



Pharma
绿叶制药

Luye Pharma Group Ltd.
绿叶制药集团有限公司

(incorporated in Bermuda with limited liability)

Stock Code: 2186

ANNUAL REPORT
2025

CONTENTS

Company Overview	2
Corporate Information	3
Financial Highlights	5
Chairman's Statement	6
Management Discussion and Analysis	7
Directors and Senior Management	27
Report of Directors	34
Corporate Governance Report	47
Independent Auditor's Report	62
Consolidated Statement of Profit or Loss	67
Consolidated Statement of Comprehensive Income	68
Consolidated Statement of Financial Position	69
Consolidated Statement of Changes in Equity	71
Consolidated Statement of Cash Flows	73
Notes to Financial Statements	76

COMPANY OVERVIEW

Luye Pharma Group Ltd. (the “Company”, together with its subsidiaries, the “Group”) focuses on developing, producing, marketing and selling innovative pharmaceutical products in four of the largest and fast growing therapeutic areas in the People’s Republic of China (“PRC” or “China”), the United States (“the U.S.”), Europe and other countries or districts, namely oncology, central nervous system (“CNS”), cardiovascular system, alimentary tract and metabolism. The Group has a portfolio of over 30 products, covering over 80 countries and regions around the world, including large pharmaceutical markets — China, the U.S., Europe and Japan, as well as fast growing emerging markets.

In China, the Group has established an extensive nationwide sales and distribution network and sold its products to 31 provinces, autonomous regions and municipalities throughout the PRC for the year ended 31 December 2025 (the “Reporting Period”). The Group’s sales, marketing and distribution functions are conducted through around 1,000 sales and marketing personnel, a network of approximately 1,850 distributors that collectively enabled the Group to sell its products to over 22,600 hospitals. For global market, the business of the Group covers 80 countries or regions including the U.S., countries in the European Union, Japan, Association of Southeast Asian Nations, Latin America, Gulf Cooperation Council region and other emerging countries or regions. The Group also has strong sales partnerships with more than 50 partners throughout the world.

The Group’s research and development (“R&D”) activities are organised around four platforms in the chemical drug sector — long acting and extended-release technology, liposome and targeted drug delivery, transdermal drug delivery systems and new compounds. The Group has expanded its R&D capability to biological sector supported by its subsidiary Shandong Boan Biotechnology Co., Ltd.’s (“Boan Biotech”) four cutting-edge platforms, namely Human Antibody Transgenic Mouse Technology, bsAb/msAb/Probody Technology, Antibody-drug Conjugate (“ADC”) Technology and Artificial Intelligence/Big Data Application Platform. The Group balances clinical development risks by strategically allocating its resources between proprietary formulations of proven compounds and new chemical entities as well as biosimilars and novel biologics. The Group believes that its R&D capabilities will be the driving force behind the Group’s long-term competitiveness, as well as the Group’s future growth and development.

As at 31 December 2025, the Group’s R&D team consisted of 590 employees, including 53 Ph.D. degree holders and 294 master’s degree holders in medical, pharmaceutical and other related areas.

As at 31 December 2025, the Group had been granted 251 patents and had 79 pending patent applications in the PRC, as well as 577 patents and 145 pending patent applications overseas.

The Group will continue to invest the products in four strategic therapeutic areas — oncology, CNS, cardiovascular and metabolism. As of 31 December 2025, the Group had 32 PRC pipeline product candidates in various stages of development. These candidates included 19 oncology products, 5 CNS products and 8 other products. Also, the Group had 15 pipeline product candidates in the U.S., Europe and Japan in various stages of development.

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. LIU Dian Bo
(Executive Chairman and Chief Executive Officer)
Mr. YANG Rong Bing *(Vice Executive Chairman)*
Mr. YUAN Hui Xian
Ms. ZHU Yuan Yuan

Non-executive Directors

Mr. SONG Rui Lin
Dr. LYU Dong *(resigned on 10 March 2025)*
Mr. HUANG Liming *(appointed on 10 March 2025)*

Independent Non-executive Directors

Mr. ZHANG Hua Qiao
Professor LO Yuk Lam
Mr. LEUNG Man Kit
Mr. CHOY Sze Chung Jojo
Ms. XIA Lian

Company Secretary

Ms. LEE Mei Yi

Authorized Representatives

Mr. YANG Rong Bing
Ms. ZHU Yuan Yuan

Audit Committee

Mr. LEUNG Man Kit *(Chairman)*
Mr. ZHANG Hua Qiao
Professor LO Yuk Lam

Remuneration Committee

Mr. CHOY Sze Chung Jojo *(Chairman)*
Mr. ZHANG Hua Qiao
Professor LO Yuk Lam

Nomination Committee

Professor LO Yuk Lam *(Chairman)*
Mr. ZHANG Hua Qiao
Mr. CHOY Sze Chung Jojo
Ms. XIA Lian *(appointed on 31 December 2025)*

Environmental, Social and Governance Committee

Professor LO Yuk Lam *(Chairman)*
Mr. YANG Rong Bing
Mr. SONG Rui Lin

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in the People's Republic of China

No. 15 Chuang Ye Road
High-tech Industrial Development Zone
Yantai, Shandong
264003
People's Republic of China

22/F, Gubei International Fortune Center II
Hongqiao Road 1438
Changning District Shanghai
People's Republic of China

Principal Place of Business in Hong Kong

Unit 3207, 32/F, Champion Tower
3 Garden Road
Central
Hong Kong

CORPORATE INFORMATION (CONTINUED)

Principal Share Registrar and Transfer Office

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712—1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Legal Advisers

Allen Overy Shearman Sterling
9/F, Three Exchange Square
Central
Hong Kong

Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

Auditor

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

Stock Code

2186

Company's Website

www.luye.cn

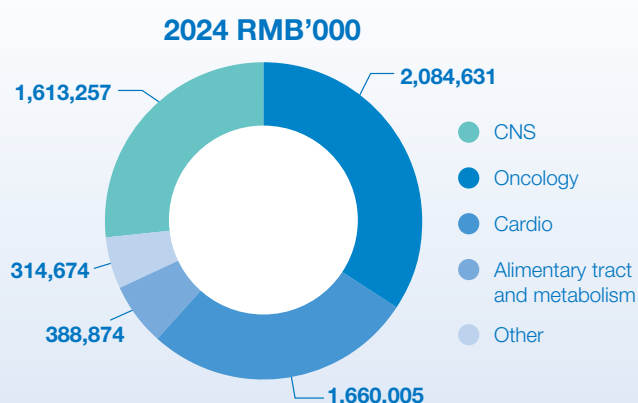
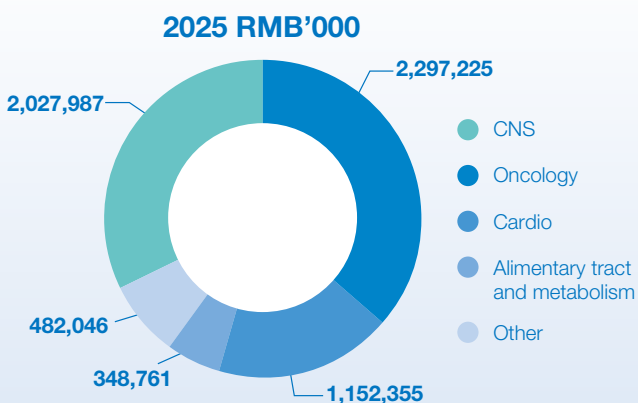
Principal Bankers

Bank of China Limited
China Everbright Bank
Industrial and Commercial Bank of China Limited
Citibank (China) Limited

FINANCIAL HIGHLIGHTS

- Revenue increased by RMB247.0 million or 4.1% to RMB6,308.4 million, as compared to the year ended 31 December 2024.
- EBITDA increased by RMB279.0 million or 12.7% to RMB2,470.7 million, as compared to the year ended 31 December 2024.
- Gross profit increased by RMB118.4 million or 2.9% to RMB4,162.6 million, as compared to the year ended 31 December 2024, and gross profit margin was 66.0%.
- Profit before tax increased by RMB105.4 million or 12.6% to RMB944.6 million, as compared to the year ended 31 December 2024.
- Net profit amounted to RMB705.7 million, representing an increase of RMB60.7 million, as compared to the year ended 31 December 2024.
- Profit attributable to shareholders amounted to RMB618.7 million, representing an increase of RMB146.8 million, as compared to the year ended 31 December 2024.
- Earnings per share was RMB15.88 cents compared to RMB12.54 cents for the year ended 31 December 2024.
- No dividend was proposed by the Board for the year ended 31 December 2025.

	2021 RMB Million	2022 RMB Million	2023 RMB Million	2024 RMB Million	2025 RMB Million
Revenue	5,200.2	5,981.7	6,143.1	6,061.4	6,308.4
Gross Profit	3,396.7	4,140.5	4,204.2	4,044.2	4,162.6
EBITDA	906.9	1,812.8	2,077.4	2,191.7	2,470.7
Net Profit	(144.8)	583.3	539.1	645.0	705.7
Profit attributable to owners of the Parent	(134.4)	604.8	532.6	471.9	618.7
Total Assets	22,582.1	24,249.6	25,490.7	29,612.2	32,825.3
Total Liability	13,468.2	13,207.9	11,962.2	13,858.5	14,466.3
Equity	9,113.9	11,041.7	13,528.5	15,753.7	18,359.1



CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board, I would like to express my sincere gratitude for your continued interest and support and am pleased to present the Group's performance for the year ended 31 December 2025 and the outlook for the future.

As an international pharmaceutical company, Luye Pharma Group is committed to the research, production and marketing of innovative drugs. With over 30 launched products, the Group operates in more than 80 countries and regions worldwide, covering therapeutic areas, namely oncology, CNS and cardiovascular system.

2025 marks a pivotal year for the Group as it achieves strategic breakthroughs and builds momentum. During the Reporting Period, the Group realized revenue of RMB6,308 million, representing a year-over-year increase of 4.1%. EBITDA amounted to RMB2,471 million, representing a year-over-year increase of 12.7% and net profit attributable to the parent company amounted to RMB619 million, representing a year-over-year increase of 31.1%.

In terms of commercialization, the Group facilitated the launch of cumulatively 15 new drugs in multiple countries and regions worldwide from 2021 to 2025. The first batch of blockbuster products has fully entered the commercialization phase, becoming a new engine for revenue growth and driving the optimization and upgrading of the Group's revenue structure. During the Reporting Period, new oncology products achieved significant growth, including: Baituowei® (goserelin microspheres for injection), used to treat prostate cancer and breast cancer; Zepzelca® (lurbinectedin for injection), used to treat small cell lung cancer; and new products in the CNS area are advancing simultaneously both domestically and internationally, including: Ruoxinlin® (Toludesvenlafaxine Hydrochloride Extended-Release Tablets), a self-developed first Class I innovative chemical drug for the treatment of MDD in China, which saw robust sales growth in the first year following its inclusion in China's National Reimbursement Drug List and ERZOFRI® (paliperidone palmitate extended-release injectable suspension) has gathered widespread attention from psychiatrists since its launch in the United States in April 2025, with the product's business growing rapidly.

In terms of innovative R&D, the Group strategically focused on developing next-generation drug candidates with the potential to be first-in-class and best-in-class. In the CNS chemical drugs area, the Group conducted simultaneous development in China and the United States of class 1 innovative drugs, including: LY03015 (VMAT2/Sigma-1R); LY03017 (5-HT_{2A}R/5-HT_{2C}R); and LY03020 (TAAR1/5-HT_{2C}R). Boan Biotech, the Group's subsidiary, is also accelerating the clinical development of several innovative biologics, including BA1106, the anti-CD25 innovative antibody and BA1302, the novel ADC drug targeting CD228. In addition, several other antibodies, including BA1203 (PD-1/IL-2 antibody-cytokine fusion protein), BA2201 (anti-TL1A/IL23 bispecific antibody), and BA1304 (anti-EGFR/B7-H3 bispecific ADC), are also poised to enter the clinical phase.

The Group adheres to a dual-track strategy of "in-house operations + BD", targeting specialized therapeutic areas to build a multi-channel commercialization system with broad coverage. During the Reporting Period, the Group licensed Nihwa Pharmaceutical to commercialize three long-acting injectable antipsychotics in Chinese mainland, promoting the comprehensive penetration of such products across medical institutions at all levels, primary care settings, and retail outlets; the Group entered into strategic partnerships with Sinopharm and SINOPHARM (CNCM LTD) to strengthen the commercialization strategy for Mimeixin® and expand market reach for additional products; and Boan Biotech, the Group's controlling subsidiary, partnered with Shanghai Pharmaceutical, King-Friend, Kexing Biopharm, and other partners to jointly accelerate the global expansion of biopharmaceuticals. Looking ahead, the Group will continue to extend BD collaborations from commercialization to the early-stage R&D, actively embrace partnership opportunities with multiple parties, such as multinational pharmaceutical companies, to build a global business footprint with greater resilience and growth potential.

In 2025, leveraging on the three key growth engines, namely the rapid volume expansion of new products, in-depth BD empowerment, and accelerated globalization strategy, the Company achieved simultaneous growth in operating results and profit quality, solidifying its trajectory of high-quality development. Going forward, the Company will continue to advance its globalization and BD synergy strategies, leveraging more competitive products and commercialization systems to drive sustained performance growth and create long-term value for patients, customers, and shareholders.

LIU Dian Bo
Executive Chairman
Luye Pharma Group Ltd.

30 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

The Group is an international pharmaceutical company dedicated to the R&D, manufacturing and sale of innovative medications. The Group has established R&D centers in the People's Republic of China (the "PRC" or "China"), the United States ("the U.S.") and Europe, with a robust pipeline of over 30 drug candidates in China and more than 10 drug candidates in other international markets. The Group maintains high-level international standards in novel drug delivery technologies including microspheres, liposomes, and transdermal drug delivery systems. The Group has achieved multiple innovations in new chemical entities and antibodies, and is also actively making strategic developments in the fields of cell therapies and gene therapies.

The Group is developing a global supply chain of 8 manufacturing sites built up around the world, with Good Manufacturing Practice ("GMP") quality management and control systems established in line with international standards. With more than 30 products covering the CNS, oncology, cardiovascular, metabolism and other therapeutic areas, the Group's business is conducted in over 80 countries and regions around the world, including the largest pharmaceutical markets — China, the U.S., Europe and Japan, as well as in fast growing emerging markets.

During the Reporting Period and up to the date of this annual report, the Group has persisted in its "innovation-driven" and "internationalization" development strategy and has made remarkable achievements in all aspects of R&D, sales and marketing, business collaborations and manufacturing.

During the Reporting Period, the Group recorded an increase in total revenue of 4.1% to RMB6,308.4 million, as compared to the year ended 31 December 2024.

Market Positioning and Key Products

For the China market, the Group's key products are competitively positioned in four key therapeutic areas (oncology, CNS, cardiovascular and metabolism). According to IQVIA data, during the Reporting Period, oncology, metabolism, cardiovascular and CNS related pharmaceutical products constituted the 1st, 2nd, 4th and 5th largest pharmaceutical markets in China, respectively. The Group's key products portfolio in China includes 6 (Lipusu, Boyounuo, Baituowei, Zepzelca, CMNa and Mimeixin) in oncology therapeutic area, 5 (Seroquel, Ruoxinlin, Rykindo, Meibirui and Ruibailai) in CNS therapeutic area, 3 (Xuezhikang, Oukai and Maitongna) in cardiovascular therapeutic area, 2 (Beixi and Boyouping) in metabolism therapeutic area and 2 (Boyoubei and Boyoujing) in other therapeutic area.

For international markets, the Group's products are mainly positioned in CNS therapeutic area, including Seroquel, Seroquel XR, Erzofri, Rykindo, Rivastigmine once-daily transdermal patch, Rivastigmine Multi-Day Transdermal Patch ("Rivastigmine MD" or "LY30410"), Rotigotine transdermal patches, Fentanyl patches and Buprenorphine patches.

During the Reporting Period, the Group's revenue from oncology therapeutic area increased by 10.2% to RMB2,297.2 million. Revenue from CNS therapeutic area increased by 25.7% to RMB2,028.0 million. Revenue from cardiovascular system therapeutic area decreased by 30.6% to RMB1,152.4 million. Revenue from metabolism therapeutic area decreased by 10.3% to RMB348.8 million. Revenue from other area increased by 53.2% to RMB482.0 million.

The Group's 19 key products are competitively positioned globally for high prevalence medical conditions and their market positions are expected to grow or maintain at its current level.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Key products related to oncology therapeutic area

Lipusu (力撲素)

Lipusu is the only marketed paclitaxel liposome for injection in the world. Its unique formulation allows it to target tumors and lymph nodes and have a longer half-life, making the drug more potent in killing tumor cells, and also safer and better-tolerated. Since its launch, the drug has been widely recognized by physicians and patients in clinical practice, and has also been recommended by multiple authoritative guidelines and consensus for its efficacy and safety. Lipusu has been included in the China's National Reimbursement Drug List ("NRDL") for all indications.

Boyounuo (博優諾)

Boyounuo (bevacizumab injection) has been approved to the market by the National Medical Products Administration ("NMPA") in China in April 2021. It is an anti-VEGF humanized monoclonal antibody injection developed by Boan Biotech, a subsidiary of the Company. As of 31 December 2025, Boyounuo has been approved by the NMPA for the treatment of mCRC, advanced metastatic or recurrent non-small cell lung cancer, recurrent glioblastoma, epithelial ovarian, fallopian tube or primary peritoneal cancer, cervical cancer and hepatocellular carcinoma. In addition, Boyounuo has been included in the NRDL for all indications.

Baituowei (百拓維)

Baituowei (goserelin microspheres for injection) is the world's only marketed formulation of long-acting goserelin microspheres. It is indicated for treating prostate cancer in patients requiring androgen deprivation therapy ("ADT") and for treating breast cancer in premenopausal and perimenopausal women who can be treated with hormones. Developed on the Group's leading microsphere platform, the drug boasts an upgraded formulation and an improved injection method that balance efficacy, safety, and patient experience, offering a more convenient option for clinical use. The Group and BeiGene Ltd. ("BeiGene") (NASDAQ: BGNE; HKEX: 06160; SSE: 688235) are working together to commercialize this product in China. The drug has been included in the NRDL for all indications.

Zepzelca (贊必佳)

Zepzelca is a selective inhibitor of oncogenic transcription. Whilst inhibiting oncogenic transcription and inducing tumor cell apoptosis, it also modulates the microenvironment for tumors to further exert its anti-tumor effects. In December 2024, Zepzelca has been approved by NMPA of China for marketing through the priority review program. The drug is indicated for the treatment of adult patients with metastatic small cell lung cancer ("SCLC") with disease progression on or after platinum-based chemotherapy. Zepzelca is now a Grade I recommendation for second-line treatment of extensive-stage SCLC in the 2025 CSCO Guidelines for the Diagnosis and Treatment of SCLC. The drug was also endorsed by international guidelines from NCCN, ESMO, and others, making it a new standard second-line treatment of SCLC. The drug has been included in the 2025 edition of the Commercial Insurance Innovative Drug List.

The drug has also been approved by the U.S. Food and Drug Administration ("FDA") through its Accelerated Approval Program in 2020. It has been the only new chemical entity approved by the FDA for the treatment of relapsed SCLC in nearly 29 years since 1997. The Group has been granted the rights to develop and commercialize this drug in mainland China, Hong Kong, and Macao, and has received marketing approval for the drug in these three regions.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CMNa (希美納)

CMNa is sodium glycididazole, a proprietary compound that the Group prepares in injectable form and is indicated for use in connection with radiotherapy for certain solid tumours. It is a Class I New Chemical Drug and as far as the Company is aware, the only approved sensitiser for cancer radiotherapy by the NMPA in China. According to the NMPA, CMNa was the only glycididazole product available for sale as of 31 December 2025. A study conducted by an independent third party in 2009 concluded that the use of CMNa for the treatment of certain cancers increased the probability of complete or partial remission and reduced overall treatment costs.

Mimeixin (米美欣)

Mimeixin has been approved to the market by the NMPA in China for the management of severe pain (cancer pain and non-cancer pain) that can only be effectively controlled by opioids in adults in June 2024. Mimeixin is an oral sustained-release tablet combined with oxycodone and naloxone, which exerts analgesic effect through the strong opioid receptor agonist oxycodone, and due to the low oral bioavailability of naloxone, it can directly bind to gastrointestinal opioid receptors to combat oxycodone-induced constipation without affecting the analgesic effect. In addition, Mimeixin employs proprietary drug-locking technology to prevent the grinding, extraction, and conversion of oxycodone, thereby deterring drug abuse. Additionally, naloxone, by antagonizing the activity of oxycodone, can prevent users from experiencing euphoria and induce precipitated withdrawal, a mechanism of action that allows Mimeixin to further mitigate the risk of abuse. The drug has been included in the 2025 NRDL for the first time.

Key products related to CNS therapeutic area

Seroquel (思瑞康) and Seroquel XR (思瑞康緩釋片)

Seroquel (quetiapine fumarate, immediate release, IR) and Seroquel XR (extended release formulation) are atypical antipsychotic medicines with antidepressant properties. The main indications for Seroquel are the treatment of schizophrenia and bipolar disorder. Seroquel XR is also approved in some markets for major depressive disorder (“MDD”) and generalised anxiety disorder. In addition to China, Seroquel and Seroquel XR are also marketed by the Group in 50 other developed and emerging countries.

Ruoxinlin (若欣林)

Ruoxinlin (Toludesvenlafaxine Hydrochloride Extended-Release Tablets), as a new chemical entity, has been approved to the market by the NMPA in China for treating MDD in November 2022. As far as the Company is aware, it is the first class 1 innovative chemical drug with independent intellectual property rights for the treatment of MDD developed by a local company in China. Ruoxinlin could comprehensively and stably improve depressive symptoms, including significantly reducing anxiety and retardation/fatigue, relieving anhedonia, improving cognition, and facilitating faster social recovery of patients. Further, the drug does not cause somnolence and has no significant impacts on sexual functioning, bodyweight, and lipid metabolism, demonstrating a favorable safety profile and good tolerability. Ruoxinlin has been included in the NRDL.

Rivastigmine Transdermal Patches (the “Rivastigmine Patch”)

The Rivastigmine Patch is rivastigmine in transdermal patches form approved in China, the U.S., Europe, Japan and other emerging countries or regions, indicated for mild to moderate dementia of the Alzheimer’s type and dementia due to Parkinson’s disease (“PD”).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Rykindo (瑞可妥)

Rykindo has been approved for marketing by the NMPA in China in January 2021. It is the first innovative formulation developed under the Group's long acting and extended technology platform that received marketing approval. Rykindo is an extended-release microsphere for injection administered bi-weekly for the treatment of schizophrenia. Rykindo can significantly improve the medication compliance issues which are common among patients with schizophrenia in relation to oral antipsychotic drugs, and simplify the treatment regimen. Patients using Rykindo are also expected to have stable clinically effective plasma drug level and can benefit from more convenient clinical treatment. It has been included in the NRDL. In addition to China, Rykindo has also been approved by the FDA in January 2023, as a treatment for schizophrenia in adults and as monotherapy or as adjunctive therapy to lithium or valproate for the maintenance treatment of bipolar I disorder in adults.

Erzofri or Ruibailai (瑞百萊)

Erzofri (paliperidone palmitate) extended-release injectable suspension obtained marketing approval as a new drug under section 505(b)(2) of the Federal Food, Drug and Cosmetic Act (the "505(b)(2) Pathway") in the U.S. in July 2024. It has been approved by the FDA for treatment of schizophrenia in adult patients and for treatment of schizoaffective disorder in adults as monotherapy and as an adjunct to mood stabilizers or antidepressants. This drug, administered once per month, is the first patented paliperidone palmitate long acting injection developed by a Chinese company to be approved in the U.S. with independent intellectual property rights. The product was granted a patent in the U.S. (Patent No. 11,666,573) in 2023, which will expire in 2039. In addition to the U.S., Ruibailai (paliperidone palmitate injection (II)) is approved in China for treating patients with schizophrenia in the acute and maintenance phases. It has been included in the 2025 NRDL for the first time.

Meibirui (美比瑞)

Meibirui (Paliperidone Palmitate Injection) has been approved by the NMPA for the acute and maintenance treatment of schizophrenia in June 2024.

Key products related to cardiovascular therapeutic area

Xuezhikang (血脂康)

Xuezhikang is the Group's proprietary natural medicine derived from red yeast rice indicated for hypercholesterolaemia. According to the NMPA, the Group was the only Xuezhikang manufacturer in China as of 31 December 2025. According to IQVIA, the market for lipid regulating drugs in China was estimated to be approximately RMB16.0 billion in the twelve months of 2025. According to IQVIA, Xuezhikang ranked as the most popular natural medicine for the treatment of hypercholesterolaemia and the fifth most-used lipid-regulating drug in China in the twelve months of 2025.

Maitongna (麥通納)

Maitongna is sodium aescinate in injectable form and is indicated for the treatment of cerebral edema and edema caused by trauma or surgery as well as for the treatment of venous reflux disorder. According to IQVIA, the market for vasoprotective pharmaceutical products in China was estimated to be approximately RMB3.8 billion in the twelve months of 2025. Maitongna was the second best-selling domestically manufactured sodium aescinate product in China and ranked as the third most-used vasoprotective pharmaceutical product domestically manufactured in China in the twelve months of 2025.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Oukai (歐開)

As far as the Company is aware, Oukai is the only oral aescinate tablet in China to contain sodium salt and is widely used to treat soft tissue swelling and venous edema caused by various reasons. According to IQVIA, Oukai was ranked as the best-selling vasoprotective pharmaceutical product domestically manufactured in China in the twelve months of 2025.

Key products related to metabolism therapeutic area

BeiXi (貝希)

BeiXi is acarbose in capsule form and is indicated for lowering blood glucose in patients with type 2 diabetes mellitus. According to the NMPA, the Group was the only manufacturer of acarbose in capsule form in the twelve-month period of 2025. According to IQVIA, the market for acarbose products in China was estimated to be approximately RMB1.4 billion in the twelve-month period of 2025 and BeiXi ranked as the second most popular acarbose product domestically manufactured in China in the twelve months of 2025.

Boyouping (博优平)

Boyouping (dulaglutide injection) has been approved by the NMPA for glycemic control in adults with type 2 diabetes in August 2025. It is a long-acting glucagon-like peptide-1 (GLP-1) receptor agonist developed by Boan Biotech, a subsidiary of the Company. Boyouping is the first and only biosimilar to Trulicity® approved for marketing in the world. Boan Biotech is partnering with Shanghai Pharmaceutical Co., Ltd. (“Shaphar”) to commercialize this drug in the Chinese mainland. It has been included in the NRDL.

Key products related to other therapeutic area

Boyoubei (博优倍)

Boyoubei (60mg denosumab injection) has been approved by the NMPA for the treatment of postmenopausal women with osteoporosis at high risk for fracture in November 2022. It has been included in the NRDL and Boan Biotech has granted Qingdao Conson Pharmaceutical Co., Ltd. (“Qingdao Conson”) the exclusive right to commercialize Boyoubei in Chinese mainland. In May 2025, it has been approved for marketing in Macau. In January 2026, BA6101 has been approved for marketing by the AGEMED in Bolivia.

Boyoujing (博优景)

Boyoujing (aflibercept intravitreal injection) has been approved by the NMPA for the treatment of Neovascular (Wet) Age-Related Macular Degeneration (wet nAMD) and Diabetic Macular Edema (DME) in adults in November 2025. Aflibercept is widely used as a first-line treatment for wet nAMD, DME, Macular Edema Following Retinal Vein Occlusion (RVO), Diabetic Retinopathy (DR), visual impair due to Myopic Choroidal Neovascularization (mCNV) and Retinopathy of Prematurity (ROP) worldwide, and its future market is promising driven by the demand in the clinical practice. Boan Biotech has granted Ocumension Therapeutics (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with stock code: 1477) an exclusive right to promote and commercialize Boyoujing in Chinese mainland. It has been included in the NRDL.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Research and Development

The Group's R&D activities are organised around four platforms in the chemical drug sector — long acting and extended-release technology, liposome and targeted drug delivery, transdermal drug delivery systems and new compounds. The Group has expanded its R&D capability to biological sector supported by Boan Biotech's four cutting-edge platforms, namely Human Antibody Transgenic Mouse Technology, bsAb/msAb/Probody Technology, Antibody-drug Conjugate ("ADC") Technology and Artificial Intelligence/Big Data Application Platform. The Group balances clinical development risks by strategically allocating its resources between proprietary formulations of proven compounds and new chemical entities as well as biosimilars and novel biologics. The Group believes that its R&D capabilities will be the driving force behind the Group's long-term competitiveness, as well as the Group's future growth and development. As of 31 December 2025, the Group's R&D team consisted of 590 employees, including 53 Ph.D. degree holders and 294 master's degree holders in medical, pharmaceutical and other related areas. As of 31 December 2025, the Group had been granted 251 patents and had 79 pending patent applications in the PRC, as well as 577 patents and 145 pending patent applications overseas.

The Group will continue to invest the products in four strategic therapeutic areas — oncology, CNS, cardiovascular and metabolism. As of 31 December 2025, the Group had 32 PRC pipeline product candidates in various stages of development. These candidates included 19 oncology products, 5 CNS products and 8 other products. Also, the Group had 15 pipeline product candidates in the U.S., Europe and Japan in various stages of development.

During the Reporting Period and up to the date of this annual report, the Group had remarkable R&D achievements in the following product candidates.

R&D progress for non-Boan Biotech's product candidates

LY30410 (Rivastigmine Twice Weekly Transdermal Patch): *the world's first patch formulation of Rivastigmine to be administered twice a week developed by the Group.*

It has been approved for marketing in several European countries in 2021 for the treatment of mild to moderate dementia associated with Alzheimer's disease ("AD"). It has been approved by NMPA in China in October 2023 for the symptomatic treatment of mild to moderate AD.

- In March 2025, it has been approved for marketing by the Ministry of Health, Labour and Welfare of Japan as a new drug for suppression of the progression of dementia symptoms in mild to moderate Alzheimer's disease. The product is to be marketed as Rivaluen® LA Patch 25.92 mg/51.84 mg. It is the first extended-release Rivastigmine transdermal patch product approved for marketing in Japan. To expedite the availability of this innovative treatment for Japanese patients, the Group entered into an agreement with Towa Pharmaceutical Co., Ltd. ("Towa") in December 2020, granting the latter an exclusive license for the development and commercialization of the Rivastigmine Twice Weekly Transdermal Patch in the Japanese market.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Ruoxinlin (Toludesvenlafaxine Hydrochloride Extended-Release Tablets): China's first independently developed and patented Class 1 innovative chemical drug for the treatment of MDD.

It has been approved for marketing by the NMPA in Chinese mainland for treating MDD in November 2022.

- In April 2025, it has been approved for marketing in Macao by the Pharmaceutical Administration Bureau of the Macao SAR Government.
- In August 2025, all patients have been enrolled for a phase 3 clinical trial of Ruoxinlin for the treatment of Generalized Anxiety Disorder ("GAD").
- In January 2026, NMPA has accepted the NDA for Ruoxinlin for the new indication of GAD.

Rotigotine Luye (rotigotine transdermal patch): the first generic transdermal patch of Neupro launched in European market.

It is indicated for the treatment of the signs and symptoms of early-stage and advanced idiopathic Parkinson's disease ("PD"), as well as moderate-to-severe idiopathic restless legs syndrome ("RLS") in adults. Rotigotine Luye patches have the same dosage strengths as Neupro patches. At the equivalent dosage strength, a Rotigotine Luye patch is 8% smaller in size and has a lower drug load compared to a Neupro patch. Furthermore, unlike Neupro patches, the adhesive substrate of Rotigotine Luye patches does not contain sodium metabisulfite, a known contact allergen that may cause allergic reactions.

- In April 2025, it was launched in the United Kingdom (the "UK").

LY03015: an innovative VMAT2 (vesicular monoamine transporter 2) inhibitor and a Sigma-1 receptor agonist, intended for the treatment of tardive dyskinesia ("TD") and Huntington's disease ("HD") independently developed by the Group.

Preclinical studies show that, compared to marketed VMAT2 inhibitors, LY03015 exhibits enhanced Sigma-1R activation, offering a dual mechanism of symptom control and pathological improvement. It demonstrates superior pharmacological activity both in vitro and in vivo. It is not metabolized by CYP2D6, thereby reducing the risk of individual differences in safety and efficacy that comes from the genetic polymorphism of CYP2D6. A phase 1 clinical trial shows that LY03015 is generally safe and well-tolerated with a relatively long half-life, which can be administered orally once a day.

- In January 2025, LY03015 has completed the enrollment of the first patient in China for a phase 2 clinical trial. The phase 2 clinical trial of LY03015 conducted in China is a multicenter, randomized, double-blind, and placebo-controlled study in TD patients.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

LY03017: a serotonin 2A receptor (“5-HT_{2A} R”) inverse agonist and serotonin 2C receptor (“5-HT_{2C} R”) antagonist, intended for the treatment of Parkinson’s disease psychosis (“PDP”), Alzheimer’s disease psychosis (“ADP”), and the negative symptoms of schizophrenia (“NSS”), independently developed by the Group.

The pathogenesis of PDP, ADP, and NSS remains unclear, but it is believed to be associated with upregulation or hyperactivity of 5-HT_{2A} receptors in the brain. LY03017 acts as an inverse agonist at 5-HT_{2A} receptors and an antagonist at 5-HT_{2C} receptors, inhibiting dopamine release in the ventral striatum while promoting dopamine release in the prefrontal cortex. This mechanism allows it to treat hallucinations and delusions in patients with PDP and ADP, as well as improve NSS.

Preclinical studies have shown that LY03017 demonstrates significantly superior in vivo and in vitro pharmacological activity, tissue distribution, and cardiac safety compared to the currently marketed and investigational products. It holds promise for breakthroughs in the treatment of ADP and NSS, and may offer improved efficacy over the existing therapy for PDP.

- In January 2025, a single ascending dose (“SAD”) study of LY03017 was completed in China, showing good safety. In May 2025, the first subject was enrolled in the multiple ascending dose (“MAD”) study.
- In November 2025, LY03017 has received clearance of an Investigational New Drug (“IND”) application from the FDA to initiate clinical trials in the U.S..

LY03020: a next generation antipsychotic and the first dual-target agonist against both the trace amine associated receptor 1 (TAAR1) and the 5-HT_{2C} R in the world independently developed by the Group. Compared to investigational products of the same category, it eliminates activity at the serotonin 1A receptor (5-HT_{1A} R), which addresses the defect of target desensitization. It also increases 5-HT_{2C} R activity and is anticipated to have better efficacy and to control lipid metabolic disorders.

Preclinical studies have demonstrated that LY03020 significantly improves the positive and negative symptoms as well as cognitive impairments associated with schizophrenia, and also significantly improves the positive and negative symptoms of ADP. In head-to-head comparisons with marketed second and third-generation antipsychotics, LY03020 has shown superior efficacy, without noticeable risks for extrapyramidal symptoms (EPS) as well as metabolic syndromes like weight gain and abnormal glucose/lipid levels, which have the potential to better meet clinical need.

- In February 2025, it has completed the SAD study in China, demonstrating a favourable safety profile. The enrollment of the first subject for the MAD study has been completed in August 2025.
- In January 2025, it has obtained the approval from the FDA to initiate clinical trials in the U.S. for treating schizophrenia.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

LY03021: an innovative compound independently developed by the Group, intended for the treatment of MDD. It functions as a gamma-aminobutyric acid type A receptor-positive allosteric modulator (GABAA R PAM), as well as an inhibitor of both the norepinephrine transporter ("NET") and the dopamine transporter ("DAT"). Compared to marketed and investigational products of the same category, LY03021 exhibits enhanced NET and DAT inhibition, which not only increases antidepressant efficacy but also addresses the inherent risk of consciousness impairment associated with GABAA R-targeted therapies through the wake-promoting effects of norepinephrine (NE) and dopamine (DA).

Non-clinical studies have shown that LY03021 significantly improved depressive symptoms in animal models 24 hours after administration, and maintained these effects with continuous administration until the end of the 21-day study, demonstrating the characteristics of rapid onset and sustained efficacy. In the repeat-dose toxicity studies, the NOAEL (no observed adverse effect level) is 50 times above its effective dose, indicating the wide margin of safety for LY03021.

- In August 2025, the first subject has been enrolled in a phase 1 clinical trial in China for LY03021.

R&D progress for Boan Biotech's products candidates

Boyoubei (BA6101, 60mg Denosumab Injection): a human immunoglobulin G2 monoclonal antibody of the RANK ligand and the first biosimilar to Prolia independently developed by Boan Biotech.

It has been approved for marketing by the NMPA in China for the treatment of postmenopausal women with osteoporosis at high risk for fracture in November 2022.

- In May 2025, it has been approved for marketing in Macau.
- In November 2025, the MAA for BA6101 has been accepted by the MHRA in the UK.
- In January 2026, BA6101 has been approved for marketing by the AGEMED in Bolivia.

Boluoja (BA1102, 120mg Denosumab Injection): a fully human IgG2 anti-RANKL monoclonal antibody and a biosimilar to Xgeva independently developed by Boan Biotech.

It has been approved for marketing by the NMPA in China for the treatment of giant cell tumor of bone ("GCTB") that is unresectable or where surgical resection is likely to result in severe morbidity in adults and skeletally mature adolescents (defined as having at least one mature long bone and with body weight ≥ 45 kg) in May 2024.

- In May 2025, it has been approved for marketing in Macau.
- In November 2025, the MAA for BA1102 has been accepted by the MHRA in the UK.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Boyouping (BA5101, Dulaglutide Injection): a long-acting glucagon-like peptide-1 (GLP-1) receptor agonist and a biosimilar to Trulicity independently developed by Boan Biotech.

Boyouping is intended for glycemic control in adults with type 2 diabetes. Boyouping is the first and only biosimilar to Trulicity approved for marketing in the world.

- In August 2025, it has been approved for marketing in China for glycemic control in adults with type 2 diabetes.

Boyoujing (BA9101, aflibercept intravitreal injection): a recombinant human vascular endothelial growth factor receptor antibody fusion protein ophthalmic injection and a biosimilar to Eylea.

Aflibercept is widely used as a first-line treatment for wet nAMD, DME, Macular Edema Following Retinal Vein Occlusion (RVO), Diabetic Retinopathy (DR), Visual Impair due to Myopic Choroidal Neovascularization (mCNV) and Retinopathy of Prematurity (ROP) worldwide, and its future market is promising driven by the demand in the clinical practice.

- In November 2025, it has been approved for marketing in China for wet nAMD and DME in adults.

BA1104 (Nivolumab injection): a monoclonal antibody that can enhance the immune response of T cells against tumors by preventing the programmed cell death 1 (PD-1) receptor from binding to its ligands PD-L1 and PD-L2. It is a biosimilar to Opdivo independently developed by Boan Biotech.

In October 2023, the first patient in the phase 3 clinical trial of BA1104 in China was enrolled. As at the date of this annual report, this phase 3 clinical trial is progressing well.

- In March 2025, Boan Biotech has held a Biological Product Development (BPD) type 2b meeting with FDA. The FDA has agreed on a “streamlined” clinical approach for BA1104, which means only one pharmacokinetics (PK) similarity study (Phase 1) is sufficient to support the submission of Biologic License Application (BLA) in the U.S., and the comparative clinical study (CCS, Phase 3) is not needed.
- In October 2025, all of the patients have been enrolled in a phase 3 clinical trial of BA1104 in China. This is China’s first biosimilar of Opdivo to undergo a phase 3 clinical trial.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BA1302: a novel CD228-directed ADC independently developed by Boan Biotech.

CD228 is a glycosylphosphatidylinositol (GPI)-anchored glycoprotein first identified in melanoma. It plays a role in tumor migration and proliferation. The protein is highly expressed in various tumors, including sqNSCLC, pancreatic cancer, melanoma, breast cancer, mesothelioma, and colorectal cancer. In contrast, its expression is low in normal tissues. This high specificity to tumor cells makes CD228 an ideal target for ADC therapies.

The antibody of BA1302 is generated from Boan Biotech's proprietary fully human antibody transgenic mice platform — BA-huMab®. It exclusively binds to the membrane-bound form of CD228 without interacting with its soluble form, sMF12. This feature minimizes payload release in non-target cells and reduces off-target toxicity. Additionally, BA1302 employs the cysteine conjugation technique, which provides excellent in vivo and in vitro stability as well as potent anti-tumor activity.

- In March 2025, it has recently been granted the ODD for the treatment of squamous non-small-cell lung cancer (sqNSCLC) and pancreatic cancer by the FDA, respectively.
- In June 2025, it has been approved by the FDA to initiate clinical trials in the U.S..

BA1106: a non-IL-2 blocking anti-CD25 antibody independently developed by Boan Biotech.

BA1106 is able to overcome both challenges thanks to molecular engineering design. In vitro activity assays show that BA1106 has a “moderate” antibody-dependent cellular cytotoxicity (ADCC): it can effectively deplete Tregs in which CD25 is highly expressed to relieve immunosuppression while sparing Tefs with a relatively low CD25 expression. In this process, BA1106 does not interfere with the IL-2 signaling pathway, to ensure the functioning of Tefs in immune responses.

- In April 2025, the early results from a multicenter, open-label, first-in-human phase 1 clinical trial has been presented at the 2025 AACR.
- In June 2025, the dose escalation clinical trial of BA1106 in combination with BA1104 began patient enrollment.

BA1301: an ADC candidate that targets Claudin 18.2 independently developed by Boan Biotech.

BA1301 utilizes C-Lock site-specific conjugation to link the tubulin inhibitor payload, Duostatin-5, with a CLDN18.2-targeting monoclonal antibody. This enables the precise delivery of the cytotoxic payload to tumors, maximizing the anti-tumor activity while reducing the off-target toxicity and widening the therapeutic window. In addition, the bystander effect of the ADC further enhances its efficacy against heterogeneous tumors in gastric cancer and other GI malignancies.

- In October 2025, the preliminary results of the ongoing phase 1 clinical study for BA1301 has been presented at the ESMO 2025.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Sales, Marketing and Business Collaborations

For global market

The business of the Group covers 80 countries or regions including the U.S., countries in the European Union, Japan, Association of Southeast Asian Nations, Latin America, Gulf Cooperation Council region and other emerging countries or regions. The Group also has strong sales partnerships with more than 50 partners throughout the world.

During the Reporting Period, we have made remarkable business progress in relation to our products in overseas market as below:

- In March 2025, Rivastigmine Twice Weekly Transdermal Patch has been approved for marketing in Japan.
- In April 2025, Erzofri has been made available for commercial sale in the U.S. for the treatment of adults with schizophrenia and as a monotherapy or adjunct therapy for the treatment of adults with schizoaffective disorder.
- In April 2025, Rotigotine Luye (rotigotine transdermal patch) has been launched in the UK.
- In May 2025, Erzofri has made its first show at the American Psychiatric Association (APA) Annual Meeting.
- In January 2026, Boyoubei has been approved for marketing in Bolivia.

For China market

The Group has established an extensive nationwide sales and distribution network and sold its products to 31 provinces, autonomous regions and municipalities throughout the PRC as of 31 December 2025. The Group's sales, marketing and distribution functions are conducted through around 1,000 sales and marketing personnel, a network of approximately 1,850 distributors that collectively enabled the Group to sell its products to over 22,600 hospitals, which comprised approximately 2,320 or approximately 89.5% of all Class III hospitals, approximately 6,100 or approximately 67.2% of all Class II hospitals and approximately 14,180 or approximately 65.0% of all Class I and other hospitals and medical institutions, in the PRC as of 31 December 2025. The Group believes that its sales and marketing model, together with the extensive coverage of hospitals and other medical institutions represent a significant competitive advantage and a culmination of both academic promotions by the Group's in house personnel in different regions and partnerships with high-quality distributors across China. The Group also believes that its sales and marketing model provides a solid foundation for the Group to continue to enhance market awareness of its brand and expand the market reach of its products.

- In April 2025, Ruoxinlin has been approved for marketing in Macao.
- In May 2025, Boyoubei and Boluojia have been approved for marketing in Macau.
- In August 2025, Boyouping has been approved for marketing in China.
- In November 2025, Boyoujing has been approved for marketing in China.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For business collaborations

During the Reporting Period, we have explored a number of cooperations with well-known domestic and foreign companies in relation to our products around the world as below:

- In January 2025, Boan Biotech has granted the promotion rights of denosumab injection (BA6101 and BA1102) in Hong Kong SAR and Macau SAR to Kexing Biopharm Co., Ltd. (“Kexing Biopharm”).
- In June 2025, Boan Biotech has granted Shanghai Pharmaceutical Co., Ltd. (“Shaphar”) the exclusive right to market and distribute Boyouping through all channels in the Chinese mainland.
- In June 2025, Boan Biotech has granted Kexing Biopharm the exclusive right to market and distribute BA9101 in all countries and regions in the world except for the Chinese mainland, the European Union, the UK, the U.S., and Japan.
- In December 2025, Boan Biotech has granted Nanjing King-Friend Biochemical Pharmaceutical Co., Ltd. (“NKF”) the exclusive rights to commercialize two denosumab injections (BA6101 and BA1102) in the U.S..
- In December 2025, we have granted Jiangsu Nhwa Pharmaceutical Co., Ltd. (“Nhwa”) the exclusive rights to commercialize Rykindo, Ruibailai, and Meibirui in the Chinese mainland.

Manufacturing

The Group is developing a global supply chain of 8 manufacturing sites around the world, with GMP quality management and control systems established in line with international standards. For the year ended 31 December 2025, the Group has been working on establishing a global quality control and quality assurance system as well as information platform to ensure the successful integration of the Group’s global manufacturing facility system. The manufacturing site for transdermal patches in Miesbach, Germany, is running at full capacity and is striving to increase output to address growing customer demands. Several customer audits and an inspection by the Government of Upper Bavaria confirmed compliance with GMP standards. New customers were on-boarded during the Reporting Period and their product launches were supported as per customer timelines. Significant investments in additional production capacity are under way in the framework of “Project Miesbach 2027” with the first significant milestone achieved — namely starting operation of the new packaging operation which will double the technical capacity.

Post Results Outlook

During the Reporting Period, the Group recorded an increase of 4.1% in revenue in the twelve months of 2025 compared to that of 2024. Despite certain pricing pressures on legacy products, our total revenue reached a new five-year peak driven by the approval and rapid growth of new products. Meanwhile, net profit attributable to owners of the parent of the Group increased from RMB471.9 million in 2024 to RMB618.7 million, representing a high growth rate of 31.1%. This demonstrates that the Company’s profitability has improved significantly driven by the launch of high-margin new products and effective expense control. With the rapid increase in the sales of newly approved products over the past three years, and the expected approval and launch of more new products in the future, the Group anticipates that the revenue and profits will grow sustainably further.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group believes that the following matters could be potential developments or progress that shareholders or other stakeholders can look forward to in the next twelve months:

- In 2025, the Group's denosumab injection has completed the enrollment of all subjects in the international multi-center clinical trial in Europe, the U.S. and Japan. We have submitted the MAA for these two denosumab injections (BA6101 and BA1102) in the UK in November 2025 and plan to submit the BLA for them in the U.S. by the mid of 2026.
- The Group expects that several innovative drugs may complete relevant clinical trials or have partial data readouts. For example, LY03015 may complete its phase 2 clinical trial in China and the efficacy data from this study may be read out by the mid of 2026. LY03017 and LY03020 have both initiated its phase 2 clinical trial in China in the first half of 2026. The phased clinical data of phase 1 clinical trial for BA1301 may be disclosed in the 2026 ASCO. The combination therapy of BA1106 and BA1104 may obtain the phased results of efficacy and the results may be disclosed at academic conference within 2026. BA1302 is undergoing the phase 1 clinical trial and the phased results may also be disclosed at academic conference within 2026. In addition, the Group also has three pre-clinical stage pipeline product, BA2201 (TL1A/IL23 antibody, BA1203 (PD-1/IL-2 probody) and BA1304 (EGFR/B7H3 bispecific ADC) which may submit IND applications in 2026.
- The Group has continuously discussed with a number of pharmaceutical companies (including multinational corporations) or investment institutions for the licensing or co-development of the Group's innovative drug pipelines. With such a wealth of R&D progress, it is expected that there may be some opportunities for global cooperation reached in the next twelve months.

In addition to the potential catalysts mentioned above, the Group will further strengthen sales of our existing products, especially those newly approved in the past three years, including Baituowei, Zepzelca, Mimeixin, Ruoxinlin, Erzofri, etc. In addition, the first domestically manufactured dulaglutide injection was approved and launched in China, and the major ophthalmology product aflibercept intravitreal injection also received marketing approval in 2025. These two new products will contribute a full year of revenue growth for the first time in 2026. Mimeixin and Ruibailai have been included in the 2025 NRDL for the first time and Zepzelca has been included in the 2025 edition of the Commercial Insurance Innovative Drug List. The Group believes that these three products with better coverage by the multi-tiered health insurance system through various access pathways, will not only make these drugs more affordable for patients with the relevant disease and reduce their treatment burdens, but will also accelerate market penetration and coverage of the drugs, laying a solid foundation for their long-term, high-quality growth.

In terms of R&D, the Group will continue to optimize the pipeline structure and strengthen the input and output of new molecule innovative candidates with new mechanisms. Continuous innovation will enhance the Group's long-term market competitiveness and international influence.

In summary, the Group will simultaneously focus on the rapid ramp-up of new products, the forward-looking layout and timely optimization of innovative R&D, as well as cost and expense efficiency improvement. This will enable long-term sustainable growth in revenue and profit, and deliver both short-term and long-term value returns to the Group's shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Financial Review

Revenue

For the Reporting Period, the Group's revenue amounted to approximately RMB6,308.4 million, as compared to RMB6,061.4 million for the year ended 31 December 2024, representing an increase of approximately RMB247.0 million, or 4.1%. The increase was mainly attributable to an increase in sales from certain products and license out as further elaborated below.

For the Reporting Period, the Group's revenue from sales of oncology products increased to RMB2,297.2 million, as compared to RMB2,084.6 million for the year ended 31 December 2024, representing an increase of approximately RMB212.6 million, or 10.2%, primarily attributable to increase in sales of various oncology products during the year.

For the Reporting Period, revenue from sales of cardiovascular system products decreased to RMB1,152.4 million, as compared to RMB1,660.0 million for the year ended 31 December 2024, representing a decrease of approximately RMB507.6 million, or 30.6%, primarily attributable to the decrease in sales of various cardiovascular system products of the Group.

For the Reporting Period, revenue from sales of alimentary tract and metabolism products decreased to RMB348.8 million, as compared to RMB388.9 million for the year ended 31 December 2024, representing a decrease of approximately RMB40.1 million, or 10.3%, primarily attributable to the decrease in sales of various other alimentary tract and metabolism products of the Group.

For the Reporting Period, revenue from CNS products increased to RMB2,028.0 million, as compared to RMB1,613.3 million for the year ended 31 December 2024, representing an increase of approximately RMB414.7 million or 25.7%, primarily attributable to the increase in sales of various CNS products and license out fee of the Group.

For the Reporting Period, revenue from sales of other products increased to RMB482.0 million, as compared to RMB314.7 million for the year ended 31 December 2024, representing an increase of approximately RMB167.3 million, or 53.2%, primarily attributable to the increase in sales of various other products of the Group.

Cost of Sales

The Group's cost of sales increased from RMB2,017.2 million for the year ended 31 December 2024 to approximately RMB2,145.8 million for the Reporting Period, which accounted for approximately 34.0% of the Group's total revenue for the same year. The Group's increase in cost of sales was mainly attributable to the higher sales of higher cost products for the Reporting Period, as compared to the year ended 31 December 2024.

Gross Profit

For the Reporting Period, the Group's gross profit increased to RMB4,162.6 million, as compared to RMB4,044.2 million for the year ended 31 December 2024, representing an increase of approximately RMB118.4 million, or 2.9%. The gross profit margin of 66.0%, decreased from 66.7% for the year ended 31 December 2024, mainly due to higher sales of lower margin products of the Group for the Reporting Period, as compared to the year ended 31 December 2024.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other Income and Gains

The Group's other income and gains mainly comprised of government grants, interest income and investment income. For the Reporting Period, the Group's other income and gains increased to RMB472.4 million, as compared to RMB360.0 million for the year ended 31 December 2024, representing an increase of approximately RMB112.4 million, or 31.2%. The increase was mainly attributable to higher fair value gain adjustment of derivative instruments and net foreign exchange gain offset by lower government grant during the Reporting Period.

Selling and Distribution Expenses

The Group's selling and distribution expenses consisted of expenses that were directly related to the Group's marketing, promotion and distribution activities. For the Reporting Period, the Group's selling and distribution expenses amounted to RMB1,826.2 million, as compared to RMB1,816.4 million for the year ended 31 December 2024, representing an increase of RMB9.8 million, or 0.5%. The increase was mainly attributable to higher staff cost. As a percentage of revenue, the Group's selling and distribution expenses decreased to 28.9%, as compared to 30.0% for the year ended 31 December 2024.

Administrative Expenses

The Group's administrative expenses primarily consisted of staff cost, general operating expense, conference and entertainment expense, travel and transportation expense, depreciation, amortisation and impairment loss, auditor's remuneration, consulting expenses, bank charges, taxation and other administrative expenses. For the Reporting Period, the Group's administrative expenses amounted to approximately RMB679.6 million, as compared to RMB582.0 million for the year ended 31 December 2024, representing an increase of approximately RMB97.6 million, or 16.8%. The increase was mainly due to increased staff cost and consulting expenses during the Reporting Period.

Other Expenses

The Group's other expenses primarily consisted of R&D costs, donations, foreign exchange loss and miscellaneous expenses. For the Reporting Period, the Group's other expenses amounted to approximately RMB466.4 million, as compared to RMB604.0 million for the year ended 31 December 2024, representing a decrease of approximately RMB137.6 million, or 22.8%. The decrease was mainly due to a substantially lower R&D cost and there being no foreign exchange loss during the Reporting Period.

Finance Costs

For the Reporting Period, the Group's finance costs amounted to RMB686.6 million, as compared to RMB561.8 million for the year ended 31 December 2024, representing an increase of approximately RMB124.8 million, or 22.2%. The increase was mainly due to the higher interest on bank and convertible bond interest for the Reporting Period, as compared to the corresponding year ended 31 December 2024.

Income Tax Expense

For the Reporting Period, the Group's income tax expense amounted to RMB239.0 million, as compared to RMB194.2 for the year ended 31 December 2024, representing an increase of RMB44.8 million, or 23.1%. The effective tax rate for the Reporting Period is 25.3%, as compared to 23.1% for the year ended 31 December 2024.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Net Profit

The Group's net profit for the Reporting Period was approximately RMB705.7 million, as compared to RMB645.0 million for the year ended 31 December 2024, representing an increase of approximately RMB60.7 million, or 9.4%.

Liquidity, Financial and Capital Resources

As at 31 December 2025, the Group had net current assets of approximately RMB5,296.9 million, as compared to approximately RMB2,539.0 million as at 31 December 2024. The current ratio of the Group increased slightly to approximately 1.53 as at 31 December 2025 from approximately 1.24 as at 31 December 2024. The increase in current ratio was mainly attributable to slightly higher current assets and slightly lower current liabilities.

Borrowings and Pledge of Assets

As at 31 December 2025, the Group had an aggregate interest-bearing loans and borrowings of approximately RMB8,352.0 million, as compared to approximately RMB8,294.4 million as at 31 December 2024. Amongst the loans and borrowings, approximately RMB6,694.1 million are repayable within one year, and approximately RMB1,657.9 million are repayable after one year. RMB6,511.4 million of the loans and borrowings of the Group carried interest at fixed interest rate. As at 31 December 2025, the Group's borrowings were primarily denominated in RMB, Hong Kong dollars and U.S. dollars, and the cash and cash equivalents were primarily denominated in RMB, Hong Kong dollars and U.S. dollars.

Details of the Group's assets pledged as security for borrowings are set out in Note 27 to the consolidated financial statements of this annual report.

Gearing Ratio

As at 31 December 2025, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, decreased to 45.5% from 52.7% as at 31 December 2024. The decrease was primarily due to a decrease in the Group's total borrowings during the Reporting Period.

Contingent Liabilities

As at 31 December 2025, the Group had no material contingent liabilities.

Foreign Exchange and Exchange Rate Risk

The Group primarily operates in the PRC and is exposed to foreign currency risk arising from fluctuations in exchange rate between RMB and other currencies in which the Group conducts its business. The Group is subject to foreign currency risk attributable to the bank balances, trade and other receivables and payables as well as bank loans that are denominated in currencies other than RMB. The Group seeks to limit the exposure to foreign currency risk by minimising its net foreign currency position. The Group did not enter into any hedging transactions in respect of foreign currency risk as at 31 December 2025. The Directors expect that the fluctuation of the RMB exchange rate will not have a material adverse effect on the operation of the Group.

Hedging Activities

As at 31 December 2025, the Group did not use any financial instruments for hedging purposes and did not enter into any hedging transactions in respect of foreign currency risk or interest rate risk.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Convertible Bonds

2023 convertible bonds

On 6 July 2023, the Company issued 6.25 per cent convertible bonds with an aggregate principal amount of US\$180,000,000 (the “2023 Convertible Bond”) and the listing of the bonds on the Stock Exchange was effective on 7 July 2023. The 2023 Convertible Bonds are convertible at the option of the bondholders into ordinary shares with the initial conversion price of HK\$4.88 per share any time on or after 16 August 2023 and up to the close of business on the date falling ten days prior to 6 July 2028. On 6 July 2026, the holder of each bond will have the right at such holder’s option, to require the Company to redeem all or some only of the bonds at their principal amount, together with interest accrued but unpaid. Any convertible bonds not converted will be redeemed on 6 July 2028 at its principal amount together with accrued but unpaid interest thereon. The bonds carry interest at a rate of 6.25 per cent per annum, which is payable semi-annually in arrears on 6 January and 6 July.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as equity component and is included in shareholders’ equity.

The net proceed from the 2023 Convertible Bonds (after deduction of commission related expenses) are approximately US\$176,736,000 (equivalent to HK\$1,382,764,000) representing a net issue price of approximately HK\$4.79 per converted shares.

Intended use of proceeds	Approximate allocation of net proceeds as previously disclosed (HKD in million)	Approximate utilisation of proceeds as at 31 December 2024 (HKD in million)	Approximate utilisation of proceeds during the year ended 31 December 2025 (HKD in million)	Approximate utilisation of proceeds as at 31 December 2025 (HKD in million)	Approximate amount of net proceeds unutilised as at 31 December 2025 (HKD in million)	Expected timeline for utilisation of unutilised proceeds
Research and development, including preclinical studies, clinical trials and related registration and administration, of products under development including LY03010, LY03003, LY01005, LY03005 and other products in the Pipeline	276.55	142.42	82.97	225.39	51.16	2026
Repayment of debts falling due within 12 months	1,106.21	829.66	199.12	1,028.78	77.43	2026
Total	1,382.76	972.08	282.09	1,254.17	128.59	

As at 31 December 2025, the Company had used, and proposed to use, the proceeds from the 2023 Convertible Bonds according to the intentions previously disclosed by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2024 convertible bonds

On 30 October 2024 and 13 December 2024, the Company issued 5.85 per cent convertible bonds with an aggregate principal amount of US\$100,000,000 and US\$50,000,000 (together, the “2024 Convertible Bonds”). The 2024 Convertible Bonds are convertible at the option of the bondholders into ordinary shares with the initial conversion price of HK\$3.672 per share any time on or after 10 December 2024 and 23 January 2025 and up to the close of business on the date falling ten days prior to 29 October 2025. Any convertible bonds not converted will be redeemed on 29 October 2025 at its principal amount together with accrued but unpaid interest thereon. The bonds carry interest at a rate of 5.85 per cent per annum, which is payable semi-annually in arrears on 30 January, 30 April, 30 July and 29 October.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as equity component and is included in shareholders' equity.

The net proceed from the 2024 Convertible Bonds (after deduction of commission related expenses) are approximately US\$147,759,558 (equivalent to HK\$1,148,505,000) representing a net issue price of approximately HK\$3.62 per converted shares.

The following table sets out the use of proceeds from the 2024 Convertible Bonds during the year ended 31 December 2025:

Intended use of proceeds	Approximate allocation of net proceeds as previously disclosed (HKD in million)	Approximate utilisation of proceeds as at 31 December 2024 (HKD in million)	Approximate utilisation of proceeds during the year ended 31 December 2025 (HKD in million)	Approximate amount of net proceeds unutilised as at 31 December 2025	Expected timeline for utilisation of unutilised proceeds
Refinance of existing indebtedness	918.80	183.76	735.04	—	—
Research and development of products	114.85	34.46	80.40	—	—
General corporate purpose	114.85	28.71	86.14	—	—
Total	1,148.51	246.93	901.58	—	

Accordingly, as at 31 December 2025, (i) the Company had used the proceeds from the 2024 Convertible Bonds according to the intentions previously disclosed by the Company; and (ii) the Company had fully utilised all of the net proceeds from the 2024 Convertible Bonds according to the intentions previously disclosed.

Significant Investments and Future Plans for Material Investments or Capital Assets

As at 31 December 2025, the Company held certain investments which were accounted for as financial assets at fair value through profit or loss. No single investment held by the Group had a value representing 5% or more of the Group's total assets as at 31 December 2025.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's current portion of its financial assets at fair value through profit or loss amounted to approximately RMB2,003.5 million and primarily comprised treasury management products held with financial institutions in the PRC. These instruments are maintained for treasury management purposes and are intended to optimise the Group's cash position and enhance returns on surplus liquidity over the near term.

The Group's non-current portion of its financial assets at fair value through profit or loss amounted to approximately RMB1,792.5 million and primarily represented minority interests held in certain funds and non-listed securities of companies that invest or engage in pharmaceutical or biotechnology businesses. These investments are of a strategic nature and are complementary to the Group's principal business activities, enabling it to gain exposure to emerging trends, technologies and product pipelines in the broader healthcare and life sciences sectors. By maintaining these positions, the Group seeks to foster potential collaboration opportunities, strengthen its understanding of adjacent markets and generate long-term value for its shareholders.

The Group does not have other plans for material investments or capital assets.

Employees and Remuneration Policy

As at 31 December 2025, the Group employed a total of 5,221 employees, as compared to a total of 5,150 employees as at 31 December 2024. For the year ended 31 December 2025, the staff costs (including Directors' emoluments but excluding any contributions to pension scheme), were approximately RMB799.9 million as compared to RMB771.1 million for the year ended 31 December 2024. The objective of the Group's remuneration policy is to motivate and retain talented employees to achieve the Group's long term corporate goals and objectives. The Group's employee remuneration policy is determined by taking into account factors such as remuneration in respect of the overall remuneration standard in the industry and employee's performance. The management reviews the Group's employee remuneration policy and arrangements on a regular basis. Moreover, the social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations.

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

Save as disclosed in this annual report, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2025.

Subsequent Events After the Reporting Period

On 26 January 2026, certain capital injection agreements were entered into by the Group, whereby among other things, 南京信安投資有限公司 (Nanjing Xian'an Investment Co., Ltd.) and 寧波信達華建投資有限公司 (Ningbo Xinda Huajian Investment Co., Ltd.) agreed to provide further capital to Nanjing Luye for a total amount of RMB285,000,000 (the "Capital Injection"). Upon completion of the Capital Injection, Nanjing Luye is owned as to 70.01% by 綠葉製藥(深圳)有限公司 (Luye Pharma (Shenzhen) Co. Ltd.) and therefore will continue to be treated as a subsidiary of the Company. For further details of the Capital Injection, please refer to the announcement of the Company dated 27 January 2026.

Other than the above, there were no other significant events that affected the Group which occurred after the end of the reporting period.

Final Dividend

No dividends were declared for the year ended 31 December 2025 (2024: Nil).

DIRECTORS AND SENIOR MANAGEMENT

Set forth below is the composition of the board of directors and senior management of the Company as at 31 December 2025.

Directors

Executive Directors

Mr. LIU Dian Bo, aged 60, Executive Chairman, is a founding member of our Group. He was appointed as a director of the Company (“Director”) in July 2003. As our Executive Chairman, Mr. Liu is responsible for the overall management, operations and the charting and reviewing of corporate directions and strategies of our Group. Prior to founding our Group, Mr. Liu was a teacher at Yantai Teacher’s College from 1985 to 1989. From 1989 to 1993, Mr. Liu was the general manager of Penglai Huatai Pharmaceutical Co. Ltd. From 1994 to 1999, Mr. Liu was the chairman cum general manager of 山東綠葉製藥有限公司 (Shandong Luye Pharmaceutical Co., Ltd.) (“Shandong Luye”). From 1999 to the incorporation of our Company in 2003, Mr. Liu was the chairman cum president of Shandong Luye. Mr. Liu obtained a Medical Diploma from Yishui Special Medical College (now known as Shandong Medical College) in July 1985. Mr. Liu is the chairman and general manager of Shandong Luye, and the chairman of Beijing WBL Peking University Biotech Co., Ltd. (“Beijing WPU”), and a director of the following main subsidiaries of our Company: Yantai Luye Drugs Trading Co., Ltd. (“Luye Trading”), Sichuan Luye Pharmaceutical Co., Ltd., AsiaPharm Investments Limited, AsiaPharm Biotech Pte. Ltd., Luye Biotech (Singapore) Pte. Ltd. and A-Bio Pharma Pte. Ltd. Mr. Liu is a director of each of Luye Life Sciences Group Ltd. (“Luye Group”), Luye Pharma Holdings Ltd. (“Luye Pharma Holdings”), LuYe Pharmaceutical International Co., Ltd. (“Luye Pharma Intl”), LuYe Pharmaceutical Investment Co., Ltd. (“Luye Pharma Investment”), Shorea LBG, Ginkgo (PTC) Limited (formerly known as Ginkgo Trust Limited), and Nelumbo Investment Limited.

Mr. YANG Rong Bing, aged 60, holds the office of Vice Executive Chairman and is also a founding member of our Group. Mr. Yang was appointed as an Executive Director on 1 March 2007 and was previously a Non-Executive Director from July 2003. Mr. Yang was appointed as a vice executive chairman of the Board with effect from 30 March 2015. Mr. Yang has also been a non-executive director of Shandong Luye since 2000. Prior to that, Mr. Yang was with Jiangsu Xuzhou Bio-Chemical Pharmaceutical Factory from 1988 to 1994 where he worked as an assistant factory head. In 1994, Mr. Yang joined Shandong Luye as a deputy general manager and from 1999 to 2000, he was the chief sales executive and executive director of Shandong Luye. Mr. Yang obtained a Bachelor’s degree in Science from Beijing Normal University in July 1988. Mr. Yang is the chairman of Nanjing Luye Pharmaceutical Co., Ltd. (“Nanjing Luye”) and a director of the following main subsidiaries of our Company: Shandong Luye, Luye Trading and Nanjing Luye. Mr. Yang is a director of each of Luye Group, Luye Pharma Holdings, Luye Pharma Intl and Luye Pharma Investment.

Mr. YUAN Hui Xian, aged 67, holds the office of Executive Director and is also a founding member of our Group. Mr. Yuan was appointed as a Director in July 2003 and is in charge of our Group’s public relations. Prior to joining our Group in 1994, Mr. Yuan was a doctor with Shengji Petroleum Administrative Bureau Yantai Sanatorium from 1980 to 1994, where he was in charge of radiation diagnosis. From 1994 to 1999, Mr. Yuan was a deputy general manager with Shandong Luye. From 1999 to the incorporation of our Company in 2003, Mr. Yuan was the vice-president and executive director of Shandong Luye. He has also received a Post-graduate Certificate in National Economics from the China People’s University in February 2003. Mr. Yuan is the chairman of Luye Trading and a director of the following main subsidiaries of our Company: Shandong Luye, Nanjing Luye, Shandong Luye Natural Drug R&D Co. Ltd. Mr. Yuan is a director of each of Luye Group, Luye Pharma Holdings, Luye Pharma Intl and Luye Pharma Investment.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Ms. ZHU Yuan Yuan, aged 45, has been our Executive Director since March 2014. She joined our Group in August 2009 and has 13 years of experience in corporate finance. Before joining our Group, she worked for New Asia Partners Investment Holdings Limited, a Shanghai and Hong Kong-based investment firm focused on assisting Chinese companies in accessing the international capital markets, principally by providing equity capital and corporate finance advisory services. She obtained her Master's degree in Corporate Strategy and Governance from the University of Nottingham in December 2004 and a Bachelor's degree in Finance from Southeast University, the PRC in June 2003. Ms. Zhu is a director of the following subsidiaries of our Company: Luye Pharma Hong Kong Limited, Solid Success Holdings Limited, Apex Group Holdings Limited and Kang Hai Pharmaceutical Technology Development Limited. She is a supervisor of our subsidiary, Beijing WPU. Ms. Zhu is a director of each of Luye Pharma Holdings, Luye Pharma Intl and Luye Pharma Investment.

Non-executive Directors

Mr. SONG Rui Lin, aged 63, has been our non-executive Director since March 2017. Mr. Song is the executive president of China Pharmaceutical Industry Research and Development Association* (中國醫藥創新促進會) and the executive deputy director of the Research Centre for Drug Policy and Industrial Development at China Pharmaceutical University* (中國藥科大學藥物政策與產業經濟研究中心). He is also the Expert of Talent Pool for State Affairs of Chinese People's Political Consultative Conference (CPPCC), advisor on Participation in and Deliberation of State Affairs for the Central Committee of Chinese Peasants and Workers Democratic Party, Member of TCM Strategic Expert Consultation Committee of NMPA, Biotech Advisory Panel Member of the Stock Exchange, vice president of China Alliance of Rare Diseases (CARD), honorary director of Chinese Pharmaceutical Association (CPA), director of Chinese Pharmacist Association, director of the Bethune Charitable Foundation and Visiting Research Fellow in Shanghai Jiao Tong University. Mr. Song has extensive experience in the research of the PRC healthcare and drugs laws and policies, and was involved in the drafting and review of a number of the current PRC laws and regulations on healthcare and drugs. From 1985 to 2007, Mr. Song served as deputy director (副處長), director (處長) and deputy Director-General (副司長) at The Department of Education, Science, Culture and Public Health in Legislative Affairs Office at State Council of China* (中國國務院法制辦公室). Subsequent to 2008, Mr. Song served as deputy director of the Chinese Pharmaceutical Association* (中國藥學會) (the "Association") and executive director of the Research Centre for Drug Policies (醫藥政策研究中心) at the Association. He served as the chairman and executive editor of Chinese Journal of New Drugs* (中國新藥雜誌). Since 2011, Mr. Song has been serving as an expert at the Capital Healthcare Policy Reform Expert Group* (首都醫療衛生體制改革專家組). Mr. Song obtained a Bachelor of Laws degree from China University of Political Science and Law in 1985 and a Master in Business Administration degree from China Europe International Business School in 2004, and obtained a Doctorate in Social and Administrative Pharmacy from China Pharmaceutical University in 2018.

Mr. Song currently serves as an independent non-executive director at Shanghai Henlius Biotech, Inc. (上海復宏漢霖生物技術股份有限公司) (stock code: 2696), Simcere Pharmaceutical Group Limited (先聲藥業集團有限公司) (stock code: 2096), Mediwelcome Healthcare Management & Technology Inc. (麥迪衛康健康醫療管理科技股份有限公司) (stock code: 2159) and Jacobio Pharmaceuticals Group Co., Ltd. (加科思藥業集團有限公司) (stock code: 1167), all companies are listed on the Main Board of Stock Exchange.

From June 2018 to March 2024, Mr. Song served as an independent director of a company listed on the Shanghai Stock Exchange, Shenzhen Chipscreen Biosciences Co., Ltd. (深圳微芯生物科技股份有限公司) (stock code: 688321).

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. HUANG Liming, aged 48, has been our non-executive Director since March 2025. Mr. Huang is a partner at Hillhouse Investment Management, Ltd. (“Hillhouse”). Prior to joining Hillhouse in July 2017, he was a managing director of ICBC Tianjin Advisory LLP (天津工銀國際投資顧問合夥企業(有限合夥)) from April 2011 to June 2017. From June 2010 to March 2011, he served as an executive director of J.P. Morgan Securities (Asia Pacific) Limited. Before that, Mr. Huang served as a vice president of Affinity Equity Partners between March 2009 to May 2010. Mr. Huang worked as an associate in the investment banking department at Goldman Sachs (Asia) L.L.C. and later held the position of executive director of the Asia Special Situation Group from July 2003 to February 2009. Mr. Huang received his bachelor’s degree in Economics and his master’s degree in Economics from Fudan University (復旦大學) in the PRC in July 1999 and July 2002 respectively.

Independent Non-executive Directors

Mr. ZHANG Hua Qiao, aged 62, has been our Independent Non-Executive Director since June 2014. Mr. Zhang has 22 years of experience in working in the investment banking industry since 1994. He served as managing director and the co-head of China research team from June 1999 to April 2006 and the deputy head of China investment banking division of UBS AG, Hong Kong Branch from September 2008 to June 2011. He graduated from the Graduate School of the People’s Bank of China (中國人民銀行研究生部) with a Master’s degree in Economics in 1986, and from the Australian National University with a Master’s degree in Economics in January 1991.

As at the date of this annual report, Mr. Zhang holds or held directorships in the following listed companies in the past three years:

Name of the listed company	Term	Position
Radiance Holdings (Group) Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 9993)	October 2020 to present	Independent non-executive director
Logan Group Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3380)	November 2013 to present	Independent non-executive director
Zhong An Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 672)	January 2013 to present	Independent non-executive director
Fosun International Limited, a company listed on the Main Board of the Stock Exchange (stock code: 656)	March 2012 to present	Independent non-executive director
Haitong International Securities Group Limited, a company formerly listed on the Main Board of the Stock Exchange (former stock code: 665)	May 2021 to March 2024 ^(Note)	Independent non-executive director

Note: Haitong International Securities Group Limited has been delisted from the Stock Exchange with effect from 11 January 2024.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Professor LO Yuk Lam, aged 77, has been our Independent Non-executive Director since June 2014. Professor Lo has extensive experience in biotechnology industry, corporate management, academic research and community service.

Currently Professor Lo is serving as the President of HK Bio-Med Innotech Association, and the Honorary Founding Chairman of Hong Kong Biotechnology Organization. In the educational area, Professor Lo is serving as the Strategic Advisor to the President Office of the President and the Adjunct Professor of the division of life science of the Hong Kong University of Science and Technology. He has been elected an Honorary Fellow of the Hong Kong University of Science and Technology. He is also the Honorary Professor of several universities in China.

Professor Lo was heavily involved in several committees of the HKSAR Government. He had been served as the Chairman of the Advisory Council for Food Safety of the Food and Health Bureau HKSAR, Director of the Hong Kong Applied R&D Fund Co. Ltd., Chairman of the Biotechnology Committee of the Hong Kong Industry & Technology Development Council, and Chairman of Biotechnology Projects Vetting Committee of the Innovation and Technology Fund, HKSAR.

In Chinese mainland, Professor Lo was a member of Chinese People's Political Consultative Conference in Jilin Province. He was also a consultant of the Centre for Disease Control and Prevention of China. In recognition of his leadership in the community and dedication to his field, Professor Lo has received many awards, such as the "Pericles International Prize" in 2019. He is the second Asian and the first person from Hong Kong to be awarded the Prize since it was founded in 1986. In 2020, Professor Lo was awarded the Bronze Bauhinia Star by the HKSAR government for his outstanding services over the past decades.

In the business sector, Professor Lo had served as the Managing Director of Asia Pacific of Bio-Rad Laboratories (NYSE: BIO) and PerkinElmer (NYSE: PKI). He is the Chairman of GT Healthcare Capital Partners, and Partner & Investment Committee Member of Hongsen Investment Management Limited. As at the date of this annual report, Professor Lo holds directorships in the following listed companies in the past three years:

Name of the listed company	Term	Position
Sinovac Biotech Ltd. (SVA: NASDAQ)	March 2006 to present	Independent Director
Zhaoke Ophthalmology Limited, a company listed on the Main Board of the Stock Exchange (stock code: 6622)	April 2021 to present	Independent non-executive director

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. LEUNG Man Kit, aged 72, has been the Independent Non-executive Director since June 2014. Mr. Leung has over 45 years of experience in project finance and corporate finance. Mr. Leung was a Responsible Officer of Grand Moore Capital Limited from 18 September 2019 to 31 October 2021. Previously, he was a director of Emerging Markets Partnership (Hong Kong) Limited (the principal adviser to the AIG Infrastructure Fund L.P.) in 1999. He also held senior positions in the Hong Kong Branch of the Swiss Bank Corporation, SG Securities (HK) Limited (formerly known as Crosby Securities (Hong Kong) Limited) and Peregrine Capital Limited.

As at the date of this annual report, Mr. Leung holds or held directorships in the following listed companies in the past three years:

Name of the listed company	Term	Position
Orange Sky Golden Harvest Entertainment (Holdings) Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1132)*	February 2008 to present	Independent non-executive director
China Ting Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3398)	November 2005 to present	Independent non-executive director
NetEase, Inc., a company listed on NASDAQ and Main Board of the Stock Exchange (stock code: NTES, 9999)*	July 2002 to present	Independent non-executive director
	July 2002 to July 2022	Chairman of the Audit Committee

* Mr. Leung is/was also the chairman of the audit committee of these companies.

Mr. Leung obtained a Bachelor's degree in Social Sciences from The University of Hong Kong in October 1977.

Mr. CHOY Sze Chung Jojo, aged 67, has been the Independent Non-executive Director since June 2014. Mr. Choy has extensive experience in the securities industry and business management. He is currently the vice chairman of National Resources Securities Limited and the permanent honourable president of the Institute of Securities Dealers Ltd.

Mr. Choy is a fellow member of the Hong Kong Institute of Directors, the Institute of Financial Accountants, the Institute of Public Accountants and the Institute of Compliance Officers. Mr. Choy is also a member of the Election Council for Hong Kong Deputies to the 12th, 13th and the 14th National People's Congress of the PRC, a member of the 4th, the 5th and 6th term Chief Executive Election Committee of Hong Kong and a member of 11th, 12th and 13th Chinese People's Political Consultative Conference, Shantou.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

As at the date of this annual report, Mr. Choy holds or held directorships in the following listed companies in the past three years:

Name of the listed company	Term	Position
First Credit Finance Group Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8215)	November 2017 to November 2023	Independent non-executive director
New Sparkle Roll International Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 970)	October 2007 to April 2024	Independent non-executive director
Zhaojin Mining Industry Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1818)	May 2007 to present	Independent non-executive director

Mr. Choy obtained a Master's degree in Business Administration from University of Wales, Newport in October 2004 and a Master's degree in Business Law from Monash University in April 2007, a Honorary doctorate of Management from Lincoln University in August 2018 and a Fellowship from Canadian Chartered Institute of Business Administration.

Ms. XIA Lian, aged 47, has been our Independent Non-executive Director since May 2023. Ms. Xia has over 22 years of experience in business administration and business consultancy. She holds a Bachelor's degree in marketing from the Peking University in China and a Master's degree in executive master in change from European Institute of Business Administration (INSEAD). Ms. Xia was employed by Cheung Kong Graduate School of Business from April 2007 to August 2020 with her last position as an assistant dean. She is currently an executive director and the general manager of Vista Education Technology (Shenzhen) Co., Ltd. (遠見教育科技(深圳)有限公司).

As at the date of this annual report, Ms. Xia holds or held directorships in the following listed companies in the past three years:

Name of the listed company	Term	Position
Shanying International Holding Co., Ltd. (山鷹國際控股股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600567)	November 2022 to present	Independent director
ANTA Sports Products Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2020)	July 2022 to present	Independent non-executive director

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Senior Management

Our senior management comprises Executive Directors and the following persons:

Mr. LIU Yuan Chong, aged 62, joined our Group in March 1997 and is currently our Chief Financial Officer. He started as the accountant-in-charge at our finance department, and was promoted to chief of the finance department in 2005 and to our Chief Financial Officer in 2012. Prior to joining our Group, he was the head of accounting of Yantai Alternator Plant (煙台家電交電總公司). He also taught at Yantai Business Vocational Secondary School (煙台商業中專) from September 1983 until September 1986. From 1980 to 1983, he was employed by Shandong Laiyang Biochemical Pharmaceutical Factory. Mr. Liu received a Post-Graduate Certificate in Financial Management from Peking University in October 2006. He currently serves as a non-executive director of Boan Biotech.

Ms. LI Li, aged 51, joined our Group in 1997 and is currently our Vice President and responsible for sales and marketing management in China. Ms. Li has over 27 years of experience in the pharmaceutical industry. Since July 1997, she has served in various positions in the Group. Ms. Li obtained a Bachelor's degree in biochemistry from Yantai University in the PRC in July 1997. She also completed a postgraduate course in applied psychology and human resources management and development at Institute of Psychology of Chinese Academy of Sciences (中國科學院心理研究所) in the PRC in February 2009 and obtained a Master's degree in business administration from China Europe International Business School (中歐國際工商學院) in the PRC in August 2021. She currently serves as non-executive director of Boan Biotech.

REPORT OF DIRECTORS

The Directors are pleased to present their report which has been approved by the Board, together with the audited consolidated financial statements of the Group for the year ended 31 December 2025.

Corporate Information

The Company was incorporated in the Bermuda on 2 July 2003 as an exempted company with limited liability under the laws of Bermuda (the “Companies Law”). The Company’s shares (the “Shares”) were listed on the Main Board of the Stock Exchange on 9 July 2014.

Principal Activities

The principal activity of the Company is investment holding and the Group focuses on developing, producing, marketing and selling innovative pharmaceutical products in three of the largest and fastest growing therapeutic areas in the PRC. Details of the principal activities of the Company’s subsidiaries are set out in note 1 to the consolidated financial statements of this annual report.

Business Review and Performance

A fair review of the Group’s business during the year ended 31 December 2025, including an analysis where key financial key performance indicators are used, and the outlook of the Group’s business are provided in the section headed “Management Discussion and Analysis” of this annual report, where discussion therein forms part of this “Report of Directors”.

Results

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss on page 67 of this annual report.

Dividend Policy and Final Dividend

No dividends were declared for the year ended 31 December 2025.

It is the policy of the Board, in considering payment of dividends, to allow Shareholders to share the Company’s profits whilst retaining adequate reserves for the Group’s future growth.

The Board shall consider the following factors before declaring or recommending dividends:

- the Company’s actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group;
- the Group’s working capital requirements, capital expenditure requirements and future expansion plans;
- the Group’s liquidity;
- general economic condition, business cycle of the Group’s business and other internal or external factors that may affect the business or financial performance and position of the Company; and
- other factors that the Board considers relevant.

REPORT OF DIRECTORS (CONTINUED)

The payment of dividends is also subject to applicable laws and regulations including the laws and regulations of Bermuda and the bye-laws of the Company (the “Bye-laws”). The Board will review the dividend policy on a regular basis and there is no assurance that dividends will be paid in any particular amount for any given period.

Financial Summary

A summary of the Group’s results, assets, liabilities for the last five financial years are set out on page 5 of this annual report. This summary does not form part of the audited consolidated financial statements.

Risks and Uncertainties Relating to the Group’s Business

The Group’s financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group’s businesses. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to the below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Market Risk

Market risk is the risk that deteriorates the Group’s profitability or affects its ability to meet business objectives arising from the movement in market prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks rests with every function at divisional and departmental levels. Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. Our management will identify and assess key operational exposures regularly so that appropriate response to risk can be taken.

Investment Risk

Investment risk is the likelihood of occurrence of losses relative to the expected return on any particular investment. Key concern of investment framework will be balancing risk and return across different investments, thus risk assessment is a core aspect of the investment decision process. Proper authorisation system has been set up and detailed analysis will be made before approving investments. Regular updates on the progress of the Group’s investments would be submitted to the Board.

Manpower and Retention Risk

The Group may face the risk of not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence which could meet the business objectives of the Group. The Group will provide attractive remuneration package to suitable candidates and personnel.

REPORT OF DIRECTORS (CONTINUED)

Financial Risk

The Group also faces financial risks relating to interest rate, foreign currency, credit risk and liquidity. Details of these financial risks are set out in note 45 to the consolidated financial statements of the Group.

In light of the above risks which are relevant to and may potentially affect the Group's business, the Group has certain risk management procedures with a view to minimise the risks and to manage, but not eliminate, the risk of failure to fulfil the Group's business objectives. Please refer to the section headed "Risk Management and Internal Control" in the Corporate Governance Report for policies concerning the Group's risk management system.

Legal Proceedings

As disclosed in the announcement of the Company dated 22 October 2021, the Group received an arbitration award in favour of the former distributor of Seroquel for its claim against Luye Pharma Hong Kong Limited, a subsidiary of the Company. In December 2021, the final amount of the arbitration award was determined to be approximately RMB253.2 million and the Company has accordingly made a provision in its financial statements, details of which are set out in note 31 to the consolidated financial statements of the Group.

Luye Hong Kong submitted the application for revoking the arbitral award to the Hong Kong High Court, and the decision was handed down that Luye Hong Kong's application for setting aside the award was dismissed ("Setting Aside Decision"). Subsequently, Luye Hong Kong applied for and was granted leave to appeal against the Setting Aside Decision. The hearing of the appeal held on 6 June 2023, and the appeal judgment is expected to be handed down by the end of April 2026.

Environmental Policies and Performance

Our Group is committed to achieving environmental sustainability. Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. Our Group's business is subject to national, provincial and local environmental laws and regulations of the PRC. During the year ended 31 December 2025, so far as our Directors are aware, there were no material breaches of applicable environmental laws and regulations of the PRC that have a significant adverse impact on the business and operations of our Group.

Our Group also encourages environmental protection and promotes awareness of the same to the employees. Our Group adheres to the principle of recycling and reducing. It implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting the use of recycled paper, and reducing energy consumption by switching off idle lightings and electrical appliances.

Our Group endeavours to comply with the relevant laws and regulations regarding environmental protection and adopts effective measures to achieve efficient use of resources, waste reduction and energy saving. Our Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of our Group's businesses to move towards adhering to the 3Rs — reduce, recycle and reuse, and enhance environmental sustainability.

In accordance with paragraph 4(1) of Appendix C2 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Company's Environmental, Social and Governance Report ("ESG Report") will be available on its website at the same time as the publication of this annual report.

The 2025 ESG Report, in electronic form only, is published on the website of the Company at www.luye.cn under the section "Investors" and the website of the Stock Exchange at www.hkexnews.hk.

REPORT OF DIRECTORS (CONTINUED)

Compliance with Laws and Regulations

Our Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licences. Our Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators effectively through effective communications. For the year ended 31 December 2025, the Group has complied, to the best of our knowledge, in all material respects, with all relevant rules and regulations that have a significant impact on the Company.

Key Relationships with Employees, Customers and Suppliers

Being people-oriented, our Group ensures all staffs are reasonably remunerated and our Group also continue to improve and regularly review and update its policies on remuneration and benefits, training, occupational health and safety.

Our Group maintains a good relationship with its customers. A customer complaint handling mechanism is in place to receive, analyse and study complaints and make recommendations on remedies with the aim of improving service quality.

Our Group is in good relationship with its suppliers and conducts a fair and strict appraisal of its suppliers on an annual basis.

Major Customers and Suppliers

Sales to the Group's five largest customers accounted for approximately 16.3% of the total sales for the year ended 31 December 2025 and sales to the largest customer included therein amounted to 4.6% of the total sales for the year ended 31 December 2025. Purchases from the Group's five largest suppliers accounted for approximately 6.3% of the total purchase for the year ended 31 December 2025 and purchase from the Group's largest supplier included therein amounted to 2.0% of the total purchase for the year ended 31 December 2025.

None of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2025 are set out in note 13 to the consolidated financial statements in this annual report.

Share Capital

Details of movements in the share capital of the Company during the year ended 31 December 2025 are set out in note 34 to the consolidated financial statements in this annual report.

REPORT OF DIRECTORS (CONTINUED)

Reserves

Details of movements in the reserves of the Group during the year are set out on pages 71 to 72 in the consolidated statement of changes in equity of this annual report and in note 47 to the consolidated financial statements in this annual report.

Distributable Reserves

As at 31 December 2025, the Company's and the Group's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, amounted to nil (as at 31 December 2024: nil) and approximately RMB6.9 billion (as at 31 December 2024: RMB6.4 billion), respectively.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as at 31 December 2025 are set out in note 27 to the consolidated financial statements in this annual report.

Directors

The Directors during the year ended 31 December 2025 and up to the date of this annual report were:

Executive Directors:

Mr. LIU Dian Bo (*Executive Chairman and Chief Executive Officer*)
Mr. YANG Rong Bing (*Vice Executive Chairman*)
Mr. YUAN Hui Xian
Ms. ZHU Yuan Yuan

Non-executive Directors:

Mr. SONG Rui Lin
Dr. LYU Dong (*resigned on 10 March 2025*)
Mr. HUANG Liming (*appointed on 10 March 2025*)

Independent non-executive Directors:

Mr. ZHANG Hua Qiao
Professor LO Yuk Lam
Mr. LEUNG Man Kit
Mr. CHOY Sze Chung Jojo
Ms. XIA Lian

As disclosed in the announcement dated 10 March 2025, Dr. LYU Dong resigned as a non-executive Director with effect from 10 March 2025 due to other work commitments. Mr. HUANG Liming has been appointed as a non-executive Director on 10 March 2025.

In accordance with the Bye-laws, all Directors are subject to retirement by rotation at least once every three years and any Director appointed by the Board to fill a casual vacancy and as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company after his appointment and shall then be eligible for re-election.

REPORT OF DIRECTORS (CONTINUED)

In accordance with bye-laws 84(1) and 84(2) of the Bye-laws, Mr. SONG Rui Lin, Mr. LEUNG Man Kit, Mr. ZHANG Hua Qiao and Mr. CHOY Sze Chung Jojo will retire and being eligible, will offer themselves for re-election as the Directors at the forthcoming annual general meeting (the “AGM”).

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders.

Board of Directors and Senior Management

Biographies of the Directors and senior management of the Group are set out on pages 27 to 33 of this annual report.

Confirmation of Independence of Independent Non-executive Directors

The Company has received from each Independent non-executive Director an annual confirmation of his/her independence and each of them has confirmed their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent in accordance with Rule 3.13 of the Listing Rules.

Directors' Service Contracts

Each of the executive Directors has entered into an appointment letter with the Company for a term of three years commencing from 9 July 2023 and may be terminated in accordance with the respective terms of the appointment letters.

Mr. SONG Rui Lin and Mr. HUANG Liming, the non-executive Directors, have each entered into an appointment letter with the Company for a term of two years commencing from 29 March 2025 and 10 March 2025 respectively, which may be terminated in accordance with the respective terms of the appointment letter.

Mr. ZHANG Hua Qiao, Professor LO Yuk Lam, Mr. LEUNG Man Kit and Mr. CHOY Sze Chung Jojo, independent non-executive Directors, have each entered into an appointment letter with the Company for a term of two years commencing from 9 July 2024 and may be terminated in accordance with the respective terms of the appointment letters.

Ms. XIA Lian, an independent non-executive Director, has entered into an appointment letter with the Company for a term of two years commencing from 25 May 2025 and may be terminated in accordance with the terms of the appointment letter.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Interests in Transactions, Arrangements and Contracts

At the end of the year or at any time during the year, other than those transactions disclosed in note 39 to the consolidated financial statements and under the section headed “Connected Transaction” in this annual report, (a) no transactions, arrangements and contracts of significance in relation to the Group’s business to which the Company, Company’s subsidiaries, fellow subsidiaries or its parent companies was a party and in which a Director or his or her connected entity had a material interest, whether directly or indirectly, subsisted; and (b) there is no contract of significance (i) between the Company or its subsidiaries and the Company’s controlling shareholder or its subsidiaries; and (ii) for the provision of services to the Company or any of its subsidiaries by the Company’s controlling shareholder or its subsidiaries.

REPORT OF DIRECTORS (CONTINUED)

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2025.

Debentures

Save as disclosed in this annual report, the Company did not have any debentures in issue during the year ended 31 December 2025.

Equity-Linked Agreements

Save as disclosed in this annual report, no equity-linked agreement that will or may result in the Company issuing Shares nor require the Company to enter into an agreement that will or may result in the Company issuing Shares was entered into by the Company during the year or subsisted at the end of the year under review.

Emolument Policy

The objective of the Group's remuneration policy is to motivate and retain talented employees so as to achieve the Group's long term corporate goals and objectives. The Group's employee remuneration policy is determined by considering factors such as remuneration in respect of the overall remuneration standard in the industry and the employee's performance. The management reviews the Group's employee remuneration policy and arrangements on a regular basis. In addition, social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations. For employee retirement benefits, please refer to note 2.4 to the consolidated financial statements in this annual report.

A remuneration committee of the Board was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management, and comparable market practices. Our Group participates in the national pension schemes as defined by the laws of the countries in which it operates and our Group makes contributions to the Central Provident Fund Scheme in Singapore, a defined contribution pension scheme, for its employees in Singapore. The Company's subsidiaries established and operating in Chinese mainland are required to provide certain staff pension benefits to their employees under existing regulations of the PRC.

Remuneration of Directors and Five Individuals with Highest Emoluments

Details of the emoluments of the Directors and the five highest paid individuals are set out in notes 8 and 9 to the consolidated financial statements in this annual report.

Share Option Scheme

During the year ended 31 December 2025 and up to the date of this annual report, the Group has no share option scheme.

REPORT OF DIRECTORS (CONTINUED)

Changes to Information in respect of Directors

Save as disclosed in the section headed “Directors and Senior Management” in this annual report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules for the year ended 31 December 2025.

Directors’ and Chief Executive’s Interests and Short Position in Shares, Underlying Shares and Debentures

As at 31 December 2025, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules (the “Model Code”), are as follows:

(i) Interest in the Company

Name of Director	Nature of interest	Number of securities	Approximate percentage of shareholding
Liu Dian Bo ⁽¹⁾⁽²⁾	Founder of a discretionary trust	1,246,108,703 (L) 212,229,950 (S)	31.20% 5.31%

Remark: The Letter “L” denotes long position in such securities and “S” denotes short position in such securities.

Notes:

1. Mr. Liu Dian Bo through his controlled corporations, namely Shorea LBG, Ginkgo (PTC) Limited, Nelumbo Investments Limited, Luye Life Sciences Group Ltd., Luye Pharma Holdings Ltd., LuYe Pharmaceutical International Co., Ltd. and LuYe Pharmaceutical Investment Co., Ltd., is deemed to be interested in 1,246,108,703 ordinary shares and 212,229,950 short position in the Company held by LuYe Pharmaceutical Investment Co., Ltd. Nelumbo Investments Limited holds 70% of the issued share capital of Luye Life Sciences Group Ltd.
2. The entire issued share capital of Nelumbo Investments Limited is held by Ginkgo (PTC) Limited as trustee of the family trust of Mr. Liu Dian Bo, who is the founder of such trust. Ginkgo (PTC) Limited is wholly-owned by Shorea LBG whose sole shareholder is Mr. Liu Dian Bo.

REPORT OF DIRECTORS (CONTINUED)

(ii) Interest in associated corporations

Name of Director	Associated Corporation	Nature of interest	Number of securities	Approximate percentage in the registered capital of the associated corporation
Liu Dian Bo	Luye Life Sciences Group Ltd. ⁽²⁾	Founder of a discretionary trust	8,400 (L)	70%
Liu Dian Bo	Ginkgo (PTC) Limited ⁽¹⁾	Founder of a discretionary trust	1 (L)	100%
Liu Dian Bo	Luye Pharma Holdings Ltd. ⁽²⁾	Founder of a discretionary trust	1,136,852 (L)	100%
Liu Dian Bo	LuYe Pharmaceutical International Co., Ltd. ⁽²⁾	Founder of a discretionary trust	202,180,988 (L)	100%
Liu Dian Bo	LuYe Pharmaceutical Investment Co., Ltd. ⁽²⁾	Founder of a discretionary trust	1 (L)	100%
Liu Dian Bo	Nelumbo Investments Limited ⁽¹⁾	Founder of a discretionary trust	1 (L)	100%
Yang Rong Bing	Luye Life Sciences Group Ltd. ⁽²⁾	Beneficial interest	1,800 (L)	15%
Yuan Hui Xian	Luye Life Sciences Group Ltd. ⁽²⁾	Beneficial interest	1,800 (L)	15%

Remark: The Letter "L" denotes long position in such securities.

Notes:

1. The entire issued share capital of Nelumbo Investments Limited is held by Ginkgo (PTC) Limited as trustee of the family trust of Mr. Liu Dian Bo, who is the founder of such trust.
2. Luye Life Sciences Group Ltd. holds the entire issued ordinary share capital of Luye Pharma Holdings Ltd. LuYe Pharmaceutical International Co., Ltd. is wholly-owned by Luye Pharma Holdings Ltd. and LuYe Pharmaceutical Investment Co., Ltd. is wholly-owned by LuYe Pharmaceutical International Co., Ltd.

Save as disclosed above, as at 31 December 2025, none of our Directors and chief executive of the Company has any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this annual report, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate for the year ended 31 December 2025.

REPORT OF DIRECTORS (CONTINUED)

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2025, to the best of the Directors' knowledge, the following persons (other than the Directors and chief executives of the Company) had, or deemed to have or taken to have an interest and/or short position in the Shares or the underlying Shares which fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name	Capacity/Nature of interest	Number of securities	Approximate percentage of shareholding
LuYe Pharmaceutical Investment Co., Ltd. ⁽¹⁾	Beneficial owner	1,246,108,703 (L)	31.20%
		212,229,950 (S)	5.31%
LuYe Pharmaceutical International Co., Ltd. ⁽¹⁾	Interest in controlled corporation	1,246,108,703 (L)	31.20%
		212,229,950 (S)	5.31%
Luye Pharma Holdings Ltd. ⁽¹⁾	Interest in controlled corporation	1,246,108,703 (L)	31.20%
		212,229,950 (S)	5.31%
Luye Life Sciences Group Ltd ⁽²⁾	Interest in controlled corporation	1,246,108,703 (L)	31.20%
		212,229,950 (S)	5.31%
Nelumbo Investments Limited ⁽²⁾	Interest in controlled corporation	1,246,108,703 (L)	31.20%
		212,229,950 (S)	5.31%
Ginkgo (PTC) Limited ⁽²⁾	Trustee	1,246,108,703 (L)	31.20%
		212,229,950 (S)	5.31%
Shorea LBG ⁽²⁾	Interest in controlled corporation	1,246,108,703 (L)	31.20%
		212,229,950 (S)	5.31%
Hillhouse Investment Management, Ltd. ⁽³⁾	Investment manager	552,324,108 (L)	13.83%
Hillhouse Fund V, L.P. ⁽³⁾	Interest in controlled corporation	552,324,108 (L)	13.83%
NEV Holdings Limited ⁽³⁾	Beneficial owner	552,324,108 (L)	13.83%
UBS Group AG	Interest in controlled corporation	493,725,543 (L)	12.36%
		449,568,101 (S)	11.25%

Remark: The Letter "L" denotes long position in such securities and "S" denotes short position in such securities.

Notes:

- LuYe Pharmaceutical Investment Co., Ltd. is wholly-owned by LuYe Pharmaceutical International Co., Ltd., which is in turn wholly-owned by Luye Pharma Holdings Ltd.
- Nelumbo Investments Limited holds 70% of the issued share capital of Luye Life Sciences Group Ltd. The entire issued share capital of Nelumbo Investments Limited is held by Ginkgo (PTC) Limited as trustee of the family trust of Mr. Liu Dian Bo. Ginkgo (PTC) Limited is wholly-owned by Shorea LBG whose sole shareholder is Mr. Liu Dian Bo.
- NEV Holdings Limited is wholly-owned by Hillhouse Fund V, L.P. and Hillhouse Investment Management, Ltd. is the sole investment manager of NEV Holdings Limited.

REPORT OF DIRECTORS (CONTINUED)

Save as disclosed above, as at 31 December 2025, the Directors are not aware of any person who had interests or short positions in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO.

Purchase, Sale or Redemption of Listed Securities

Save as disclosed above, there was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries for the year ended 31 December 2025.

Tax Relief

The Company is not aware of any taxation relief available to shareholders of the Company by reason of their holding of Company's shares.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the Companies Law that would oblige the Company to offer new Shares on a pro rata basis to the existing Shareholders.

Permitted Indemnity Provision

According to the Bye-laws of the Company, among others, the Directors acting in relation to any of the affairs of the Company may be entitled to be indemnified and secured harmless out of assets and profits of the Company from and against all, among others, actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain. The Company has arranged appropriate insurance cover in respect of legal action against its Directors.

Director's and Controlling Shareholder's Interest in Competing Business

A deed of non-compete undertaking dated 19 June 2014 (the "Deed of Non-compete Undertaking") was entered into between the Company and the controlling shareholder and the executive chairman of the Company, Mr. Liu Dian Bo, who has undertaken to our Company that conditional upon Listing, he will not carry on, engage, invest, participate or otherwise be interested in any business which competes or is likely to compete with any of the existing and/or future businesses carried on by any shareholder of our Group in relation to developing, producing, marketing and selling innovative pharmaceutical products.

As disclosed in the prospectus issued by the Company dated 26 June 2014 (the "Prospectus"), except for Mr. Liu Dian Bo's interest in our Group, he is interested in the equity interest of 蕪湖綠葉製藥有限公司 (Wuhu Luye Pharmaceutical Co. Ltd.) ("Wuhu Luye"), which is owned as to 90% by 綠葉投資集團有限公司 (Luye Investment Group Co. Ltd.) ("Luye Investment Group") and 10% by 蕪湖長榮醫藥科技資訊諮詢有限責任公司 (Wuhu Changrong Pharmaceutical Technology Information Consulting Co. Ltd.), an independent third party. Luye Investment Group is owned by the founding shareholders (namely, Messrs. Liu Dian Bo, Yuan Hui Xian ("Mr. Yuan") and Yang Rong Bing ("Mr. Yang")) as to 70% by Mr. Liu Dian Bo and 15% by each of Mr. Yang and Mr. Yuan (each an executive Director). Wuhu Luye is primarily engaged in the production and sale of Chinese medicine covering a number of therapeutic areas including cardiocerebral vascular, neurology, neuropsychiatry and hepatology, which competes or is likely to compete, either directly or indirectly, with our Group's business. The Directors do not intend to include the business of Wuhu Luye as part of the Group.

REPORT OF DIRECTORS (CONTINUED)

By reasons of the fact that Wuhu Luye and our Group have (i) different management teams; (ii) separate production facilities and respective procurement teams to source raw materials and suppliers; (iii) independent sales and marketing activities; and (iv) independent financial and accounting systems, and that Mr. Liu Dian Bo has already given an undertaking pursuant to the Deed of Non-compete Undertaking, our Group is therefore capable of carrying on its business independently of, and at arms length from, the excluded business as described above.

The Company has received an annual written confirmation from the controlling shareholder, Mr. Liu Dian Bo, in respect of his compliance with the Deed of Non-compete Undertaking.

The independent non-executive Directors have reviewed the Deed of Non-compete Undertaking and assessed whether the controlling shareholder has abided by the non-competition undertaking. The independent non-executive Directors confirmed that the controlling shareholder has not been in breach of the non-competition undertaking during the year ended 31 December 2025.

Save as disclosed above, none of the Directors held any interests in any business that compete directly against the Company or any of its jointly controlled entities and subsidiaries during the year ended 31 December 2025.

Connected Transaction

The Company has complied with the disclosure requirements, to the extent they are not waived by the Stock Exchange, in accordance with Chapter 14A of the Listing Rules with respect to the connected transaction and related party transactions entered into by the Group during the year ended 31 December 2025.

A summary of the related party transactions entered into by the Group during the year ended 31 December 2025 is contained in note 39 to the consolidated financial statements in this annual report. The transactions summarised in such note do not fall under the definition of “connected transactions” or “continuing connected transactions” under Chapter 14A of the Listing Rules.

Charitable Donations

During the year ended 31 December 2025, the Group made charitable and other donations in a total amount of RMB3.3 million.

Audit Committee

The audit committee (the “Audit Committee”) has reviewed together with the management the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2025.

Code of Conduct regarding Directors’ Securities Transactions

The Company has adopted a code of conduct regarding Directors’ securities transactions which are no less stringent than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix C3 of the Listing Rules. Specific enquiry has been made to all the Directors and they have all confirmed compliance with the Model Code for the year ended 31 December 2025.

REPORT OF DIRECTORS (CONTINUED)

Corporate Governance

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 47 to 61 of this annual report.

Closure of Register of Shareholders

The Company's AGM will be held on Friday, 26 June 2026. For determining the entitlement to attend and vote at the AGM, the register of shareholders of the Company will be closed from Tuesday, 23 June 2026 to Friday, 26 June 2026, both days inclusive, during which no transfer of shares of the Company will be registered. The record date for determining the entitlement of the shareholders of the Company to attend and vote at the annual general meeting will be Friday, 26 June 2026. In order to be eligible to attend and vote at the AGM, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 22 June 2026.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the knowledge of the Directors at the latest practicable date in relation to this annual report, there was a sufficient public float of the issued shares of the Company under the Listing Rules.

Auditor

Ernst & Young has been appointed as the auditor of the Company for the year ended 31 December 2025.

Ernst & Young shall retire at the AGM and, if eligible, will offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as independent auditor of the Company will be proposed at the AGM.

On behalf of the Board

Liu Dian Bo

Chairman

Hong Kong, 30 March 2026

CORPORATE GOVERNANCE REPORT

Corporate Governance Culture

A healthy corporate culture across the Group is integral to attaining its vision and strategy. It is the Board's role to foster a corporate culture with the following core principles and to ensure that the Company's vision, values and business strategies are aligned to it.

1. Core values

Integrity, cooperation, innovation and excellence are core values of the Group. Integrity lays the foundation of the Company, cooperation guarantees the victory of the team, innovation drives the Group's development, and excellence is the Group's ultimate pursuit. The Group strives to maintain high standards of business ethics and corporate governance across all of our activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly set out in the training materials for all new staff and embedded in various policies of the Group such as the Group's employee handbook, the anti-corruption policy and the whistleblowing policy of the Group. Trainings are conducted from time to time to reinforce the required standards in respect of core values.

2. Business Philosophy

The Group believes that customer orientation helps the Group to grasp market opportunities, efficient operation enables the Group to stay ahead of the competition, and achievement of employees promotes a long-lasting business. These are fundamentals for a strong, and productive workforce that attracts, develops, and retains the best talent and produces the highest quality of work. Moreover, the business development and management strategies of the Company seek to achieve long-term, steady and sustainable growth, while having due considerations of the environmental, social and governance aspects.

The Company is committed to ensuring that its affairs are conducted in accordance with good corporate governance practices. This ensures that the overall business risk of the Group is assessed and managed appropriately and sustainable returns can be delivered to its shareholders. The Corporate Governance Code (the "CG Code") published by the Stock Exchange sets out the principles of good corporate governance, and the Group manages its corporate affairs (such as its board composition, audit, internal control and risk management) in accordance with such principles. This corporate governance report provides a channel through which shareholders could evaluate the Group's implementation of such principles to its business during the reporting period.

Corporate Governance Practices

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

Save for the deviation disclosed in this annual report in respect of code provision C.2.1 of the CG Code as further set out in the section headed "Chairman and Chief Executive Officer" below, during the year ended 31 December 2025, in the opinion of the Directors, the Company has complied with all the code provisions as set out in the CG Code contained in Part 2 of Appendix C1 to the Listing Rules.

The amendments to the CG Code came into effect on 1 July 2025 and the requirements under the new CG Code will apply to the corporate governance reports and annual reports of the Company for the financial years commencing on or after 1 July 2025. The Company will continue to review and enhance the corporate governance practices to ensure compliance with the new CG Code and align with the latest developments.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Board

Responsibilities

The Board is responsible for the overall leadership of the Group, which oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established four Board committees namely the Audit Committee, the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee") and Environmental, Social and Governance Committee ("ESG Committee") (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in the irrelative terms of reference.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Board Composition

As at the date of this annual report, the Board comprises 11 members, consisting of 4 executive Directors, 2 non-executive Directors and 5 independent non-executive Directors as set out below:

Executive Directors

Mr. LIU Dian Bo (*Executive Chairman and Chief Executive Officer*)

Mr. YANG Rong Bing (*Vice Executive Chairman*)

Mr. YUAN Hui Xian

Ms. ZHU Yuan Yuan

Non-executive Directors

Mr. SONG Rui Lin

Dr. LYU Dong (*resigned on 10 March 2025*)

Mr. HUANG Liming (*appointed on 10 March 2025*)

Independent Non-executive Directors

Mr. ZHANG Hua Qiao

Professor LO Yuk Lam

Mr. LEUNG Man Kit

Mr. CHOY Sze Chung Jojo

Ms. XIA Lian

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

During the year ended 31 December 2025, the Board has, at all times, met the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors and among which at least one of them possesses appropriate professional qualifications or accounting or related financial management expertise. The Company also complied at all times with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing at least one-third of the Board.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board which contribute to its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, the Nomination Committee and the ESG Committee.

None of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Director.

The CG Code requires directors to disclose to the Company the number and nature of offices that they hold in public companies or organisations and other significant commitments as well as the identity of those public companies or organisations and an indication of the time involved. The Directors have agreed to disclose their commitments to the Company in a timely manner.

Board Independence

The Board reviewed and considered that the following key features or mechanisms under the Company's governance structure are effective in ensuring that independent views and input are provided to the Board.

- | | |
|---|--|
| Board and committees' structure | <ul style="list-style-type: none">• The Company is steered by a Board comprising a majority of non-executive Directors. The Board comprises four executive Directors, two non-executive Directors and five independent non-executive Directors.• Members of all board committees, apart from the ESG Committee are non-executive Directors or independent non-executive Directors. |
| Independent non-executive Directors' tenure | <ul style="list-style-type: none">• The directors' nomination policy of the Company sets a maximum tenure of nine consecutive years for independent non-executive Directors unless the Board determines that such Director is still independent. |
| Independent non-executive Directors' remuneration | <ul style="list-style-type: none">• Independent non-executive Directors receive fixed fee(s) for their role as members of the Board and Board committee(s) as appropriate. |
| Appointment of independent non-executive Directors | <ul style="list-style-type: none">• In assessing suitability of candidates of independent non-executive Directors, the Nomination Committee will review their profiles, including their qualification and time commitment, having regard to the Board's composition, the candidates' skill matrix, the list of selection criteria approved by the Board, its nomination policy and the board diversity policy. |
| Annual review of independent non-executive Directors' independence | <ul style="list-style-type: none">• The Board assessed the annual independence confirmation received from each independent non-executive Director, having regard to the criteria under Rule 3.13 of the Listing Rules. |

CORPORATE GOVERNANCE REPORT (CONTINUED)

Conflict management

- The Bye-laws and internal guidelines of the Company provide guidance to the Directors on avoiding conflicts of interest and on the circumstances under which appropriate action(s) that shall be taken by the director in case of a conflict.

Professional advice

- To facilitate proper discharge of their duties, all Directors are entitled to seek advice from the company secretary or the in-house legal team as well as from independent professional advisers at the Company's expense.

Board evaluation

- The quality and efficiency of discussions at Board meetings are assessed during the annual evaluation of the Board's performance.

Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant laws, rules and regulations. The Company also arranges regular seminars to Directors regarding updates on the latest development and changes in the Listing Rules and other relevant legal and regulatory requirements. The Directors are also provided with regular updates on the Company's performance, position and prospects so as to enable the Board and each Director to discharge their duties. The Company has also devised a training record in order to assist the Directors to record the training they have undertaken and they are requested to provide training records to the Company.

Mr. HUANG Liming obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 24 January 2025, and has confirmed that he understood his obligations as a director of the Company.

According to C.1.4 of the CG Code, all Directors should participate in continuous professional development so as to develop and refresh their knowledge and skills, and thereby ensuring that their contribution to the Board remains to be informed and relevant. According to the records kept by the Company, each of the Directors, namely, Mr. LIU Dian Bo, Mr. YANG Rong Bing, Mr. YUAN Hui Xian, Ms. ZHU Yuan Yuan, Mr. SONG Rui Lin, Dr. LYU Dong (resigned on 10 March 2025), Mr. HUANG Liming (appointed on 10 March 2025), Mr. ZHANG Hua Qiao, Professor LO Yuk Lam, Mr. LEUNG Man Kit, Mr. CHOY Sze Chung Jojo and Ms. XIA Lian have, during the Reporting Period, (a) attended seminars and/or trainings that are relevant to the Directors' professional knowledge and skills and in performing their duties and responsibilities as Directors; and (b) read materials that are relevant to the Directors' professional knowledge and skills and in performing their duties and responsibilities as Directors.

Chairman and Chief Executive Officer

Under C.2.1 of the CG Code, the chairman and the chief executive should be separate and should not be performed by the same individual.

Under the current organization structure of the Company, Mr. LIU Dian Bo is our Executive Chairman of the Board and the Chief Executive Officer. Although the dual roles of Executive Chairman and Chief Executive Officer is a deviation from the CG Code, the Board believes that with Mr. LIU's extensive experience in the pharmaceutical industry, vesting the roles of Executive Chairman and Chief Executive Officer in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high caliber individuals.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Appointment and Re-Election of Directors

Each of the executive Directors has entered into an appointment letter with the Company for a term of three years commencing from 9 July 2023 and may be terminated in accordance with the respective terms of the appointment letters.

Mr. SONG Rui Lin, a non-executive Director, has entered into an appointment letter with the Company for a term of two years commencing from 29 March 2025 and may be terminated in accordance with the terms of the appointment letter.

Mr. HUANG Liming, a non-executive Director, has entered into an appointment letter with the Company for a term of two years commencing from 10 March 2025 which may be terminated in accordance with the terms of the appointment letter.

Each of Mr. ZHANG Hua Qiao, Professor LO Yuk Lam, Mr. LEUNG Man Kit and Mr. CHOY Sze Chung Jojo, independent non-executive Directors, has entered into an appointment letter with the Company for a term of two years commencing from 9 July 2024 and may be terminated in accordance with the respective terms of the appointment letters.

Ms. XIA Lian, an independent non-executive Director, has entered into an appointment letter with the Company for a term of two years commencing from 25 May 2025 and may be terminated in accordance with the terms of the appointment letter.

None of the Directors has a service agreement which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the Bye-laws, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by the Shareholders at the next following annual general meeting of the Company after appointment and new Directors appointed.

The procedures and process of appointment, re-election and removal of directors are set out in the Bye-laws. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

Board Meetings

The Company has adopted the practice of holding board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than 14 days will be given for all regular board meetings to provide all Directors with an opportunity to attend and propose matters to be included in the agenda for the Board meeting.

For other Board and committee meetings, reasonable notice will generally be given. The agenda and accompanying board papers are dispatched to the Directors or committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When directors or committee members are unable to attend a meeting, they will be informed on the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting.

Minutes of the board meetings and committee meetings will be recorded in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each board meeting and committee meeting will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

CORPORATE GOVERNANCE REPORT (CONTINUED)

During the year ended 31 December 2025, seven board meetings, and one AGM were held and the attendance of each individual Director at these meetings is set out in the table below:

Name of Director	Attended/Eligible to attend board meeting	AGM
Mr. LIU Dian Bo	7/7	1/1
Mr. YANG Rong Bing	5/7	0/1
Mr. YUAN Hui Xian	7/7	1/1
Ms. ZHU Yuan Yuan	7/7	1/1
Mr. SONG Rui Lin	6/7	1/1
Mr. HUANG Liming ⁽²⁾	5/6	1/1
Dr. LYU Dong ⁽¹⁾	0/1	0/0
Mr. ZHANG Hua Qiao	7/7	1/1
Professor LO Yuk Lam	7/7	1/1
Mr. LEUNG Man Kit	7/7	1/1
Mr. CHOY Sze Chung Jojo	7/7	1/1
Ms. XIA Lian	7/7	1/1

Notes:

1. Dr. LYU Dong resigned as a non-executive Director with effect from 10 March 2025.
2. Mr. HUANG Liming was appointed as a non-executive Director with effect from 10 March 2025.

Model Code for Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions on terms meeting the required standards as set out in the Model Code. Specific enquiry has been made to the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2025.

The Company has also adopted its own code of conduct regarding employees' securities transactions on terms meeting the required standard as set out in the Model Code. This ensures compliance by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

Delegation by the Board

The Board reserves the power to decide on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors can seek independent professional advice in performing their duties at the Company's expense and are encouraged to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board before the management arranges for any significant transactions to be entered into.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of Directors which include:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Details of the remuneration of each of the Directors for the year ended 31 December 2025 are set out in note 8 to the consolidated financial statements in this annual report.

The biographies of the senior management are disclosed in the section headed "Directors and Senior Management" in this annual report. Pursuant to code provision E.1.5 of the CG Code, the annual remuneration of the members of senior management (excluding Directors) by band for the year ended 31 December 2025 are as follows:

Remuneration Band	No. of employees
RMB1,000,001 to RMB1,500,000	2

Directors' Liability Insurance

The Company has arranged for appropriate insurance coverage in respect of legal actions against its Directors.

Board Committees

Nomination Committee

The Nomination Committee currently comprises four members, namely Professor LO Yuk Lam (Chairman), Mr. ZHANG Hua Qiao, Mr. CHOY Sze Chung Jojo and Ms. XIA Lian, all of them are independent non-executive Directors.

The principal duties of the Nomination Committee include reviewing the Board composition, making recommendation to the Board on the appointment and succession planning of Directors, reviewing the Board Diversity Policy and the director nomination policy (the "Nomination Policy") and assessing the independence of the independent non-executive Directors. The Nomination Committee has adopted certain criteria and procedure in the nomination of new directors. The Nomination Committee will assess the candidate or incumbent on criteria such as age, gender, cultural and educational background, integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The Nomination Committee also assist the Board in maintaining a Board skills matrix and supports the Company's regular evaluation of the Board's performance. The recommendations of the Nomination Committee will then be put to the Board for decision.

CORPORATE GOVERNANCE REPORT (CONTINUED)

In assessing the suitability of a proposed candidate before recommending to the Board for it to consider and make recommendations to the Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies, the Nomination Committee will consider factors including, without limitation, character and integrity of the proposed candidates, qualifications of the proposed candidates including professional qualifications, skills, knowledge and experience, accomplishments and experience of the proposed candidates in the business from time to time, commitment of the proposed candidates in respect of available time and relevant interest, diversity and balance of the Board and such other perspectives appropriate to the Company's business.

Nomination Policy

The director nomination policy (the "Nomination Policy") adopted by the Board aims to enhance transparency and accountability of the nomination process of Directors and enable the Company to ensure the Board has a balance of skills, experience, and diversity of perspectives necessary to the Company's business.

The selection criteria for assessing the suitability of proposed candidates which shall be taken as reference by the Nomination Committee includes: character and integrity, professional qualifications, skills, knowledge and experience that are relevant to the Company's business and strategy, the potential contribution to the Board from the diversity aspects (including but not limited to age, gender, international background, and professional experience), the candidate's time commitment to the Company, the candidate's service on other boards of directors of the Group or of other companies (whether listed or non-listed) and any other factors as the Nomination Committee may deem fit to consider in the best interests of the Company and its shareholders. These above selection criteria are not exhaustive or conclusive. The Nomination Committee would consider any other factors as the Nomination Committee may deem fit to consider in the best interests of the Company and shareholders of the Company.

For potential candidates who appear to meet the Board's selection criteria, the Nomination Committee shall convene a meeting to discuss and consider recommending the candidate to the Board for appointment as a Director upon obtaining the required information from the candidate. The Nomination Committee shall review whether the candidate is qualified to be appointed, elected or re-elected into the Board under the relevant Listing Rules and the policies of the Company.

The Board and the Nomination Committee intend to review the Nomination Policy at least annually and anticipate that modifications may be necessary from time to time given the Company's evolving needs, and changing circumstances which may include legal and regulatory changes in the Listing Rules or laws of Hong Kong, or Bermuda, and other relevant jurisdictions.

The written terms of reference of Nomination Committee (amended on 31 December 2025) are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2025, three meetings of the Nomination Committee were held and the attendance record of the Nomination Committee members is set out in the table below:

Directors	Attended/Eligible to attend
Professor LO Yuk Lam	3/3
Mr. ZHANG Hua Qiao	3/3
Mr. CHOY Sze Chung Jojo	3/3
Ms. XIA Lian (<i>appointed on 31 December 2025</i>)	0/0

During the year 2025, the Nomination Committee has reviewed the Board composition and made recommendation to the Board on the re-election of retiring Directors, the Board Diversity Policy, Nomination Policy and the independence of the Independent Non-executive Directors (including the long servicing Independent Non-executive Directors). The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained and has therefore not set any measurable objective implementing the Board Diversity Policy.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board Diversity Policy

The Company views diversity at the Board level as essential in supporting the attainment of its strategic objectives and its sustainable development. To that end, the Company has adopted a Board Diversity Policy to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Ultimately, all Board appointments are merit-based, and candidates were assessed based on objective criteria, having due regard for the benefits of diversity on the Board.

As at the date of this annual report, the Board comprises nine male Directors and 2 female Directors, and the Company considers that there is adequate gender diversity on the Board. To ensure gender diversity of the Board in a long run, the Group will seek to identify and select several female individuals with a diverse range of skills, experience and knowledge in the field of the Group's business from time to time, and maintain a list of such female individuals who possess qualities to become the Board members in order to develop a pipeline of potential female successors to the Board to promote gender diversity of the Board.

The workforce of the Group (including its senior management) comprised approximately 47% male employees and 53% female employees as at 31 December 2025. Accordingly, the Company considers that the Group has achieved gender diversity in its overall workforce and has no specific plan to further enhance gender diversity in its workforce. Currently, the Company is not aware of any material factor which makes gender diversity across its workforce more challenging or less relevant.

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. CHOY Sze Chung Jojo (Chairman), Mr. ZHANG Hua Qiao and Professor LO Yuk Lam, all of them are independent non-executive Directors.

The primary duties of the Remuneration Committee include the following:

- to make recommendations to the Board on the Company's remuneration policy and structure for all directors and senior management and on the establishment of formal and transparent procedures for formulating the remuneration policy;
- to review and approve the management's remuneration proposals with reference to the corporate goals and objectives set by the Board (including benefits in kind, pensions and payment of compensation (including the compensation for losing or terminating the office or appointment));
- to determine the specific terms of the remuneration package for each executive director and senior management;
- to make recommendations to the Board on the remuneration of non-executive directors and supervisors; and
- to ensure that no director or any of his or her associates is involved in determining his or her own remuneration.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT (CONTINUED)

During the year ended 31 December 2025, three meetings of the Remuneration Committee were held and the attendance record of the Remuneration Committee members is set out in the table below:

Directors	Attended/Eligible to attend
Mr. CHOY Sze Chung Jojo	3/3
Mr. ZHANG Hua Qiao	3/3
Professor LO Yuk Lam	3/3

During the year ended 31 December 2025, the Remuneration Committee assessed the performance of the Directors and reviewed the Company's policy and structure for all Directors' and senior management remuneration.

Audit Committee

The Audit Committee comprises three members namely, Mr. LEUNG Man Kit (Chairman), Mr. ZHANG Hua Qiao and Professor LO Yuk Lam, all of them are independent non-executive Directors. The main duties of the Audit Committee include the following:

- to review the financial statements and reports before submission to the Board;
- to review and monitor the independence of the external auditor, the objectivity and effectiveness of the audit process in accordance with applicable standard and discuss with external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function; and
- to oversee the risk management and internal control systems of the Group, report to the Board on any material issue, and make recommendations to the Board.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2025, two meetings of the Audit Committee were held and the attendance record of the Audit Committee members is set out in the table below:

Directors	Attended/Eligible to attend
Mr. LEUNG Man Kit	2/2
Mr. ZHANG Hua Qiao	2/2
Professor LO Yuk Lam	2/2

CORPORATE GOVERNANCE REPORT (CONTINUED)

During the year ended 31 December 2025, the Audit Committee had reviewed the annual results of the Group for the year ended 31 December 2024, interim results of Group for the period ended 30 June 2025, the risk management systems and processes for the re-appointment of the external auditor. There are proper arrangements for employees to raise concerns about possible improprieties in financial reporting, internal control and other matters in confidence.

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2025 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided the Board with necessary explanation and information in enabling the Board to conduct an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company regarding their responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on page 65 of this annual report.

ESG Committee

The ESG Committee comprises one independent non-executive Director, Professor LO Yuk Lam (Chairman), one executive Director, Mr. YANG Rong Bing, and one non-executive Director, Mr. SONG Rui Lin. The main responsibility of the ESG Committee is to identify and manage environmental, social and governance-related risks and opportunities, and to address and implement relevant governance strategies and initiatives. The ESG Committee has the following primary duties:

- to co-ordinate, identify, assess and manage the ESG matters of the Group and report to the Board on any significant issues;
- to develop and review the approach and strategy of the Group's ESG policies, and closely monitor the implementation and effectiveness of ESG policies and initiatives;
- to set ESG-related objectives according to the actual situation of the Group and to regularly review the progress and performance of the Group against these objectives;
- to assist the Board in reviewing the annual ESG Report, and coordinate the preparation of the ESG Report;
- to keep abreast of regulatory requirements and to oversee the Group's compliance with relevant laws and regulations; and
- to co-ordinate any other ESG-related work as may be assigned by the Board.

The written terms of reference of the ESG Committee are available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT (CONTINUED)

During the year ended 31 December 2025, one meeting of the ESG Committee was held and the attendance record of the ESG Committee members is set out in the table below:

Directors	Attended/Eligible to attend
Professor LO Yuk Lam	1/1
Mr. YANG Rong Bing	0/1
Mr. SONG Rui Ling	1/1

Risk Management and Internal Control

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate internal control system to safeguard shareholders investments and the Company's assets. The effectiveness of such system is examined on an annual basis. The Board also clarifies that the system is purported to manage, but not eliminate, the risk of failure to fulfil business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has established an internal audit department to review the financial condition, operational condition, risk management, compliance control and internal control of the Group. Management is responsible for performing risk assessment, and owning the implementation and maintenance of internal control. Well defined policies and procedures that are properly documented and communicated to employees are essential to the risk management and internal control systems.

At least annually, the Board, through the Audit Committee, review the effectiveness of the risk management and the internal control systems of the Company including the adequacy of resources, qualifications and experience of staff on the Company's accounting and financial reporting function, and their training programmes and budget, and considered the internal control system to be effective and adequate. For the year ended 31 December 2025, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget and considered the risk management and the internal control systems to be effective and adequate.

The Group's risk management and internal control system is embedded within our business processes so that it functions as an integral part of the overall operation of the Group. The system comprises a comprehensive organisation structure with assignment of definite accountabilities and delegation of corresponding authorities to each post. Based on our organization structure, a reporting system has been developed including reporting channels from division heads of business units to the Board.

The risk management and internal control systems and accounting system of the Group are aimed at identifying and evaluating the Group's risk and formulate risk mitigation strategies, and to provide reasonable assurance that assets are safeguarded against unauthorised use or disposition, transactions are executed in accordance with management's authorisation, and the accounting records are reliable for preparing financial information used within the business for publication, maintaining accountability for assets and liabilities and ensuring that the business operations are in accordance with relevant legislation, regulations and internal guidelines.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Group has a defined organisational structure with clear defined lines of responsibility and authority. Each department is accountable for its daily operations and is required to report to Executive Directors on a regular basis. Policies and procedures are set for each department, which includes establishing and maintaining effective policies to enhance risks identification to which the Group are exposed and taking appropriate action to manage such risks, establishing a structure with defined authorities and proper segregation of duties; monitoring the strategic plan and performance; designing an effective accounting and information system; controlling price sensitive information; and ensuring swift actions and timely communication with our stakeholders.

Whistleblowing Policy

The Company has in place the Whistleblowing Policy for employees and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matters related to the Company.

Anti-Corruption Policy

The Company has also in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the internal audit department, which is responsible for investigating the reported incidents and taking appropriate measures.

Dissemination of Inside Information

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Group has internal policy and procedures which strictly prohibit unauthorised use of inside information and has communicated to all staff; the Board is aware of its obligations to announce any inside information in accordance with the Listing Rules and conducts the affairs with reference to the “Guidelines on Disclosure of Inside Information” issued by the Securities and Futures Commission in June 2012. In addition, only Directors and delegated officers can act as the Group’s spokesperson and respond to external enquiries about the Group’s affairs.

Auditor’s Remuneration

For the year ended 31 December 2025, an analysis of the remuneration paid or payable to the Company’s auditor, Ernst & Young, is set out below:

Items of auditors’ services	Amount (RMB’000)
Audit services	15,827
Non-audit services – transfer pricing advisory services	1,472
Non-audit services – tax advisory services	299
Total	17,598

The Audit Committee and the Board have agreed on the re-appointment of Ernst & Young as the independent auditor of the Group for 2026 and the proposal will be submitted for approval at the AGM to be held on 26 June 2026.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Company Secretary

Ms. Lee Mei Yi (“Ms. Lee”) has been appointed as the company secretary of the Company since 1 December 2020. Ms. Lee is an executive director of the Company Secretarial Services of Tricor Services Limited, and she is communicating closely with Ms. Zhu Yuan Yuan, an executive Director of the Company.

During the year 2025, Ms. Lee undertook not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Communication with Shareholders and Investor Relations

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and their understanding of the Group’s business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make the informed investment decisions.

The annual general meeting of the Company provides opportunity for Shareholders to communicate directly with the Directors. The Chairman of the Company and the chairman of each Board Committee of the Company will attend the AGMs to answer Shareholders’ questions. The external auditor of the Company will also attend the AGMs to answer questions about the conduct of the audit, the preparation and contents of the auditor’s report, the accounting policies and the independence of auditor.

To promote effective communication, the Company adopts a shareholders’ communication policy which aims to establish a two-way relationship and communication between the Company and its shareholders. The Company maintains a website at www.luye.cn, where up-to-date information on the Company’s business operations and developments, financial information, corporate governance practices and other information are available for public access.

During the year ended 31 December 2025, the Company has not made any changes to the Bye-laws. The latest version of the Bye-laws is also available on the Company’s website and the Stock Exchange’s website.

The Board has conducted a review of the implementation and effectiveness of the shareholders’ communication policy during the year ended 31 December 2025. Having considered the multiple channels of communication as described above in place, the Board is satisfied that the shareholders’ communication policy has been properly implemented during the year ended 31 December 2025 and is effective. The Board will continue to review the implementation and effectiveness of the shareholders’ communication policy on an annual basis.

Shareholders’ Rights

To safeguard Shareholders’ interests and rights, a separate resolution will be proposed for each issue at Shareholder meetings, including the election of individual directors. All resolutions put forward at Shareholder meetings will be voted on by poll in accordance with the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each Shareholder meeting.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Convening of Special General Meeting and Putting Forward Proposals

In accordance with Bye-law 58, a special general meeting shall be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the share capital of the Company having the right of voting at general meetings.

Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring a special general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition.

Shareholders may put forward proposals for consideration at a special general meeting in accordance with the Companies Act 1981 of Bermuda and Bye-law 58.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Enquiries to the Board or Proposals at Company's General Meetings

Written enquiries to the Board and proposals at general meetings of the Company may be made at the Company's principal place of business in Hong Kong at Unit 3207, 32/F, Champion Tower, 3 Garden Road, Central, Hong Kong for the attention to the Chairman of the Board. Other enquiries may be made by telephone at (852) 3523 0428 or by fax at (852) 3524 0430.

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the shareholders of Luye Pharma Group Ltd.

(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Luye Pharma Group Ltd. (the “Company”) and its subsidiaries (the “Group”) set out on pages 67 to 188, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the “Code”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key audit matter

How our audit addressed the key audit matter

Impairment testing of goodwill

The carrying amount of goodwill as at 31 December 2025 was RMB1,075,187,000. The Group performs its impairment testing of goodwill annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Management's impairment testing is important to our audit because the assessment process is complex and requires significant judgement and estimates on assumptions including growth rate, gross margin and discount rate.

The Group's disclosures about impairment testing of goodwill are included in note 2.4 *Material accounting policies*, note 3 *Significant accounting judgements and estimates* and note 15 *Goodwill*, which specifically explain the accounting policies and management's assumptions and accounting estimates.

Capitalisation of development costs

During the year, expenditure incurred on projects to develop new pharmaceutical products of RMB586,573,000 was capitalised in other intangible assets in the consolidated financial statements. The expenditure on development activities is capitalised when all the criteria mentioned in note 2.4 *Material accounting policies* were satisfied. Significant management estimate and judgement were required in determining whether the capitalised costs met the capitalisation criteria.

The Group's disclosures about the capitalisation of development costs are included in note 2.4 *Material accounting policies*, note 3 *Significant accounting judgements and estimates* and note 16 *Other intangible assets*, which specifically explain the accounting policies and management's assumptions and accounting estimates.

We reviewed and tested management's future forecasted cash flows and key assumptions by comparing to the Group's development plan, budget and financial projections and analysis of the industry. We involved our valuation specialists to assist us in evaluating the key valuation parameters such as the discount rate, the growth rate applied and the valuation model with forecasted cash flows.

We evaluated management judgement on the distinction between the research and development phase and the satisfaction of capitalisation criteria in comparison to industry practice and the Group's policy. We obtained an understanding of the Group's internal approval process regarding the capitalisation of development costs by conducting interviews with key management members in charge of research, development and commercialisation of various projects. We also examined technical feasibility reports and certifications related to different stages of development activities and reviewed the expenditure documents relevant to development costs that were separately accounted for.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key audit matter

How our audit addressed the key audit matter

Impairment testing of other intangible assets not yet available for use

As at 31 December 2025, other intangible assets not yet available for use amounted to RMB1,316,262,000. The Group performs its impairment test for intangible assets not yet available for use on an annual basis. The impairment reviews performed by the Group contained significant judgement and estimates on assumptions including growth rate, profit margin and discount rate.

The Group's disclosures on other intangible assets not yet available for use are included in note 2.4 *Material accounting policies*, note 3 *Significant accounting judgements and estimates* and note 16 *Other intangible assets*, which specifically explain the accounting policies and management's assumptions and accounting estimates.

We checked the key assumptions including the product's projected market share, expected selling price and associated costs to be incurred against industrial analyst commentaries, consensus forecasts of certain therapeutic area and benchmark data for comparable companies where available. We involved our internal valuation specialists to assist us in evaluating the methodologies used in the impairment analysis, in particular discount rate and growth rate.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the Management Discussion and Analysis of the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Chairman's Statement, the Report of Directors and the Corporate Governance Report, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's Statement, the Report of Directors and the Corporate Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Hooi Wan Yee (practising certificate number: P07668).

Ernst & Young

Certified Public Accountants

Hong Kong

30 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2025

	<i>Notes</i>	2025 RMB'000	2024 RMB'000
REVENUE	5	6,308,374	6,061,441
Cost of sales		(2,145,791)	(2,017,214)
Gross profit		4,162,583	4,044,227
Other income and gains	5	472,426	359,968
Selling and distribution expenses		(1,826,153)	(1,816,428)
Administrative expenses		(679,637)	(581,962)
Other expenses	6	(466,418)	(604,027)
Finance costs	7	(686,595)	(561,785)
Share of profits and losses of associates	18	(31,569)	(774)
PROFIT BEFORE TAX	6	944,637	839,219
Income tax expense	10	(238,978)	(194,211)
PROFIT FOR THE YEAR		705,659	645,008
Attributable to:			
Owners of the parent		618,747	471,886
Non-controlling interests		86,912	173,122
		705,659	645,008
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	12	15.88 cents	12.54 cents
Diluted (RMB)	12	12.50 cents	12.54 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
PROFIT FOR THE YEAR		705,659	645,008
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		51,185	18,840
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		51,185	18,840
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		(468)	(5,119)
Income tax effect		68	61
		(400)	(5,058)
Remeasurement on defined benefit plan	37	1,593	(1,871)
Income tax effect		(285)	185
		1,308	(1,686)
Share of other comprehensive income of a joint venture		9,514	—
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		10,422	(6,744)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		61,607	12,096
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		767,266	657,104
Attributable to:			
Owners of the parent		680,438	483,997
Non-controlling interests		86,828	173,107
		767,266	657,104

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2025

	Notes	31 December 2025 RMB'000	31 December 2024 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	4,973,420	5,004,624
Right-of-use assets	14(a)	329,429	334,581
Goodwill	15	1,075,187	1,012,456
Other intangible assets	16	6,783,397	6,585,487
Investment in a joint venture	17	13,348	359,420
Investments in associates	18	1,788,066	1,511,687
Equity investments designated at fair value through other comprehensive income	19	2,424	2,786
Prepayments, other receivables and other assets	22	761,046	710,962
Financial assets at fair value through profit or loss	23	1,792,548	618,512
Deferred tax assets	32	73,782	163,578
Total non-current assets		17,592,647	16,304,093
CURRENT ASSETS			
Inventories	20	956,540	911,893
Trade and notes receivables	21	3,258,857	2,779,767
Prepayments, other receivables and other assets	22	2,141,506	1,939,220
Financial assets at fair value through profit or loss	23	2,003,561	1,504,067
Restricted cash	24	5,266	—
Pledged deposits	24	1,375,422	1,174,015
Time deposits with original maturity of over three months	24	1,000,000	62,000
Cash and cash equivalents	24	4,491,540	4,937,145
Total current assets		15,232,692	13,308,107
CURRENT LIABILITIES			
Trade and notes payables	25	1,153,235	689,300
Other payables and accruals	26	1,776,032	2,182,079
Interest-bearing loans and borrowings	27	6,694,099	6,574,007
Convertible bonds	28	—	1,011,067
Government grants	30	13,778	18,302
Tax payable		298,666	294,387
Total current liabilities		9,935,810	10,769,142
NET CURRENT ASSETS		5,296,882	2,538,965
TOTAL ASSETS LESS CURRENT LIABILITIES		22,889,529	18,843,058

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2025

	<i>Notes</i>	31 December 2025 RMB'000	31 December 2024 RMB'000
NON-CURRENT LIABILITIES			
Convertible bonds	28	1,065,326	1,015,543
Interest-bearing loans and borrowings	27	1,657,857	1,720,437
Government grants	30	280,216	118,207
Employee defined benefit obligation	37	4,558	5,341
Pillar Two tax liabilities		26,236	—
Deferred tax liabilities	32	493	36,479
Exchangeable preference shares	33	897,553	—
Other non-current liabilities	29	598,236	193,381
Total non-current liabilities		4,530,475	3,089,388
Net assets		18,359,054	15,753,670
EQUITY			
Equity attributable to owners of the parent			
Issued capital	34	518,839	486,107
Share premium		5,064,088	4,250,260
Equity component of convertible bonds	28	386,362	461,359
Reserves		10,103,265	8,956,803
Non-controlling interests	38	2,286,500	1,599,141
Total equity		18,359,054	15,753,670

Mr. Liu Dian Bo
Director

Mr. Yuan Huixian
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2025

Attributable to owners of the parent

	Issued capital RMB'000 (note 34)	Equity component		Other reserves* RMB'000	Safety production reserve* RMB'000 (note 35)	Statutory surplus reserve* RMB'000 (note 35)	Share award scheme reserve* RMB'000	Retained earnings* RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Foreign currency translation reserve* RMB'000	Total	Non-controlling interests RMB'000	Total equity RMB'000
		Share premium account RMB'000 (note 28)	Convertible bonds RMB'000 (note 28)										
At 1 January 2025	486,107	4,250,260	461,359	961,074	32,051	1,447,629	55,740	6,384,012	917	75,380	14,154,529	1,599,141	15,753,670
Profit for the year	-	-	-	-	-	-	-	618,747	-	-	618,747	86,912	705,659
Other comprehensive income for the year:													
Exchange differences related to foreign operations	-	-	-	-	-	-	-	-	-	51,269	51,269	(84)	51,185
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	-	(400)	-	(400)	-	(400)
Remeasurement on defined benefit plan, net of tax	-	-	-	-	-	-	-	1,308	-	-	1,308	-	1,308
Share of other comprehensive income of a joint venture	-	-	-	-	-	-	-	-	9,514	-	9,514	-	9,514
Total comprehensive income for the year	-	-	-	-	-	-	-	620,055	9,114	51,269	680,438	86,828	767,266
Conversion of convertible bonds (note 28)	32,732	813,828	(74,997)	-	-	-	-	-	-	-	771,563	-	771,563
Issue of shares by a subsidiary (note a)	-	-	-	477,279	-	-	-	-	-	-	477,279	598,256	1,075,535
Share of equity interests of an associate (note b)	-	-	-	23,261	-	-	-	-	-	-	23,261	-	23,261
Tax impact of an inter-group equity transaction (note c)	-	-	-	(34,611)	-	-	-	-	-	-	(34,611)	-	(34,611)
Equity-settled share award expense (note 36)	-	-	-	-	-	-	8,425	-	-	-	8,425	4,945	13,370
Transfer of share award scheme reserve	-	-	-	-	-	-	(8,330)	-	-	-	(8,330)	8,330	-
Transfer to statutory reserves	-	-	-	-	-	105,340	-	(105,340)	-	-	-	-	-
Appropriation to safety production reserve	-	-	-	-	5,847	-	-	(5,847)	-	-	-	-	-
Safety production reserve used	-	-	-	-	(512)	-	-	512	-	-	-	-	-
Dividend declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(11,000)	(11,000)
At 31 December 2025	518,839	5,064,088	386,362	1,427,003	37,386	1,552,969	55,835	6,893,392	10,031	126,649	16,072,554	2,286,500	18,359,054

Notes:

- (a) On 11 June 2025 and 14 August 2025, the Group's subsidiary, Shandong Boan Biotechnology Co., Ltd. ("Boan Biotech") placed a total of 38,400,000 shares at a placing price of HK\$10.42 per placing share and a total of 48,000,000 shares at a placing price of HK\$16.42 per placing share, respectively.
- (b) During the year, there was a change recognised directly in the equity of an associate of the Group, Yantai Donghai Bosai Equity Investment (Limited Partnership), due to capital changes of its associate. Accordingly, the Group recognised its share of change in the consolidated statement of changes in equity.
- (c) The Group made inter-group reorganisation which was recognised as an equity transaction. The tax impact of the transaction was charged in equity accordingly.

* These reserve accounts comprise the consolidated reserves of RMB10,103,265,000 (2024: RMB8,956,803,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2025

Attributable to owners of the parent

	Issued capital	Share premium account	Equity component of convertible bonds	Other reserves*	Safety production reserve*	Statutory surplus reserve*	Share award reserve*	Retained earnings*	Fair value reserve of financial assets at fair value through other comprehensive income*	Foreign currency translation reserve*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 34)		(note 28)		(note 35)	(note 35)							
At 1 January 2024	486,107	4,159,320	386,362	–	30,654	1,319,814	43,404	6,060,730	(11,731)	56,525	12,531,185	997,309	13,528,494
Profit for the year	–	–	–	–	–	–	–	471,886	–	–	471,886	173,122	645,008
Other comprehensive income for the year:													
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	–	–	(5,058)	–	(5,058)	–	(5,058)
Exchange differences related to foreign operations	–	–	–	–	–	–	–	–	–	18,855	18,855	(15)	18,840
Remeasurement on defined benefit plan, net of tax	–	–	–	–	–	–	–	(1,686)	–	–	(1,686)	–	(1,686)
Total comprehensive income for the year	–	–	–	–	–	–	–	470,200	(5,058)	18,855	483,997	173,107	657,104
Issue of convertible bonds (note 28)	–	–	74,997	–	–	–	–	–	–	–	74,997	–	74,997
Issue of shares by a subsidiary	–	–	–	108,830	–	–	–	–	–	–	108,830	120,697	229,527
Disposal of a subsidiary	–	–	–	–	–	–	–	(17,706)	17,706	–	–	–	–
Equity-settled share award expense (note 36)	–	–	–	–	–	–	12,336	–	–	–	12,336	9,163	21,499
Transfer to statutory reserves	–	–	–	–	–	127,815	–	(127,815)	–	–	–	–	–
Appropriation to safety production reserve	–	–	–	–	9,502	–	–	(9,502)	–	–	–	–	–
Safety production reserve used	–	–	–	–	(8,105)	–	–	8,105	–	–	–	–	–
Capital contribution from non-controlling interests	–	90,940	–	670,152	–	–	–	–	–	–	761,092	270,015	1,031,107
Termination of redemption liabilities	–	–	–	182,092	–	–	–	–	–	–	182,092	29,265	211,357
Dividend declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(415)	(415)
At 31 December 2024	486,107	4,250,260	461,359	961,074	32,051	1,447,629	55,740	6,384,012	917	75,380	14,154,529	1,599,141	15,753,670

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		944,637	839,219
Adjustments for:			
Share of profits and losses of associates	18	31,569	774
Depreciation of property, plant and equipment	13	412,888	374,042
Depreciation of right-of-use assets	14(a)	38,395	28,392
Amortisation of other intangible assets	16	388,209	388,238
Bank interest income		(96,104)	(84,432)
Investment income from financial assets at fair value through profit or loss		(56,694)	(72,760)
Changes in fair value of financial assets at fair value through profit or loss		7,733	(1,791)
Gain on disposal of a subsidiary		—	(3,636)
Loss/(gain) on disposal of items of property, plant and equipment and other intangible assets		4,959	(14,852)
Gain on termination of leases		(1,168)	—
Gain on a finance lease as a sublease lessor		—	(548)
Loss on termination of a finance lease		—	7,908
Gain/(loss) on lease modifications		—	481
Finance costs	7	686,595	561,785
Changes in fair value of exchangeable preference shares		(156,767)	—
Equity-settled share award expense	36	13,370	21,499
Defined benefit plan		(984)	(429)
Provision for legal claims	31	14,577	14,653
		2,231,215	2,058,543
Increase in trade and notes receivables		(479,103)	(424,881)
Decrease/(increase) in prepayments, other receivables and other assets		514,042	(1,054,124)
Increase in inventories		(44,647)	(84,030)
Increase in restricted cash		(5,266)	—
(Placement)/withdrawal of pledged deposits		(33,389)	188,557
Increase/(decrease) in trade and notes payables		463,935	(77,887)
(Decrease)/increase in other payables and accruals		(311,677)	264,935
Increase in government grants		157,485	9,965
Decrease in other non-current liabilities		(12,351)	(56,289)
Cash generated from operations		2,480,244	824,789
Interest paid		(505,676)	(450,096)
Income tax paid		(191,413)	(206,929)
Net cash flows from operating activities		1,783,155	167,764

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
Net cash flows from operating activities	1,783,155	167,764
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(511,398)	(594,070)
Prepayments for right-of-use assets	(188)	(1,670)
Increase in other intangible assets	(491,130)	(1,112,757)
Purchases of financial assets at fair value through profit or loss	(3,525,172)	(1,744,341)
Proceeds from sale of financial assets at fair value through profit or loss	1,841,092	1,705,420
Receipts of investment income from financial assets at fair value through profit or loss	57,594	77,732
Proceeds from a finance lease as a sublease lessor	—	1,865
Purchases of shareholdings in associates and a joint venture	(289,600)	(884,420)
Withdrawal of investments in associates	—	400,000
Prepayment for equity investments	—	(150,000)
Refund of advance payment for an equity investment	150,000	—
Proceeds from disposal of items of property, plant and equipment	1,782	7,438
Placement of time deposits with original maturity of over three months	(1,000,000)	(645,405)
Withdrawal of time deposits with original maturity of over three months	62,000	1,855,100
Interest received	96,104	84,432
Loans to third parties	(1,088,000)	(469,776)
Repayment from third parties	709,776	—
Advances to a related party	—	(788)
Repayment from a related party	788	—
Disposal of a subsidiary	—	(16)
Net cash flows used in investing activities	(3,986,352)	(1,471,256)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	10,031,257	9,045,855
Repayment of loans	(10,000,657)	(8,243,036)
Proceeds from issue of shares by a subsidiary	1,075,535	229,527
Proceeds from issue of exchangeable preference shares	1,038,379	—
Transaction costs for issue of exchangeable preference shares	(1,000)	—
Proceeds from issue of convertible bonds	—	1,073,279
Transaction costs for issue of convertible bonds	—	(16,031)
Redemption of convertible bonds	(283,372)	—
Principal portion of lease payments	(23,756)	(20,457)
Placement of pledged deposits	(168,018)	(218,436)
Capital contribution from non-controlling interests	—	1,105,556
Dividend paid to a non-controlling shareholder	(11,415)	—
Prepayment for acquisition of non-controlling interests	(271,596)	—
Increase in non-current liabilities	402,000	—
Net cash flows from financing activities	1,787,357	2,956,257

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2025

	<i>Notes</i>	2025 RMB'000	2024 RMB'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(415,840)	1,652,765
Effect of foreign exchange rate changes, net		(29,765)	45,407
Cash and cash equivalents at beginning of year		4,937,145	3,238,973
CASH AND CASH EQUIVALENTS AT END OF YEAR		4,491,540	4,937,145
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	2,989,172	962,207
Time deposits	24	3,883,056	5,210,953
		6,872,228	6,173,160
Less:			
Current pledged deposits for bank loans	24	(225,792)	(165,711)
Current pledged deposits for notes payable	24	(556,575)	(562,186)
Current pledged deposits for letters of credit	24	(268,055)	(160,118)
Current pledged time deposits for a letter of guarantee	24	(325,000)	(286,000)
Non-pledged time deposits with original maturity of over three months when acquired	24	(1,000,000)	(62,000)
Restricted cash	24	(5,266)	—
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		4,491,540	4,937,145

NOTES TO FINANCIAL STATEMENTS

31 December 2025

1. Corporate and group information

The Company was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act on 2 July 2003. It was listed on the Singapore Exchange Securities Trading Limited on 5 May 2004 and has been delisted since 29 November 2012. On 9 July 2014, the Company succeeded in listing on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is located at Suite 3207, Champion Tower, 3 Garden Road, Central, Hong Kong.

The Company is an investment holding company. The Company’s subsidiaries are principally engaged in the development, production, marketing and sale of pharmaceutical products.

In the opinion of the directors, the Company does not have an immediate holding company or ultimate holding company. Mr. Liu Dian Bo is the controlling shareholder of the Company as defined in the Rules Governing the Listing of Securities on the Stock Exchange.

Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Company	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Yantai Luye Pharma Holdings Co., Ltd.*	People’s Republic of China (“PRC”)/ Chinese mainland	US\$897,202,842	–	100	Investment holding
Shandong Luye Pharmaceutical Co., Ltd. (“Shandong Luye”)**	PRC/Chinese mainland	RMB 2,031,800,000	–	100	Manufacture and sale of pharmaceutical products
Yantai Luye Drugs Trading Co., Ltd. (“Luye Trading”)**	PRC/Chinese mainland	RMB3,000,000,000	–	100	Distribution and sale of pharmaceutical products
Nanjing Luye Pharmaceutical Co., Ltd. (“Nanjing Luye”)**	PRC/Chinese mainland	RMB177,042,985	–	77.25	Manufacture and sale of pharmaceutical products
Beijing WBL Peking University Biotech Co., Ltd. (“WPU”)**	PRC/Chinese mainland	RMB80,000,000	–	59.92	Manufacture and sale of pharmaceutical products
Sichuan Luye Pharmaceutical Co., Ltd. (“Sichuan Luye”)**	PRC/Chinese mainland	RMB36,100,000	–	86.20	Manufacture and sale of pharmaceutical products

NOTES TO FINANCIAL STATEMENTS

31 December 2025

1. Corporate and group information (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Company	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Luye WBL (Chengdu) Biopharmaceutical Co., Ltd. ("Chengdu Luye")**	PRC/Chinese mainland	RMB276,545,455	–	86.15	Manufacture and sale of biopharmaceutical products
Boan Biotech**	PRC/Chinese mainland	RMB622,333,694	–	57.94	Development, manufacture and commercialisation of biologics
Nanjing Jimai Biological Technology Co., Ltd. ("Nanjing Jimai")**	PRC/Chinese mainland	RMB50,000,000	–	77.25	Research and development and manufacture and sale of pharmaceutical products
Jiaao Pharmaceutical (Shijiazhuang) Co., Ltd. ("Jiaao Pharma")**	PRC/Chinese mainland	RMB127,843,401	–	100	Research and development and manufacture and sale of pharmaceutical products
Luye Pharma (USA) Ltd.	United States of America ("USA")	US\$1	100	–	Research and development and manufacture and sale of pharmaceutical products
Luye Pharma Hong Kong Limited ("Luye Hong Kong")	Hong Kong	HK\$2,328,930,660	–	100	Distribution and sale of pharmaceutical products and investment holding
Luye Pharma Switzerland AG	Switzerland	CHF100,000	–	100	Manufacture and sale of pharmaceutical products
Luye Pharma AG	Germany	EUR209,865	–	100	Distribution and sale of pharmaceutical products

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

1. Corporate and group information (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Company	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Luye Pharma Ltd.	United Kingdom	GBP1	—	100	Distribution and sale of pharmaceutical products and investment holding
Luye Pharma (Malaysia) Sdn. Bhd.	Malaysia	MYR600,000	—	100	Distribution and sale of pharmaceutical products
Luye Verde Pharma Limited	Hong Kong	HK\$1	—	100	Distribution and sale of pharmaceutical products
Luye Geneora Holding Limited ("LGHL")	Cayman Islands	US\$1	—	100	Investment holding company

* The entity is a wholly-foreign-owned enterprise established under PRC law.

** These entities are limited liability enterprises established under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2. Accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and exchangeable preference shares, which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2025. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the foreign currency translation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.2 Changes in accounting policies and disclosures

The Group has adopted amendments to IAS 21 *Lack of Exchangeability* for the first time for the current year's financial statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted in and the functional currencies of overseas subsidiaries, joint ventures and associates for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the Group's financial statements.

2.3 Issued but not yet effective IFRS Accounting Standards

The Group has not applied the following new and amended IFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and amended IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
IFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures²</i>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation Currency²</i>
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ¹

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual/reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

Further information about those IFRS Accounting Standards that are expected to be applicable to the Group is described below.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.3 Issued but not yet effective IFRS Accounting Standards (Continued)

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group's financial statements.

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRS Accounting Standards. IFRS 19 was amended in 2025 to (i) remove disclosure objectives from IFRS 19; (ii) reduce the disclosure requirements relating to supplier finance arrangements and a specific class of financial liabilities; and (iii) replace disclosure requirements relating to management-defined performance measures with a cross-reference to IFRS 18 for entities that use these measures. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply IFRS 19. Some of the Company's subsidiaries are considering the application of IFRS 19 in their specified financial statements.

Amendments to IFRS 9 and IFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.3 Issued but not yet effective IFRS Accounting Standards (Continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

Annual Improvements to IFRS Accounting Standards – Volume 11 set out amendments to IFRS 1, IFRS 7 (and the accompanying *Guidance on implementing IFRS 7*), IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- **IFRS 7 *Financial Instruments: Disclosures*:** The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing IFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing IFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **IFRS 9 *Financial Instruments*:** The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in profit or loss. However, the amendments do not address how a lessee distinguishes between a lease modification as defined in IFRS 16 and an extinguishment of a lease liability in accordance with IFRS 9. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **IFRS 10 *Consolidated Financial Statements*:** The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **IAS 7 *Statement of Cash Flows*:** The amendments replace the term "cost method" with "at cost" in paragraph 37 of IAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.4 Material accounting policies

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. 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 those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.4 Material accounting policies (Continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date through fair value and any resulting gain or loss is recognised in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.4 Material accounting policies (Continued)

Business combinations and goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures equity investments and wealth management products investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.4 Material accounting policies (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.4 Material accounting policies (Continued)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.4 Material accounting policies (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	10 to 40 years
Machinery and equipment	5 to 15 years
Motor vehicles	5 to 10 years
Computer and office equipment	3 to 15 years
Leasehold improvements	2 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.4 Material accounting policies (Continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets not yet available for use are tested for impairment annually either individually or at the cash-generating unit level, irrespective of whether there is any indication that they may be impaired. Such intangible assets are not amortised.

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Licences and trademarks	8 to 10 years
Patents and technology know-how	5 to 30 years
Software	2 to 20 years
Distribution right	30 years

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production. During the period of development, the deferred development costs are tested for impairment annually.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.4 Material accounting policies (Continued)

Leases (Continued)

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	10 to 60 years
Buildings	1.5 to 5 years
Motor vehicles	2 to 3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing loans and borrowings.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.4 Material accounting policies (Continued)

Leases (Continued)

Group as a lessee (Continued)

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment and buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.4 Material accounting policies (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment occurs if there is a change in the terms of the contract that significantly modifies the cash flows.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.4 Material accounting policies (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.4 Material accounting policies (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

The Group considers a financial asset in default when contractual payments are 180 days past due. The Group has rebutted the 90 days past due presumption of default based on reasonable and supportable information, including the Group's credit risk control practices and the historical recovery rate of financial assets over 90 days past due. However, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk of debt investments since origination, the allowance will be based on the lifetime ECL.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.4 Material accounting policies (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, accruals, convertible bonds, other non-current liabilities, interest-bearing loans and borrowings and exchangeable preference shares.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

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 upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.4 Material accounting policies (Continued)

Financial liabilities (Continued)

Subsequent measurement (Continued)

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.4 Material accounting policies (Continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except that deferred tax is not recognised for the Pillar Two income taxes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.4 Material accounting policies (Continued)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.4 Material accounting policies (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on acceptance of the goods.

(b) Sale of product know-how

Revenue from the sale of product know-how is recognised at the point in time when the control of the product know-how is transferred to the customer, generally on acceptance of the product know-how.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.4 Material accounting policies (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(c) *Provision of research and development services*

Revenue from the provision of research and development services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue from the provision of research and development services is recognised over time, using an output method to measure progress by using services transferred to the customer to date, because the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

(d) *Out-licensing agreements*

The Group grant commercialisation licenses or intellectual property licenses of certain products. Revenue is recognised at the point in time when the control of the license is transferred to the customer. The consideration for license comprises fixed element and variable elements. The variable elements are included in the transaction price when the Group can conclude that it is highly probable there will not be a significant reversal of revenue.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.4 Material accounting policies (Continued)

Contract costs

Other than the costs which are capitalised as inventories, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Group operates a share award scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the back-solve method and equity value allocation based on the option pricing model, further details of which are given in note 36 to the financial statements.

The cost of equity-settled transactions is recognised in expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.4 Material accounting policies (Continued)

Share-based payments (Continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension schemes

Contributions made to the government retirement benefit fund under defined contribution retirement plans are charged to the statement of profit or loss as incurred.

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

The Group makes contributions to the Central Provident Fund (the "CPF") Scheme in Singapore, a defined contribution pension scheme, for its employees in Singapore.

The subsidiaries established and operated in the Chinese mainland are required to provide certain staff pension benefits to their employees under existing regulations of the PRC (the "PRC Pension Scheme"). Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiaries' employees. The Group's employer contributions to the CPF and the PRC Pension Scheme vest fully with the employees upon the contributions are made and hence no forfeited contributions arise when the employees leave the respective scheme.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.4 Material accounting policies (Continued)

Other employee benefits (Continued)

Defined benefit plan

The Group operates a defined benefit pension plan in Switzerland, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under “cost of sales”, “selling and distribution expenses” and “administrative expenses” in the consolidated statement of profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.4 Material accounting policies (Continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which the Company adopted as the presentation currency of the Group because the Group's principal operations are carried out in the Chinese mainland. The functional currency of the Company is the United States dollar ("US\$") and certain subsidiaries incorporated outside the Chinese mainland use Singapore dollar ("SG\$"), Hong Kong dollar ("HK\$"), Malaysian Ringgit ("MYR"), Great Britain Pound ("GBP") and Euro ("EUR") as their functional currencies. The functional currency of the subsidiaries established in the Chinese mainland is RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

2.4 Material accounting policies (Continued)

Foreign currencies (Continued)

The functional currencies of the non-Chinese mainland established subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the non-Chinese mainland established subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the non-Chinese mainland established companies which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Research and development costs

All research costs are charged to the statement of profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions and judgements regarding to technical feasibility of completing the intangible asset, future economic benefits and so forth.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

3. Significant accounting judgements and estimates (Continued)

Judgements (Continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Group has tax losses of RMB4,479,083,000 (2024: RMB3,834,134,000) carried forward. These losses related to subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group had been able to recognise all unrecognised deferred tax assets, the profit and equity would have increased by RMB150,501,000 (2024: RMB65,419,000). Further details on deferred taxes are disclosed in note 32 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2025 was RMB1,075,187,000 (2024: RMB1,012,456,000). Further details are given in note 15 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

3. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 21 to the financial statements.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made for those identified obsolete and slow-moving inventories and inventories with a carrying amount higher than net realisable value. The assessment of the provision required involves management's judgement and estimates on which are influenced by assumptions concerning future sales and usage and judgements in determining the appropriate level of inventory provisions against identified surplus or obsolete items. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying amounts of inventories and the write-down/write-back of inventories in the period in which such estimate has been changed.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

4. Operating segment information

The Group manages its businesses by type of products. The Group's chief operating decision maker is the Chief Executive Officer, who reviews the revenue from and results of the major type of products sold for the purpose of resource allocation and assessment of segment performance. Segment results are evaluated based on gross profit less selling expenses allocated. No analysis of the Group's assets and liabilities by operating segment is disclosed as it is not regularly provided to the chief operating decision maker for review.

Year ended 31 December 2025

	Oncology drugs RMB'000	Cardio- vascular system drugs RMB'000	Alimentary tract and metabolism drugs RMB'000	Central nervous system drugs RMB'000	Others RMB'000	Total RMB'000
Segment revenue (note 5)						
Sale of products	1,958,356	1,152,355	348,761	1,732,131	471,253	5,662,856
Sale of product know-how	280,000	—	—	120,000	—	400,000
Provision of research and development services	14,245	—	—	—	2,293	16,538
Out-licensing agreements	44,624	—	—	175,856	8,500	228,980
Total segment revenue	2,297,225	1,152,355	348,761	2,027,987	482,046	6,308,374
Segment results	1,067,596	251,070	129,797	867,419	20,548	2,336,430
Other income and gains						472,426
Administrative expenses						(679,637)
Other expenses						(466,418)
Finance costs						(686,595)
Share of profits and losses of associates						(31,569)
Profit before tax						944,637

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

4. Operating segment information (Continued)

Year ended 31 December 2024

	Oncology drugs RMB'000	Cardio- vascular system drugs RMB'000	Alimentary tract and metabolism drugs RMB'000	Central nervous system drugs RMB'000	Others RMB'000	Total RMB'000
Segment revenue (note 5)						
Sale of products	1,766,617	1,660,005	382,647	1,602,437	277,841	5,689,547
Sale of product know-how	250,000	—	—	—	—	250,000
Provision of research and development services	66,813	—	6,227	1,637	2,323	77,000
Out-licensing agreements	1,201	—	—	9,183	34,510	44,894
Total segment revenue	2,084,631	1,660,005	388,874	1,613,257	314,674	6,061,441
Segment results						
	1,057,773	529,720	128,052	456,326	55,928	2,227,799
Other income and gains						359,968
Administrative expenses						(581,962)
Other expenses						(604,027)
Finance costs						(561,785)
Share of profits and losses of associates						(774)
Profit before tax						839,219

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

4. Operating segment information (Continued)

Geographical information

(a) Revenue from external customers

	2025 RMB'000	2024 RMB'000
Chinese mainland	5,135,790	4,924,621
Asia (other than the Chinese mainland)	499,100	347,486
European Union	538,991	586,667
Other countries	134,493	202,667
Total revenue	6,308,374	6,061,441

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2025 RMB'000	2024 RMB'000
Chinese mainland	12,153,771	11,898,618
Hong Kong	2,168,087	2,315,882
European Union	1,333,504	1,242,535
Other countries	58,615	52,998
Total non-current assets	15,713,977	15,510,033

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about a major customer

No revenue from the Group's sales to a single customer accounted for 10% or more of the Group's revenue during the years ended 31 December 2025 and 2024.

5. Revenue, other income and gains

An analysis of revenue is as follows:

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers	6,308,374	6,061,441

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

5. Revenue, other income and gains (Continued)

Revenue from contracts with customers

(i) Disaggregated revenue information
For the year ended 31 December 2025

	Oncology drugs RMB'000	Cardio- vascular system drugs RMB'000	Alimentary tract and metabolism drugs RMB'000	Central nervous system drugs RMB'000	Others RMB'000	Total RMB'000
Types of goods or services						
Sale of products	1,958,356	1,152,355	348,761	1,732,131	471,253	5,662,856
Sale of product know-how	280,000	—	—	120,000	—	400,000
Provision of research and development services	14,245	—	—	—	2,293	16,538
Out-licensing agreements	44,624	—	—	175,856	8,500	228,980
Total	2,297,225	1,152,355	348,761	2,027,987	482,046	6,308,374
Geographical markets						
Chinese mainland	2,281,159	1,142,711	341,880	888,058	481,982	5,135,790
Asia (other than the Chinese mainland)	16,066	9,644	6,881	466,509	—	499,100
European Union	—	—	—	538,991	—	538,991
Other countries	—	—	—	134,429	64	134,493
Total	2,297,225	1,152,355	348,761	2,027,987	482,046	6,308,374
Timing of revenue recognition						
Transferred at a point in time	2,282,980	1,152,355	348,761	2,027,987	479,753	6,291,836
Transferred over time	14,245	—	—	—	2,293	16,538
Total	2,297,225	1,152,355	348,761	2,027,987	482,046	6,308,374

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

5. Revenue, other income and gains (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2024

	Oncology drugs RMB'000	Cardio- vascular system drugs RMB'000	Alimentary tract and metabolism drugs RMB'000	Central nervous system drugs RMB'000	Others RMB'000	Total RMB'000
Types of goods or services						
Sale of products	1,766,617	1,660,005	382,647	1,602,437	277,841	5,689,547
Sale of product know-how	250,000	—	—	—	—	250,000
Provision of research and development services	66,813	—	6,227	1,637	2,323	77,000
Out-licensing agreements	1,201	—	—	9,183	34,510	44,894
Total	2,084,631	1,660,005	388,874	1,613,257	314,674	6,061,441
Geographical markets						
Chinese mainland	2,052,322	1,651,032	387,351	522,200	311,716	4,924,621
Asia (other than the Chinese mainland)	32,309	8,973	42	306,162	—	347,486
European Union	—	—	1,481	585,120	66	586,667
Other countries	—	—	—	199,775	2,892	202,667
Total	2,084,631	1,660,005	388,874	1,613,257	314,674	6,061,441
Timing of revenue recognition						
Transferred at a point in time	2,017,818	1,660,005	382,647	1,611,620	312,351	5,984,441
Transferred over time	66,813	—	6,227	1,637	2,323	77,000
Total	2,084,631	1,660,005	388,874	1,613,257	314,674	6,061,441

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

5. Revenue, other income and gains (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2025 RMB'000	2024 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	182,306	73,315

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of products

The performance obligation is satisfied upon acceptance of the goods and payment is generally due within one month to three months, extending up to six months for major customers.

Sale of product know-how

The performance obligation is satisfied upon acceptance of the product know-how and payment is generally due within three months.

Provision of research and development services

The performance obligation is satisfied over time as services are rendered and payment is generally due within six months from the date of billing.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

5. Revenue, other income and gains (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations (Continued)

Out-licensing agreements

The performance obligation is satisfied upon granting the license and payment is generally due within 30 days from the date of billing.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2025 RMB'000	2024 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	96,968	169,955
After one year	—	12,351
Total	96,968	182,306

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to a supply arrangement. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

5. Revenue, other income and gains (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations (Continued)

Out-licensing agreements (Continued)

	2025 RMB'000	2024 RMB'000
Other income		
Bank interest income	96,104	84,432
Government grants*	39,301	162,069
Investment income from financial assets at fair value through profit or loss	56,694	72,760
Lease and property management service income	6,232	7,027
Compensation income	—	2,649
Others	11,268	9,941
Total other income	209,599	338,878
Gains		
Changes in fair value of exchangeable preference shares	156,767	—
Foreign exchange gains, net	104,543	—
Gain on termination of leases	1,168	—
Changes in fair value of financial assets at fair value through profit or loss	—	1,791
Gain on a finance lease as a sublease lessor	—	548
Gain on disposal of items of property, plant and equipment	—	14,852
Gain on disposal of a subsidiary	—	3,636
Others	349	263
Total gains	262,827	21,090
Total other income and gains	472,426	359,968

* The government grants mainly represent subsidies received from local government authorities to support the Group's research and development activities and operation and to compensate capital expenditure incurred on certain projects.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

6. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	<i>Notes</i>	2025 RMB'000	2024 RMB'000
Cost of inventories sold		2,130,628	1,951,077
Cost of services provided		15,163	66,137
Depreciation of items of property, plant and equipment	<i>13</i>	412,888	374,042
Depreciation of right-of-use assets	<i>14(a)</i>	38,395	28,392
Amortisation of other intangible assets*	<i>16</i>	388,209	388,238
Write-down of/(reversal of) inventories to net realisable value**		26,684	(1,359)
Impairment of trade receivables, net	<i>21</i>	2,573	1,849
Impairment of other receivables, net		5,274	4,323
Lease payments not included in the measurement of lease liabilities	<i>14(c)</i>	20,712	18,412
Auditor's remuneration		15,827	15,629
Bank interest income		(96,104)	(84,432)
Government grants		(39,301)	(162,069)
Investment income from financial assets at fair value through profit or loss		(56,694)	(72,760)
Changes in fair value of exchangeable preference shares		(156,767)	—
Foreign exchange losses/(gains), net		(104,543)	71,725

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

6. Profit before tax (Continued)

The Group's profit before tax is arrived at after charging/(crediting): (Continued)

	2025 RMB'000	2024 RMB'000
Employee benefit expenses (excluding directors' and chief executive's remuneration (<i>note 8</i>)):		
Wages and salaries	728,552	687,968
Pension scheme contributions***	148,693	156,871
Pension plan costs (defined benefit plan)	2,317	1,983
Central Provident Fund in Singapore***	1,924	3,145
Staff welfare expenses	49,555	53,129
Equity-settled share award expense	13,370	21,499
Total	944,411	924,595
Other expenses:		
Research and development costs	413,920	498,587
Donation	3,349	1,478
Provision for legal claims	14,577	14,653
Surcharges for overdue tax payments	11,973	3,611
Loss on disposal of items of property, plant and equipment and other intangible assets	4,959	—
Changes in fair value of financial assets at fair value through profit or loss	7,733	—
Loss on termination of a finance lease	—	7,908
Loss on lease modifications	—	481
Foreign exchange loss, net	—	71,725
Others	9,907	5,584
Total	466,418	604,027

* The amortisation of licences and trademarks, distribution right and patents and technology know-how are included in "Cost of sales" and "Other expenses" in the consolidated statement of profit or loss. The amortisation of software is included in "Administrative expenses" and "Other expenses" in the consolidated statement of profit or loss.

** The write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

7. Finance costs

An analysis of finance costs is as follows:

	2025 RMB'000	2024 RMB'000
Interest on bank and other loans (including convertible bonds)	591,284	474,726
Interest on exchangeable preference shares	21,429	—
Interest on discounted notes receivable	47,610	58,469
Interest on discounted letters of credit	22,281	16,446
Interest on lease liabilities	3,991	4,100
Interest on redemption liabilities	—	8,044
Total	686,595	561,785

8. Directors' and chief executive's remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group 2025 RMB'000	2024 RMB'000
Fees	1,705	1,590
Other emoluments:		
Salaries, allowances and benefits in kind	6,709	6,878
Pension scheme contributions	319	316
Subtotal	7,028	7,194
Total	8,733	8,784

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

8. Directors' and chief executive's remuneration (Continued)

Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2025 RMB'000	2024 RMB'000
Leung Man Kit	330	329
Choy Sze Chung Jojo	275	274
Lo Yuk Lam	275	274
Zhang Hua Qiao	275	274
Xia Lian	275	165
Total	1,430	1,316

There were no other emoluments payable to the independent non-executive directors during the year (2024: Nil).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

8. Directors' and chief executive's remuneration (Continued)

Executive directors, non-executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2025					
<i>Executive directors:</i>					
Liu Dian Bo	—	3,174	—	87	3,261
Yang Rong Bing	—	1,503	—	86	1,589
Yuan Hui Xian	—	978	—	—	978
Zhu Yuan Yuan	—	1,054	—	146	1,200
Subtotal	—	6,709	—	319	7,028
<i>Non-executive directors:</i>					
Song Rui Lin	275	—	—	—	275
Lyu Dong	—	—	—	—	—
Total	275	6,709	—	319	7,303

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

8. Directors' and chief executive's remuneration (Continued)

Executive directors, non-executive directors and the chief executive (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2024					
<i>Executive directors:</i>					
Liu Dian Bo	—	3,154	—	85	3,239
Yang Rong Bing	—	1,692	—	86	1,778
Yuan Hui Xian	—	978	—	—	978
Zhu Yuan Yuan	—	1,054	—	145	1,199
Subtotal	—	6,878	—	316	7,194
<i>Non-executive directors:</i>					
Song Rui Lin	274	—	—	—	274
Lyu Dong	—	—	—	—	—
Total	274	6,878	—	316	7,468

Liu Dian Bo is also the chief executive of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

The directors did not receive any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2024: Nil).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

9. Five highest paid employees

The five highest paid employees during the year included two directors (2024: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2024: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2025 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	6,953	7,239
Performance related bonuses	564	797
Equity-settled share award expense	4,169	6,870
Pension scheme contributions	348	364
Total	12,034	15,270

The number of the non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2025	2024
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$5,000,001 to HK\$5,500,000	1	—
HK\$6,500,001 to HK\$7,000,000	1	—
HK\$7,000,001 to HK\$7,500,000	—	1
HK\$7,500,001 to HK\$8,000,000	—	1
Total	3	3

In prior years, shares were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 36 to the financial statements. The fair value of such shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

10. Income tax

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in these jurisdictions.

Hong Kong profits tax has been provided at the rate of 16.5% (2024: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for a subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2024: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2024: 8.25%) and the remaining assessable profits are taxed at 16.5% (2024: 16.5%).

Pursuant to the rules and regulations of Singapore, Malaysia, Switzerland, Germany, United Kingdom, Australia, the Group is subject to 17% (2024: 17%), 24% (2024: 24%), 13.5% (2024: 13.5%), 29.125% (2024: 29.125%), 25% (2024: 25%) and 30% (2024: 30%) of their taxable income, respectively.

Pursuant to the rules and regulations of the USA, the Group is subject to federal statutory tax at the rate of 21% (2024: 21%) of taxable income. No provision for income tax has been made as the Group did not generate any taxable income in the USA during the year (2024: Nil).

The provision for the Chinese mainland current income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in the Chinese mainland which are granted tax concession and are taxed at preferential tax rates.

Shandong Luye, Nanjing Luye, WPU, Sichuan Luye, Boan Biotech and Nanjing Jimai are qualified as High and New Technology Enterprises and were entitled to a preferential income tax rate of 15% (2024: 15%) during the year.

	2025 RMB'000	2024 RMB'000
Current tax:		
Charge for the year	186,496	232,815
Overprovision in prior years	(710)	(9,106)
Deferred tax (<i>note 32</i>)	53,192	(29,498)
Total tax charge for the year	238,978	194,211

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

10. Income tax (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate for the jurisdiction where the operations of the Group are substantially based to the tax expense at the effective tax rate is as follows:

	2025 RMB'000	2024 RMB'000
Profit before tax	944,637	839,219
At the PRC's statutory income tax rate of 25%	236,159	209,805
Effect of tax rate differences in other jurisdictions	405	32,497
Effect of preferential income tax rates applicable to subsidiaries	(119,723)	(133,771)
Additional deductible allowance for research and development expenses	(78,572)	(75,719)
Adjustments in respect of current tax of previous years	(710)	(9,106)
Effect of non-deductible expenses	106,658	92,830
Income not subject to tax	(66,629)	(12,319)
Tax losses utilised from previous years	(16,402)	(2,391)
Tax losses not recognised	150,501	65,419
Effect on withholding tax at 10% on sales of equity	—	14,058
Effect on withholding tax at 10% on the distributable profit of PRC subsidiaries	—	10,785
Effect of withholding tax at 10% on the interest expense of the Group's PRC subsidiaries to be paid	1,055	2,123
Pillar Two income taxes	26,236	—
Tax charge at the Group's effective rate	238,978	194,211

The effective tax rate of the Group for the year was 25.3% (2024: 23.1%).

Pillar Two income taxes

The Group is within the scope of the Pillar Two model rules. The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes. From 1 January 2025, the Group is liable to Pillar Two income taxes and the Group will account for the additional Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted and in effect as at 31 December 2025 in Australia, Germany, Hong Kong, Malaysia, Singapore, Switzerland, the United Arab Emirates and the United Kingdom in which the Group operates.

The Group has performed an assessment of its exposure to Pillar Two income taxes based on the information available regarding the Group's financial performance in the current year. Based on the assessment, the Group has identified potential exposure from the subsidiaries in respect of profits earned in the Chinese mainland where the Pillar Two effective tax rate is slightly below 15% due to certain incentives received by them. The Group continues to follow Pillar Two legislative developments, as more countries prepare to enact the Pillar Two model rules, to evaluate the potential future impact on its financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

11. Dividends

No interim or final dividends were declared by the Company during the year ended 31 December 2025 (2024: Nil).

12. Earnings per share attributable to ordinary equity holders of the parent

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,895,812,618 (2024: 3,761,670,643) outstanding during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the exchangeable preference shares' interests and fair value changes. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

12. Earnings per share attributable to ordinary equity holders of the parent (Continued)

The calculations of basic and diluted earnings per share are based on:

	2025 RMB'000	2024 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	618,747	471,886
Fair value changes of exchangeable preference shares	(156,767)	—
Interest on exchangeable preference shares	21,429	—
Interest on convertible bonds	268,882	167,357
Profit attributable to ordinary equity holders of the parent before the impacts of exchangeable preference shares and convertible bonds	752,291*	639,243
Number of shares		
	2025	2024
Shares		
Weighted average number of ordinary shares outstanding during the year used in the basic earnings per share calculation	3,895,812,618	3,761,670,643
Effect of dilution — weighted average number of ordinary shares:		
Exchangeable preference shares	(28,111,433)	—
Convertible bonds	606,309,373	330,723,697
Total	4,474,010,558*	4,092,394,340

* Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amounts are based on the profit for the year of RMB483,409,000 and the weighted average number of ordinary shares of 3,867,701,185 outstanding during the year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

13. Property, plant and equipment

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Computer and office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2025							
At 31 December 2024:							
Cost	2,613,078	3,895,589	21,542	202,012	59,489	884,733	7,676,443
Accumulated depreciation and impairment	(532,870)	(1,949,610)	(16,724)	(137,518)	(35,097)	–	(2,671,819)
Net carrying amount	2,080,208	1,945,979	4,818	64,494	24,392	884,733	5,004,624
At 1 January 2025, net of accumulated depreciation and impairment	2,080,208	1,945,979	4,818	64,494	24,392	884,733	5,004,624
Additions	55,480	122,740	–	14,986	9,734	157,682	360,622
Depreciation provided during the year	(73,435)	(312,386)	(1,099)	(13,067)	(12,901)	–	(412,888)
Transfers	61,429	227,351	–	2,086	–	(290,866)	–
Disposals	(87)	(2,744)	(147)	(438)	–	–	(3,416)
Exchange realignment	33,739	(10,247)	15	971	–	–	24,478
At 31 December 2025, net of accumulated depreciation and impairment	2,157,334	1,970,693	3,587	69,032	21,225	751,549	4,973,420
At 31 December 2025:							
Cost	2,769,936	4,208,093	18,216	215,954	61,690	751,549	8,025,438
Accumulated depreciation and impairment	(612,602)	(2,237,400)	(14,629)	(146,922)	(40,465)	–	(3,052,018)
Net carrying amount	2,157,334	1,970,693	3,587	69,032	21,225	751,549	4,973,420

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

13. Property, plant and equipment (Continued)

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Computer and office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024							
At 31 December 2023:							
Cost	2,012,729	3,435,858	22,201	177,857	54,977	1,381,311	7,084,933
Accumulated depreciation and impairment	(464,420)	(1,695,312)	(16,945)	(129,890)	(26,429)	—	(2,332,996)
Net carrying amount	1,548,309	1,740,546	5,256	47,967	28,548	1,381,311	4,751,937
At 1 January 2024, net of accumulated depreciation and impairment							
	1,548,309	1,740,546	5,256	47,967	28,548	1,381,311	4,751,937
Additions	4,542	160,700	1,123	13,532	4,483	459,265	643,645
Depreciation provided during the year	(72,513)	(278,877)	(1,419)	(12,593)	(8,640)	—	(374,042)
Transfers	604,502	335,093	—	16,248	—	(955,843)	—
Disposals	(987)	(6,379)	(134)	(568)	—	—	(8,068)
Exchange realignment	(3,645)	(5,104)	(8)	(92)	1	—	(8,848)
At 31 December 2024, net of accumulated depreciation and impairment	2,080,208	1,945,979	4,818	64,494	24,392	884,733	5,004,624
At 31 December 2024:							
Cost	2,613,078	3,895,589	21,542	202,012	59,489	884,733	7,676,443
Accumulated depreciation and impairment	(532,870)	(1,949,610)	(16,724)	(137,518)	(35,097)	—	(2,671,819)
Net carrying amount	2,080,208	1,945,979	4,818	64,494	24,392	884,733	5,004,624

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

13. Property, plant and equipment (Continued)

As at 31 December 2025, the Group was applying for the certificates of ownership for certain properties with a net book value of RMB341,370,000 (2024: RMB350,280,000). The directors of the Company are of the opinion that the use of the properties and the conduct of operating activities at those properties referred to above are not affected by the fact the Group had not yet obtained the relevant property title certificates. The Group is not able to assign, transfer or mortgage these assets until these certificates are obtained.

At 31 December 2025, certain of the Group's property, plant and equipment with net carrying amounts of approximately RMB741,541,000 (2024: RMB794,133,000) and RMB236,710,000 (2024: RMB297,004,000) were pledged to secure bank loans and other borrowings granted to the Group, respectively (note 27).

14. Leases

The Group as a lessee

The Group has lease contracts for various items of buildings and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 10 to 60 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1.5 and 5.5 years, while motor vehicles generally have lease terms between 2 and 3 years. Other equipment generally has lease terms of 12 months or less. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Total RMB'000
As at 1 January 2024	285,148	51,012	408	336,568
Additions	1,670	10,352	—	12,022
Depreciation charge	(9,527)	(18,711)	(154)	(28,392)
Termination of a finance lease as a sublease lessor	—	13,979	—	13,979
Reassessment as a result of lease modifications	—	162	—	162
Exchange realignment	—	255	(13)	242
As at 31 December 2024 and 1 January 2025	277,291	57,049	241	334,581
Additions	—	46,332	—	46,332
Depreciation charge	(9,319)	(28,915)	(161)	(38,395)
Reduction as a result of termination of leases	—	(12,918)	—	(12,918)
Exchange realignment	—	(190)	19	(171)
As at 31 December 2025	267,972	61,358	99	329,429

As at 31 December 2025, the Group's right-of-use assets with a carrying value of RMB27,252,000 (2024: RMB28,950,000) were pledged to secure the bank loans (note 27).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

14. Leases (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year are as follows:

	2025 RMB'000	2024 RMB'000
Carrying amount at 1 January	61,955	70,646
New leases	46,144	10,352
Accretion of interest recognised during the year	3,991	4,100
Payments	(27,747)	(24,557)
Reassessment as a result of lease modifications	—	643
Reduction as a result of termination of leases	(14,086)	—
Exchange realignment	(249)	771
Carrying amount at 31 December	70,008	61,955
Analysed into:		
Current portion	35,319	19,788
Non-current portion	34,689	42,167

The maturity analysis of lease liabilities is disclosed in note 45 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

14. Leases (Continued)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2025 RMB'000	2024 RMB'000
Interest on lease liabilities	3,991	4,100
Depreciation charge of right-of-use assets	38,395	28,392
Expense relating to short-term leases (included in cost of sales, selling and distribution expenses, administrative expenses and other expenses)	20,712	18,412
Gain on termination of leases	(1,168)	—
Loss on termination of a finance lease	—	7,908
Gain on a finance lease as a sublease lessor	—	(548)
Loss on lease modifications	—	481
Total amount recognised in profit or loss	61,930	58,745

(d) The total cash outflow for leases is disclosed in note 42(c) to the financial statements.

15. Goodwill

	2025 RMB'000	2024 RMB'000
Carrying amount at 1 January	1,012,456	1,041,930
Exchange realignment	62,731	(29,474)
Carrying amount at 31 December	1,075,187	1,012,456

There was no impairment charge made against goodwill for the year (2024: Nil).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

15. Goodwill (Continued)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to seven individual cash-generating units for impairment testing:

- (a) CMNa cash-generating unit ("CMNa unit"), which relates to CMNa, one of the Group's key products;
- (b) Pharmaceutical products other than the CMNa cash-generating unit ("Other products unit"), which relates to Maitongna and Lutingnuo, of which Maitongna is one of the Group's key products;
- (c) Solid Success Group cash-generating unit ("SSL unit"), which relates to Lipusu and Tiandixin, of which Lipusu is one of the Group's key products;
- (d) Luye Pharma (Singapore) Pte. Ltd. ("LPPL") cash-generating unit ("LPPL unit"), which relates to HypoCol;
- (e) WPU cash-generating unit ("WPU unit"), which relates to Xuezhikang, one of the Group's key products;
- (f) Sichuan Luye cash-generating unit ("SL unit"), which relates to Bei Xi, one of the Group's key products; and
- (g) Europe cash-generating unit ("EU unit"), which relates to products of advanced transdermal drug delivery systems, one of the key products of the Group.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2025 RMB'000	2024 RMB'000
CMNa unit	38,444	38,444
Other products unit	5,954	5,954
SSL unit	114,185	114,185
LPPL unit	7,353	7,353
WPU unit	22,276	22,276
SL unit	159,144	159,144
EU unit	727,831	665,100
Total	1,075,187	1,012,456

The recoverable amounts of the cash-generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period for the EU unit and other units. The discount rates applied to cash flow projections were 12.0% (2024: 12.0%) for the EU unit and 14% (2024: 14%) for other units. The growth rates used to extrapolate the cash flows of the EU unit and other units beyond the five-year period were 2% (2024: 2%) and 2% (2024: 3%), respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

15. Goodwill (Continued)

Impairment testing of goodwill (Continued)

Key assumptions used in the value-in-use calculation

The calculation of value in use is based on assumptions of the following:

- Gross margins and operating expenses
- Discount rates
- Growth rates

Gross margins and operating expenses — Gross margins are based on the average gross margins achieved in the year immediately before the budget year and are increased over the budget period for anticipated efficiency improvements. Estimates on operating expenses reflect past experience and management's commitment to maintain them at an acceptable level.

Discount rates — the rates reflect management's estimate of the risks specific to each of the units.

Growth rates — the rates are based on published industry research.

The values assigned to the key assumptions on gross margins and operating expenses, discount rates and growth rates are consistent with management's past experience and external information sources.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

16. Other intangible assets

	Licences and trademarks RMB'000	Patents and technology know-how RMB'000	Software RMB'000	Deferred development costs RMB'000	Distribution right RMB'000	Total RMB'000
31 December 2025						
At 1 January 2025:						
Cost	15,198	4,451,004	69,390	1,121,880	2,956,419	8,613,891
Accumulated amortisation	(3,854)	(1,345,711)	(38,282)	–	(640,557)	(2,028,404)
Net carrying amount	11,344	3,105,293	31,108	1,121,880	2,315,862	6,585,487
Cost at 1 January 2025, net of accumulated amortisation	11,344	3,105,293	31,108	1,121,880	2,315,862	6,585,487
Additions	33,096	2,119	2,627	586,573	–	624,415
Amortisation provided during the year	(2,034)	(281,683)	(4,362)	–	(100,130)	(388,209)
Transfers	–	394,912	–	(394,912)	–	–
Exchange realignment	1,033	7,576	227	2,721	(49,853)	(38,296)
At 31 December 2025	43,439	3,228,217	29,600	1,316,262	2,165,879	6,783,397
At 31 December 2025:						
Cost	49,327	4,855,610	69,018	1,316,262	2,890,780	9,180,997
Accumulated amortisation	(5,888)	(1,627,393)	(39,418)	–	(724,901)	(2,397,600)
Net carrying amount	43,439	3,228,217	29,600	1,316,262	2,165,879	6,783,397

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

16. Other intangible assets (Continued)

	Licences and trademarks RMB'000	Patents and technology know-how RMB'000	Software RMB'000	Deferred development costs RMB'000	Distribution right RMB'000	Total RMB'000
31 December 2024						
At 1 January 2024:						
Cost	15,734	3,485,088	64,661	1,513,099	2,912,947	7,991,529
Accumulated amortisation	(1,913)	(1,105,744)	(31,952)	—	(534,040)	(1,673,649)
Net carrying amount	13,821	2,379,344	32,709	1,513,099	2,378,907	6,317,880
Cost at 1 January 2024, net of accumulated amortisation						
	13,821	2,379,344	32,709	1,513,099	2,378,907	6,317,880
Additions	—	—	5,721	617,761	—	623,482
Amortisation provided during the year	(1,941)	(281,380)	(7,284)	—	(97,633)	(388,238)
Transfers	—	1,008,372	—	(1,008,372)	—	—
Exchange realignment	(536)	(1,043)	(38)	(608)	34,588	32,363
At 31 December 2024	11,344	3,105,293	31,108	1,121,880	2,315,862	6,585,487
At 31 December 2024						
Cost	15,198	4,451,004	69,390	1,121,880	2,956,419	8,613,891
Accumulated amortisation	(3,854)	(1,345,711)	(38,282)	—	(640,557)	(2,028,404)
Net carrying amount	11,344	3,105,293	31,108	1,121,880	2,315,862	6,585,487

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

16. Other intangible assets (Continued)

Impairment testing of deferred development costs

The intangible assets of the Group include the deferred development costs which are the expenditure incurred in the development phase of each project. The management of the Company tests the deferred development costs which are not yet available for use for impairment at least annually, and whenever there is an indication that the unit may be impaired, by comparing their carrying amounts with their recoverable amounts.

The recoverable amounts of deferred development costs have been determined based on a value in use calculation using cash flow projections which are based on financial forecast approved by the management of the Company. The discount rate applied to the cash flow projections is 14.0% (2024: 14.0%), which is determined by reference to the average rates for research and development projects in progress with similar business risk and after taking into account the risk premium in connection with the related research and development efforts. The growth rates used to extrapolate the cash flows beyond the forecast period are from -3% to 2% (2024: -3% to 2%), which are also estimates of the rate of inflation and characteristic of pharmaceutical industry.

Assumptions were used in the value in use calculation of deferred development costs as at 31 December 2025 and 2024. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of deferred development costs:

- | | | |
|----------------|---|--|
| Discount rates | — | the discount rates used is before tax and reflects specific risks in respect of the related research and development efforts. |
| Profit margin | — | the basis used to determine the value assigned to the profit margin is the expected commercialising markets. |
| Growth rates | — | the growth rates used to extrapolate the cash flows beyond the forecast period is based on the estimated growth rate of the Group taking into account the industry growth rate, past experience and the medium-term or long-term growth target of the Group. |

The values assigned to the key assumptions on discount rates, profit margin and growth rates are consistent with historical experience of the Group and external information sources.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

17. Investment in a joint venture

	2025 RMB'000	2024 RMB'000
Share of net assets	13,348	359,420

The Group's other receivable balance due from the joint venture is disclosed in note 39 to the financial statements.

Particulars of the Group's joint venture is as follows:

Company	Particulars of issued shares held	Place of registration and business	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Luye Pharma Venture Capital ("LPVC")	25 issued shares of US\$500 each	Cayman Islands	25	25	25	Investment holding

The above investment is directly held by the Company.

The following table illustrates the financial information of the Group's joint venture that is not individually material:

	2025 RMB'000	2024 RMB'000
Share of the joint venture's other comprehensive income	9,514	—
Share of the joint venture's total comprehensive income	9,514	—
Aggregate carrying amount of the Group's investment in the joint venture	13,348	359,420

As at 31 December 2025, capital contribution to the joint venture of RMB351,440,000 is expected to be refunded to the Company in 2026. As of 28 February 2026, a total amount of RMB316,296,000 was received by the Company.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

18. Investments in associates

	2025 RMB'000	2024 RMB'000
Share of net assets	1,788,066	1,511,687

The Group's other receivable balances with the associates are disclosed in notes 39 to the financial statements.

Particulars of the associates are as follows:

Company	Place of incorporation and business	Nominal value of issued/registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
Steward Cross Pte. Ltd. ("Steward Cross")	Singapore	SG\$620,002	36	Distribution and sale of pharmaceutical drugs
Shandong Quanzhong Biomedical Technology Co., Ltd. ("Shandong Quanzhong")	PRC/Chinese mainland	RMB1,000,000,000	28	Research and development of pharmaceutical products
Shenzhen Quanzhong Biomedical Technology Co., Ltd.	PRC/Chinese mainland	RMB500,000,000	46.2	Research and development of pharmaceutical products
Nanjing Quanzhong Biomedical Technology Co., Ltd.	PRC/Chinese mainland	RMB500,000,000	46.2	Research and development of pharmaceutical products
Hangzhou Quanzhong Biomedical Technology Co., Ltd.	PRC/Chinese mainland	RMB500,000,000	46.2	Research and development of pharmaceutical products
Chengdu Quanzhong Biomedical Technology Co., Ltd.	PRC/Chinese mainland	RMB500,000,000	46.2	Research and development of pharmaceutical products
Yantai Donghai Bosai Equity Investment (Limited Partnership) ("Bosai")	PRC/Chinese mainland	RMB1,500,000,000	35	Investment
Yantai Guojian Bohai Industrial Investment Center (Limited Partnership) ("Guojian Bohai") (note (a))	PRC/Chinese mainland	RMB1,052,000,000	47.53	Investment
Shenzhen Lanhai Zhinao Guangming Seed Venture Capital Fund Partnership (Limited Partnership) ("Lanhai Zhinao") (note (b))	PRC/Chinese mainland	RMB160,000,000	20	Investment

Notes:

(a) In December 2025, the Group subscribed to 47.53% shareholdings of Guojian Bohai for a total consideration of RMB280,000,000.

(b) In October 2025, the Group subscribed to 20% shareholdings of Lanhai Zhinao for a total consideration of RMB9,600,000.

The Group's shareholdings in the associates comprise equity shares held through wholly-owned subsidiaries of the Company.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

18. Investments in associates (Continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2025 RMB'000	2024 RMB'000
Share of the associates' loss for the year	(31,569)	(774)
Share of the associates' total comprehensive income	(31,569)	(774)
Aggregate carrying amount of the Group's investments in the associates	1,788,066	1,511,687

As at 31 December 2025, the unrealised profits from the related party transactions between Steward Cross and LPPL was RMB2,223,000 (2024: RMB2,070,000).

19. Equity investments designated at fair value through other comprehensive income

	2025 RMB'000	2024 RMB'000
Listed equity investments, at fair value	2,424	2,786

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

The fair value of the listed equity investments is derived from quoted price in an active market.

20. Inventories

	2025 RMB'000	2024 RMB'000
Raw materials	407,267	364,055
Work in progress	271,467	215,279
Finished goods	277,806	332,559
Total	956,540	911,893

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

21. Trade and notes receivables

	2025 RMB'000	2024 RMB'000
Trade receivables	2,854,765	2,388,581
Notes receivable	411,458	395,966
	3,266,223	2,784,547
Impairment	(7,366)	(4,780)
Net carrying amount	3,258,857	2,779,767

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month to three months, extending up to six months for major customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

As at 31 December 2025, notes receivable of RMB97,974,000 (2024: RMB131,227,000) were classified as financial assets at fair value through other comprehensive income under IFRS 9. The fair value changes of these notes receivable at fair value through other comprehensive income were insignificant in 2025. The remaining notes receivable of RMB313,484,000 (2024: RMB264,739,000) were measured at amortised cost.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2025 RMB'000	2024 RMB'000
Within 3 months	2,300,015	2,240,985
3 to 6 months	117,074	46,942
6 to 12 months	413,765	99,722
1 to 2 years	23,065	75
Over 2 years	846	857
Total	2,854,765	2,388,581

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

21. Trade and notes receivables (Continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2025 RMB'000	2024 RMB'000
At beginning of year	4,780	2,918
Impairment losses, net (note 6)	2,573	1,849
Exchange realignment	13	13
At end of year	7,366	4,780

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2025

	Less than 6 months	6 months to 1 year	1 year to 2 years	Over 2 years	Total
Expected credit loss rate	0.14%	0.15%	10.78%	100.00%	0.26%
Gross carrying amount (RMB'000)	2,417,089	413,765	23,065	846	2,854,765
Expected credit losses (RMB'000)	3,414	620	2,486	846	7,366

As at 31 December 2024

	Less than 6 months	6 months to 1 year	1 year to 2 years	Over 2 years	Total
Expected credit loss rate	0.17%	0.00%	22.67%	100.00%	0.20%
Gross carrying amount (RMB'000)	2,287,927	99,722	75	857	2,388,581
Expected credit losses (RMB'000)	3,906	—	17	857	4,780

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

21. Trade and notes receivables (Continued)

At 31 December 2025, the Group endorsed certain notes receivable accepted by banks in the Chinese mainland (the “Endorsed Notes”) to its suppliers in order to settle the trade and other payables due to such suppliers with a carrying amount in aggregate of RMB430,710,000 (2024: RMB459,745,000) (the “Endorsement”). In addition, the Group discounted certain notes receivable accepted by banks in the Chinese mainland (the “Discounted Notes”) to banks to finance its operating cash flows with carrying amounts in aggregate of RMB2,040,937,000 (2024: RMB2,307,192,000) (the “Discount”). The Endorsed Notes and the Discounted Notes had a maturity from one to twelve months as at 31 December 2025. In accordance with the Law of Negotiable Instruments and relevant discounting arrangements with certain banks in the PRC, the holders of the Endorsed Notes and the Discounted Notes have a right of recourse against the Group if certain banks default (the “Continuing Involvement”).

In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to certain Endorsed Notes and Discounted Notes with amounts of RMB372,408,000 (2024: RMB217,441,000) and RMB850,275,000 (2024: RMB911,032,000), respectively, accepted by large and reputable banks (the “Derecognised Notes”). Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Notes are not significant.

For the remaining Endorsed Notes and Discounted Notes, the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes and Discounted Notes, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Notes and the Discounted Notes. Subsequent to the Endorsement or the Discount, the Group did not retain any rights on the use of the Endorsed Notes or the Discounted Notes, including the sale, transfer or pledge of the Endorsed Notes or the Discounted Notes to any other third parties. As at 31 December 2025, the aggregate carrying amount of the trade and other payables settled by the Endorsed Notes to which the suppliers have recourse was RMB58,302,000 (2024: RMB242,304,000), and the aggregate carrying amount financed by such Discounted Notes to which the banks have recourse was RMB1,199,001,000 (2024: RMB1,396,160,000).

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement, both during the period and cumulatively. The Endorsement and the Discount have been made evenly throughout the year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

22. Prepayments, other receivables and other assets

	2025 RMB'000	2024 RMB'000
Current		
Other receivables	1,693,772	1,525,252
Prepaid income tax	19,297	17,766
Value-added tax recoverable	78,788	76,927
Prepayments	346,166	323,598
Other current assets	13,080	—
	2,151,103	1,943,543
Impairment allowance	(9,597)	(4,323)
Total — current	2,141,506	1,939,220
Non-current		
Advance payments for property, plant and equipment and other intangible assets	479,534	551,651
Advance payment for an equity investment	271,596	150,000
Other long-term receivables	9,916	9,311
Total — non-current	761,046	710,962
Total	2,902,552	2,650,182

Included in the Group's prepayments, other receivables and other assets were other receivables of RMB477,971,000 (2024: RMB130,112,000) due from related parties (note 39(b)).

The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand.

Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default. As at 31 December 2025, the probability of default applied ranged from 0.09% to 3.16% (2024: 0.10% to 3.12%) and the loss given default was estimated to be 56% (2024: 40%).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

23. Financial assets at fair value through profit or loss

	2025 RMB'000	2024 RMB'000
Current		
Listed equity investments, at fair value	423	1,092
Other unlisted investments, at fair value	2,003,138	1,502,975
Total — current	2,003,561	1,504,067
Non-current		
Unlisted equity investments, at fair value	1,792,548	618,512
Total	3,796,109	2,122,579

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The above other unlisted investments were wealth management products issued by licensed financial institutions in the Chinese mainland and investments in private funds. The fair values of the financial assets approximate to their costs plus expected interest. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The fair value of the listed equity investments is derived from quoted price in an active market.

The fair value of the unlisted equity investments which are not quoted in an active market is valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

24. Cash and cash equivalents, pledged deposits and restricted cash

	2025 RMB'000	2024 RMB'000
Cash and bank balances	2,989,172	962,207
Time deposits	3,883,056	5,210,953
Subtotal	6,872,228	6,173,160
Less:		
Pledged deposits for bank loans	(225,792)	(165,711)
Pledged deposits for notes payable	(556,575)	(562,186)
Pledged deposits for letters of credit	(268,055)	(160,118)
Pledged time deposits for a letter of guarantee	(325,000)	(286,000)
Non-pledged time deposits with original maturity of over three months when acquired	(1,000,000)	(62,000)
Restricted cash	(5,266)	—
Cash and cash equivalents	4,491,540	4,937,145
Denominated in RMB	4,423,819	4,543,845
Denominated in HK\$	15,023	298,828
Denominated in US\$	24,857	63,791
Denominated in EUR	17,121	13,655
Denominated in other currencies	10,720	17,026
Total	4,491,540	4,937,145

The RMB is not freely convertible into other currencies. However, under the Chinese mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of the Chinese mainland is subject to exchange restrictions imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between seventeen days and six months depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2025, restricted cash of RMB5,266,000 (2024: Nil) represented a bank account balance which was restricted due to an arbitration. The restricted cash balance is not available to finance the Group's day-to-day operations and, therefore, it has been excluded from cash and cash equivalents for the purposes of the statement of cash flows.

As at 31 December 2025, deposits of RMB225,792,000 (2024: RMB165,711,000) have been pledged to secure bank loans (note 27).

As at 31 December 2025, deposits of RMB50,228,000 (2024: RMB515,815,000) and RMB506,347,000 (2024: RMB46,371,000) have been pledged to secure intra-group notes payable and third parties notes payable (note 25), respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

25. Trade and notes payables

	2025 RMB'000	2024 RMB'000
Trade payables	563,818	503,814
Notes payable	589,417	185,486
Total	1,153,235	689,300

An ageing analysis of the trade and notes payables as at the end of the reporting period, based on the invoice date, is as follows:

	2025 RMB'000	2024 RMB'000
Within 3 months	828,905	555,091
3 to 6 months	287,787	68,151
6 to 12 months	11,221	26,776
1 to 2 years	17,207	28,175
Over 2 years	8,115	11,107
Total	1,153,235	689,300

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

The maturity of the notes payable is within twelve months.

As at 31 December 2025, the Group's notes payable were secured by certain of the Group's deposits amounting to RMB506,347,000 (2024: RMB46,371,000) (note 24).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

26. Other payables and accruals

	Notes	2025 RMB'000	2024 RMB'000
Other payables	(a)	580,732	791,216
Accrued liabilities		287,578	349,351
Accrued payroll		115,903	136,460
Contract liabilities	(b)	96,968	169,955
Taxes payable other than corporate income tax		143,198	140,293
Payables for purchases of property, plant and equipment		175,604	278,497
Provision for legal claims		323,223	315,892
Refund liabilities		52,826	—
Dividend payable		—	415
Total		1,776,032	2,182,079

Included in the Group's other payables and accruals were other payables of RMB3,030,000 (2024: RMB3,547,000) due to related parties (note 39(b)).

Notes:

(a) Other payables are non-interest-bearing and have no fixed terms of repayment.

(b) Details of contract liabilities are as follows:

	31 December 2025 RMB'000	31 December 2024 RMB'000	1 January 2024 RMB'000
Advances received from customers			
Sale of products	96,968	169,955	133,584
Total contract liabilities	96,968	169,955	133,584

Contract liabilities mainly include advances received to deliver products. The decrease in contract liabilities in 2025 was mainly due to the decrease in advances received from customers in relation to the sale of products at the end of the year. The increase in contract liabilities in 2024 was mainly due to the increase in advances received from customers in relation to the sale of products at the end of the year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

27. Interest-bearing loans and borrowings

31 December 2025

	Effective Interest rate (%)	Maturity	RMB'000
Current			
Bank loans — secured	2.30~5.40	2026	3,380,718
Current portion of long-term bank loans — secured	3.10~4.60	2026	767,713
Current portion of long-term US\$164,207,870 bank loan — secured	1 MTH HIBOR	2026	224,517
Current portion of long-term other borrowings — secured	5.10~6.00	2026	234,434
Discounted notes receivable	0.75~4.85	2026	1,192,518
Discounted letters of credit	1.38~2.95	2026	858,880
Lease liabilities (note 14(b))	2.80~7.52	2026	35,319
Total — current			6,694,099
Non-current			
Bank loans — secured	2.96~4.32	2027~2029	1,245,643
Long-term other borrowings — secured	5.10~6.00	2027~2028	377,525
Lease liabilities (note 14(b))	2.80~7.52	2027~2028	34,689
Subtotal — non-current			1,657,857
Convertible bonds — debt component (note 28)	6.25	2028	1,065,326
Total — non-current			2,723,183
Total			9,417,282

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

27. Interest-bearing loans and borrowings (Continued)

31 December 2024

	Effective Interest rate (%)	Maturity	RMB'000
Current			
Bank loans — secured	3.00~4.80	2025	2,833,923
US\$4,926,973 bank loan — secured	6.02	2025	35,417
JPY60,000,000 bank loan — secured	0.70	2025	27,750
Current portion of long-term bank loans — secured	3.55~5.00	2025	409,805
Current portion of long-term US\$115,461,756 bank loan — secured	SOFR+3.11	2025	829,985
Current portion of long-term other borrowings — secured	4.85~6.00	2025	196,531
Discounted notes receivable	0.46~4.50	2025	1,388,428
Discounted letters of credit	1.26~3.50	2025	832,380
Lease liabilities (note 14(b))	3.25~7.52	2025	19,788
Convertible bonds — debt component (note 28)	5.85	2025	1,011,067
Total — current			7,585,074
Non-current			
Bank loans — secured	3.55~5.00	2026~2029	813,670
Long-term other borrowings — secured	5.10~6.00	2026~2028	864,600
Lease liabilities (note 14(b))	3.25~7.52	2026~2028	42,167
Subtotal — non-current			1,720,437
Convertible bonds — debt component (note 28)	6.25	2028	1,015,543
Total — non-current			2,735,980
Total			10,321,054

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

27. Interest-bearing loans and borrowings (Continued)

	2025 RMB'000	2024 RMB'000
Analysed into:		
Bank loans and other borrowings repayable:		
Within one year or on demand	6,694,099	7,585,074
In the second year	1,464,469	783,150
In the third to fifth years, inclusive	1,258,068	1,952,214
After five years	646	616
Total	9,417,282	10,321,054

Notes:

(a) Certain of the Group's bank loans are secured by:

- (i) the pledge of certain of the Group's deposits of RMB225,792,000 (2024: RMB165,711,000) (note 24);
- (ii) the pledge of certain of the Group's property, plant and equipment, which had a net carrying value at the end of the reporting period of approximately RMB741,541,000 (2024: RMB794,133,000) (note 13);
- (iii) the pledge of certain of the Group's right-of-use assets, which had a net carrying value at the end of the reporting period of approximately RMB27,252,000 (2024: RMB28,950,000) (note 14); and
- (iv) the pledge of certain of the Group's subsidiaries' shares.

(b) Certain of the Group's other borrowings are from independent third parties, bear interest at rates ranging from 4.85% to 6.00% per annum and are secured by the pledge of certain of the Group's property, plant and equipment, which had a net carrying value at the end of the reporting period of approximately RMB236,710,000 (2024: RMB297,004,000) (note 13).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

28. Convertible bonds

2023 convertible bonds

On 6 July 2023, the Company issued 6.25 per cent convertible bonds with an aggregate principal amount of US\$180,000,000. The bonds are convertible at the option of the bondholders into ordinary shares with the initial conversion price of HK\$4.88 per share any time on or after 16 August 2023 and up to the close of business on the date falling ten days prior to 6 July 2028. On 6 July 2026, the holder of each bond will have the right at such holder's option, to require the Company to redeem all or only some of the bonds at their principal amount, together with interest accrued but unpaid. Any convertible bonds not converted will be redeemed on 6 July 2028 at its principal amount together with accrued but unpaid interest thereon. The bonds carry interest at a rate of 6.25 per cent per annum, which is payable semi-annually in arrears on 6 January and 6 July.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as equity component and is included in shareholders' equity.

The convertible bonds above issued during the year have been split into the liability and equity components as follows:

	RMB'000
Nominal value of convertible bonds issued during the year	1,297,764
Equity component	(386,362)
Direct transaction costs attributable to the equity component	(7,134)
Direct transaction costs attributable to the liability component	(16,396)
Liability component at the issuance date	887,872
Interest expense	65,025
Exchange realignment	(15,022)
Liability component at 31 December 2023	937,875
Interest expense	143,200
Interest paid	(79,908)
Exchange realignment	14,376
Liability component at 31 December 2024	1,015,543
Interest expense	153,863
Interest paid	(80,675)
Exchange realignment	(23,405)
Liability component at 31 December 2025	1,065,326

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

28. Convertible bonds (Continued)

2024 convertible bonds

On 30 October 2024, the Company issued 5.85 per cent convertible bonds with an aggregate principal amount of US\$100,000,000 ("Tranche A"). On 13 December 2024, the Company issued 5.85 per cent convertible bonds with an aggregate principal amount of US\$50,000,000 ("Tranche B"). The bonds are convertible at the option of the bondholders into ordinary shares with the initial conversion price of HK\$3.672 per share any time on or after 10 December 2024 for Tranche A and 23 January 2025 for Tranche B and up to the close of business on the date falling ten days prior to 29 October 2025. Any convertible bonds not converted will be redeemed on 29 October 2025 at its principal amount together with accrued but unpaid interest thereon. The bonds carry interest at a rate of 5.85 per cent per annum, which is payable quarterly in arrears on 30 January, 30 April, 30 July and 29 October.

From 1 August 2025 to 10 September 2025, convertible bonds with an aggregate principal amount of US\$110,000,000 were converted into 232,845,310 ordinary shares at a conversion price of HK\$3.672 per share. On 29 October 2025, convertible bonds with an aggregate principal amount of US\$40,000,000 were redeemed at 105.85 per cent of their principal amount. Following the completion of the redemption, no such convertible bonds were outstanding and the delisting of such bonds took place in October 2025.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as equity component and is included in shareholders' equity.

The convertible bonds above issued during the year have been split into the liability and equity components as follows:

	RMB'000
Nominal value of convertible bonds issued during the year	1,073,279
Equity component	(74,997)
Direct transaction costs attributable to the equity component	(1,134)
Direct transaction costs attributable to the liability component	(14,897)
Liability component at the issuance date	982,251
Interest expense	24,157
Exchange realignment	4,659
Liability component at 31 December 2024	1,011,067
Conversion	(771,563)
Redemption	(283,372)
Interest expense	115,019
Interest paid	(48,828)
Exchange realignment	(22,323)
Liability component at 31 December 2025	—

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

29. Other non-current liabilities

	Notes	2025 RMB'000	2024 RMB'000
Payables for an asset purchase and license agreement	(i)	56,230	57,508
Consideration received for a collaboration arrangement	(ii)	140,006	123,522
Contribution received by Nanjing Xinshi	(iii)	402,000	—
Contract liabilities	(iv)	—	12,351
Total		598,236	193,381

Notes:

- (i) The balance represents the remaining long-term instalments for an asset purchase and license agreement.
- (ii) Boan Biotech entered into collaboration agreements with OcuMension Therapeutics (Zhejiang) Co., Ltd. ("OcuMension"), pursuant to which Boan Biotech agreed to conduct certain initial stages of the Phase 3 clinical trial and commercial production and to obtain the biologic licence application for BA9101. OcuMension agreed to complete the rest of Phase 3 clinical trial and to promote and commercialise BA9101 in the Chinese mainland. Other non-current liabilities represent the considerations received for the collaboration arrangement and will be accounted as deduction items for promotion service fees payable to OcuMension.
- (iii) Shandong Luye entered into a partnership agreement with other partners including China Cinda Asset Management Co., Ltd. ("China Cinda"), to establish Nanjing Xinshi Shiye Equity Investment Partnership (Limited Partnership) ("Nanjing Xinshi") in connection with the proposed acquisition of the exiting investor's 25% equity interest in Nanjing Luye. Any distributable profits attributable to Nanjing Xinshi shall be distributed in the following order of priority: (1) the base return of 8.5% per annum will be distributed to China Cinda semi-annually commencing from the date on which China Cinda made its first capital contribution to Nanjing Xinshi; (2) save for the foregoing, the distribution will be made in proportion to each partner's relevant actual paid-in capital contribution to Nanjing Xinshi; and (3) any remaining surplus will be distributed to Shandong Luye. Nanjing Xinshi is treated as a subsidiary of the Group and contribution from other partners is recorded as other non-current liabilities.
- (iv) Contract liabilities include long-term advances received to deliver drug products.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

30. Government grants

	2025 RMB'000	2024 RMB'000
At 1 January	136,509	126,544
Grants received during the year	174,783	25,933
Amount released	(17,298)	(15,968)
At 31 December	293,994	136,509
Current	13,778	18,302
Non-current	280,216	118,207
Total	293,994	136,509

The grants are related to the subsidies received from the government for the purpose of compensation for expenses arising from research and improvement of manufacturing facilities on certain special projects. Upon completion of the related projects and having passed the final assessment from the relevant government authorities, the grants related to the expense items would be recognised as other income directly in the statement of profit or loss and the grants related to an asset would be released to the statement of profit or loss over the expected useful life of the relevant asset.

31. Provision

Luye Hong Kong was involved in an arbitration brought by the former distributor of Seroquel in the Chinese mainland disputing the subsidiary's basis of terminating the distribution agreement with such distributor. During the year ended 2021, Luye Hong Kong received the arbitral award from the Hong Kong International Arbitration Centre in relation to the arbitration, and the tribunal made final verdict on the amount of claim as approximately RMB273,482,000, which also included such distributor's arbitration fees and interests related. Accordingly, a provision for the claimed amount was made in the financial statements. Thereafter, Luye Hong Kong submitted the application for revoking the arbitral award to the Hong Kong High Court, and the decision was handed down that Luye Hong Kong's application for setting aside the award was dismissed ("Setting Aside Decision"). Subsequently, Luye Hong Kong applied for and was granted leave to appeal against the Setting Aside Decision. During the year, an additional provision of RMB14,577,000 was provided for the interest charged on the claim amount (2024: RMB14,653,000).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

32. Deferred tax

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	2025									
	Employee defined benefit obligation	Accrued expenses	Decelerated depreciation for tax purposes	Impairment of inventories	Impairment of trade receivables	Government grants	Unrealised profit from inter-company transactions	Lease liabilities	Others	Total deferred tax assets
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2025	349	106,465	7,100	2,607	632	18,273	33,159	8,283	641	177,509
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	–	(53,272)	660	1,029	(371)	5,680	(17,693)	(2,269)	4,133	(62,103)
Deferred tax charged to other comprehensive income during the year	(285)	–	–	–	–	–	–	–	–	(285)
Exchange realignment	103	–	(825)	–	–	–	–	–	–	(722)
Gross deferred tax assets at 31 December 2025	167	53,193	6,935	3,636	261	23,953	15,466	6,014	4,774	114,399

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

32. Deferred tax (Continued)

The movements in deferred tax assets and liabilities during the year are as follows: (Continued)

Deferred tax assets (Continued)

	2024									Total deferred tax assets RMB'000
	Employee defined benefit obligation RMB'000	Accrued expenses RMB'000	Decelerated depreciation for tax purposes RMB'000	Impairment of inventories RMB'000	Impairment of trade receivables RMB'000	Government grants RMB'000	Unrealised profit from inter- company transactions RMB'000	Lease liabilities RMB'000	Others RMB'000	
At 1 January 2024	100	93,865	7,736	3,139	630	18,237	24,158	12,654	–	160,519
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	–	12,600	(410)	(532)	2	36	9,001	(4,371)	641	16,967
Deferred tax credited to other comprehensive income during the year	185	–	–	–	–	–	–	–	–	185
Exchange realignment	64	–	(226)	–	–	–	–	–	–	(162)
Gross deferred tax assets at 31 December 2024	349	106,465	7,100	2,607	632	18,273	33,159	8,283	641	177,509

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

32. Deferred tax (Continued)

The movements in deferred tax assets and liabilities during the year are as follows: (Continued)

Deferred tax liabilities

	2025				
	Fair value adjustment on acquisition RMB'000	Accelerated depreciation and amortisation for tax purposes RMB'000	Fair value adjustments arising from financial assets at fair value through profit or loss RMB'000	Right-of-use assets and lease payments receivable RMB'000	Total deferred tax liabilities RMB'000
At 1 January 2025	26,637	6,675	8,886	8,212	50,410
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	(2,927)	(4,304)	601	(2,281)	(8,911)
Exchange realignment	—	(389)	—	—	(389)
Gross deferred tax liabilities at 31 December 2025	23,710	1,982	9,487	5,931	41,110
	2024				
	Fair value adjustment on acquisition RMB'000	Accelerated depreciation and amortisation for tax purposes RMB'000	Fair value adjustments arising from financial assets at fair value through profit or loss RMB'000	Right-of-use assets and lease payments receivable RMB'000	Total deferred tax liabilities RMB'000
At 1 January 2024	34,205	9,174	5,925	13,887	63,191
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	(7,568)	(2,249)	2,961	(5,675)	(12,531)
Exchange realignment	—	(250)	—	—	(250)
Gross deferred tax liabilities at 31 December 2024	26,637	6,675	8,886	8,212	50,410

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

32. Deferred tax (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2025 RMB'000	2024 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	73,782	163,578
Net deferred tax liabilities recognised in the consolidated statement of financial position	493	36,479

The Group has tax losses arising in Singapore, Hong Kong, Germany and Malaysia of RMB48,117,000 (2024: RMB34,201,000) that are available indefinitely for offsetting against future taxable profits.

The Group has tax losses arising in Switzerland of RMB170,392,000 (2024: RMB163,441,000) that are available for offsetting against future taxable profits in seven years.

The Group has tax losses arising in the USA of RMB713,915,000 (2024: RMB497,626,000) that are available for offsetting against future taxable profits in twenty years.

The Group has tax losses arising in the Chinese mainland of RMB3,546,659,000 (2024: RMB3,138,866,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in the Chinese mainland in respect of earnings generated from 1 January 2008. The applicable rate is 5% for the Group.

At 31 December 2025, no deferred tax has been recognised for withholding taxes that would be payable on unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the Chinese mainland (2024: Nil). In the opinion of the directors, these subsidiaries' fund will be retained in the Chinese mainland for the expansion of these subsidiaries' operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the Chinese mainland for which deferred tax liabilities have not been recognised totalled approximately RMB6,478,392,000 (2024: RMB5,593,048,000) as at 31 December 2025.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

33. Exchangeable preference shares

On 21 November 2025, the Company and a wholly-owned subsidiary of the Company, LGHL (the “Issuer”) entered into a subscription agreement with a subscriber (the “Subscriber”) Bluebell Asset Holding Ltd., pursuant to which the Subscriber agrees to subscribe for and the Issuer agrees to allot and issue 1,500,000 exchangeable preference shares at an aggregate subscription price of US\$150,000,000. The exchangeable preference shares are non-voting, freely transferable, bearing preferential cash dividends at the rate of 4.75% per annum and exchangeable into Boan Biotech’s shares at an initial exchange price of HK\$11.718.

Each exchangeable preference share entitles its holder to exchange such share into Boan Biotech’s shares at any time commencing the completion of the subscription until the end of the expiry of 60 months, when any outstanding exchangeable preference shares shall automatically and mandatorily be exchanged into Boan Biotech’s shares at the prevailing exchange price.

The Issuer shall have the right to redeem any exchangeable preference shares at any time on or after the date falling six months from the completion of the subscription. The price payable by the Issuer to the holder of the exchangeable preference shares upon the exercise of its redemption right shall be an amount equal to 1.35 times the exchange price in effect immediately prior to the redemption date, multiplied by the number of Boan Biotech’s shares that would have been deliverable upon an exchange of the relevant exchangeable preference shares immediately prior to the redemption date.

The management has designated the exchangeable preference shares as financial liabilities at fair value through profit or loss as they are managed and their performance is evaluated on a fair value basis. As at 31 December 2025, the fair value of the exchangeable preference shares was RMB897,553,000.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

34. Issued capital

	2025	2024
Authorised:		
10,000,000,000 (2024: 10,000,000,000) ordinary shares of US\$0.02 each US\$'000	200,000	200,000
Issued and fully paid:		
3,994,515,953 (2024: 3,761,670,643) ordinary shares of US\$0.02 each US\$'000	79,890	75,233
Equivalent to RMB'000	518,839	486,107

A summary of movements in the Company's issued capital is as follows:

	Number of shares in issue	Issued capital
At 1 January 2024, 31 December 2024 and 1 January 2025	3,761,670,643	486,107
Conversion of convertible bonds (<i>note</i>)	232,845,310	32,732
At 31 December 2025	3,994,515,953	518,839

Note: From August 2025 to September 2025, convertible bonds with an aggregate principal amount of US\$110,000,000 were converted into 232,845,310 ordinary shares at a conversion price of HK\$3.672 per share.

35. Reserves

Statutory surplus reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Safety production reserve

The Group has appropriated a certain amount of accumulated losses to the safety production reserve fund for the purposes of safety production expense as required by directives issued by the relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time an equal amount of special reserve fund was utilised and transferred back to accumulated losses.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

36. Share award scheme

Share award scheme of Boan Biotech

In December 2020, the board of directors of Boan Biotech passed a resolution to grant equity interests of Boan Biotech to the eligible employees (including directors) in order to provide incentives and rewards to participants for the business development of Boan Biotech. Subsequently, Yantai Bolian Investment Centre Limited Partnership (“Yantai Bolian”), Yantai Bosheng Investment Centre Limited Partnership (“Yantai Bosheng”) and Yantai Bofa Investment Centre Limited Partnership (“Yantai Bofa”), three employee incentive platforms established in the PRC, subscribed paid-in capital of RMB21,380,000, RMB14,930,000 and RMB11,250,000 of Boan Biotech for total considerations of RMB64,140,000, RMB44,790,000 and RMB33,750,000, respectively.

On 27 January 2021, 4.4247% of the then equity interest in Boan Biotech was granted to 36 selected directors and employees of Boan Biotech for a consideration of RMB64,140,000 through Yantai Bolian, 3.0898% of the then equity interest in Boan Biotech was granted to 45 selected directors and employees of Boan Biotech for a consideration of RMB44,790,000 through Yantai Bosheng and 2.3282% of the then equity interest in Boan Biotech was granted to 47 selected directors and employees of Boan Biotech for a consideration of RMB33,750,000 through Yantai Bofa.

Pursuant to the partnership agreements of Yantai Bolian, Yantai Bosheng and Yantai Bofa (collectively referred to as the “ESOP Entity”), (i) the ESOP Entity shall not dispose of any of the shares it held within 36 months immediately following the date of the Company’s listing (the “ESOP Lock-up Period”); (ii) a partner is entitled to direct the ESOP Entity to dispose of his/her share of the shares held by the ESOP Entity (based on his/her shareholding percentage in the ESOP Entity) (the “ESOP Shares”) in the proportion and on the respective dates as (a) 25% of his/her ESOP Shares upon the expiry of 12 months following the day after the ESOP Lock-up Period; (b) 50% of his/her ESOP Shares upon the expiry of 24 months following the day after the ESOP Lock-up Period; (c) 75% of his/her ESOP Shares upon the expiry of 36 months following the day after the ESOP Lock-up Period; and (d) 100% of his/her ESOP Shares upon the expiry of 48 months following the day after the ESOP Lock-up Period. If the partner ceases to be qualified as a partner during the vesting period, the general partner shall have the right to purchase or appoint other eligible employees to purchase his/her share at cost or cost plus market interest. In August 2021, the lock-up period was updated as 12 months immediately following the date of the Boan Biotech’s qualified listing pursuant to the updated partnership agreements.

The fair value of services received in return for equity interests granted is measured by reference to the fair value of the equity interests granted less the consideration received by Boan Biotech.

The fair value of the equity interests granted is determined by the back-solve method and equity value allocation based on the option pricing model at the grant date. The following table lists the inputs to the model used:

	2021
Risk-free interest rate (%)	2.9%
Volatility (%)	42.0%

The Group recognised a share-based payment expense of RMB13,370,000 during the year (2024: RMB21,499,000).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

37. Pension plan

The Group has a defined benefit pension plan in Switzerland. The pension plan grants disability and death benefits which are defined as projected savings capital without interest but including future savings contribution. This projected savings capital is converted in disability or death benefits. In the event that an employee leaves his employment with the Group prior to reaching a pensionable age, the cumulative balance of the savings account is withdrawn from the pension plan and invested into the pension plan of the employee's new employer. The assets of the funded plan are held independently of those of the Group, being managed through a central trust fund.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligations were carried out on 31 December 2025 by Prevanto AG, an accredited pension actuary in Switzerland, using the projected unit credit actuarial valuation method.

The movements in the defined benefit obligation and fair value of plan assets during the year are as follows:

	Defined benefit obligation RMB'000	Fair value of plan assets RMB'000	Benefit liability RMB'000
At 1 January 2025	(30,423)	25,082	(5,341)
Pension cost charged to profit or loss			
Service cost	(2,158)	—	(2,158)
Net interest expense	(354)	195	(159)
Total	(2,512)	195	(2,317)
Remeasurement gains/(losses) in other comprehensive income			
Return on plan assets (excluding amounts included in net interest expense)	—	89	89
Actuarial changes arising from plan experience	106	—	106
Actuarial changes arising from financial assumptions	1,398	—	1,398
Total	1,504	89	1,593
Contributions by employer	—	2,184	2,184
Contributions by employee	(1,478)	1,478	—
Benefits paid	1,629	(1,629)	—
Plan amendment	(124)	—	(124)
Exchange differences	(3,272)	2,719	(553)
At 31 December 2025	(34,676)	30,118	(4,558)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

37. Pension plan (Continued)

The movements in the defined benefit obligation and fair value of plan assets during the year are as follows: (Continued)

	Defined benefit obligation RMB'000	Fair value of plan assets RMB'000	Benefit liability RMB'000
At 1 January 2024	(27,479)	23,379	(4,100)
Pension cost charged to profit or loss			
Service cost	(1,847)	—	(1,847)
Net interest expense	(408)	272	(136)
Total	(2,255)	272	(1,983)
Remeasurement gains/(losses) in other comprehensive income			
Return on plan assets (excluding amounts included in net interest expense)	—	(96)	(96)
Actuarial changes arising from plan experience	(48)	—	(48)
Actuarial changes arising from financial assumptions	(1,727)	—	(1,727)
Total	(1,775)	(96)	(1,871)
Contributions by employer	—	2,028	2,028
Contributions by employee	(1,320)	1,320	—
Benefits paid	592	(592)	—
Plan amendment	384	—	384
Exchange differences	1,430	(1,229)	201
At 31 December 2024	(30,423)	25,082	(5,341)

The fair value of plan assets is as follows:

	2025 RMB'000	2024 RMB'000
Savings capital	30,118	25,082

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

37. Pension plan (Continued)

The principal assumptions used in determining benefit obligations for the Group's plan are shown below:

	2025	2024
Discount rate	1.00%	1.00%
Salary increase	1.50%	1.50%
Pension increase	0.00%	0.00%

A quantitative sensitivity analysis for significant assumptions as at 31 December is shown below:

	Impact on defined benefit obligation	
	2025	2024
	RMB'000	RMB'000
Discount rate:		
0.25% increase	(1,195)	(1,000)
0.25% decrease	1,274	1,072
Salary increase:		
0.25% increase	159	136
0.25% decrease	(150)	(136)
Pension increase:		
0.25% increase	717	584
0.25% decrease	—	—

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been used for calculating the defined benefit obligations recognised in the consolidated statement of financial position.

The following payments are expected contributions to the defined benefit plan in future years:

	2025	2024
	RMB'000	RMB'000
Less than 1 year	—	—
Between 1 and 5 years	—	—
Over 5 years	4,558	5,341
Total	4,558	5,341

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

38. Partly-owned subsidiaries with material non-controlling interests

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2025	2024
Percentage of equity interest held by non-controlling interests:		
WPU	30.45%	30.45%
Boan Biotech	42.06%	32.72%
Chengdu Luye	13.85%	13.85%
Nanjing Luye	22.75%	22.75%
Profit for the year allocated to non-controlling interests:		
	2025	2024
	RMB'000	RMB'000
WPU	349	62,143
Boan Biotech	3,082	23,015
Chengdu Luye	7,045	32,114
Nanjing Luye	76,436	55,850
Dividends declared to non-controlling interests:		
Chengdu Luye	—	415
WPU	11,000	—
Accumulated balances of non-controlling interests at the reporting date:		
WPU	361,695	372,346
Boan Biotech	1,152,397	537,867
Chengdu Luye	384,723	377,679
Nanjing Luye	387,685	311,249
Share award scheme reserve attributable to non-controlling interests:		
Boan Biotech	13,275	9,163

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

38. Partly-owned subsidiaries with material non-controlling interests (Continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2025	WPU RMB'000	Boan Biotech RMB'000	Chengdu Luye RMB'000	Nanjing Luye RMB'000
Revenue	647,622	784,822	1,029,908	1,101,876
Total expenses	(647,898)	(777,678)	(979,401)	(765,805)
Profit for the year	(276)	7,144	50,507	336,071
Total comprehensive income for the year	(276)	7,144	50,507	336,071
Current assets	1,604,555	2,013,310	2,950,219	1,597,697
Non-current assets	203,020	2,112,330	1,442,180	821,692
Current liabilities	(614,229)	(864,648)	(1,011,646)	(713,219)
Non-current liabilities	(5,256)	(521,105)	(238,812)	(114,495)
Net cash flows from/(used in) operating activities	(812)	77,482	(172,542)	262,537
Net cash flows from/(used in) investing activities	(14,131)	(286,636)	177,989	(48,265)
Net cash flows from/(used in) financing activities	1,674	1,140,907	(43,290)	(102,537)
Net foreign exchange differences	—	(218)	(19)	(7)
Net increase/(decrease) in cash and cash equivalents	(13,269)	931,535	(37,862)	111,728

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

38. Partly-owned subsidiaries with material non-controlling interests (Continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations: (Continued)

2024	WPU RMB'000	Boan Biotech RMB'000	Chengdu Luye RMB'000	Nanjing Luye RMB'000
Revenue	823,903	726,316	1,162,563	1,103,552
Total expenses	(643,398)	(653,127)	(884,594)	(767,913)
Profit for the year	180,505	73,189	277,969	335,639
Total comprehensive income for the year	180,505	73,189	277,969	335,639
Current assets	1,490,344	956,282	2,818,397	1,555,238
Non-current assets	195,052	1,895,008	1,480,060	812,548
Current liabilities	(455,280)	(648,681)	(819,091)	(1,055,823)
Non-current liabilities	(5,626)	(558,569)	(376,930)	(58,017)
Net cash flows from/(used in) operating activities	41,225	(117,936)	46,124	596,710
Net cash flows from/(used in) investing activities	(10,395)	(362,893)	(151,038)	43,138
Net cash flows from/(used in) financing activities	(15,420)	477,832	(1,219)	(493,812)
Net foreign exchange differences	—	14	23	73
Net increase/(decrease) in cash and cash equivalents	15,410	(2,983)	(106,110)	146,109

As at 31 December 2025, the unrealised profit from the inter-company transaction between WPU and Luye Trading was RMB258,000 (2024: RMB1,680,000).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

39. Related party transactions

Details of the Group's principal related parties are as follows:

Company	Relationship
Steward Cross	Associate
Shandong Quanzhong	Associate
LPVC	Joint venture
Luye Life Sciences Group Ltd. ("Luye Life Sciences")	Controlled by the controlling shareholder
Yantai Painuo Biotech Co., Ltd. ("Yantai Painuo")	Controlled by the controlling shareholder
Shandong International Biotechnology Development Co., Ltd. ("Biotech Park Development")	Controlled by the controlling shareholder
Luye Investment Group Co., Ltd. ("LIG")	Controlled by the controlling shareholder
Yantai Yunyue Winery Management Co., Ltd. ("Yunyue Winery")	Controlled by the controlling shareholder
Yantai Pull Valley Winery Management Co., Ltd. ("Pull Valley Winery")	Controlled by the controlling shareholder
Yantai Cellzone Medical Diagnostics Center Co., Ltd. ("Yantai Cellzone")	Controlled by the controlling shareholder
Qingdao Luye Shanghe Pharmaceutical Technology Co., Ltd. ("Qingdao Luye")	Controlled by the controlling shareholder
Geneleap Biotech LLC ("Geneleap Biotech")	Controlled by the controlling shareholder
Sairun (Shanghai) Medical Technology Co., Ltd. ("Shanghai Sairun")	Controlled by the controlling shareholder
Shanghai Luye Dima Medical Investment Management Co., Ltd. ("Shanghai Dima")	Controlled by the controlling shareholder
Yantai Luchuang Biotechnology Co., Ltd. ("Yantai Luchuang")	Controlled by the controlling shareholder
Shandong Asford Biotechnology Co., Ltd. ("Shandong Asford")	Controlled by the controlling shareholder

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

39. Related party transactions (Continued)

(a) The Group had the following transactions with related parties during the year:

	Notes	2025 RMB'000	2024 RMB'000
Sales of products to:			
Steward Cross	(i)	8,451	8,279
Qingdao Luye	(i)	5,999	6,223
Sales of materials to:			
Yantai Painuo	(ii)	—	56
Sales of properties to:			
Shandong Asford	(ii)	1,483	5,373
Provision of manufacturing service to:			
Yantai Painuo	(ii)	1,743	2,114
Provision of property management services to:			
Yantai Painuo	(ii)	—	87
Lease buildings to:			
Yantai Painuo	(ii)	1,916	688
Lease equipment to:			
Yantai Painuo	(ii)	1,895	3,913
Lease buildings and equipment from:			
Biotech Park Development	(ii)	4,281	7,901
Property management services from:			
Biotech Park Development	(ii)	361	1,816
Purchase of welfare goods from:			
Pull Valley Winery	(ii)	116	161
LIG		712	—
Accommodation services from:			
Yunyue Winery	(ii)	—	74
Payment on behalf by:			
Biotech Park Development	(ii)	6,372	8,053
Repayment to:			
Biotech Park Development	(iii)	7,647	10,688
Payment on behalf of:			
Shanghai Sairun	(iii)	893	930
Yantai Painuo	(iii)	692	1,386
Yantai Luchuang	(iii)	1,568	—
Shanghai Dima	(iii)	264	—
Repayment from:			
Shanghai Sairun	(iii)	893	930
Yantai Painuo	(iii)	—	1,386
Shandong Quanzhong	(iii)	788	—
Yantai Luchuang	(iii)	662	—
Advances to:			
Shandong Quanzhong	(iii)	—	788

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

39. Related party transactions (Continued)

(a) The Group had the following transactions with related parties during the year: (Continued)

Notes:

- (i) The sales to related parties were made according to the published prices and conditions offered to the major customers of the Group.
- (ii) The transaction prices were determined on terms mutually agreed between the parties with reference to the actual cost and fees for similar transactions in the market.
- (iii) The payments on behalf and advances were unsecured, interest-free and repayable on demand.

(b) Outstanding balances with related parties:

	2025 RMB'000	2024 RMB'000
Other receivables		
Yantai Painuo	43,499	32,662
Qingdao Luye	511	1,587
Steward Cross	348	1,279
LPVC*#	423,797	87,650
Shandong Asford	7,753	6,146
Shandong Quanzhong*	—	788
Shanghai Sairun*	893	—
Shanghai Dima*	264	—
Yantai Luchuang*	906	—
Total	477,971	130,112
Other payables		
Biotech Park Development*	3,030	2,383
Yantai Cellzone	—	1,164
Total	3,030	3,547
Lease liabilities		
Biotech Park Development	—	1,190

* The balances were non-trade in nature.

RMB351,440,000 of the balance represents the refundable capital contribution from LPVC which is expected to be refunded in 2026. As of 28 February 2026, a total amount of RMB316,296,000 was refunded.

Other outstanding balances with related parties were all trade in nature. The balances with related parties except for lease liabilities are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

39. Related party transactions (Continued)

(c) Compensation of key management personnel of the Group:

	2025 RMB'000	2024 RMB'000
Short-term employee benefits	22,480	23,666
Pension scheme contributions	1,065	1,133
Equity-settled share award expense	6,148	10,130
Total compensation paid to key management personnel	29,693	34,929

Further details of directors' and the chief executive's remuneration are included in note 8 to the financial statements.

40. Contingent liabilities

The Company is currently a defendant in a lawsuit brought by a party seeking restitution of unjust enrichment against the Company. The directors, based on the advice from the Group's legal counsel, believe that the Company has a valid defence against the allegation and, accordingly, the Group has not provided for any claim arising from the litigation, other than the related legal and other costs. On 13 December 2024, the Company submitted its re-amended defence, fully denying the claims. Trial is tentatively scheduled to take place in late 2026.

41. Commitments

The Group had the following contractual commitments at the end of the reporting period:

	2025 RMB'000	2024 RMB'000
Buildings	26,612	74,126
Machinery and equipment	485,199	328,911
Other intangible assets	66,055	66,556
Total	577,866	469,593

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

42. Notes to the consolidated statement of cash flows

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB46,144,000 (2024: RMB10,352,000) and RMB46,144,000 (2024: RMB10,352,000), respectively, in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

2025

	Bank and other loans RMB'000	Lease liabilities RMB'000	Convertible bonds RMB'000	Exchangeable preference shares RMB'000
At 1 January 2025	8,232,489	61,955	2,026,610	—
Changes from financing cash flows	30,600	(23,756)	(283,372)	1,038,379
New leases	—	46,144	—	—
Reassessment as a result of lease modifications	—	(14,086)	—	—
Foreign exchange movement	(20,074)	(249)	(45,728)	15,941
Interest expense	38,933	3,991	268,882	21,429
Changes from non-financing activities	—	(3,991)	(129,503)	(21,429)
Changes in fair value	—	—	—	(156,767)
Conversion of convertible bonds	—	—	(771,563)	—
At 31 December 2025	8,281,948	70,008	1,065,326	897,553

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

42. Notes to the consolidated statement of cash flows (Continued)

(b) Changes in liabilities arising from financing activities (Continued)

2024

	Bank and other loans RMB'000	Lease liabilities RMB'000	Convertible bonds RMB'000
At 1 January 2024	7,415,426	70,646	937,875
Changes from financing cash flows	802,819	(20,457)	1,057,248
New leases	—	10,352	—
Reassessment as a result of lease modifications	—	643	—
Foreign exchange movement	(1,951)	771	19,035
Interest expense	16,195	4,100	87,449
Changes from non-financing activities	—	(4,100)	—
Equity component of convertible bonds	—	—	(74,997)
At 31 December 2024	8,232,489	61,955	2,026,610

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2025 RMB'000	2024 RMB'000
Within operating activities	24,703	22,512
Within investing activities	188	1,670
Within financing activities	23,756	20,457
Total	48,647	44,639

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

43. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2025

Financial assets

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Total RMB'000
	Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	
Equity investments designated at fair value through other comprehensive income	—	—	2,424	—	2,424
Notes receivable	—	—	97,974	313,484	411,458
Trade receivables	—	—	—	2,847,399	2,847,399
Financial assets included in prepayments, other receivables and other assets	—	—	—	1,978,767	1,978,767
Financial assets at fair value through profit or loss	1,261	3,794,848	—	—	3,796,109
Restricted cash	—	—	—	5,266	5,266
Pledged deposits	—	—	—	1,375,422	1,375,422
Time deposits with original maturity of over three months	—	—	—	1,000,000	1,000,000
Cash and cash equivalents	—	—	—	4,491,540	4,491,540
Total	1,261	3,794,848	100,398	12,011,878	15,908,385

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

43. Financial instruments by category (Continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at fair value through profit or loss	Total RMB'000
		Designated as such upon initial recognition RMB'000	
Trade and notes payables	1,153,235	—	1,153,235
Financial liabilities included in other payables and accruals	1,043,914	—	1,043,914
Convertible bonds	1,065,326	—	1,065,326
Financial liabilities included in other non-current liabilities	56,230	—	56,230
Interest-bearing loans and borrowings	8,351,956	—	8,351,956
Exchangeable preference shares	—	897,553	897,553
Total	11,670,661	897,553	12,568,214

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

43. Financial instruments by category (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

2024

Financial assets

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Total RMB'000
	Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	
Equity investments designated at fair value through other comprehensive income	—	—	2,786	—	2,786
Notes receivable	—	—	131,227	264,739	395,966
Trade receivables	—	—	—	2,383,801	2,383,801
Financial assets included in prepayments, other receivables and other assets	—	—	—	1,530,113	1,530,113
Financial assets at fair value through profit or loss	1,263	2,121,316	—	—	2,122,579
Pledged deposits	—	—	—	1,174,015	1,174,015
Time deposits with original maturity of over three months	—	—	—	62,000	62,000
Cash and cash equivalents	—	—	—	4,937,145	4,937,145
Total	1,263	2,121,316	134,013	10,351,813	12,608,405

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and notes payables	689,300
Financial liabilities included in other payables and accruals	1,419,479
Convertible bonds	2,026,610
Financial liabilities included in other non-current liabilities	57,508
Interest-bearing loans and borrowings	8,294,444
Total	12,487,341

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

44. Fair value and fair value hierarchy of financial instruments

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2025

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investments designated at fair value through other comprehensive income	2,424	—	—	2,424
Notes receivable	—	97,974	—	97,974
Financial assets at fair value through profit or loss	423	3,794,425	1,261	3,796,109
Total	2,847	3,892,399	1,261	3,896,507

As at 31 December 2024

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investments designated at fair value through other comprehensive income	2,786	—	—	2,786
Notes receivable	—	131,227	—	131,227
Financial assets at fair value through profit or loss	1,092	2,120,224	1,263	2,122,579
Total	3,878	2,251,451	1,263	2,256,592

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

44. Fair value and fair value hierarchy of financial instruments (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:
As at 31 December 2025

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Exchangeable preference shares	—	—	897,553	897,553

The Group did not have any financial liabilities measured at fair value as at 31 December 2024.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2024: Nil).

Financial instruments whose carrying amounts approximate to their fair values

Management has determined that the carrying amounts of cash and cash equivalents, pledged deposits, restricted cash, trade and notes receivables, financial assets included in prepayments, other receivables and other assets, trade and notes payables, financial liabilities included in other payables and accruals and the current portion of interest-bearing loans and borrowings, based on their notional amounts, reasonably approximate to their fair values because these financial instruments are mostly short-term in nature.

The fair values of the non-current portion of interest-bearing loans and borrowings and financial liabilities included in other non-current liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing loans and borrowings as at 31 December 2025 were assessed to be insignificant. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income are based on recently executed transaction prices in securities of the issuer. The fair value of the unlisted equity investments at fair value through profit or loss has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires management to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, which is price to book value ("P/B") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by a book value measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to measure the fair value of the unlisted equity investments. Management believes that the estimated fair value resulting from the valuation technique, which is recorded in the consolidated statement of financial position, and the related change in fair values, which is recorded in consolidated statement of profit or loss, are reasonable, and that it was the most appropriate value at the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

44. Fair value and fair value hierarchy of financial instruments (Continued)

Fair value hierarchy (Continued)

Financial instruments whose carrying amounts approximate to their fair values (Continued)

The Group invests in unlisted investments, which represent wealth management products issued by banks in the Chinese mainland. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of the notes receivable classified as debt investments at fair value through other comprehensive income as at 31 December 2025 have been calculated by discounting the expected future cash flows, which are the par values of the notes receivable. In addition, the notes receivable will mature within twelve months, and thus, their fair values approximate to their carrying values.

The fair value of exchangeable preference shares is a level 3 recurring fair value measurement. As disclosed in note 33, each exchangeable preference share entitles its holder to exchange such share into Boan Biotech's shares at any time commencing the completion of the subscription until the end of the expiry of 60 months, when any outstanding exchangeable preference shares shall automatically and mandatorily be exchanged into Boan Biotech's shares at the prevailing exchange price. The valuation of preference share requires making estimation on the fair value of Boan Biotech by binomial tree model, with significant unobservable inputs including probability assumptions for conditions fulfilment.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2025 and 2024:

	Valuation technique	Significant unobservable inputs	Weighted average rate	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Market approach	Discount for lack of marketability	20% (2024: 20%)	1% (2024: 1%) increase/decrease in discount would result in decrease/increase in fair value by RMB21,000/RMB21,000 (2024: RMB16,000/RMB16,000)
Exchangeable preference shares	Binomial tree model	Discount rate	7.43%	1% increase/decrease in discount would result in decrease/increase in fair value by RMB3,013,000/RMB3,013,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

45. Financial risk management objectives and policies

The Group's principal financial instruments comprise interest-bearing loans and borrowings, convertible bonds, exchangeable preferred share, cash and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing loans and borrowings with floating interest rates.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. The following table demonstrates the sensitivity to a reasonably possible change in the RMB and US\$ interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2025			
RMB	50	(3,872)	(3,872)
RMB	(50)	3,872	3,872
US\$	50	(163)	(163)
US\$	(50)	163	163
2024			
RMB	50	(4,850)	(3,970)
RMB	(50)	4,850	3,970
US\$	50	(1,165)	(973)
US\$	(50)	1,165	973

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

45. Financial risk management objectives and policies (Continued)

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (arising from foreign currency denominated financial instruments) and the Group's equity (due to exchange differences on translation of foreign operations).

	Increase/ (decrease) in rate of foreign currency %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2025			
If the RMB weakens against the US\$	5	37,133	(21,395)
If the RMB strengthens against the US\$	(5)	(37,133)	21,395
If the RMB weakens against the EUR	5	—	37,940
If the RMB strengthens against the EUR	(5)	—	(37,940)
If the US\$ weakens against the EUR	5	67,207	61,546
If the US\$ strengthens against the EUR	(5)	(67,207)	(61,546)
If the US\$ weakens against the HKD	5	(13,911)	(12,465)
If the US\$ strengthens against the HKD	(5)	13,911	12,465
2024			
If the RMB weakens against the US\$	5	38,707	1,962
If the RMB strengthens against the US\$	(5)	(38,707)	(1,962)
If the RMB weakens against the EUR	5	—	33,858
If the RMB strengthens against the EUR	(5)	—	(33,858)
If the US\$ weakens against the EUR	5	61,428	56,255
If the US\$ strengthens against the EUR	(5)	(61,428)	(56,255)
If the US\$ weakens against the HKD	5	(14,389)	(12,896)
If the US\$ strengthens against the HKD	(5)	14,389	12,896

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

45. Financial risk management objectives and policies (Continued)

Credit risk

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of senior management.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2025

	12-month ECLs		Lifetime ECLs		Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables*	—	—	—	2,854,765	2,854,765
Notes receivable	313,484	—	—	97,974	411,458
Financial assets included in prepayments, other receivables and other assets					
— Normal**	1,988,364	—	—	—	1,988,364
Restricted cash					
— Not yet past due	5,266	—	—	—	5,266
Pledged deposits					
— Not yet past due	1,375,422	—	—	—	1,375,422
Time deposits with original maturity of over three months					
— Not yet past due	1,000,000	—	—	—	1,000,000
Cash and cash equivalents					
— Not yet past due	4,491,540	—	—	—	4,491,540
Total	9,174,076	—	—	2,952,739	12,126,815

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

45. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2024

	12-month ECLs		Lifetime ECLs		Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables*	—	—	—	2,388,581	2,388,581
Notes receivable	264,739	—	—	131,227	395,966
Financial assets included in prepayments, other receivables and other assets					
— Normal**	1,534,436	—	—	—	1,534,436
Pledged deposits					
— Not yet past due	1,174,015	—	—	—	1,174,015
Time deposits with original maturity of over three months					
— Not yet past due	62,000	—	—	—	62,000
Cash and cash equivalents					
— Not yet past due	4,937,145	—	—	—	4,937,145
Total	7,972,335	—	—	2,519,808	10,492,143

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different regions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

45. Financial risk management objectives and policies (Continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The Group maintains a balance between continuity of funding and flexibility through the use of interest-bearing loans and borrowings and convertible bonds.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

31 December 2025

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Convertible bonds	—	33,291	33,291	1,168,714	—	1,235,296
Lease liabilities	—	6,644	29,429	35,073	1,607	72,753
Interest-bearing loans and borrowings (excluding lease liabilities)	—	2,387,784	5,669,722	1,623,168	—	9,680,674
Trade and notes payables	—	676,884	448,880	27,471	—	1,153,235
Financial liabilities included in other payables and accruals	287,578	756,336	—	—	—	1,043,914
Financial liabilities included in other non-current liabilities	—	—	34,000	594,230	—	628,230
Exchangeable preference shares	—	—	50,080	200,321	—	250,401
Total	287,578	3,860,939	6,265,402	3,648,976	1,607	14,064,502

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

45. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

31 December 2024

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Convertible bonds	—	53,693	1,165,828	1,501,478	—	2,720,999
Lease liabilities	—	4,273	20,521	48,977	1,638	75,409
Interest-bearing loans and borrowings (excluding lease liabilities)	—	2,923,620	3,765,143	1,809,275	—	8,498,038
Trade and notes payables	—	502,356	147,662	39,282	—	689,300
Financial liabilities included in other payables and accruals	353,315	1,066,164	—	—	—	1,419,479
Other non-current liabilities	—	—	—	57,508	—	57,508
Total	353,315	4,550,106	5,099,154	3,456,520	1,638	13,460,733

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2025 and 31 December 2024.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

45. Financial risk management objectives and policies (Continued)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is total borrowings divided by total equity. The gearing ratios as at the end of the reporting periods were as follows:

	2025 RMB'000	2024 RMB'000
Interest-bearing loans and borrowings	8,351,956	8,294,444
Total equity	18,359,054	15,753,670
Gearing ratio	45%	53%

46. Events after the reporting period

There were no other significant events that required additional disclosure or adjustments occurred after the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

47. Statement of financial position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2025 RMB'000	2024 RMB'000
NON-CURRENT ASSETS		
Investments in a joint venture	13,348	359,420
Investments in subsidiaries	9,620	9,620
Prepayments, deposits and other receivables	484	—
Right-of-use assets	4,121	1,304
Other intangible assets	32,215	35,942
Total non-current assets	59,788	406,286
CURRENT ASSETS		
Due from subsidiaries	8,096,462	8,939,210
Prepayments, other receivables and other assets	424,793	89,372
Financial assets at fair value through profit or loss	423	1,092
Cash and cash equivalents	6,229	5,076
Total current assets	8,527,907	9,034,750
CURRENT LIABILITIES		
Convertible bonds	—	1,011,067
Interest-bearing loans and borrowings	355,403	137,140
Tax payable	2,083	828
Other payables and accruals	2,280,904	2,929,417
Total current liabilities	2,638,390	4,078,452
NET CURRENT ASSETS	5,889,517	4,956,298
TOTAL ASSETS LESS CURRENT LIABILITIES	5,949,305	5,362,584
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	2,905	—
Convertible bonds	1,065,326	1,015,543
Deferred tax liabilities	47	690
Total non-current liabilities	1,068,278	1,016,233
Net assets	4,881,027	4,346,351
EQUITY		
Issued capital	518,839	486,107
Share premium (note)	5,157,680	4,343,852
Equity component of convertible bonds (note)	386,362	461,359
Reserves (note)	(1,181,854)	(944,967)
Total equity	4,881,027	4,346,351

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

47. Statement of financial position of the Company (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Share award scheme reserve RMB'000	Accumulated losses RMB'000	Foreign currency translation reserve RMB'000	Equity component of convertible bonds RMB'000	Other reserves RMB'000	Total RMB'000
Balance at 1 January 2024	4,343,852	172,812	(1,312,928)	430,560	386,362	140,488	4,161,146
Loss for the year	—	—	(265,877)	—	—	—	(265,877)
Other comprehensive income for the year:							
Currency realignment	—	—	—	63,700	—	—	63,700
Total comprehensive income for the year	—	—	(265,877)	63,700	—	—	(202,177)
Elimination of share award scheme reserve	—	(172,812)	—	—	—	—	(172,812)
Issue of convertible bonds	—	—	—	—	74,997	—	74,997
Disposal of a subsidiary	—	—	3,517	—	—	(4,427)	(910)
At 31 December 2024 and 1 January 2025	4,343,852	—	(1,575,288)	494,260	461,359	136,061	3,860,244
Loss for the year	—	—	(144,111)	—	—	—	(144,111)
Other comprehensive income for the year:							
Share of other comprehensive income of a joint venture	—	—	—	—	—	9,514	9,514
Currency realignment	—	—	—	(102,290)	—	—	(102,290)
Total comprehensive income for the year	—	—	(144,111)	(102,290)	—	9,514	(236,887)
Conversion of convertible bonds	813,828	—	—	—	(74,997)	—	738,831
At 31 December 2025	5,157,680	—	(1,719,399)	391,970	386,362	145,575	4,362,188

48. Approval of the consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 March 2026.



Pharma
绿叶制药

Luye Pharma Group Ltd.
绿叶制药集团有限公司
www.luye.cn