enquiry of all relevant employees regarding their compliance with the standards set out in the above code and has not identified any incident of non-compliance therewith.

II. Changes in Directors' Information

On 28 February 2026, Mr. Tang Yanggang ceased to be the President and was appointed as the Vice Chairman of the Company. On 29 May 2026, (i) Mr. Zhu Baoguo, Mr. Lin Nanqi and Mr. Qiu Qingfeng were re-elected as non-executive Directors of the 12th session of the Board; (ii) Mr. Tang Yanggang was re-elected as, and Mr. Liu Daping was elected as, executive Directors of the 12th session of the Board; (iii) Ms. Ran Yongmei was elected as the employee representative Director of the 12th session of the Board; (iv) Mr. Luo Huiyuan, Ms. Cui Lijie and Ms. Wang Zhiyao were re-elected as, and Ms. Kang Li was elected as, independent non-executive Directors of the 12th session of the Board; and (v) Mr. Liu Daping was appointed as the President of the Company. For details, please refer to the Company's circular dated 23 April 2026 and the Company's announcement dated 29 May 2026. On 29 May 2026, the authorised representative of the Company under Rule 3.05 of the Hong Kong Listing Rules was changed from Mr. Tang Yanggang to Mr. Liu Daping. Save as disclosed above, as at the date of this interim report, there has been no change in the information of Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

I. Interests of Directors and Chief Executives

As at 30 June 2026, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests and short positions which they were taken or deemed to have taken or held under such provisions of the Securities and Futures Ordinance), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or which were otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

1. Interests in shares/underlying shares of the Company

Name of Director or chief executive	Nature of interest	Class	Number of shares/ underlying shares interested (long position)	Approximate percentage of the relevant class of issued shares of the Company (%)	Approximate percentage of the total issued shares of the Company (%)
Mr. Zhu Baoguo	Interests of controlled corporation	A Shares	255,513,953(1)(2)	43.45	28.78
		H Shares	163,364,672(1)(3)	54.49	18.40
Mr. Tang Yanggang	Beneficial owner	A Shares	344,963	0.06	0.04

I. Interests of Directors and Chief Executives *(continued)*

2. Interests in shares/underlying shares of associated corporations of the Company

Name of Director or chief executive	Name of associated corporation	Nature of interest	Equity interest/ number of shares (long position)	Approximate percentage of the equity interest of the associated corporation (%)
Mr. Zhu Baoguo	Baiyeyuan	Beneficial owner	72,000,000 (RMB) (1)	90.00(1)
	Joincare	Interests of controlled corporation	895,653,653 shares (1)(4)	48.96(5)
	LivzonBio	Interests of controlled corporation	294,000,000 (RMB) (1)(7)	22.58(6)
Mr. Tang Yanggang	Xinbeijiang Pharma	Interests of controlled corporation	20,238,780 shares (8)	8.44
	Livzon Diagnostics	Interests of controlled corporation	36,099,971 shares (9)	9.03
Mr. Lin Nanqi	Joincare	Beneficial owner	1,291,040 shares	0.07
Mr. Qiu Qingfeng	Joincare	Beneficial owner	717,409 shares	0.07

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 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 2 January 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.

I. Interests of Directors and Chief Executives *(continued)*

2. Interests in shares/underlying shares of associated corporations of the Company *(continued)*

Notes: (continued)

(3) These shares are directly held by Joincare's wholly-owned subsidiary, Topsino.

(4) Baiyeyuan holds 895,653,653 shares of Joincare.

(5) The total number of issued shares of Joincare is 1,829,453,386. Therefore, Baiyeyuan holds a 48.96% equity interest in Joincare.

(6) LivzonBio is directly owned by Joincare as to 22.58%.

(7) These equity interests are held by Joincare. Meanwhile, Joincare indirectly holds interests in the subsidiaries of LivzonBio through LivzonBio, including but not limited to Livzon HK and Livzon MAB.

(8) Xinbeijing Pharma is directly owned by the Company as to 87.14%, and Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership)* directly holds an 8.44% interest (i.e. 20,238,780 shares). Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership)* is directly owned by Mr. Tang Yanggang as to 24.00%, and Mr. Tang Yanggang is also the executive managing partner of Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership). In addition, Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) indirectly holds interests in the subsidiaries of Xinbeijing Pharma through Xinbeijing Pharma, including but not limited to Fuzhou Fuxing and Ningxia Pharma.

(9) Livzon Diagnostics is directly held by the Company as to 47.425%, and by Zhuhai Liying Investment Management Partnership (Limited Partnership) ("Liying") as to 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 sole authority to decide all matters concerning Liying. In addition, Liying indirectly holds interests in the subsidiaries of Livzon Diagnostics through Livzon Diagnostics, including but not limited to Zhuhai Lihe Medical Diagnostic Products Co., Ltd.* and Shanghai Lihang Biotechnology Co., Ltd.*.

Save as disclosed above, as at 30 June 2026, so far as is known to the Directors, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests and short positions which they were taken or deemed to have taken or held under such provisions of the Securities and Futures Ordinance), or which were required to be entered in the register referred to therein pursuant to Section 352 of the Securities and Futures Ordinance, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

II. Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares

As at 30 June 2026, so far as is known to the Directors, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, and which were required to be recorded in the register kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance:

Name of Shareholder	Nature of interest	Class	Number of shares interested (long position)	Approximate percentage of the relevant class of issued shares of the Company (%)	Approximate percentage of the total issued shares of the Company (%)
Baiyeyuan	Interests of controlled corporation	A Shares	255,513,953[(1)]	43.45	28.78
		H Shares	163,364,672[(2)]	54.49	18.40
Liu Guangxia	Spouse interests	A Shares	255,513,953[(3)]	43.45	28.78
		H Shares	163,364,672[(3)]	54.49	18.40
Joincare	Beneficial owner	A Shares	221,376,789	37.64	24.93
	Interests of controlled corporation	A Shares	16,830,835[(4)]	2.86	1.90
	Holder of a security interest over shares	A Shares	17,306,329[(5)]	2.94	1.95
	Interests of controlled corporation	H Shares	163,364,672[(2)]	54.49	18.40
Topsino	Beneficial owner	H Shares	163,364,672	54.49	18.40

Notes:

(1) Of these shares, 238,683,118 shares and 16,830,835 shares 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 and is therefore deemed to have an interest in the shares in which Mr. Zhu Baoguo is deemed to have an interest.

(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, Custody and Pledge Agreement executed among Begol, Joincare and Zhuhai Lishi Investment Co., Ltd.* on 2 January 2004, as well as the Equity Transfer and Custody Agreement and the Equity Pledge Agreement executed between Begol and Joincare.

Save as disclosed above, as at 30 June 2026, so far as is known to the Directors and based on publicly available information, no person (other than the Directors and chief executives of the Company) had any interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or which were required to be recorded in the register kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance.

Consolidated and Company Balance Sheets
30 June 2026

Prepared by: Livzon Pharmaceutical Group Inc.* *Unit: RMB*

Item	Notes	Closing balance Consolidated	Closing balance Company	Opening balance Consolidated	Opening balance Company
Current assets:					
Cash and bank balances	V.1	7,440,783,197.94	4,616,432,604.04	9,305,381,624.06	4,467,826,388.38
Financial assets held for trading	V.2	383,382,884.68	59,551,703.14	1,344,668,279.76	614,493,738.06
Notes receivable	V.3	689,537,591.69	381,751,266.58	1,137,537,531.35	627,714,842.99
Accounts receivable	V.4	1,973,052,167.49	574,347,128.36	2,248,341,190.25	1,069,267,800.55
Receivables financing					
Prepayments	V.5	179,562,555.72	32,566,715.61	126,230,480.63	31,191,598.21
Other receivables	V.6	59,958,216.76	215,704,299.75	56,912,974.18	150,218,710.10
Including: Interest receivable					
Dividends receivable		9,100,106.84	47,425,000.00		
Inventories	V.7	1,797,643,098.88	409,426,380.16	1,561,207,468.12	282,594,580.93
Contract assets					
Assets held for sale					
Non-current assets due within one year	V.8	371,419,109.57	159,142,321.14	270,562,589.36	270,562,589.36
Other current assets	V.9	217,193,437.24	443,555.11	67,169,409.39	443,555.11
Total current assets		13,112,532,259.97	6,449,365,973.89	16,118,011,547.10	7,514,313,803.69
Non-current assets:					
Debt investments					
Other debt investments					
Long-term receivables					
Long-term equity investments	V.10	1,266,499,598.81	7,480,772,232.75	1,078,968,804.45	5,491,088,574.24
Investments in other equity instruments	V.11	1,856,248,837.35	297,496,622.64	522,975,348.60	297,496,622.64
Other non-current financial assets					
Investment properties	V.12	8,664,528.99		9,084,970.71	
Fixed assets	V.13	4,160,528,551.96	57,781,298.76	4,054,345,129.01	64,408,829.07
Construction in progress	V.14	289,489,839.82		234,180,002.38	270,028.31
Productive biological assets					
Oil and gas assets					
Right-of-use assets	V.15	179,230,109.12	4,652,974.92	33,090,291.50	7,055,078.34
Intangible assets	V.16	461,859,283.77	26,147,680.61	468,847,878.26	30,694,021.92
Development expenditure	V.17	401,382,672.18	219,108,529.68	364,875,894.36	207,288,475.91
Goodwill	V.18	1,094,527,799.82		124,911,302.94	
Long-term prepaid expenses	V.19	152,345,294.28	2,681,785.37	159,862,729.57	5,587,580.23
Deferred tax assets	V.20	480,390,824.26	231,196,819.33	427,716,034.59	232,491,190.67
Other non-current assets	V.21	127,790,373.21	8,251,101.00	388,601,515.01	112,187,311.05
Total non-current assets		10,478,957,713.57	8,328,089,045.06	7,867,459,901.38	6,448,567,712.38
Total assets		23,591,489,973.54	14,777,455,018.95	23,985,471,448.48	13,962,881,516.07

Legal Representative: Zhu Baoguo   Chief Financial Officer: Wang Sheng   Chief Accountant: Wang Sheng

CONSOLIDATED AND COMPANY BALANCE SHEET

Prepared by: Livzon Pharmaceutical Group Inc.* *Unit: RMB*

Item	Notes	Closing balance Consolidated	Closing balance Company	Opening balance Consolidated	Opening balance Company
Current liabilities:					
Short-term borrowings	V.23	**3,395,815,777.99**		2,120,000,000.00	
Financial liabilities held for trading		**174,791.84**		418,783.64	16,116.17
Notes payable	V.24	**780,991,141.27**	**2,358,443,653.25**	785,490,545.87	2,107,708,721.20
Accounts payable	V.25	**552,691,476.74**	**158,584,445.19**	532,802,335.77	438,026,057.86
Receipts in advance					
Contract liabilities	V.26	**74,209,327.65**	**23,927,072.56**	104,381,754.34	29,894,977.50
Employee benefits payable	V.27	**199,175,501.77**	**44,925,184.85**	366,922,904.59	130,322,082.12
Taxes payable	V.28	**138,407,990.89**	**37,294.12**	199,427,216.06	25,649,271.33
Other payables	V.29	**3,300,178,951.64**	**9,307,126,723.10**	2,930,288,767.84	7,621,575,449.55
Including: Interest payable					
Dividends payable		**444,142,295.40**	**427,853,220.08**	9,017,248.88	20,174.46
Liabilities held for sale					
Non-current liabilities due within one year	V.30	**15,907,850.64**	**4,168,899.78**	173,221,455.56	5,905,625.23
Other current liabilities	V.31	**4,238,685.80**		6,799,037.11	3,886,347.07
Total current liabilities		**8,461,791,496.23**	**11,897,213,272.85**	7,219,752,800.78	10,362,984,648.03
Non-current liabilities:					
Long-term borrowings	V.32	**25,900,000.00**		749,356,599.04	
Bonds payable					
Lease liabilities	V.33	**18,484,346.58**	**662,610.11**	17,323,404.86	1,305,202.86
Long-term payables					
Long-term employee benefits payable	V.34	**3,619,183.40**			
Provisions					
Deferred income	V.35	**233,718,155.66**	**43,915,000.00**	242,158,993.30	44,280,000.00
Deferred tax liabilities	V.20	**248,352,624.35**	**41,827,189.51**	209,779,488.54	43,606,590.66
Other non-current liabilities	V.36	**1,898,428.93**			
Total non-current liabilities		**531,972,738.92**	**86,404,799.62**	1,218,618,485.74	89,191,793.52
Total liabilities		**8,993,764,235.15**	**11,983,618,072.47**	8,438,371,286.52	10,452,176,441.55
Shareholders' equity:					
Share capital	V.37	**887,907,171.00**	**887,907,171.00**	887,907,171.00	887,907,171.00
Other equity instruments					
Including: Preference shares					
Perpetual bonds					
Capital reserve	V.38	**386,902,145.42**	**253,139,494.51**	271,389,337.35	253,139,494.51
Less: Treasury shares	V.39				
Other comprehensive income	V.40	**–309,671,465.03**	**189,585,762.71**	-9,142,282.85	189,585,762.71
Special reserve					
Surplus reserve	V.41		**539,838,100.57**		539,838,100.57
Undistributed profits	V.42	**12,400,688,298.17**	**923,366,417.69**	12,738,196,339.64	1,640,234,545.73
Total equity attributable to shareholders of the parent company		**13,365,826,149.56**	**2,793,836,946.48**	13,888,350,565.14	3,510,705,074.52
Minority interests		**1,231,899,588.83**		1,658,749,596.82	
Total shareholders' (or owners') equity		**14,597,725,738.39**	**2,793,836,946.48**	15,547,100,161.96	3,510,705,074.52
Total liabilities and shareholders' (or owners') equity		**23,591,489,973.54**	**14,777,455,018.95**	23,985,471,448.48	13,962,881,516.07

Legal Representative: Zhu Baoguo

Chief Financial Officer: Wang Sheng

Chief Accountant: Wang Sheng

Consolidated and Company Income Statements
For the six months ended 30 June 2026

Prepared by: Livzon Pharmaceutical Group Inc.* *Unit: RMB*

Item	Notes	Current period Consolidated	Current period Company	Prior period Consolidated	Prior period Company
I. Operating income	V.43	4,999,669,708.65	1,986,940,689.87	6,271,912,644.11	2,769,994,605.85
Less: Operating costs	V.43	1,936,074,118.96	1,411,568,252.91	2,131,486,497.05	2,013,442,851.53
Taxes and surcharges	V.44	63,868,502.38	8,736,623.24	78,437,545.86	14,492,902.22
Selling expenses	V.45	1,148,128,757.39	432,758,820.56	1,736,694,564.36	827,638,750.16
Administrative expenses	V.46	268,351,015.73	62,183,197.05	299,475,439.09	107,341,931.68
Research and development expenses	V.47	358,022,399.34	72,827,446.18	432,050,650.15	132,821,637.42
Finance costs	V.48	12,645,838.42	9,340,142.35	-165,118,251.30	-99,297,434.19
Including: Interest expenses		21,793,068.92	16,576,299.96	29,903,696.96	26,998,905.63
Interest income		49,826,865.79	7,574,030.81	175,238,273.30	129,739,331.18
Add: Other income	V.49	46,499,242.80	4,061,100.48	71,721,503.21	6,172,577.46
Investment income (losses to be listed with "-")	V.50	84,300,099.90	592,176,224.72	28,282,266.89	125,073,112.48
Including: Income from investments in associates and joint ventures		47,752,991.06	48,790,682.86	28,942,720.29	29,004,317.83
Gains on derecognition of financial assets measured at amortised cost (losses to be listed with "-")					
Gains on net exposure hedges (losses to be listed with "-")					
Gains on changes in fair value (losses to be listed with "-")	V.51	4,965,487.71	-4,925,918.75	-7,952,018.52	1,984,934.77
Credit impairment losses (losses to be listed with "-")	V.52	-867,795.46	2,506,323.39	-5,724,240.50	-3,006,132.82
Impairment losses on assets (losses to be listed with "-")	V.53	-14,710,112.64	-3,071,609.76	-11,545,716.96	-7,378,282.99
Gains on disposal of assets (losses to be listed with "-")	V.54	-523,144.91	44,252.31	-149,723.72	9,316.34
II. Operating profit (losses to be listed with "-")		1,332,242,853.83	580,316,579.97	1,833,518,269.30	-103,590,507.73
Add: Non-operating income	V.55	6,061,991.78	0.81	2,016,396.74	292,562.68
Less: Non-operating expenses	V.56	12,268,211.91	5,844,031.60	7,424,921.21	6,470,719.50
III. Total profit (total losses to be listed with "-")		1,326,036,633.70	574,472,549.18	1,828,109,744.83	-109,768,664.55
Less: Income tax expenses	V.57	205,121,458.80	-420,001.66	276,888,506.24	-45,266,197.14
IV. Net profit (net losses to be listed with "-")		1,120,915,174.90	574,892,550.84	1,551,221,238.59	-64,502,467.41
(I) Classified by continuity of operations:					
Including: Net profit from continuing operations (net losses to be listed with "-")		1,120,915,174.90	574,892,550.84	1,551,221,238.59	-64,502,467.41
Net profit from discontinued operations (net losses to be listed with "-")					
(II) Classified by ownership:					
Including: Net profit attributable to shareholders of the parent company (net losses to be listed with "-")		932,199,213.06	574,892,550.84	1,281,087,956.53	-64,502,467.41
Profit or loss attributable to minority interests (net losses to be listed with "-")		188,715,961.84		270,133,282.06	

Item	Notes	Current period Consolidated	Current period Company	Prior period Consolidated	Prior period Company
V. Other comprehensive income, net of tax		**-306,672,003.95**		-59,117,732.98	-771,681.33
Other comprehensive income attributable to shareholders of the parent company, net of tax		**-300,529,182.18**		-57,835,447.93	-771,681.33
(I) Other comprehensive income that will not be reclassified to profit or loss		**-225,922,310.84**		-4,393,365.67	-771,681.33
1. Changes arising from remeasurement of defined benefit plans					
2. Other comprehensive income that will not be reclassified to profit or loss under the equity method					
3. Changes in fair value of investments in other equity instruments		**-225,922,310.84**		-4,393,365.67	-771,681.33
4. Changes in fair value arising from own credit risk					
5. Others					
(II) Other comprehensive income that will be reclassified to profit or loss		**-74,606,871.34**		-53,442,082.26	
1. Other comprehensive income that will be reclassified to profit or loss under the equity method		**11,261.32**		2,410.36	
2. Changes in fair value of other debt investments					
3. Amount of financial assets reclassified into other comprehensive income					
4. Provision for credit impairment of other debt investments					
5. Translation differences arising from financial statements denominated in foreign currencies		**-74,618,132.66**		-53,444,492.62	
6. Others					
Other comprehensive income attributable to minority shareholders, net of tax		**-6,142,821.77**		-1,282,285.05	
VI. Total comprehensive income		**814,243,170.95**	**574,892,550.84**	1,492,103,505.61	-65,274,148.74
Total comprehensive income attributable to shareholders of the parent company		**631,670,030.88**	**574,892,550.84**	1,223,252,508.60	-65,274,148.74
Total comprehensive income attributable to minority shareholders		**182,573,140.07**		268,850,997.01	
VII. Earnings per share					
(I) Basic earnings per share	V.58	**1.05**		1.43	
(II) Diluted earnings per share	V.58	**1.05**		1.43	

Legal Representative: Zhu Baoguo   Chief Financial Officer: Wang Sheng   Chief Accountant: Wang Sheng

Consolidated and Company Cash Flow Statements
For the six months ended 30 June 2026

Prepared by: Livzon Pharmaceutical Group Inc.* *Unit: RMB*

Item	Notes	Amount for the current period		Amount for the prior period	
		Consolidated	Company	Consolidated	Company
I. Cash flows from operating activities:					
Cash received from sales of goods and rendering of services		6,125,393,350.75	2,933,825,255.52	6,540,240,940.02	3,124,406,510.62
Refunds of taxes and surcharges received		65,413,778.08		39,483,317.20	
Other cash received relating to operating activities	V.59	120,639,040.43	664,589,403.07	263,315,721.53	382,740,714.62
Sub-total of cash inflows from operating activities		6,311,446,169.26	3,598,414,658.59	6,843,039,978.75	3,507,147,225.24
Cash paid for goods purchased and services received		1,539,652,841.51	2,120,661,638.26	1,556,355,140.52	2,278,081,425.86
Cash paid to and on behalf of employees		1,024,127,978.68	306,641,129.77	999,509,581.76	313,597,102.74
Payments of various taxes and surcharges		642,773,576.50	88,646,243.03	743,098,013.65	106,835,202.25
Other cash paid relating to operating activities	V.59	1,341,957,038.04	656,188,823.85	1,857,136,474.62	871,356,035.70
Sub-total of cash outflows from operating activities		4,548,511,434.73	3,172,137,834.91	5,156,099,210.55	3,569,869,766.55
Net cash flows from operating activities		1,762,934,734.53	426,276,823.68	1,686,940,768.20	-62,722,541.31
II. Cash flows from investing activities:					
Cash received from disposal of investments		3,403,600,172.60	2,214,682,511.42	2,795,983,830.21	1,410,567,790.00
Cash received from investment income		32,047,607.74	498,960,861.36	12,749,897.77	98,647,567.35
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		638,463.00	231,000.00	1,227,533.00	1,007,000.00
Net cash received from disposal of subsidiaries and other business units					
Other cash received relating to investing activities	V.59	1,855,603,200.00		75,249.03	
Sub-total of cash inflows from investing activities		5,291,889,443.34	2,713,874,372.78	2,810,036,510.01	1,510,222,357.35
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		204,722,691.16	16,047,498.15	386,750,792.40	51,892,896.63
Cash paid for investments		3,949,891,993.89	3,424,775,616.44	2,989,309,986.72	1,644,581,101.00
Net cash paid for acquisition of subsidiaries and other business units		1,557,160,427.97			
Other cash paid relating to investing activities	V.59	127,013,573.85	446,719.50	4,517,299.69	
Sub-total of cash outflows from investing activities		5,838,788,686.87	3,441,269,834.09	3,380,578,078.81	1,696,473,997.63
Net cash flows from investing activities		-546,899,243.53	-727,395,461.31	-570,541,568.80	-186,251,640.28

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

Item	Notes	Amount for the current period Consolidated	Company	Amount for the prior period Consolidated	Company
III. Cash flows from financing activities:					
Cash received from capital contributions		**39,500,000.00**			
Including: Cash received by subsidiaries from capital contributions by minority shareholders		**39,500,000.00**			
Cash received from borrowings		**3,272,848,273.92**		1,790,140,000.00	
Other cash received relating to financing activities	V.59		**1,296,665,522.99**		109,563,920.90
Sub-total of cash inflows from financing activities		**3,312,348,273.92**	**1,296,665,522.99**	1,790,140,000.00	109,563,920.90
Cash repayments of borrowings		**2,926,454,363.15**		2,155,551,809.00	
Cash paid for distribution of dividends, profits or payment of interest		**1,577,034,090.79**	**840,983,077.22**	785,433,411.00	652,271,903.80
Including: Dividends and profits paid by subsidiaries to minority shareholders		**712,025,076.25**		105,609,371.25	
Other cash paid relating to financing activities	V.59	**12,784,751.64**	**5,175,515.63**	415,214,466.14	389,304,720.94
Sub-total of cash outflows from financing activities		**4,516,273,205.58**	**846,158,592.85**	3,356,199,686.14	1,041,576,624.74
Net cash flows from financing activities		**-1,203,924,931.66**	**450,506,930.14**	-1,566,059,686.14	-932,012,703.84
IV. Effect of changes in foreign exchange rates on cash and cash equivalents		**-101,567,118.61**	**-782,076.85**	-26,044,411.79	-4,987,426.88
V. Net increase in cash and cash equivalents		**-89,456,559.27**	**148,606,215.66**	-475,704,898.53	-1,185,974,312.31
Add: Balance of cash and cash equivalents at the beginning of the period		**7,440,362,084.37**	**4,467,826,388.38**	10,817,816,661.30	6,635,539,216.26
VI. Balance of cash and cash equivalents at the end of the period		**7,350,905,525.10**	**4,616,432,604.04**	10,342,111,762.77	5,449,564,903.95

Legal Representative:	Chief Financial Officer:	Chief Accountant:
Zhu Baoguo	Wang Sheng	Wang Sheng

Consolidated and Company Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2026

Prepared by: Livzon Pharmaceutical Group Inc.*

Unit: RMB

Item	Amount for the current period												
	Equity attributable to shareholders of the parent company												
		Other equity instruments											
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Minority interests	Total shareholders' equity
I. Balance at the end of the prior year	887,907,171.00	-	-	-	271,389,337.35	-	-9,142,282.85	-	-	-	12,738,196,339.64	1,658,749,596.82	15,547,100,161.96
Add: Changes in accounting policies													-
Corrections of prior period errors													-
Business combinations under common control													-
Others													-
II. Balance at the beginning of the current year	887,907,171.00	-	-	-	271,389,337.35	-	-9,142,282.85	-	-	-	12,738,196,339.64	1,658,749,596.82	15,547,100,161.96
III. Increase/decrease for the current period (decrease to be listed with "-")	-	-	-	-	115,512,808.07	-	-300,529,182.18	-	-	-	-337,508,041.47	-426,850,007.99	-949,374,423.57
(I) Total comprehensive income							-300,529,182.18				932,199,213.06	182,573,140.07	814,243,170.95
(II) Capital contributed and reduced by shareholders	-	-	-	-	115,512,808.07	-	-	-	-	-	-	109,551,851.94	225,064,660.01
1. Ordinary shares contributed by shareholders					-							313,865,135.18	313,865,135.18
2. Capital contributed by holders of other equity instruments													-
3. Share-based payments recognised in shareholders' equity					-								-
4. Others					115,512,808.07	-						-204,313,283.24	-88,800,475.17
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-1,269,707,254.53	-718,975,000.00	-1,988,682,254.53
1. Appropriation to surplus reserve											-		-
2. Appropriation to general risk reserve													
3. Distribution to shareholders											-1,269,707,254.53	-718,975,000.00	-1,988,682,254.53
4. Others													-
(IV) Internal transfers within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserve to share capital													-
2. Transfer from surplus reserve to share capital													-
3. Offsetting of losses													-
4. Changes in defined benefit plans transferred to retained earnings													-
5. Other comprehensive income transferred to retained earnings													-
6. Others													-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation for the current period													-
2. Utilisation for the current period													-
(VI) Others													-
IV. Balance at the end of the current period	887,907,171.00	-	-	-	386,902,145.42	-	-309,671,465.03	-	-	-	12,400,688,298.17	1,231,899,588.83	14,597,725,738.39

Legal Representative: Zhu Baoguo

Chief Financial Officer: Wang Sheng

Chief Accountant: Wang Sheng

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2026

Prepared by: Livzon Pharmaceutical Group Inc.*

Unit: RMB

	Amount for the prior period												
	Equity attributable to shareholders of the parent company												
		Other equity instruments											
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Minority interests	Total shareholders' equity
I. Balance at the end of the prior year	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
Add: Changes in accounting policies													-
Corrections of prior period errors													-
Business combinations under common control													-
Others													-
II. Balance at the beginning of the current year	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
III. Increase/decrease for the current period (decrease to be listed with "-")	-7,245,300.00	-	-	-	-208,298,368.85	210,279,543.51	-50,683,799.30	-	-	-	291,876,575.40	203,072,204.75	18,441,768.49
(I) Total comprehensive income							-57,835,447.93				1,281,087,956.53	268,850,997.01	1,492,103,505.61
(II) Capital contributed and reduced by shareholders	-7,245,300.00	-	-	-	-208,307,081.10	210,279,543.51	-	-	-	-	-	39,371,207.74	-386,460,716.87
1. Ordinary shares contributed by shareholders					-	386,460,716.87						-	-386,460,716.87
2. Capital contributed by holders of other equity instruments													-
3. Share-based payments recognised in shareholders' equity					-								-
4. Others	-7,245,300.00				-208,307,081.10	-176,181,173.36						39,371,207.74	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-982,059,732.50	-105,150,000.00	-1,087,209,732.50
1. Appropriation to surplus reserve													-
2. Appropriation to general risk reserve													
3. Distribution to shareholders											-982,059,732.50	-105,150,000.00	-1,087,209,732.50
4. Others													-
(IV) Internal transfers within shareholders' equity	-	-	-	-	-	-	7,151,648.63	-	-	-	–7,151,648.63	-	-
1. Transfer from capital reserve to share capital													-
2. Transfer from surplus reserve to share capital													-
3. Offsetting of losses													-
4. Changes in defined benefit plans transferred to retained earnings													-
5. Other comprehensive income transferred to retained earnings							7,151,648.63				-7,151,648.63		-
6. Others													-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation for the current period													-
2. Utilisation for the current period													-
(VI) Others					8,712.25								8,712.25
IV. Balance at the end of the current period	904,100,430.00	-	-	-	320,945,818.56	406,895,970.97	61,496,567.33	-	744,801,154.15	-	12,053,255,754.00	1,246,484,609.46	14,924,188,362.53

Legal Representative: Zhu Baoguo

Chief Financial Officer: Wang Sheng

Chief Accountant: Wang Sheng

Company Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2026

Prepared by: Livzon Pharmaceutical Group Inc.*

Unit: RMB

Item	Amount for the current period										
	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
I. Balance at the end of the prior year	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
Add: Changes in accounting policies											-
Corrections of prior period errors											-
Others											-
II. Balance at the beginning of the current year	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
III. Increase/decrease for the current period (decrease to be listed with "-")	-	-	-	-	-	-	-	-	-	-716,868,128.04	-716,868,128.04
(I) Total comprehensive income							-			574,892,550.84	574,892,550.84
(II) Capital contributed and reduced by shareholders	-	-	-	-	-	-	-	-	-	-22,053,424.35	-22,053,424.35
1. Ordinary shares contributed by shareholders	-				-						-
2. Capital contributed by holders of other equity instruments	-				-	-					-
3. Share-based payments recognised in shareholders' equity	-				-	-					-
4. Others										-22,053,424.35	-22,053,424.35
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-1,269,707,254.53	-1,269,707,254.53
1. Appropriation to surplus reserve										-	-
2. Appropriation to general risk reserve											
3. Distribution to shareholders										-1,269,707,254.53	-1,269,707,254.53
4. Others											-
(IV) Internal transfers within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserve to share capital											-
2. Transfer from surplus reserve to share capital											-
3. Offsetting of losses											-
4. Changes in defined benefit plans transferred to retained earnings											-
5. Other comprehensive income transferred to retained earnings											-
6. Others											-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation for the current period											-
2. Utilisation for the current period											-
(VI) Others											-
IV. Balance at the end of the current period	887,907,171.00	-	-	-	253,139,494.51	-	189,585,762.71	-	539,838,100.57	923,366,417.69	2,793,836,946.48

Legal Representative:
Zhu Baoguo

Chief Financial Officer:
Wang Sheng

Chief Accountant:
Wang Sheng

Company Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2026

Prepared by: Livzon Pharmaceutical Group Inc.*

Unit: RMB

Item	Amount for the prior period										
		Other equity instruments									
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
I. Balance at the end of the prior 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
Add: Changes in accounting policies											–
Corrections of prior period errors											–
Others											–
II. Balance at the beginning of the current 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
III. Increase/decrease for the current period (decrease to be listed with "-")	-7,245,300.00	–	–	–	-168,935,873.36	210,279,543.51	-771,681.33	–	–	-1,046,562,199.91	-1,433,794,598.11
(I) Total comprehensive income							-771,681.33			-64,502,467.41	-65,274,148.74
(II) Capital contributed and reduced by shareholders	-7,245,300.00	–	–	–	-168,935,873.36	210,279,543.51	–	–	–	–	-386,460,716.87
1. Ordinary shares contributed by shareholders	–				–	386,460,716.87					-386,460,716.87
2. Capital contributed by holders of other equity instruments	–				–	–					–
3. Share-based payments recognised in shareholders' equity	–				–	–					–
4. Others	-7,245,300.00				-168,935,873.36	-176,181,173.36					–
(III) Profit distribution	–	–	–	–	–	–	–	–	–	-982,059,732.50	-982,059,732.50
1. Appropriation to surplus reserve										–	–
2. Appropriation to general risk reserve											
3. Distribution to shareholders										-982,059,732.50	-982,059,732.50
4. Others											–
(IV) Internal transfers within shareholders' equity	–	–	–	–	–	–	–	–	–	–	–
1. Transfer from capital reserve to share capital											–
2. Transfer from surplus reserve to share capital											–
3. Offsetting of losses											–
4. Changes in defined benefit plans transferred to retained earnings											–
5. Other comprehensive income transferred to retained earnings											–
6. Others											–
(V) Special reserve	–	–	–	–	–	–	–	–	–	–	–
1. Appropriation for the current period											–
2. Utilisation for the current period											–
(VI) Others											–
IV. Balance at the end of the current period	904,100,430.00	–	-	-	837,254,713.99	406,895,970.97	195,158,136.72	-	539,838,100.57	1,794,140,840.68	3,863,596,250.99

Legal Representative: Zhu Baoguo

Chief Financial Officer: Wang Sheng

Chief Accountant: Wang Sheng

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.

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）(hereinafter 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 30 June 2026, 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 2rd meeting of the 12th session of the Board on 21 August 2026.

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 requirements of the Accounting Standards for Business Enterprises, which give a true and complete view of the consolidated and the Company's financial position as at 30 June 2026, and the consolidated and the Company's operating results and the consolidated and the Company's cash flow and other relevant information for the period from January to June 2026.

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

RMB is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate, and the Company and its domestic subsidiaries use RMB as their functional currency. Overseas subsidiaries of the Company determine HK dollar, Macau dollar, Indonesian rupiah, Vietnamese dong and US dollar as their functional currencies according to the primary economic environment in which they operate. The currency used by the Company in preparing these financial statements is RMB.

From January to June 2026 (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

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

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.

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.

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

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.

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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

7. Judgment criteria for control and preparation of consolidated financial statements *(continued)*

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.

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.

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

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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

10. Foreign currency business and translation of financial statements in foreign currency *(continued)*

10.1 Foreign currency business *(continued)*

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.

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 Company 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

11.1 Recognition and derecognition of financial instruments *(continued)*

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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

11.2 Classification and measurement of financial assets *(continued)*

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.

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.

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)***

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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

11.3 Classification and measurement of financial liabilities *(continued)*

③ Distinction between financial liabilities and equity instruments

Financial liability refers to a liability that meets one of following criteria:

A. Contractual obligation to deliver cash or other financial assets to other parties.

B. Under any potential adverse condition, contractual obligation to exchange financial assets or financial liabilities with other parties.

C. 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.

D. 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.

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:

A. Financial assets at amortised cost;

B. Receivables and debt instruments investments that are measured at fair value through other comprehensive income;

C. Contract assets as defined in the Accounting Standard for Business Enterprises No. 14 – Revenue;

D. Lease receivables;

E. 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 expected credit loss (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.

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 other receivables, 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 receivables on individual basis. Except for receivables for which bad debt provision is made on individual basis, the Company classifies 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.

When the expected credit losses of one individual financial asset or contract asset 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:

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.

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);
- 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

11.6 Impairment of financial assets *(continued)*

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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

12. Fair value measurement *(continued)*

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.

13. Inventories

13.1 Classification of inventories

The Company's inventories mainly include 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. The purchase and receipt into storage of each category of the Company's inventories are measured at actual cost. Cost of distribution of inventories is calculated using the weighted average cost method. Low-value consumables and packaging materials are recognised in full in cost upon requisition for 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

13. Inventories *(continued)*

13.5 Amortisation methods for low-value consumables

Low-value consumables of the Company are amortised in full when used.

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.

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.

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)*

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 be 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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

14. Assets held for sale and discontinued operations *(continued)*

14.3 Presentation *(continued)*

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 subsidiaries, joint ventures and associates. The investee over which the Company is able to exert significant influence is an associate of the Company.

(1) Determination of initial investment cost

The long-term equity investment resulting from a business combination: for the long-term equity investment resulting from a business combination of entities under common control, the carrying amount of the ownership equity of the merged party obtained on the merger date as presented in the consolidated financial statements of the final controlling party will be used as the investment cost. For the long-term equity investment resulting from a business combination of entities not under common control, the merger cost will be used as the investment cost of the long-term equity investment.

For 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.

(2) Subsequent measurement and recognition method of profit or loss

The investment in subsidiaries is accounted for using the cost method, unless the investment meets the criteria for held-for-sale classification; the investment in associates and joint ventures is accounted for using the equity method.

For a long-term equity investment accounted for using the cost method, except for the price actually paid upon investment or the cash dividend or profit included in the consideration that has been declared but not yet distributed, the cash dividend or profit declared and distributed by the investee is recognised as investment income and recorded into profit or loss for the current period.

For a long-term equity investment accounted for using the equity method, the investment cost of the long-term equity investment shall not be adjusted if the initial investment cost is higher than the Company's share of the fair value of the identifiable net assets of the investee at the time of investment; if the initial investment cost is lower than the Company's share of the fair value of the identifiable net assets 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 profit or loss for the current period of investment.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

15. Long-term equity investment *(continued)*

(2) Subsequent measurement and recognition method of profit or loss *(continued)*

When accounted for using the equity method, investment income and other comprehensive income are recognised according to the Company's share of the net profit or loss and other comprehensive income realised by the investee respectively, with the carrying amount of the long-term equity investment adjusted accordingly. The carrying amount of the long-term equity investment is reduced by the Company's share of the profit or cash dividend declared and distributed by the investee. The carrying amount of the long-term equity investment is adjusted, and recorded into capital reserve (other capital reserve), for changes in the investee's owners' equity other than net profit or loss, other comprehensive income and profit distribution. In recognising its share of the investee's net profit or loss, the Company recognises such share on the basis of the fair values of the investee's identifiable assets at the time of investment, after adjusting the investee's net profit in accordance with the Company's accounting policies and accounting periods.

Where the Company is able to exert significant influence or implement joint control (without constituting control) over the investee as a result of an additional investment or other reasons, the sum of the fair value of the original equity investment plus the additional investment cost is used as the initial investment cost to be accounted for using the equity method from the conversion date. Where the original equity investment was classified as a non-trading equity instrument investment measured at fair value with changes recognised in other comprehensive income, the related cumulative fair value change previously recognised in other comprehensive income is transferred to retained earnings when the investment is switched to the equity method.

Where the Company loses joint control or significant influence over the investee as a result of the disposal of part of the equity investment, the remaining equity after disposal is accounted for in accordance with "Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments" from the date joint control or significant influence is lost, and the difference between fair value and carrying amount is recognised in profit or loss for the current period. Other comprehensive income recognised in respect of the original equity investment under the equity method is accounted for on the same basis as would be used if the investee had directly disposed of the related assets or liabilities when the equity method is discontinued; other changes in owners' equity related to the original equity investment are transferred to profit or loss for the current period.

Where the Company loses control over the investee as a result of the disposal of part of the equity investment, if the remaining equity after disposal is able to exert joint control or significant influence over the investee, it is accounted for using the equity method and adjusted as if it had been accounted for using the equity method from the time of acquisition; if the remaining equity after disposal is unable to exert joint control or significant influence over the investee, it is accounted for in accordance with the relevant provisions of "Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", and the difference between the fair value and the carrying amount at the date control is lost is recognised in profit or loss for the current period.

Where the Company's shareholding ratio is reduced due to capital injection by other investors, resulting in loss of control but the Company is still able to exert joint control or significant influence over the investee, the Company recognises its share of the net assets increased due to the capital injection based on the new shareholding ratio, and the difference between such amount and the original carrying amount of the long-term equity investment corresponding to the portion of the reduced shareholding ratio is recorded into profit or loss for the current period; the investment is then adjusted, based on the new shareholding ratio, as if it had been accounted for using the equity method since the time of acquisition.

The Company recognises the portion of unrealised profit or loss from intra-group transactions with associates and joint ventures attributable to the Company, calculated according to its shareholding ratio, on an offset basis, and recognises the resulting investment income or loss. However, unrealised losses arising from transactions between the Company and the investee that constitute impairment losses of the transferred assets are not offset.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

15. Long-term equity investment *(continued)*

(3) Basis for determining joint control and significant influence over the investee

Joint control is the contractually agreed sharing of control over an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. In determining whether joint control exists, it is first determined whether the arrangement is collectively controlled by all the parties involved or a group of the parties involved, and then whether decisions about the relevant activities of the arrangement require the unanimous consent of those parties that collectively control the arrangement. If all the parties involved, or a group of them, must act together to determine the relevant activities of the arrangement, it is considered that such parties collectively control the arrangement; where there are two or more combinations of parties that could collectively control the arrangement, this does not constitute joint control. Protective rights are not considered in determining whether joint control exists.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over the formulation of such policies. In determining whether it is able to exert significant influence over an investee, the Company considers the effect of voting shares of the investee held directly or indirectly by the Company and the potential voting rights currently exercisable held by the Company and other parties (assuming conversion into equity interests in the investee), including the effect of currently convertible warrants, share options and convertible bonds issued by the investee.

(4) Held-for-sale equity investments

For the accounting treatment of an equity investment in an associate or joint venture that is classified in whole or in part as held for sale, refer to Note III. 14.

The remaining equity investment not classified as held for sale is accounted for using the equity method.

Where an equity investment in an associate or joint venture that has been classified as held for sale no longer meets the criteria for held-for-sale classification, it is retrospectively adjusted to the equity method from the date it was classified as held for sale.

(5) Methods for impairment testing and impairment provision

For the methods of impairment provision for investments in subsidiaries, associates and joint ventures, refer to Note III. 23.

16. Investment properties

Investment properties are properties held to earn rental income or capital appreciation, or both. The Company's investment properties include land use rights that have been leased out, land use rights held for the purpose of transfer after capital appreciation, and buildings that have been leased out.

The Company's investment properties are initially measured at cost upon acquisition, and are subject to periodic depreciation or amortisation in accordance with the relevant provisions on fixed assets or intangible assets.

For investment properties subsequently measured using the cost model, the method for asset impairment provision is set out in Note III. 23.

The balance of proceeds from the sale, transfer, retirement or damage of investment properties, net of their carrying amount and related taxes and expenses, is recognised in profit or loss for the current period.

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

17. Fixed assets

(1) Conditions for recognition of fixed assets

The Company's fixed assets are tangible assets held for use in the production of goods, rendering of services, leasing out or for operation and administrative purposes, with a useful life exceeding one accounting year.

A fixed asset can be recognised only when it is probable that the related economic benefits will flow to the Company and the cost of the fixed asset can be reliably measured.

The Company's fixed assets are initially measured at actual cost at the time of acquisition.

Subsequent expenditure related to a fixed asset is 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. Daily repair costs of a fixed asset that do not meet the conditions for capitalisation of subsequent expenditure are recorded in profit or loss for the current period or included in the cost of the relevant assets according to the beneficiary, when incurred. The carrying amount of any replaced part is derecognised.

(2) Depreciation methods for each category of fixed assets

The Company adopts the straight-line method to provide depreciation. Depreciation of a fixed asset commences when it is ready for its intended use and ceases when it is derecognised or classified as a held-for-sale non-current asset. Without taking into account impairment provision, the Company's annual depreciation rates for each category of fixed assets, determined based on category, estimated useful life and estimated residual value, are as follows:

Category	Useful life (year)	Residual rate (%)	Annual depreciation rate (%)
Properties and buildings	5-40	0-10	2.25-20
Machine and equipment	3-15	0-10	6-33.33
Transportation equipment	5-10	0-10	9-20
Electronic equipment and others	3-8	0-10	11.25-33.33

Where impairment provision has been made for a fixed asset, the accumulated amount of impairment provision made for the fixed asset shall also be deducted in determining the depreciation rate.

(3) For the methods of impairment testing and impairment provision for fixed assets, refer to Note III. 23.

(4) At the end of each year, the Company reviews the useful life, estimated net residual value and depreciation method of fixed assets.

Where the estimated useful life differs from the original estimate, the useful life of the fixed asset is adjusted; where the estimated net residual value differs from the original estimate, the estimated net residual value is adjusted.

(5) Disposal of fixed assets

A fixed asset is derecognised when it is disposed of, or when no future economic benefits are expected to be generated from its use or disposal. The amount of proceeds from the 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

18. Construction in progress

The cost of the Company's construction in progress is determined based on actual project expenditure, including necessary project expenditure incurred during construction, borrowing costs eligible for capitalisation prior to the project reaching its intended usable state, and other related expenses.

Construction in progress is transferred to fixed assets when it reaches its intended usable state.

The standards for the transfer of the Company's construction in progress 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 has been inspected and accepted by the survey, design, construction, supervision and other entities upon completion; (3) it has been inspected and accepted by the fire protection, land and resources, planning and other authorities; (4) where subject to GMP certification, it has passed the on-site GMP inspection and received the certificate of GMP compliance inspection; (5) where the construction project has reached its intended usable state but the final settlement of accounts has not yet been completed, it is transferred to fixed assets at an estimated value based on the actual project cost from the date it reaches its intended usable state.
Production and ancillary equipment requiring installation and commissioning	(1) the relevant equipment and other ancillary facilities have been installed; (2) the equipment, after commissioning, can maintain normal and stable operation for a period of time; (3) the production equipment is able to steadily produce qualified products for a period of time; (4) the equipment has been inspected and accepted by asset management personnel and users; (5) where subject to GMP certification, it has passed the on-site GMP inspection and received the certificate of GMP compliance inspection.

For the method of impairment provision for construction in progress, refer to Note III. 23.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

19. Borrowing costs

(1) Principle for recognition of capitalisation of borrowing costs

Borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of an asset eligible for capitalisation are capitalised and included in the cost of the related asset; other borrowing costs are recognised as expenses based on the amount incurred and included in profit or loss for the current period when incurred. Capitalisation of borrowing costs commences when all of the following conditions are satisfied simultaneously:

① Asset expenditure has been incurred, where asset expenditure includes expenditure in the form of cash payments, transfers of non-cash assets or the assumption of interest-bearing debt for the acquisition, construction or production of an asset eligible for capitalisation;

② Borrowing costs have been incurred;

③ The acquisition, construction or production activities necessary to bring the asset to its intended usable or saleable state have commenced.

(2) Capitalisation period of borrowing costs

Capitalisation of borrowing costs ceases when the asset being acquired, constructed or produced that is eligible for capitalisation reaches its intended usable or saleable state. Borrowing costs incurred after the asset eligible for capitalisation reaches its intended usable or saleable state are recognised as expenses based on the amount incurred and included in profit or loss for the current period when incurred.

Where the acquisition, construction or production of an asset eligible for capitalisation is abnormally interrupted and the interruption continues for more than 3 months, capitalisation of borrowing costs is suspended; borrowing costs incurred during a normal interruption continue to be capitalised.

(3) Method for calculating the capitalisation rate and the amount of capitalisation of borrowing costs

The interest expense actually incurred on specific borrowings for the current period, net of any interest income earned from depositing unused borrowed funds in a bank or investment income from temporary investment, is capitalised. For general borrowings, the capitalised amount is determined by multiplying the weighted average of the excess of accumulated asset expenditure over the amount of specific borrowings by the capitalisation rate applicable to the general borrowings used. The capitalisation rate is determined based on the weighted average interest rate of the general borrowings.

During the capitalisation period, exchange differences on foreign-currency specific borrowings are capitalised in full; exchange differences on foreign-currency general borrowings are recognised in profit or loss for the current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

20. Biological assets

(1) Criteria for determining biological assets

Biological assets refer to assets comprising living animals and plants. A biological asset is recognised only when it satisfies all of the following conditions simultaneously:

① The enterprise possesses or controls the biological asset as a result of a past transaction or event;

② The economic benefits or service potential associated with the biological asset are likely to flow to the enterprise;

③ The cost of the biological asset can be measured reliably.

(2) Classification of biological assets

The Company's biological assets are consumable biological assets such as traditional Chinese medical herbal plant species under cultivation.

Consumable biological assets refer to biological assets held for sale, or biological assets to be harvested as agricultural products in the future, including growing traditional Chinese medical herbal plant species. Consumable biological assets are initially measured at cost. The cost of a self-planted, cultivated, propagated or raised consumable biological asset is the necessary expenditure directly attributable to the asset incurred prior to harvest, including borrowing costs eligible for capitalisation. Subsequent expenditures such as maintenance and raising costs incurred after harvest are recognised in profit or loss for the current period.

Consumable biological assets are carried forward at their carrying amount using the weighted average method upon harvest or sale.

(3) Treatment of impairment of biological assets

Where the net realisable value of a consumable biological asset is lower than its carrying amount, a provision for decline in value of biological assets is made for the excess of the carrying amount over the net realisable value and recognised in profit or loss for the current period. Where the factors causing the impairment of a consumable biological asset have ceased to exist, the amount of the write-down is reversed within the amount of the provision previously made, and the amount reversed is recognised in profit or loss for the current period.

21. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance owned or controlled by the enterprise. An intangible asset is recognised only when both of the following conditions are satisfied simultaneously:

① It is probable that the economic benefits associated with the intangible asset will flow to the enterprise;

② The cost of the intangible asset can be reliably measured.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

21. Intangible assets *(continued)*

Intangible assets are initially measured at actual cost.

① Where the payment for the purchase of an intangible asset is deferred beyond normal credit terms and is, in substance, of a financing nature, the cost of the intangible asset is determined based on the present value of the purchase price.

② Intangible assets acquired from a debtor in settlement of debt through debt restructuring are recognised at the fair value of the intangible assets, and the difference between the carrying amount of the restructured debt and the fair value of the intangible assets used to settle the debt is recognised in profit or loss for the current period. Provided that the non-monetary asset exchange has commercial substance and the fair value of the assets exchanged in or out can be reliably measured, the intangible asset acquired in a non-monetary asset exchange is generally recognised based on the fair value of the asset given up, unless there is compelling evidence that the fair value of the asset acquired is more reliable; for a non-monetary asset exchange not satisfying the above conditions, the cost of the intangible asset acquired is determined based on the carrying amount of the asset given up and the related taxes payable, with no gain or loss recognised.

③ An intangible asset acquired through a business combination under common control by absorption merger is recognised at the carrying amount of the merged party; an intangible asset acquired through a business combination not under common control by absorption merger is recognised at fair value.

The Company assesses and determines the useful life of an intangible asset at the time of its acquisition. Where the useful life of an intangible asset is finite, the length of that useful life or the quantity of similar units of measure constituting the useful life, such as production volume, is estimated; where the period over which an intangible asset is expected to bring economic benefits to the enterprise cannot be foreseen, the intangible asset is regarded as having an indefinite useful life.

Amortisation method for intangible assets: an intangible asset with a finite useful life is amortised on a straight-line basis over its useful life and included in profit or loss. An intangible asset with an indefinite useful life or with indefinite title is not amortised. Amortisation method for intangible assets: an intangible asset with a finite useful life is amortised on a straight-line basis over its useful life and included in profit or loss. An intangible asset with an indefinite useful life or with no fixed term is not amortised. The Company reviews the useful life and amortisation method of an intangible asset with a finite useful life at least at the end of each year. Where the useful life or amortisation method of an intangible asset differs from the previous estimate, amortisation is provided based on the revised amortisation period and amortisation method.

The amortisation methods for intangible assets with finite useful lives are as follows:

Category	Useful life	Basis for determining useful life	Amortisation method	Notes
Land use rights	42-56 years	Registration term under the land use right certificate and estimated period of benefits	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	3-10 years	Expected period of benefits	Equal annual instalment method	

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

21. Intangible assets *(continued)*

Where, at the balance sheet date, an intangible asset is estimated to no longer be able to bring future economic benefits to the enterprise, the entire carrying amount of that intangible asset is transferred to profit or loss for the current period.

For the method of impairment provision for intangible assets, refer to Note III. 23.

22. Research and development expenditure

The Company's research and development expenditure comprises expenses directly related to the Company's research and development activities, including the compensation of research and development personnel, direct input expenses, depreciation expenses and long-term deferred expenses, equipment commissioning expenses, amortisation expenses of intangible assets, outsourced research and development expenses, clinical trial expenses, other expenses, etc. Equipment, production lines and premises shared between research and development activities and other production and operating activities are allocated to research and development expenditure based on the proportion of working hours or area used.

The Company classifies expenditure on internal research and development projects into research phase expenditure and development phase expenditure.

Research phase expenditure refers to expenditure incurred for original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding, which is intended to prepare data and other relevant information for further development activities; there is significant uncertainty as to whether the research activities carried out will proceed to the development phase or whether an intangible asset will be formed after development. Research phase expenditure is recognised in profit or loss for the current period when incurred.

Development phase expenditure refers to expenditure incurred in applying research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, etc., prior to commercial production or use. Compared with the research phase, the development phase is one in which the research work has been completed and, to a great extent, the basic conditions for creating a new product or new technology have been met. Development phase expenditure can be capitalised only when all of the following conditions are satisfied simultaneously: it is technically feasible to complete the intangible asset so that it will be available for use or sale; the Company has the intention to complete the intangible asset and use or sell it; the way in which the intangible asset will generate economic benefits, including being able to demonstrate that there is a market for the products produced using the intangible asset or for the intangible asset itself, or, if the intangible asset will be used internally, its usefulness can be demonstrated; there are adequate technical, financial and other resources to support the completion of the development of the intangible asset and the ability to use or sell it; and the expenditure attributable to the development phase of the intangible asset can be reliably measured. Development expenditure not satisfying the above conditions is recognised in profit or loss for the current period.

Capitalised development phase expenditure is presented as development expenditure in the balance sheet and is reclassified as an intangible asset from the date the project reaches its intended use.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

22. Research and development expenditure *(continued)*

Capitalisation conditions for specific research and development projects: taking into account both the research and development process of the pharmaceutical industry and the characteristics of the Company's own research and development activities, expenditure incurred after a research and development project obtains the relevant approval documents (such as the "Clinical Trial Approval"（臨床試驗批件）or "Drug Registration Approval"（藥品注冊批件）obtained pursuant to the Provisions for Drug Registration（藥品注冊管理辦法）promulgated by the former State Food and Drug Administration, or approval granted by an international drug regulatory authority) or reaches pilot-scale trial conditions may, after the Company assesses that the conditions for the development phase are satisfied, be recognised as capitalised research and development expenditure; the remaining research and development expenditure is recognised as expensed research and development expenditure; the purchase price of externally acquired technology, formulas, etc. is recognised as development expenditure, and where further research and development is required, the above standards apply.

Where it is not possible to distinguish research phase expenditure from development phase expenditure, all research and development expenditure incurred is recognised in profit or loss for the current period.

23. Impairment of assets

Impairment of long-term equity investments in subsidiaries, associates and joint ventures, investment properties subsequently measured using the cost model, fixed assets, construction in progress, right-of-use assets, intangible assets, goodwill, etc. (excluding inventories, deferred income tax assets and financial assets) is determined using the following methods:

At the balance sheet date, the Company assesses whether there is any indication that an asset may be impaired; where an indication of impairment exists, the Company estimates the recoverable amount and performs an impairment test. Goodwill arising from a business combination, intangible assets with indefinite useful lives or with indefinite title, and intangible assets not yet ready for their intended use are tested for impairment annually regardless of whether there is any indication of impairment.

The recoverable amount is determined by the higher of the fair value of the asset less disposal costs and the present value of the estimated future cash flows of the asset. The Company estimates the recoverable amount on the basis of an individual asset; where it is difficult to estimate the recoverable amount of an individual asset, the Company determines the recoverable amount of the asset group to which the asset belongs. An asset group is identified based on whether the primary cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

Where the recoverable amount of an asset or asset group is lower than its carrying amount, the Company writes down the carrying amount to the recoverable amount, and the amount written down is recognised in profit or loss for the current period, with a corresponding impairment provision made.

For the purpose of goodwill impairment testing, the carrying amount of goodwill arising from a business combination is, from the acquisition date, allocated to the relevant asset groups on a reasonable basis; where it is difficult to allocate to the relevant asset groups, it is allocated to the relevant combination of asset groups. The relevant asset group or combination of asset groups is one that is expected to benefit from the synergies of the business combination and is not larger than the reportable segment determined by the Company.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

23. Impairment of assets *(continued)*

In performing the impairment test, if there is an indication of impairment of the asset group or combination of asset groups related to goodwill, the Company first tests for impairment of the asset group or combination of asset groups excluding goodwill, calculates the recoverable amount and recognises the corresponding impairment loss. The Company then performs an impairment test on the asset group or combination of asset groups including goodwill by comparing its carrying amount with its recoverable amount; if the recoverable amount is lower than the carrying amount, an impairment loss on goodwill is recognised.

Once an asset impairment loss is recognised, it is not reversed in subsequent accounting periods.

24. Long-term deferred expenses

The Company's long-term deferred expenses are recorded at actual cost and amortised evenly over the estimated period of benefit. For a long-term deferred expense item that will not benefit subsequent accounting periods, its unamortised balance is recognised in full in profit or loss for the current period.

25. Employee compensation

(1) Scope of employee compensation

Employee compensation refers to all forms of consideration or compensation given by the Company in exchange for services rendered by employees or for the termination of employment. Employee compensation includes short-term compensation, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided by the Company to employees' spouses, children, dependants, survivors of deceased employees and other beneficiaries are also employee compensation.

Based on liquidity, employee compensation is presented separately under "employee benefits payable" and "long-term employee benefits payable" in the balance sheet.

(2) Short-term compensation

During the accounting period in which employees render services, the Company recognises actually incurred employee wages, bonuses, social insurance contributions (such as medical insurance, work-related injury insurance and maternity insurance premiums calculated at the prescribed basis and rate) and housing provident fund as a liability, and includes them in profit or loss for the current period or the cost of the related asset.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

25. Employee compensation *(continued)*

(3) Post-employment benefits

Post-employment benefit plans mainly comprise defined contribution plans and defined benefit plans. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate fund and has no legal or constructive obligation to pay further contributions. The Company is only involved in defined contribution plans; a defined benefit plan refers to a post-employment benefit plan other than a defined contribution plan.

Defined contribution plans include basic pension insurance, unemployment insurance, etc.

During the accounting period in which employees render services, the amount payable calculated in accordance with the defined contribution plan is recognised as a liability and included in profit or loss for the current period or the cost of the related asset.

Defined benefit plans

For defined benefit plans, the cost of providing benefits is determined at the annual balance sheet date using the projected unit credit method. Employee benefit costs resulting from the defined benefit plans of the Company comprise the following components:

① Service cost, including current service cost, past service cost and gains or losses on settlement. Among which, current service cost refers to the increase in the present value of the defined benefit obligation resulting from employee service in the current period; past service cost refers to the increase or decrease in the present value of the defined benefit obligation for employee service in prior periods resulting from a plan amendment.

② Net interest on the net defined benefit liability or asset, including interest income on plan assets, interest cost on the defined benefit obligation and interest on the effect of the asset ceiling.

③ Remeasurements of the net defined benefit liability or asset.

Unless required or permitted by other accounting standards to be included in the cost of assets, the Company recognises components ① and ② above in profit or loss for the current period; component ③ is recognised in other comprehensive income and will not be reclassified to profit or loss in subsequent accounting periods, and the amount previously recognised in other comprehensive income will be transferred entirely to retained earnings within equity upon the termination of the original defined benefit plan.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

25. Employee compensation *(continued)*

(4) Termination benefits

Where the Company provides termination benefits to employees, the employee compensation liability arising from termination benefits is recognised and included in profit or loss for the current period at the earlier of the following dates: when the Company can no longer unilaterally withdraw the offer of termination benefits arising from an employment termination plan or a redundancy proposal; and when the Company recognises costs or expenses related to a restructuring that involves the payment of termination benefits.

Where an internal employee retirement plan is implemented, the economic compensation prior to the official retirement date constitutes a termination benefit; the wages to be paid to and social insurance contributions for the internally retired employee from the date the employee ceases to render services to the date of normal retirement are recognised in profit or loss for the current period in full at one time. Economic compensation after the official retirement date (such as normal retirement pension) is accounted for as a post-employment benefit.

(5) Other long-term benefits

Where other long-term employee benefits provided by the Company to employees meet the conditions of a defined contribution plan, they are accounted for in accordance with the relevant provisions on defined contribution plans above. Where they meet the conditions of a defined benefit plan, they are accounted for in accordance with the relevant provisions on defined benefit plans above, except that the component "remeasurements of the net defined benefit liability or asset" of the relevant employee benefit costs is recognised in profit or loss for the current period or the cost of relevant assets.

26. Provisions

An obligation related to a contingency is recognised by the Company as a provision when all of the following conditions are satisfied simultaneously:

(1) The obligation is a present obligation of the Company;

(2) It is probable that the performance of the obligation will result in an outflow of economic benefits from the Company;

(3) The amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into full account the risks, uncertainties and time value of money associated with the contingency. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The Company reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to reflect the current best estimate.

Where all or part of the expenditure required to settle a recognised provision is expected to be reimbursed by a third party or another party, the reimbursement is recognised as a separate asset only when it is virtually certain to be received. The amount of reimbursement recognised does not exceed the carrying amount of the recognised liability.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

27. Share-based payment and equity instruments

(1) Categories of share-based payment

The Company's share-based payments are classified into equity-settled share-based payments and cash-settled share-based payments.

(2) Determination of the fair value of equity instruments

For options and other equity instruments granted for which an active market exists, the Company determines fair value based on the quoted price in the active market. For options and other equity instruments granted for which no active market exists, an option pricing model is used to determine fair value. The following factors are taken into account in the option pricing model used: A. the exercise price of the option; B. the validity period of the option; C. the current price of the underlying shares; D. the estimated volatility of the share price; E. the estimated dividends of the shares; and F. the risk-free interest rate during the validity period of the option.

(3) Basis for recognising the best estimate of exercisable equity instruments

At each balance sheet date during the vesting period, the Company makes its best estimate based on the latest available subsequent information, such as changes in the number of employees expected to become entitled to exercise, and revises the estimated number of equity instruments expected to vest. On the vesting date, the final estimated number of exercisable equity instruments shall be consistent with the actual number of equity instruments that have vested.

(4) Accounting treatment for the implementation, modification and termination of share-based payment plans

Equity-settled share-based payments are measured at the fair value of the equity instruments granted to employees. For those that vest immediately upon grant, the fair value of the equity instruments on the grant date is included in the related cost or expense, with a corresponding increase in capital reserve. For those that vest only after completion of services during the vesting period or upon achievement of specified performance conditions, at each balance sheet date during the vesting period, the services received for the period are included in the related cost or expense and capital reserve, based on the best estimate of the number of equity instruments expected to vest, at the fair value of the equity instruments on the grant date. No adjustment is made to the total amount of the related cost or expense and owners' equity recognised after the vesting date.

Cash-settled share-based payments are measured at the fair value of the liability assumed by the Company, which is calculated based on shares or other equity instruments. For those that vest immediately upon grant, the fair value of the liability assumed by the Company on the grant date is included in the related cost or expense, with a corresponding increase in liabilities. For cash-settled share-based payments that vest only after completion of services during the vesting period or upon achievement of specified performance conditions, at each balance sheet date during the vesting period, the services received for the period are included in the related cost or expense and the corresponding liability, based on the best estimate of the vesting outcome, at the fair value of the liability assumed by the Company. At each balance sheet date before the related liability is settled and at the settlement date, the fair value of the liability is remeasured, with changes recognised in profit or loss for the current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

27. Share-based payment and equity instruments *(continued)*

(4) Accounting treatment for the implementation, modification and termination of share-based payment plans *(continued)*

Where the Company modifies a share-based payment plan, if the modification increases the fair value of the equity instruments granted, the increase in services received is recognised correspondingly based on the increase in fair value of the equity instruments; if the modification increases the number of equity instruments granted, the fair value of the additional equity instruments is recognised correspondingly as an increase in services received. The increase in fair value of the equity instruments is the difference between the fair values of the equity instruments on the modification date immediately before and after the modification. If the modification reduces the total fair value of the share-based payment or otherwise modifies the terms and conditions of the plan in a manner unfavourable to the employees, the Company continues to account for the services received as if that modification had not occurred, unless the Company cancels part or all of the equity instruments granted.

If, during the vesting period, a granted equity instrument is cancelled (other than a cancellation due to failure to satisfy a non-market vesting condition), the Company accounts for the cancellation of the granted equity instrument as an acceleration of vesting, and immediately recognises in profit or loss for the current period the amount that would otherwise have been recognised for services over the remaining vesting period, with a corresponding recognition of capital reserve. Where an employee or another party may choose to satisfy a non-vesting condition but fails to do so during the vesting period, the Company treats this as a cancellation of the granted equity instrument.

(5) Accounting treatment for share-based payment transactions involving the Company and the Company's shareholders or ultimate controller

For a share-based payment transaction involving the Company and the Company's shareholders or ultimate controller, where the settling entity and the entity receiving services are, respectively, inside and outside the Company, the following provisions apply in the Company's consolidated financial statements:

① Where the settling entity settles using its own equity instruments, the share-based payment transaction is accounted for as an equity-settled share-based payment; otherwise, it is accounted for as a cash-settled share-based payment.

Where the settling entity is an investor in the entity receiving services, the fair value of the equity instruments or the fair value of the liability to be assumed on the grant date is recognised as a long-term equity investment in the entity receiving services, with a corresponding recognition of capital reserve (other capital reserve) or a liability.

② Where the entity receiving services has no settlement obligation, or the equity instruments granted to its own employees are its own equity instruments, the share-based payment transaction is accounted for as an equity-settled share-based payment; where the entity receiving services has a settlement obligation and the equity instruments granted to its own employees are not its own equity instruments, the share-based payment transaction is accounted for as a cash-settled share-based payment.

For a share-based payment transaction occurring between entities within the Company where the entity receiving services and the settling entity are not the same entity, the recognition and measurement of that share-based payment transaction in the respective separate financial statements of the entity receiving services and the settling entity are accounted for by reference to the principles above.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

28. Preferred shares, perpetual bonds and other financial instruments

(1) Distinction between financial liabilities and equity instruments

The Company classifies a financial instrument or its components as a financial asset, financial liability or equity instrument at initial recognition based on the contractual terms of the financial instrument issued and the economic substance reflected thereby, rather than merely its legal form, in conjunction with the definitions of financial assets, financial liabilities and equity instruments.

(2) Accounting treatment of preferred shares, perpetual bonds and other financial instruments

Financial instruments issued by the Company are initially recognised and measured in accordance with the financial instrument standards; thereafter, interest or dividends are accrued or distributed at each balance sheet date and accounted for in accordance with the relevant specific Accounting Standards for Business Enterprises, that is, the accounting treatment of interest expense or dividend distribution on the instrument is determined based on the classification of the financial instrument issued. For a financial instrument classified as an equity instrument, its interest expense or dividend distribution is treated as a distribution of profit by the Company, and its repurchase or cancellation is accounted for as a change in equity; for a financial instrument classified as a financial liability, its interest expense or dividend distribution is, in principle, accounted for as a borrowing cost, and gains or losses arising from its repurchase or redemption are recognised in profit or loss for the current period.

Transaction costs, such as handling fees and commissions, incurred by the Company in issuing a financial instrument are, if the instrument is classified as a debt instrument measured at amortised cost, included in the initial measurement amount of the instrument issued; if the instrument is classified as an equity instrument, deducted from equity.

29. Revenue

(1) General principles

The Company recognises revenue when it satisfies a performance obligation under a contract, that is, when the customer obtains control of the related goods or services.

Where a contract contains two or more performance obligations, the Company, at the inception of the contract, allocates the transaction price to each individual performance obligation in proportion to the relative stand-alone selling prices of the goods or services promised under each performance obligation, and measures revenue based on the transaction price allocated to each performance obligation.

Where one of the following conditions is satisfied, the Company satisfies the performance obligation over a period of time; otherwise, the performance obligation is satisfied at a point in time:

① The customer simultaneously receives and consumes the economic benefits provided by the Company's performance as the Company performs.

② The customer is able to control the goods under construction during the Company's performance.

③ The goods produced by the Company during performance have no alternative use to the Company, and the Company has an enforceable right to payment for performance completed to date throughout the contract period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

29. Revenue *(continued)*

(1) General principles *(continued)*

For a performance obligation satisfied over a period of time, the Company recognises revenue over that period based on the progress towards complete satisfaction of the performance obligation. Where the progress of performance cannot be reasonably determined, and the costs incurred by the Company are expected to be recoverable, revenue is 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 recognises revenue at the point in time when the customer obtains control of the related goods or services. In determining whether the customer has obtained control of the goods or services, the Company considers the following indicators:

① The Company has a present right to payment for the goods or services, that is, the customer has a present obligation to pay for the goods.

② The Company has transferred the legal title of the goods to the customer, that is, the customer has obtained the legal title of the goods.

③ The Company has transferred physical possession of the goods to the customer, that is, the customer has taken physical possession of the goods.

④ The Company has transferred the significant risks and rewards of ownership of the goods to the customer, that is, the customer has obtained the significant risks and rewards of ownership of the goods.

⑤ The customer has accepted the goods or services.

⑥ Other indicators showing that the customer has obtained control of the goods.

The Company's right to consideration in exchange for goods or services already transferred to a customer, where that right is conditional on factors other than the passage of time, is recognised as a contract asset, and impairment for the contract asset is provided for on the basis of expected credit losses (see Note III. 11(6)). The Company's unconditional right (dependent only on the passage of time) to consideration from a customer is presented as a receivable. The Company's obligation to transfer goods or services to a customer for which the Company has received, or is entitled to receive, consideration from the customer is presented as a contract liability.

Contract assets and contract liabilities under the same contract are presented on a net basis: where the net amount is a debit balance, it is presented under "contract assets" or "other non-current assets" according to its liquidity; where the net amount is a credit balance, it is presented under "contract liabilities" or "other non-current liabilities" according to its liquidity.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

29. Revenue *(continued)*

(2) Specific methods

The Company enters into sales contracts with customers, and recognises sales revenue upon issuing an invoice after receiving a customer order and delivering the goods to the designated carrier or purchaser; export sales are mainly conducted on an FOB basis, and revenue is recognised based on the customs declaration after the goods have been declared to customs and export procedures have been completed.

The Company grants a consistent credit period to all categories of customers, and there is no significant financing component.

The Company's cooperation model with distributors is a buy-out sales model, and revenue recognition under the distribution model is consistent with that under 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 subsequently occur. The Company recognises a liability at the expected refund amount, and recognises an asset at the carrying amount of the goods expected to be returned upon transfer, net of the estimated costs of recovering such goods (including any diminution in value of the returned goods).

30. Contract costs

Contract costs comprise the incremental costs of obtaining a contract and the costs to fulfil a contract.

The incremental costs of obtaining a contract refer to costs that the Company would not have incurred if the contract had not been obtained (such as sales commissions). Where such costs are expected to be recovered, the Company recognises them as an asset as costs of obtaining a contract. Other expenditure incurred by the Company in obtaining a contract, other than incremental costs expected to be recovered, is recognised in profit or loss for the current period when incurred.

Costs incurred to fulfil a contract that do not fall within the scope of inventories or other Accounting Standards for Business Enterprises are recognised by the Company as an asset as costs to fulfil a contract when all of the following conditions are satisfied simultaneously:

① The costs relate directly to a current or anticipated contract, including direct labour, direct materials, manufacturing overheads (or similar costs), costs explicitly chargeable to the customer, and other costs incurred only because of the contract;

② The costs increase the Company's resources that will be used to satisfy future performance obligations;

③ The costs are expected to be recovered.

Assets recognised for costs of obtaining a contract and assets recognised for costs to fulfil a contract (collectively, "assets related to contract costs") are amortised on the same basis as the recognition of revenue from the goods or services to which the asset relates, and included in profit or loss for the current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

30. Contract costs *(continued)*

Where the carrying amount of an asset related to contract costs exceeds the following two amounts, the Company provides for impairment of the excess and recognises it as an asset impairment loss:

① The remaining consideration that the Company expects to receive in exchange for the goods or services to which the asset relates;

② The costs estimated to be incurred in transferring the related goods or services.

Costs to fulfil a contract recognised as an asset are presented under "inventories" if the amortisation period does not exceed one year or a normal operating cycle at initial recognition, and under "other non-current assets" if the amortisation period exceeds one year or a normal operating cycle at initial recognition.

Costs of obtaining a contract recognised as an asset are presented under "other current assets" if the amortisation period does not exceed one year or a normal operating cycle at initial recognition, and under "other non-current assets" if the amortisation period exceeds one year or a normal operating cycle at initial recognition.

31. Government grants

A government grant is recognised when the conditions attached to it are satisfied and the grant can be received.

A government grant in the form of a monetary asset is measured at the amount received. A government grant in the form of a non-monetary asset is measured at fair value; where fair value cannot be reliably determined, it is measured at a nominal amount of RMB1.

A government grant related to assets refers to a government grant obtained by the Company for the acquisition or construction of, or otherwise forming, a long-term asset; all other government grants are grants related to income.

Where the government document does not specify the object of a grant, but the grant can be used to form a long-term asset, the portion of the grant corresponding to the value of the asset is treated as a grant related to assets, with the remainder treated as a grant related to income; where such distinction is difficult to make, the entire grant is treated as a grant related to income.

A grant related to assets is recognised as deferred income and recognised in profit or loss in instalments over the useful life of the related asset on a reasonable and systematic basis. A grant related to income used to compensate for related costs, expenses or losses already incurred is recognised in profit or loss for the current period; a grant related to income used to compensate for related costs, expenses or losses to be incurred in future periods is recognised as deferred income and recognised in profit or loss during the period in which the related costs, expenses or losses are recognised. A government grant measured at a nominal amount is recognised directly in profit or loss for the current period. The Company applies a consistent accounting treatment to the same or similar types of government grants.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

31. Government grants *(continued)*

A government grant related to the Company's daily activities is recognised as other income based on the substance of the economic transaction. A government grant unrelated to the Company's daily activities is recognised as non-operating income.

Where a recognised government grant is required to be refunded, if there is a related asset carrying amount that was reduced at initial recognition, the carrying amount of the asset is adjusted; if there is a related deferred income balance, the carrying amount of the deferred income is reduced, with any excess recognised in profit or loss for the current period; in other cases, the amount is recognised directly in profit or loss for the current period.

32. Deferred income tax assets and deferred income tax liabilities

Income tax comprises current income tax and deferred income tax. Except for deferred income tax arising from a business combination, which adjusts goodwill, and deferred income tax related to a transaction or event directly recognised in owners' equity, which is recognised in owners' equity, all income tax is recognised as income tax expense in profit or loss for the current period.

The Company recognises deferred income tax using the balance sheet liability method, based on the temporary differences between the carrying amounts of assets and liabilities and their tax bases at the balance sheet date.

A deferred income tax liability is recognised for all taxable temporary differences, except where the taxable temporary difference arises from:

(1) The initial recognition of goodwill, or the initial recognition of an asset or liability arising from a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income (other than a single transaction where the initial recognition of the asset and liability gives rise to equal taxable and deductible temporary differences);

(2) A taxable temporary difference associated with an investment in a subsidiary, joint venture or associate, where 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.

For deductible temporary differences, deductible losses that can be carried forward to subsequent years, and tax credits, the Company recognises the resulting deferred income tax assets to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, deductible losses and tax credits can be utilised, except where the deductible temporary difference arises from:

(1) A transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income (other than a single transaction where the initial recognition of the asset and liability gives rise to equal taxable and deductible temporary differences);

(2) A deductible temporary difference associated with an investment in a subsidiary, joint venture or associate, for which the corresponding deferred income tax asset is recognised when it is probable that the temporary difference will reverse in the foreseeable future and that future taxable income against which the deductible temporary difference can be utilised will be available.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

32. Deferred income tax assets and deferred income tax liabilities *(continued)*

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates applicable to the period in which the related asset is expected to be recovered or the related liability is expected to be settled, reflecting the tax effect of the expected manner of recovery of the asset or settlement of the liability at the balance sheet date.

At the balance sheet date, the Company reviews the carrying amount of deferred income tax assets. If it is probable that sufficient taxable income will not be available in future periods against which the benefit of the deferred income tax asset can be utilised, the carrying amount of the deferred income tax asset is reduced. Any such reduction is reversed to the extent it becomes probable that sufficient taxable income 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 of the following conditions are satisfied simultaneously:

(1) The taxpayer within the Company has a legally enforceable right to settle current income tax assets and current income tax liabilities on a net basis;

(2) The deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same tax authority on the same taxpayer within the Company.

33. Leases

(1) Identification of leases

At the inception of a contract, the Company, as lessee or lessor, assesses whether the customer under the contract has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use and the right to direct the use of the identified asset throughout the period of use. If one party to a contract conveys the right to control the use of one or more identified assets for a period of time in exchange for consideration, the Company determines that the contract is, or contains, a lease.

(2) The Company as lessee

At the commencement date of the lease term, the Company recognises a right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low-value assets accounted for using the simplified approach.

For the accounting policy on right-of-use assets, refer to Note III. 34.

A lease liability is initially measured at the present value of the lease payments not yet paid at the commencement date of the lease term, discounted using the interest rate implicit in the lease, or, where that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments include: fixed payments and in-substance fixed payments, less any lease incentives (where a lease incentive exists); variable lease payments that depend on an index or a rate; the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; payments for exercising a termination option, if the lease term reflects the Company exercising that option; and amounts expected to be payable under a residual value guarantee provided by the lessee. Interest expense on the lease liability for each period during the lease term is subsequently calculated using a fixed periodic interest rate and included in profit or loss for the current period. Variable lease payments not included in the measurement of the lease liability are included in profit or loss for the current period when actually incurred.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

33. Leases *(continued)*

(2) The Company as lessee *(continued)*

Short-term leases

A short-term lease is a lease that, at the commencement date of the lease term, has a lease term of not more than 12 months, excluding a lease that contains a purchase option.

The Company recognises lease payments for short-term leases in the cost of the related asset or in profit or loss for the current period on a straight-line basis over each period of the lease term.

Leases of low-value assets

A lease of a low-value asset is a lease in which the individual leased asset, when new, has a value of less than RMB40,000.

The Company recognises lease payments for leases of low-value assets in the cost of the related asset or in profit or loss for the current period on a straight-line basis over each period of the lease term.

For leases of low-value assets, the Company chooses whether to adopt the above simplified treatment based on the specific circumstances of each lease.

Lease modifications

The Company accounts for a lease modification as a separate lease when both of the following conditions are satisfied simultaneously: ① the modification increases the scope of the lease by adding the right to use one or more leased assets; and ② the increase in consideration is commensurate with the stand-alone price for the increase in scope, adjusted to reflect the circumstances of the particular contract.

Where a lease modification is not accounted for as a separate lease, the Company reallocates the consideration in the modified contract, re-determines the lease term, and remeasures the lease liability at the present value of the revised lease payments discounted using the revised discount rate, on the effective date of the lease modification.

Where a lease modification results in a reduction in the scope of the lease or a shortened lease term, the Company correspondingly reduces the carrying amount of the right-of-use asset, and recognises any gain or loss relating to the partial or full termination of the lease in profit or loss for the current period.

Where any other lease modification results in remeasurement of the lease liability, the Company correspondingly adjusts the carrying amount of the right-of-use asset.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

33. Leases *(continued)*

(3) The Company as lessor

Where the Company acts as lessor, a lease that transfers substantially all the risks and rewards incidental to ownership of the underlying asset is classified as a finance lease, and any lease other than a finance lease is classified as an operating lease.

Finance leases

For a finance lease, the Company recognises, at the commencement date of the lease term, finance lease receivables at the net investment in the lease, being the sum of the unguaranteed residual value and the present value of the lease receipts not yet received at the commencement date of the lease term, discounted using the interest rate implicit in the lease. The Company, as lessor, calculates and recognises interest income for each period over the lease term using a fixed periodic interest rate. Variable lease payments obtained by the Company as lessor that are not included in the measurement of the net investment in the lease are recognised in profit or loss for the current period as they are actually incurred.

The derecognition and impairment of finance lease receivables are accounted for in accordance with the "Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments" and "Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets".

Operating leases

For operating leases, the Company recognises rental income in profit or loss for each period over the lease term on a straight-line basis. Initial direct costs incurred in connection with an operating lease are capitalised and amortised over the lease term on the same basis as the recognition of rental income, and recognised in profit or loss for the current period in instalments. Variable lease payments obtained in connection with an operating lease that are not included in the lease receipts are recognised in profit or loss for the current period as they are actually incurred.

Lease modifications

Where an operating lease is modified, the Company accounts for it as a new lease from the effective date of the modification, and treats any prepaid or accrued rental receipts relating to the original lease as receipts of the new lease.

The Company accounts for a modification to a finance lease as a separate lease when both of the following conditions are satisfied simultaneously: ① the modification increases the scope of the lease by adding the right to use one or more leased assets; and ② the increase in consideration is commensurate with the stand-alone price for the increase in scope, adjusted to reflect the circumstances of the particular contract.

Where a modification to a finance lease is not accounted for as a separate lease, the Company accounts for the modified lease as follows: ① if the modification had been in effect at the commencement date of the lease and the lease would have been classified as an operating lease, the Company accounts for it as a new lease from the effective date of the modification, using the net investment in the lease immediately before the effective date of the modification as the carrying amount of the leased asset; ② if the modification had been in effect at the commencement date of the lease and the lease would have been classified as a finance lease, the Company accounts for it in accordance with the provisions on modifying or renegotiating a contract under "Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments".

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

34. Right-of-use assets

(1) Conditions for recognition of right-of-use assets

The Company's right-of-use assets represent the Company's right, as lessee, to use a leased asset during the lease term.

At the commencement date of the lease term, a right-of-use asset is initially measured at cost, comprising: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date of the lease term, less any lease incentives received (where a lease incentive exists); initial direct costs incurred by the Company as lessee; and costs expected to be incurred by the Company as lessee in dismantling and removing the leased asset, restoring the site on which it is located, or restoring the leased asset to the condition required by the terms of the lease. The Company, as lessee, recognises and measures such dismantling and restoration costs in accordance with "Accounting Standard for Business Enterprises No. 13 – Contingencies". Subsequent adjustments are made for any remeasurement of the lease liability.

(2) Depreciation method of right-of-use assets

The Company provides depreciation using the straight-line method. Where the Company, as lessee, can reasonably determine that it will obtain ownership of the leased asset at the end of the lease term, depreciation is provided over the remaining useful life of the leased asset; where it cannot be reasonably determined that ownership will be obtained at the end of the lease term, depreciation is provided over the shorter of the lease term and the remaining useful life of the leased asset.

(3) For the methods of impairment testing and impairment provision for right-of-use assets, refer to Note III. 23.

35. Repurchase of shares

Shares repurchased by the Company are accounted for as treasury shares prior to their cancellation or transfer, with the total expenditure arising from the share repurchase recorded as the cost of treasury shares. Consideration paid and transaction costs incurred in a share repurchase reduce owners' equity, and no gain or loss is recognised on the repurchase, transfer or cancellation of the Company's shares.

Upon the transfer of treasury shares, the difference between the actual amount received and the carrying amount of the treasury shares is recognised in capital reserve; where the capital reserve is insufficient to absorb the difference, the excess is charged against surplus reserve and undistributed profit. Upon the cancellation of treasury shares, share capital is reduced by the par value of the cancelled shares and the number of shares cancelled, and the difference between the carrying amount of the cancelled treasury shares and their par value is charged against capital reserve; where the capital reserve is insufficient to absorb the difference, the excess is charged against surplus reserve and undistributed profit.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

36. Significant accounting judgements and estimates

The Company continually evaluates the significant accounting estimates and key assumptions adopted, based on historical experience and other factors, including reasonable expectations of future events. The significant accounting estimates and key 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:

(1) Classification of financial assets

The significant judgements involved in the Company's determination of the classification of financial assets include the analysis of the business model and the characteristics of contractual cash flows.

The Company determines the business model for managing financial assets at the level of a portfolio of financial assets, taking into account factors including how the performance of the financial assets is evaluated and reported to key management personnel, the risks affecting the performance of the financial assets and how those risks are managed, and how the managers of the relevant business are remunerated.

In assessing whether the contractual cash flows of a financial asset are consistent with a basic lending arrangement, the Company makes the following key judgements: whether the timing or amount of principal may change over the life of the instrument due to early repayment or other reasons; and whether interest comprises only consideration for the time value of money, credit risk, other basic lending risks and costs, and a profit margin. For example, whether the amount of an early repayment reflects only unpaid amounts of principal and interest on the outstanding principal amount, and reasonable additional compensation for early termination of the contract.

(2) Measurement of expected credit losses on accounts receivable

The Company calculates expected credit losses on accounts receivable based on the exposure at default and the expected credit loss rate, and determines the expected credit loss rate based on the probability of default and the loss given default. In determining the expected credit loss rate, the Company uses data such as historical internal credit loss experience, and adjusts historical data by reference to current conditions and forward-looking information. In considering forward-looking information, the indicators used by the Company include the risk of economic downturn, changes in the external market environment, technological environment and customer circumstances, etc. The Company periodically monitors and reviews the assumptions relating to the measurement of expected credit losses.

(3) Impairment of non-current assets other than financial assets (excluding goodwill)

At the balance sheet date, the Company assesses whether there is any indication of impairment for non-current assets other than financial assets. For intangible assets not yet ready for their intended use, an impairment test is performed whenever there is an indication of impairment, in addition to the annual impairment test. For other non-current assets other than financial assets, an impairment test is performed when there is an indication that their carrying amounts may not be recoverable. Impairment exists when the carrying amount of an asset or asset group exceeds its recoverable amount, being the higher of its fair value less costs of disposal and the present value of its estimated future cash flows. Fair value less costs of disposal is determined by reference to the price in a sale agreement for a similar asset in an arm's length transaction, or observable market prices, less the incremental costs directly attributable to the disposal of the asset. In calculating the present value of future cash flows, management is required to estimate the expected future cash flows from the asset or asset group and to select an appropriate discount rate to determine the present value of those future cash flows.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

36. Significant accounting judgements and estimates *(continued)*

(4) Impairment of goodwill

The Company assesses whether goodwill is impaired at least once a year. This requires an estimation of the value in use of the asset groups to which the goodwill has been allocated. In estimating value in use, the Company is required to estimate the future cash flows expected to be generated from the asset group and to choose an appropriate discount rate in order to calculate the present value of those future cash flows.

(5) Development expenditure

In determining the amount to be capitalised, management is required to make assumptions regarding the expected generation of future cash flows from the asset, the discount rate to be applied and the expected period of benefit.

(6) Deferred income tax assets

Deferred income tax assets are recognised for all unused tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. This requires management to exercise significant judgement in estimating the timing and amount of future taxable profits, together with tax planning strategies, in order to determine the amount of deferred income tax assets to be recognised.

(7) Revenue recognition

As described in Note III. 29, the Company's revenue recognition involves the following significant accounting judgements and estimates: identifying customer contracts; estimating the recoverability of consideration to which the Company is entitled in exchange for transferring goods to customers; identifying the performance obligations in a contract; estimating variable consideration in a contract and the amount of cumulative revenue recognised for which it is highly probable that a significant reversal will not subsequently occur when the related uncertainty is resolved; assessing whether a contract contains a significant financing component; and estimating the stand-alone selling price of each individual performance obligation in a contract, etc. The Company makes such judgements primarily based on past experience and work performed. Changes in these significant judgements and estimates may have a significant impact on operating revenue, operating costs and profit or loss for the current or subsequent periods, and such impact may be material.

(8) Determination of the fair value of unlisted equity investments

The fair value of unlisted equity investments is determined based on estimated future cash flows discounted using a current discount rate for items with similar terms and risk characteristics. Such valuation requires the Company to estimate expected future cash flows and discount rates, and is therefore subject to uncertainty. In limited circumstances, where the information available to determine fair value is insufficient, or the range of reasonable fair value estimates is significant, and cost represents the best estimate of fair value within that range, cost may be considered an appropriate estimate of fair value within that range.

37. Changes in significant accounting policies and accounting estimates

(1) Changes in accounting policies

None.

(2) Changes in significant accounting estimates

None.

From January to June 2026 (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, 5, 6, 10, 13 (Note 1)
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 2
Enterprise income tax	Taxable income	Note 3

Note 1: The drugs sold by the subsidiary, Imexpharm Corporation, are subject to value added tax at a rate of 5%, and the health supplement products sold by it are subject to value added tax at a rate of 10%.

Note 2: 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 3: The enterprise income tax rates applicable to the Company and its subsidiaries are set out as follows:

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
Imexpharm Corporation	20
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

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.

In accordance with Vietnam's phased preferential value added tax policy, from 1 July 2025 to 31 December 2026, the value added tax rate applicable to the majority of goods and services previously subject to a 10% rate is temporarily reduced to 8%. The health supplement products sold by Imexpharm Corporation are subject to the preferential value added tax rate of 8% during the above period.

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 applied for re-assessment as high and new technology enterprises during the Period; Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.（麗珠集團新北江製藥股份有限公司）and Zhuhai Livzon Diagnostics Inc.（珠海麗珠試劑股份有限公司）have been entitled to the preferential income tax policies for high and new technology enterprises since 2025 for a valid period of three years; Shanghai Livzon Biotechnology Co., Ltd.（上海麗珠生物科技有限公司）have been entitled to the preferential income tax policies for high and new technology enterprises 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%.

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

IV. TAXATION *(continued)*

2. Tax preference and approvals *(continued)*

2.2 Preferential enterprise income tax *(continued)*

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%.

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at bank and on hand

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Cash on hand	343,711.49	168,207.08
Bank deposits	7,428,202,694.20	9,190,336,335.24
Other monetary funds	10,508,719.41	114,877,081.74
Accrued interest on deposits	1,728,072.84	
Total	7,440,783,197.94	9,305,381,624.06
Of which: Total amount of overseas deposits	595,935,252.75	2,798,882,295.32

① Other monetary funds are mainly deposits for investments.

② Restricted funds in bank deposits and other monetary funds have been deducted from cash and cash equivalents in the cash flow statement. Other than such funds, there are no other amounts subject to restricted use due to charge, pledge or lockup, kept outside China and having probable risks in their collection in the balance at the End of the Period. The details of restricted monetary funds are as follows:

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)	3,974,600.00	1,865,019,539.69

2. Financial assets held for trading

(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	383,382,884.68	1,344,668,279.76
Of which: Funds	175,285,657.41	1,005,892.28
Structured deposits	120,498,663.70	1,262,600,133.18
Equity instrument investments	86,809,162.42	78,525,127.72
Derivative financial assets	789,401.15	2,537,126.58
Total	383,382,884.68	1,344,668,279.76

From January to June 2026 (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 *(continued)*

(1) Classification *(continued)*

① The Company's investments in equity instruments and certain debt instrument investments among the financial assets held for trading at the End of the Period were listed for trading on stock exchanges in and outside China. Their fair value was determined based on the closing price on the last trading day of the Reporting Period.

② Derivative financial assets represent foreign currency forward contracts. Gains arising from measuring unexpired contracts at fair value at the balance sheet date are recognised as financial assets.

(2) There were no restrictions on realisation of financial assets measured at fair value through profit or loss in the balance at the End of the Period.

(3) There were no hedging instruments in the balance at the End of the Period and no hedging transactions occurred during the Period.

3. Notes receivable

	Balance at the End of the Period			Balance at the End of the Previous Year		
Type of bills	Gross amount	Provision for bad debt	Carrying amount	Gross amount	Provision for bad debt	Carrying amount
Bank acceptance bills	689,537,591.69		689,537,591.69	1,137,537,531.35		1,137,537,531.35

(1) Pledged notes receivable at the End of the Period

Type	Pledged amount at the End of the Period
Bank acceptance bills	102,897,791.93

As at 30 June 2026, notes with a carrying amount of RMB102,897,791.93 (31 December 2025: RMB140,868,943.08) were used to secure the issuance of bank acceptance bills.

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3. Bills receivable *(continued)*

(2) Notes receivable endorsed or discounted but not yet mature at the balance sheet date at the End of the Period

Type	Amount derecognised at the End of the Period	Amount not derecognised at the End of the Period
Bank acceptance bills not yet mature but already endorsed	77,097,752.12	
Bank acceptance bills not yet mature but already discounted	179,341,662.20	
Total	256,439,414.32	

During the Period, the Company discounted bank acceptance bills of RMB179,341,662.20 (Previous Period: RMB0.00) to banks. The discounted bank acceptance bills were without recourse, and almost all the risks and rewards of ownership of the bills were transferred to the banks, and therefore were derecognised. Interest expense arising from the discounting for the Period amounted to RMB482,757.09.

(3) There were no bills transferred into accounts receivable due to non-performance by the issuer at the End of the Period.

(4) Classified according to the method of provision for bad debt

	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		
Category	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying value	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying value
Provision for bad debt on individual basis										
Provision for bad debt on collective basis	689,537,591.69	100.00			689,537,591.69	1,137,537,531.35	100.00			1,137,537,531.35
Of which:										
Bank acceptance bills	689,537,591.69	100.00			689,537,591.69	1,137,537,531.35	100.00			1,137,537,531.35
Total	689,537,591.69	100.00			689,537,591.69	1,137,537,531.35	100.00			1,137,537,531.35

Notes receivable with provision for bad debt on individual basis:

Nil.

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3. Bills receivable *(continued)*

(4) Classified according to the method of provision for bad debt *(continued)*

Notes 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		
	Notes receivable	Provision for bad debt	Expected credit loss rate (%)	Notes receivable	Provision for bad debt	Expected credit loss rate (%)
Within 1 year	689,537,591.69			1,137,537,531.35		

(5) No provision for bad debt was made, recovered or reversed during the Period.

(6) No notes receivable was actually written off during the Period.

4. Accounts receivable

(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)	1,576,238,938.40	2,022,178,747.14
4 – 6 months (including 6 months)	360,318,066.29	209,840,790.19
7 – 12 months (including 12 months)	60,259,421.27	47,468,200.63
Subtotal within 1 year:	1,996,816,425.96	2,279,487,737.96
1 – 2 years (including 2 years)	16,428,977.12	5,763,780.61
2 – 3 years (including 3 years)	1,885,135.39	2,575,277.04
Over 3 years	14,228,965.50	14,658,703.96
Subtotal	2,029,359,503.97	2,302,485,499.57
Less: Provision for bad debt	56,307,336.48	54,144,309.32
Total	1,973,052,167.49	2,248,341,190.25

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.

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. Accounts receivables *(continued)*

(2) Classified according to the method of provision for bad debt

Category	Balance at the End of the Period: Gross amount: Amount	Gross amount: Percentage (%)	Provision for bad debt: Amount	Provision for bad debt: Expected credit loss rate (%)	Carrying value	Balance at the End of the Previous Year: Gross amount: Amount	Gross amount: Percentage (%)	Provision for bad debt: Amount	Provision for bad debt: Expected credit loss rate (%)	Carrying value
Provision for bad debt on individual basis	5,590,225.22	0.28	5,590,225.22	100.00		5,625,775.22	0.24	5,625,775.22	100.00	
Of which:										
Due from domestic customers	5,590,225.22	0.28	5,590,225.22	100.00		5,625,775.22	0.24	5,625,775.22	100.00	
Provision for bad debt on collective basis	2,023,769,278.75	99.72	50,717,111.26	2.51	1,973,052,167.49	2,296,859,724.35	99.76	48,518,534.10	2.11	2,248,341,190.25
Of which:										
Due from domestic customers	1,379,886,058.95	67.99	40,481,011.85	2.93	1,339,405,047.10	1,840,716,607.50	79.95	40,101,590.66	2.18	1,800,615,016.84
Due from overseas customers	643,883,219.80	31.73	10,236,099.41	1.59	633,647,120.39	456,143,116.85	19.81	8,416,943.44	1.85	447,726,173.41
Total	2,029,359,503.97	100.00	56,307,336.48	2.77	1,973,052,167.49	2,302,485,499.57	100.00	54,144,309.32	2.35	2,248,341,190.25

Accounts receivable with provision for bad debt on individual basis:

Name	Balance at the End of the Period: Gross amount	Provision for bad debt	Expected credit loss rate (%)	Reason for making provision	Balance at the End of the Previous Year: 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	549,549.81	549,549.81	100.00	Expected that the possibility of full recovery is relatively low
Customers-2	126.00	126.00	100.00		126.00	126.00	100.00	
Customers-3	2,679,262.00	2,679,262.00	100.00		2,679,262.00	2,679,262.00	100.00	
Total (other customers)	2,361,287.41	2,361,287.41	100.00		2,396,837.41	2,396,837.41	100.00	
Total	5,590,225.22	5,590,225.22	100.00		5,625,775.22	5,625,775.22	100.00	

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. Accounts receivables *(continued)*

(2) Classified according to the method of provision for bad debt *(continued)*

Accounts receivable 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 receivable	Provision for bad debt	Expected credit loss rate (%)	Accounts receivable	Provision for bad debt	Expected credit loss rate (%)
Within 3 months (including 3 months)	1,072,546,592.21	10,821,993.40	1.01	1,650,965,598.60	17,241,346.73	1.04
4 – 6 months (including 6 months)	228,703,618.81	11,463,729.51	5.01	128,621,382.45	6,458,457.76	5.02
7 – 12 months (including 12 months)	53,075,869.88	5,322,790.75	10.03	43,772,400.54	4,403,643.39	10.06
1 – 2 years	15,153,003.07	3,030,600.61	20.00	5,749,020.13	1,150,058.07	20.00
2 – 3 years	1,883,591.34	1,318,513.94	70.00	2,575,277.04	1,815,155.97	70.48
Over 3 years	8,523,383.64	8,523,383.64	100.00	9,032,928.74	9,032,928.74	100.00
Total	1,379,886,058.95	40,481,011.85	2.93	1,840,716,607.50	40,101,590.66	2.18

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 receivable	Provision for bad debt	Expected credit loss rate (%)	Accounts receivable	Provision for bad debt	Expected credit loss rate (%)
Within 3 months (including 3 months)	503,692,346.19	4,126,406.76	0.82	371,213,148.54	3,933,282.05	1.06
4 – 6 months (including 6 months)	131,614,447.48	5,850,672.50	4.45	81,219,407.74	4,108,481.93	5.06
7 – 12 months (including 12 months)	7,183,551.39	135,516.61	1.89	3,695,800.09	372,778.83	10.09
1 – 2 years	1,275,974.05	12,173.89	0.95	14,760.48	2,400.63	16.26
2 – 3 years	1,544.05	43.88	2.84			
Over 3 years	115,356.64	111,285.77	96.47			
Total	643,883,219.80	10,236,099.41	1.59	456,143,116.85	8,416,943.44	1.85

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. Accounts receivables *(continued)*

(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	54,144,309.32
Provision for the Period	1,946,528.65
Recoveries or reversals during the Period	
Write-off during the Period	177,824.90
Changes in scope of consolidation	395,648.01
Others	-1,324.60
Balance at the End of the Period	56,307,336.48

As at 30 June 2026 and 31 December 2025, the Company had no accounts receivable that were past due but not impaired.

(4) Accounts receivable that were actually written off during the Period

Item	Amount written off
Total (domestic customers)	177,824.90

(5) Top five balances of accounts receivable by debtors at the End of the Period

The total amount of the top five balances of accounts receivable by debtors at the End of the Period was RMB254,498,606.24, representing 12.54% of the total balance of accounts receivable at the End of the Period, and the corresponding aggregate amount of the balance of provision for bad debt at the End of the Period was RMB5,848,154.90.

(6) Accounts receivable derecognised due to the transfer of financial assets

From January to June 2026, the Company conducted non-recourse factoring for a few accounts receivable, and almost all risks and rewards of ownership were transferred to other parties. The corresponding accounts receivable derecognised amounted to RMB15,079,225.53, and the gains and losses related to the derecognition were RMB0.

(7) The Company has no assets or liabilities formed by its continuous involvement in transferring accounts receivable.

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

5. Prepayments

(1) Disclosure of prepayments by aging analysis

Aging	Balance at the End of the Period Amount	Balance at the End of the Period Percentage (%)	Balance at the End of Last Year Amount	Balance at the End of Last Year Percentage (%)
Within 1 year	**171,034,716.46**	**95.12**	120,149,812.12	95.00
1 – 2 years	**6,391,033.88**	**3.56**	3,353,546.70	2.65
2 – 3 years	**517,921.23**	**0.29**	1,084,802.94	0.86
Over 3 years	**1,855,981.05**	**1.03**	1,879,415.77	1.49
Subtotal	**179,799,652.62**	**100.00**	126,467,577.53	100.00
Less: Allowance for impairment	**237,096.90**		237,096.90	
Total	**179,562,555.72**	**100.00**	126,230,480.63	100.00

(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 RMB45,781,288.44, representing 25.46% 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	**9,100,106.84**	
Other receivables	**50,858,109.92**	56,912,974.18
Total	**59,958,216.76**	56,912,974.18

(1) Other receivables

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Dividends receivable	**9,100,106.84**	
Subtotal	**9,100,106.84**	
Less: allowance for doubtful debts		
Total	**9,100,106.84**	

No allowance for doubtful debts was provided for dividends receivable as at the end of the period.

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

6. Other receivables *(continued)*

(2) 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	49,855,393.18	55,888,013.52
1 – 2 years	2,928,083.94	4,283,323.13
2 – 3 years	1,211,346.52	10,000.00
Over 3 years	6,321,846.44	7,335,300.33
Subtotal	60,316,670.08	67,516,636.98
Less: Provision for bad debt	9,458,560.16	10,603,662.80
Total	50,858,109.92	56,912,974.18

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 value	Gross amount	Provision for bad debt	Carrying value
Deposits under guarantee, deposits and lease expenses	4,680,609.88	656,612.47	4,023,997.41	4,979,995.04	503,346.55	4,476,648.49
Reserve fund and advances	17,507,685.67	1,262,047.44	16,245,638.23	10,953,596.32	595,450.32	10,358,146.00
Balance with associates	4,105,432.84	41,056.05	4,064,376.79	4,015,131.88	40,151.32	3,974,980.56
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	14,280,833.14	321,764.05	13,959,069.09	32,973,586.60	1,890,313.55	31,083,273.05
Others	14,742,108.55	2,177,080.15	12,565,028.40	9,594,327.14	2,574,401.06	7,019,926.08
Total	60,316,670.08	9,458,560.16	50,858,109.92	67,516,636.98	10,603,662.80	56,912,974.18

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

6. Other receivables *(continued)*

(2) Other receivables *(continued)*

③ Provision for bad debt

At the End of the Period, there was no provision for bad debt in Step 1:

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	54,392,117.61	6.50	3,534,007.69	50,858,109.92	
Export tax refund receivable	14,280,833.14	2.25	321,764.05	13,959,069.09	
Deposits under guarantee and security deposits and lease expenses receivable	4,680,609.88	14.03	656,612.47	4,023,997.41	
Other receivables	35,430,674.59	7.21	2,555,631.17	32,875,043.42	
Total	54,392,117.61	6.50	3,534,007.69	50,858,109.92	

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	5,924,552.47	100.00	5,924,552.47		
Other receivables	5,924,552.47	100.00	5,924,552.47		Expected that the possibility of recovery is very low
Total	5,924,552.47	100.00	5,924,552.47		

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

6. Other receivables *(continued)*

(2) Other receivables *(continued)*

③ Provision for bad debt *(continued)*

As at 31 December 2025, the provision for bad debt was as follows:

As at 31 December 2025, there was no provision for bad debt in Step 1:

As at 31 December 2025, 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	

As at 31 December 2025, 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		

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

6. Other receivables *(continued)*

(2) Other receivables *(continued)*

④ Provision for bad debt made, recovered or reversed during the Period

Provision for bad debt	Step 1 Expected credit loss over the next 12 months	Step 2 Expected credit loss over the lifetime (without impairment of credit)	Step 3 Expected credit loss over the lifetime (with impairment of credit)	Total
Balance at the Beginning of the Period		4,868,270.33	5,735,392.47	10,603,662.80
Balance at the Beginning of the Period during the Period				
– Transferred to Step 3		-189,160.00	189,160.00	
Provision for the Period		-1,078,733.19		-1,078,733.19
Reversal during the Period				
Write-off during the Period				
Other changes		-66,369.45		-66,369.45
Balance at the End of the Period		3,534,007.69	5,924,552.47	9,458,560.16

⑤ There was no write-off of other receivables during the period.

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

6. Other receivables *(continued)*

(2) 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	14,280,833.14	Within 1 year	23.68	321,764.05
Guangzhou Galaxy 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	8.29	5,000,000.00
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Inter-company balance with a related party	2,871,384.96	Within 1 year	4.76	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	1.93	116,192.00
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Inter-company balance with a related party	1,135,828.34	Within 1 year	1.88	11,358.28
Total	–	24,449,966.44	–	40.54	5,478,028.18

⑦ The Company has no other receivables derecognised due to the transfer of financial assets.

⑧ The Company has no assets or liabilities formed by its continuous involvement in transferring other receivables.

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. Inventories

(1) Inventories by types

Item	Balance at the End of the Period Gross amount	Balance at the End of the Period Provision for diminution in value	Balance at the End of the Period Carrying amount	Balance at the End of the Previous Year Gross amount	Balance at the End of the Previous Year Provision for diminution in value	Balance at the End of the Previous Year Carrying amount
Raw materials	457,379,300.11	10,888,860.42	446,490,439.69	350,463,048.46	11,533,778.17	338,929,270.29
Packaging materials	104,098,721.40	21,618,578.76	82,480,142.64	95,371,219.00	22,054,542.19	73,316,676.81
Work in progress	360,335,699.69		360,335,699.69	337,318,842.39	456,085.98	336,862,756.41
Finished goods	735,304,501.74	20,063,131.07	715,241,370.67	656,194,784.04	24,334,004.15	631,860,779.89
Sub-contracting materials	847,000.39		847,000.39	1,738,534.65		1,738,534.65
Low-value consumables	32,479,160.16	49,319.94	32,429,840.22	23,925,636.89	51,692.09	23,873,944.80
Goods in transit	9,135,679.71		9,135,679.71	20,784,387.74		20,784,387.74
Consumable biological assets	22,291,276.75		22,291,276.75	19,737,998.28		19,737,998.28
Proprietary semi-finished goods	115,952,533.40	11,369,357.27	104,583,176.13	121,901,546.06	19,613,160.45	102,288,385.61
Contract performance cost	23,808,472.99		23,808,472.99	11,814,733.64		11,814,733.64
Total	1,861,632,346.34	63,989,247.46	1,797,643,098.88	1,639,250,731.15	78,043,263.03	1,561,207,468.12

(2) Provision for diminution in value of inventories

Item	Balance at the Beginning of the Period	Increase during the Period Provision	Increase during the Period Others	Decrease during the Period Reversal or write-off	Decrease during the Period Others	Balance at the End of Period
Raw materials	11,533,778.17	5,295.61	1,035,449.03	1,685,662.39		10,888,860.42
Packaging materials	22,054,542.19	307,801.57		740,088.33	3,676.67	21,618,578.76
Work in progress	456,085.98			456,085.98		
Finished goods	24,334,004.15	1,139,180.54	168,816.94	5,103,301.07	475,569.49	20,063,131.07
Low-value consumables	51,692.09	26,391.86		28,764.01		49,319.94
Proprietary semi-finished goods	19,613,160.45	275,760.26		8,519,563.44		11,369,357.27
Total	78,043,263.03	1,754,429.84	1,204,265.97	16,533,465.22	479,246.16	63,989,247.46

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. Inventories *(continued)*

(2) Provision for diminution in value of inventories *(continued)*

Item	Basis for determination of net realisable 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 into finished goods, sale 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 into 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

(3) No borrowing costs were 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	**371,419,109.57**	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	**3,830,319.21**	4,851,132.83
Remaining VAT credit	**50,382,274.09**	48,705,615.68
Prepayment of income tax	**19,408,766.94**	13,169,105.77
Cash management	**109,655,490.00**	
Others	**33,916,587.00**	443,555.11
Total	**217,193,437.24**	67,169,409.39

From January to June 2026 (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)	Balance of provision for impairment at the Beginning of the Period	Change during 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 for distribution	Provision for impairment	Changes in consolidation scope	Balance at the End of the Period (Carrying amount)	Balance of provision for impairment at the End of the Period
Associates												
Livzon Medical Electronic Equipment (Plant) Co., Ltd. (麗珠集團麗珠醫用電子設備有限公司)	1,200,000.00	1,200,000.00									1,200,000.00	1,200,000.00
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	118,830,426.33				7,417,555.63			11,475,000.00			114,772,981.96	
Fluffy Buddy Animal Healthcare (Guangdong) Co., Ltd. (毛孩子動物保健(廣東)有限公司)					-407,580.57					78,566,909.02	78,159,328.45	
AbCyte Therapeutics Inc.	11,407,724.55				-75,539.83						11,332,184.72	
L&L Biopharma, Co., Ltd. (健信生物科技(寧波)有限公司)	12,718,668.04				-517,731.35						12,200,936.69	
Aetio Biotheraphy, Inc.	14,794,626.30				-24,127.05				14,770,499.25		14,770,499.25	14,770,499.25
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)	4,737,384.70			3,844,407.95	-892,976.75							
Atom Therapeutics Co., Ltd. (杭州新元素藥業股份有限公司)	72,994,422.51				-7,661,475.60	11,261.32					65,344,208.23	
Tianjin Tongrentang Group Co., Ltd.* (天津同仁堂集團股份有限公司)	815,932,340.59				48,860,931.37						864,793,271.96	
Beijing Infinite Intelligence Pharmaceutical Technology Co., Ltd. (北京英飛智藥科技有限公司)	17,378,560.97				168,724.31						17,547,285.28	
Shenzhen KangTi Biopharma Technology Co., Ltd (深圳康體生物醫藥科技有限公司)	10,174,650.46				-22,135.96						10,152,514.50	
Agimexpharm					907,346.86					91,289,540.16	92,196,887.02	
Total	1,080,168,804.45	1,200,000.00		3,844,407.95	47,752,991.06	11,261.32		11,475,000.00	14,770,499.25	169,856,449.18	1,282,470,098.06	15,970,499.25

From January to June 2026 (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
Single asset management plans	1,357,688,387.36	
Other listed equity	29,571,418.58	57,440,464.82
Other unlisted equity	468,989,031.41	465,534,883.78
Total	1,856,248,837.35	522,975,348.60

As the aforesaid items are investments that the Company plans to hold for the long term for strategic purposes, the Company designates them as financial assets measured at fair value through other comprehensive income.

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
Single asset management plans	-207,450,258.45	-207,450,258.45	16,376,240.76		
Other listed equity	-21,926,200.02	-73,590,207.21			
Other unlisted equity	3,454,147.63	117,924,324.17	479.75		

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

12. Investment properties

Item	Plant and building
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 amortisation	
1. Balance at the Beginning of the Period	8,642,170.80
2. Addition during the Period	420,441.72
(1) Provision for amortisation	420,441.72
(2) Transfer from fixed assets	
3. Decrease during the Period	
4. Balance at the End of the Period	9,062,612.52
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	8,664,528.99
2. Carrying amount at the Beginning of the Period	9,084,970.71

13. Fixed assets

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Fixed assets	**4,160,528,551.96**	4,054,345,129.01
Disposal of fixed assets		
Total	**4,160,528,551.96**	4,054,345,129.01

From January to June 2026 (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) Fixed assets

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	3,983,098,701.98	4,297,816,562.83	82,209,377.14	675,023,442.08	9,038,148,084.03
2. Addition during the Period	134,668,043.65	232,615,918.67	14,902,474.84	16,448,029.34	398,634,466.50
(1) Acquisition	7,208,548.30	24,483,036.78	1,480,384.29	9,331,336.26	42,503,305.63
(2) Construction in progress transferred	6,001,033.04	40,534,493.49	220,197.78	2,628,510.68	49,384,234.99
(3) Changes in consolidation scope	121,458,462.31	167,598,388.40	13,201,892.77	4,398,966.24	306,657,709.72
(4) Other additions				89,216.16	89,216.16
3. Decrease during the Period	2,156,423.78	55,120,822.95	4,175,546.68	10,705,837.64	72,158,631.05
(1) Disposal or written-off	1,770,986.85	22,716,757.29	3,424,394.69	5,362,849.45	33,274,988.28
(2) Changes in consolidation scope		31,440,456.28		5,295,489.11	36,735,945.39
(3) Other decreases	385,436.93	963,609.38	751,151.99	47,499.08	2,147,697.38
4. Balance at the End of the Period	4,115,610,321.85	4,475,311,658.55	92,936,305.30	680,765,633.78	9,364,623,919.48
II. Accumulated depreciation					
1. Balance at the Beginning 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
2. Addition during the Period	96,022,143.82	133,243,798.08	3,055,601.02	26,878,981.63	259,200,524.55
(1) Provision	96,022,143.82	133,243,798.08	3,055,601.02	26,805,275.30	259,126,818.22
(2) Other additions				73,706.33	73,706.33
3. Decrease during the Period	1,713,847.46	26,522,948.03	3,956,840.43	6,714,476.13	38,908,112.05
(1) Disposal or written-off	1,534,802.58	19,566,794.05	3,282,195.44	4,676,228.54	29,060,020.61
(2) Changes in consolidation scope		6,439,005.20		1,996,764.80	8,435,770.00
(3) Other decreases	179,044.88	517,148.78	674,644.99	41,482.79	1,412,321.44
4. Balance at the End of the Period	1,960,799,379.36	2,618,954,249.68	65,298,470.15	506,883,841.83	5,151,935,941.02
III. Provision for impairment					
1. Balance at the Beginning of the Period	25,391,870.37	25,649,117.69		1,118,438.44	52,159,426.50
2. Addition during the Period					
(1) Provision					
3. Decrease during the Period					
(1) Disposal or written-off					
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	2,129,419,072.12	1,830,708,291.18	27,637,835.15	172,763,353.51	4,160,528,551.96
2. Carrying amount at the Beginning 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

From January to June 2026 (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) Fixed assets *(continued)*

② Temporary idled fixed assets

Item	Original book value	Accumulated depreciation	Provision for impairment	Carrying amount	Remarks
Plant and building	14,243,288.67	12,506,692.80		1,736,595.87	
Machinery and equipment	15,668,962.02	14,797,252.45		871,709.57	
Electronic devices and others	317,278.72	301,414.77		15,863.95	
Total	30,229,529.41	27,605,360.02		2,624,169.39	

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	99,789,972.52	Procedure in progress

14. Construction in progress

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Construction in progress	**289,489,839.82**	234,180,002.38
Construction supplies		
Total	**289,489,839.82**	234,180,002.38

From January to June 2026 (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)*

(1) Construction in progress

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 (司美項目)	12,993,899.88		12,993,899.88	12,789,108.77		12,789,108.77
P03 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠P03建設項目)	67,634,314.15		67,634,314.15	58,144,309.60		58,144,309.60
Jiaozuo New Factory Relocation Project (焦作新廠遷建項目)	61,866,222.27		61,866,222.27	64,454,446.84		64,454,446.84
Indonesia Factory Construction Project of Livzon Group (麗珠集團印尼工廠建設項目)	44,111,468.23		44,111,468.23	25,769,394.21		25,769,394.21
Others	103,053,275.75	169,340.46	102,883,935.29	73,192,083.42	169,340.46	73,022,742.96
Total	289,659,180.28	169,340.46	289,489,839.82	234,349,342.84	169,340.46	234,180,002.38

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 capitalised	Of which: interest capitalised for the Period	Interest capitalisation rate for the Period (%)	Balance at the End of the Period
Semaglutide Project (司美項目)	12,789,108.77	1,261,859.29	1,057,068.18					12,993,899.88
P03 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠P03建設項目)	58,144,309.60	9,490,004.55						67,634,314.15
Jiaozuo New Factory Relocation Project (焦作新廠遷建項目)	64,454,446.84	1,268,848.67	3,857,073.24					61,866,222.27
Indonesia Factory Construction Project of Livzon Group (麗珠集團印尼工廠建設項目)	25,769,394.21	18,342,074.02						44,111,468.23
Total	161,157,259.42	30,362,786.53	4,914,141.42					186,605,904.53

From January to June 2026 (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)*

(1) 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	81.22	80.00	Self-funding
P03 Project of Livzon Group Livzon Pharmaceutical Factory（麗珠集團麗珠製藥廠P03項目）	106,033,900.00	64.31	65.00	Self-funding
Jiaozuo New Factory Relocation Project（焦作新廠遷建項目）	184,261,900.00	75.30	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	23.10	25.00	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

From January to June 2026 (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	Land use rights	Total
I.	Original book value:						
	1.	Balance at the Beginning of the Period		54,877,192.59	3,147,044.40		58,024,236.99
	2.	Addition during the Period		11,517,463.03		146,934,751.11	158,452,214.14
		(1)	Leasing	11,517,463.03			11,517,463.03
		(2)	Changes in consolidation scope			146,934,751.11	146,934,751.11
	3.	Decrease during the Period		12,204,369.42			12,204,369.42
	4.	Balance at the End of the Period		54,190,286.20	3,147,044.40	146,934,751.11	204,272,081.71
II.	Accumulated depreciation						
	1.	Balance at the Beginning of the Period		24,645,466.42	288,479.07		24,933,945.49
	2.	Addition during the Period		11,076,647.86	157,352.22	1,078,396.44	12,312,396.52
		(1)	Provision	11,076,647.86	157,352.22	775,364.36	12,009,364.44
		(2)	Other additions			303,032.08	303,032.08
	3.	Decrease during the Period		12,204,369.42			12,204,369.42
	4.	Balance at the End of the Period		23,517,744.86	445,831.29	1,078,396.44	25,041,972.59
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		30,672,541.34	2,701,213.11	145,856,354.67	179,230,109.12
	2.	Carrying amount at the Beginning of the Period		30,231,726.17	2,858,565.33		33,090,291.50

During the Period, the Company recognised lease expenses related to short-term leases and leases of low-value assets of RMB962.1 thousand.

At the end of the Period, land use rights with a carrying amount of RMB25,557,437.78 were pledged for borrowings.

From January to June 2026 (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	375,758,340.29	836,168,002.90	78,454,577.52	28,716.98	21,855,488.53	1,312,265,126.22
2. Additions for the Period	22,637,181.52	3,810,000.00	981,653.61	484,998.24	215,253.42	28,129,086.79
(1) Acquisition		3,810,000.00	769,048.82			4,579,048.82
(2) Internal R&D						
(3) Changes in consolidation scope	22,637,181.08		212,604.79	484,998.24	215,253.64	23,550,037.75
(4) Other additions	0.44				-0.22	0.22
3. Decrease for the Period	7,718,849.22	6,403,290.50	17,642.53		3,385.82	14,143,168.07
(1) Disposal or deregistration		3,195,904.85			3,385.82	3,199,290.67
(2) Changes in consolidation scope		3,207,385.65				3,207,385.65
(3) Other decreases	7,718,849.22		17,642.53			7,736,491.75
4. Balance at the End of the Period	390,676,672.59	833,574,712.40	79,418,588.60	513,715.22	22,067,356.13	1,326,251,044.94
II. Accumulated amortization						
1. Balance at the Beginning 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
2. Additions for the Period	3,400,296.66	13,878,205.59	2,005,166.54	16,402.47	2,121,037.41	21,421,108.67
(1) Provision	3,400,296.66	13,878,205.59	2,005,166.54	16,402.47	2,121,037.41	21,421,108.67
3. Decrease for the Period		256,391.83	16,893.07		2,593.92	275,878.82
(1) Disposal or written off		256,391.83				256,391.83
(2) Other decreases			16,893.07		2,593.92	19,486.99
4. Balance at the End of the Period	108,127,466.10	666,885,478.47	65,505,812.70	42,485.90	14,019,524.16	854,580,767.33
III. Provision for impairment						
1. Balance at the Beginning of the Period	981,826.94	8,999,883.54				9,981,710.48
2. Additions for the Period						
(1) Provision						
3. Decrease for the Period		170,716.64				170,716.64
(1) Disposal or written off		170,716.64				170,716.64
4. Balance at the End of the Period	981,826.94	8,829,166.90				9,810,993.84
IV. Carrying amount						
1. Carrying amount at the End of the Period	281,567,379.55	157,860,067.03	13,912,775.90	471,229.32	8,047,831.97	461,859,283.77
2. Carrying amount at the Beginning 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

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 48.21%.

At the end of the Period, land use rights with a carrying amount of RMB813,997.54 were pledged for borrowings.

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

16. Intangible assets *(continued)*

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 within 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 in Indonesia in accordance with Indonesian laws, with an initial grant term of within 30 years from the date of obtaining the land use rights. This term can be extended for 20 years upon expiration, and a second renewal of within 30 years is permitted, subject to a cumulative maximum term of 80 years. Furthermore, they include the state-owned land use rights obtained by the Company in Vietnam in accordance with Vietnamese laws, part of which are held under indefinite title, while those with a specified term have a duration ranging from 42 to 50 years.

17. Development expenditure

	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	**Balance at the End of the Period**
Development expenditure	364,875,894.36	36,506,777.82		**401,382,672.18**

Please refer to Note VI. Research and Development Expenditure for details.

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	47,912,269.66					47,912,269.66
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	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 Inc. (麗珠集團新北江製藥股份有限公司)	7,271,307.03					7,271,307.03
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)	23,916,795.21					23,916,795.21
Zhuhai FTZ Livzon Hecheng 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
Imexpharm Corporation		969,616,496.88				969,616,496.88
Total	143,382,609.97	969,616,496.88				1,112,999,106.85

For details of the increase in goodwill for the current period, please refer to "Note VII 2. Explanation of business combinations not under common control".

In accordance with the Absorption Merger Agreement and the resolution of the shareholders' meeting of Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd., Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. absorbed Shanghai Zhongtuo Pharmaceutical Technology Co., Ltd.

18.2 Provision for impairment of goodwill

Name of investee	Balance at the Beginning of the Period	Increase in the Period: Provision	Increase in the Period: Others	Decrease in the Period: Disposal	Decrease in 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

Goodwill of the Company arose from its business combination involving enterprises not under common control. When conducting impairment tests on goodwill, the Company compares the carrying amount of the asset groups related to goodwill with their recoverable amount; if the recoverable amount is lower than the carrying amount, the resulting difference is recognized in profit or loss for the period.

From January to June 2026 (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 a the End of the Period
			Amortisation for the Period	Other decrease	
Renovation costs of offices	18,558,819.84	114,678.90	2,058,192.29	141,345.01	16,473,961.44
Renovation costs of plants	97,945,056.99	2,960,612.83	10,202,031.47	1,012,104.79	89,691,533.56
Resins and fillers	13,506,699.48	5,101,665.48	6,100,473.50		12,507,891.46
License fees	15,325,094.65		1,704,454.98		13,620,639.67
Others	14,527,058.61	10,788,085.05	5,096,505.35	167,370.16	20,051,268.15
Total	159,862,729.57	18,965,042.26	25,161,657.59	1,320,819.96	152,345,294.28

Other decrease was mainly attributable to changes in the scope of consolidation.

20. Deferred tax assets and deferred tax liabilities

20.1 Deferred tax assets and deferred 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 tax assets/ liabilities	Deductible/ taxable temporary difference	Deferred tax assets/ liabilities
Deferred tax assets:				
Provision for impairment of assets	273,128,513.69	41,486,750.63	273,638,148.33	42,473,767.15
Accrued expenses	723,874,686.82	109,182,176.84	926,171,271.86	139,329,177.53
Deductible losses	1,120,331,677.45	168,320,028.18	979,574,597.52	146,963,855.86
Deferred income	181,277,394.99	27,200,609.24	189,642,888.72	28,446,433.31
Unrealized losses from intra-company transactions	295,752,424.47	44,291,054.45	179,199,874.05	27,194,082.15
Share incentive costs	98,809,144.73	14,821,371.71	98,809,144.73	14,821,371.71
Changes in fair value	248,269,688.43	37,649,472.68	49.77	12.44
Lease liabilities	33,423,194.25	5,118,186.79	32,651,114.50	4,916,016.64
Other deductible temporary difference	202,371,149.51	32,321,173.74	157,142,118.73	23,571,317.80
Subtotal	3,177,237,874.34	480,390,824.26	2,836,829,208.21	427,716,034.59
Deferred tax liabilities:				
Valuation of financial instruments held for trading and derivative financial instruments	11,667,178.01	1,775,279.15	18,923,939.42	2,896,322.70
Changes in fair value of other equity instruments through other comprehensive income	253,907,754.94	38,834,656.49	273,643,370.74	43,725,983.83
Accelerated depreciation of fixed assets	1,001,168,272.04	151,286,876.02	988,070,884.64	149,634,288.82
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	37,802,173.88	5,910,096.50	33,090,291.50	4,981,893.19
Appraisal surplus of assets	209,646,763.70	41,929,352.74		
Other taxable temporary differences	376,817.26	75,363.45		
Subtotal	1,571,508,959.83	248,352,624.35	1,370,668,486.30	209,779,488.54

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

20. Deferred tax assets and deferred tax liabilities *(continued)*

20.2 Breakdown of deductible temporary difference and deductible losses of unrecognized deferred tax assets

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Deductible temporary difference	227,446,574.23	244,245,545.44
Deductible losses	3,773,383,660.24	3,816,607,351.14
Total	4,000,830,234.47	4,060,852,896.58

20.3 Deductible losses of unrecognized deferred 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
2026	554,945,209.10	554,979,730.64	
2027	714,834,712.84	714,834,712.84	
2028	1,078,240,623.70	1,111,332,221.27	
2029	936,147,198.19	948,794,609.01	
2030	343,929,121.06	355,511,159.56	
Indefinite	145,286,795.35	131,154,917.82	
Total	3,773,383,660.24	3,816,607,351.14	

21. Other non-current assets

	Balance at the End of the Period			Balance at the End of the Previous Year		
Item	Gross carrying amount	Allowance for impairment	Carrying Amount	Gross carrying amount	Allowance for impairment	Carrying Amount
Remaining VAT credit	19,108,770.16		19,108,770.16	14,541,254.81		14,541,254.81
Payment for acquisition of project and equipment	169,681,209.09	70,105,592.70	99,575,616.39	121,776,197.86	70,105,592.70	51,670,605.16
Time deposits				313,598,554.04		313,598,554.04
Others	9,105,986.66		9,105,986.66	8,791,101.00		8,791,101.00
Total	197,895,965.91	70,105,592.70	127,790,373.21	458,707,107.71	70,105,592.70	388,601,515.01

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

22. Assets with restricted ownership or use rights

Item	At the End of the Period			
	Book balance	Carrying value	Type of restrictions	Restricted situation
Monetary funds	3,974,600.00	3,974,600.00	Pledged, locked up	Pledged for borrowings, margin deposits for letters of guarantee, letters of credit and other businesses
Bills receivable	102,897,791.93	102,897,791.93	Pledged	Pledged bills receivable for the bill pool business
Accounts receivable	25,900,000.00	25,900,000.00	Pledged	Pledged/mortgaged borrowings, issuance of letters of guarantee and letters of credit
Inventories	45,325,000.00	45,325,000.00	Mortgaged	
Right-of-use assets	25,557,437.78	25,557,437.78	Mortgaged	Pledged for borrowings
Intangible assets	813,997.54	813,997.54	Mortgaged	Pledged for borrowings
Total	204,468,827.25	204,468,827.25		

Continued:

Item	At the End of the Previous Year			
	Book balance	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
Total	2,005,888,482.77	2,005,888,482.77		

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

23. Short-term borrowings

23.1 Classification of short-term borrowings

Item	Balance at the End of the Period	Balance at the End of Last Year
Loans on credit	**2,350,000,000.00**	2,000,000,000.00
Loans on guarantee	**1,021,145,276.15**	120,000,000.00
Pledged/Mortgaged borrowings	**24,670,501.84**	
Total	**3,395,815,777.99**	2,120,000,000.00

23.2 The Company has no overdue but outstanding short-term borrowings.

24. Notes payable

Type	Balance at the End of the Period	Balance at the End of Last Year
Bank acceptance bills	**780,991,141.27**	785,490,545.87

The Company has no due but unpaid notes payable for the Period.

25. Accounts payable

Item	Balance at the End of the Period	Balance at the End of Last Year
Within 3 months (including 3 months)	**436,222,732.95**	369,367,494.96
4 – 6 months (including 6 months)	**14,484,895.26**	14,986,321.86
7 – 12 months (including 12 months)	**13,777,067.12**	28,216,984.86
1 – 2 years (including 2 years)	**28,716,404.39**	25,691,857.58
Over 2 years	**59,490,377.02**	94,539,676.51
Total	**552,691,476.74**	532,802,335.77

25.1 The aging of accounts payable is calculated from the date of billing.

25.2 As at the End of the Period, there was no significant accounts payable aged over 1 year.

From January to June 2026 (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	46,763,316.58	77,699,193.05
Over 1 year	27,446,011.07	26,682,561.29
Total	74,209,327.65	104,381,754.34

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 RMB55,774,764.23.

27. Employee benefits payable

Item	Balance at the Beginning of the Period	Changes in consolidation scope	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Short-term remuneration	366,195,193.50	1,744,827.89	776,330,106.63	949,972,814.30	194,297,313.72
Post-resignation benefits – defined contribution plans	727,711.09		72,005,358.13	72,680,783.71	52,285.51
Dismissal benefits			4,393,418.32	4,393,418.32	
Other employee benefits due within one year		4,541,682.98	349,091.56	64,872.00	4,825,902.54
Total	366,922,904.59	6,286,510.87	853,077,974.64	1,027,111,888.33	199,175,501.77

27.1 Short-term remuneration

Item	Balance at the Beginning of the Period	Changes in consolidation scope	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Salaries, bonuses, allowances and subsidies	364,481,872.73	1,387,388.92	673,544,616.77	847,004,353.16	192,409,525.26
Employee welfare	999,340.14	-4,900.00	45,941,651.67	46,072,621.77	863,470.04
Social insurance fees	198,495.65		26,757,797.35	26,950,071.63	6,221.37
Including: 1. Medical insurance fees	163,292.00		23,447,704.06	23,607,526.56	3,469.50
2. Work-related injury insurance fees	35,203.65		2,964,273.81	2,996,725.59	2,751.87
3. Maternity insurance fees			345,819.48	345,819.48	
Housing provident fund	319,054.85		26,011,939.10	25,989,311.05	341,682.90
Labour union fees and employee education fees	196,430.13	362,338.97	4,074,101.74	3,956,456.69	676,414.15
Special funds of the share ownership scheme					
Total	366,195,193.50	1,744,827.89	776,330,106.63	949,972,814.30	194,297,313.72

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

27. Employee benefits payable *(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	727,711.09	72,005,358.13	72,680,783.71	**52,285.51**
Including: 1. Basic pension insurance fees	693,734.67	68,898,228.12	69,542,429.15	**49,533.64**
2. Unemployment insurance fees	33,976.42	3,107,130.01	3,138,354.56	**2,751.87**
Total	727,711.09	72,005,358.13	72,680,783.71	**52,285.51**

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 payable

Taxes	Balance at the End of the Period	Balance at the End of Last Year
Value added tax	**20,569,564.11**	84,803,056.97
Urban maintenance and construction tax	**3,754,653.69**	8,085,932.42
Enterprise income tax	**86,319,163.66**	82,427,530.19
Property tax	**9,835,524.72**	6,081,758.79
Land use tax	**2,077,955.47**	1,761,374.82
Individual income tax	**10,602,371.08**	7,515,491.92
Stamp duty	**2,322,937.75**	2,507,734.37
Education surcharges	**2,304,482.13**	5,527,983.09
Flood prevention fees	**20,300.76**	20,300.76
Others	**601,037.52**	696,052.73
Total	**138,407,990.89**	199,427,216.06

From January to June 2026 (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	**444,142,295.40**	9,017,248.88
Other payables	**2,856,036,656.24**	2,921,271,518.96
Total	**3,300,178,951.64**	2,930,288,767.84

29.1 Dividends payable

Item	Balance at the End of the Period	Balance at the End of Last Year
Dividends on ordinary shares	**435,418,897.23**	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	**4,755,364.86**	4,945,313.73
Staff shares of subsidiaries	**2,767,323.31**	2,851,050.69
Total	**444,142,295.40**	9,017,248.88

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	**4,755,364.86**	Not yet paid
Staff shares of subsidiaries	**2,767,323.31**	Not yet paid
Total	**8,723,398.17**	–

From January to June 2026 (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	**92,514,448.54**	69,740,676.43
Deposits under guarantees	**50,915,693.83**	50,785,226.78
Utilities expenses	**33,655,492.08**	26,040,696.04
Research expenses	**31,945,889.70**	38,348,158.29
Business promotion expenses	**2,537,530,362.93**	2,615,444,827.46
Technology transfer funds	**4,141,802.28**	7,507,925.96
Balance with associates	**8,988,457.86**	7,185,232.02
Advisory, consultancy and information disclosure expenses	**6,096,079.98**	3,581,293.87
Business meeting expenses	**5,767,420.90**	11,155,996.14
Others	**84,481,008.14**	91,481,485.97
Total	**2,856,036,656.24**	2,921,271,518.96

At the End of the Period, there were no significant other 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
Lease liabilities due within 1 year	**15,907,850.64**	15,327,709.64
Total	**15,907,850.64**	173,221,455.56

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
Secured loans		100,076,388.89
Total		157,893,745.92

From January to June 2026 (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	4,238,685.80	6,799,037.11

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%
Loans on guarantee			849,432,987.93	2.40%-2.50%
Mortgaged borrowings	25,900,000.00	6.30%		
Subtotal	25,900,000.00		907,250,344.96	
Less: Long-term loans due within 1 year			157,893,745.92	2.35%-2.50%
Total	25,900,000.00		749,356,599.04	

33. Lease liabilities

Item	Balance at the End of the Period	Balance at the End of Last Year
Amount payable under lease	34,392,197.22	32,651,114.50
Less: Lease liabilities due within one year	15,907,850.64	15,327,709.64
Total	18,484,346.58	17,323,404.86

During the Period, the amount of interest expenses on lease liabilities accrued was RMB0.91 million, which was recorded in finance expenses – interest expenses.

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

34. Long-term employee payables

Item	Balance at the End of the Period	Balance at the End of Last Year
Other long-term benefits	3,619,183.40	
Sub-total	3,619,183.40	
Less: Long-term employee payables due within one year		
Total	3,619,183.40	

Other long-term benefits consist of long-service reserves and severance payments for employees of Imexpharm Corporation.

35. 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	242,158,993.30	3,609,700.00	12,050,537.64	233,718,155.66

For details of the government grants included in deferred gains, see Note VIII. Government grants.

36. Other non-current liabilities

Item	Balance at the End of the Period	Balance at the End of Last Year
Long-term deposits and guarantees	953,120.00	
Long-term provisions for site restoration	945,308.93	
Total	1,898,428.93	

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

37. Share capital

January to June 2026

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 (%)
I. Shares subject to selling restrictions									
1. Shares held by State Government									
2. Shares held by State-owned entities	17,306,329	1.95						17,306,329	1.95
3. Shares held by other domestic holders	2,653,931	0.30				488,006	488,006	3,141,937	0.35
Including: Shares held by domestic natural persons	2,653,931	0.30				488,006	488,006	3,141,937	0.35
4. Shares held by foreign holders									
Including: Shares held by foreign natural persons									
Shares subject to selling restrictions aggregate	19,960,260	2.25				488,006	488,006	20,448,266	2.30
II. Shares not subject to selling restrictions									
1. Ordinary shares denominated in Renminbi	568,139,794	63.99				-488,006	-488,006	567,651,788	63.93
2. Overseas listed foreign shares (H-share)	299,807,117	33.76						299,807,117	33.77
Shares not subject to selling restrictions aggregate	867,946,911	97.75				-488,006	-488,006	867,458,905	97.70
III. Total number of shares	887,907,171	100.00						887,907,171	100.00

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 3,141,937 locked shares held by the senior management in aggregate.

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

37. Share capital *(continued)*

January to June 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 (%)
I. Shares subject to selling restrictions									
1. Shares held by State Government									
2. Shares held by State-owned entities	17,306,329	1.90						17,306,329	1.91
3. Shares held by other domestic holders	2,653,931	0.29				186,745	186,745	2,840,676	0.32
Including: Shares held by domestic natural persons	2,653,931	0.29				186,745	186,745	2,840,676	0.32
4. Shares held by foreign holders									
Including: Shares held by foreign natural persons									
Shares subject to selling restrictions aggregate	19,960,260	2.19				186,745	186,745	20,147,005	2.23
II. Shares not subject to selling restrictions									
1. Ordinary shares denominated in Renminbi	584,333,053	64.12				-186,745	-186,745	584,146,308	64.61
2. Overseas listed foreign shares (H-share)	307,052,417	33.69				-7,245,300	-7,245,300	299,807,117	33.16
Shares not subject to selling restrictions aggregate	891,385,470	97.81				-7,432,045	-7,432,045	883,953,425	97.77
III. Total number of shares	911,345,730	100.00				-7,245,300	-7,245,300	904,100,430	100.00

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 2,840,676 locked shares held by the senior management in aggregate.

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

38. Capital reserve

January to June 2026

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		163,812,060.16	48,299,252.09	115,512,808.07
Other capital reserve	271,389,337.35			271,389,337.35
Total	271,389,337.35	163,812,060.16	48,299,252.09	386,902,145.42

The increase in share premium for the Period represented the corresponding increase in capital reserve upon reaching an agreement with non-controlling shareholders regarding the relevant equity interest of a subsidiary. The decrease in share premium for the Period represented the decrease in share premium of RMB48,299,252.09 due to the difference between the capital contribution and the corresponding share of the subsidiary's net assets for the disproportionate capital increase to a subsidiary.

January to June 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		208,307,081.10	49,547,768.96
Other capital reserve	271,389,337.35	8,712.25		271,398,049.60
Total	529,244,187.41	8,712.25	208,307,081.10	320,945,818.56

The decrease in share premium for the Period represented: ① the decrease in share premium of RMB168,935,873.36 as a result of the cancellation of 7,245,300 repurchased shares; ② the decrease in share premium of RMB39,371,207.74 due to the difference between the capital contribution and the corresponding share of the subsidiary's net assets for the disproportionate capital increase to a subsidiary.

The increase in other capital reserve for the Period represented: the increase in capital reserve of RMB8,712.25 due to changes in equity of investees accounted for using the equity method.

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

39. Treasury shares

January to June 2026

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				

January to June 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	386,460,716.87	176,181,173.36	406,895,970.97

The increase in treasury shares for the Period represented: the total amount of funds used by the Company for the cumulative repurchase of 10,866,655 Shares of the Company through centralized bidding transactions. The decrease in treasury shares for the Period represented: the cancellation of 7,245,300 repurchased shares.

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

40. Other comprehensive income

January to June 2026

Item	Balance at the Beginning of the Period (1)	Amount for the Period						Balance at the End of the Period (4)=(1)-(2)+(3)
		Amount incurred before income tax for the Period	Less: Amount recognized in other comprehensive income in previous period transferred to profit or loss for current period	Less: Amount recognized 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	
I. Other comprehensive income not to be reclassified into profit or loss	70,392,971.25	-268,474,026.20			-42,551,715.36	-225,922,310.84		-155,529,339.59
1. Other comprehensive income not to be reclassified into profit or loss under equity method	7,586,801.90							7,586,801.90
2. Changes in fair value of investments in other equity instruments	62,806,169.35	-268,474,026.20			-42,551,715.36	-225,922,310.84		-163,116,141.49
II. Other comprehensive income to be reclassified into profit or loss	-79,535,254.10	-80,749,693.11				-74,606,871.34	-6,142,821.77	-154,142,125.44
1. Other comprehensive income to be reclassified into profit or loss under equity method	862,082.39	11,261.32				11,261.32		873,343.71
2. Translation differences of financial statements denominated in foreign currency	-80,397,336.49	-80,760,954.43				-74,618,132.66	-6,142,821.77	-155,015,469.15
Total other comprehensive income	-9,142,282.85	-349,223,719.31			-42,551,715.36	-300,529,182.18	-6,142,821.77	-309,671,465.03

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

40. Other comprehensive income *(continued)*

January to June 2025

Item	Balance at the Beginning of the Period (1)	Amount for the Period						Balance at the End of the Period (4)=(1)-(2)+(3)
		Amount incurred before income tax for the Period	Less: Amount recognized in other comprehensive income in previous period transferred to profit or loss for current period	Less: Amount recognized 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	
I. Other comprehensive income not to be reclassified into profit or loss	108,011,315.86	-3,321,216.69		-7,151,648.63	1,418,681.71	-4,393,365.67	-346,532.73	110,769,598.82
1. Other comprehensive income not to be reclassified into profit or loss under equity method	10,324,216.71							10,324,216.71
2. Changes in fair value of investments in other equity instruments	97,687,099.15	-3,321,216.69		-7,151,648.63	1,418,681.71	-4,393,365.67	-346,532.73	100,445,382.11
II. Other comprehensive income to be reclassified into profit or loss	4,169,050.77	-54,377,834.58				-53,442,082.26	-935,752.32	-49,273,031.49
1. Other comprehensive income to be reclassified into profit or loss under equity method	755,642.47	2,410.36				2,410.36		758,052.83
2. Translation differences of financial statements denominated in foreign currency	3,413,408.30	-54,380,244.94				-53,444,492.62	-935,752.32	-50,031,084.32
Total other comprehensive income	112,180,366.63	-57,699,051.27		-7,151,648.63	1,418,681.71	-57,835,447.93	-1,282,285.05	61,496,567.33

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

41. Surplus reserve

January to June 2026

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				
Discretionary surplus reserve				
Total				

January to June 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

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

42. Retained earnings

(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	**12,738,196,339.64**	11,761,379,178.60	-
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	**12,738,196,339.64**	11,761,379,178.60	
Add: Net profit attributable to owners of the parent company for the Period	**932,199,213.06**	1,281,087,956.53	-
Disposal of other equity instruments		-7,151,648.63	-
Less: Appropriation to statutory surplus reserve			
Dividends payable to ordinary shares	**1,269,707,254.53**	982,059,732.50	
Others			
Retained earnings at the End of the Period	**12,400,688,298.17**	12,053,255,754.00	

For other decreases in the Period, see Note V, 40.

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.

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

42. Retained earnings *(continued)*

(2) Notes to appropriation of profits

Unit: RMB'000

Item	The Period	Previous Period
Dividends:		
Final dividends for 2025 paid during the Period (Note 1)	**840,983.08**	
Final dividends for 2024 paid during the Period (Note 2)	**–**	654,308.39
Final dividends declared after balance sheet date:		
Final dividends for 2025 (Note 1)	**1,269,707.25**	–
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, pursuant to which a cash dividend of RMB14.30 (tax inclusive) for every 10 shares would be distributed 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 the implementation of the 2025 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 2026, and the payment of RMB840,983,077.22 was completed before 30 June 2026.

Note 2: On 26 March 2025, the 2024 Annual Profit Distribution Plan was resolved and approved at the 23rd meeting of the eleventh session of the Board of the Company, pursuant to which a cash dividend of RMB11.00 (tax inclusive) for every 10 shares would be distributed 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 the 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 of RMB654,308,386.19 was completed before 30 June 2025.

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

43. Operating income and operating cost

(1) Operating income and operating cost

Item	Amount for the Period Income	Amount for the Period Cost	Amount for Previous Period Income	Amount for Previous Period Cost
Principal activities	**4,940,987,239.03**	**1,900,687,675.39**	6,206,952,427.10	2,088,088,116.10
Other activities	**58,682,469.62**	**35,386,443.57**	64,960,217.01	43,398,380.95
Total	**4,999,669,708.65**	**1,936,074,118.96**	6,271,912,644.11	2,131,486,497.05

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.

(2) Operating income and operating costs presented by product types

Item	Amount for the Period Income	Amount for the Period Cost	Amount for Previous Period Income	Amount for Previous Period Cost
Principal activities:				
Chemical drug preparations	**2,441,665,638.72**	**585,077,033.91**	3,269,917,337.19	615,773,312.00
APIs and intermediates	**1,610,985,773.51**	**1,036,432,264.20**	1,661,538,809.09	1,057,293,244.04
Traditional Chinese medicine preparations	**520,986,581.07**	**124,886,003.82**	799,458,766.97	207,879,807.39
Biological products	**94,372,908.29**	**36,303,239.20**	94,818,856.99	44,399,451.25
Diagnostic reagents and equipment	**270,208,467.23**	**115,115,873.52**	374,135,046.17	155,981,431.37
Others	**2,767,870.21**	**2,873,260.74**	7,083,610.69	6,760,870.05
Subtotal	**4,940,987,239.03**	**1,900,687,675.39**	6,206,952,427.10	2,088,088,116.10
Other activities:				
Sales materials, processing charge, etc.	**14,427,678.54**	**13,846,107.62**	19,462,620.37	13,954,752.55
Lease fees	**2,494,236.59**	**1,400,591.61**	1,686,594.75	322,486.08
Others	**41,760,554.49**	**20,139,744.34**	43,811,001.89	29,121,142.32
Subtotal	**58,682,469.62**	**35,386,443.57**	64,960,217.01	43,398,380.95
Total	**4,999,669,708.65**	**1,936,074,118.96**	6,271,912,644.11	2,131,486,497.05

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

43. Operating income and operating cost *(continued)*

(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	3,811,999,100.07	1,276,631,224.70	5,202,783,432.32	1,583,591,630.30
Overseas	1,128,988,138.96	624,056,450.69	1,004,168,994.78	504,496,485.80
Total	4,940,987,239.03	1,900,687,675.39	6,206,952,427.10	2,088,088,116.10

(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	4,940,987,239.03	1,900,687,675.39	6,206,952,427.10	2,088,088,116.10
Other activities:				
Of which: recognized at a point of time	56,188,233.03	33,985,851.96	63,273,622.26	43,075,894.87
Lease income	2,494,236.59	1,400,591.61	1,686,594.75	322,486.08
Total	4,999,669,708.65	1,936,074,118.96	6,271,912,644.11	2,131,486,497.05

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

44. Taxes and surcharges

Item	Amount for the Period	Amount for Previous Period
Urban maintenance and construction tax	**23,252,160.07**	32,184,356.38
Education surcharges	**18,076,550.69**	24,745,228.21
Land use tax	**3,204,120.48**	3,105,371.07
Property tax	**14,509,985.53**	13,460,521.29
Stamp duty	**4,234,629.49**	4,279,344.29
Vehicle and vessel usage tax	**35,064.16**	36,527.20
Environmental protection tax	**133,509.25**	158,836.64
Others	**422,482.71**	467,360.78
Total	**63,868,502.38**	78,437,545.86

Note: For the calculation and payment standards for major taxes and surcharges, please refer to Note IV Taxation.

45. Selling expenses

Item	Amount for the Period	Amount for Previous Period
Marketing and promotional expenses	**781,010,381.64**	1,396,755,063.52
Staff salaries	**199,207,884.85**	260,811,666.30
Office, entertainment and travelling expenses	**91,378,404.07**	24,193,653.16
Business meeting expenses	**45,819,321.53**	32,062,013.89
Others	**30,712,765.30**	22,872,167.49
Total	**1,148,128,757.39**	1,736,694,564.36

46. Administrative expenses

Item	Amount for the Period	Amount for Previous Period
Staff salaries	**149,072,401.76**	177,804,823.62
Depreciation and amortization	**44,430,462.62**	40,683,552.55
Advisory, consultancy and information disclosure fees	**4,280,815.30**	4,675,605.90
Quality project expenses	**10,928,659.25**	15,351,835.48
Office, entertainment and travelling expenses	**22,278,173.73**	20,821,931.37
Repair of utilities, transportation and miscellaneous expenses	**7,388,047.28**	7,894,043.06
Recruitment and staff training expenses	**1,286,227.48**	1,497,351.37
Auditors' fees	**1,305,811.32**	1,344,511.26
Others	**27,380,416.99**	29,401,784.48
Total	**268,351,015.73**	299,475,439.09

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

47. R&D expenses

Item	Amount for the Period	Amount for Previous Period
Material costs	**85,823,859.16**	71,233,807.92
Staff salaries	**132,130,754.09**	160,947,612.12
Testing fees	**73,159,664.16**	112,177,241.67
Depreciation and amortization	**47,464,347.97**	50,118,422.23
Outsourced research and development expenses	**8,000,000.00**	25,150,943.40
Others	**11,443,773.96**	12,422,622.81
Total	**358,022,399.34**	432,050,650.15

48. Finance expenses

Item	Amount for the Period	Amount for Previous Period
Interest expenses	**21,793,068.92**	29,903,696.96
Less: Interest income	**49,826,865.79**	175,238,273.30
Exchange gains/losses	**38,366,226.09**	-22,133,164.63
Commission charges and others	**2,313,409.20**	2,349,489.67
Total	**12,645,838.42**	-165,118,251.30

49. Other income

Item	Amount for the Period	Amount for Previous Period	Related to assets/ Related to income
Government grants	**12,050,537.64**	27,716,919.39	Related to assets
Government grants	**28,104,296.00**	31,590,023.84	Related to income
Tax withholding commission charges	**3,158,894.09**	3,554,910.22	
Additional deduction of value added tax	**3,185,515.07**	8,859,649.76	
Total	**46,499,242.80**	71,721,503.21	

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.

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

50. Investment income

Item	Amount for Current Period	Amount for Previous Period
Long-term equity investments income under equity method	47,752,991.06	28,942,720.29
Investment income from the disposal of long-term equity investments	4,666,295.89	-731,350.19
Investment income from financial assets held for trading during the holding period	5,646,822.32	3,382,790.06
Dividend income from other equity instrument investments	16,376,720.51	
Gain arising from remeasurement of the remaining equity interest at fair value upon loss of control	1,754,169.56	
Investment income from disposal of financial assets held for trading (Note 1)	8,103,100.56	-3,311,893.27
Total	84,300,099.90	28,282,266.89

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		
Debt instrument investment held for trading	114,123.49	
Derivatives not designated as hedging instruments	7,988,977.07	-3,311,893.27
Of which: Forward foreign exchange contract	7,988,977.07	-3,311,893.27
Total	8,103,100.56	-3,311,893.27

51. 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	4,729,223.12	-16,040,382.66
Of which: Funds	294,383.33	9,815.15
Structured Deposits	-2,101,469.48	-81,807.66
Investments in equity instruments	8,284,034.70	-16,458,768.85
Derivative financial assets	-1,747,725.43	490,378.70
Financial liabilities held for trading	236,264.59	8,088,364.14
Of which: Derivative financial liabilities	236,264.59	8,088,364.14
Total	4,965,487.71	-7,952,018.52

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

52. Credit impairment losses ("-" denotes a loss)

Item	Amount for the Period	Amount for Previous Period
Bad debt loss of accounts receivables	**-1,946,528.65**	-3,826,077.20
Bad debt loss of other receivables	**1,078,733.19**	-1,898,163.30
Total	**-867,795.46**	-5,724,240.50

53. Asset impairment losses ("-" denotes a loss)

Item	Amount for the Period	Amount for Previous Period
Loss on obsolete stocks	**60,386.61**	-11,536,080.83
Impairment loss on fixed assets		-9,636.13
Impairment loss on long-term equity investments	**-14,770,499.25**	
Total	**-14,710,112.64**	-11,545,716.96

54. Gains from asset disposal

Item	Amount for the Period	Amount for Previous Period
Gains on disposal of fixed assets ("-" represents losses)	**-523,144.91**	-149,723.72

55. 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	**327,076.77**	1,168.15	327,076.77
Income from scraps	**947,877.00**	1,307,120.56	947,877.00
Compensation income	**701,878.79**	54,027.48	701,878.79
Waiver of payables	**3,943,635.44**	48,444.37	3,943,635.44
Others	**141,523.78**	605,636.18	141,523.78
Total	**6,061,991.78**	2,016,396.74	6,061,991.78

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

56. 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	**3,848,728.80**	4,552,542.76	3,848,728.80
Loss on destruction or retirement of non-current assets	**2,582,476.78**	651,407.05	2,582,476.78
Others	**5,837,006.33**	2,220,971.40	5,837,006.33
Total	**12,268,211.91**	7,424,921.21	12,268,211.91

57. Income tax expense

(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	**219,079,592.77**	302,744,040.63
Of which: Domestic enterprise income tax	**214,829,965.66**	284,734,099.79
Corporate income tax in Hong Kong and Macao	**–**	18,009,940.84
Deferred income tax expenses	**-13,958,133.97**	-25,855,534.39
Total	**205,121,458.80**	276,888,506.24

(2) Reconciliation between income tax expenses and total profit is set out below:

Item	Amount for the Period	Amount for Previous Period
Total profit	**1,326,036,633.70**	1,828,109,744.83
Income tax expenses calculated at statutory tax rate	**331,509,158.43**	457,027,436.21
Effect of different tax rates applicable to subsidiaries	**1,216,823.13**	837,665.23
Effect of tax reduction and exemption	**-175,595,279.55**	-238,426,356.01
Effect of non-taxable income	**-2,606,472.06**	-1,358,368.96
Effect of using the equity method	**-6,397,138.25**	-3,745,047.08
Effect of non-deductible expenses	**6,322,293.65**	3,896,466.28
Credit (charge) on deductible temporary differences on which deferred income tax assets are not recognized for the Year	**-2,079,438.88**	-2,846,560.45
Deductible losses of deferred income tax assets are not recognized for the Year	**35,378,420.44**	42,302,345.68
Utilization of deductible losses of deferred income tax assets not recognized in prior periods	**-25,733.00**	-147,500.51
Others	**17,398,824.89**	19,348,425.85
Income tax expenses	**205,121,458.80**	276,888,506.24

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

58. 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	**932,199,213.06**	1,281,087,956.53
Of which: Net profit from continuing operations	**932,199,213.06**	1,281,087,956.53
Net profit from discontinued operations		
Weighted average number of ordinary shares of the Company outstanding	**887,907,171**	896,014,484
Effect of dilution - weighted average number of ordinary shares (share options)		
Weighted average number of ordinary shares of the Company outstanding after adjustment	**887,907,171**	896,014,484
Basic earnings per share	**1.05**	1.43
Of which: Basic earnings per share of continuing operations	**1.05**	1.43
Basic earnings per share of discontinued operations	**–**	–
Diluted earnings per share	**1.05**	1.43
Of which: Diluted earnings per share of continuing operations	**1.05**	1.43
Diluted earnings per share of discontinued operations	**–**	–

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

59. Notes to items of the cash flow statement

(1) Cash received relating to other operating activities

Item	Amount for the Period	Amount for Previous Period
Government grants	31,713,996.00	66,618,733.33
Interest income	48,098,792.95	168,677,023.32
Movements in capital and others	40,826,251.48	28,019,964.88
Total	120,639,040.43	263,315,721.53

(2) Cash paid relating to other operating activities

Item	Amount for the Period	Amount for Previous Period
Business promotion expenses	914,903,482.94	1,459,330,536.72
R&D expenses	122,870,130.61	200,959,306.94
Bank charges	2,313,409.20	2,349,432.59
Deposits for letter of credit and bank acceptance bills		1,025,527.90
Other expenses paid	291,571,436.89	186,716,680.78
Movements in capital and others	10,298,578.40	6,754,989.69
Total	1,341,957,038.04	1,857,136,474.62

(3) Cash received relating to major investing activities

Item	Amount for the Period	Amount for Previous Period
Fixed/Structured deposits	3,289,576,011.42	2,685,000,000.00
Cash management	110,179,753.23	109,993,408.80
Total	3,399,755,764.65	2,794,993,408.80

(4) Cash received relating to other investing activities

Item	Amount for the Period	Amount for Previous Period
Collateral	1,855,603,200.00	
Others		75,249.03
Total	1,855,603,200.00	75,249.03

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

59. Notes to items of the cash flow statement *(continued)*

(5) Cash paid relating to major investing activities

Item	Amount for the Period	Amount for Previous Period
Fixed/Structured deposit	**1,920,814,116.44**	2,870,000,000.00
Cash paid for investment in financial assets	**1,805,811,617.11**	
Cash management	**223,266,260.34**	110,644,515.80
Net cash paid for acquisition of subsidiaries	**1,557,160,427.97**	
Total	**5,507,052,421.86**	2,980,644,515.80

(6) Cash paid relating to other investing activities

Item	Amount for the Period	Amount for Previous Period
Equity acquisition deposit	**123,104,390.52**	
Deposits under guarantee	**2,642,506.26**	
Foreign exchange forward contract losses	**1,266,677.07**	4,517,299.69
Total	**127,013,573.85**	4,517,299.69

(7) Cash received relating to other financing activities

Item	Amount for the Period	Amount for Previous Period
Repurchase of shares and handling fees		386,460,716.87
Collection and advance payment of individual income tax	**13,912.66**	6,000.00
Rental	**12,770,838.98**	10,254,373.11
Withholding income tax		18,493,376.16
Total	**12,784,751.64**	415,214,466.14

(8) 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	2,120,000,000.00	3,272,848,273.92	2,035,587,454.83	11,999,136.68		26,555,822.22	**3,395,815,777.99**
Long-term loans	907,250,344.96		916,116,504.04	8,866,159.08		25,900,000.00	**25,900,000.00**
Lease liabilities	32,651,114.50		12,770,838.98	909,996.44		13,601,925.26	**34,392,197.22**
Total	3,059,901,459.46	3,272,848,273.92	2,964,474,797.85	21,775,292.20		66,057,747.48	**3,456,107,975.21**

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

60. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Supplemental information	Amount for the Period	Amount for Previous Period
1. Reconciliation from net profit to cash flow from operating activities:		
Net profit	1,120,915,174.90	1,551,221,238.59
Add: Asset impairment loss	14,710,112.64	11,545,716.96
Credit impairment loss	867,795.46	5,724,240.50
Depreciation of fixed assets, depreciation for investment property	259,547,259.94	256,784,427.65
Amortization of right-of-use assets	12,009,364.44	9,881,953.65
Amortization of intangible assets	21,421,108.67	18,863,392.26
Amortization of long-term deferred expenses	25,161,657.59	27,845,214.98
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" represents gains)	523,144.91	149,723.72
Loss on retirement of fixed assets ("-" represents gains)	2,255,400.01	650,238.90
Loss on fair value change ("-" represents gains)	-4,965,487.71	7,952,018.52
Finance expenses ("-" represents gains)	66,948,011.15	28,594,117.24
Investment losses ("-" represents gains)	-84,300,099.90	-28,282,266.89
Decrease in deferred income tax assets ("-" represents increase)	-7,708,927.91	-28,700,062.98
Increase in deferred income tax liabilities ("-" represents decrease)	-6,249,206.06	2,844,528.59
Decrease in inventories ("-" represents increase)	-68,912,331.73	271,494,758.62
Decrease in operating items receivable ("-" represents increase)	751,842,359.88	-187,017,217.32
Increase in operating items payable ("-" represents decrease)	-341,130,601.75	-262,611,254.79
Others		
Net cash flow from operating activities	1,762,934,734.53	1,686,940,768.20
2. Major investment and financing activities irrelevant to cash income and expenses:		
Conversion of debts into capital		
Convertible corporate bonds due within 1 year		
The increased right-of-use assets of current period	158,452,214.14	12,287,488.95
3. Net change in cash and cash equivalents:		
Cash balance at the End of the Period	7,350,905,525.10	10,342,111,762.77
Less: Cash balance at the Beginning of the Period	7,440,362,084.37	10,817,816,661.30
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	-89,456,559.27	-475,704,898.53

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

60. Supplementary information to the cash flow statement *(continued)*

(2) Net cash payment for acquisition of subsidiaries during the Period

Item	Amount for the Period
Cash or cash equivalents paid during the Period for business combinations occurring during the Period	
Of which: Imexpharm Corporation	1,565,806,520.26
Less: Cash and cash equivalents held by the subsidiary as at the date of acquisition	
Of which: Imexpharm Corporation	9,490,092.29
Add: Cash or cash equivalents paid during the Period for business combinations occurring in prior periods	
Of which: Shanghai Zhongtuo Pharmaceutical Technology Co., Ltd. （上海中拓医药科技有限公司）	844,000.00
Net cash paid for acquisition of subsidiaries	1,557,160,427.97

(3) Net cash received from disposal of subsidiaries during the Period

Item	Amount for the Period
Cash or cash equivalents received during the Period for disposal of subsidiaries occurring during the Period	
Of which: Fluffy Buddy Animal Healthcare (Guangdong) Co., Ltd.	–
Less: Cash and cash equivalents held by the subsidiary as at the date of loss of control	
Of which: Fluffy Buddy Animal Healthcare (Guangdong) Co., Ltd.	123,104,390.52
Net cash received from disposal of subsidiaries	-123,104,390.52

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

60. Supplementary information to the cash flow statement *(continued)*

(4) Composition of cash and cash equivalents

Item	Balance at the End of the Period	Balance at the End of Last Year
I. Cash	7,350,905,525.10	10,342,111,762.77
Of which: Cash on hand	343,711.49	176,533.29
Bank deposits that are readily available for payment	7,340,053,094.20	10,216,242,148.37
Other monetary funds that are readily available for payment	10,508,719.41	125,693,081.11
II. Cash equivalents		
Of which: Bond investments due within 3 months		
III. Balance of cash and cash equivalents at the End of the Period	7,350,905,525.10	10,342,111,762.77

Cash and cash equivalents excluded restricted cash and cash equivalents used by the Company.

(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
Margin deposits for equity acquisition, letters of guarantee and other business	3,974,600.00	1,865,019,539.69	Locked up
Time deposits	84,175,000.00		Interest accrued at time deposit rates, with an original maturity of over 1 year but remaining maturity of less than 1 year from the balance sheet date
Accrued interest	1,728,072.84		Accrued interest
Total	89,877,672.84	1,865,019,539.69	

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

61. Monetary items denominated in foreign currencies

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	351,325,857.36	0.86855	305,144,073.42
EUR	81,150.31	7.76710	630,302.58
USD	132,915,433.55	6.81090	905,273,726.38
MOP	6,249,068.66	0.84320	5,269,214.70
JPY	203,656,660.00	0.042045	8,562,744.27
MYR	70,093.43	1.67342	117,295.75
IDR	185,273,063,567.20	0.000381	70,589,037.22
VND	503,483,278,188.00	0.000259	130,402,169.05
Accounts receivables			
Of which: USD	76,098,853.09	6.81090	518,301,678.51
JPY	80,576,380.00	0.042045	3,387,833.90
EUR	95,000.00	7.76710	737,874.50
VND	455,145,497,024.00	0.000259	117,882,683.73
Dividends receivable			
Of which: HKD	10,496,475.00	0.86855	9,100,106.84
Other receivables			
Of which: HKD	3,847,905.80	0.86855	3,342,098.58
VND	9,036,136,937.00	0.000259	2,340,359.47
Other current assets			
Of which: USD	16,100,000.00	6.81090	109,655,490.00
Other non-current assets			
Of which: HKD	8,900,000.00	0.86855	8,251,101.03
VND	1,053,774,740.00	0.000259	272,927.66
Short-term loans			
Of which: VND	95,252,902,841.00	0.000259	24,670,501.84
Accounts payables			
Of which: EUR	63,891.93	7.76710	496,255.01
USD	1,920,522.69	6.81090	13,080,487.99
JPY	10,900,980.29	0.042045	458,331.72
IDR	82,892,250.00	0.000381	31,581.95
VND	49,447,418,514.00	0.000259	12,806,881.40
Dividends payable			
Of which: HKD	492,583,093.22	0.86855	427,833,045.62
VND	29,211,108,687.26	0.000259	7,565,677.15
Other payables			
Of which: USD	14,557,415.83	6.81090	99,149,103.48
HKD	58,665.01	0.86855	50,953.49
EUR	79,246.88	7.76710	615,518.44
MYR	7,400.00	1.67342	12,383.31
IDR	2,801,647,154.20	0.000381	1,067,427.57
VND	99,092,220,765.00	0.000259	25,664,885.18
Long-term loans			
Of which: VND	100,000,000,000.00	0.000259	25,900,000.00

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

62. Leases

(1) As a lessee

Item	Amount for the Period
Short-term lease expenses	962,122.00

(2) As a lessor

Operating leases

① Lease income

Item	Amount for the Period
Lease income	2,494,236.59

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	**3,643,291.29**	2,909,522.36
Year 2	**1,970,959.96**	1,117,254.90
Year 3	**1,159,179.97**	756,990.00
Year 4	**332,690.00**	300,000.00
Year 5	**176,640.00**	175,000.00
Total	**7,282,761.22**	5,258,767.26

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

VI. RESEARCH AND DEVELOPMENT EXPENDITURE

1. Research and development expenditure

Item	Amount for the Period Expensed amount	Amount for the Period Capitalised amount	Amount for Previous Period Expensed amount	Amount for Previous Period Capitalised amount
Material costs	**85,823,859.16**	**402,686.40**	71,233,807.92	
Staff salaries	**132,130,754.09**	**92,774.09**	160,947,612.12	
Testing fees	**73,159,664.16**	**19,225,931.27**	112,177,241.67	38,403,071.57
Depreciation and amortization	**47,464,347.97**		50,118,422.23	
Purchased projects under research	**8,000,000.00**	**16,766,280.00**	25,150,943.40	32,767,020.00
Others	**11,443,773.96**	**19,106.06**	12,422,622.81	369,411.32
Total	**358,022,399.34**	**36,506,777.82**	432,050,650.15	71,539,502.89

2. Development expenditure

Item	Balance at the Beginning of the Period	Increase in the period: Internal development expenditure	Increase in the period: Others increases	Decrease in the period: Recognized as intangible assets	Decrease in the period: Recognized in profit and loss for current period	Decrease in the period: Other loss	Balance at the End of the Period
Chemical drug preparation	364,875,894.36	19,740,497.82	16,766,280.00				**401,382,672.18**

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

3. Purchased projects under research

The JP1366 Project has currently been approved for market launch in Korea. Following its purchase, the Company is responsible for domestic clinical trials, and the Company has assessed that the future economic benefits of the project will probably flow to the entity, and therefore the purchase price is recognised as development expenditure.

From January to June 2026 (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 (%) Direct	Indirect	Acquisition method
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	MYR100		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
Imexpharm Corporation	Subsidiary of a holding subsidiary	Limited company	Vietnam	Vietnam	Manufacture of medicine	VND1,540,427.62 million		67.88	Consolidation not under common control
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

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

VII. EQUITY IN OTHER ENTITIES *(continued)*

1. Equity in subsidiaries *(continued)*

(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 (%) Direct	Indirect	Acquisition method
Shanghai Livzon Biotechnology Co., Ltd. (上海麗珠生物科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Shanghai	Shanghai	Manufacture of medicine	RMB10 million		75	Set-up
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保税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		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 Baiameng 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 (Macau) Limitada (麗珠（澳門）有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Macau	Macau	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

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

VII. EQUITY IN OTHER ENTITIES *(continued)*

1. Equity in subsidiaries *(continued)*

(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 (%) Direct	Indirect	Acquisition method
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	67.52		Set-ups
Livzon Biologics Hong Kong Limited (麗珠生物科技香港有限公司)	Subsidiary of a holding subsidiary	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 wholly-owned subsidiary	Limited company	Hunyuan county	Hunyuan 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 wholly-owned subsidiary	Limited company	Longxi county	Longxi county	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
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

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

VII. EQUITY IN OTHER ENTITIES *(continued)*

1. Equity in subsidiaries *(continued)*

(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 (%) Direct	Indirect	Acquisition method
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
Macau 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 Lihua Qiaoyuan Medicinal Materials 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
CITIC Securities Asset Management Zhuyao Linghang No.1 Single Asset Management Plan (中信證券資管珠曜領航1號單一資產管理計劃)	Asset management plan	–	Beijing	Beijing	Investment	RMB1,010 million	100.00		Set-up
CICC Fund Tianying No.1 Single Asset Management Plan (中金基金添盈1號單一資產管理計劃)	Asset management plan	–	Beijing	Beijing	Investment	RMB800 million	100.00		Set-up

① Basis for controlling an entity despite holding half or less of the voting rights of the entity

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.

② Basis for including important structured entities in the scope of consolidation

As at the end of the Period, there were 2 important structured entities included in the scope of consolidation, namely CITIC Securities Asset Management Zhuyao Linghang No.1 Single Asset Management Plan and CICC Fund Tianying No.1 Single Asset Management Plan. As the Company, being an investor in these structured entities, invested in the entire share of the structured entities, and bore substantially all or all of the risks and enjoyed substantially all or all of the variable returns of the products, the Company includes them in the scope of consolidation of the financial statements.

From January to June 2026 (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 of or 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	164,965,267.27	666,400,000.00	327,254,424.25
Zhuhai Livzon Diagnostics Inc.（珠海麗珠試劑股份有限公司）(consolidated)	52.575	28,457,897.97	52,575,000.00	394,809,695.14
Livzon MABPharm Inc.（珠海市麗珠單抗生物技術有限公司）(consolidated)	32.48	-29,171,022.17		-241,572,969.18
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.（麗珠集團新北江製藥股份有限公司）(consolidated)	12.86	35,409,075.27		422,317,214.26
Imexpharm Corporation	32.12	-4,524,227.85		269,145,442.45

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)	1,746,368,281.87	137,756,014.48	1,884,124,296.35	872,634,027.89	7,446,866.70	880,080,894.59
Zhuhai Livzon Diagnostics Inc.（珠海麗珠試劑股份有限公司）(consolidated)	873,773,152.05	186,992,131.92	1,060,765,283.97	301,660,275.52	8,158,023.72	309,818,299.24
Livzon MABPharm Inc.（珠海市麗珠單抗生物技術有限公司）(consolidated)	161,483,295.36	246,838,803.95	408,322,099.31	1,116,471,626.32	35,609,614.56	1,152,081,240.88
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.（麗珠集團新北江製藥股份有限公司）(consolidated)	2,859,165,373.99	1,798,467,554.67	4,657,632,928.66	778,306,313.32	55,166,382.53	833,472,695.85
Imexpharm Corporation	459,044,291.41	578,813,869.31	1,037,858,160.72	123,927,706.18	75,993,211.56	199,920,917.74

(continued) (1):

Name of subsidiaries	Balance at the End of the Previous Year					
	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
Zhuhai 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

From January to June 2026 (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)*

(continued) (2):

Name of subsidiaries	Amount for the Period: Operating income	Amount for the Period: Net profit	Amount for the Period: Total comprehensive income	Amount for the Period: Cash flow from operating activities	Amount for the Previous Period: Operating income	Amount for the Previous Period: Net profit	Amount for the Previous Period: Total comprehensive income	Amount for the Previous Period: Cash flow from operating activities
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd.（上海麗珠製藥有限公司）(consolidated)	993,149,824.21	334,310,326.86	334,310,326.86	472,152,818.57	1,171,343,599.63	440,447,913.61	440,447,913.61	389,072,156.63
Zhuhai Livzon Diagnostics Inc.（珠海麗珠試劑股份有限公司）(consolidated)	271,560,889.44	54,128,193.96	53,902,566.05	-16,647,061.56	375,635,626.21	87,182,448.93	87,088,871.11	30,081,161.15
Livzon MABPharm Inc.（珠海市麗珠單抗生物技術有限公司）(consolidated)	39,433,411.42	-88,784,454.76	-88,784,218.08	-69,085,132.61	24,169,537.66	-89,655,125.50	-89,655,853.48	-40,992,371.02
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.（麗珠集團新北江製藥股份有限公司）(consolidated)	1,232,502,673.00	275,342,731.43	275,342,731.43	324,701,471.59	1,343,981,722.22	322,104,689.50	322,104,689.50	416,628,742.13
Imexpharm Corporation	96,842,789.28	-14,085,391.82	-16,250,600.04	10,076,987.53				

1.4 Transactions that result in change of owners' equity in subsidiaries without losing control

① Changes in owners' equity of subsidiaries

A 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, by way of monetary contribution, 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 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 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 RMB130,000,000.00. This capital increase resulted in an increase of RMB48,299,252.09 in minority interests, and a corresponding decrease in capital reserve.

From January to June 2026 (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)*

① Changes in owners' equity of subsidiaries ***(continued)***

B The Company reached an agreement with non-controlling shareholders regarding the relevant equity interest of Shanghai Livzon Pharmaceutical Co., Ltd.（上海丽珠制药有限公司）("Shanghai Livzon"), resulting in a corresponding increase in capital reserve.

② Effect of the transactions on minority interest and equity attributable to the owners of the parent company

Item	Livzon Biopharmaceutical	Shanghai Livzon
Acquisition cost		
– Cash	130,000,000.00	
Total acquisition cost	130,000,000.00	
Less: Net asset share of subsidiary calculated based on the percentage of equity interest obtained	81,700,747.91	163,812,060.16
Difference		
Of which: Adjustment to capital reserve	48,299,252.09	-163,812,060.16

2. Business combinations involving enterprises not under common control

2.1 Business combinations not under common control that occurred during the Period

Name of acquiree	Time point of equity acquisition	Cost of equity acquisition	Percentage of equity acquired (%)	Method of equity acquisition	Acquisition date	Basis for determining the acquisition date	Income of the acquiree from the acquisition date to the End of the Period	Net profit of the acquiree from the acquisition date to the End of the Period	Cash flow of the acquiree from the acquisition date to the End of the Period
Imexpharm Corporation	2026.5.8	1,549,439,204.72	67.88	Tender offer	2026.5.8	Completion of asset delivery	96,842,789.28	-14,085,391.82	31,082,660.27

2.2 Combination cost and goodwill

Item	Imexpharm Corporation
Combination cost:	
Cash	1,549,439,204.72
Total combination cost	1,549,439,204.72
Less: Fair value share of identifiable net assets acquired	579,822,707.84
Goodwill	969,616,496.88

The combination cost was determined based on the tender offer price of VND57,400 per share for the acquisition of Imexpharm Corporation multiplied by the number of shares acquired in this acquisition, net of dividends declared but not yet paid corresponding to the target shares, and translated into RMB at the spot exchange rate on the acquisition date.

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

VII. EQUITY IN OTHER ENTITIES *(continued)*

2. Business combinations involving enterprises not under common control *(continued)*

2.2 Combination cost and goodwill *(continued)*

The difference between the combination cost and the Company's share, calculated based on the shareholding percentage, of the fair value of the identifiable net assets of Imexpharm Corporation at the acquisition date is recognized as goodwill.

2.3 Identifiable assets and liabilities of the acquiree at the acquisition date

	Imexpharm Corporation	
Item	**Fair value at acquisition date**	**Carrying amount at acquisition date**
Assets:		
Monetary funds	123,367,000.50	123,367,540.73
Accounts receivable	98,218,754.45	98,218,754.45
Prepayments	15,107,237.44	15,107,237.44
Other receivables	2,590,834.96	2,590,834.96
Inventories	226,165,834.03	175,371,844.58
Other current assets	1,711,313.75	1,711,313.75
Long-term equity investments	91,289,540.16	33,449,816.55
Fixed assets	306,657,709.72	177,101,394.83
Construction in progress	4,733,815.83	4,733,815.83
Right-of-use assets	146,934,751.11	78,981,991.81
Intangible assets	23,550,037.75	13,972,715.88
Long-term deferred expenses	5,313,635.37	5,313,635.37
Deferred tax assets	7,348,050.36	7,348,050.36
Other non-current assets	309,808.91	316,101.43
Liabilities:		
Short-term loans	22,391,643.70	22,391,643.70
Accounts payable	27,834,778.09	27,834,778.09
Contract liabilities	7,935,582.84	7,935,582.84
Employee benefits payable	7,167,229.37	7,167,229.37
Taxes payable	2,603,950.93	2,603,950.93
Other payables	47,477,043.37	47,477,043.37
Non-current liabilities due within one year	410,533.23	410,533.23
Long-term loans	26,000,000.00	26,000,000.00
Lease liabilities	1,691,705.71	1,691,705.71
Long-term employee benefits payable	3,936,009.48	3,936,009.48
Deferred tax liabilities	49,756,245.83	
Other non-current liabilities	1,905,758.77	1,905,758.77
Net assets	854,187,843.02	588,230,812.48
Less: Minority interests	274,365,135.18	188,939,736.97
Net assets acquired through combination	579,822,707.84	399,291,075.51

At the acquisition date, the identifiable assets and liabilities of Imexpharm Corporation were assessed and confirmed using the asset-based approach.

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

VII. EQUITY IN OTHER ENTITIES *(continued)*

3. Disposal of subsidiaries

Subsidiaries decreased due to loss of control resulting from a single disposal transaction

Name of subsidiary	Consideration from disposal of equity	Percentage of equity disposed (%)	Method of equity disposal	Time point of loss of control	Basis for determining the time point of loss of control	Difference between disposal consideration and the corresponding share of the subsidiary's net assets in the consolidated financial statements	Goodwill related to the subsidiary in the consolidated financial statements
Fluffy Buddy Animal Healthcare (Guangdong) Co., Ltd.（毛孩子動物保健（廣東）有限公司）	–	3.56	Passive dilution resulting from capital increase	2026.4.2	Completion of asset delivery	–	

(continued):

Name of subsidiary	Percentage of remaining equity interest at the date of loss of control	Carrying amount of remaining equity interest at the date of loss of control	Fair value of remaining equity interest at the date of loss of control	Gain/loss arising from remeasurement at fair value	Method and key assumptions used to determine the fair value of remaining equity interest at the date of loss of control	Amount of other comprehensive income related to the original equity investment in the subsidiary transferred to investment income or retained earnings
Fluffy Buddy Animal Healthcare (Guangdong) Co., Ltd.（毛孩子動物保健（廣東）有限公司）	47.44%	76,812,739.46	78,566,909.02	1,754,169.56	Based on the fair value of identifiable net assets as at the valuation benchmark date of 31 October 2025, extended to the date of loss of control	

4. Changes in the scope of consolidation due to other reasons

In February 2026, the Company established CITIC Securities Asset Management Zhuyao Linghang No.1 Single Asset Management Plan and CICC Fund Tianying No.1 Single Asset Management Plan, with capital contributions of RMB1,010,000,000.00 and RMB800,000,000.00, respectively, holding a 100% share in each.

VII. EQUITY IN OTHER ENTITIES *(continued)*

5. Equity in associates

5.1 Important associates

Name of joint ventures or associates	Principal place of business	Place of registration	Nature of business	Percentage of shareholding (%) Direct	Indirect	Accounting treatments for investments in joint ventures or associates
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

5.2 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) 2026.6.30
Owners' equity attributable to the parent company	915,838,970.71
Net assets shares calculated based on the proportion of the shares	366,335,588.28
Adjusting items	
Of which: Goodwill	498,457,683.68
Carrying amount of equity investment in associates	864,793,271.96

(continued):

Item	Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司) Amount for the Period
Operating income	566,830,460.18
Dividends received by the Company from associates during the Period	

The Company calculated the share of assets based on the shareholding percentage using the amount attributable to the parent company in the associate's consolidated financial statements. The amounts of the associate in the consolidated financial statements take into account the fair value of the identifiable net assets and liabilities of the associate at the time of acquisition and the effect of unifying accounting policies.

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

VII. EQUITY IN OTHER ENTITIES *(continued)*

5. Equity in associates *(continued)*

5.3 Summarized financial information of other non-important associates

Item	Balance at the End of the Period/ Amount for the Period	Balance for the Previous Period/Amount for the Previous Period
Associates:		
Total carrying amount of investments	**401,706,326.85**	288,949,873.59
Total amount calculated by percentage of shareholding		
Net profit	**-1,107,940.31**	-8,374,819.02
Other comprehensive income	**11,261.32**	2,410.36
Total comprehensive income	**-1,096,678.99**	-8,372,408.66

5.4 Explanation of major restrictions on the capacity of capital transfer from associates to the Company

Nil.

From January to June 2026 (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	216,388,993.30	3,159,700.00	12,050,537.64	207,498,155.66
Government grant related to income	25,770,000.00	450,000.00		26,220,000.00
Total	242,158,993.30	3,609,700.00	12,050,537.64	233,718,155.66

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	216,388,993.30	3,159,700.00	12,050,537.64		207,498,155.66	Other income
Government grant related to income	25,770,000.00	450,000.00			26,220,000.00	Other income
Total	242,158,993.30	3,609,700.00	12,050,537.64		233,718,155.66	

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.

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 Period	Amount charged to profit and loss for the Previous Period	Presentation item charged to profit and loss
Government grant related to assets	12,050,537.64	27,716,919.39	Other income
Government grant related to income	28,104,296.00	31,590,023.84	Other income
Total	40,154,833.64	59,306,943.23	

The above government grants were mainly from grants for projects such as enterprise 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.

VIII. GOVERNMENT GRANTS *(continued)*

3. Government grants adopting the netting method to offset the relevant cost

Nil.

4. Government grants refunded during the Period

Nil.

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, other non-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 other non-current liabilities, etc. 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 has 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 manage 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.

IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)*

1. Risk management objectives and policies *(continued)*

(1) Foreign exchange risk *(continued)*

Financial assets and liabilities in foreign currencies held by the Company expressed in Renminbi are stated below:

① 30 June 2026

Unit: RMB'000

Item	HKD item	USD item	EUR item	JPY item	MYR item	IDR item	MOP item	VND item
Financial assets in foreign currency:								
Monetary funds	305,144.07	905,273.73	630.30	8,562.74	117.30	70,589.04	5,269.21	130,402.17
Financial assets held for trading	77,540.47							
Accounts receivable		518,301.68	737.87	3,387.83				117,882.68
Dividends receivable	9,100.11							
Other receivables	3,342.10							2,340.36
Other current assets		109,655.49						
Other equity instrument investments	1,305,723.56							
Other non-current assets	8,251.10							272.93
Subtotal:	1,709,101.41	1,533,230.90	1,368.17	11,950.57	117.30	70,589.04	5,269.21	250,898.14
Financial liabilities in foreign currency:								
Short-term borrowings								24,670.50
Accounts payable		13,080.49	496.26	458.33		31.58		12,806.88
Dividends payable	427,833.05							7,565.68
Other payables	50.95	99,149.10	615.52		12.38	1,067.43		25,664.89
Long-term borrowings								25,900.00
Subtotal:	427,884.00	112,229.59	1,111.78	458.33	12.38	1,099.01		96,607.95

IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)*

1. Risk management objectives and policies *(continued)*

(1) Foreign exchange risk *(continued)*

② 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 receivable		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:							
Financial liabilities held for trading	402.62						
Accounts payable		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	

As at 30 June 2026, 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 RMB147,156.09 thousand (31 December 2025: approximately RMB181,219.00 thousand).

IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)*

1. Risk management objectives and policies *(continued)*

(2) Interest rate risk

The Company's exposure to interest rate risk is 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.

(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 12.54% of the total accounts receivable of the Company (31 December 2025: 9.83%); among the other receivables of the Company, the other receivables from the top five companies with the largest outstanding amounts accounted for 40.54% of the total other receivables of the Company (31 December 2025: 63.91%).

From January to June 2026 (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

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, mainly including maintaining adequate monetary funds and securing readily available credit loans from banks through sufficient banking facilities. In addition, 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 the Company to secure adequate funds in a flexible manner.

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 30 June 2026

Item	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial assets:					
Monetary funds	7,440,783,197.94				7,440,783,197.94
Financial assets held for trading	383,382,884.68				383,382,884.68
Bills receivable	689,537,591.69				689,537,591.69
Accounts receivable	1,973,052,167.49				1,973,052,167.49
Other receivables	59,958,216.76				59,958,216.76
Non-current assets due within one year	371,419,109.57				371,419,109.57
Other current assets	142,325,653.35				142,325,653.35
Other non-current assets			8,524,028.66		8,524,028.66
Subtotal:	11,060,458,821.48		8,524,028.66		11,068,982,850.14
Financial liabilities:					
Short-term loans	3,395,815,777.99				3,395,815,777.99
Financial liabilities held for trading	174,791.84				174,791.84
Bills payable	780,991,141.27				780,991,141.27
Accounts payable	552,691,476.74				552,691,476.74
Other payables	3,300,178,951.64				3,300,178,951.64
Non-current liabilities due within one year	15,907,850.64				15,907,850.64
Lease liabilities	0.00	8,631,756.56	9,637,857.14	214,732.88	18,484,346.58
Long-term loans	0.00		25,900,000.00		25,900,000.00
Other non-current liabilities			1,898,428.93		1,898,428.93
Subtotal:	8,045,759,990.12	8,631,756.56	37,436,286.07	214,732.88	8,092,042,765.63

From January to June 2026 (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 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 receivable	1,137,537,531.35				1,137,537,531.35
Accounts receivable	2,248,341,190.25				2,248,341,190.25
Other receivables	56,912,974.18				56,912,974.18
Non-current assets 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 payable	785,490,545.87				785,490,545.87
Accounts payable	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

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). As at 30 June 2026, the Company's gearing ratio was 38.12% (31 December 2025: 35.18%).

From January to June 2026 (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	77,097,752.12	Derecognized	Contractual rights to receive cash flows from the financial asset have been terminated, and almost all risks and rewards have been transferred
Discount	Bills receivable	179,341,662.20	Derecognized	Without recourse right
Factoring	Accounts receivable	15,079,225.53	Derecognized	Without recourse right

(2) Financial assets derecognized on transfer

Item	Transfer method	Amount derecognized	Profits or losses related to derecognition
Bills receivable	Endorse	77,097,752.12	
Bills receivable	Discount	179,341,662.20	482,757.09
Accounts receivable	Transfer	15,079,225.53	

As at 30 June 2026, the carrying amount of the Company's bank acceptance bills undue and endorsed to suppliers for settling accounts payable was RMB77,097,752.12 (31 December 2025: RMB65,584,129.67); the Company had no commercial acceptance bills undue and endorsed to suppliers for settling accounts payable (31 December 2025: RMB0.00). As at 30 June 2026, 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 accepting bank, 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, the carrying amounts of the associated accounts payable which had been settled were 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.

During the period from January to June 2026, the Company generated no gain or loss 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.

From January to June 2026 (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 30 June 2026, 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				
1. Funds	175,285,657.41			175,285,657.41
2. Structured deposits			120,498,663.70	120,498,663.70
3. Equity instrument investments	86,809,162.42			86,809,162.42
4. Derivative financial assets		789,401.15		789,401.15
(II) Other equity instrument investments	1,387,259,805.94		468,989,031.41	1,856,248,837.35
Total assets measured at fair value on a recurring basis	1,649,354,625.77	789,401.15	589,487,695.11	2,239,631,722.03
(III) Financial liabilities held for trading				
1. Derivative financial liabilities		174,791.84		174,791.84
Total liabilities measured at fair value on a recurring basis		174,791.84		174,791.84
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 period from January to June 2026, 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 the quoted price in the active market. The Company's Level 1 financial assets held for trading and equity instrument investments 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 the 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.

X. FAIR VALUE *(continued)*

(2) Information about the fair value measurement of Level 2

Content	Fair value at the End of the Period	Valuation techniques
Derivative financial assets	789,401.15	The fair value is measured at the forward exchange rates quoted by the respective matured contract
Derivative financial liabilities	174,791.84	The fair value is measured at the forward exchange rates quoted by the respective matured contract

(3) The quantitative information of important unobservable inputs used in the Level 3 fair value measurement

Content	Fair value at the End of the Period	Valuation techniques
Financial assets held for trading – Structured deposits	120,498,663.70	Expected return
Other equity instrument investments – other unlisted equity	253,910,700.00	Market approach
Other equity instrument investments – other unlisted equity	74,556,765.09	Recent financing price,
Other equity instrument investments – other unlisted equity	128,021,566.32	Net assets
Other equity instrument investments – other unlisted equity	12,500,000.00	Cost

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

X. FAIR VALUE *(continued)*

(4) Reconciliation of fair value measurements categorized within Level 3 of the fair value hierarchy

Item (Amount for the Period)	Balance at the Beginning of the Period	Transfers into Level 3	Transfers out of Level 3	Total current gains or losses: Included in profit and loss	Total current gains or losses: Included in other comprehensive income	Purchase, issuance, sale and settlement: Purchase	Purchase, issuance, sale and settlement: Issuance	Purchase, issuance, sale and settlement: Sale	Purchase, issuance, sale and settlement: Settlement	Balance at the End of the Period	Movements in unrealized gains or losses for the period through profit or loss for assets held at the end of the Reporting Period
Financial assets held for trading	1,262,600,133.18			3,354,177.88		1,790,000,000.00			2,935,455,647.36	120,498,663.70	-2,101,469.48
Other equity instrument investments	465,534,883.78			479.75	3,454,147.63				479.75	468,989,031.41	
Total	1,728,135,016.96			3,354,657.63	3,454,147.63	1,790,000,000.00			2,935,456,127.11	589,487,695.11	-2,101,469.48

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	182,945.3386	24.93	24.93

Notes to the parent company of the Company:

As at 30 June 2026, 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.

XI. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

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. (廣東藍寶制藥有限公司)	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 Biotheraphy, 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
Fluffy Buddy Animal Healthcare (Guangdong) Co., Ltd. (毛孩子動物保健(廣東)有限公司)	Associate
Agimexpharm	Associate

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.(深圳市海濱制藥有限公司)	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
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) Food for Special Medical Purposes 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
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 where a former supervisor of the Company serves as a director
Zhuhai Xianghetai Investment Management Partnership (Limited Partnership)(珠海祥和泰投資管理合伙企業(有限合伙))	An enterprise controlled by a former senior management member of the Company
Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership)(珠海中匯源投資合伙企業(有限合伙))	An enterprise controlled by a Director of the Company
Zhuhai Liying Investment Management Partnership (Limited Partnership)(珠海麗英投資管理合伙企業(有限合伙))	An enterprise controlled by a Director 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	A company controlled by a Director 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 a former Director of the Company
Shenzhen Xinyou Maohai Investment Partnership (Limited Partnership)(深圳市心有毛孩投資合伙企業(有限合伙))	A company controlled by close family members of a Director of the Company
Directors, Supervisors and other senior management personnel	Key management personnel

From January to June 2026 (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	Amount for the Period	Amount for the Previous Period
Guangdong Blue Treasure Pharmaceutical Co., Ltd.	Raw materials	48,849.56	830,442.49
Shenzhen Haibin Pharmaceutical Co., Ltd.	Raw materials	11,225,883.75	7,165,281.06
Joincare Pharmaceutical Industry Group Co., Ltd.	Finished goods	386,459.40	315,900.21
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd.	Raw materials	154,506,366.10	109,383,368.20
Agimexpharm	Finished goods	1,117,876.59	
Purchase of goods in aggregate		167,285,435.40	117,694,991.96
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd.	Water, electricity and power	11,350,529.30	14,039,123.58
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd.	R&D	284,188.68	3,133,132.07
Guangzhou Respiratory Drugs Engineering Technology Co., Ltd.	R&D		5,055,477.35
Receipt of services in aggregate		11,634,717.98	22,227,733.00

From January to June 2026 (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	Amount for the Period	Amount for the Previous Period
Guangdong Blue Treasure Pharmaceutical Co., Ltd.	Finished goods	23,170,884.96	14,905,486.74
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd.	Raw materials	9,292.04	4,045,291.16
Joincare Haibin Pharmaceutical Co., Ltd.	Finished goods	3,011,150.45	
Joincare Pharmaceutical Industry Group Co., Ltd.	Finished goods	18,300.89	9,280.24
Zhuhai Hengqin Weisheng Precision Medicine Technology Co., Ltd.	Finished goods		418,223.89
Fluffy Buddy Animal Healthcare (Guangdong) Co., Ltd.	Finished goods	2,920.35	
Agimexpharm	Finished goods	129,705.22	
Sales of goods in aggregate		26,342,253.91	19,378,282.03

From January to June 2026 (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 *(continued)*

Related party	Description of related party transaction	**Amount for the Period**	Amount for the Previous Period
Guangdong Blue Treasure Pharmaceutical Co., Ltd.	Water, electricity and power	**3,178,250.59**	2,728,904.70
Zhuhai Sanmed Gene Diagnostics Ltd.	Power and modern service	**124,199.86**	107,016.26
Zhuhai Sanmed Biotech Inc.	Power and modern service	**293,322.61**	293,731.44
Joincare (Guangdong) Food for Special Medical Purposes Co., Ltd.	Water, electricity and power	**5,838.59**	3,384.76
Joincare Pharmaceutical Industry Group Co., Ltd.	R&D, processing and testing	**17,388,802.54**	10,253,384.39
Guangzhou Respiratory Drugs Engineering Technology Co., Ltd.	R&D		1,721,849.06
Henan Province Joincare Biopharmaceutical Research Institute Co., Ltd.	Processing and testing		4,316.54
Fluffy Buddy Animal Healthcare (Guangdong) Co., Ltd.	Water, electricity and power	**281,897.00**	
Provision of services in aggregate		**21,272,311.19**	15,112,587.15

From January to June 2026 (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.	Plant & buildings	2,752.32	11,009.19
Zhuhai Sanmed Biotech Inc.	Plant & buildings	80,081.18	80,081.18
Topsino Industries Limited	Plant & buildings	13,449.05	13,936.29
Joincare (Guangdong) Food for Special Medical Purposes Co., Ltd.	Plant & buildings	126,514.28	126,514.28
Zhuhai Sanmed Gene Diagnostics Ltd.	Plant & buildings	92,779.98	92,779.98
Fluffy Buddy Animal Healthcare (Guangdong) Co., Ltd.	Plant & buildings	683,486.21	

② The Company as a lessee

Name of lessor	Type of leased assets	Lease payments payable for the current period	Lease payments payable for the previous period
Joincare Pharmaceutical Industry Group Co., Ltd.	Plant & buildings, transportation equipment	369,148.62	389,790.82
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd.	Plant & buildings, equipment	144,515.56	250,710.28
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd.	Plant & buildings	284,601.77	
Shenzhen Haibin Pharmaceutical Co., Ltd.	Transportation equipment	71,681.40	71,681.40

Addition to right-of-use assets of the Company as a lessee for the year:

Name of lessor	Type of leased assets	Increase for the current period	Increase for the previous period
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd.	Plant & buildings	300,041.81	300,041.81
Joincare Pharmaceutical Industry Group Co., Ltd.	Plant & buildings	740,708.57	740,708.57

Interest expense on lease liabilities incurred by the Company as a lessee for the year:

Name of lessor	Type of leased assets	Interest expense for the current period	Interest expense for the previous period
Joincare Pharmaceutical Industry Group Co., Ltd.	Plant & buildings	21,691.83	19,269.49
Joincare Pharmaceutical Industry Group Co., Ltd.	Transportation equipment	2,832.01	
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd.	Plant & buildings	7,501.05	7,501.05

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

XI. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

5. Related transactions *(continued)*

(3) Related party asset transfers

Related party	Description of related party transaction	Amount for the Period	Amount for the Previous Period
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd.	Purchase of equipment	821,002.04	
Henan Province Joincare Biopharmaceutical Research Institute Co., Ltd.	Purchase of equipment	399,610.00	
Joincare Pharmaceutical Industry Group Co., Ltd.	Sale of equipment		437,845.92

(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: RMB0'000

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)	2026.1.26	82,049.81	82,049.81	210,000.00	Bank loans, joint liability guarantee	2026.1.26-2027.6.10 (Bank of Communications, SPDB, ICBC, HSBC, China CITIC Bank, Ping An Bank, China Minsheng Bank, China Merchants Bank, etc.)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2024.7.18	12,535.71	12,535.71	25,000.00	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	2025.12.29	4,580.51	4,580.51	15,000.00	Opening bank acceptance bills, joint liability guarantee	2025.12.29-2029.6.29 (CR Bank)
Livzon Group Livzon Pharmaceutical Factory	2025.9.1	1,022.94	1,022.94	11,500.00	Opening bank acceptance bills, joint liability guarantee	2025.9.1-2030.7.1 (Standard Chartered Bank)
Livzon Group Livzon Pharmaceutical Factory	2024.3.22	10,000.00	10,000.00	30,200.00	Opening bank acceptance bills, joint liability guarantee	2024.3.22-2026.6.30 (ICBC)
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	2,959.33	2,959.33	23,000.00	Opening bank acceptance bills, joint liability guarantee	2025.9.1-2030.7.1 (Standard Chartered Bank)
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd.	2026.1.28	5,272.64	5,272.64	10,000.00	Opening bank acceptance bills, joint liability guarantee	2026.1.28-2029.6.29 (CR Bank)

From January to June 2026 (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)

Unit: RMB0'000

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
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd.	2023.8.28	2,241.62	2,241.62	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	433.89	433.89	10,000.00	Opening letter of guarantee, joint liability guarantee	2024.1.1-2026.6.30 (Industrial and Commercial Bank of China)
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.	2025.9.1	1,653.47	1,653.47	7,475.00	Opening letter of guarantee, joint liability guarantee	2025.9.1-2030.7.1 (Standard Chartered Bank)
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	2025.9.1	16,504.71	16,504.71	23,000.00	Opening bank acceptance bills, joint liability guarantee	2025.9.1-2030.7.1 (Standard Chartered Bank)

From January to June 2026 (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)

Unit: RMB0'000

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 Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd.	2024.5.24	1,642.28	1,642.28	15,000.00	Opening bank acceptance bills, joint liability guarantee	2024.5.24-2026.6.30 (Bank of Communications)
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	2025.9.1	2,069.37	2,069.37	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	8,160.93	8,160.93	17,250.00	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)	2025.9.1	18,358.87	18,358.87	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.	2024.3.25	234.69	234.69	15,000.00	Opening bank acceptance bills, joint liability guarantee	2024.3.25-2026.6.30 (Bank of Communications)

From January to June 2026 (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)

Unit: RMB0'000

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
Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	2025.9.1	843.88	843.88	5,750.00	Opening bank acceptance bills, joint liability guarantee	2025.9.1-2030.7.1 (Standard Chartered Bank)
Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	2025.9.1	100.00	100.00	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	446.39	446.39	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						152,486.13
Total balance of actual amount guaranteed for subsidiaries at the end of the Reporting Period						171,111.03

From January to June 2026 (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 a rolling basis. As at 30 June 2026, 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	5,069.59	Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd.	Opening bank acceptance bills, joint liability guarantee	1.50	As at 5 August 2026
			Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd.	Opening bank acceptance bills, joint liability guarantee	2,501.57	As at 23 August 2026
			Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.	Opening bank acceptance bills, joint liability guarantee	1,992.95	As at 23 August 2026
	Industrial Bank	2,470.96	Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd.	Opening bank acceptance bills, joint liability guarantee	469.74	As at 20 September 2026
			Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.	Opening bank acceptance bills, joint liability guarantee	798.86	As at 17 December 2026
			Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd.	Opening bank acceptance bills, joint liability guarantee	768.37	As at 17 December 2026
	Industrial and Commercial Bank of China	2,491.89	Zhuhai Livzon Microsphere Technology Co., Ltd. (珠海市丽珠微球科技有限公司)	Opening bank acceptance bills, joint liability guarantee	564.52	As at 15 December 2026
			Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd.	Opening bank acceptance bills, joint liability guarantee	154.50	As at 26 December 2026
			Livzon Group Livzon Pharmaceutical Factory	Opening bank acceptance bills, joint liability guarantee	1,510.81	As at 24 December 2026
	China CITIC Bank	257.34	Zhuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd.	Opening bank acceptance bills, joint liability guarantee	123.54	As at 15 August 2026
			Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd.	Opening bank acceptance bills, joint liability guarantee		
			Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.	Opening bank acceptance bills, joint liability guarantee		
			Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd.	Opening bank acceptance bills, joint liability guarantee		
			Livzon Group Livzon Pharmaceutical Factory	Opening bank acceptance bills, joint liability guarantee		
Total balance of actual amount guaranteed for subsidiaries at the end of the Reporting Period					8,886.35	

XI. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

5. Related transactions *(continued)*

(4) Related party guarantees *(continued)*

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.（珠海市麗珠單抗生物技術有限公司）, has provided a "Letter of Undertaking for Counter Guarantee", pur-suant 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 expire on the expiry date of the Company's obligation thereunder.

Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership)（珠海中匯源投資合伙企業（有限合伙））, the other shareholder of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.（麗珠集團新北江制藥股份有限公司）, 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 within the scope of its guarantee provided for Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.

From January to June 2026 (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

January to June 2026

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
Executive and Non-executive Directors:									
Zhu Baoguo*	162.50								162.50
Tao Desheng	50.00								50.00
Tang Yanggang*	101.60	30.77	4.17	1.57					138.11
Xu Guoxiang	50.00	15.38							65.38
Liu Daping*	0.80	159.08	4.55	1.19	70.52				236.14
Qiu Qingfeng	4.80								4.80
Lin Nanqi	4.80								4.80
Independent Non-executive Directors:									
Bai Hua	5.00								5.00
Luo Huiyuan	6.00								6.00
Cui Lijie	6.00								6.00
Wang Zhiyao	6.00								6.00
Kang Li	1.00								1.00
Employee Representative Director:									
Ran Yongmei	4.80	46.16	4.17	1.05	8.50			1.75	66.43
Other senior management:									
Du Jun*		73.85	4.49	1.23				0.01	79.58
Xu Xiao*		55.38	4.25	1.05	6.97			19.93	87.58
Huang Yuxuan		50.77						0.14	50.91
Liu Ning		48.30	4.00	1.05					53.35
Si Yanxia		23.08							23.08
Chen Zhihua		40.00	3.82	0.72	4.50				49.04
Wang Sheng		40.00		0.52					40.52
Total	403.30	582.77	29.45	8.38	90.49			21.83	1,136.22

"*" represents the five highest paid individuals for January to June 2026. 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 and senior management.

Mr. Chen Zhihua and Mr. Wang Sheng were appointed on 28 February 2026; Ms. Kang Li was appointed on 29 May 2026; Mr. Tao Desheng, Mr. Xu Guoxiang and Ms. Si Yanxia resigned on 28 February 2026; Mr. Bai Hua resigned on 29 May 2026.

From January to June 2026 (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)***

January to June 2025

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*	162.50								162.50
Tao Desheng*	150.00								150.00
Qiu Qingfeng	4.80								4.80
Lin Nanqi	4.80								4.80
Executive Directors:									
Tang Yanggang*	4.80	92.31	3.97	1.00					102.08
Xu Guoxiang*	150.00	46.15							196.15
Independent Non-executive Directors:									
Bai Hua	6.00								6.00
Tian Qiusheng	6.00								6.00
Wong Kam Wa	6.00								6.00
Luo Huiyuan	6.00								6.00
Cui Lijie	6.00								6.00
Supervisors:									
Wang Maolin	3.60	30.00	3.84	1.00				2.10	40.55
Tang Yin	3.00								3.00
Huang Huamin	3.00								3.00
Other senior management:									
Du Jun*		73.85	4.28	1.31				0.01	79.45
Xu Xiao		42.35	4.00	1.00	13.88			2.10	63.33
Yang Daihong		60.00	3.84	1.00					64.85
Si Yanxia		69.23							69.23
Liu Daping		63.08	4.39	1.31					68.78
Huang Yuxuan		50.77						0.12	50.89
Liu Ning		48.30	3.94	1.01				2.10	55.36
Yang Liang		23.08	1.88	0.50				1.05	26.52
Total	516.50	599.12	30.16	8.15	13.88			7.48	1,175.28

"*" represents the five highest paid individuals for January to June 2025. 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.

Ms. Liu Ning was appointed on 31 December 2024; Mr. Xu Xiao was appointed in April 2025; Mr. Yang Liang resigned in March 2025; Mr. Yang Daihong resigned in April 2025.

From January to June 2026 (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)*

② Individuals with highest emoluments

Among the five highest paid individuals of the Company for January to June 2026, 3 were directors of the Company and 2 were members of the senior management of the Company; among the five highest paid individuals of the Company for the year 2025, 2 were directors of the Company and 3 were members of the senior management of the Company. The remuneration of directors and senior management of the Company was 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	January to June 2026	January to June 2025
Number of individuals within the band of RMB0-RMB1,000,000	**2**	1
Number of individuals within the band of RMB1,000,001-RMB1,500,000	**1**	2
Number of individuals within the band of RMB1,500,001-RMB2,000,000	**1**	2
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	**–**	–
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	**–**	–
Number of individuals within the band of RMB4,000,001-RMB4,500,000	**–**	–
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	**–**	–
Number of individuals within the band of RMB5,500,001-RMB6,000,000	**–**	–
Number of individuals within the band of RMB6,000,001-RMB6,500,000	**–**	–
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	**–**	–

From January to June 2026 (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	January to June 2026	January to June 2025
Number of individuals within the band of RMB0-RMB1,000,000	9	9
Number of individuals within the band of RMB1,000,001-RMB1,500,000	1	1
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	–	–
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	–	–
Number of individuals within the band of RMB4,000,001-RMB4,500,000	–	–
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	–	–
Number of individuals within the band of RMB5,500,001-RMB6,000,000	–	–
Number of individuals within the band of RMB6,000,001-RMB6,500,000	–	–
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 January to June 2026 and January to June 2025, 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 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 2023 third extraordinary general meeting on 19 December 2023. The registered capital of LivzonBio was increased from RMB889,023,284.00 to RMB1,095,472,334.00, and the newly-increased registered capital of RMB206,449,050.00 is to be 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 is to be ac-counted for in capital reserves.

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 con-sideration 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 RMB130,000,000.00.

XI. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

5. Related transactions *(continued)*

(6) Other related transactions *(continued)*

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, Joincare Pharmaceutical Group Industry Co., Ltd. ("Joincare"), directly held the remaining 49% equity interest.

On 30 December 2025, the Company, Joincare and Shenzhen Xinyou Maohai In-vestment Partnership (Limited Partnership) ("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, Joincare 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 Joincare intended to waive its pre-emptive subscription rights to the Capital Increase.

As at 2 April 2026, Xinyou Maohai had completed the above-mentioned equity transfer and capital increase, and held 52.56% equity interest in Fluffy Buddy, while the Company held 47.44% equity interest in Fluffy Buddy. Fluffy Buddy is no longer included within the scope of the Company's consolidated financial statements.

From January to June 2026 (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

		Balance at the End of the Period		Balance as at the End of the Previous Year	
Item	Related parties	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Bills receivable	Guangdong Blue Treasure Pharmaceutical Co., Ltd.	7,943,176.64			
Bills receivable	Joincare Haibin Pharmaceutical Co., Ltd.	1,146,044.98		2,490,000.00	
Bills receivable	Joincare (Guangdong) Food for Special Medical Purposes Co., Ltd.	139,301.87		139,399.13	
Bills receivable	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd.			180,800.00	
Subtotal of bills receivable		9,228,523.49		2,810,199.13	
Accounts receivable	Guangdong Blue Treasure Pharmaceutical Co., Ltd.	19,243,200.00	192,432.00	24,786,400.00	260,257.20
Accounts receivable	Zhuhai Sanmed Biotech Inc.	206,205.62	2,062.06	202,591.25	2,066.43
Accounts receivable	Joincare Pharmaceutical Industry Group Co., Ltd.	14,564,287.00	145,681.27	291,290.32	14,214.97
Accounts receivable	Joincare Haibin Pharmaceutical Co., Ltd.	2,568,000.00	27,477.60	816,000.00	8,748.60
Accounts receivable	Agimexpharm	997,848.74	288.61		
Subtotal of accounts receivable		37,579,541.36	367,941.54	26,096,281.57	285,287.20
Prepayments	Zhuhai Sanmed Biotech Inc.	211,200.00		211,200.00	
Prepayments	Joincare Pharmaceutical Industry Group Co., Ltd.	48,602.40			
Subtotal of prepayments		259,802.40		211,200.00	
Other receivables	Guangdong Blue Treasure Pharmaceutical Co., Ltd.	1,135,828.34	11,358.28	1,143,746.92	11,437.47
Other receivables	Joincare Pharmaceutical Industry Group Co., Ltd.	17,234.40	174.07		
Other receivables	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd.	2,871,384.96	28,713.85		
Other receivables	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd.			2,871,384.96	28,713.85
Other receivables	Fluffy Buddy Animal Healthcare (Guangdong) Co., Ltd.	80,985.14	809.85		
Subtotal of other receivables		4,105,432.84	41,056.05	4,015,131.88	40,151.32

From January to June 2026 (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 payable	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd.	141,698,442.00	122,399,706.08
Bills payable	Shenzhen Haibin Pharmaceutical Co., Ltd.	6,228,144.62	4,170,203.66
Bills payable	Guangdong Blue Treasure Pharmaceutical Co., Ltd.	496,800.00	607,200.00
Subtotal of bills payable		148,423,386.62	127,177,109.74
Accounts payable	Shenzhen Haibin Pharmaceutical Co., Ltd.	6,457,104.02	0.02
Accounts payable	Guangdong Blue Treasure Pharmaceutical Co., Ltd.		441,600.00
Accounts payable	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd.	104,731,451.23	71,594,798.89
Accounts payable	Agimexpharm	637,825.95	
Subtotal of accounts payable		111,826,381.20	72,036,398.91
Contract liabilities	Joincare Pharmaceutical Industry Group Co., Ltd.	324,195.43	
Subtotal of contract liabilities		324,195.43	
Dividends payable	Topsino Industries Limited	233,125,903.98	
Other payables	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd.	8,987,457.86	7,185,232.02
Other payables	Guangdong Blue Treasure Pharmaceutical Co., Ltd.	1,000.00	
Subtotal of other payables		242,114,361.84	7,185,232.02

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

XII. SHARE-BASED PAYMENT

1. General information about share-based payment

Nil.

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	–
Accumulated amount of equity settled share-based payments included in capital reserve	238,229,819.52
Total expenses recognized for the current period arising from equity-settled share-based payments	

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 yet recognised in the financial statements	Balance at the End of the Period	Balance at the End of the Previous Year
Commitments in relation to acquisition of long-term assets	**243,008,934.27**	221,084,956.48
Commitments in relation to R&D expenditure	**198,932,936.93**	229,968,162.57
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, operating lease commitments and other commitments as at 31 December 2025 in the same manner as the previous commitments.

2. Contingencies

As at 30 June 2026, there were no significant contingencies required to be disclosed by the Company.

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

XIV. POST BALANCE SHEET DATE EVENTS

As at 21 August 2026, the Company has no other events that needed to be disclosed after the balance sheet date.

XV. OTHER SIGNIFICANT MATTERS

The third holders' meeting of the second tranche of the Medium to Long-Term Business Partner Share Ownership Scheme considered and approved the "Proposal on Adjusting Relevant Matters of the Second Tranche Share Ownership Scheme and Extending its Duration", and agreed to extend the duration of the second tranche of the Medium to Long-Term Business Partner Share Ownership Scheme (holding 2,057,711 A Shares of the Company) by 12 months, to 12 August 2027.

As at 30 June 2026, save as 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 at the End of the Previous Year
Current assets	13,112,532,259.97	16,118,011,547.10
Less: Current liabilities	8,461,791,496.23	7,219,752,800.78
Net current assets	4,650,740,763.74	8,898,258,746.32

2. Total assets less current liabilities

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Total assets	23,591,489,973.54	23,985,471,448.48
Less: Current liabilities	8,461,791,496.23	7,219,752,800.78
Total assets less current liabilities	15,129,698,477.31	16,765,718,647.70

From January to June 2026 (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 Book balance	Balance at the End of the Period Provision for bad debts	Balance at the End of the Period Carrying value	Balance as at the End of the Previous Year Book balance	Balance as at the End of the Previous Year Provision for bad debts	Balance as at the End of the Previous Year Carrying value
Bank acceptance bills	**381,751,266.58**		**381,751,266.58**	627,714,842.99		627,714,842.99

(1) Bills receivable that were pledged at the End of the Period

Type	Pledged amount at the End of the Period
Bank acceptance bills	102,897,791.93

As at 30 June 2026, bills with carrying amount of RMB102,897,791.93 (31 December 2025: RMB140,868,943.08) were pledged for bank acceptance bills.

(2) Bills receivable endorsed or discounted but not yet due at the balance sheet date at the end of the period

Category	Amount derecognised at the end of the period	Amount not derecognised at the end of the period
Bank acceptance bills endorsed but not yet due		
Bank acceptance bills discounted but not yet due	**119,445,641.93**	
Total	**119,445,641.93**	

During the Period, the Company discounted bank acceptance bills with banks amounting to RMB119,445,641.93 (Previous Period: RMB0.00). The discounted bank acceptance bills were without recourse, and since almost all the risks and rewards of ownership of the bills were transferred to the banks, they were derecognised. Interest expense arising from the discounting for the Period amounted to RMB320,476.15.

(3) There were no bills transferred into accounts receivables for non-performance by the issuer at the End of the Period.

From January to June 2026 (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 as 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	381,751,266.58	100.00			381,751,266.58	627,714,842.99	100.00			627,714,842.99
Of which:										
Bank acceptance bills	381,751,266.58	100.00			381,751,266.58	627,714,842.99	100.00			627,714,842.99
Total	381,751,266.58	100.00			381,751,266.58	627,714,842.99	100.00			627,714,842.99

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 as 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	381,751,266.58			627,714,842.99		

(5) No provision for bad debts was made, recovered or reversed during the Period.

(6) There is no bills receivable actually written off during the Period.

From January to June 2026 (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)	506,542,744.82	1,048,384,779.12
4-6 months (including 6 months)	55,044,254.91	24,088,134.47
7-12 months (including 12 months)	19,261,925.69	7,944,309.59
Subtotal within 1 year:	580,848,925.42	1,080,417,223.18
1-2 years (including 2 years)	3,928,994.65	1,467,330.22
2-3 years (including 3 years)	328,806.94	1,590,390.54
Over 3 years	3,456,541.80	3,310,853.70
Subtotal	588,563,268.81	1,086,785,797.64
Less: Provisions for bad debts	14,216,140.45	17,517,997.09
Total	574,347,128.36	1,069,267,800.55

(2) Disclosure according to the method of provision for bad debts

	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		
Type	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying value	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying value
Provision for bad debts on collective basis	588,563,268.81	100.00	14,216,140.45	2.42	574,347,128.36	1,086,785,797.64	100.00	17,517,997.09	1.61	1,069,267,800.55
Of which:										
Due from domestic customers	588,563,268.81	100.00	14,216,140.45	2.42	574,347,128.36	1,086,785,797.64	100.00	17,517,997.09	1.61	1,069,267,800.55
Total	588,563,268.81	100.00	14,216,140.45	2.42	574,347,128.36	1,086,785,797.64	100.00	17,517,997.09	1.61	1,069,267,800.55

From January to June 2026 (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

	Balance at the End of the Period			Balance as at the End of the Previous Year		
	Accounts receivable	Provision for bad debts	Expected credit loss rate (%)	Accounts receivable	Provision for bad debts	Expected credit loss rate (%)
Within 3 months (including 3 months)	506,542,744.82	5,065,229.54	1.00	1,048,384,779.12	10,814,731.72	1.03
4-6 months (including 6 months)	55,044,254.91	2,752,212.75	5.00	24,088,134.47	1,176,001.95	4.88
7-12 months (including 12 months)	19,261,925.69	1,926,192.57	10.00	7,944,309.59	797,639.33	10.04
1-2 years	3,928,994.65	785,798.93	20.00	1,467,330.22	293,034.97	19.97
2-3 years	328,806.94	230,164.86	70.00	1,590,390.54	1,125,735.42	70.78
Over 3 years	3,456,541.80	3,456,541.80	100.00	3,310,853.70	3,310,853.70	100.00
Total	588,563,268.81	14,216,140.45	2.42	1,086,785,797.64	17,517,997.09	1.61

(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	17,517,997.09
Provision made for the Period	-3,092,203.14
Recovery or reversal during the Period	
Write-off for the Period	209,653.50
Balance at the End of the Period	14,216,140.45

As at 30 June 2026 and 31 December 2025, the Company had no accounts receivables that were past due but not impaired.

(4) Accounts receivables that were actually written off during the Period

Item	Amount written off
Total (domestic customers)	209,653.50

(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 RMB92,281,056.52 for the Period, representing 15.68% of the total balance of accounts receivables as at the End of the Period, and the aggregate balance of the corresponding provisions for bad debts as at the End of the Period was RMB2,085,119.13.

From January to June 2026 (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)*

(6) Accounts receivables derecognised due to the transfer of financial assets.

From January to June 2026, the Company factored a small amount of accounts receivables without recourse. As almost all the risks and rewards of ownership were transferred to other parties, the corresponding accounts receivables of RMB15,079,225.53 were derecognised. The gains or losses arising from the derecognition amounted to RMB0.

(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	**47,425,000.00**	
Other receivables	**168,279,299.75**	150,218,710.10
Total	**215,704,299.75**	150,218,710.10

(1) Dividends receivables

Item	Balance at the End of the Period	Balance as at the End of the Previous Year
Zhuhai Livzon Diagnostics Inc.	**47,425,000.00**	
Subtotal	**47,425,000.00**	
Less: Provision for bad debts		
Total	**47,425,000.00**	

From January to June 2026 (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)*

(2) Other receivables

① Disclosure by nature of the amount

	Balance at the End of the Period			Balance as at the End of the Previous Year		
Item	Book balance	Provision for bad debts	Carrying value	Book balance	Provision for bad debts	Carrying value
Security deposits, rental deposits, and lease payments	816,502.50	86,372.25	730,130.25	316,502.50	16,331.53	300,170.97
Reserve fund and advances	6,299,776.28	555,346.53	5,744,429.75	5,167,936.74	89,637.26	5,078,299.48
Other receivables of each company within the scope of combination	158,825,444.59		158,825,444.59	141,004,409.32		141,004,409.32
Borrowing due from external entities	5,000,000.00	5,000,000.00		5,000,000.00	5,000,000.00	
Others	3,438,830.71	459,535.55	2,979,295.16	4,245,236.12	409,405.79	3,835,830.33
Total	174,380,554.08	6,101,254.33	168,279,299.75	155,734,084.68	5,515,374.58	150,218,710.10

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	158,825,444.59			158,825,444.59	
Other receivables of each company within the scope of combination	158,825,444.59			158,825,444.59	Recoverable
Total	158,825,444.59			158,825,444.59	

From January to June 2026 (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)*

(2) Other receivables *(continued)*

② Provision made for bad debts *(continued)*

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	10,555,109.49	10.43	1,101,254.33	9,453,855.16	
Security deposits, rental deposits, and lease payments receivable	816,502.50	10.58	86,372.25	730,130.25	
Other receivables	9,738,606.99	10.42	1,014,882.08	8,723,724.91	–
Total	10,555,109.49	10.43	1,101,254.33	9,453,855.16	

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 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
Total	5,000,000.00	100.00	5,000,000.00		

From January to June 2026 (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)*

(2) Other receivables *(continued)*

② Provision made for bad debts *(continued)*

As at 31 December 2025, provision made for bad debts:

As at 31 December 2025, 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	
Other receivables of each company within the scope of combination	141,004,409.32			141,004,409.32	Recoverable
Total	141,004,409.32			141,004,409.32	

As at 31 December 2025, 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 receivable	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	–
Total	9,729,675.36	5.30	515,374.58	9,214,300.78	

From January to June 2026 (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)*

(2) Other receivables *(continued)*

② Provision made for bad debts *(continued)*

As at 31 December 2025, 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 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
Total	5,000,000.00	100.00	5,000,000.00		

③ Provision for bad debts made, recovered or reversed during the Period

Provision for bad debts	Step 1 Expected credit loss over the next 12 months	Step 2 Expected credit loss over the lifetime (without impairment of credit)	Step 3 Expected credit loss over the lifetime (with impairment of credit)	Total
Balance at the Beginning of the Period		515,374.58	5,000,000.00	5,515,374.58
Balance at the Beginning of the Period during the Period				
– Transferred to Step 3				
Provision made for the Period		585,879.75		585,879.75
Write-off for the Period				
Balance at the End of the Period		1,101,254.33	5,000,000.00	6,101,254.33

④ There is no other receivables that were actually written off during the Period.

From January to June 2026 (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)*

(2) 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 debts at the End of the Period
Ando Development Limited	Current account transactions	101,463,709.83	RMB12,534,324.33 within 1 year; RMB3,403,087.89 1 to 2 years; RMB3,410,897.24 2 to 3 years; RMB82,115,400.37 over 3 years	58.19	
Livzon Group Vaccine Engineering Inc.	Current account transactions	21,033,572.39	RMB200.00 1 to 2 years; RMB200.00 2 to 3 years; RMB21,033,172.39 over 3 years	12.06	
Livzon MABPharm Inc.	Current account transactions	20,284,092.67	RMB6,280,073.42 within 1 year; RMB14,004,019.25 1 to 2 years	11.63	
Guangzhou Galaxy Sunshine Biological Products Co., Ltd.	Loans	15,000,000.00	Within 1 year	8.60	
Dongguan Hai Aoruisi Pharmaceutical Technology Co., Ltd.	Others	5,000,000.00	Over 5 years	2.87	5,000,000.00
Total	–	162,781,374.89		93.35	5,000,000.00

⑥ No other receivables of the Company have been derecognised due to the transfer of financial assets.

⑦ The Company has no assets or liabilities formed by its continuous involvement of transferring other receivables.

From January to June 2026 (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 as at the End of the Previous Year		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Investments in subsidiaries	6,529,537,145.20	17,287,569.18	6,512,249,576.02	4,666,037,145.20	17,287,569.18	4,648,749,576.02
Investments in associates	969,722,656.73	1,200,000.00	968,522,656.73	843,538,998.22	1,200,000.00	842,338,998.22
Total	7,499,259,801.93	18,487,569.18	7,480,772,232.75	5,509,576,143.42	18,487,569.18	5,491,088,574.24

(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－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

From January to June 2026 (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
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		
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)	302,092,110.00			302,092,110.00		
LivzonBio, Inc. (珠海市麗珠生物醫藥科技有限公司)	2,322,230,793.15	130,000,000.00		2,452,230,793.15		
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)	1,980,000.00			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)	65,000,000.00			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	25,500,000.00	102,000,000.00			
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		
CITIC Securities Asset Management Zhuyao Linghang No.1 Single Asset Management Plan (中信證券資管珠曜領航1號單一資產管理計劃)		1,010,000,000.00		1,010,000,000.00		
CICC Fund Tianying No.1 Single Asset Management Plan (中金基金添盈1號單一資產管理計劃)		800,000,000.00		800,000,000.00		
Total	4,666,037,145.20	1,965,500,000.00	102,000,000.00	6,529,537,145.20		17,287,569.18

From January to June 2026 (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

		Balance at the Beginning of the Period									
Investee	Balance at the Beginning of the Period	Additional/ new investments	Decreased investments	Investment profit and loss recognised under the equity method	Adjustment in other comprehensive income	Other equity change	Cash dividend or profit distribution declared	Provision for impairment	Others	Balance at the End of the Period	Balance of provision for impairment at the End of the Period
Associates											
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)	26,406,657.63			1,712,998.69			2,550,000.00			25,569,656.32	
Fluffy Buddy Animal Healthcare (Guangdong) Co., Ltd. (毛孩子動物保健(廣東)有限公司)				-1,783,247.20					79,942,975.65	78,159,728.45	
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	815,932,340.59			48,860,931.37						864,793,271.96	
Total	843,538,998.22			48,790,682.86			2,550,000.00		79,942,975.65	969,722,656.73	1,200,000.00

5. Operating income and operating cost

(1) Operating income and operating cost

	Amount for the Period		Amount for the Previous Period	
Item	**Income**	**Cost**	Income	Cost
Principal activities	**1,940,815,800.49**	**1,370,137,160.60**	2,746,546,388.40	1,994,276,203.52
Other activities	**46,124,889.38**	**41,431,092.31**	23,448,217.45	19,166,648.01
Total	**1,986,940,689.87**	**1,411,568,252.91**	2,769,994,605.85	2,013,442,851.53

From January to June 2026 (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	1,443,338,642.56	1,059,017,193.65	2,102,585,947.93	1,600,179,266.33
Traditional Chinese medicine preparations	404,105,536.00	260,094,471.27	551,407,035.57	344,627,075.98
Biological products	93,371,621.93	51,025,495.68	92,553,404.90	49,469,861.21
Subtotal	1,940,815,800.49	1,370,137,160.60	2,746,546,388.40	1,994,276,203.52
Other activities:				
Sales materials, etc.			4,615,262.31	4,594,495.97
Lease fees	189,261.16		2,241,426.11	
Others	45,935,628.22	41,431,092.31	16,591,529.03	14,572,152.04
Subtotal	46,124,889.38	41,431,092.31	23,448,217.45	19,166,648.01
Total	1,986,940,689.87	1,411,568,252.91	2,769,994,605.85	2,013,442,851.53

(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	1,940,815,800.49	1,370,137,160.60	2,746,546,388.40	1,994,276,203.52

(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	1,940,815,800.49	1,370,137,160.60	2,746,546,388.40	1,994,276,203.52
Other activities:				
Of which: recognized at a point of time	45,935,628.22	41,431,092.31	21,206,791.34	19,166,648.01
Lease income	189,261.16		2,241,426.11	
Total	1,986,940,689.87	1,411,568,252.91	2,769,994,605.85	2,013,442,851.53

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE COMPANY *(continued)*

6. Investment income

Item	Amount for the Period	Amount for the Previous Period
Long-term equity investments income under cost method	**537,025,000.00**	94,850,000.00
Long-term equity investments income under equity method	**48,790,682.86**	29,004,317.83
Investment income from financial assets held for trading during its holding period	**3,497,739.88**	1,950,144.84
Investment income from disposal of financial assets held for trading	**2,866,401.98**	
Investment income generated from the disposal of long-term equity investments	**-3,600.00**	-731,350.19
Total	**592,176,224.72**	125,073,112.48

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	**3,641,920.53**	-1,531,312.81
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	**40,154,833.64**	59,306,943.23
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	**18,524,235.63**	-8,223,996.69
Other non-operating income and expenses other than the abovementioned items	**-3,950,820.12**	-4,758,285.57
Total non-recurring profit or loss	**58,370,169.68**	44,793,348.16
Less: Effect on income tax of non-recurring profit or loss	**6,176,528.72**	10,259,353.49
Less: Net effect of non-recurring profit or loss attributable to the Company's minority shareholders (after tax)	**10,195,296.22**	11,901,511.93
Non-recurring profit or loss attributable to the Company's ordinary shareholders	**41,998,344.74**	22,632,482.74

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).

From January to June 2026 (Unless specified otherwise, all amounts are denominated in RMB)

XVIII. SUPPLEMENTARY INFORMATION *(continued)*

2. Rate of return on net assets and earnings per share

January to June 2026

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	**6.64**	**1.05**	**1.05**
Net profit attributable to the Company's ordinary shareholders after a deduction of non-recurring profit or loss	**6.34**	**1.00**	**1.00**

January to June 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	9.14	1.43	1.43
Net profit attributable to the Company's ordinary shareholders after a deduction of non-recurring profit or loss	8.97	1.40	1.40

Livzon Pharmaceutical Group Inc.
21 August 2026