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*This announcement and the listing document referred to herein are not intended to be and does not constitute an invitation or offer to acquire, purchase or subscribe for securities. The securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state of the United States or any other jurisdiction, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.*

***This announcement and the listing document referred to herein have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever.** For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

PUBLICATION OF THE OFFERING CIRCULAR

Hualu International Finance (BVI) Limited
華魯國際財務(BVI)有限公司
(incorporated in the British Virgin Islands with limited liability)
(the "Issuer")

CNY2,018,000,000 1.74 PER CENT. GUARANTEED BONDS DUE 2029
(STOCK CODE: 85193)
(the "Bonds")

華魯集團
HUALU GROUP

unconditionally and irrevocably guaranteed by
Hualu Holdings Co., Ltd.
(華魯控股集團有限公司)
(incorporated in the People's Republic of China with limited liability)
(the "Guarantor")

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Guotai Junan International	**China Securities International**	**China Galaxy International**	**Shanghai Pudong Development Bank Hong Kong Branch**
ICBC[1]	**China Construction Bank (Asia)**	**CMB Wing Lung Bank Limited**	**Bank of China[2]**
HSBC	**China International Capital Corporation**	**CITIC Securities**	**Zhongtai International**

Joint Bookrunners and Joint Lead Managers

Industrial Bank Co., Ltd. Hong Kong Branch	**Tai Fung Bank**	**Agricultural Bank of China Limited Hong Kong Branch**	**China Minsheng Banking Corp., Ltd. [3]**
China CITIC Bank International	**Ping An Securities (Hong Kong) Company Limited**	**BOCOM International**	**China Everbright Bank Hong Kong Branch**
Luso Bank Ltd.	**Hua Xia Bank Co., Limited Hong Kong Branch**	**China Zheshang Bank Co., Ltd. (Hong Kong Branch)**	**DBS Bank Ltd.**
Haitong Bank	**China Industrial Securities International**	**Orient Securities (Hong Kong)**	**Guodu Securities (Hong Kong)**
	CMS International	**Shenwan Hongyuan (H.K.)**	

[1] Industrial and Commercial Bank of China (Asia) Limited and Industrial and Commercial Bank of China (Macau) Limited

[2] Bank of China (Hong Kong) Limited and Bank of China Limited

[3] China Minsheng Banking Corp., Ltd. Hong Kong Branch and CMBC Securities Company Limited

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Reference is made to the notice of listing of the Bonds on The Stock Exchange of Hong Kong Limited dated 21 October 2026 published by the Issuer.

The offering circular dated 13 October 2026 (the "**Offering Circular**") in relation to the Bonds is appended to this announcement.

Hong Kong, 22 October 2026

As at the date of this announcement, the directors of the Issuer comprises Mr. Cheng Xuezhan, Mr. Zhao Jiequan, Mr. Wei Yu and Mr. Zhang Huiyong; and the board of directors of the Guarantor comprises Mr. Yang Yilong, Mr. Wang Tao, Mr. Bi Yuguo, Mr. Wang Bo, Mr. Zhang Yuming, Mr. Lou Hongxiang and Ms. Su Xin.

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "**Offering Circular**"). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Issuer or the Guarantor (each as defined in the attached Offering Circular) as a result of such access. In order to be eligible to view the attached Offering Circular or make an investment decision with respect to the securities, investors must be outside the United States (as defined under Regulation S under the United States Securities Act of 1933, as amended (the "**Securities Act**")).

Confirmation of your representation: The attached Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to the Issuer, the Guarantor and the Managers (as defined in the attached Offering Circular) that (1) you and any customers you represent are outside the United States and that the e-mail address that you gave the Issuer, the Guarantor and/or the Managers and to which this e-mail has been delivered is not located in the United States, its territories or possessions, (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission, and (3) to the extent you purchase the securities described in the attached Offering Circular, you will be doing so in an offshore transaction as defined in Regulation S under the Securities Act in compliance with Regulation S thereunder.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the Issuer, the Guarantor, the Managers, the Trustee (as defined in the attached Offering Circular), the Agents (as defined in the attached Offering Circular) or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version available to you upon request from the Issuer, the Guarantor and the Managers.

Restrictions: The attached Offering Circular is being furnished in connection with an offering in offshore transactions to persons outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE OFFERING IS MADE SOLELY OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer, the Guarantor or any Manager to subscribe for or purchase any of the securities described therein in any jurisdiction where it is unlawful to do so, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Managers or any affiliate is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Manager or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction. The attached Offering Circular and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person. You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession the attached Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the attached Offering Circular, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached Offering Circular.

Actions that you may not take: If you receive this document by e-mail, you should not reply by e-mail to this document, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. If you receive the attached Offering Circular by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Hualu International Finance (BVI) Limited
華魯國際財務(BVI)有限公司

(incorporated in the British Virgin Islands with limited liability)

CNY2,018,000,000 1.74 PER CENT. GUARANTEED BONDS DUE 2029
unconditionally and irrevocably guaranteed by

華魯集團
HUALU GROUP

Hualu Holdings Co., Ltd.
(華魯控股集團有限公司)

(incorporated in the People's Republic of China with limited liability)

ISSUE PRICE FOR THE BONDS: 100.00 PER CENT.

The CNY2,018,000,000 1.74 per cent. guaranteed bonds due 2029 (the "**Bonds**") will be issued by Hualu International Finance (BVI) Limited 華魯國際財務(BVI)有限公司 (the "**Issuer**"). The Bonds will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by Hualu Holdings Co., Ltd. (華魯控股集團有限公司) (the "**Guarantor**").

The Bonds will bear interest on their outstanding principal amount from and including 21 October 2026 (the "**Issue Date**") at the rate of 1.74 per cent. per annum, payable semi-annually in arrear on 21 April and 21 October in each year (each and "**Interest Payment Date**"), commencing on 21 April 2027. If any Interest Payment Date would otherwise fall on a day which is not a business day (as defined in Condition 5 of the terms and conditions of the Bonds (the "**Terms and Conditions of the Bonds**")), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event it shall be brought forward to the immediately preceding business day. Unless previously redeemed, or purchased and cancelled, the Bonds will mature on 21 October 2029 at their principal amount.

The Bonds will constitute direct, unconditional, unsubordinated and subject to Condition 4(a) of the Terms and Conditions of the Bonds, unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. Payments on the Bonds will be made free and clear of, and without set-off or counterclaim and without withholding or deduction for or on account of taxes of the British Virgin Islands and the PRC to the extent described in "*Terms and Conditions of the Bonds – Taxation*".

The Guarantor has made an application for the pre-issuance registration (the "**Pre-Issuance Registration**") in relation to the Bonds with the National Development and Reform Commission of the People's Republic of China or its competent local counterparts (the "**NDRC**") in accordance with the Administrative Measures for the Review and Registration of Medium- and Long-Term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) (the "**NDRC Administrative Measures**") promulgated by the NDRC and effective from 10 February 2023 and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time. The Guarantor has obtained the Pre-Issuance Registration on 10 April 2026. The Guarantor undertakes to file or cause to be filed with the NDRC the requisite information and documents within 10 PRC Business Days (as defined in the Terms and Conditions of the Bonds) after the Issue Date in accordance with the NDRC Administrative Measures and any implementation rules issued by the NDRC from time to time (the "**NDRC Post-issue Filing**").

The Guarantor will enter into a deed of guarantee (the "**Deed of Guarantee**") with China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as trustee (the "**Trustee**") on the Issue Date. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. The Guarantor undertakes that it will file or cause to be filed with the Shandong Branch (or other relevant branch) of the State Administration of Foreign Exchange ("**SAFE**") the Deed of Guarantee within 15 PRC Business Days after the execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**"). The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline (as defined in the Terms and Conditions of the Bonds) and shall comply with all applicable PRC laws and regulations in relation to the Guarantee.

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (as defined in the Terms and Conditions of the Bonds) in accordance with Condition 16 of the Terms and Conditions of the Bonds and in writing to the Trustee and the CMU Lodging and Paying Agent (as defined in the Terms and Conditions of the Bonds) (which notice shall be irrevocable), at their principal amount together with any unpaid interest accrued to, but excluding, the date fixed for redemption, if the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions of the Bonds) as provided or referred to in Condition 8 of the Terms and Conditions of the Bonds as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC, or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change and/or amendment becomes effective on or after 13 October 2026, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due, as further described in "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons*". At any time following the occurrence of a Change of Control or a No Registration Event (each as defined in the Terms and Conditions of the Bonds), the holder of any Bonds will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions of the Bonds) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with, in each case, accrued and unpaid interest up to but excluding such Put Settlement Date. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Event*".

For a more detailed description of the Bonds, see "*Terms and Conditions of the Bonds*" beginning on page 41.

Investing in the Bonds involves risks. See "*Risk Factors*" beginning on page 13 for a discussion of certain risk factors to be considered in connection with an investment in the Bonds.

The Bonds and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of these and certain restrictions on offers and sales of the Bonds and the Guarantee and the distribution of this Offering Circular, see "*Subscription and Sale*".

Fitch Ratings Inc. ("**Fitch**") and Moody's Investors Service, Inc. ("**Moody's**") have assigned corporate ratings of "A-" with stable outlook and "A3" with stable outlook, respectively, to the Guarantor. The Bonds are expected to be rated "A-" and "A3", respectively, by Fitch and Moody's. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

Application will be made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only. This Offering Circular is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds, the Issuer, the Guarantor, the Group or the quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

The denomination of the Bonds shall be CNY1,000,000 each and integral multiples of CNY10,000 in excess thereof.

Upon issue, the Bonds will be represented initially by a global certificate (the "**Global Certificate**") registered in the name of, and lodged with a sub-custodian for, the Hong Kong Monetary Authority (the "**HKMA**") as operator (the "**Operator**") of the Central Moneymarkets Unit Service (the "**CMU**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by the CMU. Except as described in the Global Certificate, certificates for the Bonds will not be issued in exchange for interests in the Global Certificate. For persons seeking to hold a beneficial interest in the Bonds through Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking S.A. ("**Clearstream**"), such persons will hold their interest through an account opened and held by Euroclear or Clearstream (as the case may be) with the Operator. Except as described in the Global Certificate, individual certificates for Bonds will not be issued in exchange for beneficial interests in the Global Certificate.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Guotai Junan International		**China Securities International**	**China Galaxy International**
Shanghai Pudong Development Bank Hong Kong Branch	**ICBC[1]**	**China Construction Bank (Asia)**	**CMB Wing Lung Bank Limited**	**Bank of China[2]**
HSBC	**China International Capital Corporation**	**CITIC Securities**	**Zhongtai International**

Joint Bookrunners and Joint Lead Managers

Industrial Bank Co., Ltd. Hong Kong Branch	**Tai Fung Bank**	**Agricultural Bank of China Limited Hong Kong Branch**	**China Minsheng Banking Corp., Ltd.[3]**
China CITIC Bank International	**Ping An Securities (Hong Kong) Company Limited**	**BOCOM International**	**China Everbright Bank Hong Kong Branch**
Luso Bank Ltd.	**Hua Xia Bank Co., Limited Hong Kong Branch**	**China Zheshang Bank Co., Ltd. (Hong Kong Branch)**	**DBS Bank Ltd.**
Haitong Bank	**China Industrial Securities International**	**Orient Securities (Hong Kong)**	**Guodu Securities (Hong Kong)**
CMS International		**Shenwan Hongyuan (H.K.)**	

This Offering Circular dated 13 October 2026

Note 1: Industrial and Commercial Bank of China (Asia) Limited and Industrial and Commercial Bank of China (Macau) Limited

Note 2: Bank of China (Hong Kong) Limited and Bank of China Limited

Note 3: China Minsheng Banking Corp., Ltd. Hong Kong Branch and CMBC Securities Company Limited

NOTICE TO INVESTORS

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE GUARANTOR OR ANY OF THEIR RESPECTIVE SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS AT ANY DATE SUBSEQUENT TO THE DATE HEREOF.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Guarantor and the Group. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The contents of this Offering Circular have not been reviewed by any regulatory authority in Hong Kong or elsewhere. Investors are advised to exercise caution in relation to the offering of the Bonds. If any investor is in any doubt about any of the contents of this Offering Circular, that investor should obtain independent professional advice.

Each of the Issuer and the Guarantor confirms that (i) this Offering Circular contains, all information with respect to the Issuer, the Guarantor and the Guarantor's subsidiaries (collectively, the "**Group**"), the Guarantee and the Bonds which is material in the context of the issue and offering of the Bonds (including all information required by applicable laws and the relevant rules and regulations imposed by The Stock Exchange of Hong Kong Limited and the information which, according to the particular nature of the Issuer, the Guarantor, the Guarantee and the Bonds, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor and the Group and of the rights attaching to the Guarantee and the Bonds); (ii) the statements contained in this Offering Circular relating to the Issuer, the Guarantor and the Group, are true and accurate in all material respects and not misleading; (iii) the opinions and intentions expressed in this Offering Circular are, with regard to the Issuer, the Guarantor and the Group, honestly and reasonably held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Guarantor, the Group, the Guarantee or the Bonds the omission of which would, in the context of the issue and offering of the Bonds, make any statement, opinions or intentions expressed in this Offering Circular misleading; (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular; and (vi) this Offering Circular does not include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements herein, in light of the circumstances under which they were made, not misleading.

The PRC government (including the Shandong SASAC and the Shandong Provincial Government) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds in lieu of the Issuer and/or the Guarantor. Any reference to government support in this Offering Circular shall not be read as indication that financial support will be given in respect of the Issuer's or the Guarantor's obligations under the Bonds. See "*Risk Factors – Risks Relating to the Bonds and the Guarantee – The PRC government (including the Shandong SASAC and the Shandong Provincial Government) has no obligation to pay any amount under the Bond or the Guarantee*".

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, Guotai Junan Securities (Hong Kong) Limited, China Securities (International) Corporate Finance Company Limited, China Galaxy International Securities (Hong Kong) Co., Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, Industrial and Commercial Bank of China (Asia) Limited, China Construction Bank (Asia) Corporation Limited, CMB Wing Lung Bank Limited, Bank of China (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, China

International Capital Corporation Hong Kong Securities Limited, CLSA Limited, Zhongtai International Securities Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Tai Fung Bank Limited, Industrial and Commercial Bank of China (Macau) Limited, Bank of China Limited, Agricultural Bank of China Limited Hong Kong Branch, China Minsheng Banking Corp., Ltd. Hong Kong Branch, China CITIC Bank International Limited, Ping An Securities (Hong Kong) Company Limited, BOCOM International Securities Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, Luso International Banking Limited, Hua Xia Bank Co., Limited Hong Kong Branch, China Zheshang Bank Co., Ltd. (Hong Kong Branch), DBS Bank Ltd., Haitong Bank, Macau Branch, China Industrial Securities International Brokerage Limited, Orient Securities (Hong Kong) Limited, Guodu Securities (Hong Kong) Limited, China Merchants Securities (HK) Co., Limited, Shenwan Hongyuan Securities (H.K.) Limited and CMBC Securities Company Limited (the "**Managers**") to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor or any of the Managers represents that this Offering Circular may be lawfully distributed, or that the Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, the PRC, Hong Kong, Singapore, Japan and the British Virgin Islands, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "*Subscription and Sale*". By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Bonds. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Guarantor, the Group, the Bonds, the Guarantee other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Managers, the Trustee or the Agents (as defined in Terms and Conditions of the Bonds) or their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or the Group since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them to subscribe for or purchase the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

No representation or warranty, express or implied, is made or given by the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them. None of the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them has independently verified any of the information contained in this Offering Circular and can give assurance that such information is accurate, truthful or complete.

To the fullest extent permitted by law, the Managers, the Trustee and the Agents and any of their respective affiliates, directors, officers, employees, agents, representatives and advisers or any person

who controls any of them do not accept any responsibility for the contents of this Offering Circular and assume no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them or on their behalf in connection with the Issuer or the issue and offering of the Bonds. Each of the Managers, the Trustee and the Agents and their respective affiliates, directors, officers, employees, agents, representatives and advisers and each person who controls any of them accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investors in the Bonds of any information coming to the attention of the Managers, the Trustee or any Agent or their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them.

This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them that any recipient of this Offering Circular should subscribe for or purchase the Bonds. Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own tax, legal and business advisers needed to make its investment decision and determine whether it is legally able to purchase the Bonds under applicable laws or regulations.

IN CONNECTION WITH THIS OFFERING, ANY OF THE MANAGERS APPOINTED OR ACTING AS STABILISATION MANAGER (THE "STABILISATION MANAGER") OR ANY PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER (PROVIDED THAT CHINA CITIC BANK INTERNATIONAL LIMITED SHALL NOT BE APPOINTED AND ACTING AS THE STABILISATION MANAGER) MAY, SUBJECT TO ALL APPLICABLE LAWS, OVER-ALLOT THE BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE(S) OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO OBLIGATION ON THE STABILISATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER) TO DO THIS. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF ALLOTMENT OF THE BONDS. SUCH STABILISATION SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

*Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

The Bonds and the Guarantee have not been and will not be registered with the United States Securities and Exchange Commission under the Securities Act or with any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offense in the United States.

Any of the Managers and their respective affiliates may purchase the Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit

default swaps relating to the Bonds and/or other securities of the Issuer, the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Furthermore, investors in the Bonds may include entities affiliated with the Group.

In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor and the Group and the terms of the offering of the Bonds, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds. Investors are advised to read and understand the contents of this Offering Circular before investing and consult their attorney and adviser if in doubt.

Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Group or the Bonds. The Issuer, the Guarantor, the Group, the Managers, the Trustee and the Agents and their respective affiliates, directors, officers, employees, agents, representatives and advisers, and each person who controls any of them are not making any representation to any purchaser of Bonds regarding the legality of any investment in the Bonds by such purchaser under any legal investment or similar laws or regulations. The contents of this Offering Circular should not be construed as providing legal, business, accounting or investment advice. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives and advisers or and each person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including certain Joint Lead Managers, are "capital market intermediaries" (the "**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" (the "**OCs**") for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an association (an "**Association**") with the Issuer, the Guarantor, the CMI or the relevant group company. Prospective investors associated with the Issuer, the Guarantor or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Joint Lead Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Joint Lead Manager or its group company has more than 50 per cent. interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any Joint Lead Manager, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Joint Lead Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such

information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Joint Lead Managers and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including internal surveys, market research, publicly available information, various government sources and industry publications. Although this information is believed by the Issuer and the Guarantor to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them, and none of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them makes any representation as to the correctness, accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents.

PRESENTATION OF FINANCIAL INFORMATION

The consolidated financial information of the Group as at and for the year ended 31 December 2023 has been extracted from the Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2024 (the "**2024 Audited Financial Statements**"), which are included elsewhere in this Offering Circular. The consolidated financial information of the Group as at and for the years ended 31 December 2024 and 2025 has been extracted from the Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2025 (the "**2025 Audited Financial Statements**", together with the 2024 Audited Financial Statements, the "**Audited Financial Statements**"), which are included elsewhere in this Offering Circular. The Audited Financial Statements have been audited by WUYIGE Certified Public Accountants LLP (大信會計師事務所) ("**WUYIGE**"), the independent auditor of the Guarantor. The Audited Financial Statements were prepared and presented in accordance with the Accounting Standards for Business Enterprises in China ("**PRC GAAP**").

The consolidated financial information of the Guarantor as at and for the six months ended 30 June 2025 and 2026, which has been extracted from the Guarantor's consolidated unaudited but reviewed consolidated interim financial statements of the Guarantor as at and for the six months ended 30 June 2026 (the "**Reviewed Interim Financial Statements**", together with the Audited Financial Statements, the "**Consolidated Financial Statements**") included elsewhere in this Offering Circular. The Reviewed Interim Financial Statements have been reviewed by WUYIGE, the Guarantor's current independent auditor.

The Reviewed Interim Financial Statements have not been audited by a certified public accountant, and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. Neither the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them makes any representation or warranty, express or implied, regarding the sufficiency of such unaudited consolidated financial statements for an assessment of, and potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations. In addition, the Reviewed Interim Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2026.

The Consolidated Financial Statements were prepared and presented in accordance with the Accounting Standards for Business Enterprises in the PRC ("**PRC GAAP**").

Pursuant to the Interpretation No.17 of Accounting Standards for Business Enterprises (Cai Kuai [2023] No. 21) ("**New Accounting Requirements**"), which was promulgated by the Ministry of Finance of the People's Republic of China ("**MOF**") in October 2023, among other things, current and non-current liabilities have been adjusted. In addition, MOF also promulgated certain new account standards in recent years (together with New Accounting Requirements, the "**New Accounting Standards and Requirements**"). As a result, the presentation of certain accounting items in the Guarantor's Financial Statements may not be comparable to the financial figures in the Guarantor's financial statements for the previous periods. For details of the New Accounting Standards and Requirements and its impacts on the Guarantor, see Note 5 "*Changes of significant accounting policies and accounting estimates*" to the 2024 Audited Financial Statements and Note 5 "*Changes in significant accounting policies and accounting estimates*" to the Reviewed Financial Statements (as defined below) included elsewhere in this Offering Circular.

PRC GAAP differs in certain respects from International Financial Reporting Standards ("**IFRS**"). See "*Description of Certain Differences Between PRC GAAP and IFRS*".

This Offering Circular includes figures relating to EBITDA. EBITDA is not a standard measure under PRC GAAP or IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities of the Issuer, the Guarantor or the Group. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Issuer has included EBITDA because it believes that EBITDA is a useful supplement to cash flow data as a measure of the Group's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's EBITDA to EBITDA presented by other companies because not all companies use the same definition.

ROUNDING

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

CERTAIN DEFINITIONS AND CONVENTIONS

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to:

- "**API**" are to active pharmaceutical ingredients;
- "**China**" or the "**PRC**" are to the People's Republic of China and, for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
- "**Academy of Environmental Sciences Company**" are to Shandong Academy of Environmental Sciences Co., Ltd. (山東省環科院股份有限公司);
- "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China;
- "**Hualu-Hengsheng**" are to Shandong Hualu-Hengsheng Chemical Co., Ltd. (山東華魯恒升化工股份有限公司);
- "**Hualu-Hengsheng Group**" are to Shandong Hualu-Hengsheng Group Co., Ltd. (山東華魯恒升集團有限公司);

- "**Lukang Pharmaceutical**" are to Shandong Lukang Pharmaceutical Co., Ltd. (山東魯抗醫藥股份有限公司);

- "**MOFCOM**" are to the Ministry of Commerce of the People's Republic of China or its competent local counterparts;

- "**NDRC**" are to the National Development and Reform Commission of the People's Republic of China or its competent local counterparts;

- "**PBOC**" are to the People's Bank of China, the central bank of the PRC;

- the "**PRC government**" are to the central government of the PRC and its political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof or, where the context requires, any of them;

- "**Renminbi**", "**RMB**" or "**CNY**" are to the lawful currency of the PRC;

- "**SAFE**" are to the State Administration of Foreign Exchange of the People's Republic of China or its competent local counterparts;

- "**SASAC**" are to the State-owned Assets Supervision and Administration Commission or its competent local counterparts;

- the "**Shandong SASAC**" are to the Shandong Provincial State-owned Assets Supervision and Administration Commission;

- "**U.S. dollars**" or "**U.S.$**" are to the lawful currency of the United States of America; and

- "**Xinhua Pharmaceutical**" are to Shandong Xinhua Pharmaceutical Co., Ltd. (山東新華製藥股份有限公司).

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only.

FORWARD-LOOKING STATEMENTS

The Issuer and the Guarantor have made certain forward-looking statements in this Offering Circular. All statements other than statements of historical facts contained in this Offering Circular constitute "forward-looking statements". The forward-looking statements contain information regarding, among other things, the Group's future operations, performance, financial condition, expansion plans and business strategies. These forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- the Group's business and operating strategies;
- the Group's capital commitment and development plans;
- the amount and nature of, and potential for, future development of the Group's business;
- various business opportunities that the Group may pursue;
- the regulatory environment of the industries in which the Group operates;
- changes in political, economic, legal and social conditions, in particular in the PRC, including the specific policies of the PRC central and local governments affecting the regions where the Group operates;
- the prospective financial condition and performance regarding the Group's businesses;
- availability and costs of financing;
- changes in competitive conditions and the Group's ability to compete under these conditions;
- the Group's ability to obtain additional capital on acceptable terms;
- reduction or discontinuance of the government subsidies and other government grants or the mismatch in terms of timing of the availability of the government fiscal support and that of the Group's cash flow requirement; and
- other risks identified in "*Risk Factors*" in this Offering Circular.

Words such as "**aim**", "**believe**", "**anticipate**", "**believe**", "**can**", "**could**", "**estimate**", "**expect**", "**intend**", "**may**", "**plan**", "**potential**", "**predict**", "**project**", "**seek**", "**should**", "**target**", "**will**", "**would**" and similar expressions identify forward-looking statements. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition and results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, operation income, profitability, planned projects and other matters as they relate to the Issuer, the Guarantor or the Group discussed in this Offering Circular regarding matters that are not historical facts. The Issuer, the Guarantor and any member of the Group can give no assurance that the expectations reflected in the forward-looking statements will prove to be correct. The Issuer, the Guarantor and any member of the Group undertakes no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events, change of conditions or circumstances on which any statement was based or otherwise.

Each of the Issuer and the Guarantor cautions investors not to place undue reliance on these forward-looking statements which reflect the Issuer's and/or the Guarantor's managements' view only as at the date of this Offering Circular. In light of the foregoing and the risks, uncertainties and assumptions in "*Risk Factors*" and elsewhere in this Offering Circular, the forward-looking statements in this Offering Circular are not and should not be construed as assurances of future performance and the actual results, performance or achievements of the Issuer, the Guarantor or the Group could differ materially from those anticipated in or implied by these forward-looking statements.

These forward-looking statements speak only as at the date of this Offering Circular. The Issuer and the Guarantor expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

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SUMMARY

The summary below is only intended to provide a very limited overview of information described in more detail elsewhere in this Offering Circular. This summary does not contain all the information that may be important to prospective investors in deciding to invest in the Bonds. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should read the entire Offering Circular, including the section entitled "Risk Factors" and the financial statements and related notes thereto, before making an investment decision.

OVERVIEW

The Group is a majority owned subsidiary of Shandong SASAC, and is engaged in high-end chemicals, pharmaceuticals and other critical industries primarily operating in Shandong province. Since its establishment in 2005, the Group has played an important role in implementing the Shandong Provincial Government's blueprint for the promotion and construction of comprehensive new growth energy resources to replace older energy resources (新舊動能轉換), and contribute to the industrial upgrade of Shandong. The Group acts as an important bridge to connect Shandong province with cities and territories in other parts of China as well as globally. In particular, Hong Kong Hualu, the Guarantor's wholly owned subsidiary, is a Hong Kong-based company serving as a bridge that fosters, among other things, economic and political ties between Shandong Province and Hong Kong.

Benefitting from its strategic importance in Shandong Province and its strong support from the Shandong Provincial People's Government and Shandong SASAC toward its strategic development, the Group has experienced rapid growth and achieved major milestones. The Group focuses on high-end chemicals, high-end pharmaceuticals and other businesses including the ecological and environmental businesses. The Group has gained extensive experience and expertise in the industries in which it operates and has become the leading player in its core businesses. As at 30 June 2026, Hualu-Hengsheng, the Group's major operating entity in the high-end chemical business, was the largest producer of dimethylformamide (二甲基甲醯胺) ("**DMF**") worldwide, with an annual production capacity of 480,000 tons per year, while Xinhua Pharmaceutical, one of the Group's two subsidiaries engaged in the high-end pharmaceutical business, is a major producer and exporter of antipyretic and analgesic APIs in Asia, and the other subsidiary, Lukang Pharmaceutical, has one of the most important antibiotics production bases in China. The "Lukang" brand has been recognised as a well-known trademark in China.

Set forth below is an overview of the principal business segments of the Group:

High-end Chemical: The Group conducts its high-end chemical business primarily through Hualu-Hengsheng, a subsidiary of the Hualu-Hengsheng Group. The high-end chemical business primarily involves the production, distribution and sale of fertilizer, organic amine (有機胺), adipic acid and intermediates (己二酸及中間品), acetic acid and derivatives (醋酸及衍生品) and polyol (多元醇). For the years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2025 and 2026, operating income generated from the Group's high-end chemical business was approximately RMB27,341 million, RMB34,315 million, RMB31,054 million, RMB15,795 million and RMB17,201 million, respectively, representing approximately 57.5 per cent., 66.6 per cent., 64.0 per cent., 65.5 per cent. and 60.9 per cent. of the Group's total operating income, respectively. For the years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2025 and 2026, gross profit generated from the Groups high-end chemical business was approximately RMB5,722 million, RMB6,436 million, RMB5,992 million, RMB2,845 million and RMB4,117 million, respectively, representing approximately 57.3 per cent., 62.3 per cent., 65.0 per cent., 61.5 per cent. and 70.8 per cent. of the Group's gross profit, respectively.

Pharmaceuticals: The Group conducts its pharmaceuticals business through Xinhua Pharmaceutical and Lukang Pharmaceutical and their respective subsidiaries, joint ventures and affiliates. Xinhua Pharmaceutical, listed on both the Hong Kong Stock Exchange (stock code: 0719) and Shenzhen Stock Exchange (stock code: 000756), was the first chemosynthetic pharmaceutical company founded in China. It engages in the development, production and distribution of API, preparations and medical intermediates and distributes its products in the domestic and overseas markets, including the United States, Europe and other regions. The businesses of Lukang Pharmaceutical, listed on the Shanghai Stock Exchange (stock code: 600789), include the production of API and preparations for human use and veterinary and botanic drugs and the development of ecotechnology. The "Lukang" brand has been recognised as a well-known trademark in China. The high-end pharmaceutical business of the Group is

one of the driving forces for utilizing comprehensive new growth energy resources to replace older energy resources in Shandong Province. For the years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2025 and 2026, operating income generated from the Group's pharmaceutical business was approximately RMB14,248 million, RMB14,699 million, RMB14,521 million, RMB7,793 million and RMB7,595 million, respectively, representing approximately 30.0 per cent., 28.5 per cent., 29.9 per cent., 32.3 per cent. and 26.9 per cent. of the Group's total operating income, respectively. For the years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2025 and 2026, gross profit generated from the Group's pharmaceutical business was approximately RMB3,907 million, RMB3,535 million, RMB2,917 million, RMB1,639 million and RMB1,553 million, respectively, representing approximately 39.1 per cent., 34.3 per cent., 31.6 per cent., 35.4 per cent. and 26.7 per cent. of the Group's gross profit, respectively.

Others: The Group engages in certain other businesses, including the ecological and environmental business. The Group conducts its ecological and environmental business primarily through its subsidiary, Academy of Environmental Sciences Company. It is the largest scientific research institute of environmental protection in Shandong and a leading provider of comprehensive ecological and environmental services in the province.

COMPETITIVE STRENGTHS

The Group believes that its competitive strengths as outlined below distinguish it from its competitors and are important to its success and future development:

- Unique and strategic importance in Shandong Province
- Close relationship with and strong support from the Shandong Provincial Government and Shandong SASAC
- Optimised and diversified business portfolio and product offering
- A leading industry player with significant market presence and effective cost management
- Strong research and development capability and experienced management and execution team
- Extensive marketing network and sales channels
- Comprehensive capital investment model and prudent financial policies
- Access to multiple financing channels
- Experienced management team and well-established corporate governance structure

BUSINESS STRATEGIES

We believe we will be able to maintain sustainable growth by successfully implementing the following business strategies:

- Further enhance the Group's cost management and operational efficiency
- Continue to upgrade an automated and intelligent production and operation system
- Continue to invest in research and development and rapidly advance the development of its pharmaceutical product candidates

SUMMARY OF THE OFFERING

The following is a brief summary of the terms of the offering of the Bonds and is qualified in its entirety by the remainder of this Offering Circular. For a more complete description of the Terms and Conditions of the Bonds, see "Terms and Conditions of the Bonds" and "Summary of Provisions Relating to the Bonds in Global Form". Some of the terms described below are subject to important limitations and exceptions. Defined terms used in this summary shall have the meanings given to them in "Terms and Conditions of the Bonds".

Issuer	Hualu International Finance (BVI) Limited 華魯國際財務(BVI)有限公司.
Guarantor	Hualu Holdings Co., Ltd. (華魯控股集團有限公司).
Guarantee	The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect will be contained in the Deed of Guarantee.
Issue	CNY2,018,000,000 in aggregate principal amount of 1.74 per cent. guaranteed bonds due 2029.
Issue Price	100.00 per cent. of the principal amount of the Bonds.
Denomination	The Bonds will be issued in the specified denomination of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof.
Interest	The Bonds will bear interest on their outstanding principal amount from and including 21 October 2026 at the rate of 1.74 per cent. per annum, payable semi-annually in arrear on 21 April and 21 October in each year, commencing on 21 April 2027. If any Interest Payment Date would otherwise fall on a day which is not a business day, it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event it shall be brought forward to the immediately preceding business day.
Issue Date	21 October 2026.
Maturity Date	The Interest Payment Date falling on, or nearest to, 21 October 2029.
Status of the Bonds	The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Status of the Guarantee . . .	The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Negative Pledge	The Bonds contain a negative pledge provision as further described in Condition 4(a) of the Terms and Conditions of the Bonds.

Events of Default	The Bonds contain certain events of default provisions as further described in Condition 9 of the Terms and Conditions of the Bonds.
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without set-off or counterclaim and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, the PRC or, in each case, any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer (or the Guarantor, as the case may be) shall, subject to the limited exceptions specified in the Terms and Conditions of the Bonds, pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required. See Condition 8 of the Terms and Conditions of the Bonds.
Final Redemption	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 21 October 2029.
Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 16 of the Terms and Conditions of the Bonds and in writing to the Trustee and the CMU Lodging and Paying Agent (which notice shall be irrevocable), at their principal amount together with any unpaid interest accrued to, but excluding, the date fixed for redemption, if the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions of the Bonds) as provided or referred to in Condition 8 of the Terms and Conditions of the Bonds as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC, or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change and/or amendment becomes effective on or after 13 October 2026, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due, as further described in Condition 6(b) of the Terms and Conditions of the Bonds.

Redemption for Relevant Event	At any time following the occurrence of a Change of Control or a No Registration Event (each a "**Relevant Event**"), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions of the Bonds) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with, in each case, accrued and unpaid interest up to but excluding such Put Settlement Date. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Event*".
Clearing Systems	The Bonds will be issued in registered form and represented initially by beneficial interests in the Global Certificate, which will be registered in the name of, and lodged with a sub-custodian for, the HKMA as operator of the CMU. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by the CMU. Except as described in the Global Certificate, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate. For persons seeking to hold a beneficial interest in the Bonds through Euroclear or Clearstream, such persons will hold their interest through an account opened and held by Euroclear or Clearstream (as the case may be) with the Operator.
Clearance and Settlement	The Bonds have been accepted for clearance through CMU under Common Code 353682903, CMU Code BOAKFB26055, and the International Securities Identification Number for the Bonds is HK0001366449.
Legal Entity Identifier	655600GN5O5WU42UTQ39.
Governing Law	English law.
Trustee	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
CMU Lodging and Paying Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Transfer Agent and Registrar	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Further Issues	The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them, and the timing for complying with the Registration Conditions and the making and completion of the Cross Border Security Registration and the NDRC Post-issue Filing and the giving of consequent notices thereof) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds, as further described in Condition 15 of the Terms and Conditions of the Bonds.
Use of Proceeds	See "*Use of Proceeds*".
Risk Factors	For a discussion of certain risk factors that should be considered in evaluating an investment in the Bonds, see "*Risk Factors*".

Listing	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 22 October 2026.
Selling Restrictions	The Bonds will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "*Subscription and Sale*".
Ratings	Fitch and Moody's have assigned corporate ratings of "A-" with stable outlook and "A3" with stable outlook, respectively, to the Guarantor. The Bonds are expected to be rated "A-" and "A3", respectively, by Fitch and Moody's. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GUARANTOR

The following tables set forth the summary consolidated financial information of the Guarantor as at and for the periods indicated.

The summary consolidated financial information of the Guarantor as at and for the year ended 31 December 2023 has been extracted from the 2024 Audited Financial Statements, which have been audited by WUYIGE. The consolidated financial information of the Guarantor as at and for the years ended 31 December 2024 and 2025 has been extracted from the 2025 Audited Financial Statements, which have been audited by WUYIGE. The Guarantor's Audited Financial Statements were prepared and presented in accordance with PRC GAAP.

The summary consolidated financial information of the Guarantor at of and for the six months ended 30 June 2025 and 2026, as set forth below, is derived from its unaudited but reviewed consolidated financial statements as at and for six months ended 30 June 2026 included elsewhere in this Offering Circular. The unaudited but reviewed consolidated financial statements of the Guarantor as at and for the six months ended 30 June 2026 have been reviewed by WUYIGE and prepared and presented in accordance with PRC GAAP. Such financial information has not been audited and should not be relied upon by potential investors to provide the same type or quality of information associated with information that has been subject to an audit. None of the Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them makes any representation or warranty, express or implied, regarding the accuracy or sufficiency of such unaudited but reviewed consolidated financial statements for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Guarantor's financial condition and results of operations. Accordingly, potential investors must exercise caution when using such data to evaluate the Guarantor's financial position, results of operations and cash flows. Such unaudited consolidated interim financial information as at and for the six months ended 30 June 2025 and 2026 should not be taken as an indication of the expected financial condition, results of operations and cash flows of the Guarantor for the full financial year ending 31 December 2026.

In recent years, MOF promulgated the New Accounting Standards and Requirements. As a result, the presentation of certain accounting items in the Guarantor's Financial Statements may not be comparable to the financial figures in the Guarantor's financial statements for the previous periods. For details of the New Accounting Standards and Requirements and its impacts on the Guarantor, see Note 5 "Changes of significant accounting policies and accounting estimates" to the 2024 Audited Financial Statements and Note 5 "Changes in significant accounting policies and accounting estimates" to the Reviewed Financial Statements included elsewhere in this Offering Circular.

The summary consolidated financial information as set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant audited or reviewed consolidated financial statements of the Guarantor and the notes thereto included elsewhere in this Offering Circular. The Guarantor's historical consolidated financial information should not be taken as an indication of its future financial performance. See "Risk Factors – Risks Relating to the Financial and Other Information – The Guarantor's historical consolidated financial information may not be indicative of the Guarantor's future results of operations".

PRC GAAP differs in certain respects from IFRS. See "Description of Certain Differences between PRC GAAP and IFRS".

Summary Consolidated Statement of Income

	Year ended 31 December			For the six months ended 30 June	
	2023	2024	2025	2025	2026
	(RMB'000) (audited)	*(RMB'000) (audited)*	*(RMB'000) (audited)*	*(RMB'000) (unaudited but reviewed)*	*(RMB'000) (unaudited but reviewed)*
1. Total operating income	47,499,694	51,546,606	48,555,743	24,110,708	28,229,029
Including: Operating income	47,499,694	51,546,606	48,555,743	24,110,708	28,229,029
2. Total operating cost	42,259,450	45,882,480	43,903,736	–	–
Including: Operating costs	37,526,574	41,221,532	39,329,328	19,483,215	22,415,013
Taxes and surcharges	351,386	340,354	357,465	184,930	204,817
Selling and distribution expenses	1,463,084	1,295,953	945,787	456,412	459,409
General and administrative expenses	1,281,674	1,205,717	1,220,726	578,478	581,084
Research and development expenses	1,385,416	1,428,407	1,599,730	701,420	1,040,152
Finance expenses	251,316	390,518	450,699	201,818	287,364
Including: Interest expenses	352,616	513,649	504,211	247,697	284,888
Interest income	85,518	83,788	55,367	29,344	44,585
Losses from foreign exchange ("–" for gains)	–28,101	–49,972	–8,031	–	–
Add: Other income	136,170	374,369	277,746	155,751	111,923
Investment income ("–" for loss)	117,448	69,430	111,036	39,499	56,683
Including: Investment income from associates and joint ventures	–5,778	–10,664	–6,920	–3,315	–2,471
Gain from fair value changes ("–" for loss)	–1,429	–6,788	3,538	–1,418	16,654
Credit impairment losses ("–" for loss)	–65,104	–88,792	–110,874	–66,245	8,872
Impairment on assets ("–" for loss)	–199,739	–190,550	–126,578	–123,303	–75,748
Gains from disposal of assets ("–" for loss)	16,089	173,022	2,446	1,898	6,592
3. Operating profits ("–" for loss)	5,243,678	5,994,816	4,809,321	2,510,616	3,366,165
Add: Non-operating income	16,397	25,100	31,917	5,267	6,270
Including: Government grants	90	120	114	–	–
Less: Non-operating expenses	166,782	16,474	20,436	8,601	16,479
4. Profit before tax ("–" for loss)	5,093,293	6,003,441	4,820,803	2,507,282	3,355,956
Less: income tax expenses	714,590	906,514	724,543	458,067	500,828
5. Net profit ("–" for net loss)	4,378,703	5,096,927	4,096,260	2,049,215	2,855,128
1. Net profit attributable to parent company	1,417,347	1,883,097	1,411,134	745,990	1,039,557
2. Profit/loss attributable to minority shareholders	2,961,356	3,213,830	2,685,125	1,303,225	1,815,571
3. Profit or loss from continuing operations	4,378,703	5,096,927	4,096,260	2,049,215	2,855,128

	Year ended 31 December			For the six months ended 30 June	
	2023	2024	2025	2025	2026
	(RMB'000) (audited)	*(RMB'000) (audited)*	*(RMB'000) (audited)*	*(RMB'000) (unaudited but reviewed)*	*(RMB'000) (unaudited but reviewed)*
6. Other comprehensive income net of tax	–22,635	175,986	129,852	13,741	–44,703
Total comprehensive income attributable to parent company	–18,536	147,368	117,794	5,842	–3,590
(1) Comprehensive income not to be reclassified to profit or loss	–7,580	151,131	73,263	307	–23,847
1) Fair value changes in other equity instrument investments	–7,580	151,131	73,263	307	–23,847
(2) Comprehensive income to be reclassified to profit or loss	–10,956	–3,763	44,530	5,535	20,258
1) Gain or loss from fair value changes of other debt instruments	–4,609	25,305	29,525	–	–
2) Currency translation difference	–6,347	–29,067	15,005	5,535	20,258
Other comprehensive income attributable to minority shareholders after tax, net	–4,099	28,618	12,059	7,899	–41,113
7. Total comprehensive income	4,356,069	5,272,913	4,226,112	2,062,956	2,810,425
Total comprehensive income attributable to parent company	1,398,811	2,030,465	1,528,928	751,832	1,035,968
Total comprehensive income attributable to minority shareholders	2,957,257	3,242,448	2,697,184	1,311,124	1,774,457

Summary Consolidated Balance Sheet Data

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	(RMB'000) (audited)	*(RMB'000) (audited)*	*(RMB'000) (unaudited but reviewed)*	*(RMB'000) (unaudited but reviewed)*
Current assets				
Cash at bank and on hand	4,974,582	4,612,680	6,853,808	7,122,956
Financial Assets held for trading	177,695	261,644	276,742	1,020,504
Notes receivable	170,521[(1)]	111,316	70,534	103,557
Account receivable	2,150,122[(1)]	2,662,433	2,475,233	2,862,581
Receivables for financing	3,078,215	2,636,761	2,564,674	3,299,232
Prepayments	592,016	740,028	949,143	793,386
Other receivables	98,245	470,881	385,969	363,628
Inventories	4,406,154	4,191,043	4,157,531	4,669,961
Including: Raw materials	1,329,364	1,135,708	1,350,048	1,557,391
Products	2,508,375	2,436,671	2,182,697	2,550,087
Contract assets	545,899	584,048	506,888	442,913
Non-current assets due within one year	–	–	557,780	378,534
Other current assets	1,675,601	2,095,931	2,595,750	2,476,539
Total of current assets	**17,869,050**	**18,366,766**	**21,394,052**	**23,533,789**
Non-current assets				
Debt investments	993,897	1,215,236	1,255,171	938,790
Other debt investments	355,214	386,937	403,981	390,515
Long-term receivables	183,280	9,409	2,889	1,440
Long-term equity investments	149,920	139,256	132,336	129,865
Other equity instrument investments	2,238,894	2,414,333	2,480,683	2,406,362
Other non-current financial assets	–	–	43,995	64,620
Investment property	321,971	286,919	286,420	267,844
Fixed assets	36,444,674	37,670,815	41,047,994	39,946,422
Construction in process	4,062,489	5,797,672	3,123,212	4,164,347
Right-of-use assets	25,337	52,679	52,865	52,909
Intangible assets	3,531,359	4,061,124	4,583,415	4,499,385
Development expenditures	106,974	127,280	133,382	142,572
Long-term deferred expenses	336,970	301,121	251,587	237,359
Deferred tax assets	305,012	366,796	384,924	354,947
Other non-current assets	2,416,451	2,372,403	1,807,408	2,103,255
Total of non-current assets	**51,472,442**	**55,201,981**	**55,990,262**	**55,700,632**
Total assets	**69,341,492**	**73,568,747**	**77,384,314**	**79,234,421**

Note:

1. This financial information for the year ended 31 December 2023, originally included in the Guarantor's consolidated financial statements as at and for the year ended 31 December 2023, has been adjusted in the 2024 Audited Financial Statements. For details of such adjustments, see Note 4 of the 2024 Audited Financial Statements which are included elsewhere in this Offering Circular.

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	(RMB'000) (audited)	*(RMB'000) (audited)*	*(RMB'000) (audited)*	*(RMB'000) (unaudited but reviewed)*
Current liabilities				
Short-term loans	1,627,614	1,623,072	2,614,412	2,293,458
Notes payable	1,668,242[(1)]	1,964,068	1,044,787	1,349,566
Accounts payable	6,048,368[(1)]	5,139,144	4,255,587	3,822,203
Advances from customers	4,401	3,769	3,734	3,802
Contract liabilities	1,191,724	920,963	1,114,812	982,566
Employee benefits payable	552,028	548,191	541,325	489,919
Including: Salaries, bonus and allowances	333,236	302,691	313,095	269,546
Staff welfare	23,680	23,619	23,619	23,612
Taxes and surcharges payable	398,135	290,438	290,404	310,081
Other payables	1,098,643	1,086,951	876,450	1,243,702
Non-current liabilities due within one year	2,566,730	2,356,614	6,395,830	6,313,623
Other current liabilities	326,109	191,332	194,208	160,015
Total current liabilities	**15,481,993**	**14,124,544**	**17,331,548**	**16,968,936**
Non-current liabilities				
Long-term loans	10,902,882	12,562,810	11,169,286	10,084,290
Bonds payable	2,122,125	2,671,367	1,000,000	2,000,000
Lease liabilities	15,736	41,681	41,171	43,495
Other long-term payables	144,569	146,069	27,211	27,211
Provisions	497,128	61,063	58,876	61,199
Deferred income	296,804	373,505	538,561	564,731
Deferred tax liabilities	180,539	233,473	226,987	182,893
Other non-current liabilities	3,562	6,562	3,562	3,562
Total of non-current liabilities	**14,163,345**	**16,096,529**	**13,065,653**	**12,967,380**
Total liabilities	**29,645,338**	**30,221,073**	**30,397,201**	**29,936,316**
Shareholder's equity				
Share capital	3,103,000	3,103,000	3,103,000	3,103,000
Capital reserve	1,326,483	1,380,322	1,214,034	1,272,907
Other comprehensive income	2,563	148,251	266,045	262,456
Special reserve	7,709	16,793	23,156	28,086
Surplus reserve	197,430	264,032	308,347	308,347
Retained earnings	9,268,183	10,703,819	11,562,348	12,398,585
Equity attributable to parent company	**13,905,368**	**15,616,218**	**16,476,931**	**17,373,380**
Minority interests	25,790,785	27,731,456	30,510,181	31,924,724
Total equity	**39,696,154**	**43,347,674**	**46,987,113**	**49,298,105**
Total liabilities and equity	**69,341,492**	**73,568,747**	**77,384,314**	**79,234,421**

Note:

1. This financial information for the year ended 31 December 2023, originally included in the Guarantor's consolidated financial statements as at and for the year ended 31 December 2023, has been adjusted in the 2024 Audited Financial Statements. For details of such adjustments, see Note 4 of the 2024 Audited Financial Statements which are included elsewhere in this Offering Circular.

Summary Consolidated Statement of Cash Flow

	Year ended 31 December			For the six months ended 30 June	
	2023	2024	2025	2025	2026
	(RMB'000) (audited)	*(RMB'000) (audited)*	*(RMB'000) (audited)*	*(RMB'000) (unaudited but reviewed)*	*(RMB'000) (unaudited but reviewed)*
Net cash flows from operating activities	5,819,768	5,773,448	5,406,582	2,737,415	3,084,232
Net cash flows from investing activities	(7,704,066)	(5,823,000)	(4,070,111)	(2,870,743)	(2,051,395)
Net cash flows from financing activities	1,616,867	(120,428)	841,350	191,017	(693,205)
Effect of foreign exchange rate changes on cash and cash equivalents	27,737	46,385	14,139	16,957	(21,588)
Net increase in cash and cash equivalents	(239,694)	(123,595)	2,191,961	74,647	318,044
Add: beginning balance of cash and cash equivalents	4,572,767	4,333,073	4,209,478	4,209,478	6,401,439
Ending balance of cash and cash equivalents	4,333,073	4,209,478	6,401,439	4,284,125	6,719,482

Other Financial Data

	As at and for the year ended 31 December			As at and for the six months ended 30 June	
	2023	2024	2025	2025	2026
	(audited)	*(audited)*	*(audited)*	*(unaudited but reviewed)*	*(unaudited but reviewed)*
EBITDA[(1)] (RMB million)	8,471,916	10,343,389	9,703,355	4,841,390	5,967,957
Liability to asset ratio[(2)] (per cent.)	42.75	41.08	39.28	40.84	37.78

Notes:

1. EBITDA for any year or period equals the sum of operating profit (operating income minus operating costs), interest income, depreciation and amortisation and for the year. EBITDA is not a standard measure under PRC GAAP or IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Guarantor's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Guarantor has included EBITDA because the Guarantor believes that it is a useful supplement to cash flow data as a measure of its performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Guarantor's EBITDA to EBITDA presented by other companies because not all companies use the same definition. Interest expense excludes amounts capitalised.

2. Liability to asset ratio as at a particular date equals to total liabilities dividing by total assets as at a particular date.

An investment in the Bonds is subject to a number of risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding to invest in the Bonds. The following describes some of the significant risks relating to the Issuer, the Guarantor, the Group, the Group's business and the market in which the Group operates. PRC laws and regulations may differ from the laws and regulations in other countries. Some risks may be unknown to the Issuer, the Guarantor or the Group and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the business, financial condition, results of operations or prospects of the Issuer, the Guarantor or the Group or the value of the Bonds. All of these factors are contingencies which may or may not occur and the Issuer, the Guarantor or the Group is not in a position to express a view on the likelihood of any such contingency occurring. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular.

None of the Issuer, the Guarantor and the Group represents that the statements below regarding the risk factors are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

RISKS RELATING TO THE GROUP'S BUSINESS IN GENERAL

The Group's businesses, financial condition, results of operations and prospects are heavily dependent on the level of economic development in Shandong Province.

The Group's businesses and assets are highly concentrated in Shandong Province. Therefore, its business, financial condition, results of operations and prospects have been, and will continue to be, heavily dependent on the level of economic development of Shandong Province and the PRC. Economic conditions in the PRC generally, and in Shandong Province in particular, are key factors affecting the development of the Group. China's economy has experienced rapid growth in the past 40 years; however, there has been a slowdown in the growth rate since the second half of 2013. According to the National Statistics Bureau of the PRC, the annual growth rate of China's GDP increased from 2.3 per cent. in 2020 to 5.0 per cent. in 2025. During the same period, the annual growth rate of GDP in Shandong Province increased from 3.6 per cent. to 5.5 per cent., respectively, according to the Shandong Province Statistics Bureau (山東省統計局). There is no assurance that the level of economic development in Shandong Province will continue to grow at the rates seen in recent years. Any continuing slowdown in Shandong Province's economic development may affect its development plans, which may decrease the demand for the Group's products and services and adversely affect the Group's business, financial condition, results of operations and prospects.

The Shandong Provincial People's Government can exert significant influence on the Group, and could cause the Group to make decisions or modify the scope of its activities, or impose new obligations on the Group, which may not be in the Group's best interests or meet the demands of the Group's clients or may not maximise the Group's profits.

The Group is a state-owned company established by the Shandong Provincial People's Government (the "**Shandong Provincial Government**"). The State-owned Assets Supervision and Administration Commission of the People's Government of Shandong Province (the "**Shandong SASAC**"), as the Group's actual controller, participates in and closely monitors the Group's decision-making process for key projects, reviews the Group's development strategy and investment plan, conducts annual appraisals, and appoints the directors and supervisors of the Group. Because of the involvement of the Shandong SASAC in the affairs of the Group as the actual controller of the Group, there can be no assurance that the Shandong SASAC will not interfere with the business and operations of the Group, and any such interference may have a material adverse effect on the Group's business, financial condition, results of operations, financial performance and prospects. In addition, the Shandong SASAC may exert significant influence on the Group's major business decisions and strategies, including the Group's scope of operations, investment decisions and dividend policies. There is no assurance that the Shandong SASAC would always make decisions that are in the Group's best interests or with the aim of maximising the Group's profits. For example, the Shandong SASAC may influence the Group's business and strategies in a manner that is beneficial to the economic and technological development zones in Shandong Province as a whole but that are not necessarily in the Group's best interests. The Shandong SASAC could also

change its policies, plans, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the PRC's economic, political and social environment and its projections of population and employment growth. Any such change may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

A reduction or discontinuance of government support could materially and adversely affect the Group's business, financial condition and results of operations.

The Company regularly receives financial support and certain preferential treatments from the Shandong Provincial Government. These supports come in various forms, such as favourable policies, government subsidies, asset transfer and capital injection and tax incentives. However, there is no assurance that the Shandong Provincial Government will continue to provide support to the Group or that the existing or other types of government support will not be adjusted or terminated due to any change in government policies or otherwise. If any favourable incentive or government support which is currently available to the Group is reduced or discontinued in the future, the Group's business, financial condition, results of operations and prospects would be materially and adversely affected. The controlling relationship between the Shandong SASAC and the Group does not necessarily correlate to, or provide any assurance as to the Group's financial condition. See also the risk factors entitled "*The PRC government has no payment or other obligations under the Bonds.*" in the section entitled "*– Risks relating to Conducting Business in the PRC*".

The ownership and control of the Group by the PRC government does not provide assurance on the Group's financial condition.

Although the Guarantor is a state-owned enterprise, the ownership and control of the Group by the PRC government (including the Shandong SASAC and other state-owned entities) does not necessarily correlate to, or provide any assurance as to, the financial condition of the Issuer, the Guarantor or the Group. Therefore, a potential investor should not invest in the Bonds unless it has the expertise (either alone or with the help of a financial adviser) to evaluate the risks before making an investment decision.

PRC regulations on the administration of local governments restrict the Group's financing model.

The PRC government has in recent years issued multiple regulations intended to restrict local governments from using state-owned enterprises to incur debt that should be directly incurred by government bodies. These regulations include: the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (關於加強地方政府性債務管理的意見) released by the State Council in September 2014 ("**Circular 43**"), the Notice concerning Further Regulation of Local Government Borrowing and Financing Conduct (關於進一步規範地方政府舉債融資行為的通知) jointly issued by the MOF, the NDRC, the Ministry of Justice of the PRC, the PBOC, the China Banking Regulatory Commission and the China Securities Regulatory Commission in April 2017 ("**Circular 50**"), the Notice of MOF on Issues concerning Regulations on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (財務部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知) issued by the MOF in March 2018 ("**Circular 23**"), the Circular of the NDRC and the MOF on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委、財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知) jointly issued by the NDRC and the MOF in May 2018 ("**Circular 706**"), the Guiding Opinion on Strengthening the Asset and Liability Constraints of State-Owned Enterprises (中共中央辦公廳、國務院辦公廳《關於加強國有企業資產負債約束的指導意見》) jointly issued by the General Office of the Central Committee of the Communist Party of China and the State Council on 13 September 2018 (the "**Joint Opinion**") and the Circular of the General Office of the NDRC on the Relevant Requirements for Filing and Registration of Foreign Debts Issuance by Local State- owned Enterprises (國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知) ("**Circular 666**") and the Guidelines for Banking and Insurance Institutions to Further Prevent and Defuse the Risks of Implicit Local Government Debt (Yin Bao Jian Fa [2021] No.15) (銀行保險機構進一步做好地方政府隱性債務風險防範化解工作的指導意見(銀保監發[2021]15號)) issued by the China Banking and Insurance Regulatory Commission ("**Circular 15**") issued by the General Office of the NDRC on 6 June 2019. (Circular 43, Circular 50, Circular 23, Circular 706 and, Joint Opinion, Circular 666 and Circular 15, together, the "**Debt Control Circulars**").

Circular 50 reaffirmed Circular 43 policy that local governments are not permitted to use any means other than local government bonds for debt financing and are prohibited from requesting or ordering enterprises to issue debt on their behalf. Circular 23 and Circular 706 established policies for foreign debt issuance including prohibitions on enterprises from listing public assets as enterprise assets and restrictions on making disclosure in offering circulars that imply government endorsement of the issuance or an association with the government's credit. The Joint Opinion, consistent with Circular 43 and Circular 50, bans local governments from engaging in "disguised" borrowing by using state-owned enterprises to issue corporate debt on their behalf. Circular 666 aims to strengthen the management of local government debt and avoid or mitigate risks relating to medium and long-term foreign debt as well as hidden debt of local governments. Circular 666 expressly restricts the use of proceeds of foreign debt securities issued by state-owned enterprises which undertake local government financing functions to the repayment of medium and long-term offshore debt due within the impending one year. In July 2021, the China Banking and Insurance Regulatory Commission issued Circular 15, which stipulates that banks and insurance institutions shall not increase any new local government implicit debt in any form. Circular 15 also stipulates that, banks and insurance institutions shall meet the following requirements: (i) the financing provided by banks and insurance institutions shall not be borne by government fiscal funds or guaranteed by the government; (ii) banks and insurance institutions shall not require or accept guarantee documents issued by local government or its departments; (iii) banks and insurance institutions shall not require or have any security interest over the state-owned assets of local government, public institution or social organisation; (iv) banks and insurance institutions shall not require or have any security interest over government reserve land, nor shall they require or accept expected land sale income as guarantee; (v) in PPP projects or government investment fund projects, banks and insurance institutions shall not require local government to repurchase their invested capital, bear the loss of the invested capital or guarantee the minimum return; (vi) financing services provided by banks and insurance institutions shall not be included in government purchase services; (vii) existing local government financing shall be rectified in accordance with relevant regulations; and (viii) banks and insurance institutions are not allowed to increase any implicit local government debt in any form. For further details on the Debt Control Circulars, see "*PRC Regulations – Regulations on Fiscal Debts of Local Governments*".

In 2015, the MOF rolled out a nationwide debt swap programme (the "**Debt Swap Programme**") under which local governments were permitted to exchange bank loans of their financing platforms incurred for funding the developing of government projects and other public interest projects with long-term and low-interest government bonds they issued within the quota allocated by the MOF. As at 30 June 2026, the Group had total indebtedness (comprising short-term loans, non-current liabilities maturing within one year (interest-bearing portion), long-term loans, bonds payable and long-term accounts payables (interest-bearing portion)) of the Group amounted to approximately RMB20.7 billion.

The Group believes that the PRC government will continue to implement the Debt Control Circulars to control local government debts. Accordingly, the Group should rely on the cash flow generated from its operations and external borrowings for financing its operating activities and to satisfy its cash needs for servicing its outstanding indebtedness. Pursuant to the terms of the Bonds and as required by the Debt Control Circulars, neither the Shandong Provincial Government nor any other PRC governmental entity has any obligation to repay any amount under the Bonds and will not provide a guarantee of any kind for the Bonds. The Bonds are solely to be repaid by the Issuer, failing which, the Guarantor, and the obligations of the Issuer and the Guarantor under the Bonds or the Trust Deed (as defined in the Conditions) shall solely be fulfilled by the Issuer and the Guarantor as independent legal persons. The liability of Shandong SASAC is limited to its equity contribution in the Guarantor. If the Issuer or the Guarantor does not fulfil its obligations under the Bonds or the Trust Deed, the Bondholders will only have recourse against the Issuer and/or the Guarantor, and not the Shandong Provincial Government, Shandong SASAC or any other PRC governmental entity.

While the Group believes that it does not have any assets that qualify as public assets under Circular 706 and intends to ensure that the issue of the Bonds does not conflict with or result in a breach or violation of the Debt Control Circulars, the PRC government may continue to release new policies or amend existing regulations intended to control increases in local government debts in China. The Group may be required to further change its financing model and business model in response to such regulations, which may have a material impact on its business, financial condition, results of operations and prospects.

As a holding company, the Group depends on distributions from its subsidiaries to meet its payment obligations, and the amount of such distributions could be limited by provisions of applicable laws or contractual restrictions or adverse changes in the dividend distribution policies of its subsidiaries.

The Group is a holding company and derives substantially all of its operating income from, and holds substantially all of its assets through its subsidiaries. As a result, the Group generally relies on dividends and other distributions from its subsidiaries in order to meet its payment obligations. The provisions of applicable laws, such as those limiting the legal sources of dividends, may limit the ability of the Group's subsidiaries to make payments or other distributions to the Group. In addition, any adverse changes to the dividend-distribution policies of the Group's subsidiaries, or any fluctuation in the level or timing of dividends and other distributions from those subsidiaries, may constrain the Group's access to cash and adversely affect its financial condition. The Group's subsidiaries may also become subject to contractual restrictions on their ability to make distributions.

The Group and its subsidiaries may incur significant additional secured or unsecured indebtedness in the future, and there can be no assurance that the Group will have sufficient cash flows, including cash flows derived from distributions by its subsidiaries to satisfy its obligations in respect of the Bonds and the Guarantee. Although the Group believes that it will be able to meet its obligations in respect of the Bonds and the Guarantee, any shortfall would have to be met from other sources of cash, including the sale of investments or financing available to the Group. Any such shortfall could adversely affect the Issuer's ability to make payments of principal and interest on the Bonds when due.

The Group operates in different industries and, therefore, is exposed to a wider variety of circumstances compared to companies operating in a single business segment.

The Group operates in various industries including high-end chemicals, pharmaceuticals, ecological and environmental and other sectors. Its diversified business portfolio and broad management span require the Group to allocate substantial management, financial and technical resources to oversee the operations of its various business divisions, monitor changes in their respective operating environments and assess the associated risks. There is no assurance that the Group can effectively manage its multiple businesses and integrate its internal resources across different business divisions. Failure to do so may result in operational inefficiency, higher management costs and other problems including the following:

- The Group needs to devote significant resources to monitor the operations of each business and changes in the respective operating environment to accurately assess risks. If the Group does not effectively monitor these changes in the operating environment, its business, financial condition, results of operations and prospects would be adversely affected;

- The Group operates and invests in several listed subsidiaries which are subject to different regulatory regimes. These regulations impose restrictions related to the transfer of funds in or out of such companies, and impose compliance obligations including issuing announcements, obtaining independent shareholders' approval at general meetings and disclosing events in the annual reports. The market prices and trading volumes of the listed subsidiaries' shares may fluctuate significantly, which could in turn affect the return on the Group's investment;

- The Group may face risks relating to ineffective management of its subsidiaries, senior management and employees. The success of the Group's operations require effective management and performance incentives for management personnel. If there is any significant deficiency in the management and control systems of the Group, its business would be adversely affected.

- The Group continues to extend its industrial-chain and expand into new business segments, its traditional management model may fail to adapt to the development requirements of new business segments. Key production-technology and professional-technical personnel may become bottlenecks constraining further development of the Group. If the Group cannot timely adapt its capital, technical and management capabilities to the requirements of intensive and specialised development, the operating performance of its newly-built projects may be adversely impacted.

The Group's business operations are capital intensive and any failure of the Group to obtain sufficient capital resources on acceptable terms or in a timely manner may adversely affect its business and prospects.

The Group's business and operations are capital intensive, and they regularly incur capital expenditures in order to expand operations and production facilities, maintain production equipment and auxiliary facilities, increase operating efficiency and comply with laws and regulations. Certain of the Group's subsidiaries, including Hualu-Hengsheng, Lukang Pharmaceutical and Xinhua Pharmaceutical, have a number of projects under construction with significant future investment requirements, which further add to the Group's capital expenditure pressure. The Group plans to finance such expenditures with, among others, the net proceeds of this offering, cash and cash equivalents on hand, other financing sources and cash to be generated from future operations.

If the Group is unable to obtain required additional funds, it may not be able to fund in full the capital expenditure necessary to expand its production facilities, upgrade or purchase additional facilities and equipment or implement its business strategies. Even if the Group were able to secure sufficient funding, it may not be able to obtain the funds on commercially acceptable terms, which would increase its financing costs.

The Group's ability to generate sufficient operating cash flow is affected by a number of factors, such as its ability to carry on its business activities in an efficient manner, the commissioning status of construction-in-progress, due performance of the Group's contractors, changes in general market conditions, and regulatory environment. In addition, there can be no assurance that the Group's projects under construction will be completed and commissioned as planned, achieve their expected production capacity or generate their anticipated returns. If any such project is delayed, fails to achieve the expected production capacity or does not generate the anticipated returns, the Group's capital expenditure may not produce the expected benefits and its business, financial condition and results of operations may be adversely affected.

Any of the above could impede the implementation of the Group's business strategies or prevent it from entering into transactions that would otherwise benefit the Group's business and could materially and adversely affect its business, financial condition or results of operations.

Substantial indebtedness may restrict the Group's business activities and increase its exposure to various operational risks.

The Group relies on external financing to satisfy a portion of its capital requirements and it has had a significant amount of outstanding indebtedness. As at 30 June 2026, the Group's total indebtedness was approximately RMB20.7 billion, accounting for approximately 69.2 per cent. of total liabilities, respectively. The Group's total indebtedness forms a large proportion of its total liability, and the Group's indebtedness repayment ability and profitability could be materially and adversely affected by the high interest rate of the indebtedness and interest rate fluctuations.

Substantial indebtedness could impact the Group's businesses in a number of ways, including:

- requiring the Group to dedicate part of its operating cash flows to service its indebtedness before it receives government funding;
- increasing the Group's finance costs, thus affecting the overall profits of the Group;
- limiting the Group's flexibility in planning for, or responding to, changes in the Group's businesses and the industries in which it operates;
- limiting, together with the financial and other restrictive covenants of the Group's indebtedness, among other things, the Group's ability to borrow additional funds; and
- increasing the Group's vulnerabilities to adverse general economic and industry conditions.

As the Group's business scale continues to grow, its capital requirements and reliance on external financing may continue to increase. The Group's financial performance and operating results may be materially and adversely affected if its cash flows and capital resources are insufficient to fund its debt service obligations. Failure to service the Group's debts could result in the imposition of penalties, including increases in rates of interest, or the costs that the Group pays on the legal actions brought against the Group by its creditors, or bankruptcy.

Significant inventories, accounts receivable and other accounts receivable may affect the Group's liquidity.

As at 31 December 2023, 2024, and 2025, and as at 30 June 2026, the Group's accounts receivable were approximately RMB2,150.1 million RMB2,662.4 million, RMB2,475.2 million and RMB2,862.6 million, respectively, which accounted for approximately 12.0 per cent., 14.5 per cent., 11.6 per cent. and 12.2 per cent., respectively, of the total current assets of the Group. The Group's accounts receivable has historically been, and in the near future will be, primarily attributable to the pharmaceuticals sector. Most of the receivables are owed by medical institutions, which customarily have long payment cycles in China's pharmaceutical industry. The long-term presence of a large amount of receivables may affect the Group's overall fluidity of assets and may add pressure to the Group's cash flow and, in turn, have a material and adverse impact on the Group's business, financial condition and results of operations.

The Group's business may be adversely affected if it is unable to retain and hire qualified employees.

The success of the Group's business is dependent to a large extent on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of investment, as well as the industries in which the Group invests or operates. These key personnel include members of the Group's senior management, experienced scientists and chemists, investment managers and finance professionals, project development and management personnel, legal professionals, risk management personnel, information technology and other operation personnel. Competition for attracting and retaining these individuals is intensive. Such competition may require the Group to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect the Group's financial condition and results of operations. As a result, the Group may be unable to attract or retain such personnel to achieve its business objectives and its failure to do so could severely disrupt its business and prospects. The occurrence of any of the events discussed above could lead to unexpected loss to the Group and adversely affect its financial condition and results of operations.

The Group's operations involve hazardous working conditions.

The Group's production facilities are heavy industrial plants where design, machinery or system failures can result in substantial injury or damage to third parties. Litigation arising from any such failures, injury or damage may result in the relevant member of the Group being named as a defendant in lawsuits asserting large claims against such member of the Group or subject such member of the Group to significant regulatory penalties. There can be no assurance that the Group's insurance policies will be sufficient to cover any damages or penalties required to be paid in respect of such events, or that any such event would not adversely affect the Group's reputation and public perception. The occurrence of such an event could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is subject to extensive environmental regulations, the compliance with which may be difficult and costly.

The Group's business is subject to extensive environmental laws and regulations of the jurisdictions where it operates. In particular, the legal framework in the PRC for environmental protection and operational health and safety is becoming more comprehensive and complex. For example, the Group is required to continuously strengthen its energy efficiency and reduce emissions in its production process. The Group is also required to continuously monitor its compliance with relevant environmental laws and regulations during its project planning and implementation and upgrade or dispose of its production facilities. Compliance with these laws and regulations and future laws and regulations that may be applicable to the Group could increase its respective operating costs and adversely affect its respective financial results of operations and cash flows. Furthermore, the more stringent environmental policies may affect the stability of supply from upstream suppliers and demand from downstream users. If the Group fails to observe any of these or future applicable laws, regulations or restrictions, it could be punished or fined and, as a result, its business, prospects and public image may be adversely affected.

The Group may be subject to legal, litigation and regulatory proceedings.

The Group is involved, from time to time, in legal proceedings arising in the ordinary course of its operations. Litigation arising from any failure, injury or damage from the Group's operations may result in the relevant members of the Group being named as defendant in lawsuits asserting large claims against such group member or subject such group member to significant regulatory penalties. These risks often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. Actions brought against the Group may result in settlements, injunctions, fines, penalties or other results adverse to its reputation, financial condition and results of operations. Even if the Group were successful in defending against these actions, the costs of such defence may be significant. In market downturns, the number of legal claims and amount of damages sought in litigations and regulatory proceedings may increase. A significant judgment, arbitration award or regulatory action against the Group, or a disruption in its business arising from adverse adjudications in proceedings against its directors, senior management or key employees, would materially and adversely affect its liquidity, business, financial condition, results of operations and prospects.

The Group may not be able to successfully manage its growth.

The Group has been rapidly expanding its business in recent years. To develop the Group's business and strengthen its competitiveness and profitability, the Group plans to further expand its existing business to new industry sectors or geographical markets. Such expansion is subject to various risks, including the Group's lack of operational experience in certain industries or markets, changes in government policies and regulations and other risks associated with such industries or markets. As the Group continues to grow, it needs to continue to improve its managerial, technical and operational knowledge and allocation of resources, and to implement an effective management-information system. To effectively manage the Group's expanded operations, it needs to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy its development requirements. In order to fund the Group's ongoing operations and its future growth, the Group needs to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, the Group will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties. The Group will need to further strengthen its internal control and compliance functions to ensure that it is able to comply with its legal and contractual obligations and reduce its operational and compliance risks. There can be no assurance that the Group will not experience issues such as capital constraints, operational difficulties or difficulties in expanding its existing businesses and/or training an increasing number of personnel to manage and operate the expanded businesses. Neither can the Group assure investors that its expansion plans will not adversely affect its existing operations and thereby have a material adverse effect on its business, financial condition, results of operations and prospects.

The Group is subject to risks arising from technological innovation and upgrade.

There are continuously new technology developments in each industry the Group operates in. New services are frequently introduced and industrial standards are constantly evolving. Technological transformation reduces cost and price, and competitors in the same industry may try to provide more competitive and creative products and services. It is uncertain if the Group will be able to effectively adapt to technological transformation and industrial development. To maintain its competitiveness, the Group must continuously invest, which will have demands on financing and cash flow of the Group on the one hand, and expose the Group to the risk of delayed return or declining return rate on the other hand.

The rapid change of technology is likely to increase competition and may make the Group's technology, products or services obsolete, or result in a loss of market share. The Group's research and development efforts may not be successful or generate economic interests at the expected level. Even if the research and development were successful, the Group may not be able to apply the new technology to market commercially acceptable products, or capture market opportunities. In addition, the expected market demand during the development phase of any product may not be realised, or when the Group launches new products, the market may not accept the new products. If the Group cannot predict trends in technology or product development, and develop the new and innovative technology products required by customers, it may fail to produce sufficiently advanced products at competitive prices, which may adversely affect on the Group's results of operations, financial condition and profitability.

The lack of permits, licences, approvals, filings and certificates may be a serious impediment to the Group's business and operations, and is subject to regular inspection, investigation, inquiry and audit of regulatory agencies.

The Group must obtain and maintain valid permits, licences, approvals, filings and certificates from government authorities to engage in certain businesses. The Group is subject to the restrictions and conditions stipulated by government authorities to maintain its permits, licences, approvals, filings and certificates. As at the date of this Offering Circular, some of the Group's members are in the process of obtaining such approvals and certificates. If the Group fails to comply with the provisions or fails to meet the necessary conditions to maintain permits, licences, approvals, filings and certificates, its permits, licences, approvals, filings and certificates may be suspended or revoked. If the Group extends such permits, licences, approvals, filings and certificates after the valid period, there may be delays or rejections on the applications; licence terms or regulations may also be changed at short notice and it may be difficult to comply with the amended terms in a timely fashion or without significant cost. Any of these factors may lead to an adverse effect on the Group's results of operations, financial condition and profitability.

The Group is exposed to litigation risks.

The Group may from time to time be involved in disputes with various parties, including partners, contractors, suppliers, employees, customers and other third parties during the course of the Group's daily operations. In addition, the Group may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings or unfavourable decrees that may result in liabilities and cause delays to its developments and interruptions of its operations.

The Group may not be able to protect its intellectual property rights.

The Group has developed trademarks, patents, design patents, know-how, processes, technologies, and other intellectual property rights that are of significant value to it. There can be no assurance that any of its intellectual property will not be challenged, misappropriated, or circumvented by third parties. In addition, the legal regime governing intellectual property in China is still evolving, and the level of protection of intellectual property rights in China may differ from the level provided by other jurisdictions. In the event that the steps the Group has taken, and the protection provided by law do not adequately safeguard its intellectual property rights, the Group could suffer material losses in profits due to the sales of competing products, which exploit its intellectual property rights.

The Group engages in related party transactions from time to time, which may create potential conflicts of interest.

The Group has engaged in a variety of transactions with, among others, its associates and joint ventures. Although the Group has taken steps to ensure such transactions are fair and based on market price with approval from relevant authorities, there can be no assurance that those transactions would be deemed as arm's-length or its related parties will not take actions that favour their interests over the Group's. The internal control regarding the management of various related party transactions can also be challenging and demanding for the Group. Failure to adequately control and manage its related party transactions could have an adverse effect on the Group's business, financial condition or results of operations.

The Group may not be able to detect and prevent fraud or other instances of misconduct committed by its former or current employees, representatives, agents, customers or other third parties.

The Group may be exposed to fraud or other instances of misconduct committed by its former or current employees, representatives, agents, customers or other third parties that could subject it to financial losses and sanctions imposed by government authorities, which in turn affects its reputation. Such misconduct could include:

- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;

- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to the Group in deciding whether to make investments or dispose of assets;

- improperly using or disclosing confidential information;
- recommending products, services or transactions that are not suitable for the Group's customers;
- misappropriation of funds;
- conducting transactions that exceed authorised limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products;
- engaging in unauthorised or excessive transactions to the detriment of the Group's customers;
- making or accepting the bribery activities;
- conducting any inside dealing; or
- otherwise not complying with applicable laws or the Group's internal policies and procedures.

The Group's internal control procedures are designed to monitor its operations and ensure overall compliance. However, such internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner if at all. Furthermore, it is not always possible to detect and prevent fraud and other instances of misconduct, and the precautions the Group takes to prevent and detect such activities may not be effective. There can be no assurance that fraud or any other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity as a result and the relevant government agencies may freeze its assets or impose fines or other penalties on the Group. Any of these outcomes may materially and adversely affect the Group's reputation, financial condition and results of operations.

The Guarantor's composition of boards of directors is not in compliance with the requirements in its articles of association.

As at the date of this Offering Circular, the Guarantor's board of directors is comprised of seven members, including three internal directors and four external directors. Such composition does not comply with relevant requirements in the PRC Company Law and as stipulated in the current articles of association of the Guarantor, which require the Guarantor to maintain, *inter alia*, a board of directors comprising three executive directors, five independent directors and one employee director. The Guarantor confirms that such non-compliance is temporary and it is actively liaising with all relevant parties and regulatory authorities to remedy the non-compliance.

As at the date of this Offering Circular, there is no express PRC law stipulating sanctions or penalties for such non-compliances, and hence, there remain uncertainties on what the likely consequences will be. In addition, if the Guarantor fails to complete the required filing procedures with the relevant market regulation authority in respect of changes to its directors within the prescribed time limit, it may be ordered to rectify such failure and, if it refuses to do so, may be subject to a fine of up to RMB50,000. Although the legal advisers to the Guarantor as to PRC law confirmed the resolutions of the board of directors of the Guarantor authorising the issue of the Bonds and giving of the Guarantee dated 29 September 2025 remain valid and not revoked, there can be no assurance that any future resolutions passed by the current board of directors will not be challenged by shareholders or other stakeholders. In addition, there is no assurance that the Guarantor will not be penalised or sanctioned as a result of such non-compliance. If any of the resolutions are challenged or held by competent courts to be invalid, or the Guarantor is subject to any adverse decisions by any regulator or authority as a result of such non-compliance, the Guarantor's corporate governance, reputation, financial condition and result of operations may be adversely affected.

The Group's operations and corporate governance may be adversely affected by emergencies.

The Group has established a relatively comprehensive corporate governance framework under which its board of directors, supervisory board and senior management cooperate with, check and balance, and perform their respective functions. However, in the course of its production and operations, the Group may be exposed to various types of emergencies, including natural disasters, operational accidents and

public security-related incidents. The occurrence of any material emergency, including a major natural disaster, may result in economic losses, personal injury or casualties, and adverse social or public opinion impacts on the Group.

In addition, an emergency may adversely affect the Group's public image and reputation, endanger the safety of its personnel and property, and disrupt its normal operations. It may also render certain of the Group's directors, supervisors or senior management unable to perform their respective duties. In such circumstances, the Group's corporate governance mechanisms, including the normal functioning of the board of directors and other corporate governance bodies, may not operate effectively or smoothly. This may result in sudden changes to, or disruption of, the Group's corporate governance structure and may adversely affect the Group's operations.

Any of the foregoing could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Some of the Group's members may not possess valid land use rights or building ownership certificates to certain properties.

According to applicable PRC laws, the granting or allocation of land use rights certificates or building ownership certificates is customarily conducted through a specific process. Some of the Group's members may not possess valid land use rights certificates or building ownership certificates to certain properties and may be in the process of applying for or will apply for the relevant certificate, permits or approvals for certain properties. If the Group's members experience material delays in obtaining these certificates or fails to receive these certificates, the Group's business and operations may be materially and adversely affected.

RISKS RELATING TO THE HIGH-END CHEMICAL BUSINESS

The cyclical nature of the high-end chemical business may cause significant fluctuations in the Group's results of operations.

The Group's historical results of operations reflect the cyclical and volatile nature of supply and demand within the high-end chemical industry. The high-end chemical industry has experienced alternating periods of inadequate capacity and supply, allowing prices and profit margins to increase, followed by periods when substantial capacity is added, resulting in oversupply and overcapacity, declining prices and profit margins. Some of the markets in which the Group's customers participate, such as sales of fertilizer, are cyclical in nature. Excess industry capacity may also continue to depress volumes and margins on some products. In addition, a broad decline in general economic or business conditions in the industries served by the Group's customers could adversely affect the demand for the Group's products and impair the ability of the Group's customers to satisfy their obligations to the Group, resulting in uncollected receivables and unanticipated contract terminations or project delays. Such conditions could impact the utilisation of manufacturing capacity which may require the Group to recognise impairment losses on tangible assets such as property, plant and equipment as well as on intangible assets such as intellectual property or goodwill. Furthermore, volatility and disruption of financial markets could limit the Group's customers' ability to obtain adequate financing to maintain operations, which could result in a decrease in sales volume and have a negative impact on the Group's results of operations.

In addition, coal is one of the main raw materials used in high-end chemical production and is subject to significant price volatility and availability of supply. The availability and prices of raw materials for coal chemical production are subject to market forces, most of which are beyond the control of the Group. The prices and availability of raw material may be negatively affected by factors including but not limited to increases in global demand for raw materials, depletion of existing sources and decreasing availability of new sources, interruptions in production by suppliers, bargaining power of raw material suppliers, suppliers' allocations to other purchasers and the business continuity of suppliers, wars, natural disasters and other similar events. There can be no assurance that the Group will be able to secure a sufficient supply of raw materials at commercially acceptable prices. To the extent that fluctuations in coal chemical products do not correspond to fluctuations in raw material (principally iron ore) prices, they could have a material impact on the Group's profit margins.

The Group faces competition from domestic companies, which may affect the Group's market share and profit margins.

The high-end chemical industry is highly competitive in the PRC. The Group actively competes with domestic companies producing the same or similar products and, in some instances, with companies

producing different products designed for similar uses. The Group's competitors may have greater access to financial resources, more experience in resource allocation, better ability in product innovation and longer operating histories. Some of the Group's competitors may have more sophisticated management and may utilise more advanced technology than the Group does. The Group's competitors in any particular market may also benefit from raw material supplies or production facilities that are closer to such markets, which could provide them with competitive advantages in terms of cost and proximity to customers. The Group's failure to compete effectively could materially and adversely affect the Group's business, financial condition, results of operations and market position.

The Group is required to comply with various environmental, health and safety laws which are extensive and the compliance of which may be onerous or expensive.

The Group is subject to applicable national and local laws and regulations with respect to the protection of the environment and the health and safety of employees and the public in the countries in which the Group operates. These laws and regulations govern, among other things, aerial emissions, waste water discharges, the storage, use and handling of hazardous substances, waste disposal, potential investigation and remediation of soil and ground water contamination and protection of the health and safety of employees. The Group's manufacturing processes and products are subject to stringent quality, environmental and occupational safety standards. If the Group fails to comply with these laws and regulations, it could be subject to penalties, fines, suspension or revocation of its licences or permits to conduct business, administrative proceedings and litigation. Due to the magnitude and complexity of these laws and regulations, compliance with them or the establishment of effective monitoring systems may be onerous and could require a significant amount of financial and other resources.

In particular, the Group's high-end chemicals business is subject to increasingly stringent policies and regulatory requirements concerning energy consumption, carbon emissions and pollutant discharges. National policies impose strict dual-control requirements on over energy consumption and curb blind development of high-energy-consuming and high-emission ("**two-high**") projects. Shandong Province has also adopted measures to curb the unregulated expansion of "two-high" projects and strictly implements reduction-and-replacement requirements in respect of production capacity, coal consumption, energy consumption, carbon emissions and pollutant discharges. Policies targeting carbon peaking and carbon neutrality also place higher operational requirements on industrial sectors. Stricter policy implementation may increase the Group's capital expenditure and operating costs, restrict project investment and expansion activities, or otherwise adversely affect its operations. As applicable environmental, health and safety laws, regulations and policies continue to evolve, there can be no assurance that the relevant regulatory authorities will not impose additional or more onerous requirements. Compliance with any such requirements could result in significantly increased costs that the Group may not be able to pass on to its customers, which could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Fluctuations in the average selling prices of the Group's products may adversely affect its results of operations.

The average selling prices of most of the Group's high-end chemical products are subject to fluctuation. Fluctuations in the average selling prices of the Group's products are primarily caused by intense market competition, changes in raw material costs and other factors that are beyond the Group's control. The Group cannot assure investors that it will not continue to experience volatile or declining average selling prices for the Group's products in the future. If the Group cannot increase the Group's sales volume to compensate for the loss of revenue caused by volatile or declining average selling prices for the Group's products, the Group's results of operations could be adversely affected.

The Group may be affected by import policies of the countries to which it exports its products and the export policies of China.

A portion of the Group's products is directly exported to the international markets. Accordingly, the Group is subject to applicable laws and regulations of the countries that import its products. Should its export markets introduce new laws and regulations, measures and standards that make it more difficult or costly for the Group's products to be exported to them, or take steps to prevent, limit or prohibit the importation of the Group's products, the Group's business, results of operations and financial condition may be materially and adversely affected. Where certain countries impose customs duties and import tariffs, the Group may not be able to pass on such additional costs to the customers. Beginning in March

2018, the U.S. imposed tariffs on steel and aluminium imports from China, followed by a 25 per cent. tariff on U.S.$34 billion worth of Chinese goods in July 2018. China responded with similar tariffs on U.S. products. Although a partial trade deal was signed in January 2020, which included some tariff rollbacks, the tensions continued to escalate. In April 2025, the United States imposed additional tariffs on Chinese imports, reaching 125 per cent., while China retaliated with tariffs of up to 84 per cent. on U.S. goods. Although both countries issued a joint statement on 12 May 2025 to reduce tariffs to 10 per cent. and 30 per cent. respectively, the long-term trajectory of trade relations remains uncertain and could significantly affect the global economic landscape and the Group's operations. In addition, recent sovereign credit rating actions have further highlighted concerns about China's economic outlook. Beyond the U.S.-China trade relationship, China's economy is increasingly exposed to global headwinds. Sluggish growth in major economies such as the Eurozone and Japan, coupled with persistent inflationary pressures and tightening monetary policies worldwide, have dampened global demand and disrupted supply chains. Geopolitical tensions including conflicts in Eastern Europe and the Middle East have further strained energy markets and commodity prices, adding volatility to China's import and export sectors. Additionally, the global shift toward protectionism and reshoring of manufacturing has led to a reconfiguration of global trade networks, potentially reducing China's role as a central hub in global supply chains.

The Group's business depends on a stable and adequate supply of raw materials, which are subject to supply disruptions, price volatility and other risks.

The Group uses a large volume of raw materials in its coal chemical business, including coal, benzene and propene. The occurrence of natural disasters (such as droughts, sandstorms, snowstorms, earthquakes or floods), pest infestations, contamination, energy shortages, disruptions in transportation infrastructure or embargoes may interrupt the supply of raw materials, and the Group's suppliers may not be able to continue to supply an adequate amount of raw materials to meet the Group's present and future production demands and quality requirements. Any interruptions to or declines in the supply or quality of its raw materials could materially disrupt the Group's production, which could materially and adversely affect the Group's business, financial condition or results of operations.

Furthermore, the raw materials that the Group companies use in their production processes are subject to price volatility caused by various factors, such as climate and environmental conditions, price fluctuations in commodity markets, currency fluctuations and changes in government policies. Should raw material prices increase significantly and should the Group companies be unable to source raw materials at reasonable prices or at all or be unable to pass price increases on to customers, the Group's business, financial condition or results of operations could be materially and adversely affected.

Interruption or a shortage in the supply of raw materials due to the abovesaid reasons could result in the Group being unable to operate its production facilities at full capacity or, if the shortage is severe, any production at all, thereby leading to reduced revenues or no production output and sales. Any failure to secure a steady supply of major raw materials will materially and adversely affect the Group's business, financial condition and results of operations.

RISKS RELATING TO THE PHARMACEUTICAL BUSINESS

The Group's business may be materially and adversely affected by policy changes in the pharmaceutical industry.

In recent years, as the PRC government continues to reform the healthcare system, a number of policies and regulations for the pharmaceutical industry have been enacted and implemented, including, among others, the Drug Catalogue for National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (國家基本醫療保險、工傷保險和生育保險藥品目錄), as adjusted in 2019, 2020, 2021, 2023, 2024 and 2025 respectively (the "**Medicines Catalogue for Medical Insurance**") and the Drug Administration Law of the People's Republic of China (中華人民共和國藥品管理法) as amended in 2019, which has had a profound impact on the entire pharmaceutical industry in China. The adjustment in the Drug Catalogue for Medical Insurance and the implementation and expansion of centralized drug procurement have significantly reduced the cost of drugs. Policies expanding the scope of the consistency evaluation between generic drugs and original drugs have promoted the improvement of generic drugs' overall quality and accelerated the replacement of original drugs with generic drugs. The regular implementation of volume-based procurement for high-value medical consumables and the roll-out of Diagnosis Related Groups/Diagnosis-Intervention Packet payment-system reforms have further

intensified downward pressure on product prices. Continuous refinement and tightening of industrial quality supervision and marketing compliance supervision also bring challenges for pharmaceutical manufacturers in respect of industrial upgrading, structural transformation and adjustment of business-operation models. There can be no assurance that the Group would be able to adapt its operations to these new policies, regulations and measures that may come into effect from time to time with respect to the pharmaceutical industry in a timely manner. If such policy changes disrupt the Group's business, the Group's financial condition, results of operations and prospects may be materially and adversely affected.

Any failure to comply with existing regulations and industry standards or any adverse actions by the drug approval authorities against the Group could negatively impact its reputation and business, financial condition, results of operations and prospects.

In many countries or regions where a pharmaceutical drug is intended to be ultimately sold, such as China, the United States, Europe and Japan, the relevant government agencies and industry regulatory authorities impose high standards on the efficacy of such drug, as well as strict rules, regulations and industry standards on how the Group or its customers should develop and manufacture such drug. These regulatory authorities may conduct scheduled or unscheduled periodic inspections of the Group's facilities to monitor its regulatory compliance. Although the Group has passed all the inspections and obtained clearance in relation to drug discovery, testing, development and manufacturing from the relevant regulatory authorities in all material respects during the past three years ended 31 December 2025 and the past six months ended 30 June 2026, the Group cannot ensure that it will be able to do so going forward. Any failure to comply with existing regulations or industry standards could result in fines or other punitive actions against the Group or its customers or the termination of ongoing projects, each of which could have a material adverse impact on the Group's reputation, business, financial condition, results of operations and prospects. In addition, any action against the Group for violation of the relevant regulations or industry standards, even if the Group were to successfully defend against it, could cause the Group to incur significant legal expenses, divert management's attention from the operation of the Group's business and adversely affect its reputation and financial results.

The Group is subject to risks in relation to research and development in the pharmaceutical industry.

Research and development in the pharmaceutical industry is characterised by high investment cost, high risk, long cycle, and low success rate. There are many unpredictable factors during preclinical research, clinical trial, registration and approval application and marketing, any of which could lead to a failure of product development. Therefore, the Group's investment in research and development for its pharmaceutical business may not be commensurate with the benefits it could bring. Facing increasing competition in the pharmaceutical and biotechnology industries, the Group continues to invest in more complex and sophisticated capabilities and capacities in discovering, testing, developing and manufacturing new drugs. If the Group's investment in research and development fails to gain timely and sufficient rewards, its business, results of operations and prospects may be materially and adversely affected.

The Group may not be successful in developing, enhancing, adapting to or acquiring new technologies.

The global pharmaceutical market is constantly evolving, and the Group must keep pace with new technologies to maintain its competitive position through research and development or acquisitions. The Group must continue to invest significant amounts of human and capital resources to develop or acquire technologies that will allow it to enhance the quality of its products and expand the market. The Group intends to continue to enhance its technical capabilities, which can be capital intensive and require significant time to be built. The Group cannot assure investors that it will be able to develop, enhance, adapt to or acquire new technologies in a timely manner or at reasonable cost. Any failure to do so may make the Group's techniques and products obsolete, which could significantly reduce customers' demand for the Group's products and harm its business and prospects.

In addition, in order to develop and market its new technologies successfully, the Group must accurately assess and meet customers' needs, make significant capital expenditures, optimize the process of discovering, testing, developing and manufacturing drugs, hire, train and retain necessary personnel, obtain required regulatory clearances or approvals, increase customer awareness and acceptance of the Group's products, provide high-quality services in a timely manner, price the Group's products competitively and effectively integrate customers' feedback into the Group's business planning. If the

Group fails to create demand for or incorrectly predict customers' demand for new products or technologies, the Group's future business, results of operations, financial condition and prospects could be materially and adversely affected.

The Group is subject to integration and execution risks arising from its acquisitions and business combinations.

The Group has from time to time acquired equity interests in businesses that are related to its existing operations and may continue to pursue acquisitions or business combinations in the future. For example, in August 2022, Lukang Pharmaceutical, a subsidiary of the Group, acquired a 60% equity interest in Zhonghe Environmental Protection (中和環保) from the Group for cash consideration of RMB91.6 million. Upon completion of the transaction, Zhonghe Environmental Protection became a wholly owned subsidiary of Lukang Pharmaceutical. The transaction constituted a related party transaction but did not constitute a material asset restructuring and was not subject to shareholders' approval.

Acquisitions and business combinations involve a number of risks, including difficulties in integrating acquired operations, technologies, assets or personnel; diversion of management's attention; and the risk that the anticipated benefits, synergies or cost savings from such acquisitions may not be realised in full or within the expected timeframe. In addition, the Group may incur significant acquisition, integration and operating costs, and may be exposed to additional liabilities, compliance obligations or regulatory scrutiny in connection with such transactions, and there can be no assurance that the Group will be able to achieve the expected returns or that such acquisitions will not expose the Group to additional liabilities or regulatory scrutiny. Any of the foregoing could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group may not be successful in protecting its customers' or its own intellectual property.

The Group's success depends on the protection of its customers' and its own intellectual property in relation to pharmaceuticals and biotechnology. The Group relies on its own know-how, trade secrets and other intellectual property to manufacture its products and carry out its services.

Despite the measures the Group has taken to protect its customers' or its own intellectual property, unauthorized parties may nevertheless attempt to obtain and use them. Failure to protect customers' intellectual property may subject the Group to liability for breach of contract, as well as significantly damage the Group's reputation, which is fundamental to its business. Failure to protect the Group's own intellectual property may severely disrupt its business operation and reduce or eliminate any competitive advantage it has developed. Either result could materially harm the Group's business, financial condition, results of operations and prospects, and any attempt at remediation may significantly divert management's attention and resources from the Group's other business activities.

The quality of the Group's products may not meet relevant standards if it is adversely affected by factors including raw materials, manufacturing process, transportation and storage.

A drug is a special kind of product. In addition to strict requirements on raw materials, production technology and internal storage environment, the external conditions during the transportation and storage of drugs may also affect their quality and cause them to fall short of the relevant national standards. The Group's drug production and manufacturing facilities have received the national GMP certification and the Group has established a complete quality assurance system in strict accordance with the national GMP requirements. The Group's entire production process, from inputting raw materials to outputting manufactured products, is strictly controlled and supervised by professional personnel. However, due to various external factors as mentioned above, the Group cannot assure investors that its products will always be able to meet the relevant standards and failure to do so could result in fines or other punitive actions against the Group, which may materially and adversely affect the Group's reputation, financial condition, results of operations and prospects.

In conducting discovery, testing, development and manufacturing of pharmaceuticals, the Group faces potential liabilities, in particular, product liability risks.

The Group faces a range of potential liabilities, including but not limited to those arising out of or relating to the Group's negligence, willful misconduct or other unlawful activities in conducting testing, development and manufacturing of pharmaceuticals. In particular, the Group may face product liability

risks if the drugs the Group helps to discover, test, develop or manufacture are subject to product liability claims. The Group's liability is not always capped under its long-term agreements with its customers, and in certain cases, the product liability cap is not applicable for claims relating to personal injuries or death.

The Group discovers, tests, develops and manufactures drugs that are intended ultimately to be used in humans, either in clinical trials or as marketed products. If any of these drugs harms people due to the Group's material negligence, willful misconduct or unlawful activities, the Group may be subject to litigation and may be required to pay damages. Damages awarded in a product liability action could be substantial and could have a material and adverse impact on the Group's reputation, business, financial condition, results of operations and prospects. The Group currently does not maintain product liability and professional liability insurance, any claim against the Group for products not covered by any insurance may be material and adverse to the Group's financial conditions, results of operations and business.

Other jurisdictions in which the Group's products are, or may in the future be, sold, in particular in developed markets including the United States, Europe and Japan, may have similar or more onerous product liability and pharmaceutical product regulatory regimes, as well as a more litigious environment that may further expose the Group to the risk of product liability claims. Even if the Group is able to successfully defend itself against any such product liability claims, doing so may require significant financial resources and the time and attention of the Group's management.

The Group's pharmaceutical business is exposed to risks of rising procurement costs and disruptions in the supply of raw materials.

The prices and availability of raw materials used in the pharmaceutical industry are subject to a variety of factors, many of which are beyond the Group's control. These factors include increased environmental protection-related expenditure, rising labour costs, volatility in energy prices, production capacity constraints, transportation disruptions and adverse climatic conditions. Any shortage in the supply of raw materials, disruption to the Group's supply chain or significant increase in raw material prices may increase the Group's procurement and production costs. If the Group is unable to secure sufficient supplies of raw materials on commercially acceptable terms, or is unable to pass on such increased costs to its customers in a timely manner or at all, its business, financial condition, results of operations and prospects could be materially and adversely affected.

The Group is subject to environmental protection and health and safety laws and regulations and may be exposed to potential costs for compliance and liabilities, including accidental contamination, biological or chemical hazards, or personal injury.

The Group's operations are subject to national and local laws with respect to environmental protection, health and safety, including but not limited to the treatment and discharge of pollutants into the environment, use of toxic and hazardous chemicals in the process of its pharmaceuticals business operations and environmental-related incidents arising from equipment malfunctions or inadequate management oversight. In recent years, the PRC government has paid more attention to environmental protection, and environmental protection departments at all municipal levels have increased their supervision and control over environmental protection. In particular, the PRC government has imposed more stringent requirements on environmental protection management and pollutants discharge against pharmaceutical production enterprises. As requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, the Group may not be able to comply with, or accurately predict any potential substantial cost of compliance with these laws and regulations. If the Group fails to comply with environmental protection and health and safety laws and regulations, it may be subject to rectification orders, substantial fines, potentially significant monetary damages, or production suspensions in its business operations.

In addition, the Group cannot fully eliminate the risk of accidental contamination, biological or chemical hazards or personal injury at its facilities during the process of discovering, testing, developing and manufacturing drugs. In the event of such accident, the Group could be held liable for damages and clean-up costs which, to the extent not covered by existing insurance or indemnification, could harm the Group's business. The Group may also be forced to close or suspend its operations at certain affected facilities temporarily, or, in the worst case scenario, permanently. As a result, any accidental contamination, biological or chemical hazards or personal injury could have a material and adverse impact on the Group's business, financial condition, results of operations and prospects.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Changes in the economic, political, and social conditions in the PRC and government policies adopted by the PRC government could affect the Group's business and prospects.

As a substantial majority of the Group's business operations are conducted, and most of the Group's assets are located, in the PRC, the Group's business, financial condition, results of operations and prospects may be affected by material changes in the political, economic and social conditions, laws, regulations and policies in China. The economy of the PRC differs from the economies of most developed countries in many respects, including with respect to government involvement, level of development, economic growth rate, control of foreign exchange and allocation of resources. The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented a series of measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises.

Changes and developments in China's economic, political and social conditions could adversely affect the Group's financial condition and results of operations. For example, the pharmaceutical market may grow at a slower pace than expected, which could adversely affect the Group's business, financial condition or results of operations. There is no assurance that the changes in such laws and regulations will bring positive effects to the Group's business operations.

Uncertainty with respect to the PRC legal system could affect the Group.

As a substantial majority of the Group's business operations are conducted, and most of the Group's assets are located, in the PRC, the Group's operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes while prior court decisions can only be cited as reference. In addition, any litigation in the PRC may be protracted and result in substantial costs and divert resources and management's attention. Moreover, it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and to the holders of the Bonds.

The payment of dividends by the Group's operating subsidiaries in the PRC is subject to restrictions under PRC law.

PRC law requires that dividends be paid only out of net profit, calculated according to PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions. In addition, PRC law requires enterprises set aside part of their net profit as statutory reserves before distributing the net profit for the current financial year. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to fund its operations and to service its indebtedness depends upon dividends received from these subsidiaries, any legal restrictions on the availability and usage of dividend payments from the Group's subsidiaries may impact its ability to fund its operations and to service its indebtedness.

It may be difficult to serve process within the PRC or to enforce any judgments obtained from non-PRC courts against the Group's directors.

Most of the Group's assets and subsidiaries and affiliates are located in China. The PRC may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedure Law based either on treaties between China and the country where the judgment is made or principles of reciprocity between jurisdictions. China does not currently have treaties providing for the reciprocal recognition or enforcement of judgments of courts located in the United States, the United Kingdom, Singapore, Japan and most other Western countries. Hence it may be difficult to serve process in China or enforce judgments obtained from non-PRC courts against the Group's directors.

Government control of currency conversion may adversely affect the value of investors' investments.

Most of the Group's operating income is denominated in Renminbi, which is also the reporting currency. Renminbi is not a freely convertible currency. A portion of the Group's cash may be required to be converted into other currencies in order to meet the Group's foreign currency needs, including cash payments on declared dividends, if any, on the Bonds. However, the PRC government may, at its discretion, restrict future access to foreign currencies for current account transactions. If this were to occur, the Group might not be able to pay dividends to the holders of the Bonds in foreign currencies. On the other hand, foreign exchange transactions under capital account in the PRC continue to be not freely convertible and require the approval of the State Administration of Foreign Exchange. These limitations could affect the Group's ability to obtain foreign currencies through equity financing, or to obtain foreign currencies for capital expenditures.

Any future occurrence of natural disasters or outbreaks of contagious diseases in China may have a material adverse effect on the Group's operations, financial condition, and results of operations.

The Group's business may be affected by natural disasters, epidemics and other acts of God which are beyond the Group's control. Outbreaks of earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Middle East Respiratory Syndrome (MERS), Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, human swine flu (also known as Influenza A (H1N1)) or more recently, COVID-19 pandemic, have had a material adverse impact on the economic and social condition in the affected regions. Our revenue is currently derived mainly from our PRC operations, and any labour shortages, fall in energy consumption or contraction or slowdown in the growth of domestic consumption in the PRC could materially and adversely affect our business, results of operations, financial condition and prospects. In addition, if any of our employees are affected by any severe communicable disease including COVID-19, it could materially and adversely affect our business, results of operations, financial condition and prospects, which may also involve a closure of our office buildings and other facilities to prevent the spread of the disease. The spread of any severe communicable disease in the PRC may also affect the operations of our customers and suppliers, which could materially and adversely affect our business, results of operations, financial condition and prospects. A recurrence of SARS, COVID-19 or an outbreak of any other epidemics or other natural disasters in the PRC, especially in the cities where we have operations, may delay completion of our projects in operation and under construction as scheduled, causing substantial increase in development costs and/or late delivery of our properties, which in turn may adversely affect our business, results of operations, financial condition and prospects.

RISKS RELATING TO FINANCIAL AND OTHER INFORMATION

Certain accounting items in the Guarantor's Financial Statements may not be comparable to the financial information in the Guarantor's consolidated financial statements for the previous periods.

In recent years, MOF promulgated the New Accounting Standards and Requirements. As a result, the presentation of certain accounting items in the Historical Financial Statements may not be comparable to the financial figures in the financial statements for the previous periods. The Historical Financial Statements were prepared and presented in accordance with the relevant applicable New Accounting Standards and Requirements. As a result, the presentation of certain accounting items in the Historical Financial Statements may not be comparable to the financial figures in the Guarantor's financial statements for the previous periods. For details of the New Accounting Standards and Requirements and its impacts on the Guarantor, see Note 5 "*Changes of significant accounting policies and accounting estimates*" to the 2024 Audited Financial Statements and Note 5 "*Changes in significant accounting policies and accounting estimates*" to the Reviewed Financial Statements included elsewhere in this Offering Circular.

There can be no assurance that MOF will not promulgate other new accounting standards or requirements in relation to financial statements which may affect the Guarantor's accounting policies or the presentation of the Guarantor's financial statements.

The auditors of the Guarantor have received a high number of adverse regulatory decisions and warnings issued by relevant PRC authorities in recent years and have been subject to a high number of litigation relating to historical audit engagements.

WUYIGE, the independent auditors of the Guarantor for the years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2025 and 2026, is a registered accounting firm in the PRC supervised by relevant PRC regulatory agencies, including MOF and the China Securities Regulatory Commission.

In recent years, WUYIGE was subject to a high number of administrative and regulatory actions such as fines, warnings, regulatory interviews, regulatory letters, circulars of criticism and public censures, where the relevant PRC regulatory agencies indicated that WUYIGE had failed to identify certain accounting irregularities during the audit processes carried out for certain companies. These actions were primarily imposed on various grounds, including false records and failure to perform duties diligently, inadequate risk assessment and internal control procedures, failure to maintain professional standards, insufficient execution of substantive audit procedures, failure to obtain sufficient and appropriate audit evidence, and deficiencies in audit documentation, sampling, and the review of impairment and bad debt provisions. WUYIGE has also been involved in a high number of litigation cases in respect of historical audit engagements undertaken for other clients. These litigation cases primarily arose from securities misrepresentation liabilities, alongside various contractual and tort disputes. In cases that have already been concluded and where the judgment amounts have been determined, WUYIGE was found to have failed to exercise due professional care, resulting in false audit reports and undetected financial fraud in its clients' financial statements. The relevant appellate courts held WUYIGE jointly and severally liable within a range of 5 per cent. to 30 per cent. of the relevant judgment amounts.

As confirmed by WUYIGE, it has completed all relevant internal rectifications and corrective measures concerning such administrative and regulatory actions and litigation, with all associated fines and judgment amounts fully settled. WUYIGE has confirmed that the companies involved in the administrative and regulatory actions and past litigation cases were all unrelated to the Group and the audit and/or review work performed for the Group is not affected by the above incidents and each of the audit reports and the review report included elsewhere in this Offering Circular remains valid and effective. WUYIGE also confirmed that its ability to provide comfort letters and the qualification of the auditors or accountants involved are not affected by such administrative and regulatory actions and past litigation cases. Furthermore, WUYIGE confirmed that the auditors and accountants assigned to the Group were not involved in any of the past administrative or regulatory actions or litigation cases, and their qualifications to perform services for the Group remain unaffected. However, there can be no assurance that the relevant PRC regulatory agencies would not carry out any review of WUYIGE's audit, review and/or other assurance work conducted in relation to other companies, or that WUYIGE will not be subject to additional claims or administrative and regulatory actions or investigations in the future. There can also be no assurance that WUYIGE s involvement in such administrative and regulatory actions or litigation or any negative publicity about WUYIGE would not affect investors' confidence in companies and financial statements audited by it or have a material and adverse effect on the Group.

In addition, the Guarantor's auditors and their management, officers or employees may from time to time be investigated by PRC regulatory agencies such as MOF and the China Securities Regulatory Commission and be involved, from time to time, in legal proceedings arising in the ordinary course of its operations, and may be subject to adverse regulatory decisions, warnings, sanctions, penalties and/or revocations and suspension of business operations as a result of such investigations Or litigation. Adverse regulatory decisions, warnings, sanctions, penalties and/or revocations, suspension of business operations and judgments against the Guarantor's auditors may restrict the relevant auditors or accountants from providing audit services, review services or other services in connection with the Group's financing transactions. In that case, the Guarantor may have to discontinue its engagement with the relevant auditors or accountants, which may adversely affect the Guarantor's business operations and harm its reputation. Also, any adverse regulatory decisions, warnings, sanctions, penalties and/or revocations, suspension of business operations and judgments against the Guarantor's auditors or accountants may affect investors' confidence in the Guarantor's financial statements audited by its auditors. Potential investors should consider these factors prior to making any investment decision.

The Group's historical consolidated financial information may not be indicative of the Group's future results of operations.

The Group's historical financial information included in this Offering Circular is not indicative of the Group's future financial results. This financial information is not intended to represent or predict the results of operations of any future periods. The Group's future results of operations may change materially for various reasons, including factors beyond the Group's control, such as changes in economic environment, PRC environmental rules and regulations and the domestic and international competitive landscape of the industries in which the Group operates its business. The Group may also acquire businesses or companies or dispose of its subsidiaries or assets from time to time in accordance with the Group's business objectives. Period-to-period comparisons of the Group's historical operating results must be evaluated in light of the impact of any such transactions.

The Historical Financial Statements have been prepared and presented in accordance with PRC GAAP, which is different from IFRS in certain respects. The Guarantor's auditors have limited international capital markets experience.

The Audited Financial Statements have been audited by WUYIGE, the independent auditors of the Guarantor. In addition, the Reviewed Financial Statements have been reviewed by WUYIGE. The Historical Financial Statements were prepared and presented in accordance with PRC GAAP. PRC GAAP differs in certain respects from IFRS. Please see "*Description of Certain Differences between PRC GAAP and IFRS*" for details. Each investor should consult its own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

WUYIGE is a registered member of The Chinese Institute of Certified Public Accountants and although it has significant audit experience in the PRC, it has limited international capital markets experience. Prospective investors should consider these factors prior to making any investment decision.

The Guarantor published and may continue to publish periodical financial information in the PRC pursuant to applicable PRC regulatory rules. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular.

The Guarantor from time to time issues debt securities in the domestic capital markets in the PRC. According to applicable PRC securities regulations on debt capital markets, the Guarantor needs to publish its quarterly, semi-annual and annual financial information to satisfy its continuing disclosure obligations relating to its debt securities. After the Bonds are issued, the Guarantor is obligated by the terms of the Bonds, among others, to provide the Trustee with its audited financial statements and certain unaudited periodical financial statements. The quarterly and semi-annual financial information published by the Group in the PRC is normally derived from the Group's management accounts which have not been audited or reviewed by independent auditors. As such, the financial information published in the PRC should not be referred to or relied upon by potential investors to provide the same quality of information associated with any audited or reviewed information. The Guarantor is not responsible to holders of the Bonds for the unaudited and unreviewed financial information from time to time published in the PRC and therefore potential investors should not place any reliance on any such financial information.

Certain facts and statistics in this Offering Circular are derived from publications not independently verified by the Issuer, the Guarantor, the Managers, the Trustee or the Agents or their respective affiliates, directors, officers, agents, employees, representatives or advisers or any person who controls any of them.

This Offering Circular contains facts and statistics relating to the economy of the PRC, Shandong Province and the industries in which the Group operates. While the Issuer and the Guarantor have taken reasonable care to select reputable and reliable information sources and ensure that the facts and statistics relating to the PRC, the Shandong Province economy and the industries in which the Group operates presented are accurately extracted from such sources, such facts and statistics have not been independently verified by the Issuer, the Guarantor, the Managers, the Trustee or the Agents or their respective affiliates, directors, officers, agents, employees, representatives or advisers or any person who controls any of them and, therefore, none of them makes any representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon.

RISKS RELATING TO THE BONDS AND THE GUARANTEE

The PRC government (including the Shandong SASAC and the Shandong Provincial Government) has no obligation to pay any amount under the Bond or the Guarantee.

The PRC government (including the Shandong SASAC and the Shandong Provincial Government) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds in lieu of the Issuer. This position has been reinforced by Circular 23, the Joint Opinion, Circular 706 and Circular 666.

The Shandong Provincial Government as the ultimate shareholder of the Guarantor only has limited liability in the form of their equity contribution in the Guarantor. As such, neither the Shandong SASAC nor the Shandong Provincial Government has any payment obligations under the Bonds or in connection with the Bonds in lieu of the Guarantor. The Bonds are solely to be repaid by the Issuer or the Guarantor (as the case may be) as the obligor under the relevant transaction documents and as an independent legal person. In addition, any ownership or control of the Group by the PRC government (including the People's Government of Shandong Province and Shandong SASAC) does not necessarily correlate to, or provide any assurance as to, the financial condition of the Issuer and the Guarantor. Therefore, potential investors should base their investment decisions on the financial condition of the Issuer, the Guarantor and the Group only and any perceived credit risk associated with an investment in the Bonds based on the financial information of the Group as reflected in the Historical Financial Statements.

If the Guarantor fails to complete SAFE registration in connection with the Guarantee within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payment under the Guarantee.

Pursuant to the Deed of Guarantee executed by the Guarantor, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The Guarantor is required to submit the Deed of Guarantee to the local SAFE for registration in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees promulgated by SAFE on 12 May 2014 and which came into effect on 1 June 2014. Although the non-registration does not render the Guarantee ineffective or invalid under PRC law, SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame. The Guarantor intends to use its best endeavours to register the Guarantee on or before the Registration Deadline (being 120 PRC Business Days (as defined in the Terms and Conditions) after the Issue Date). In addition, if the Guarantor fails to complete the SAFE registration, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE registration in connection with the Deed of Guarantee in order to effect such remittance, although this does not affect the validity of the Guarantee itself.

Any failure to complete the relevant filings under the NDRC Administrative Measures and the relevant registration with SAFE within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer, the Guarantor and/or the Bondholders.

The Guarantor has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 10 April 2026 evidencing such registration and has undertaken to file or cause to be filed the requisite information and documents on the issuance of the Bonds to the NDRC within the relevant prescribed timeframes after the Issue Date pursuant to the NDRC Administrative Measures. The NDRC published the frequently asked questions on the NDRC Administrative Measures and its responses (the "**FAQs**") on 9 February 2023 and may update from time to time, which provided further clarifications on the practical implications of certain provisions in the NDRC Administrative Measures. In accordance with the NDRC Administrative Measures and the FAQs, the Guarantor's certificate from the NDRC remains in full force and effect as at the date of this Offering Circular, and that the Guarantor shall comply with the provisions relating to foreign debt risk management and interim and ex-post supervision under the NDRC Administrative Measures. If the Guarantor fails to report relevant information in accordance with the NDRC Administrative Measures after the Issue date, the examination and registration authorities shall, depending on the seriousness of the circumstances, impose disciplinary measures such as interviews and public warnings on the Guarantor concerned and its principal responsible person, etc. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions.

The Bonds and the Guarantee are unsecured obligations.

The Bonds and the Guarantee are unsecured obligations of the Issuer and the Guarantor, respectively. The repayment of the Bonds and payment under the Guarantee may be adversely affected if:

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;

- there is a default in payment under the Issuer's or the Guarantor's future secured indebtedness or other unsecured indebtedness; or

- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or the Guarantor's assets may not be sufficient to pay amounts due on the Bonds.

The Issuer or the Guarantor may not be able to redeem the Bonds upon the due date for redemption thereof.

The Issuer, at maturity or at any time following the occurrence of a Relevant Event (as defined in the Terms and Conditions of the Bonds), will be required to redeem all but not some only of the Bonds. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The Issuer's or the Guarantor's failure to repay, repurchase or redeem the tendered Bonds by the Issuer or the Guarantor could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Group's other indebtedness.

The Guarantee will be structurally subordinated to the existing and future indebtedness and other liabilities of each of the Guarantor's existing and future subsidiaries (other than the Issuer), and effectively subordinated to the Guarantor's secured debt to the extent of the value of the collateral securing such indebtedness.

The Guarantee will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Guarantor's existing and future subsidiaries, whether or not secured. The Guarantor's obligations under the Guarantee will not be guaranteed by any of the Guarantor's subsidiaries, and the Guarantor's ability to make payments under the Guarantee depends partly on the receipt of dividends, distributions, interest or advances from its subsidiaries. The ability of such subsidiaries to pay dividends to the Guarantor is subject to various restrictions under applicable laws. The Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Guarantee or make any funds available therefor, whether by dividends, loans or other payments. The Guarantor's right to receive assets of any of the Guarantor's subsidiaries, upon that subsidiary's liquidation or reorganisation, will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Guarantor is a creditor of that subsidiary). Consequently, the Guarantee will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Guarantor's subsidiaries and any subsidiaries that the Guarantor may in the future acquire or establish. The outstanding indebtedness of the subsidiaries of the Guarantor may also contain covenants restricting the ability of such subsidiaries to pay dividends in certain circumstances for so long as such indebtedness remains outstanding. Moreover, the Guarantor's percentage interests in its subsidiaries and joint ventures could be reduced in the future.

The Guarantee is the Guarantor's unsecured obligations and will (i) rank equally in right of payment with all the Guarantor's other present and future unsubordinated and unsecured indebtedness; and (ii) be effectively subordinated to all of the Guarantor's present and future secured indebtedness to the extent of the value of the collateral securing such obligations. Accordingly, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will take priority with respect to those assets. In the event of the Guarantor's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Bonds, these assets will be available to pay obligations on the Guarantee only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Bondholders rateably with all of the Guarantor's other unsecured and unsubordinated creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Bonds then outstanding would remain unpaid.

The Bonds may be redeemed by the Issuer prior to maturity.

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 16 of the Terms and Conditions of the Bonds and in writing to the Trustee and the CMU Lodging and Paying Agent (which notice shall be irrevocable), at their principal amount together with any unpaid interest accrued to, but excluding, the date fixed for redemption if, subject to certain conditions, as a result of a change in tax law, the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay

Additional Tax Amounts (as defined in the Terms and Conditions of the Bonds), as further described in Condition 6(b) of the Terms and Conditions of the Bonds.

If the Issuer redeems the Bonds prior to their maturity dates, investors may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Issuer's ability to redeem the Bonds may reduce the market price of the Bonds.

If the Guarantor or any of its subsidiaries, including the Issuer, is unable to comply with the restrictions and covenants in their respective debt agreements (if any), or the Bonds, as applicable, there could be a default under the terms of these agreements, or the Bonds, as applicable, which could cause repayment of the debt of the Guarantor or any of its subsidiaries to be accelerated.

If the Guarantor or any of its subsidiaries, including the Issuer, is unable to comply with the restrictions and covenants in the Bonds, or current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Guarantor or any of its subsidiaries, including the Issuer, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, those debt agreements and the Bonds contain or may contain cross-acceleration or cross-default provisions. As a result, the default by the Guarantor or any of its subsidiaries under one debt agreement may cause the acceleration of repayment of not only such but other debt, including the Bonds, or result in a default under its other debt agreements, including the Bonds. If any of these events occur, there can be no assurance that there would be sufficient assets and cash flows of the Guarantor or any of its subsidiaries to repay in full all of their respective indebtedness, or that it would be able to find alternative financing. Even if the Guarantor and its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Guarantor and its subsidiaries.

The Issuer may be deemed to be a PRC tax resident enterprise by the PRC tax authorities and certain withholding taxes may be applicable.

The Issuer is incorporated under the laws of the British Virgin Islands. Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management bodies" are within the territory of China will be deemed as PRC tax resident enterprises for the purpose of the EIT Law and must pay enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside China. The "de facto management body" is defined as the organisational body that effectively exercises overall management and control over production and business operations, personnel, finance and accounting, and properties of the enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises. Most of the Issuer's directors and senior management are currently based inside China and they may keep their respective books of account inside China. The above elements may be relevant for the tax authorities to determine whether the Issuer is a PRC resident enterprise for tax purposes. It remains unclear how the PRC tax authorities will interpret such a broad definition. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of PRC, the Issuer may be deemed as a PRC tax resident enterprise for the purpose of the EIT Law and be subject to PRC enterprise income tax at the rate of 25 per cent. in respect of its income sourced from both within and outside PRC.

As confirmed by the Issuer, as at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. As such, non-resident enterprise holders of the Bonds will not be subject to withholding tax, income tax or any other taxes or duties (including stamp duty) imposed by any governmental authority in the PRC in respect of the holding of the Bonds or any repayment of principal and payment of interest made thereon by the Issuer. However, there can be no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without establishment within the PRC or whose income has no actual connection to its establishment within the PRC must pay enterprise income tax at the rate of 10 per cent. on its income sourced inside the PRC,

unless a lower rate is available under an applicable tax treaty and such income tax must be withheld by sources with the PRC payer acting as the obligatory withholder, withholding the tax amount from each payment or payment due. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer will be required to withhold income tax from the payments of interest in respect of the Bonds to any non-PRC enterprise Bondholder, and any gain realised by non-PRC enterprise Bondholders from the transfer of the Bonds may be regarded as being derived from sources within the PRC and accordingly would be subject to a 10 per cent. PRC withholding tax, unless a lower rate is available under an applicable tax treaty.

Changes in market interest rates may adversely affect the value of the Bonds.

The Bondholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Bonds, resulting in a capital loss for the Bondholders. However, the Bondholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Bonds may rise. The Bondholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

The Bonds will carry a fixed interest rate. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. If Bondholders sell the Bonds they hold before the maturity of such Bonds, they may receive an offer less than their investment.

The liquidity and price of the Bonds following this offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies, changes in government regulations, any adverse change in the credit rating and results of operations could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There can be no assurance that these developments will not occur in the future.

International financial markets and world economic conditions may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the global financial crisis of 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

A trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. Although application will be made for the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange, such listing can give no assurance as to the liquidity of, or trading market for, the Bonds. The Managers are not obligated to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Managers. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the holders of the Bonds will only be able to resell the Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. It is investors' obligation to ensure that offers and sales of the Bonds within any countries comply with applicable securities laws. Please see "*Subscription and Sale*". Neither the Issuer nor the Guarantor can predict whether an active trading market for the Bonds will develop or be sustained.

Any downgrading of the Bonds' ratings, the Guarantor's corporate ratings, or those of its subsidiaries, by rating agencies could adversely affect the Group's business and the Group's liquidity.

Fitch and Moody's have assigned corporate ratings of "A-" with stable outlook and "A3" with stable outlook, respectively, to the Guarantor. The Bonds are expected to be rated "A-" and "A3", respectively, by Fitch and Moody's. However, any adverse revision to the Bonds' ratings, the Guarantor's corporate ratings, or those of its subsidiaries, for domestic and international debt by rating agencies may adversely affect the Group's business, its financial performance and the trading price of the Bonds. Further, the Group's ability to obtain financing or to access to capital markets may also be limited, thereby lowering its liquidity. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, qualification, suspension, reduction or withdrawal at any time by the relevant rating agency. The significance of each rating should be analysed independently from any other rating.

Gains on the transfer of the Bonds may be subject to income tax under PRC tax laws.

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will perhaps apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between mainland China and Hong Kong for avoidance of double taxation, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of the Bonds, the value of the relevant Bondholder's investment in the Bonds may be materially and adversely affected.

The insolvency laws of the British Virgin Islands and the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar.

As the Issuer and the Guarantor are incorporated under the laws of the British Virgin Islands and the PRC, respectively, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve British Virgin Islands or PRC insolvency laws, respectively, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

The Trustee may request holders of the Bonds to provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances, including without limitation the giving of notice to the Issuer and the Guarantor pursuant to Condition 9 of the Terms and Conditions of the Bonds and the taking of steps and/or actions and/or the instituting of proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Deed of Guarantee, the Agency Agreement and/or the Bonds pursuant to Condition 13 of the Terms and Conditions of the Bonds, the Trustee may request holders of the Bonds to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes steps and/or actions and/or institutes proceedings on behalf of holders of the Bonds. The Trustee shall not be obliged to take any such steps and/or actions and/or institute any such proceedings if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take steps and/or actions and/or institute proceedings, notwithstanding the provision of an indemnity or security or

pre-funding to it, in breach of the terms of the Trust Deed, the Deed of Guarantee or the Terms and Conditions of the Bonds and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Bonds to take such steps and/or actions and/or to institute such proceedings directly.

Decisions that may be made on behalf of all holders of the Bonds may be adverse to the interests of individual holders of the Bonds.

The Trust Deed contains provisions for convening meetings of holders of the Bonds to consider any matters affecting their interests. These provisions permit defined majorities to bind all holders of the Bonds including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of the holders of the Bonds may be adverse to the interests of the individuals.

Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds, the Trust Deed, the Agency Agreement and/or the Deed of Guarantee by the Trustee or less than all of the holders of the Bonds.

The Terms and Conditions of the Bonds provides that the Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of the Terms and Conditions of the Bonds or any of the provisions of the Trust Deed, the Agency Agreement and/or the Deed of Guarantee that in its opinion is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed) and any waiver or authorisation of any breach or proposed breach by the Issuer or the Guarantor, of any of the Terms and Conditions of the Bonds or any of the provisions of the Trust Deed, the Agency Agreement and/or the Deed of Guarantee that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer, failing whom the Guarantor, to the Bondholders as soon as practicable thereafter in accordance with the Terms and Conditions of the Bonds.

The Bonds may not be a suitable investment for all investors.

Each potential investor in any Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;

- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in Bonds which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Bonds are legal investments for it, (b) Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

The Bonds will initially be represented by the Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System.

Upon issue, the Bonds will initially be represented by a Global Certificate, which will be registered in the name of and lodged with a sub-custodian for, the HKMA as the Operator of the CMU. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by the CMU. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Certificates. The CMU will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the CMU.

While the Bonds are evidenced by the Global Certificate, the Issuer or, failing which, the Guarantor will discharge its payment obligations under the Bonds by making payments to the CMU for distribution to its accountholders in accordance with the CMU's rules and procedures for the Bonds.

Holders of a beneficial interest in Bonds evidenced by the Global Certificate must rely on the procedures of the CMU for the Bonds to receive payments under the Bonds. None of the Issuer, the Guarantor, the Trustee or the Agents has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such Bondholders will be permitted to act only to the extent that they are enabled by the CMU for the Bonds to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Certificate will not have a direct right under the Global Certificate to take enforcement action against the Issuer or the Guarantor in the event of a default under the Bonds, but will have to rely upon their rights under the Trust Deed.

Bondholders should be aware that a definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

In relation to any Bond which has a principal amount consisting of a minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that the Bonds may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of such minimum specified denomination. In such a case a Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination will not receive a definitive Certificate in respect of such holding (should definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more specified denominations. If definitive Bonds are issued, holders should be aware that a definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the Bondholders would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There can also be no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Terms and Conditions of the Bonds, the Deed of Guarantee, the Trust Deed and the Agency Agreement are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes,

the Hong Kong courts may require certain additional procedures to be taken. Under the Choice of Court Arrangement, judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Choice of Court Arrangement. While it is expected that the PRC courts will recognise and enforce a judgment given by the Hong Kong courts in respect of a dispute governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holders' ability to initiate a claim outside of Hong Kong will be limited.

A change in English law which governs the Bonds may adversely affect holders of the Bonds.

The Terms and Conditions of the Bonds are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change of English law or administrative practice after the date of issue of the Bonds.

The Issuer is a special purpose vehicle.

The Issuer is a special purpose vehicle used for the purpose of raising finance through issuances of bonds and will use the net proceeds from the issuances to on-lend to the Guarantor and/or its subsidiaries or associates. As such, the Issuer has limited assets as recourse for Bondholders. The Issuer does not and will not have any business activities other than raising finance, and its ability to make payments under the Bonds will depend on its receipt of timely remittance of funds from the Guarantor and/or its subsidiaries and other members of the Group.

The Issuer may issue additional bonds in the future.

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them, and the timing for complying with the Registration Conditions (as defined in the Terms and Conditions of the Bonds) and the making and completion of the Cross-Border Security Registration and the NDRC Post-issue Filing and the giving of the consequent notices thereof) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in the Conditions to the Bonds include (unless the context requires otherwise) any other bonds issued pursuant to the Terms and Conditions of the Bonds and forming a single series with the Bonds. Any further bonds forming a single series with the outstanding Bonds shall be constituted by a deed supplemental to the Trust Deed and be guaranteed by the Guarantor pursuant to a deed supplemental to the Deed of Guarantee or an additional deed of guarantee. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds. The issue of any such debt securities may also reduce the amount recoverable by investors in the Bonds upon the Issuer's bankruptcy, winding-up or liquidation.

RISKS RELATING TO THE BONDS DENOMINATED IN RENMINBI

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected.

The Issuer will pay principal, premium and interest on the Bonds in Renminbi (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency equivalent yield on the Bonds, (ii) the Investor's Currency equivalent value of the principal payable on the Bonds and (iii) the Investor's Currency equivalent market value of the Bonds. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Remittance of proceeds into or outside of the PRC in Renminbi may be subject to restrictions.

The Issuer's ability to remit some or all of the proceeds into the PRC in Renminbi will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC governmental authorities. However, there can be no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC governmental authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

There can be no assurance that the PRC government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the pilot schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Bonds and the ability of the Issuer to source Renminbi outside the PRC to service such Bonds. As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While PBOC has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities, including but not limited to Hong Kong (the "**Renminbi Clearing Banks**"), has established the Cross-Border Inter-Bank Payments System to facilitate cross-border Renminbi settlement and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the "**Settlement Arrangements**"), the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC, although PBOC has gradually allowed participating banks to access the PRC's onshore interbank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have access to onshore liquidity support from PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There can be no assurance that new PRC regulations will not be promulgated or the Settlement Agreements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Bonds. To the extent the Issuer is required to source Renminbi outside the PRC to service the Bonds, there can be no assurance that it will be able to source such Renminbi on satisfactory terms, if at all.

TERMS AND CONDITIONS OF THE BONDS

The following are the terms and conditions of the Bonds substantially in the form in which they (other than the text in italics) will be endorsed on the definitive Certificates and referred to in the Global Certificate (each as defined below).

The issue of the CNY2,018,000,000 1.74 per cent. guaranteed bonds due 2029 (the "**Bonds**", which expression, unless the context requires otherwise, includes any further bonds issued pursuant to Condition 15 and to be consolidated and forming a single series therewith) of Hualu International Finance (BVI) Limited (華魯國際財務(BVI)有限公司) (the "**Issuer**") was authorised by a written resolution of the board of directors of the Issuer on 17 September 2026 and the giving of the Guarantee (as defined in Condition 3(a)) was authorised by a resolution of the board of directors of Hualu Holdings Co., Ltd. (華魯控股集團有限公司) (the "**Guarantor**") on 29 September 2025. The Bonds are constituted by a trust deed dated on or about 21 October 2026 (the "**Issue Date**") (as amended and/or supplemented from time to time, the "**Trust Deed**") made between the Issuer, the Guarantor and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for itself and the Holders (as defined below). These terms and conditions (these "**Conditions**") include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. The Bonds have the benefit of a deed of guarantee (as amended and/or supplemented from time to time, the "**Deed of Guarantee**") dated on or about 21 October 2026 executed by the Issuer, the Guarantor and the Trustee relating to the Bonds. An agency agreement (as amended and/or supplemented from time to time, the "**Agency Agreement**") dated on or about 21 October 2026 relating to the Bonds has been entered into between the Issuer, the Guarantor, the Trustee, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as CMU lodging and paying agent (the "**CMU Lodging and Paying Agent**", which expression shall include any successor CMU lodging and paying agent appointed from time to time in connection with the Bonds), as registrar (the "**Registrar**", which expression shall include any successor registrar appointed from time to time in connection with the Bonds) and as transfer agent (the "**Transfer Agent**", which expression shall include any additional or successor transfer agent appointed from time to time in connection with the Bonds) and the other agents appointed thereunder. For so long as any Bond remains outstanding, copies of the Trust Deed, the Deed of Guarantee and the Agency Agreement are available for inspection at all reasonable times during usual business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time), from Monday to Friday (excluding public holidays)) at the specified office of the Trustee (being as at the date of issue of the Bonds at 3/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) following prior written request and proof of holding and identity to the satisfaction of the Trustee. "**Paying Agents**" means any paying agents appointed from time to time pursuant to the Agency Agreement with respect to the Bonds and includes the CMU Lodging and Paying Agent and "**Agents**" means the CMU Lodging and Paying Agent, any other Paying Agents, the Registrar, any Transfer Agent and any other agent or agents appointed from time to time pursuant to the Agency Agreement with respect to the Bonds. The Bondholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Deed of Guarantee and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

1 FORM, SPECIFIED DENOMINATION AND TITLE

The Bonds are issued in the specified denomination of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof (each, a "**Specified Denomination**"). The Bonds are represented by registered certificates (the "**Certificates**", and each a "**Certificate**") and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same Holder.

Title to the Bonds shall pass by transfer and registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"), as described in Condition 2. The Holder of any Bond shall (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the Certificate (other than the endorsed form of transfer) representing it or the destruction, theft or loss of such Certificate and no person shall be liable for so treating the Holder.

In these Conditions, "**Bondholder**" or, in respect of any Bond, "**Holder**" means the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first named thereof).

*Upon issue, the Bonds will be represented by a global certificate (the "**Global Certificate**") registered in the name of, and lodged with a sub-custodian for, the Hong Kong Monetary Authority as operator (the "**Operator**") of the Central Moneymarkets Unit Service (the "**CMU**"). These Conditions are modified by certain provisions contained in the Global Certificate while any of the Bonds are represented by the Global Certificate. See "Summary of Provisions Relating to the Bonds in Global Form".*

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

2 TRANSFERS OF BONDS AND ISSUE OF CERTIFICATES

(a) Transfer

A holding of Bonds may, subject to Conditions 2(d) and 2(e) and the provisions of the Agency Agreement, be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent may require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred (which shall be not less than the Specified Denomination) and a further new Certificate in respect of the balance of the holding not transferred (which shall be not less than the Specified Denomination) shall be issued to the transferor (which shall be not less than the Specified Denomination). In the case of a transfer of Bonds to a person who is already a Holder, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. No transfer of title to a Bond will be valid unless and until entered on the Register.

A Bond may not be transferred unless the principal amount of such Bonds to be transferred and (where not all of the Bonds held by a holder are being transferred) the principal amount of the balance of such Bonds not being transferred are equal to or more than the Specified Denomination.

Transfers of interests in the Bonds represented by the Global Certificate will be effected in accordance with the rules and procedures for the time being of the Operator.

(b) Delivery of New Certificates

Each new Certificate to be issued upon transfer of any Bonds pursuant to Condition 2(a) shall be made available for delivery within seven business days of receipt by the Registrar or, as the case may be, the relevant Transfer Agent of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the relevant Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the Holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Certificate to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), "**business day**" means a day, other than a Saturday or Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) Transfer Free of Charge

On transfer, Certificates shall be issued and registered without charge to the relevant Bondholder by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment by the relevant Bondholder of any and all tax, duty, assessment or other governmental charges that may be imposed in relation to them (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require).

(d) Restricted Transfer Periods

No Holder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, (ii) after a Put Exercise Notice has been deposited in respect of such Bond pursuant to Condition 6(c), (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)(ii)), or (iv) during the period of 15 days prior to (and including) any date on which Bonds may be called for redemption by the Issuer pursuant to Condition 6(b).

(e) Regulations

All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfer and registration of Bonds, the initial form of which is scheduled to the Agency Agreement. Each of the Issuer and the Registrar may change the regulations from time to time, with the prior written approval of the Trustee and (in the case of any change proposed by the Issuer) of the Registrar. A copy of the current regulations will be made available (free of charge to the Bondholder and at the Issuer's expense) by the Registrar to any Bondholder at the specified office of the Registrar for inspection by any Bondholder at all reasonable times during normal business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time), Monday to Friday other than public holidays) following prior written request and proof of holding and identity to the satisfaction of the Registrar.

3 GUARANTEE AND STATUS

(a) Guarantee

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect (the "**Guarantee**") are contained in the Deed of Guarantee. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

(b) Status

The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

4 COVENANTS

(a) Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and each of the Issuer and the Guarantor will ensure that none of their respective Subsidiaries (other than Listed Subsidiaries) will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled

capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds (i) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or (ii) such other security as either the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Bondholders or shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

(b) Issuer Activities

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer shall not, and the Guarantor shall procure that the Issuer will not, carry on any business activity whatsoever other than in connection with the issue of the Bonds or any other bonds and any other activities reasonably incidental thereto (such activities shall, for the avoidance of doubt, include the on-lending of the proceeds of the issue of the Bonds or any other bonds to any other Subsidiaries of the Guarantor).

(c) Undertakings Relating to SAFE

The Guarantor undertakes to file or cause to be filed with the Shandong Branch (or other relevant branch) of the State Administration of Foreign Exchange ("**SAFE**") the Guarantee within 15 PRC Business Days of the execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**"). The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline and shall comply with all applicable PRC laws and regulations in relation to the Guarantee.

(d) Notification to NDRC

The Guarantor undertakes that it will within 10 PRC Business Days after the Issue Date file or cause to be filed with the National Development and Reform Commission of the PRC or its local counterparts (the "**NDRC**") the requisite information and documents in accordance with the Administrative Measures for the Review and Registration of Medium- and Long-Term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) issued by the NDRC and effective as of 10 February 2023 (the "**Order 56**") and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**").

(e) Notification of Completion of the Cross-Border Security Registration and the NDRC Post-issue Filing

The Guarantor shall, within five PRC Business Days after the later of submission of the NDRC Post-issue Filing and receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with: (i) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Guarantor confirming the completion of the NDRC Post-issue Filing and the Cross-Border Security Registration; and (ii) copies of the relevant documents evidencing the NDRC Post-issue Filing (if any) and the Cross-Border Security Registration, each certified in English by an Authorised Signatory of the Guarantor, as being a true and complete copy of the original (the items specified in (i) and (ii) together, the "**Registration Documents**").

In addition, the Guarantor shall procure that within five PRC Business Days after the Registration Documents are delivered to the Trustee, the Issuer gives notice to the Bondholders (in accordance with Condition 16) confirming the completion of the NDRC Post-issue Filing and the Cross-Border Security Registration.

The Trustee may rely conclusively (without liability) on the Registration Documents and shall have no obligation or duty to monitor or ensure or to assist with the making of the NDRC Post-issue Filing as required by Condition 4(d) or the Cross-Border Security Registration as required by Condition 4(c), the filing or registration of the Bonds or the Deed of Guarantee with SAFE on or before the Registration Deadline or to verify the accuracy, completeness, content, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing, the Cross-Border Security Registration and/or the Registration Documents or to translate or procure that any Registration Document is translated into English or to verify the accuracy or completeness of any English translation of any Registration Document or any other certificate, confirmation or other document, or to give notice to the Bondholders confirming the completion of the NDRC Post-issue Filing and/or the Cross-Border Security Registration, and shall not be liable to the Bondholders or any other person for not doing so.

(f) Financial Information

So long as any Bond remains outstanding (as defined in the Trust Deed):

(i) the Guarantor will furnish the Trustee with (A) a copy of the relevant Audited Guarantor Financial Reports within 150 days of the end of each Relevant Period prepared in accordance with PRC GAAP (audited by a nationally or internationally recognised firm of independent accountants (which may be the auditor of the Guarantor as at the Issue Date)) and if such reports shall be in the Chinese language, together with an English translation of the same translated by (aa) a nationally or internationally recognised firm of independent accountants (which may be the auditor of the Guarantor as at the Issue Date) or (bb) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants (which may be the auditor of the Guarantor as at the Issue Date), together with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate; and (B) a copy of the Unaudited Guarantor Financial Reports within 90 days of the end of each Relevant Period prepared on a basis consistent with the Audited Guarantor Financial Reports and if such reports shall be in the Chinese language, together with an English translation of the same translated by (aa) a nationally or internationally recognised firm of independent accountants (which may be the auditor of the Guarantor as at the Issue Date) or (bb) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants (which may be the auditor of the Guarantor as at the Issue Date), together with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate; and

(ii) each of the Issuer and the Guarantor shall send a Compliance Certificate (on which the Trustee may rely conclusively as to such compliance) to the Trustee (A) at the same time as the Audited Guarantor Financial Reports are provided pursuant to Condition 4(f)(i) and (B) within 14 days of any written request therefor from the Trustee.

The Trustee shall not be required to review the Audited Guarantor Financial Reports, the Unaudited Guarantor Financial Reports or any other financial report furnished or delivered to it as contemplated in this Condition 4(f) and, if the same is not in the English language, shall not be required to request or obtain or arrange for an English language translation of the same or to ensure or verify the accuracy or completeness of any translation, and the Trustee shall not be liable to any Bondholder or any other person for not doing so. The Trustee shall be entitled to rely conclusively upon Compliance Certificates given as contemplated in these Conditions and in the Trust Deed and Deed of Guarantee, and the Trustee shall not be liable to the Issuer, the Guarantor, any Bondholder or any other person for so relying upon such certificates.

(g) Rating

So long as any Bond remains outstanding (as defined in the Trust Deed), save with the approval of an Extraordinary Resolution, the Issuer and the Guarantor will maintain a rating on the Bonds by at least one Rating Agency.

(h) Definitions

In these Conditions:

"**Audited Guarantor Financial Reports**" means, for a Relevant Period, the annual audited consolidated financial statements of the Guarantor together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them, prepared in accordance with the applicable PRC GAAP;

"**Compliance Certificate**" means a certificate in English of the Issuer or the Guarantor (as the case may be) signed by any one of its Authorised Signatories that, having made all reasonable enquiries, to the best knowledge, information and belief of the Issuer or the Guarantor (as the case may be) as at a date (the "**Certification Date**") not more than five days before the date of the certificate that:

(i) no Relevant Event, Event of Default or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

(ii) the Issuer or the Guarantor (as the case may be) has complied with all its covenants and obligations under the Trust Deed, the Agency Agreement, the Deed of Guarantee and the Bonds.

"**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC;

"**Listed Subsidiary**" means any Subsidiary of the Issuer or the Guarantor the shares of which are at the relevant time listed on The Stock Exchange of Hong Kong Limited, or any other stock exchange;

"**person**" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof;

"**Potential Event of Default**" means an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 9 become an Event of Default;

"**PRC**" means the People's Republic of China, which shall for the purpose of these Conditions only, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

"**PRC Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in Beijing;

"**PRC GAAP**" means the Accounting Standards for Business Enterprises in China issued by the Ministry of Finance of the PRC from time to time;

"**Rating Agency**" means (i) Fitch Ratings Inc. and its successors and credit rating agency affiliates ("**Fitch**"), (ii) Moody's Investors Service, Inc, a subsidiary of Moody's Corporation, and its successors and credit rating agency affiliates ("**Moody's**"), (iii) S&P Global Ratings and its successors and credit rating agency affiliates ("**S&P**") or (iv) if none of Fitch, Moody's or S&P shall make a rating of the Bonds publicly available, any internationally recognised securities rating agency selected by the Issuer or the Guarantor, which shall be substituted for Fitch, Moody's or S&P;

"**Registration Deadline**" means the day falling 120 PRC Business Days after the Issue Date;

"**Relevant Indebtedness**" means any indebtedness incurred outside the PRC which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market (which, for the avoidance of doubt, does not include bilateral loans, syndicated loans or club deal loans);

"**Relevant Period**" means (i) in relation to the Audited Guarantor Financial Reports, each period of 12 months ending on the last day of the Guarantor's financial year (being 31 December of that financial year); (ii) in relation to the Unaudited Guarantor Financial Reports, each period of six months ending on the last day of the Guarantor's first half financial year (being 30 June of that financial year);

a "**Subsidiary**" of any person means (i) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (ii) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person; and

"**Unaudited Guarantor Financial Reports**" means, for a Relevant Period, semi-annual unaudited consolidated balance sheet, income statement and statement of cash flows of the Guarantor together with any statements, reports (including any directors' and auditors' review reports, if any) and notes attached to or intended to be read with any of them, if any.

5 INTEREST

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 1.74 per cent. per annum, payable semi-annually in arrear on 21 April and 21 October in each year (each an "**Interest Payment Date**"), commencing on 21 April 2027. If any Interest Payment Date would otherwise fall on a day which is not a business day, it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event it shall be brought forward to the immediately preceding business day.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal or premium (if any) is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the date on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (b) the date falling seven days after the Trustee or the CMU Lodging and Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Bondholder under these Conditions).

Interest in respect of any Bond shall be calculated per CNY10,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the actual number of days in the Interest Period (or such other period) divided by 365, rounding the resulting figure to the nearest CNY0.01 (CNY0.005 being rounded upwards).

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

In this Condition 5, the expression "**business day**" means a day (other than a Saturday, Sunday or public holiday) upon which commercial banks and foreign exchange markets are generally open for business and settlement of Renminbi payments in Hong Kong.

6 REDEMPTION AND PURCHASE

(a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 21 October 2029 (the "**Maturity Date**"). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 16 and in writing to the Trustee and the CMU Lodging and Paying Agent (which notice shall be irrevocable), at their principal amount together with any unpaid interest accrued to, but excluding, the date fixed for redemption, if the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in Condition 8) as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC, or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change and/or amendment becomes effective on or after 13 October 2026, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due. Prior to the giving of any notice of redemption pursuant to this Condition 6(b), the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee (A) a certificate in English signed by any Authorised Signatory of the Issuer (or a certificate in English of the Guarantor signed by any Authorised Signatory of the Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and (B) an opinion, addressed to and in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such Additional Tax Amounts as a result of such change and/or amendment and the Trustee shall be entitled (but shall not be obliged) to accept and conclusively rely upon such certificate and opinion, without further investigation or query and without liability to the Bondholders or any other person, as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(b), in which event the same shall be conclusive and binding on the Bondholders and the Trustee shall be protected and shall have no liability to the Issuer, the Guarantor, any Bondholder or any person for so accepting and relying on such certificate or opinion. All Bonds in respect of which any notice is given under this Condition 6(b) shall be redeemed on the date and in such manner as specified in such notice in accordance with this Condition 6(b).

(c) Redemption for Relevant Event

At any time following the occurrence of a Relevant Event, a Holder will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Bonds on the Put Settlement Date (as defined below) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with, in each case, accrued and unpaid interest up to but excluding such Put Settlement Date. In order to exercise such right, the Holder of the relevant Bond must deposit at the specified office of the CMU Lodging and Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, in the form obtainable from the specified office of the CMU Lodging and Paying Agent or any other Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing

the Bonds to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16.

Subject to Condition 7(e), the "**Put Settlement Date**" shall be the fourteenth day (in the case of a redemption for a Change of Control) or the tenth day (in the case of a redemption for a No Registration Event) after the expiry of such period of 30 days as referred to above. A Put Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent and the Issuer shall redeem the Bonds, the subject of the Put Exercise Notices delivered as aforesaid, on the Put Settlement Date.

The Issuer and the Guarantor shall give notice to Bondholders in accordance with Condition 16 and to the Trustee and the CMU Lodging and Paying Agent in writing by not later than 14 days (in the case of a redemption for a Change of Control) or 10 days (in the case of a redemption for a No Registration Event) following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify:

(i) the Put Settlement Date;

(ii) the date of the Relevant Event and, briefly, the events causing, as applicable, the Change of Control or No Registration Event;

(iii) the date by which the Put Exercise Notice must be given;

(iv) the redemption amount and the method by which such amount will be paid;

(v) the names and addresses of all Paying Agents;

(vi) the procedures that Holders must follow and the requirements that Holders must satisfy in order to exercise the Relevant Event Put Right; and

(vii) that a Put Exercise Notice, once validly given, may not be withdrawn.

Unless it has received written notice from the Issuer and/or the Guarantor pursuant to this Condition 6(c), the Trustee shall be entitled to assume that no Relevant Event has occurred. Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and none of them shall have any obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or connection with the Relevant Event and none of them shall be liable to Bondholders, the Issuer, or the Guarantor or any other person for not doing so.

In this Condition 6(c):

a "**Change of Control**" occurs when:

(i) the PRC Government Entities collectively cease to directly or indirectly hold or own 100 per cent. of the issued share capital of the Guarantor; or

(ii) the Guarantor ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer; or

(iii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor's assets to any other person(s), except where such person(s) (in the case of asset sale or transfer) or the surviving entity (in the case of consolidation or merger) is/are, directly or indirectly, wholly-owned by the PRC Government Entities;

"**Control**" means (i) the ownership, acquisition or control of at least 80 per cent. of the voting rights of the issued share capital or issued shares of a person or (ii) the right to appoint and/or remove all or the majority of the members of a person's board of directors or other governing body, in each case whether obtained directly or indirectly, and whether obtained by ownership of share capital, shares, the possession of voting rights, contract or otherwise; the term "**Controlled**" has meanings correlative to the foregoing;

a "**No Registration Event**" occurs when the Registration Conditions have not been satisfied in full on or before the Registration Deadline;

a "**person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Issuer's or the Guarantor's board of directors or any other governing board and does not include the Issuer's or the Guarantor's wholly-owned direct or indirect subsidiaries;

"**PRC Government Entities**" means the Shandong Provincial State-owned Assets Supervision and Administration Commission (山東省人民政府國有資產監督管理委員會), the Shandong Provincial Ministry of Finance (山東省財政廳) and/or any person Controlled by the People's Government of Shandong Province (山東省人民政府);

"**Registration Conditions**" means the receipt by the Trustee of the Registration Documents relating to the Cross-Border Security Registration as set forth in Condition 4(e); and

a "**Relevant Event**" means a Change of Control or a No Registration Event.

So long as the Bonds are represented by the Global Certificate, a right of a Bondholder to redemption of the Bonds following the occurrence of a Relevant Event will be effected in accordance with the rules and procedures for the time being of the Operator.

(d) Purchase

The Issuer, the Guarantor and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the Holder thereof to vote at any meetings of the Holders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the Holders or for the purposes of Condition 9, Condition 12(a) and Condition 13.

(e) Notice of Redemption

All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date, in such place and in such manner as specified in such notice in accordance with this Condition 6(e). If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail. Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption or Put Exercise Notices and they shall not be liable to the Holders, the Issuer, the Guarantor or any other person for not doing so.

(f) Cancellation

All Certificates representing Bonds redeemed or purchased by or on behalf of the Issuer, the Guarantor and their respective Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Bonds shall be discharged.

7 PAYMENTS

(a) **Method of Payment**:

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii).

(ii) Interest on each Bond shall be paid, on the due date for payment, to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Bond shall be made in Renminbi by wire transfer to the registered account of the Bondholder. For the purposes of this Condition 7(a)(ii), a Bondholder's "**registered account**" means the Renminbi denominated account maintained by or on behalf of it with a bank that processes payments in Renminbi, details of which appear on the Register at the close of business on the Record Date.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

*Notwithstanding the foregoing, so long as any of the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of the Operator, the CMU Lodging and Paying Agent will make payments to the Operator who will make payments to each CMU participant who is at the close of business on the Clearing System Business Day immediately prior to the date of payment shown on the records of the Operator as the holder of a particular principal amount of Bonds (each an "**accountholder**"), where "**Clearing System Business Day**" means a day on which the CMU is operating and open for business. Any payments by the CMU participants to indirect participants will be governed by arrangements agreed between the CMU participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU participants, and the Trustee, the CMU Lodging and Paying Agent and the other Agents shall have no liability to the Bondholders, the Issuer, the Guarantor, the CMU participants, the accountholder, the indirect participants or any other person in respect of any such payment. Save in the case of final payment, no presentation of the Global Certificate shall be required for such purpose.*

(b) **Payments subject to Fiscal Laws**: All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) **Payment Initiation**: Payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on the first Payment Business Day on which the CMU Lodging and Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) **Appointment of Agents**: The CMU Lodging and Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The CMU Lodging and Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and the Guarantor (and as provided in the Trust Deed, the Trustee) and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the CMU Lodging and Paying Agent, the Registrar, the Transfer Agent or any of the other Agents and to appoint additional or other Paying Agents and/or Transfer Agents, provided that the Issuer and the Guarantor shall at all times maintain (i) a CMU Lodging and Paying Agent, (ii) a Registrar, and (iii) a Transfer Agent.

Notice of any such termination or appointment or any change of any specified office shall promptly be given by the Issuer (failing whom, the Guarantor) to the Bondholders in accordance with Condition 16.

(e) **Delay in Payment**: Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).

In this Condition 7, "**Payment Business Day**" means a day other than a Saturday, a Sunday or a public holiday on which commercial banks and foreign exchange markets are generally open for business and settlement of Renminbi payments in Hong Kong and the place in which the specified office of the CMU Lodging and Paying Agent is located and (if surrender of the relevant Certificate is required) the relevant place of presentation.

8 TAXATION

All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without set-off or counterclaim and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, the PRC or, in each case, any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where withholding or deduction is made by the Issuer or, as the case may be, the Guarantor for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected withheld or assessed by or within the PRC at a rate up to and including the aggregate rate applicable on 13 October 2026 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been received by them had no such withholding or deduction been required.

If (a) the Issuer or, as the case may be, the Guarantor is required to make any deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected withheld or assessed by or within the British Virgin Islands or (b) the Issuer, or as the case may be, the Guarantor is required to make a deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected withheld or assessed by or within the PRC in excess of the Applicable Rate, then the Issuer (or the Guarantor, as the case may be) shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond (or the Guarantee, as the case may be):

(i) **Other connection**: to a Holder (or to a third party on behalf of a Holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands or the PRC other than the mere holding of the Bond; or

(ii) **Surrender more than 30 days after the Relevant Date**: in respect of which the Certificate representing it is surrendered (where surrender is required) for payment more than 30 days after the Relevant Date except to the extent that the Holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days.

References in these Conditions to principal, premium (if any) and interest shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed, the Deed of Guarantee and the Bonds.

In these Conditions, "**Relevant Date**" in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, assessment, governmental charge, withholding, deduction or other payment referred to in this Condition 8 or otherwise in connection with the Bonds or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Guarantor, any Bondholder or any third party to pay such taxes, duties, assessments, governmental charges, withholding, deduction or other payment in any jurisdiction or to provide any notice or information in relation to the Bonds in connection with payment of such taxes, duties, charges, assessments, government charges, withholding, deduction or other payment imposed by or in any jurisdiction, including without limitation any notice or information that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any such taxes, duties, assessments, governmental charges, withholding, deduction or other payment imposed by or in any jurisdiction.

9 EVENTS OF DEFAULT

If an Event of Default (as defined below) occurs the Trustee at its discretion may, and if so requested in writing by Holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (provided in any such case that the Trustee shall have first been indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Issuer and the Guarantor that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with any accrued and unpaid interest.

An "**Event of Default**" occurs if:

(a) **Non-Payment**: there has been a failure to pay (i) the principal of or any premium (if any) on any of the Bonds when due or (ii) any interest on any of the Bonds when due and such failure to pay interest continues for a period of seven days; or

(b) **Breach of Other Obligations**: the Issuer or the Guarantor does not perform or comply with any one or more of their respective other obligations under the Bonds (other than those referred to in Condition 9(a) and where it gives rise to a redemption by the Holders pursuant to Condition 6(c)), the Trust Deed, the Agency Agreement or the Deed of Guarantee, which default is, in the opinion of the Trustee, incapable of remedy or, if such default is, in the opinion of the Trustee, capable of remedy, such default is not remedied within 30 days after notice of such default shall have been given to the Issuer or the Guarantor (as the case may be) by the Trustee; or

(c) **Cross-Default**: (i) any other present or future indebtedness of the Issuer or the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period; or (iii) the Issuer or the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds U.S.$30,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(c) operates); or

(d) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any material part of the property, assets or revenues of the Issuer or the Guarantor or any Principal Subsidiary and is not discharged or stayed within 60 days; or

(e) **Security Enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any Principal Subsidiary over all or a material part of the assets of the Issuer, the Guarantor or the relevant Principal Subsidiary, as the case may be, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 60 days; or

(f) **Insolvency**: the Issuer, the Guarantor or any Principal Subsidiary is (or is, or could be, deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer, the Guarantor or any Principal Subsidiary, as the case may be; or

(g) **Winding-up:** an order of any court of competent jurisdiction is made or an effective resolution is passed for the winding-up or dissolution of the Issuer, the Guarantor or any Principal Subsidiary (except for the voluntary solvent winding-up of any such Principal Subsidiary), or the Issuer, the Guarantor or any Principal Subsidiary ceases or threatens to cease to carry on all or a material part of its business or operations, except (A) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation whilst solvent: (i) on terms approved by the Bondholders by Extraordinary Resolution: or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Guarantor or any of its Subsidiaries; or (B) there is a disposal of a Principal Subsidiary on an arm's length basis and the proceeds resulting from such disposal are fully vested in the Issuer, the Guarantor and/or any of the Guarantor's Subsidiaries; or

(h) **Nationalisation**: (i) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the undertaking, assets or revenues of the Issuer, the Guarantor or any of the Principal Subsidiaries; or (ii) the Issuer, the Guarantor or any of the Principal Subsidiaries is prevented by any such person from exercising normal control over all or a material part of its undertaking, assets or revenues; or

(i) **Authorisation and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Trust

Deed, the Agency Agreement and the Deed of Guarantee, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Trust Deed, the Agency Agreement and the Deed of Guarantee admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(j) **Illegality**: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of their respective obligations under any of the Bonds, the Trust Deed, the Agency Agreement and/or the Deed of Guarantee; or

(k) **Unenforceability of Guarantee**: the Guarantee becomes unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Guarantor; or

(l) **Analogous Events**: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to Conditions 9(d) to (g) (both inclusive).

In this Condition 9, "**Principal Subsidiary**" means any Subsidiary of the Guarantor:

(i) whose gross revenue (consolidated in the case of a Subsidiary which itself has Subsidiaries), as shown by its latest audited income statement, is at least five per cent. of the total gross revenue as shown by the latest published audited consolidated income statement of the Guarantor and its Subsidiaries; or

(ii) whose profits before taxation and exceptional items ("**pre-tax profit**") (consolidated in the case of a Subsidiary which itself has Subsidiaries), as shown by its latest audited income statement, are at least five per cent. of the sum of (x) total consolidated pre-tax profit as shown by the latest published audited consolidated income statement of the Guarantor and its Subsidiaries and (y) the Guarantor and its consolidated Subsidiaries' share of profits of each Subsidiary of the Guarantor not consolidated with the audited consolidated accounts of the Guarantor and its Subsidiaries and of jointly controlled entities and after adjustments for minority interests; or

(iii) whose gross assets (consolidated in the case of a Subsidiary which itself has Subsidiaries), as shown by its latest audited balance sheet, are at least five per cent. of the sum of (x) the total gross assets of the Guarantor and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Guarantor and its Subsidiaries, and (y) the Guarantor and its consolidated Subsidiaries' share of the gross assets of each Subsidiary of the Guarantor whose accounts are not consolidated with the audited consolidated accounts of the Guarantor and its Subsidiaries and of jointly controlled entities and after adjustment for minority interests; or

(iv) to which is transferred the whole or substantially the whole of the assets of a Subsidiary of the Guarantor which immediately prior to such transfer was a Principal Subsidiary, provided that (xx) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Principal Subsidiary and (yy) on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (i), (ii) or (iii) above of this definition,

provided that, in relation to paragraphs (i), (ii) and (iii) above of this definition:

(a) in the case of a corporation or other business entity becoming a Subsidiary of the Guarantor after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary of the Guarantor are published, be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor adjusted to

consolidate the latest audited accounts (consolidated in the case of a Subsidiary of the Guarantor which itself has Subsidiaries) of such Subsidiary in such accounts;

(b) if the accounts of any Subsidiary of the Guarantor (not being a Subsidiary of the Guarantor referred to in proviso (a) above of this definition) are not consolidated with those of the Guarantor, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if available) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor; and

(c) in relation to any Subsidiary of the Guarantor, each reference in proviso (a) or (b) above to all or any of the accounts (consolidated or otherwise) of such Subsidiary shall be deemed to be a reference to the relevant audited accounts of such Subsidiary if it customarily prepares accounts which are audited and, if not, to the relevant unaudited accounts of such Subsidiary which shall be certified by any two directors of such Subsidiary as having been properly prepared in accordance with generally accepted accounting principles applicable to such Subsidiary.

10 PRESCRIPTION

Claims against the Issuer and/or the Guarantor for payment in respect of the Bonds and/or the Guarantee (as applicable) shall be prescribed and become void unless made within 10 years (in the case of principal or premium (if any)) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Bondholders in accordance with Condition 16, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity, pre-funding and otherwise as the Issuer, the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER, AUTHORISATION, DETERMINATION AND ENTITLEMENT OF TRUSTEE

(a) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of the Bondholders (including meetings held by video or audio conference call) to consider matters affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the Agency Agreement and/or the Deed of Guarantee. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee if requested in writing to do so by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all fees, costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the Maturity Date or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution or (v) to amend, vary, terminate or suspend the Deed of Guarantee (other than as provided in Condition

12(b)), in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed and whether or not they voted in favour of such resolution).

The Trust Deed provides that a resolution (A) in writing signed by or on behalf of the Bondholders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding or (B) passed by Electronic Consent (as defined in the Trust Deed) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders. A resolution passed in writing or by Electronic Consent will be binding on all Bondholders whether or not they participated in such written resolution or Electronic Consent.

(b) Modification, Waiver, Authorisation and Determination

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement and/or the Deed of Guarantee that in its opinion is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed) and any waiver or authorisation of any breach or proposed breach by the Issuer or the Guarantor, of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement and/or the Deed of Guarantee that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer, failing whom the Guarantor, to the Bondholders as soon as practicable thereafter in accordance with Condition 16. The Trustee may conclusively rely upon a certificate in English signed by an Authorised Signatory and/or an opinion of counsel concerning the compliance with the above conditions in respect of any modification, waiver, authorisation, supplement, replacement and amendment.

(c) Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 12), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the interests of, or be responsible for, the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer, the Guarantor or, in the case of a claim by any Bondholder, the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 ENFORCEMENT

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, but shall not be obliged to, take such steps and/or actions and/or institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Deed of Guarantee, the Agency Agreement and/or the Bonds, but it need not take any such steps and/or actions and/or institute any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the Bonds then outstanding and (b) it shall have first been indemnified and/or secured and/or pre-funded to its satisfaction. No Holder may proceed directly against the Issuer and/or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including without limitation, provisions relieving it from taking any steps and/or actions and/or instituting proceedings to enforce its rights under the Trust Deed, the Agency Agreement, the Deed of Guarantee and/or these Conditions and in respect of the Bonds and to enforce payment or taking other actions, steps and/or instituting proceedings unless first indemnified and/or secured and/or pre-funded to its satisfaction and entitling the Trustee to be paid or reimbursed for its fees, costs, expenses and indemnity payments and any liabilities and other amounts incurred by it in priority to the claims of Bondholders.

The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and/or any entity related (directly or indirectly) to the Issuer or the Guarantor without accounting for any profit.

The Trustee and the Agents may rely conclusively, and may act or refrain from acting, in each case without liability to Bondholders, the Issuer, the Guarantor or any other person on any report, confirmation, certificate or information from or any advice or opinion of any accountants, auditors, lawyers, valuers, auctioneers, surveyors, brokers, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person in any other manner) by reference to a monetary cap, methodology or otherwise. None of the Trustee or the Agents shall be responsible or liable to the Issuer, the Guarantor, the Bondholders or any other person for any loss occasioned by acting on or refraining from acting on any such report, confirmation, certificate, information, advice or opinion.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Deed of Guarantee, the Agency Agreement or these Conditions or by law to exercise any discretion or power, take or refrain from taking any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking or refraining from taking any such action, making any such decision or giving any such direction, to seek directions or clarification of any directions from the Bondholders by way of Extraordinary Resolution or given as otherwise contemplated or permitted by the Trust Deed and/or the Bonds, and the Trustee shall be entitled to rely on any such direction or clarification and shall not be responsible or liable for any loss or liability incurred by the Issuer, the Guarantor, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking or refraining from taking such action, making such decision or giving such direction where the Trustee is seeking such approval, direction, clarification of any direction or instructions from the Bondholders or in the event that the approval, direction, clarification of any direction or instruction sought are not provided by the Bondholders. None of the Trustee or the Agents shall be liable to any Bondholder, the Issuer, the Guarantor or any other person for any action taken by it in accordance with the approval, direction, request or instruction of the Bondholders. The Trustee shall be entitled to rely on any approval, directions, request or instruction of Bondholders (whether given by Extraordinary Resolution or otherwise as contemplated or permitted by the Trust Deed and/or the Bonds).

None of the Trustee or any of the Agents shall be responsible or liable for the performance (financial or otherwise) by the Issuer, the Guarantor, and any other person appointed by the Issuer or the Guarantor in relation to the Bonds, of the duties and obligations on their part expressed in respect of the same and, unless it has received notice in writing to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

None of the Trustee or any of the Agents shall have any obligation to monitor or take any steps to ascertain whether an Event of Default, a Potential Event of Default or a Relevant Event has occurred or to monitor compliance by the Issuer or the Guarantor with the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or these Conditions, and none of the Trustee or any of the Agents shall be liable to the Bondholders or any other person for not doing so.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal of and investigation into the financial condition, creditworthiness,

condition, affairs, status and nature of the Issuer or the Guarantor, and the Trustee shall not at any time have any responsibility or liability for the same and no Bondholder shall rely on the Trustee in respect thereof.

15 FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them, and the timing for complying with the Registration Conditions and the making and completion of the Cross-Border Security Registration and the NDRC Post-issue Filing and the giving of consequent notices thereof) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other bonds issued pursuant to this Condition 15 and forming a single series with the Bonds. Any further bonds forming a single series with the outstanding Bonds shall be constituted by a deed supplemental to the Trust Deed and be guaranteed by the Guarantor pursuant to a deed supplemental to the Deed of Guarantee or an additional deed of guarantee.

16 NOTICES

Notices to the Holders shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday, a Sunday or a public holiday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held by or on behalf of the Operator, notices to the Bondholders shall be validly given by the delivery of the relevant notice to the CMU for communication by it to entitled accountholders in substitution for notification as required by these Conditions. Indirect participants will have to rely on the CMU participants (through whom they hold the Bonds, in the form of interests in the Global Certificate) to deliver the notices to them, subject to the arrangements agreed between the indirect participants and the CMU participants.

17 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

Without prejudice to Condition 13, no person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999, but this shall not affect any right or remedy which exists or is available apart from this Act.

18 GOVERNING LAW AND JURISDICTION

(a) Governing Law

The Trust Deed, the Deed of Guarantee, the Agency Agreement and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Trust Deed, the Deed of Guarantee and the Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Trust Deed, the Deed of Guarantee and the Agency Agreement ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantor has in the Trust Deed and the Agency Agreement and the Guarantor has in the Deed of Guarantee, irrevocably submitted to the exclusive jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) Agent for Service of Process

Each of the Issuer and the Guarantor irrevocably appoints China Shandong Group Limited at 42/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong as its authorised agent in Hong Kong to receive service of process in any Proceedings in Hong Kong based on any of the Bonds, the Guarantee, the Trust Deed or the Agency Agreement. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer or the Guarantor, respectively). If for any reason the Issuer or the Guarantor, as the case may be, ceases to have such an agent in Hong Kong, it will promptly appoint a substitute process agent and notify the Trustee, the Agents and the Bondholders of such appointment within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) Waiver of Immunity

Each of the Issuer and the Guarantor has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) or any order or judgment made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificates contain provisions which apply to the Bonds in respect of which a Global Certificate is issued, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Circular. Terms defined in the *Terms and Conditions of the Bonds have the same meaning in the paragraphs below. The following is a summary of those provisions:*

The Bonds will be represented by a Global Certificate which will be registered in the name of, and lodged with a sub-custodian for, the HKMA as the Operator of the CMU. For persons seeking to hold a beneficial interest in the Bonds through Euroclear or Clearstream, such persons will hold their interests through an account opened and held by Euroclear or Clearstream with the CMU.

Under the Global Certificate, the Issuer, for value received, promises to pay such principal and interest on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Terms and Conditions of the Bonds.

PROMISE TO PAY

The Issuer, for value received, promises to pay to the Registered Holder represented by the Global Certificate (subject to surrender of the Global Certificate if no further payment falls to be made in respect of such Bonds) on the Interest Payment Date falling on, or nearest to, 21 October 2029 (or on such earlier date as the amount payable upon redemption under the Terms and Conditions of the Bonds may become repayable in accordance with the Terms and Conditions of the Bonds) the amount payable upon redemption under the Terms and Conditions of the Bonds in respect of the Bonds represented by the Global Certificate and to pay interest in respect of such Bonds from 21 October 2026 (the "**Issue Date**") in arrear in accordance with the Terms and Conditions of the Bonds save that the calculation is made in respect of the total aggregate amount of the Bonds represented by the Global Certificate together with such other sums and additional amounts (if any) as may be payable under the Terms and Conditions of the Bonds, in accordance with the Terms and Conditions of the Bonds.

Notwithstanding the provisions of the preceding paragraph, for so long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of the Operator, payments of interest, premium and principal will be made to the CMU which shall credit the same in accordance with the CMU Rules to the person(s) shown in the records of the Operator as the holder of a particular principal amount of Bonds (each an "**accountholder**") at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the due date for payment, where "**Clearing System Business Day**" means a day on which the CMU is operating and open for business. Payment made in accordance with the CMU Rules as set out in the immediately preceding sentence shall discharge the obligations of the Issuer in respect of that payment.

Any payments by the CMU participants to indirect participants shall be governed by arrangements agreed between the CMU participants and the indirect participants and shall continue to depend on the inter-bank clearing system and traditional payment methods. Such payments shall be the sole responsibility of such CMU participants, and the Trustee and the CMU Lodging and Paying Agent shall have no liability to the Bondholders, the Issuer, the CMU participants, the indirect participants or any other person in respect of such payment.

For the purposes of the Global Certificate, (a) the Registered Holder of the Bonds represented by the Global Certificate is bound by all the provisions of the Trust Deed and the Deed of Guarantee and those provisions applicable to it of the Agency Agreement, (b) the Issuer certifies that the Registered Holder is, at the date hereof, entered in the Register as the holder of the Bonds represented by the Global Certificate, (c) the Global Certificate is evidence of entitlement only, (d) title to the Bonds represented by the Global Certificate passes only on due registration on the Register, and (e) only the holder of the Bonds represented by the Global Certificate is entitled to payments in respect of the Bonds represented by the Global Certificate.

EXCHANGE OF BONDS REPRESENTED BY GLOBAL CERTIFICATE

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive certificates if either the CMU or any other clearing system selected by the Issuer and approved in writing by the Trustee, the CMU Lodging and Paying Agent and the Registrar through which the Bonds are held (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

In such circumstances, the Issuer at its own expenses will cause sufficient individual definitive certificates to be executed and delivered to the Registrar for completion, authentication (where the Bonds evidenced by the Global Certificate are cleared through the CMU, acting on behalf of the CMU Lodging and Paying Agent) and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive certificates.

In addition, the Global Certificate will contain provisions which modify the Terms and Conditions of the Bonds as they apply to the Bonds evidenced by the Global Certificate. The following is a summary of certain of those provisions:

PAYMENT

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of the Operator, payments of interest, premium and principal will be made to the CMU which shall credit the same in accordance with the CMU Rules to the person(s) shown in the records of the CMU Operator as the holder of a particular principal amount of Bonds (each an "**accountholder**") at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means a day on which the CMU is operating and open for business. Payment made in accordance with the CMU Rules as set out in the immediately preceding sentence shall discharge the obligations of the Issuer in respect of that payment.

Any payments by the CMU participants to indirect participants shall be governed by arrangements agreed between the CMU participants and the indirect participants and shall continue to depend on the inter-bank clearing system and traditional payment methods. Such payments shall be the sole responsibility of such CMU participants, and the Trustee and the CMU Lodging and Paying Agent shall have no liability to the Bondholders, the Issuer, the CMU participants, the indirect participants or any other person in respect of such payment.

TRUSTEE'S POWERS

In considering the interests of the Bondholders whilst the Global Certificate is held by or on behalf of the Operator (or a nominee for an Alternative Clearing System), the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the CMU or the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which such Global Certificate is issued.

NOTICES

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of the Operator or any Alternative Clearing System, notices to Bondholders shall be validly given by delivery of the relevant notice to each accountholder via the CMU or such Alternative Clearing System, in substitution for notification as required by the Terms and Conditions of the Bonds and shall be deemed to have been given at the time of delivery to the CMU or, as the case may be, any Alternative Clearing System. Indirect participants will have to rely on the CMU participants (through whom they hold the Bonds, in the form of interests in the Global Certificate) to deliver the notices to them, subject to the arrangements agreed between the indirect participants and the CMU participants.

BONDHOLDER'S REDEMPTION

The Bondholder's redemption option in Condition 6(c) of the Terms and Conditions of the Bonds may be exercised by the holder of the Global Certificate giving notice to the CMU Lodging and Paying Agent within the time limits set out in that Condition, in accordance with the rules and procedures of the CMU and any Alternative Clearing System, as applicable, failing which, in the form of the notice of redemption available from any Paying Agent and stating of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in that Terms and Conditions of the Bonds.

ISSUER'S REDEMPTION

The option of the Issuer provided for in Condition 6(b) of the Terms and Conditions of the Bonds shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Terms and Conditions of the Bonds.

TRANSFERS

Transfers of beneficial interests in the Bonds represented by the Global Certificate will be effected through the records of the CMU (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of the CMU (or any Alternative Clearing System) and their respective direct and indirect participants.

CANCELLATION

Cancellation of any Bond represented by the Global Certificate by the Issuer following its redemption or purchase by the Issuer, the Guarantor or any of their Subsidiaries will be effected by a reduction in the principal amount of the Bonds in the register of the Bondholders and the Global Certificate on its presentation to or to the order of the Registrar for annotation (for information only).

MEETINGS

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless such Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each CNY10,000 in principal amount of the Bonds for which the Global Certificate is issued.

The Global Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar (where relevant, acting on behalf of the CMU Lodging and Paying Agent).

The Global Certificate and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

USE OF PROCEEDS

The gross proceeds from this offering will be CNY2,018,000,000. After deducting commissions and other estimated expenses payable in connection with the offering of the Bonds, the Company intends to use the net proceeds for repayment of the existing offshore indebtedness of the Issuer.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated total indebtedness (both current and non-current portions), total equity and total capitalisation of the Guarantor as at 30 June 2026 (i) on an actual basis and (ii) on an adjusted basis to give effect to the Bonds to be issued. The summary consolidated financial information below should be read in conjunction with "*Use of Proceeds*", "*Summary Consolidated Financial Information of the Guarantor*" and the Guarantor's reviewed consolidated interim financial statements as at and for the six months ended 30 June 2026 and the notes to those statements included elsewhere in this Offering Circular.

	As at 30 June 2026	
	Actual	**As adjusted**
	(RMB'000)	**(RMB'000)**
	(unaudited)	*(unaudited)*
Short-term indebtedness		
Short-term loans	2,293,458	2,293,458
Non-current liabilities due within one year[(1)]	6,313,623	6,313,623
Total short-term indebtedness	**8,607,081**	**8,607,081**
Long-term indebtedness		
Long-term loans	10,084,290	10,084,290
Bonds payable	2,000,000	2,000,000
Other long-term payables	27,211	27,211
Bonds to be issued[(2)]	–	2,018,000
Total long-term indebtedness	**12,111,501**	**14,129,501**
Total Indebtedness[(3)]	**20,718,582**	**22,736,582**
Total equity	49,298,105	49,298,105
Total Capitalisation[(4)]	**70,016,687**	**72,034,687**

Notes:

1. This amount excludes non-interest-bearing portion.

2. This amount represents the aggregate principal amount of the Bonds to be issued, before deducting the fees and commissions, offering discounts and other expenses payable by the Issuer in connection with the issuance of the Bonds.

3. Total indebtedness equals the sum of short-term indebtedness and long-term indebtedness.

4. Total capitalisation equals the sum of total indebtedness and total equity.

Save as otherwise disclosed in this Offering Circular, there has been no material adverse change in the consolidated capitalisation and indebtedness of the Guarantor since 30 June 2026.

DESCRIPTION OF THE ISSUER

Overview

The Issuer was incorporated in the British Virgin Islands as a company limited by shares on 19 March 2021 under the BVI Business Companies Act (as amended) of the British Virgin Islands (company number: 2057677). The registered office of the Issuer is at Ritter House, Wickhams Cay Ⅱ, PO Box 3170, Road Town, Tortola VG1110, British Virgin Islands.

Business Activity

As at 30 June 2026, the Issuer was a wholly-owned subsidiary of China Shandong Group Limited (華魯集團有限公司) ("**Hong Kong Hualu**"), which, in turn, was wholly-owned by the Guarantor. The Issuer was established for the purpose of issuing bonds and on-lending the proceeds to the Guarantor or its subsidiaries or affiliates.

Directors

As at the date of this Offering Circular, the directors of the Issuer were Mr. Cheng Xuezhan, Mr. Zhao Jiequan, Mr. Wei Yu and Mr. Zhang Huiyong.

Authorised Shares

As at 30 June 2026, the Issuer was authorised to issue a maximum of 50,000 shares with no par value and the Issuer had issued 10,000 shares.

Financial Information

Under the laws of the British Virgin Islands, the Issuer is not required to publish interim or annual financial statements. The Issuer is, however, required to keep such records that are sufficient to show and explain the Issuer's transactions and will, at any time, enable the financial position of the Issuer to be determined with reasonable accuracy. Effective from 1 January 2023, the Issuer is also required to file a financial annual return with its registered agent within nine months after the end of each year to which the financial annual return relates.

DESCRIPTION OF THE GROUP

OVERVIEW

The Group is a majority owned subsidiary of Shandong SASAC, and is engaged in high-end chemicals, pharmaceuticals and other critical industries primarily operating in Shandong province. Since its establishment in 2005, the Group has played an important role in implementing the Shandong Provincial Government's blueprint for the promotion and construction of comprehensive new growth energy resources to replace older energy resources (新舊動能轉換), and contribute to the industrial upgrade of Shandong. The Group acts as an important bridge to connect Shandong province with cities and territories in other parts of China as well as globally. In particular, Hong Kong Hualu, the Guarantor's wholly owned subsidiary, is a Hong Kong-based company serving as a bridge that fosters, among other things, economic and political ties between Shandong Province and Hong Kong.

Benefitting from its strategic importance in Shandong Province and its strong support from the Shandong Provincial People's Government and Shandong SASAC toward its strategic development, the Group has experienced rapid growth and achieved major milestones. The Group focuses on high-end chemicals, high-end pharmaceuticals and other businesses including the ecological and environmental businesses. The Group has gained extensive experience and expertise in the industries in which it operates and has become the leading player in its core businesses. As at 30 June 2026, Hualu-Hengsheng, the Group's major operating entity in the high-end chemical business, was the largest producer of dimethylformamide (二甲基甲醯胺) ("**DMF**") worldwide, with an annual production capacity of 480,000 tons per year, while Xinhua Pharmaceutical, one of the Group's two subsidiaries engaged in the high-end pharmaceutical business, is a major producer and exporter of antipyretic and analgesic APIs in Asia, and the other subsidiary, Lukang Pharmaceutical, has one of the most important antibiotics production bases in China. The "Lukang" brand has been recognised as a well-known trademark in China.

Set forth below is an overview of the principal business segments of the Group:

High-end Chemical: The Group conducts its high-end chemical business primarily through Hualu-Hengsheng, a subsidiary of the Hualu-Hengsheng Group. The high-end chemical business primarily involves the production, distribution and sale of fertilizer, organic amine (有機胺), adipic acid and intermediates (己二酸及中間品), acetic acid and derivatives (醋酸及衍生品) and polyol (多元醇). For the years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2025 and 2026, operating income generated from the Group's high-end chemical business was approximately RMB27,341 million, RMB34,315 million, RMB31,054 million, RMB15,795 million and RMB17,201 million, respectively, representing approximately 57.5 per cent., 66.6 per cent., 64.0 per cent., 65.5 per cent. and 60.9 per cent. of the Group's total operating income, respectively. For the years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2025 and 2026, gross profit generated from the Groups high-end chemical business was approximately RMB5,722 million, RMB6,436 million, RMB5,992 million, RMB2,845 million and RMB4,117 million, respectively, representing approximately 57.3 per cent., 62.3 per cent., 65.0 per cent., 61.5 per cent. and 70.8 per cent. of the Group's gross profit, respectively.

Pharmaceuticals: The Group conducts its pharmaceuticals business through Xinhua Pharmaceutical and Lukang Pharmaceutical and their respective subsidiaries, joint ventures and affiliates. Xinhua Pharmaceutical, listed on both the Hong Kong Stock Exchange (stock code: 0719) and Shenzhen Stock Exchange (stock code: 000756), was the first chemosynthetic pharmaceutical company founded in China. It engages in the development, production and distribution of API, preparations and medical intermediates and distributes its products in the domestic and overseas markets, including the United States, Europe and other regions. The businesses of Lukang Pharmaceutical, listed on the Shanghai Stock Exchange (stock code: 600789), include the production of API and preparations for human use and veterinary and botanic drugs and the development of ecotechnology. The "Lukang" brand has been recognised as a well-known trademark in China. The high-end pharmaceutical business of the Group is one of the driving forces for utilizing comprehensive new growth energy resources to replace older energy resources in Shandong Province. For the years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2025 and 2026, operating income generated from the Group's pharmaceutical business was approximately RMB14,248 million, RMB14,699 million, RMB14,521, million, RMB7,793 million and RMB7,595 million, respectively, representing approximately 30.0 per cent., 28.5 per cent., 29.9 per cent., 32.3 per cent. and 26.9 per cent. of the Group's total operating income, respectively. For the years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2025 and 2026,

gross profit generated from the Group's pharmaceutical business was approximately RMB3,907 million, RMB3,535 million, RMB2,917 million, RMB1,639 million and RMB1,553 million, respectively, representing approximately 39.1 per cent., 34.3 per cent., 31.6 per cent., 35.4 per cent. and 26.7 per cent. of the Group's gross profit, respectively.

Others: The Group engages in certain other businesses, including the ecological and environmental business. The Group conducts its ecological and environmental business primarily through its subsidiary, Academy of Environmental Sciences Company. It is the largest scientific research institute of environmental protection in Shandong and a leading provider of comprehensive ecological and environmental services in the province.

COMPETITIVE STRENGTHS

The Group believes that its competitive strengths as outlined below distinguish it from its competitors and are important to its success and future development:

Unique and strategic importance in Shandong Province

The Guarantor is owned by and under the direct supervision and administration of Shandong SASAC. The Group is an important bridge for the province to connect with and open to other cities and territories. Hong Kong serves as one of the Group's two headquarters under its dual-headquarters structure. Hong Kong Hualu, the Guarantor's wholly owned subsidiary, is the province's only Hong Kong-based company serving as a bridge that fosters, among other things, economic and political ties between Shandong Province and Hong Kong, and exercising both commercial functions and political functions of the province. Hong Kong Hualu also integrates and consolidates various resources of Shandong enterprises that are based in Hong Kong to promote communication with Hong Kong politicians and enterprises and cooperation in different fields. The Group assisted local and municipal governments and departments in organising Shandong Week in Hong Kong (香港山東周), one of the major economic and trade activities aiming to encourage investment by Hong Kong investors in Shandong. In order to benefit from Hong Kong's advantages in technology, talent, capital, and markets, the Group seeks to facilitate the cooperation and exchange between Hong Kong and Shandong. In addition, in 2019, the Group established the Shandong Province Overseas Talent Introduction Workstation (山東省海外引才工作站) which aims to broaden the channel of attracting foreign talents and intellectual resources and to establish strategic cooperative relationship with Administration of Foreign Experts Affairs of Shandong Province.

In addition, one of the most important strategies of the 15th Five-Year Plan of Shandong Province is to further expand investment and strategic positioning in strategic emerging industries, including new energy, new materials, new pharmaceuticals, and new environmental protection, and fully commit to fostering new quality productive forces. throughout the province. Given the Group's position as a provincial state-owned entity and its significant market presence in its business, the Group is critical to the realisation of such strategy by facilitating the industrial upgrade of its core chemical materials into high-end new energy materials and by further developing its pharmaceutical business. Hualu-Hengsheng, Xinhua Pharmaceutical and Lukang Pharmaceutical have each been included among the top ten enterprises in Shandong Province's modern advantageous industrial clusters. In May 2025, Lukang Pharmaceutical's bio-based new materials demonstration project commenced operations. The project represents the world's first large-scale operation of a project using microbial technology to synthesise trans-aconitic acid (反式烏頭酸綠色生物製造專案) was officially put into operation. Through industry-academia-research collaboration with the Qingdao Institute of Bioenergy and Bioprocess Technology of the Chinese Academy of Sciences, Lukang Pharmaceutical achieved a technological breakthrough from traditional microbial fermentation to the application of synthetic biology. The project uses microbialtechnology to produce trans-aconitic acid and aconitate esters, with the aim of addressing the industry's critical technical challenge of phthalate plasticizer substitution. The project represents a key milestone in Lukang Pharmaceutical's efforts to foster new quality productive forces through technological innovation.

The Group is one of the models of high-quality development for state-owned enterprises in Shandong. For example, during the 14th Five-Year Plan (2021–2025), the return on total assets of the Group and the return on state-owned net assets of the Group ranked third among the same category of the state-owned enterprises in Shandong Province.

Close relationship with and strong support from the Shandong Provincial Government and Shandong SASAC

The Guarantor is owned by and under the direct supervision and administration of Shandong SASAC. As at 30 June 2026, Shandong SASAC held 59.2 per cent. of the equity interest in the Guarantor. The

Guarantor believes that Shandong SASAC will continue to be its largest direct or indirect shareholder. With the Group's state-owned background, the Group derives strong support (but not credit support) from the PRC government to consolidate and maintain its position as a leading industry player in its principal businesses, including the high-end chemical business and pharmaceutical business.

The Group has received financial support from the PRC government in the form of subsidies and grants. For the years ended 31 December 2023, 2024 and 2025 and six months ended 30 June 2025 and 2026, the Group received government subsidies in the amount of approximately RMB266.3 million, RMB341.8 million, RMB506.2 million, RMB336.7 million and RMB532.4 million, respectively. In addition, the Group has benefited from various capital injections and equity transfers by the PRC government. Among such capital injections and equity transfers by the PRC government, the Shandong Provincial Government transferred 100 per cent. equity interest in Dezhou Hengsheng Industrial Chemical (Group) Co., Ltd. (德州恒升化工(集團)有限公司) (the predecessor of Hualu-Hengsheng Group) to Shandong Hualu Group Co., Ltd. (山東華魯集團有限公司) for nil consideration in December 1998, Shandong SASAC transferred 100 per cent. equity interest in Shandong Xinhua Medicine Group Co., Ltd. (山東新華醫藥集團有限責任公司) (the predecessor of Xinhua Pharmaceutical) and Shandong Lukang Medicine Group Co., Ltd. (山東魯抗醫藥集團有限公司) (the predecessor of Lukang Pharmaceutical) to the Guarantor in July 2006 and the Shandong Provincial Government injected RMB200 million in the Guarantor in 2006.

The Group has also benefited from favourable policies issued by the PRC government in respect of the industrial upgrade in Shandong Province as well as a favourable business environment in Shandong Province, and worked closely and maintains a long-term and stable relationship with the Shandong Provincial Government. The PRC government has promulgated several supporting policies which cover pharmaceutical approval, pricing, manufacturing, delivery and distribution, such as lifting of price controls for pharmaceuticals and implementation of the new Provisions for Drug Registration (藥品註冊管理辦法). These policies are geared towards a more market-oriented industry and a more consolidated market as well as healthy competition in, and sustainable development of, the pharmaceutical industry. In addition, the Catalogue for Guiding Industrial Restructuring (Version 2024) (產業結構調整指導目錄(2024年本)) issued by NDRC encourages industrial upgrade and reform and restructuring of the pharmaceutical industry and accordingly, the Group will continue to adapt and adjust its business to be in line with favourable government policies, from which it benefits. Also see "*Risk Factors – Risks Relating to the Bonds and the Guarantee – The PRC government (including the Shandong SASAC and the Shandong Provincial Government) has no obligation to pay any amount under the Bond or the Guarantee*".

Optimised and diversified business portfolio and product offering

The Group has regularly adjusted and optimised its business portfolios in various industries, including the high-end chemical industry, pharmaceutical industry and ecological environmental industry. In addition, each of the operating entities of the Group's businesses offers a comprehensive product portfolio to meet the diversified needs of its customers in different industries. To enhance its profitability and competitiveness, the Group leverages its research and development capabilities to calibrate its product mix by increasing the percentage of sales represented by higher value-added products and developing new product lines. Hualu-Hengsheng offers various types of coal chemical products including fertilizer, organic amine, adipic acid and intermediate products, acetic acid and derivatives and polyol. Lukang Pharmaceutical historically focused on the development and sales of its comprehensive antibiotics product chain, but has gradually diversified its product offerings to include amino-acid-based products, cardiovascular and cerebrovascular medicines, semi-synthetic antibiotic active pharmaceutical ingredients, biopharmaceuticals and related preparations, infusions, Chinese patent medicines, pharmaceutical intermediates, antibiotics for animal health, starch, glucose and other pharmaceutical-related product areas. The businesses of Lukang Pharmaceutical and Xinhua Pharmaceutical has covered the entire industrial production chain, from pharmaceutical intermediates to AIPs and high-end preparations. The Group's strategy is to monitor changes in downstream market conditions and modify its product portfolio composition accordingly. It also seeks to manage the negative impact of fluctuations in demand in certain downstream markets.

A leading industry player with significant market presence and effective cost management

The Group is one of the market leaders in the high-end chemicals industry and pharmaceutical industry in the PRC. In 2026, Hualu-Hengsheng, the entity primarily engaged in the Group's high-end chemical

business, was a leading producer of carbamide (尿素), a type of fertilizer used in agriculture in Shandong Province. In addition, as at 30 June 2026, Hualu-Hengsheng was the world's largest DMF producer in terms of annual production capacity, at 480,000 tons per year. Hualu-Hengsheng has, for the 13th consecutive year, been included in the "Energy Efficiency Leader" list for key products in the petroleum and chemical industry, as published by the China Petroleum and Chemical Industry Federation in respect of the year 2024.With respect to the pharmaceutical business, Xinhua Pharmaceutical is a key large-scale pharmaceutical company in the PRC and a major producer and exporter of analgesics in Asia. In addition, Lukang Pharmaceutical is a renowned pharmaceutical company in the PRC and has been awarded numerous honours, including "National Advanced Enterprise in Quality and Efficiency" (全國質量效益型先進企業), "National Customer Satisfaction Enterprise" (全國客戶滿意企業) and "National Excellent Pharmaceutical Enterprise" (全國醫藥優秀企業). The brand "Lukang" (魯抗) is a famous trademark in the PRC. Academy of Environmental Sciences Company is a leading player in the ecological environmental industry and is widely recognized for its technological advance and achievement. Its products have been widely used in various fields including but not limited to protection of clean water.

The Guarantor believes that the Group is able to benefit from its effective cost management, particularly in the following areas:

- Hualu-Hengsheng has established a precise production management system which facilitates the reduction of production costs and the sound management of inventories; and

- Lukang Pharmaceutical gives priority to priority on efficiency, resource optimization, clear delineation of responsibilities and adoption of precise control over business development and production, thereby enhancing operating efficiency.

Accordingly, the Guarantor believes that the Group will continue to benefit from its significant market presence and effective cost and efficiency management systems and maintain its position as a leading player in its core industries.

Strong research and development capability and experienced management and execution team

The Guarantor believes that the Group has a competitive advantage in its research and development capabilities and such capabilities enable the Group to drive the transformation of old and new growth energies (新舊動能轉換) of its business. As such, the Group has implemented measures encouraging the research and development of its subsidiaries and its investing entities. For example, it has added various new appraisal criteria for assessing the performance of its subsidiaries and its investing entities including (i) obtaining drug registration and approval for production, (ii) passing the consistency evaluation on quality and efficacy of generic drug, (iii) investment in generic science and technology innovation, (iv) research and development of new technology, (iv) obtaining international registration and certification, and (v) obtaining high-quality patents. In addition, the performance of research and development and innovation is an important criterion for the annual appraisal of core management of its subsidiaries and the investing entities.

As at 30 June 2026, the Group employed 2705 research and development and technical personnel, representing approximately 13.0 per cent. of its total workforce. The Group has invested a substantial amount in research and development of new products. For the years ended 31 December 2023, 2024 and 2025 and six months ended 30 June 2025 and 2026, research and development expenses amounted to approximately RMB1,385.4 million, RMB1,428.4 million, RMB1,599.7 million, RMB701.4 million and RMB1,040.2 million, respectively. The Group also collaborated with various research institutions and universities such as Chinese Academy of Sciences (中國科學院), Chinese Academy of Medical Sciences (中國醫學科學院), Shandong University (山東大學), Central South University (中南大學)and Qingdao University of Science and Technology (青島科技大學), to develop its various products. For instance, Xinhua Pharmaceutical collaborated with Shenyang Pharmaceutical University (瀋陽藥科大學) to develop a major innovative drug OAB-14 for the treatment of Alzheimer's disease. The drug is currently in the Phase IIa clinical trial stage, with all subject enrolments having been completed in February 2026. The Group's research and development of drugs treating Alzheimer's and other important drugs has been major breakthroughs in medicines. During the 14th Five-Year Plan (2021–2025), the Group obtained 859 registered patents, 127 drug registrations and approvals for human use and 7 provincial science and technology progression awards (省部級科技進步獎). In addition, from 2021 to 2025, 74 pharmaceutical products of the Group with 111 specifications passed consistency evaluation on quality and efficacy and the Group participated in the formulation of 8 national and industrial standards.

Extensive marketing network and sales channels

The Group has an extensive sales network of distributors across the PRC, the high-end chemical products were sold in a number of provinces to a diverse base of established customers and distributors in a wide range of industries.With respect to the Group's pharmaceutical business, Lukang Pharmaceutical also conducts promotional activities (學術推廣) targeted at doctors across the country in respect of its major products including demonstrating the efficacy of its products. The Group regularly trains its sales and marketing staff to ensure that they are familiar with its latest portfolio of products. The Group also maintains records of its sales, marketing and promotional activities, in order to evaluate and improve upon its business development activities. In addition, the Group also promotes its pharmaceutical business by strengthening the cooperation with various e-commerce platforms including Alibaba, JD.com, Pinduoduo, Meituan, Douyin and Amazon. The Group has also established a one-stop solution model combining the B2C, B2B, B2B2C and O2O businesses. The Group is one of the top five pharmaceutical exporters in China and has established long-term strategic partnerships with more than 200 well-known multinational companies, including Coca-Cola, Mitsubishi, GlaxoSmithKline and Bayer. The Group's pharmaceutical products have been sold to foreign markets including the United States, the European Union, Japan and Oceania. For example, Xinhua Pharmaceutical's ANDA ibuprofen tablets have been exported to the United States and for the first time entered supermarkets and pharmacies in the form of over-the-counter medicines, marking a new breakthrough in its finished-drug retail market in the United States. The Group is one of the first 15 pilot enterprises in China and the first in Shandong Province to implement the internationalization strategy for pharmaceutical formulations, and is ranked among the top ten formulation exporters in China. Combined with its successful track record of educational promotion activities, the Group believes its dynamic marketing approach for its pharmaceutical business enables it to further market, sell and distribute its current and future products.

Comprehensive capital investment model and prudent financial policies

The Group puts great emphasis on maintaining a prudent capital investment and financial structure, which the Company believes is the key to sustainable business development and maximising returns on the Group's investments.

The Group has established a set of comprehensive capital investment models and prudent financial policies to achieve greater financial efficiency and has implemented strict internal control measures to monitor its funds, investment, financing and working capital. Those comprehensive capital investment measures include but not limited to strategy and planning policy, financial management policy, investment management policy, financing policy and guarantee management policy. With respect to its capital investment management, the Group has implemented effective control measures to regulate, among other things, the overall planning, the decision-making process, the implementation and the monitoring of the investment projects of the Group, and the accountability for the investment losses of the Group. Such measures help improve its results of operations and lower investment risks. Investment projects must be in line with the Group's strategic development and business portfolio. With respect to its financial management, the Group has implemented various measures to achieve standardised financial and accounting activities of the Group, including but not limited to, financial budget and final accounts management, capital management, guarantee and mortgage management, state-owned assets management, profit distribution, and accounting information management. The Group has been rated as an "Advanced Unit of Preparation of Financial Statements", "Advanced Unit of Enterprise Financial Information" and "Advanced Collective in Accounting Work" by Shandong SASAC and Shandong Finance Bureau.

In addition, the Group has also implemented prudent financial policies, which mainly cover capital management, to maintain a strong credit profile and balance sheet position, as well as comply with the requirements of Shandong SASAC. For example, the Group has maintained an adequate level of cash balance and current assets to fulfil its liquidity needs. As at 31 December 2023, 2024 and 2025 and 30 June 2026, the Group held monetary capital of approximately RMB5.0 billion, RMB4.6 billion, RMB6.9 billion and RMB7.1 billion, respectively, while the Group's total current assets were approximately RMB17.9 billion, RMB18.4 billion, RMB21.4 billion and RMB23.5 billion, respectively. As at 31 December 2023, 2024 and 2025 and 30 June 2026, the liability to asset ratio of the Group was approximately 42.8 per cent., 41.1 per cent., 39.3 per cent. and 37.8 per cent., respectively. The Group will continue to closely manage the level of its liability to asset ratio to avoid any potential liquidity risk.

Access to multiple financing channels

The Group has a proven track record of raising finance through multiple financing channels, including equity capital markets, bank and other borrowings, issuance of debt securities, to support its business

operations and working capital requirements. The Group has established strong and long-term relationships with a large number of commercial banks, policy banks and financial institutions, including The China Construction Bank, Industrial and Commercial Bank of China, Bank of China, China Merchants Bank, The Export-Import Bank of China, Qilu Bank, Shanghai Pudong Development Bank, China CITIC Bank, China Minsheng Bank, Bank of Communications, Postal Savings Bank of China, Agricultural Bank of China, Evergrowing Bank, Industrial Bank, China Zheshang Bank, Ping An Bank, Bank of Qingdao, China Guangfa Bank, Bank of Beijing, China Everbright Bank, Hua Xia Bank, Nanyang Commercial Bank, HSBC, Standard Chartered Bank and CMB Wing Lung Bank. As at 30 June 2026, the Group had a credit line of approximately RMB77.4 billion in aggregate, of which approximately RMB55.4 billion remained unutilised, representing approximately 71.5 per cent. of the total amount of its credit line. These relationships have allowed the Group to secure sustainable sources of financing to support its business growth and working capital requirements. In addition, three subsidiaries of the Guarantor, namely, Hualu-Hengsheng, Xinhua Pharmaceutical and Lukang Pharmaceutical, are listed companies which provide the Group with access to funding from the equity markets.

In addition, the Group issues medium-term notes, corporate bonds, short-term financing bills, ultra-short term financing bills and other debt securities in the PRC from time to time. In May 2024, the Group issued its 24 Hualu K1 corporate bonds with an aggregate principal amount of RMB500 million with a term of five years and an initial coupon of 2.46 per cent. In January 2025, the Group issued its 25 Hualu K1 corporate bonds with an aggregate principal amount of RMB500 million with a term of five years and an initial coupon of 1.85 per cent. In March 2026, the Group issued its 26 Hualu K1 corporate bonds with an aggregate principal amount of RMB1,000 million with a term of three years and an initial coupon of 1.72 per cent. As at 30 June 2026, the Group had an outstanding balance of medium-term notes, corporate bonds, short-term financing bills, ultra-short term financing bills and other debt securities in the PRC of approximately RMB2.0 billion. As at 30 June 2026, the Group's registered amount of debt issuance was approximately RMB6.0 billion, of which RMB6.0 billion of registered amount remained unutilised.

As at 30 June 2026, total indebtedness (comprising short-term loans, non-current liabilities maturing within one year (interest-bearing portion), long-term loans, bonds payable and long-term accounts payables (interest-bearing portion)) of the Group amounted to approximately RMB20.7 billion. The Guarantor believes the Group's access to diversified funding sources enables it to secure adequate and cost-efficient funds to support the growth and expansion of its business and operations.

Experienced management team and well-established corporate governance structure

The Group has implemented corporate governance policies that are reliable, effective and consistent with modern corporate governance practices. Its corporate governance policies cover all aspects of daily operations such as production safety, risk management and capital management. The Group has established ten departments, including the general office, CPC working group, discipline inspection office, inspection office, finance department, human resources department, investment and development department, enterprise management department, audit department and legal affairs department, to oversee different aspects of the Group's daily operations.

The Guarantor's board of directors and senior management have extensive experience in the management of large state-owned enterprises and in related industries. See "*Directors and Senior Management*". Under the sound leadership of its management team and by leveraging management's past experience, the Group has achieved and maintained its success over the years and distinguished itself from its competitors.

BUSINESS STRATEGIES

Further enhance the Group's cost management and operational efficiency

To further enhance its cost management and operational efficiency, the Group intends to manage its production capacity and product offerings prudently and invest in cost efficient production systems. The Guarantor believes that a more stringent internal control and cost management system will enhance the Group's production and operating efficiency and further strengthen its leading position in the industries in which it operates. In addition, it will continue its efforts to reduce its raw material costs through bulk purchases, development of alternative raw materials with lower costs and by leveraging its economies of scale to increase its bargaining power with suppliers.

Continue to upgrade an automated and intelligent production and operation system

The Group plans to continue to establish an automated and intelligent production and operation system so as to reduce cost and enhance efficiency. Examples of recent initiatives include the following.

The Group received the best practice award among the National Smart Enterprise Construction issued by China Enterprise Confederation (中國企業聯合會) and China Entrepreneurs Association (中國企業家協會) in 2020. In 2025, Hualu Hengsheng was recognized as one of the "Excellent-level Smart Factories" by the Ministry of Industry and Information Technology. In addition, Lukang Pharmaceutical has strengthened its strategic partnership with Inspur Group since March 2026 to advance digital transformation. Separately, in August 2026, it announced a planned investment of approximately RMB194 million to build a continuous-flow intelligent manufacturing chemical API project.

Continue to invest in research and development and rapidly advance the development of its pharmaceutical product candidates

The Group intends to continue to invest in the research and development of its pharmaceutical products focusing on areas such as cardiovascular and cerebrovascular, neurodegenerative diseases, digestion and metabolism, anti-tumor and high-end anti-infectives and others. The Group will focus on areas where it has already established a leading product portfolio and has extensive research and development experience and where great demand has been shown in the recent industry trends. During the 14th Five-Year Plan period, the Group invested over RMB10 billion in research and development, representing a 139% increase compared to the 13th Five-Year Plan period, with research and development intensity exceeding 4.3%. In the next two or three years, the Guarantor expects to submit more drug registration applications to the National Drug Authority.

RECENT DEVELOPMENTS

Issue of ultra-short-term financing bills in the PRC

HISTORY AND DEVELOPMENT

Set forth below are certain key corporate historical events and milestones:

1985	In October 1985, Hualu Co., Ltd. (華魯有限公司) was established under the laws of Hong Kong, with a registered capital of HK$80.0 million.
1995	In August 1995, approved by the Ministry of Foreign Economic Relations and Trade, Hualu Co., Ltd. changed its name to "China Shandong Group Limited" and its Chinese name to "華魯集團有限公司".
1997	In June 1997, Shandong Hualu Group Co., Ltd. (山東華魯集團有限公司) was established under the laws of the PRC with a registered capital of RMB483.6 million.
1998	In December 1998, the Shandong Provincial Government transferred 100.0 per cent. equity interest in Dezhou Hengsheng Industrial Chemical (Group) Co., Ltd. (德州恒升化工(集團)有限公司) (the predecessor of Hualu-Hengsheng Group) and in Shandong Dongming Petrochemical Group (山東東明石化集團有限公司) to Shandong Hualu Group Co., Ltd. for nil consideration.
2000	In April 2000, Hualu-Hengsheng was established by Hualu-Hengsheng Group.
2002	In June 2002, Hualu-Hengsheng was listed in the Shanghai Stock Exchange (stock code: 600426.SH), raising capital in an amount of RMB480.0 million.
2005	In January 2005, the Guarantor was established under the laws of the PRC with a registered capital of RMB800.0 million.

	In January 2005, Hualu-Hengsheng Group, Shandong Hualu Group Co., Ltd. China Shandong Group Limited and Shandong Dongming Petrochemical Group Co., Ltd. (山東東明石化集團有限公司) became wholly-owned subsidiaries of the Guarantor.
2006	In July 2006, Shandong SASAC transferred the 100 per cent. equity interest in Shandong Xinhua Medicine Group Co., Ltd. (山東新華醫藥集團有限責任公司) (the predecessor of Xinhua Pharmaceutical) and Shandong Lukang Medicine Group Co., Ltd. (山東魯抗醫藥集團有限公司) (the predecessor of Lukang Pharmaceutical) to the Guarantor.
2010	In August 2010, Shandong SASAC transferred the ownership of Shandong Lukang Medicine Group Taian Pharmaceutical Plant (山東魯抗醫藥集團泰安製藥廠) to the Guarantor.
2012	In April 2012, Shandong Lukang Dongyue Medicine Co., Ltd. (山東魯抗東嶽製藥有限公司) was established, and the Guarantor owned 49 per cent. of its equity interest.
2013	In April 2013, the Guarantor transferred all of its equity interest in Shandong Lukang Medicine Group Co., Ltd. to the Dongming County Government.
2014	In October 2014, Shandong Xinhua Medicine Group Co., Ltd. purchased 40.0 per cent. of the equity interest in Shandong Zibo Xinda Medicine Co., Ltd. (山東淄博新達製藥有限公司).
	In 2014, the Guarantor increased its registered capital to RMB850.0 million.
2015	The Guarantor was restructured as a state-owned capital investment company of Shandong Province.
2016	Academy of Environmental Sciences Company, among others, was transferred to the Guarantor.
2017	In June 2017, Shandong Provincial Caijin Investment Group Co., Ltd. (山東省財金投資集團有限公司) injected U.S.$200.0 million in the Guarantor. Immediately after the injection, Shandong SASAC, Shandong Provincial Social Security Fund Council and Shandong Provincial Caijin Investment Group Co., Ltd. owned 61.2 per cent., 26.2 per cent. and 12.6 per cent. of the Guarantor's equity interest, respectively. The Guarantor's registered capital increased to RMB3.0 billion.
2019	In April 2019, after a series of capital injection and equity transfer, the Guarantor's registered capital increased to RMB3,103.0 million. As at 31 December 2019, Shandong SASAC, Shandong Provincial Social Security Fund Council, Shandong Provincial Caijin Investment Group Co., Ltd. and Shandong Development Investment Holding Group Co., Ltd. (山東發展投資控股集團有限公司) owned 59.2 per cent., 8.5 per cent., 12.2 per cent. and 3.3 per cent. of the Guarantor's equity interest, respectively.
2020	In March 2020, Lukang Pharmaceutical together with, among others, Tianjin Institute of Industrial Biotechnology of Chinese Academy of Sciences (中國科學院天津工業生物技術研究所) established Tiangong Biotechnology (Tianjin) Co., Ltd. (天工生物科技(天津)有限公司), a joint venture primarily engaging in the research and development of biotechnology, with a registered capital of RMB100 million. Lukang Pharmaceutical owned 10 per cent. of its equity interest.

In June 2020, Lukang Pharmaceutical, together with various joint venture partners established Northern Health Medical Big Data Technology Co., Ltd. (北方健康醫療大數據科技有限公司), a joint venture operating the National Health and Medical Big Data Center (North) (國家健康醫療大數據中心(北方)), with a registered capital of RMB2,500 million.

In August 2020, Lukang Pharmaceutical ranked 76th in China's Top 100 Pharmaceutical Companies 2019, published by the Ministry of Industry and Information Technology of the PRC. In October 2020, after the increase in the registered capital of Shandong Lukang Haoliyou Biotechnology Development Co., Ltd. (山東魯抗好麗友生物技術開發有限公司) ("**Lukang Haoliyou Biotechnology Development**") and the related capital contribution by Orion Holdings Corp. (株式會社好麗友控股) and Friends Food Co., Ltd. (好麗友食品有限公司), Lukang Haoliyou Biotechnology Development was owned as to 35 per cent. by Lukang Pharmaceutical and ceased to be a consolidated subsidiary of Lukang Pharmaceutical.

2021 ..... In July, the Guarantor was first assigned a corporate rating of "A3" with "stable" outlook by Moody's Investors Services, Inc. and "A-" with stable outlook by Fitch Ratings, Inc. In August 2021, Lukang Pharmaceutical ranked 61st in China's Top 100 Pharmaceutical Companies 2020, published by the Ministry of Industry and Information Technology of the PRC.

2022 ..... In July, the Guarantor, as a representative of Chinese-funded institutions in Hong Kong, attended the celebration of the 25th anniversary of Hong Kong's return to the PRC and the inauguration ceremony of the sixth-term government of the Hong Kong Special Administrative Region, and was received by the General Secretary of the Communist Party of China.

For the second consecutive year, the Guarantor maintained Moody's A3 and Fitch A- ratings, both with a stable outlook.

2023 ..... In March, the Guarantor was selected by SASAC of the State Council as a "World-Class Professional Leading Demonstration Enterprise."

In June, the Guaranor was selected by SASAC of the State Council as a "Science and Technology Reform Enterprise."

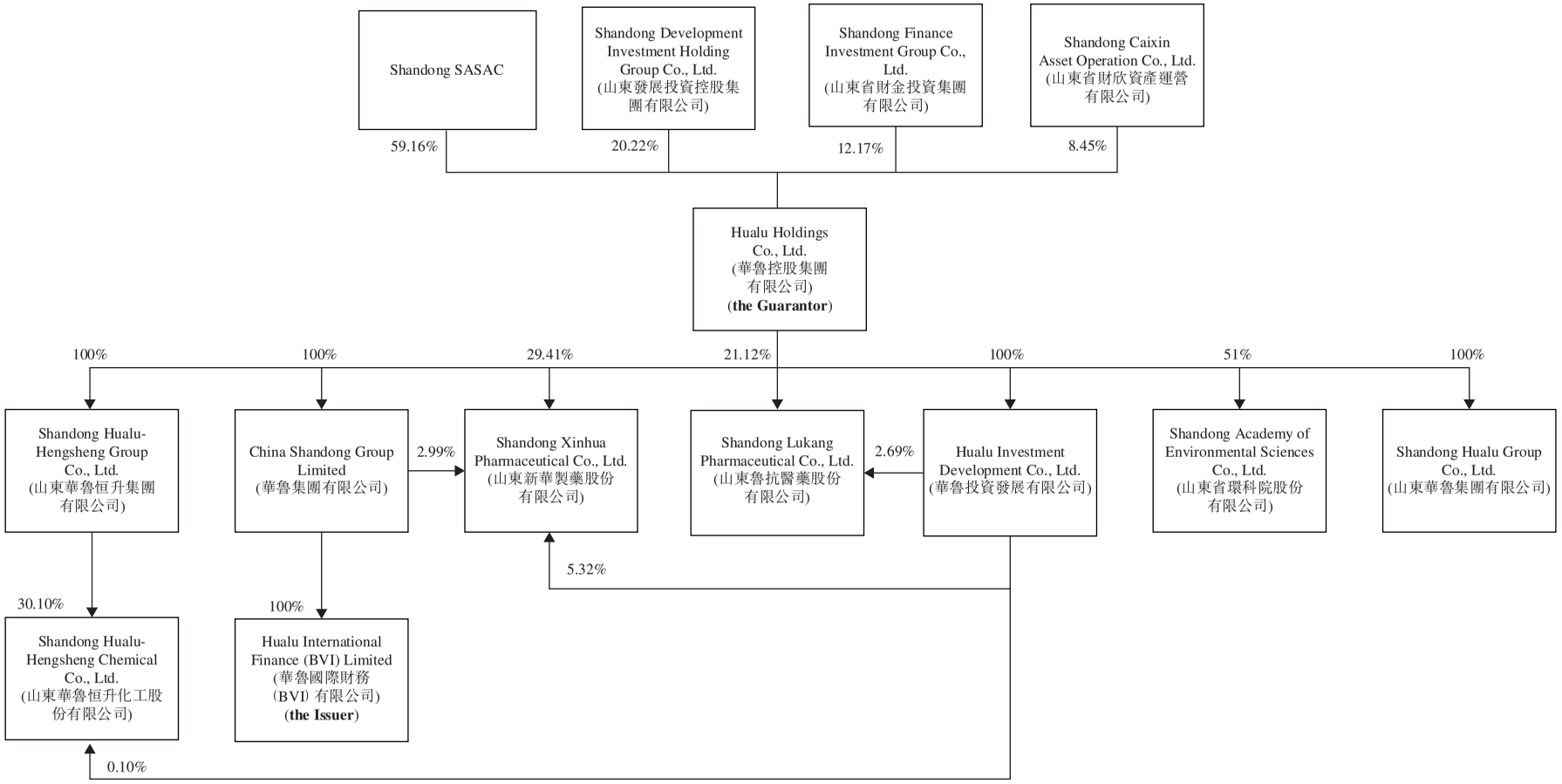
2024 ..... In September, Xinhua Pharmaceutical and Lukang Pharmaceutical were honored for the 14th time in the "China Pharmaceutical Industry Top 100" list, both entering the top 50, ranking 40th and 48th respectively.

In October, Xinhua Pharmaceutical was selected by SASAC of the State Council for the "Double Hundred Enterprises" list.

2025 ..... In September, the Guarantor was selected for the second consecutive year among China's Top 100 Large Enterprise Innovators, China's Top 500 Enterprises, and China's Top 500 Manufacturing Enterprises.

CORPORATE STRUCTURE

The following chart presents a simplified structure of the Group as at the date of this Offering Circular:



DESCRIPTION OF THE GROUP'S BUSINESS

The Group's business consists of three segments, namely (i) high-end chemicals; (ii) pharmaceuticals; and (iii) miscellaneous such as the ecological and environmental businesses.

The table below sets forth a breakdown of the Group's operating income from each business segment and as a percentage of its total operating income for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2023		2024		2025		2025		2026	
	Amount	Per cent. of total	Amount	Per cent. of total	Amount	Per cent. of total	Amount	Per cent. of total	Amount	Per cent. of total
	(audited)		*(audited)*		*(audited)*		*(unaudited but reviewed)*		*(unaudited but reviewed)*	
	(RMB in millions, except for percentages)									
High-end chemicals[1]	27,341	57.5	34,315	66.6	31,054	64.0	15,795	65.5	17,201	60.9
Pharmaceuticals[2]	14,248	30.0	14,699	28.5	14,521	29.9	7,793	32.3	7,595	26.9
Other[3]	5,911	12.5	2,533	4.9	2,981	6.1	523	2.2	3,433	12.2
Total	**47,500**	**100.0**	**51,547**	**100.0**	**48,556**	**100.0**	**24,111**	**100.0**	**28,229**	**100.0**

Notes:

1. This amount represents the aggregate of the Group's operating income from operations of chemical industry and fertilizer as reported in the Group's financial statements of the respective period.

2. This amount represents the aggregate of the Group's operating income from operations of preparation, raw materials, pharmaceutical intermediates and others as reported in the Group's financial statements of the respective period.

3. This amount represents the aggregate of the Group's operating income from operations of technical services, finance lease income, trade income, others and other operating business as reported in the Group's financial statements of the respective period.

The table below sets forth a breakdown of the Group's gross profit from each business segment and as a percentage of its total gross profit for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2023		2024		2025		2025		2026	
	Amount	Per cent. of total	Amount	Per cent. of total	Amount	Per cent. of total	Amount	Per cent. of total	Amount	Per cent. of total
	(audited)		*(audited)*		*(audited)*		*(unaudited but reviewed)*		*(unaudited but reviewed)*	
	(RMB in millions, except for percentages)									
Coal chemicals[1]	5,722	57.3	6,436	62.3	5,992	65.0	2,845	61.5	4,117	70.8
Pharmaceuticals[2]	3,907	39.1	3,535	34.3	2,917	31.6	1,639	35.4	1,553	26.7
Other[3]	358	3.6	354	3.4	317	3.4	144	3.1	144	2.5
Total	**9,987**	**100.0**	**10,325**	**100.0**	**9,226**	**100.0**	**4,628**	**100.0**	**5,814**	**100.0**

Notes:

1. This amount represents the aggregate of the Group's operating income from operations of chemical industry and fertilizer as reported in the Group's financial statements of the respective period.

2. This amount represents the aggregate of the Group's operating income from operations of preparation, raw materials, pharmaceutical intermediates and others as reported in the Group's financial statements of the respective period.

3. This amount represents the aggregate of the Group's operating income from operations of technical services, finance lease income, trade income, others and other operating business as reported in the Group's financial statements of the respective period.

High-end Chemicals

Overview

The Group's high-end chemical business is primarily conducted through Hualu-Hengsheng Group, which was established in 1996. The members of Hualu-Hengsheng Group that primarily engaged in high-end chemical business include, among others, (i) Hualu-Hengsheng (Stock Code: 600426), which is the entity primarily engaged in the Group's high-end chemical business, and (ii) Huhua-Hengsheng (Jingzhou) Co., Ltd. (華魯恒升(荊州)有限公司) ("**Hengsheng Jingzhou**"), established in November 2020, and which include production facilities current under construction, built for manufacturing and sales of its coal chemical products. See "– *Production facilities – Production facilities under construction*" for further information. The coal chemical business primarily involves the production, distribution and sale of fertilizer, organic amine, adipic acid and intermediates, acetic acid and derivatives and polyol.

The table below sets forth a breakdown of the Group's operating income from its major high-end chemical products:

	For the year ended 31 December			For the six months ended 30 June	
	2023	2024	2025	2025	2026
			(RMB in millions)		
New material related products	15,475.5	16,433.2	15,577.1	7,620.2	9,329.3
Organic amine	2,674.8	2,511.2	2,361.1	1,155.3	1,155.5
Fertilizer	5,676.1	7,296.7	7,305.7	3,878.6	3,882.3
Acetic acid and derivatives	2,051.9	4,069.8	3,387.0	1,706.1	1,877.8
Others	1,045.2	3,484.2	1,988.9	1,403.3	917.6

Products

Set forth below is a summary of Hualu-Hengsheng's primary products:

- **New material related products** include adipic acid and intermediates, isooctyl alcohol, ethylene glycol and caprolactam. Adipic acid is mainly used as a raw material for producing Nylon 66 and engineering plastics. Polyols can be used in the production of industrial products such as alkyd resins, varnishes, polyester resins and explosives, as well as important intermediates for synthetic drying oils, adhesives, plasticizers and surfactants.

- **Organic amine** includes DMF, monomethylamine, dimethylamine and trimethylamine, with DMF being the major product. DMF is mainly used for the production of polyurethane and acrylic, production of pharmaceuticals, pesticides, dyes, and electronics.

- **Fertilizer** primarily includes carbamide, which is an important fertilizer for agricultural production and industrial processing.

- **Acetic acid and derivatives** include acetic acid and acetic anhydride, with acetic acid being the major product. Acetic acid is a basic industrial chemical substance.

Sales and customers

Hualu-Hengsheng's sales network consists of internal sales and marketing personnel partnering with distributors, wholesalers, and retailers in all major markets throughout the PRC. Through this extensive network, Hualu-Hengsheng's high-end chemical products are sold in multiple provinces to a diverse base of established customers and distributors in a wide range of industries. Due to the variety of products that Hualu-Hengsheng manufactures and the markets in which such products are sold, its customer base is highly fragmented. The Group's marketing strategies vary by geographic region. In general, the Group generates business of its high-end chemical products through the efforts of its sales force, customer service personnel and regional distributors.

Procurement

Hualu-Hengsheng mainly uses three kinds of raw materials purchased from a broad supplier base for its coal chemical business, namely coal, benzene and propene. Hualu-Hengsheng's suppliers of coal are

mainly state-owned enterprises, including but not limited to China Shenhua Energy Company Limited (神華集團能源股份有限公司), Shanxi Guoyang New Energy Co., Ltd. (山西國陽新能股份有限公司) and Shanxi Coking Coal Group Co., Ltd. (山西焦煤能源集團股份有限公司). For benzene, Hualu-Hengsheng entered into strategic procurement agreements with its main suppliers, SINOPEC Chemical Commercial Holding Company Limited and China National Petroleum Corporation to secure a stable supply. For propene, Hualu-Hengsheng used both domestic and overseas propene suppliers, with Shandong Hengyuan Petrochemical Co., Ltd. (山東恒源石油化工股份有限公司), Weifang Hongrun Petrochemical Co., Ltd. (濰坊弘潤石化公司) and Shandong Haike Group Co., Ltd. (海科集團) as the main domestic suppliers.

Production facilities

Existing production facilities

Hualu-Hengsheng's production facilities in operation are strategically located at Dezhou City, Shandong Province. As at 30 June 2026, Hualu-Hengsheng was the largest DMF producer worldwide in terms of annual production capacity of 480,000 tons per year.

In 2023, the Park Gas Power Platform Project and the Syngas Comprehensive Utilization Project at Hualu Hengsheng's Jingzhou Base achieved successful one-time commissioning, with an annual production capacity of approximately 1.0 million tons of urea, 1.0 million tons of acetic acid, 0.15 million tons of DMF and 0.15 million tons of mixed methylamine. The estimated total investment amount of such projects amounted to approximately RMB11.5 billion.

In 2025, Hualu-Hengsheng completed the construction of its amide feedstock optimization and upgrading project and its 200,000-ton-per-year dicarboxylic acid project, and partially commissioned the BDO and NMP integrated project. The total investment amount of such projects amounted to approximately RMB5.0 billion.

Production facilities under construction

In 2023, the board of directors and the annual general meeting of Hualu-Hengsheng successively approved the investment in the Melamine Resin Monomer Material Feedstock and Product Optimization and Upgrading Project by Hengsheng Jingzhou. The project is designed to produce molten urea from liquid ammonia and CO_2 as raw materials, with an annual production capacity of 520,000 tons. The estimated total investment for the project amounted to approximately RMB541 million, and the project is funded through the controlling subsidiary's own funds and bank loans. The construction of the project commenced in 2023 with an estimated construction period of 24 months.

In 2025, the board of directors of Hualu-Hengsheng approved the investment in the Gasification Platform Upgrade and Renovation Project. The project is designed to replace existing gasification units while maintaining the same raw coal consumption level. The main facilities include gasification units, auxiliary production facilities and supporting utility infrastructure. The planned total investment amount for the project amounted to approximately RMB3,039 million, with an annual production capacity of syngas of 450,900 Nm^3/h (in terms of effective gas $CO+H_2$). The construction of the project commenced in 2025 and is expected to be completed in 2027, with a construction period of 18 months.

Research and Development

Hualu-Hengsheng considers scientific innovation as a driving force for its core competitiveness. In 2025, the Company invested approximately RMB1,259 million in research and development, successfully advanced 111 science and technology innovation projects, and completed over 30 online optimization and technological upgrading initiatives. Hengsheng Jingzhou was recognized as a high-tech enterprise in Hubei Province. In 2025, the Company filed 61 national patent applications and was granted 65 patents by the China National Intellectual Property Administration. It also participated in the drafting of 2 national standards and 1 group standard. The penetration rate of digital manufacturing technology in production reached 100%, with full coverage of automated control systems, and the Company was selected as one of the first batch of "Excellent-level Smart Factories" by the Ministry of Industry and Information Technology.

Pharmaceuticals

Overview

The Group conducts its pharmaceuticals business through Xinhua Pharmaceutical and Lukang Pharmaceutical and their respective subsidiaries, joint ventures and affiliates.

Xinhua Pharmaceutical

Xinhua Pharmaceutical, established in November 1943 in Shandong, was the first chemosynthetic pharmaceutical company in China. It is an important manufacturer of cardio-cerebrovascular, anti-infective, and central nervous system drugs as well as an important base for the production and export of antipyretic and analgesics drugs in China. Xinhua Pharmaceutical is listed on both the Hong Kong Stock Exchange (stock code: 0719) and Shenzhen Stock Exchange (stock code: 000756). It engages in the development, production and distribution of API, preparations and medical intermediates and distributes its products in the domestic and overseas markets, including the United States, Europe and others.

Products

Xinhua Pharmaceutical's main products are classified into three categories: API, preparations and medical intermediates. API is the component of a drug product that is intended to furnish pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment, or prevention of disease, or to affect the structure or any function of the body. Xinhua Pharmaceutical is a major production base of antipyretic and analgesic APIs in Asia. Preparations can be further classified into tablets, capsules, granules and injections. Xinhua Pharmaceutical has maintained its dominance of the domestic market for preparations, which include metamizole, amino phenazone, aspirin ibuprofen, phenazone, and levodopa. It is the exclusive producer of several products, including pipemidic acid, propyphenazone, metamizole magnesium, barbital, amytal, elofesalamide, sodium stibogluconate, and tribendimidine. Xinhua Pharmaceutical's medical intermediates include zinc acetylacetonate, calcium acetylacetonate, acetylacetone, N-methyl acetamid, among others.

The table below sets forth the production capacity and production volume of Xinhua Pharmaceutical's main products for the years ended 31 December 2023, 2024 and 2025:

	For the year ended 31 December					
	2023		2024		2025	
	Production capacity	Production volume	Production capacity	Production volume	Production capacity	Production volume
	(tons/pieces in billions/tablets in billions/granules in billions)					
API	50,000.0	35,682.0	50,000.0	35,166.0	50,000.0	37,551.0
Injections	1.5	0.5	1.5	0.4	1.5	0.3
Tablets	32.0	10.3	32.0	10.6	32.0	10.0
Capsules	1.5	0.7	1.5	0.9	1.5	0.6

Sales and Customers

Xinhua Pharmaceutical distributes its API both in the domestic and overseas markets. As the dominant producer of preparations in China, Xinhua Pharmaceutical is largely able to determine the sales price for its products. Delivery cost is mainly borne by Xinhua Pharmaceutical.

Xinhua Pharmaceutical also exports its API products through a marketing network spanning Europe, the United States and Japan as well as emerging markets in Africa, South America and Southeast Asia. Xinhua Pharmaceutical has established long-term strategic cooperative relationships with a number of globally renowned pharmaceutical companies such as Roche, Pepsi, Coca-Cola, Dastech International, F. Hoffmann-La Roche AG, Galpharm International Limited, Marksans Pharma Ltd, and EcoTag Comercial Ltda. In the domestic market, Xinhua Pharmaceutical has formed a network with pharmaceutical manufacturing companies, covering all regions in the PRC except Tibet. It has established stable relationships with approximately 300 domestic customers including Jointown Pharmaceutical Group (九州通醫藥集團), Jinzhou Jiutai (錦州九泰), Fujian Pacific Pharmaceutical (福建太平洋製藥), and Jilin Lisheng (吉林力勝).

Xinhua Pharmaceutical's preparations are primarily sold to major domestic hospitals, pharmacies and pharmaceutical agents. The sales of preparations accounted for approximately 45 per cent. of its total sales of pharmaceutical products for the six months ended 30 June 2026. The sales price for preparations is determined primarily in reference to the domestic pharmaceutical bidding price as instructed by the Pharmaceutical Price and Bidding and Procurement Guidance Centre of National Healthcare Security Administration (國家醫保局醫藥價格和招標採購指導中心). Xinhua Pharmaceutical bears the transportation cost for its products. Xinhua Pharmaceutical sells its products on its own or through agents to both wholesalers and retailers.

The table below sets forth a breakdown of Xinhua Pharmaceutical's operating income from each sub-category of its sales of API, preparations and medical intermediates for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2023		2024		2025		2025		2026	
	Amount	Per cent. of total	Amount	Per cent. of total	Amount	Per cent. of total	Amount	Per cent. of total	Amount	Per cent. of total
	(RMB in millions, except for percentages)									
API	3,120.2	38.5	2,736.0	38.5	2,645.6	30.2	1,489.4	32.1	1,244.9	28.6
Preparations	3,638.7	44.9	4,072.2	44.9	3,985.5	45.5	2,057.8	44.4	1,961.9	45
Medical intermediates	1,341.9	16.6	1,658.1	16.6	2,123.6	24.3	1,091.5	23.5	1,150.8	26.4
Total	**8,100.8**	**100.0**	**8,466.3**	**100.0**	**8,754.7**	**100.0**	**4,638.8**	**100.0**	**4,357.6**	**100.0**

Procurement

The major raw materials procured by Xinhua Pharmaceutical include acetic acid, liquid sodium hydroxide, phenol, DMS, and veratraldehyde. Xinhua Pharmaceutical strictly manages the procurement process for its raw materials to ensure the stability and high quality of its raw material supply. The procurement process is divided into planning, decision-making, execution and supervision. At the planning stage, the marketing department and production technology department jointly determine the procurement plan based on anticipated market demand and the company's production capacity. During the decision-making stage, the bidding team makes its decisions after comparing and reviewing different suppliers' bids, purchase allocations and purchase prices. The procurement department carries out the decisions made. At the supervision stage, the bidding team is responsible for external supervision to prevent suppliers' bribery, while the procurement department is responsible for internal supervision to prevent employees' embezzlement and taking kickbacks.

Production facilities

Xinhua Pharmaceutical has established four major industrial parks for its pharmaceutical production, which cover the entire industrial chain, from the manufacturing of API, medical intermediates and preparations, to commercial logistics.

The methyl dopa and series products production project initiated by Xinhua Pharmaceutical (Shouguang) Co., Ltd., (新華製藥(壽光)有限公司) ("**Xinhua Shouguang**") a wholly-owned subsidiary of Xinhua Pharmaceutical, is an important part of Xinhua Pharmaceutical's effort to expand its production capacity for specialty pharmaceutical products. The project was started in 2024 and is expected to be completed within a construction period of 24 months. The estimated total investment for this project is approximately RMB73.9 million, all of which will be funded by the Company's own funds.

The specialty pharmaceutical intermediates project initiated by Xinhua Shouguang is an important part of Xinhua Pharmaceutical's effort to expand its specialty pharmaceutical product portfolio. The project was started in 2025 and is expected to be completed with a construction period of approximately 12 months. The estimated total investment for this project is approximately RMB38.5 million, all of which will be funded by the Company's own funds.

Research and Development

For the years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2025 and 2026, Xinhua Pharmaceutical's research and development expense was approximately RMB419.2 million, RMB413.2 million, RMB381.6 million, RMB139.7 million and RMB192.7 million, respectively.

In Xinhua Pharmaceutical's innovative drug pipeline, the Phase II clinical trial for OAB-14, a drug candidate for the treatment of Alzheimer's disease, is nearing completion with patient enrollment substantially concluded. LXH-2301, indicated for gout, has commenced preparation for Phase III clinical studies, while LXH-1211 for pulmonary arterial hypertension has received approval for Phase I clinical trials. In addition, LXH-2103, an innovative drug candidate for the treatment of moderate to severe pain, has completed its Pre-IND submission. On the operational front, Xinhua Pharmaceutical's levodopa process improvement project has advanced to the process registration stage. The high-end API industrial innovation center project has commenced construction.

Lukang Pharmaceutical

Lukang Pharmaceutical has one of the most important antibiotics production bases in China. Its main businesses include the production of API and preparations for human use and veterinary and botanic drugs and the development of ecotechnology. Different from Xinhua Pharmaceutical's API and preparations which are primarily antipyretic and analgesic types, Lukang Pharmaceutical's API and preparations are primarily antibiotics, amino acids, cardiovascular and cerebrovascular drugs, semisynthetic antibiotics, biological drugs and related preparations, infusions, Chinese patent medicines, pharmaceutical intermediates, antibiotics for animal health, starch, glucose and other products. Lukang Pharmaceutical was established in 1966 and is listed on the Shanghai Stock Exchange (stock code: 600789). The "Lukang" brand has been recognised as a well-known trademark in China.

Products

Lukang Pharmaceutical's main products include antibiotics API, semisynthetic antibiotics API, preparations, veterinary antibiotics and other ancillary products such as pesticides, starch and glucose. Lukang Pharmaceutical has gained significant advantages in the field of antibiotics production and has been a leading enterprise in terms of production scale, technical sophistication, and product quality of antibiotics in the domestic market. Lukang Pharmaceutical produces a complete variety of penicillin, semisynthetic antibiotics and veterinary antibiotics, which covers most varieties of antibiotics API and preparations, forming a complete product chain from API fermentation to semi-synthetic API and manufactured preparations.

Sales and Customers

Lukang Pharmaceutical's primary export market for API is Europe, while it is also actively developing the U.S. market. It has also established an extensive and stable sales network with countries and regions in emerging markets, including those covered under China's Belt and Road Initiative, such as Southeast Asia, South Asia, the Middle East, and South America. Lukang Pharmaceutical exports its human API primarily to Russia, Central Asia and other Belt and Road markets. Its veterinary API is mainly sold to Zoetis Inc., Ceva Santé Animale, Virbac S.A., Phibro Animal Health Corporation, Huvepharma N.V. and other global animal healthcare companies.

In the domestic market for its API products, Lukang Pharmaceutical has established an industrial and commercial network led by production companies, which covers all regions in China except Tibet, Xinjiang, Gansu, and Ningxia. It has established long-term relationships with approximately 100 domestic pharmaceutical companies including Sinopharm (國藥集團), Tianjin Pharmaceutical Group Co., Ltd. (天藥集團), New Asiatic Pharmaceutical (上藥新亞), Jointown Pharmaceutical Group and so forth.

Lukang Pharmaceutical sells its preparations through cooperation with strategic customers, channel distribution, terminal delivery, agency sales, academic promotion and entrusted processing and centralized drug procurement and distribution. Through its sales channels of distributors or agents and the company's sales team, Lukang Pharmaceutical covers most of the end users of its products including hospitals, clinics and pharmacies across China.

For its veterinary drugs, Lukang Pharmaceutical focuses on sales to the domestic market while actively developing international markets. Lukang Pharmaceutical adopts various sales models, such as (i) developing and securing more transactions with corporate customers and major clients including medium and large farms, (ii) flattening marketing channels (iii) technology-oriented marketing model based on a three-tier technical service system, and (iv) e-commerce. Its product lines for veterinary drugs are divided into drugs for swine, poultry, ruminants, aquatic use and pets. Regarding flattening marketing

channels, Lukang Pharmaceutical has designated a group of personnel specifically focused on developing large-scale farms and has optimised the structure of its distributors from time to time by training and building a group of high-quality agents or distributors with strong financial capability, broad customer base and strong promoting ability. Lukang Pharmaceutical has also lowered the cost of distribution and marketing by reducing the services of the distributors that have not been sufficiently effective.

Procurement

Lukang Pharmaceutical's raw materials primarily include 7-ACA, cefradine oral powder, APA, Penicillin G Potassium, Tazobactam sodium and other API. Lukang Pharmaceutical procures raw materials primarily through its material supply department and procures machinery equipment through its mechanical power department. In order to secure high added value materials, Lukang Pharmaceutical has entered into annual supply agreements with different manufacturers, under which Lukang Pharmaceutical usually purchases a large amount of raw material in exchange for a lower price. It has also maintained a sufficient inventory of low-value consumables to avoid its working capital being tied up in the inventory.

Lukang Pharmaceutical has established strategic cooperative relationships with a number of well-known domestic companies, including Zhuhai United Laboratories Trading Co., Ltd. (珠海聯邦製藥銷售有限公司), Yili Chuanning Biotechnology Co., Ltd. (伊犁川寧生物技術有限公司), North China Pharmaceutical Company Ltd. (華北製藥股份有限公司), Shandong Pharmaceutical Glass Co., Ltd. (山東省藥用玻璃股份有限公司) and Fujian Tongchun Pharmaceutical Co., Ltd. (福建省莆田同春醫藥有限公司).

Production facilities

Lukang Pharmaceutical has established two major industrial parks, high-biotech industrial park and biomedicine circular economy industrial park, through which it has achieved efficient environmental protection, intensive growth, concentrated production, intelligent manufacturing and technology integration.

Lukang Pharmaceutical's key ongoing innovative industrial projects of include Green Bio-Manufacturing Project (綠色生物製造項目) and Continuous-flow Intelligent Manufacturing Project for Chemical APIs (連續化智能製造化學原料藥項目), with aggregate investment of approximately RMB564 million. These projects are currently undergoing pre-construction regulatory approvals including environmental impact assessment and safety assessment. In addition, the fund-raised High-end Preparation Intelligent Manufacturing Workshop Construction Project (高端制劑智能製造車間建設項目) and Biopesticide Base Construction Project (生物農藥基地建設項目), both of which are funded with raised proceeds, remain under development.

Furthermore, three Class-1 innovative drug candidates, namely CMS-203, TRN-157 and CIGB-814 are in Phase II, Phase II and Phase I clinical trials, respectively. These initiatives underscore Lukang Pharmaceutical's strategic focus on advanced bio-manufacturing, intelligent production and novel drug development to support its long-term growth and competitiveness.

Research and Development

For the years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2025 and 2026, Lukang Pharmaceutical's research and development expense was approximately RMB345.8 million, RMB317.2 million, RMB299.2 million, RMB138.2 million and RMB142.6 million, respectively.

In recent years, Lukang Pharmaceutical has established a number of innovation platforms to strengthen its R&D capabilities. It has built the Shandong Biotechnology Industry Transformation Platform with the Tianjin Institute of Industrial Biotechnology of the Chinese Academy of Sciences, focused on the industrialization and commercialization of biotechnology. It has also jointly established the Shandong University–Lukang Pharmaceutical Microbiology Technology Institute with Shandong University, dedicated to scientific innovation and technology development. In addition, Lukang Pharmaceutical has developed the Shandong Provincial International Science and Technology Cooperation Base as approved by the Shandong Provincial Department of Science and Technology, facilitating international technology transfer and collaboration with research institutions in the United States, Cuba, the Republic of Korea and other countries. Furthermore, Lukang Pharmaceutical has established a joint R&D platform with the Center for Genetic Engineering and Biotechnology of Cuba to introduce high-end APIs and finished drug products, including vaccines, peptides and genetic engineering drugs, creating broader opportunities for

cooperation between the two parties. In May 2025, Lukang Pharmaceutical's bio-based new materials demonstration project commenced operations. The project represents the world's first large-scale operation of a project using microbial technology to synthesise trans-aconitic acid (反式烏頭酸綠色生物製造專案) was officially put into operation. Through industry-academia-research collaboration with the Qingdao Institute of Bioenergy and Bioprocess Technology of the Chinese Academy of Sciences, Lukang Pharmaceutical achieved a technological breakthrough from traditional microbial fermentation to the application of synthetic biology. The project uses microbialtechnology to produce trans-aconitic acid and aconitate esters, with the aim of addressing the industry's critical technical challenge of phthalate plasticizer substitution. The project represents a key milestone in Lukang Pharmaceutical's efforts to foster new quality productive forces through technological innovation. Lukang Pharmaceutical has also been promoting the process of pharmaceutical research and BE trials for its generic drugs.

Other Business of the Group

Ecological and environmental business

The Guarantor conduct its ecological and environmental business primarily through its subsidiary, Academy of Environmental Sciences Company. Shandong Lukang Zhonghe Environment Protection Technology Co., Ltd. (山東魯抗中和環保科技有限公司) also engages in ecological and environmental business.

Academy of Environmental Sciences Company was established in 1978 and became a member of the Group in 2016. It is the largest scientific research institute of environmental protection and a leading professional comprehensive ecological and environmental service provider in Shandong Province. The footprint of Academy of Environmental Sciences Company has spread to each city in Shandong Province and expanded into over 20 provinces and autonomous region in the PRC, including Hebei Province, Inner Mongolia, Heilongjiang Province, Tibet, Gansu Province, Ningxia Autonomous Region, Sichuan Province, Xinjiang, Jiangsu Province, Shaanxi Province, Fujian Province. Academy of Environmental Sciences Company also developed the Southeast Asian market and successfully expand into countries including Malaysia.

Academy of Environmental Sciences Company specialises in a number of environmental production related services including (i) environmental consulting, which includes environmental impact assessment for construction projects, environmental supervision, pollution site investigation, dual-carbon related services such as carbon verification, carbon footprint assessment and carbon capture, utilization and storage (CCUS), as well as cleaner production audit and pollutant discharge permit management; (ii) environmental governance and remediation, which includes water and wastewater treatment, solid waste and hazardous waste treatment, soil and groundwater remediation, agricultural non-point source pollution control, mine and oilfield ecological restoration and landfill closure, covering the full value chain from feasibility study, planning and design to EPC contracting, equipment manufacturing and project investment; (iii) environmental testing and assessment, which includes environmental monitoring, solid waste and hazardous waste identification, forensic identification, site investigation and risk assessment, remediation effectiveness evaluation, and radiation environmental impact assessment; and (iv) environmental facility operation, which includes investment in environmental infrastructure such as wastewater treatment and solid waste disposal facilities, professional operation and maintenance services, and comprehensive technical support to safeguard the long-term interests of clients. In addition, Academy of Environmental Sciences Company obtained the management certifications based on ISO9001, ISO14001 and ISO45001.

Project construction

Academy of Environmental Sciences Company obtains most of its ecological and environmental projects through the bidding and tender by the government authorities and negotiation with enterprises.

Academy of Environmental Sciences Company's projects involve steps and procedures which may vary depending on the nature and scope of the project. The primary steps include preliminary communication with clients, on-site survey, internal audit, contract signing, design and review of project plan, sampling and testing, subcontracting, construction and delivery and acceptance of the projects, all of which are carried out in compliance with relevant industry norms to safeguard project quality and regulatory adherence.

Research and development

The Group values the research and development in the ecological and environmental industry. The Guarantor, together with the Nanjing Institute of Soil Science of the Chinese Academy of Sciences (中國科學院南京土壤研究所), the People's Government of Dezhou City (德州市人民政府), Zhongke Hualu Soil Remediation Engineering Co., Ltd. (中科華魯土壤修復工程有限公司) established the Professional Committee of Sediment Pollution Prevention and Control of the Shandong Environmental Sciences Society (山東省環境科學學會底泥污染防治專業委員會). As at 30 June 2026, Academy of Environmental Sciences Company had 730 employees, 368 of whom held masters' degrees or higher education qualifications, and one of whom possess professional qualifications entitling them to government subsidies from the State Council. In addition, as at 30 June 2026, Academy of Environmental Sciences Company had over 210 employees with professional qualifications including environmental impact assessment engineers, consulting engineers, environmental protection engineers, and survey and design engineers.

SAFETY AND ENVIRONMENTAL MATTERS

The Group strives to reduce its environmental footprint and combat climate change by formulating environmental protection management policies and systems, drafting environmental protection manuals, and supervising the Group's environmental management. The Group also identifies and assesses key environmental factors pertaining to its scope of businesses.

The Group has adopted various policies and taken measures to prevent health and safety risks and hazards. As at the date of this Offering Circular, the Group has complied in all material respects with the PRC laws and regulations on workplace safety that are applicable to its operations and projects. The Group has not been subject to any fines or administrative action by any PRC governmental authorities due to non-compliance with any relevant regulations.

INSURANCE

The Group maintains property, casualty and other insurance on its production and other facilities consistent with market norms and practices in China. See "*Risk Factors – Risks Relating to the Group's Businesses in General – The Group's insurance coverage may not adequately protect it against all operational risks*".

EMPLOYEES

As at 30 June 2026, the Group had approximately 20,763 employees.

Employees of the Group and its subsidiaries participate in various basic pension fund plans and social insurance plans whereby the Group and its subsidiaries are required to make monthly contributions at defined rates as stipulated by relevant regulations. The Group and its subsidiaries have not experienced any strikes, work stoppages, labour disputes or actions which would have a material adverse effect on its overall business, financial condition or results of operations.

As at the date of this Offering Circular, the Group has entered into an employment contract with each of its employees in accordance with applicable PRC and foreign laws. Such contracts include provisions on wages, vacation, employee benefits, training programmes, health and safety, confidentiality obligations and grounds for termination.

INTELLECTUAL PROPERTY

As at 30 June 2026, the Group had 1,526 registered patents in the PRC.

The Group's general policy is to seek intellectual property protection for those inventions and improvements likely to be utilized in its business activities or which obtain for it a competitive advantage. The Group relies on a variety of patents, copyrights, trade secrets, trademarks and proprietary information to maintain and enhance its competitive position.

As at the date of this Offering Circular, the Issuer is not aware of any material infringements (i) by the Group of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned by the Group and the Issuer is also not aware of any pending or threatened claims against the Group in relation to the material infringement of any intellectual property rights of third parties.

LEGAL PROCEEDINGS

Certain subsidiaries of the Group are parties to various legal proceedings in the ordinary course of business. Although the Group cannot predict the outcome of these proceedings, as at the date of this Offering Circular, the Group does not expect any such proceedings, if determined adversely against these subsidiaries, to have a material adverse effect on the Group's overall business, financial condition or results of operations.

DIRECTORS

As at the date of this Offering Circular, the Guarantor's board of directors is comprised of seven members, including the chairman, two directors and four independent directors. The term of each director lasts three years, which is renewable upon re-election and re-appointment. The board of directors determines major matters of the Guarantor and is primarily responsible for implementing the decisions of and reporting to its shareholders. The board of directors determines the Guarantor's business plan and investment plan, and determines the Guarantor's annual operating budget, financial budget plan, profit distribution, major financing plan and restructuring plan. The board of directors is responsible for the appointment and dismissal of the general manager, the appointment and removal of other senior management personnel of the Guarantor in accordance with the general manager's nomination, and the determination of the remuneration package of the general manager and other senior management personnel. Please also see "*Risk Factors – Risk Factor Relating to the Group's Business in General – The Guarantor's composition of boards of directors is not in compliance with the requirements in its articles of association*".

The following table sets forth the Guarantor's directors as at the date of this Offering Circular:

Name	Year of Birth	Position
Mr. Yang Yilong (楊奕龍)	1979	Chairman of the board of directors
Mr. Wang Tao (王濤)	1972	Deputy secretary of the Party Committee, Director, General manager
Mr. Bi Yuguo (畢玉國)	1967	Deputy secretary of the Party Committee, Director
Mr. Wang Bo (王波)	1966	Independent director
Mr. Zhang Yuming (張玉明)	1962	Independent director
Mr. Lou Hongxiang (婁紅祥)	1965	Independent director
Ms. Su Xin (蘇昕)	1968	Independent director

Mr. Yang Yilong (楊奕龍) has been the secretary of the Party Committee and the chairman of the board of directors of the Guarantor since June 2026. Prior to joining the Group, he served as a member of the Party Committee and deputy general manager of Guangxi Materials Group Co., Ltd. (廣西物資集團有限責任公司), deputy general manager and member of the Party Committee of Guangxi Modern Logistics Group Co., Ltd. (廣西現代物流集團有限公司), deputy secretary of the Party Committee, vice chairman and general manager of Guangxi Modern Logistics Group Co., Ltd. (廣西現代物流集團有限公司), and deputy secretary-general of the Shandong Provincial Party Committee and full-time deputy director of the Provincial Secrecy Committee (at the principal department level). Mr. Yang holds a master's degree in law from Renmin University of China.

Mr. Wang Tao (王濤) has been the deputy secretary of the Party Committee, director and general manager of the Guarantor since July 2024. Prior to joining the Group, he served as the director of the Party Committee Office, director of the Board of Directors Office and secretary to the board of directors of Shandong Heavy Industry Group (山東重工), He also served as deputy secretary of the Party Committee and director of Shandong Heavy Industry Group. Mr. Wang holds a bachelor's degree.

Mr. Bi Yuguo (畢玉國) has been the deputy secretary of the Party Committee and director of the Guarantor since July 2023. Prior to joining the Group, he served as deputy chief and chief of the Finance Section of the Ironmaking Plant of Laiwu Steel Co., Ltd. (萊鋼股份公司), chief of the Cost Section of the Finance Department of Laiwu Steel Co., Ltd., director and chief financial officer of Rizhao Iron and Steel Co., Ltd. (日照鋼鐵公司), deputy head of the Finance Department of Laiwu Steel Group (萊鋼集團), general manager of the Planning and Finance Department of Qilu Securities Co., Ltd. (齊魯證券公司), deputy general manager and member of the Party General Branch of Qilu Securities Co., Ltd., member of the Party Committee, deputy general manager and financial officer of Qilu Securities Co., Ltd., chairman and secretary of the Party Committee of Wanjia Fund Management Co., Ltd. (萬家基金管理公司), general manager and member of the Party Committee of Zhongtai Securities Co., Ltd. (中泰證券公司), and member of the Standing Committee of the Party Committee and vice chairman of Zhongtai Securities. Mr. Bi holds a doctoral degree.

Mr. Wang Bo (王波) has been an independent director of the Guarantor since January 2025. Prior to joining the Group, he served as an independent director of Shandong Guohui Investment Co., Ltd. (山東國惠投資有限公司), Shandong Shanke Holding Group Co., Ltd. (山東山科控股集團有限公司) and Shuifa Group Co., Ltd. (水發集團有限公司). Mr. Wang holds a doctoral degree in engineering and is an engineering technology application researcher.

Mr. Zhang Yuming (張玉明) has been an independent director of the Guarantor since September 2015. He previously worked in Jinan Dairy Factory (濟南乳品廠), Shandong Sirui Dairy Co., Ltd. (山東省斯瑞乳品有限公司), Tiantong Securities Co., Ltd. (天同證券公司), Institute of Financial Management, School of Management, Shandong University (山東大學管理學院財務管理研究所). He is currently the director of the Institute of Small and Medium-sized Enterprises of Shandong University (山東大學中小企業研究所), a professor of the Accounting Department of the School of Management of Shandong University (山東大學管理學院會計系), doctoral supervisor of management science and engineering major, and accounting major. Mr. Zhang holds a Ph.D. in economics from Fudan University (復旦大學).

Mr. Lou Hongxiang (婁紅祥) has been an independent director of the Guarantor since May 2016. He previously worked in Shandong Medical University (山東醫科大學), Japan Institute of Life Sciences (日本國立生命研究所), and School of Pharmacy, Shandong University (山東大學藥學院). He is currently a professor of School of Pharmacy, Shandong University (山東大學藥學院). Mr. Lou holds a doctoral degree in science from Shenyang Pharmaceutical University (瀋陽藥科大學).

Ms. Su Xin (蘇昕) has been an independent director of the Guarantor since July 2021. She previously served as the deputy head of the audio-visual department of the Academic Affairs Office of Shandong University of Economics (山東經濟學院教務處電教科), Deputy Chief of the Academic Affairs Office, Chief and Deputy Chief of the Faculty Section of the Shandong University of Economics (山東經濟學院教務處師資科), and deputy Director of the Teaching Management Office of Yanshan College (燕山學院教學管理辦公室), Deputy Dean of the MBA School and Deputy Director of the Academic Affairs Office of Shandong University of Finance and Economics (山東財經大學). She currently serves as the director of Government Performance Evaluation Research Centre of Shandong University of Finance and Economics (山東財經大學政府績效評價研究中心). Ms. Su holds a Ph.D. in agriculture from Ocean University of China (中國海洋大學).

SENIOR MANAGEMENT

The Guarantor currently has three deputy general managers, one chief financial officer and one secretary to the board of directors. The senior management board is responsible for overseeing the day-to-day management of the Guarantor's business and operations. The general manager is appointed by the board of directors, is accountable to the board of directors, and performs his duties pursuant to the Guarantor's articles of association and the board of directors' authorisation.

The following table sets forth the Guarantor's senior management as at the date of this Offering Circular:

Name	Year of Birth	Position
Mr. Cheng Xuezhan (程學展)	1968	Party committee member, Deputy general manager
Mr. Du Deping (杜德平)	1969	Party committee member, Deputy general manager
Mr. Yang Zhiyong (楊志勇)	1976	Party committee member, Deputy general manager
Mr. Wang Yuanliang (王遠良)	1967	Chief Financial Officer
Mr. Song Jianjiao (宋建交)	1971	Secretary to the board of directors

Mr. Cheng Xuezhan (程學展) has been a member of the Party Committee and Deputy General Manager of the Guarantor since January 2022. He currently serves as the secretary of the Party Committee, vice chairman and general manager of Hualu Group Co., Ltd. (華魯集團有限公司). Prior to joining the Group, he worked in Shandong Provincial Department of Finance (山東省財政廳), Hong Kong and Macau International (Group) Co., Ltd. (港澳國際(集團)有限公司), the Central Geological Exploration Fund Management Center of the Ministry of Land and Resources (國土資源部中央地質勘查基金管理中心), and Hualu Group Co., Ltd. (華魯集團有限公司).

Mr. Du Deping (杜德平) has been a member of the Party Committee and Deputy General Manager of the Guarantor since June 2022. Prior to joining the Group, he served as deputy director of the 7th Workshop and the 105th Workshop, assistant to the general manager, deputy general manager, member of the Party Committee, deputy secretary of the Party Committee, director and general manager of Xinhua Pharmaceutical. Mr. Du holds a doctoral degree.

Mr. Yang Zhiyong (楊志勇) has been a member of the Party Committee and Deputy General Manager of the Guarantor since April 2024. He joined the Group in 2006 and served as deputy general manager and general manager of the Audit Department of the Guarantor and the general manager of the Finance Department of the Guarantor since 2020. He currently serves as a supervisor of Hualu Investment Development Co., Ltd. (華魯投資發展有限公司), supervisor and chairman of the Supervisory Committee of Shandong Hualu Group Co., Ltd. (山東華魯集團有限公司), a supervisor of Hualu-Hengsheng and Lukang Pharmaceutical, and a director of China Shandong Group Ltd. (華魯集團(香港)有限公司). Mr. Yang holds a Master of Business Administration degree.

Mr. Wang Yuanliang (王遠良) has been the Chief Financial Officer of the Guarantor since January 2025. Prior to joining the Group, he served as deputy researcher, deputy director and researcher of the Financial Supervision Department of Shandong SASAC, independent director and chief financial officer of Shandong Luliang Group Co., Ltd. (山東魯糧集團有限公司), independent director and chief financial officer of Shandong Commercial Group Co., Ltd. (山東省商業集團有限公司), and chief financial officer of Shandong Talent Development Group Co., Ltd. (山東人才發展集團有限公司). Mr. Wang holds a bachelor's degree, and is a senior accountant and a Certified Public Accountant of the PRC.

Mr. Song Jianjiao (宋建交) has been the secretary to the board of directors of the Guarantor since June 2024. He previously served as manager, deputy director, senior deputy director and director of the Office of the Guarantor. He currently serves as the secretary to the board of directors and director of the Office of the Guarantor.

This section summarises the principal PRC laws and regulations which are relevant to the Group's business and operations. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to the Group's business and operations.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC Government. In general, court judgments do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC (the "**NPC**") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil, criminal and other matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local rules and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes or in order to enforce the law. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. The Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional rules and regulations is vested in the regional legislative and administrative bodies which promulgated such laws.

THE PRC JUDICIAL SYSTEM

Under the PRC Constitution and the Law of Organisation of the People's Courts, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts.

The local courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts are organised into civil, criminal, economic, administrative and other divisions. The intermediate courts are organised into divisions similar to those of the primary people's courts, and are further organised into other special divisions, such as the intellectual property division. The higher level courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local court to the court at the next higher level. Second judgments or orders given at the next higher level and

the first judgments or orders given by the Supreme People's Court are final. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgment which has been given by any court at a lower level, or the president of a court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried in accordance with the judicial supervision procedures.

The Civil Procedure Law of the PRC, which was adopted on 9 April 1991 and amended on 28 October 2007, 31 August 2012, 27 June 2017, 24 December 2021 and 1 September 2023, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the contract. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request for enforcement of the judgment, order or award. The time limit imposed on the right to apply for such enforcement is two years calculated from the last day of the enforcement period stipulated in the judgment by the court. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognised and enforced by a court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination in accordance with the principle of reciprocity, unless the court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

FOREIGN EXCHANGE CONTROLS

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely exchangeable into foreign exchange at this time. SAFE, under the authority of PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to 31 December 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could exchange Renminbi into foreign currency through PBOC or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis. Renminbi could also be exchanged into foreign currency at swap centres. The exchange rates used by swap centres were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap centre had to obtain the prior approval of the SAFE.

On 28 December 1993, PBOC, under the authority of the State Council, promulgated the Notice of PBOC Concerning Further Reform of the Foreign Currency Control System. The notice announced the abolition of the foreign exchange quota system, the implementation of conditional exchangeability of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centres. On 26 March 1994, PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (the "**Provisional Regulations**", repealed on 1 July 1996), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organisations and social organisations in the PRC.

On 1 January 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which was determined by demand and supply of Renminbi. Pursuant to such system, PBOC set and published the daily Renminbi-U.S. dollar exchange rate. Such exchange rate was determined with reference to the transaction price for Renminbi-U.S. dollar in the inter-bank foreign exchange market on the previous day. Also, PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by PBOC.

On 29 January 1996, the State Council promulgated Regulations of the PRC on Foreign Exchange Administration (the "**Foreign Exchange Administration Regulations**") which became effective from 1 April 1996. The Foreign Exchange Administration Regulations classifies all international payments and transfers into current account items and capital account items. Most current account items are subject to the approval by relevant banks that are duly authorised by SAFE to do so, while capital account items are still subject to SAFE approval directly. The Foreign Exchange Administration Regulations was subsequently amended on 14 January 1997 and 5 August 2008. Such amendment affirms that the State shall not restrict international current account payments and transfers.

On 20 June 1996, PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (the "**Settlement Regulations**") which became effective on 1 July 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on exchangeability of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

On 25 October 1998, PBOC and SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business pursuant to which and with effect from 1 December 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises shall be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On 8 January 2003, Interim Provision on Foreign Debts Management was promulgated by the NDRC, SAFE, and the PRC Ministry of Finance, amended on 26 July 2022 and took effect on 1 September 2022, according to which, the summation of the accumulated medium-term and long-term loans borrowed by a foreign invested entity and the balance of short-term shall not exceed the surplus between the total investment and the registered capital of the foreign-invested entity. Within the range of the surplus, the foreign invested entity may borrow foreign loans at its own will. If the loans exceed the surplus, the total investment of the foreign invested entity shall be re-examined by its original examination and approval authorities.

On 21 July 2005, PBOC announced that, beginning from 21 July 2005, the PRC will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the U.S. dollar. PBOC will announce the closing price of a foreign currency such as the U.S. dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day.

Save for foreign-invested enterprises or other enterprises which are specially exempted by relevant regulations, all entities in the PRC (except for foreign trading companies and production enterprises having import and export rights, which are entitled to retain part of foreign exchange income generated from their current account transactions and to make payments using such retained foreign exchanges in their current account transactions or approved capital account transactions) must sell their foreign exchange income to designated foreign exchange banks. Foreign exchange income from loans issued by organisations outside the territory or from the issuance of Securities and shares is not required to be sold to designated banks, but may be deposited in foreign exchange accounts with designated banks.

Enterprises in the PRC (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or exchange and pay at the designated foreign exchange banks, upon presentation of valid receipts and proof. Foreign-invested enterprises which need foreign currencies for the distribution of profits to their shareholders, and Chinese enterprises which, in accordance with

regulations, are required to pay dividends to shareholders in foreign currencies, may with the approval of board resolutions on the distribution of profits, effect payment from their foreign exchange account or exchange and pay at the designated foreign exchange banks.

Exchangeability of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction, and prior approval from SAFE or its competent branch.

In January and April 2005, SAFE issued two regulations that require PRC residents to register with and receive approvals from SAFE in connection with their offshore return/round-trip investment activities. SAFE also announced that the purpose of these regulations is to achieve the proper balance of foreign exchange and the standardisation of all cross-border flows of funds.

On 21 October 2005, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Round-trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies which became effective as at 1 November 2005. The notice replaced the two regulations issued by SAFE in January and April 2005 mentioned above. On 4 July 2014, SAFE issued the Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Return on Investment Conducted by Residents in China via Special-Purpose Companies ("**Circular 37**"), which became effective at the same day. This notice replaced the notice issued by SAFE in October 2005 mentioned above. According to the notice, "**special purpose company**" refers to the overseas enterprises that are directly established or indirectly controlled for the purpose of investment and financing by Mainland residents (including Mainland institutions and resident individuals) with their legitimate holdings of the assets or interests in Mainland enterprises, or their legitimate holdings of overseas assets or interests. Under the notice, a mainland resident can make contribution to a special purpose company with legitimate holdings of domestic or overseas assets or interests, and a mainland enterprise directly or indirectly controlled by a Mainland resident may, on the basis of real and reasonable needs, disburse loans to its registered special purpose companies pursuant to prevailing provisions, and, a mainland resident may, on the basis of real and reasonable needs, purchase foreign exchanges to remit funds overseas for the establishment, share repurchase, delisting, etc. of a special purpose company. Prior to the establishment or assumption of control of such special purpose company, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch.

On 5 August 2008, the State Council issued the Regulation of the PRC on Foreign Exchange Administration (the "**New Forex Regulation**"). The New Forex Regulation came into effect with the intention to further limit the inbound of foreign currency while relaxing the requirement of outbound investment, taking into consideration the capital reserve structure of the PRC then. Under the New Forex Regulation, foreign currency received under the current account by domestic entities will not be asked to be settled into Renminbi automatically, while foreign currency under capital account may also be maintained upon approval. Unless otherwise required by laws and regulations, applicants may go to commercial banks directly for capital investment overseas without SAFE approval.

On 30 March 2015, SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises ("**Circular 19**"), which became effective form 1 June 2015. Circular 142 and Circular 88 have been replaced by Circular 19. Circular 19. Under Circular 19, Foreign-invested enterprises are allowed to settle their foreign exchange capitals on a discretionary basis, and a foreign-invested enterprise shall be facilitated to make domestic equity investment with the amount of foreign exchanges settled.

On 13 February 2015, the SAFE issued the Circular on Further Simplifying and Improving the Foreign Exchange Administration Policies of Foreign Direct Investment which authorised qualified local banks in the PRC to carry out foreign exchange procedures in relation to inbound and outbound investment commencing from 1 June 2015.

On 26 January 2017, the SAFE issued the Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance to further advance the reform of foreign exchange administration, such as:

- funds under overseas loans secured by domestic guarantees shall be allowed to be repatriated to the PRC for use. A debtor may directly or indirectly repatriate the funds under guarantee to the PRC

for use by way of, among others, granting loans and making domestic equity investment. Where a bank fulfils its liabilities as the guarantor for an overseas loan secured by domestic guarantees, relevant foreign exchange settlement and sale shall be included in the bank's own foreign exchange settlement and sale for management;

- settlement of domestic foreign exchange loans is allowed for export trade in goods. A domestic institution shall repay loans with the foreign exchange funds received from export trade in goods, rather than, in principle, purchased foreign exchange;

- authenticity and compliance review shall be strengthened for outbound direct investment. When going through the procedures for registration of outbound direct investment and outbound remittance of funds, a domestic institution shall, in addition to submitting relevant materials for review as required, explain to the relevant bank the sources of the funds for investment and the purposes (use plan) of such funds, and provide the relevant resolution of the board of directors (or the relevant resolution of partners), the relevant contract or other materials as proof of transaction authenticity; and

- where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in Renminbi and outstanding overseas lending in foreign currencies shall not exceed 30 per cent. of its owner's equity in the audited financial statements of the preceding year.

Since September 2015, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group.

On 23 October 2019, the SAFE promulgated the Notice by the State Administration of Foreign Exchange of Simplifying Foreign Exchange Accounts, which became effective on 1 February 2020, according to which, several measures were taken to intensify, for example, "Capital accounts — special account for domestic reinvestment" is included in "capital accounts — foreign exchange capital account".

On the same day, the SAFE issued Notice by the State Administration of Foreign Exchange of Further Facilitating Cross-border Trade and Investment, which was amended in December 2023. Such regulation cancelled the restrictions on the use of funds in domestic asset realisation accounts for foreign exchange settlement and the restrictions on the number of opened foreign exchange accounts under capital accounts.

In April 2020, the SAFE issued the Notice on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business to optimize the administration of foreign exchange services, improve foreign exchange mechanisms and facilitate cross-border trade and investments, among others. The SAFE has decided the following: (i) in accordance with the principle of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on the use of income under capital accounts, enterprises that satisfy the criteria are allowed to use income under capital accounts, such as capital funds and proceeds from foreign debt and overseas listing, for domestic payment, without prior provision of proof materials for verification to the banks for each transaction; (ii) cancel the registration requirements for special refunds of remittances; (iii) simplify the procedures of registration of capital accounts for certain businesses; and (iv) relax the requirements of purchasing foreign currencies with export background for repayments of domestic foreign exchange loans.

On 15 September 2025, the SAFE issued the Notice on Matters Concerning the Deepening of the Reform of Cross-border Investment and Financing Foreign Exchange Management. The Notice sets out the following key measures: (1) the cancellation of basic information registration for pre-establishment expenses in domestic direct investment; (2) the elimination of the registration requirement for onshore reinvestment by foreign-invested enterprises; (3) the authorization of onshore reinvestment using foreign exchange profits under foreign direct investment; (4) the reduction of the negative list regarding the use of capital account income; and (5) the optimization of facilitation measures for payments involving capital account foreign exchange income.

REGULATIONS REGARDING OVERSEAS INVESTMENT AND ACQUISITION ACTIVITIES

NDRC Supervision

On 4 August 2017, NDRC, MOFCOM, PBOC and the Ministry of Foreign Affairs jointly issued the Guiding Opinions on Further Orienting and Regulating Outbound Investment (the "**Guiding Opinion**"), which classifies outbound investment into three groups: encouraged, restricted, and prohibited. The Guiding Opinion provides that the government will support enterprises to actively engage in outbound investment projects which promote the "One Belt, One Road" strategy; deepen cooperation in international production capacity; promote the transfer of quality domestic production capacity, equipment, and applicable technologies overseas; enhance China's technology research and development, production, and manufacturing capacity; help resolve the country's energy shortage problems; and promote industrial upgrade.

Under the Guiding Opinion, the encouraged group includes:

- Projects that promote outbound investment in construction in the areas covered under the "One Belt One Road" initiative, and basic infrastructure construction in the surrounding areas.

- Projects that steadily promote outbound investment that can facilitate the transfer of quality domestic production capacity, equipment, and applicable technology standards overseas.

- Projects that enhance investment cooperation with overseas high-tech and advanced manufacturing enterprises, and encourage domestic companies to set up research and development centres overseas.

- Projects that encourage domestic companies to actively participate in the exploration and development of oil, gas, and mineral projects overseas on the condition that a prudent assessment of economic benefits and interests has been conducted.

- Projects involving cooperation in agriculture.

- The government will promote outbound investment in trade and commerce, and culture and logistics, and support qualified financial institutions to establish branches and service networks overseas to carry out business lawfully.

The groups subject to restrictions include:

- Outbound projects in sensitive countries and regions that have no diplomatic relations with China; are currently at war with it; or have restrictions imposed in bilateral or multilateral agreements or conventions with China.

- Real estate, hotel, cinema, entertainment, and sports clubs.

- A stock investment fund or investment platform that does not invest in any real business overseas.

- Adopting technology standards that fall short of the required standards in the host country to manufacture production equipment.

- Failure to comply with the environmental protect, energy consumption or safety standards of the host country.

Investments falling into the first three areas listed above shall be subject to verification and approval by NDRC and other competent authorities in charge of outbound investment.

The prohibited category includes:

- Projects involving the export of core military technologies and products without the approval of the Chinese government.

- Projects involving the use of technologies, techniques, or products that are prohibited for exports.
- Projects involving gambling or pornography.
- Projects involving breach of international conventions which China is a signatory to.
- Other outbound investment projects that may endanger or potentially endanger national security.

Also, further measures will be taken to improve guidance on different types of outbound investments, including:

- Further raising government service levels to support outbound investment – such as in taxation, foreign exchange, insurance, customs, and information areas.
- Providing guidance and timely alerts to domestic enterprises on their intended investment in the restricted areas overseas.
- Imposing substantial control and regulation to prevent outbound investments in prohibited areas.

On 26 December 2017, NDRC issued the Administration of Overseas Investment of Enterprises which came effective from 1 March 2018. According to the Administration of Overseas Investment of Enterprises, the scope of approval management is the sensitive projects carried out by investors either directly or through overseas enterprises controlled thereby, the scope of filing management is the non-sensitive projects directly carried out by the investors, that is, the non-sensitive projects involving the investors' direct investment in assets, rights and interests or the provision of financing and guarantee.

For the projects under the filing management, (i) if the investor is an enterprise under the central management (including the financial enterprise under the central management, the enterprise under the direct management of the State Council or its subordinate organ, the same below), the filing authority is the NDRC; (ii) if the investor is a local enterprise, and the amount of Chinese investment is more than U.S.$300 million, the filing authority is the NDRC; (iii) if the investor is a local enterprise and the amount of Chinese investment is less than U.S.$300 million, the filing authority is the Development and Reform Department of the provincial government where the investment subject is registered.

Investment projects to be carried out in Hong Kong and/or the Macau Special Administrative Region shall be governed by the Measures for the Administration of Overseas Investment of Enterprises.

MOFCOM supervision

MOFCOM issued the new version of the Administration of Overseas Investment on 6 September 2014, effective from 6 October 2014 (the "**New Overseas Investment Rules**"). Under the New Overseas Investment Rules, a domestic enterprise intending to carry out any overseas investment shall report to the competent department of commerce for verification or filing and shall, with regard to an enterprise so verified or filed, issue thereto an Enterprise Overseas Investment Certificate. If two or more enterprises make joint investment to establish an overseas enterprise, the larger (or largest) shareholder shall be responsible for the verification or filing procedure after soliciting written consent of other investing parties.

An enterprise that intends to invest in a sensitive country or region or a sensitive industry shall apply for the verification by MOFCOM. "**Sensitive countries and regions**" mean those countries without a diplomatic relationship with the PRC, or subject to the UN sanctions or otherwise under the list of verified countries and regions published by MOFCOM from time to time. "**Sensitive industries**" mean those industries involving the products and technologies which are restricted from being exported, or affecting the interests of more than one country (or region). In accordance with the New Overseas Investment Rules, a central enterprise shall apply to MOFCOM for verification and MOFCOM shall, within 20 working days of accepting such application, decide whether or not the verification is granted.

For a local enterprise, it shall apply through the provincial department of commerce to MOFCOM for such verification. The provincial department of commerce shall give a preliminary opinion within 15 working days of accepting such local enterprise's application and report all application documents to MOFCOM, while MOFCOM shall decide whether or not the verification is granted within 15 working

days of receipt of such preliminary opinion from the provincial department of commerce. Upon verification, the Enterprise Overseas Investment Certificate shall be issued to the investing enterprise by MOFCOM.

Other than those overseas investments subject to MOFCOM verification as described above, all other overseas investments are subject to a filing requirement. The investing enterprise shall fill and complete the filing form through the Overseas Investment Management System, an online system maintained by MOFCOM and print out a copy of such filing form for stamping with the company chop, and then submit such stamped filing form together with a copy of its business license, for filing at MOFCOM (for a central enterprise) or the provincial department of commerce (for a local enterprise) respectively. MOFCOM or the provincial department of commerce shall accept the filing and issue the Enterprise Overseas Investment Certificate within 3 working days of receipt of such filing form. The investing enterprise must carry out the investment within two years of the date of the relevant Enterprise Overseas Investment Certificate, otherwise such Certificate will automatically expire and a new filing or verification application has to be made by the investing enterprise after such expiry. In addition, if any item recorded in such Certificate is changed, the investing enterprise shall handle an updating process at MOFCOM or the provincial department of commerce (as the case may be).

If an overseas invested company carries out a re-investment activity offshore, the investing enterprise shall report such re-investment activity to MOFCOM or the provincial department of commerce (as the case may be) after the investment is completed offshore. The investing enterprise shall fill in and print out a copy of the Overseas Chinese-invested Enterprise Re-investment Report Form from the Overseas Investment Management System and stamp and submit such Report Form to MOFCOM or the provincial department of commerce.

The New Overseas Investment Rules specifically provide that an overseas invested company cannot use the words of "China" ("**中國**" or "**中華**") in its name, unless otherwise approved.

Foreign Exchange Administration

According to Administrative on Foreign Exchange of PRC and Circular of the State Administration of Foreign Exchange on Promulgating the Administrative Provisions on Foreign Exchange of the Outbound Direct Investments of Domestic Institutions, corporations, enterprises or other economic organisations (domestic investors) that have been permitted to make outbound investment shall go through the procedures of registration to the Foreign Exchange Bureau. The Foreign Exchange Bureau shall issue the Foreign Exchange Registration Certificate for overseas direct investment or an IC card to the domestic institution. The domestic institution shall go through the formalities for outward remittance of funds for overseas direct investment at a designated foreign exchange bank by presenting the approval document issued by the department in charge of overseas direct investment and the Foreign Exchange Registration Certificate for overseas direct investment. The scope of foreign exchange funds for overseas direct investment of domestic institutions includes their own foreign exchange funds, domestic loans in foreign currencies in compliance with relevant provisions, foreign exchange purchased with Renminbi, material objects, intangible assets and other foreign exchange funds approved by the Foreign Exchange Bureau for overseas direct investment. The profits gained from overseas direct investment of domestic institutions may be deposited in overseas banks and used for overseas direct investment.

The SAFE promulgated Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (the "**2015 SAFE Circular**") on 13 February 2015. The 2015 SAFE Circular aims to deepen the reform of foreign exchange administration of capital accounts, promote and facilitate the capital operation of enterprises in making cross-border investments, regulate the direct investment-related foreign exchange administration business, improve the administration efficiency. The 2015 SAFE Circular set forth the following reformation: (i) cancel two administrative examination and approval items: verification and approval of foreign exchange registration under domestic direct investment, and verification and approval of foreign exchange registration under overseas direct investment; After the implementation hereof, a bank that has obtained the financial institution identification code assigned by the relevant Foreign Exchange Bureau and has activated the capital account information system with the Foreign Exchange Bureau at its domicile may handle Foreign Exchange Registration of Direct Investment for foreign-invested enterprises in the Mainland and the domestic investors of enterprises invested overseas directly through the capital account information system of the Foreign Exchange Bureau; (ii) cancel the confirmation and registration of foreign investors' non-monetary contribution and the confirmation and registration of

foreign investors' contribution to purchasing the equity held by the Chinese party under domestic direct investment; (iii) the confirmation and registration of foreign investors' monetary contribution is adjusted to book-entry registration of domestic direct investment monetary contribution.

The 2015 SAFE Circular, which is new regulation, has been promulgated to control the remittance of Renminbi for payment of transactions categorised as capital account items and such new regulation will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

State-owned Assets Supervision

Relevant applicable laws and regulations include Interim Measures for Administration of Overseas State-owned Property Rights of Central Enterprises and Interim Measures for the Supervision and Administration of Overseas State-owned Assets of Central Enterprises and Interim Measures for the Supervision and Management of Overseas Investment of Central Enterprises.

If the domestic enterprise is a central enterprise, it shall establish and perform investment decision-making procedures and management control systems, shall establish and improve administration systems to be submitted to the SASAC for record-filing, and shall establish an annual investment plan and submit it to SASAC and make a copy of the project approval documents to SASAC.

Overseas enterprises which have completed overseas registration shall make state-owned assets ownership registration with SASAC.

ENTERPRISE INCOME TAX LAW

Prior to 1 January 2008, under the then applicable PRC law and regulations (the "**Old EIT Law**"), entities established in the PRC were generally subject to a 33 per cent. enterprise income tax, or BIT. However, entities that satisfied certain conditions enjoyed preferential tax treatment. In accordance with the tax laws and regulations effective until 31 December 2007, foreign invested manufacturing enterprises scheduled to operate for a period not less than ten years were exempted from paying state income tax for two years starting from its first profit making year and were allowed a 50 per cent. reduction in its tax rate in the third, fourth and fifth years ("**two-year exemption and three-year reduction by half**").

On 16 March 2007, the NPC enacted the EIT Law, which, together with its related implementation rules issued by the State Council on 6 December 2007, became effective on 1 January 2008. The EIT Law imposes a single uniform income tax rate of 25 per cent. on all Chinese enterprises, including foreign invested enterprises, and eliminates or modifies most of the tax exemptions, reductions and preferential treatments available under the previous tax laws and regulations. On 26 December 2007, the State Council issued a Notice on the Implementation of the Transitional Preferential Tax Policies ("**Circular 39**"). Further, as at 1 January 2008, the enterprises that previously enjoyed "two-year exemption and three-year reduction by half" of the enterprise income tax and other preferential treatments in the form of tax deductions and exemptions within specified periods may, after the implementation of the EIT Law, continue to enjoy the relevant preferential treatments until the expiration of the time period. However, if such an enterprise has not enjoyed the preferential treatments yet because of its failure to make profits, its preferential time period shall be calculated from 2008.

Under the EIT Law, the preferential tax treatment for encouraged enterprises located in western China and certain industry-oriented tax incentives are still available. The Chinese and foreign-invested enterprises within the state-encouraged industry located in western China may be taxed at a preferential income tax rate of 15 per cent. for years from 1 January 2011 to 31 December 2030 after being approved by the competent tax authority.

VALUE ADDED TAX

According to the Tentative Regulations on the Value-added Tax of the PRC (which was revised by the State Council on 10 November 2008, and further revised by the Decision of the State Council on Amending Certain Administrative Regulations promulgated by the State Council on 6 February 2016, and

further revised by the State Council on 19 November 2017 and came into effect on the same day), and the Detailed Implementation Rules of the Tentative Regulations on the Value-added Tax of the PRC promulgated by the PRC Ministry of Finance which came into effect on 1 January 2009 and was amended on 28 October 2011, organisations or individuals who sell commodities, provide processing, repairing or replacement services, or import commodities within the PRC's territories are subject to value-added tax, and shall pay the value-added tax accordingly. The rate of the value-added tax shall be 17 per cent. or 13 per cent., depending on the commodities being sold. For taxpayers exporting commodities, the tax rate shall be zero per cent.

With the reform of value-added tax since 2012, the Ministry of Finance and the State Administration of Taxation promulgated a series of regulations and commenced pilot from the transport industry and part of the modern service industries which gradually expands to the scope of the pilot reform region and the applicable industry scope, and ultimately under the Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax which was promulgated on 23 March 2016 and came into effect on 1 May 2016, the pilot program of replacing business tax with value-added tax shall be implemented nationwide effective since 1 May 2016 and all business tax payers in construction industry, real estate industry, finance industry and service industry, etc., shall be included in the scope of the pilot program and pay value-added tax instead of business tax.

For provision of transportation, postal, basic telecommunication, construction services, leasing of immovables, sale of immovables and transfer of land use right, the tax rate shall be 11 per cent. For provision of leasing services of tangible movables, the tax rate shall be 17 per cent. The tax rate for cross-border taxable acts of entities or individuals in China shall be zero. And except for the above, the tax rate for taxable acts of taxpayers shall be 6 per cent.

On 4 April 2018, Ministry of Finance and State Administration of Taxation issued the Notice on the Adjustment to VAT Rates which came into effect on 1 May 2018. According to the notice, the deduction rates of 17 per cent. and 11 per cent. applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16 per cent. and 10 per cent. respectively. On 20 March 2019, Ministry of Finance, State Administration of Taxation, General Administration of Customs issued the Announcement on Policies for Deepening the VAT Reform which came into effect on 1 April 2019.

According to the announcement, for general VAT payers' sales activities or imports that are subject to VAT at an existing applicable rate of 16 per cent. or 10 per cent., the applicable VAT rate is adjusted to 13 per cent. or 9 per cent. respectively.

On 25 December 2024, the NPC issued the VAT Law, which took effect on 1 January 2026 and repealed the Tentative Regulations on the Value-added Tax of the PRC. On 25 December 2025, the State Council issued the Regulations for the Implementation of the Value-Added Tax Law, which took effect on 1 January 2026. According to the VAT Law and its implementation regulations, organisations or individuals who sell commodities, provide processing, repairing, replacement services or tangible movable property leasing services, or import commodities within the PRC's territories are subject to value-added tax, and shall pay the value-added tax accordingly. The rate of the value-added tax shall be 13 per cent. For provision of transportation, postal, basic telecommunication, construction services, leasing of immovables, sale of immovables and transfer of land use right, the tax rate shall be 9 per cent. For taxpayers exporting commodities, the tax rate shall be zero per cent. For the selling of financial product, the VAT rate is 6 per cent if the financial product is issued within the PRC or the sellers of the financial product are PRC entities or individuals. The PRC VAT Law is unlikely to be applicable to any transfer of the Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of the Bonds.

However, the PRC VAT Law together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on interest or gains on the transfer of the Bonds, the value of the relevant Bondholder's investment in the Bonds may be materially and adversely affected.

ENVIRONMENTAL PROTECTION LAWS

The Ministry of Ecology and Environment is responsible for the overall supervision and management of environmental protection in the PRC. All manufacturers in the PRC must comply with environmental laws and regulations including the Ecological and Environmental Code of the People's Republic of China (中華人民共和國生態環境法典, "**Ecological and Environmental Code**"), promulgated by NPC on 12 March 2026, which became effective on 15 August 2026, and relevant environmental regulations such as provisions regarding the treatment and disposal of pollutants and sewage, discharge of polluted fumes and the prevention of industrial pollution. Depending on the circumstances and the seriousness of the violation of the environmental regulations, the local authorities are authorised to impose various types of penalties on the persons or entities in violation of the environmental regulations. The penalties which could be imposed include the issue of warnings, suspension of operation or installation and use of preventive facilities which are incomplete and fail to meet the prescribed standards, reinstallation of preventive facilities which have been dismantled or left idle, administrative sanction against office-in-charge, suspension of business operations or shut-down of the enterprise or institution. Fines could also be levied together with these penalties. The relevant local authorities may apply to the court for compulsory enforcement of environmental compliance. The persons or entities in violation of the applicable laws and regulations may also be liable to pay damages to the victims and/or result in criminal liability.

Other major environmental protection laws applicable to the Group include: Regulations of Environmental Management on Project and Regulations of Environmental Protection Acceptance Inspection on Projects Completion.

CROSS-BORDER SECURITY LAWS

On 12 May 2014, SAFE promulgated the Notice concerning the Foreign Exchange Administration Rules on Cross-border Security and the relating implementation guidelines (collectively the "**New Regulations**"). The New Regulations, which come into force on 1 June 2014, replace twelve other regulations regarding cross-border security and introduce a number of significant changes, including: (i) abolishing prior SAFE approval and quota requirements for cross-border security; (ii) requiring SAFE registration for two specific types of cross-border security only; (iii) removing eligibility requirements for providers of cross-border security; (iv) providing that the validity of any cross-border security agreement is no longer subject to SAFE approval, registration, filing, or any other SAFE administrative requirements; (v) removing SAFE verification requirement for performance of cross-border security. A cross-border guarantee is a form of security under the New Regulations. The New Regulations classify cross-border security into three types:

- Nei Bao Wai Dai (內保外貸) ("**NBWD**"): security/guarantee provided by an onshore security provider for a debt owing by an offshore debtor to an offshore creditor.

- Wai Bao Nei Dai (外保內貸) ("**WBND**"): security/guarantee provided by an offshore security provider for a debt owing by an onshore debtor to an onshore creditor.

- Other Types of Cross-border Security (其他形式跨境擔保): any cross-border security/guarantee other than NBWD and WBND.

In respect of NBWD, in the case where the onshore security provider is a non-financial institution, it shall conduct a registration of the relevant security/guarantee with SAFE within 15 working days after its execution (or 15 working days after the date of any change to the security). The funds borrowed offshore shall not be directly or indirectly repatriated to or used onshore by means of loans, equity investments or securities investments without SAFE approval. The onshore security provider can pay to the offshore creditor direct (by effecting remittance through an onshore bank) where the NBWD has been registered with SAFE. In addition, if any onshore security provider under a NBWD provides any security or guarantee for an offshore bond issuance, the offshore issuer's equity shares must be fully or partially held directly or indirectly by an onshore security provider. Moreover, the proceeds from any such offshore bond issuance must be applied towards the offshore project(s), where an onshore entity holds equity interest, and in respect of which the related approval, registration, record, or confirmation have been obtained from or made with the competent authorities subject to PRC Laws.

On 26 January 2017, SAFE issued the Circular on Further Promoting the Reform of Foreign Exchange Administration and Improving the Genuineness and Compliance Review and Verification Process (關於進一步推進外匯管理改革完善真實合規性審核的通知) (the "**SAFE Circular 3**"), which eases certain restrictions on the use of proceeds raised under a NBWD structure and generally allows the proceeds raised under a NBWD structure to be repatriated onshore and used in the PRC by way of loans and equity investments. The second series of the Policy Q&As in relation to the SAFE Circular 3 (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知(匯發(2017)3號)政策問答(第二期)) ("**Policy Q&As in relation to the SAFE Circular 3**") published by SAFE on its official website on 27 April 2017 further clarified that, for offshore bond issuance by offshore entities which is secured by PRC onshore guarantees, the restrictions on the use of proceeds for offshore bond issuance as mentioned in the New Regulations above still apply despite of the SAFE Circular 3. However, in practice, application or exemption of such restrictions on the use of proceeds to a large extent remains subject to SAFE's discretion on a case by case basis.

The SAFE Circular 3 and Policy Q&As in relation to the SAFE Circular 3 are relatively new and will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the SAFE Circular 3 and Policy Q&As in relation to the SAFE Circular 3.

The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The Guarantor's obligations in respect of the Bonds and the Trust Deed are contained in the Deed of Guarantee. The Deed of Guarantee will be executed by the Guarantor on or before the Issue Date. Under the New Regulations, the Deed of Guarantee does not require any pre-approval by SAFE and is binding and effective upon execution.

The Guarantor is required to submit the Deed of Guarantee to the local SAFE for registration within 15 working days after its execution. The SAFE registration is merely a post signing registration requirement, which is not a condition to the effectiveness of the Guarantee.

Under the New Regulations, the local SAFE will review of the Guarantor's application for registration. Upon completion of the review, the local SAFE will issue a registration certificate or record to the Guarantor to confirm the completion of the registration.

Under the New Regulations:

- non-registration does not render the Guarantee ineffective or invalid under PRC law although SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame of 15 working days; and

- there may be logistical hurdles at the time of remittance (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE registration in order to effect such remittance, although this does not affect the validity of the Guarantee itself.

The Terms and Conditions of the Bonds provide that the Guarantor undertakes to file or cause to be filed with the Shandong Branch (or other relevant branch) of the SAFE the Deed of Guarantee in accordance with the Cross-Border Security Registration. The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline and shall comply with all applicable PRC laws and regulations in relation to the Guarantee. If the Guarantor fails to complete the SAFE registration and deliver the registration records to the Trustee before the Registration Deadline, the holders will have a put option to require the Issuer to redeem the Bonds held by them at 100 per cent. of their principal amount together with accrued interest (see Condition 6(c) of the Terms and Conditions of the Bonds).

NDRC

The NDRC issued the NDRC Administrative Measures on 5 January 2023, which came into effect on 10 February 2023 and repealed the Circular on Promoting the Reform of the Filings and Registration System for Issuance of Foreign Debt by Enterprises on the same day.

According to the NDRC Administrative Measures, an enterprise shall undergo formalities for approval and registration procedure managed by the NDRC to obtain the Certificate of Review and Registration. Without prior approval and registration, no foreign debt may be borrowed. The NDRC Administrative Measures further (i) tighten requirements on the condition of enterprises for borrowing foreign debt; (ii) clarify the penalties and legal liability of non-compliant enterprises, relevant intermediaries and responsible persons; (iii) broaden the scope of responsibility of such enterprises, intermediary or person; and (iv) increase the legal consequences for non-compliant entities. The NDRC Administrative Measures also prohibit foreign debt proceeds from being used to threaten information and data security, to increase local government's hidden debts, or for speculative purposes. Under the NDRC Administrative Measures, an enterprise shall, (i) within 10 working days after the borrowing of each foreign debt, submit the information on the borrowed foreign debt to the NDRC, (ii) within 10 working days after the expiration of the Certificate of Review and Registration, file a report with the NDRC on the status of the borrowed foreign debt, and (iii) within five working days prior to the end of January and end of July each year, file a report with the NDRC detailing the deployment of proceeds as of the applicable period, the status of payment obligations, as well as material information pertaining to the Issuer's (or the guarantor's, as the case may be) operations. Where a material development which may affect the Issuer's (or the Guarantor's, as the case may be) ability to perform its obligation to repay its debt securities has happened, or upon the occurrence of any material development, the enterprise shall file a report with the NDRC in a timely manner.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Bonds.

BRITISH VIRGIN ISLANDS

Under existing British Virgin Islands law, payments of interest and principal on the Bonds will not be subject to taxation in the British Virgin Islands and no withholding will be required on the payment of interest and principal to any holder of the Bonds nor will gains derived from the disposal of the Bonds be subject to British Virgin Islands income or corporation tax, provided that the payments are made to persons who are not resident in the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Bonds.

There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to payments the Issuer may make under the transaction documents relating to the Bonds or under the guarantee.

If neither the Issuer nor any subsidiary holds an interest in real estate in the British Virgin Islands, no stamp duty is payable in respect of the issue of the Bonds or on an instrument of transfer in respect of the Bonds.

HONG KONG

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(a) Interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(b) Interest on the Bonds is derived from Hong Kong and is received by or accrues to a person other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business;

(c) Interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112 of the Laws of Hong Kong) (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(d) Interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or

redemption of the Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of the Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisers to ascertain the applicability of any exemptions to their individual position.

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

PRC

The following summary describes the principal PRC tax consequences of ownership and disposition of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-resident Bondholders in this "Taxation – PRC" section. In considering whether to invest in the Bonds, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Income Tax

Pursuant to the Enterprise Income Tax Law effective on 1 January 2008 and amended on 24 February 2017 and 29 December 2018, and the PRC Individual Income Tax Law effective on 1 January 2019, and their respective implementation regulations, an income tax is imposed on payments of interest by way of withholding in respect of the Bonds, made by the Issuer or the Guarantor to non-resident Bondholders, including non-resident enterprises and non-resident individuals. The current rates of such income tax are 20 per cent for non-resident individuals and 10 per cent for non-resident enterprises of the gross amount of the interest. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management bodies" of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the Enterprise Income Tax Law and be subject to enterprise income tax at the rate of 25 per cent. on its taxable income.

In addition, as the Guarantor is currently regarded as a Chinese mainland's tax resident enterprise, if the Issuer is not able to make payments under the Bonds and the Guarantor fulfils the payment obligations under the Guarantee, the Guarantor must withhold the Chinese mainland's income tax on payments with respect to the interest accrued on the Bonds to non-resident enterprise holders generally at the rate of 10 per cent. (and possibly at a rate of 20 per cent. in the case of payments to non-resident individual holders), subject to the provisions of any applicable tax treaty.

However, the tax so charged on interests paid on the Bonds to non-resident Bondholders who or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排) which was promulgated on 21 August 2006 (the "**Tax Arrangement**") for the purpose of the avoidance of double taxation will be 7 per cent. of the gross amount of the interest pursuant to the Tax Arrangement and relevant interpretation of the Tax Arrangement formulated by the State Administration of Taxation of China.

Under the Enterprise Income Tax Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the Enterprise Income Tax Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the Enterprise Income Tax Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Tax Arrangement, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, may be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

VAT

In addition, pursuant to Circular 36 which took effect on 1 May 2016, entities and individuals providing services within the PRC are subject to VAT. The services are treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. Circular 36 further clarifies that "loans" refer to the activity of lending capital for another's use and receiving interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of the Bonds is likely to be treated as a "loan" provided by the Bondholders to the Issuer or the Guarantor, which thus shall be regarded as financial services for VAT purposes. In general, the income derived from the provision of loans will not be subject to VAT in the PRC if none of the Issuer, the Guarantor or the Bondholders is within the PRC. However, it is uncertain whether a foreign incorporated company which is deemed to be a PRC resident enterprise would be regarded as being within the PRC. In the event that the Issuer or the Guarantor is deemed to be a PRC resident enterprise and is deemed to be within the PRC by the PRC tax authorities, the Bondholders may be deemed to be providing financial services to the Issuer or the Guarantor within the PRC and consequently, the amount of interest on the Bonds payable by the Issuer or the Guarantor to any non-resident Bondholders may be subject to withholding VAT at the rate of 6 per cent. plus related surcharges.

Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and neither the Issuer nor the Guarantor has the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC.

The interpretation and enforcement of Circular 36 and other applicable laws and regulations pertaining to PRC VAT involve uncertainties, and the above statements may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

On 25 December 2024, the NPC issued the New Value-Added Tax Law ("**New VAT Law**"), which is effective on 1 January 2026. On 25 December 2025, the State Council issued the Regulations for the Implementation of the Value-Added Tax Law, which is effective on 1 January 2026. Pursuant to the New VAT Law and its implementation rules, VAT is applicable where the entities or individuals provide services within the PRC. The revenues generated from the taxable sale of services by entities and individuals, such as financial services, shall be subject to PRC VAT, if the seller of the services is within the PRC or the services in consumed within the PRC (including services provided to the entities or individuals located within the PRC by the entities or individuals outside of the PRC). Thus, the Issuer or the Guarantor may be obligated to withhold VAT on payments of interest and certain other amounts on the Bonds paid by the Issuer or the Guarantor to the Bondholders that are non-resident enterprises or individuals. VAT is unlikely to be applicable to any transfer of the Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of the Bonds, but there is uncertainty as to the applicability of VAT if the seller of the Bonds is located inside

the PRC. Since the New VAT Law together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

Pursuant to the Enterprise Income Tax Law, the PRC Individual Income Tax Law and the VAT reform detailed above, if the Issuer or the Guarantor is regarded as a PRC tax resident enterprise, it shall withhold income tax (should such tax apply) from the payments of interest in respect of the Bonds for any non-resident Bondholder and the Issuer or the Guarantor shall withhold VAT (should such tax apply) from the payments of interest in respect of the Bonds for any Bondholder located outside of the PRC. However, in the event that the Issuer or the Guarantor is required to make such a deduction or withholding (whether by way of income tax, VAT or otherwise), the Issuer and the Guarantor have agreed to pay such additional amounts as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, as further set out in the "*Terms and Conditions of the Bonds*".

Stamp Duty

No PRC stamp duty will be imposed on non-resident Bondholders either upon issuance of the Bonds or upon a subsequent transfer of Bonds to the extent that the register of holders of the Securities is maintained outside the PRC and the issuance and the sale of the Bonds is made outside of the PRC.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the PRC) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Bonds.

DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The Historical Financial Statements included in this Offering Circular have been prepared and presented in accordance with PRC GAAP.

PRC GAAP are substantially in line with IFRS, except for certain modifications which reflect China's unique circumstances and environment. The following is a general summary of certain differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Guarantor. The differences identified below are limited to those significant differences that are appropriate to the Historical Financial Statements included in this Offering Circular. Since the summary is not meant to be exhaustive, there can be no assurance that the summary below is complete. The Guarantor has not prepared a complete reconciliation of the consolidated financial information and related footnote disclosure between PRC GAAP and IFRS and has not quantified such differences. Had any such quantification or reconciliation been undertaken by the Guarantor, other potentially significant accounting and disclosure differences may have been required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between PRC GAAP and IFRS that may affect the financial information as a result of transactions or events that may occur in the future. Accordingly, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete. In making an investment decision, each investor must rely upon its own examination of the Guarantor, the terms of the offering and other disclosure contained herein. Each investor should consult its own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

REVERSAL OF AN IMPAIRMENT LOSS

Under PRC GAAP, once an impairment loss is recognised for a long-term asset (including investment property valued under cost model, long-term equity investments, fixed assets, intangible assets and goodwill, etc.), it shall not be reversed in any subsequent period.

Under IFRS, an impairment loss recognised in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognised.

FIXED ASSETS AND INTANGIBLE ASSETS

Under PRC GAAP, only the cost model is allowed. Under IFRS, an entity can choose either the cost model or the revaluation model as its accounting policy.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Managers with effect from 13 October 2026 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to issue, and the Managers have agreed to severally, but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds set forth opposite its name below:

Managers	**Principal amount of the Bonds to be subscribed**
	(CNY)
Guotai Junan Securities (Hong Kong) Limited	105,000,000
China Securities (International) Corporate Finance Company Limited	105,000,000
China Galaxy International Securities (Hong Kong) Co., Limited	105,000,000
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch	70,000,000
Industrial and Commercial Bank of China (Asia) Limited	70,000,000
China Construction Bank (Asia) Corporation Limited	70,000,000
CMB Wing Lung Bank Limited	70,000,000
Bank of China (Hong Kong) Limited	70,000,000
The Hongkong and Shanghai Banking Corporation Limited	70,000,000
China International Capital Corporation Hong Kong Securities Limited	70,000,000
CLSA Limited	70,000,000
Zhongtai International Securities Limited	30,000,000
Industrial Bank Co., Ltd. Hong Kong Branch	53,000,000
Tai Fung Bank Limited	53,000,000
Industrial and Commercial Bank of China (Macau) Limited	53,000,000
Bank of China Limited	53,000,000
Agricultural Bank of China Limited Hong Kong Branch	53,000,000
China Minsheng Banking Corp., Ltd. Hong Kong Branch	53,000,000
China CITIC Bank International Limited	53,000,000
Ping An Securities (Hong Kong) Company Limited	53,000,000
BOCOM International Securities Limited	53,000,000
China Everbright Bank Co., Ltd., Hong Kong Branch	53,000,000
Luso International Banking Limited	53,000,000
Hua Xia Bank Co., Limited Hong Kong Branch	53,000,000
China Zheshang Bank Co., Ltd. (Hong Kong Branch)	53,000,000
DBS Bank Ltd.	53,000,000
Haitong Bank, Macau Branch	53,000,000
China Industrial Securities International Brokerage Limited	53,000,000
Orient Securities (Hong Kong) Limited	53,000,000
Guodu Securities (Hong Kong) Limited	53,000,000
China Merchants Securities (HK) Co., Limited	53,000,000
Shenwan Hongyuan Securities (H.K.) Limited	53,000,000
CMBC Securities Company Limited	53,000,000
Total	**2,018,000,000**

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Managers against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Managers are subject to certain conditions precedent and entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory,

investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer and the Guarantor for which they have received, or will receive, fees and expenses.

In connection with the Offering of the Bonds, the Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, may place orders, receive allocations and purchase the Bonds for their own account (without a view to distributing such Bonds). Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering. Accordingly, references herein to the Bonds being "offered" should be read as including any offering of the Bonds to the Managers and/or their respective affiliates or affiliates of the Issuer or the Guarantor, for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Bonds. If this is the case, liquidity of trading in the Bonds may be constrained (see "*Risk Factors – Risks Relating to the Bonds and the Guarantee – The liquidity and price of the Bonds following this offering may be volatile*"). The Issuer, the Guarantor and the Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

In the ordinary course of their various business activities, the Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Guarantor, including the Bonds and could adversely affect the trading prices of the Bonds. The Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer or the Guarantor and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments.

In connection with the issue of the Bonds, any of the Managers appointed or acting as Stabilisation Manager or any person acting on behalf of the Stabilisation Manager (provided that China CITIC Bank International Limited shall not be appointed and as as Stabilisation Coordinator) may, subject to all applicable laws, over-allot the Bonds or effect transactions with a view to supporting the market price(s) of the Bonds at a level above that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Managers shall act as principal and not as agent of the Issuer. However, there can be no assurance that the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of allotment of the Bonds. Such stabilisation shall be in compliance with all applicable laws, regulations and rules. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Managers.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the Joint Lead Managers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Joint Lead Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Joint Lead Manager(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: dcm.kylin@gtjas.com.hk; debtsyndicate@csci.hk; dcm_hk@csci.hk; dcm.execution@chinastock.com.hk

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for

submitting orders in this offering. The Joint Lead Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Joint Lead Manager with such evidence within the timeline requested.

GENERAL

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds are subject to restrictions and may not be made except pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or the Managers that would, or is intended to permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds may be distributed or published, by the Issuer, the Guarantor or the Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer, the Guarantor or the Managers. Persons into whose hands this Offering Circular comes are required by the Issuer, the Guarantor and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver the Bonds or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Bonds, in all cases at their own expense.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any of their respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the Issuer in such jurisdiction.

UNITED STATES

The Bonds and the Guarantee have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds and the Guarantee are being offered and sold outside of the United States in reliance on Regulation S. In addition, until 40 days after the commencement of the offering of the Bonds and the Guarantee, an offer or sale of the Bonds or the Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

UNITED KINGDOM

Each of the Managers has represented, warranted and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

BRITISH VIRGIN ISLANDS

Each of the Managers has represented, warranted and agreed that no invitation, whether directly or indirectly, has been or may be made to the public in the British Virgin Islands or any natural person resident or citizen in the British Virgin Islands to subscribe for or purchase any of the Bonds.

This Offering Circular does not constitute, and will not be, an offering of the Bonds to any person in the British Virgin Islands to subscribe for or purchase any of the Bonds, and the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands as otherwise permitted by British Virgin Islands laws.

HONG KONG

Each of the Managers has represented, warranted and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than:

(a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**") and any rules made under the SFO; or

(b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

SINGAPORE

Each of the Managers has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Managers has represented, warranted and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

THE PRC

Each of the Managers has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

JAPAN

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

MACAU

Each of the Managers represents, warrants and agrees that the Bonds have not been and will not be promoted, distributed, sold or delivered in Macau, or any document relating to the Bonds be distributed or circulated in Macau, except under the terms of and in compliance with the Macau Financial System Act (Law 13/2023) (the "**MFSA**"), and AMCM Circulars no. 033/B/2010-DSB/AMCM, no. 011/B/2023-DSB/AMCM and other applicable AMCM guidelines (together, the "**AMCM Guidelines**") and any other laws in Macau that may apply to the offer and sale of the Bonds in Macau. The Bonds have not been and will not be registered or otherwise authorised for public offer under the MFSA and the AMCM Guidelines, thus may not be offered or sold in Macau, unless such offer is made by Macau licensed entities according to the MFSA and the AMCM Guidelines and upon their communication to the Monetary Authority of Macau ("**AMCM**"), in observation of the guidelines and recommendations issued by the Macau local regulatory authority (including AMCM) from time to time.

GENERAL INFORMATION CLEARING SYSTEM AND SETTLEMENT

The Bonds have been accepted for clearance through CMU under Common Code number 353682903, CMU Code BOAKFB26055 and the International Securities Identification Number for the Bonds is HK0001366449.

LISTING OF BONDS

Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 22 October 2026.

AUTHORISATIONS

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by written resolutions of the board of directors of the Issuer dated 17 September 2026. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving of the Guarantee and performance of its obligations under the Deed of Guarantee, the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorised by resolutions of the board of directors of the Guarantor dated 29 September 2025 and approvals of the shareholder of the Guarantor dated 2 June 2026.

LITIGATION

Except as otherwise disclosed in this Offering Circular, none of the Issuer, the Guarantor or any member of the Group was involved in any litigation or arbitration proceedings as at the date of this Offering Circular which could have a material adverse effect on the Group's business, results of operations and financial condition nor is the Issuer or the Guarantor aware that any such proceedings were pending or threatened as at the date of this Offering Circular. Each of the Issuer and the Guarantor may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of its business.

NO MATERIAL ADVERSE CHANGE

Except as disclosed in this Offering Circular, there has been no material adverse change, or any development or event involving a prospective change, in the condition (financial or otherwise), prospects, results of operations or general affairs of the Issuer, the Guarantor or the Group, which is material and adverse in the context of the issue and offering of the Bonds since 31 December 2025.

DOCUMENTS AVAILABLE

So long as any of the Bonds is outstanding, copies of the following documents will be available for inspection at all reasonable times during usual business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time), from Monday to Friday (excluding public holidays)) at the specified office of the CMU Lodging and Paying Agent (being as at the date of issue of the Bonds at 3/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) following prior written request and proof of holding and identity to the satisfaction of the CMU Lodging and Paying Agent:

(i) the Trust Deed;

(ii) the Agency Agreement; and

(iii) the Deed of Guarantee.

FINANCIAL STATEMENTS

The consolidated financial information of the Group as at and for the year ended 31 December 2023 has been extracted from the 2024 Audited Financial Statements, which have been audited by WUYIGE. The consolidated financial information of the Group as at and for the years ended 31 December 2024 and 2025 has been extracted from the 2025 Audited Financial Statements, which have been audited by, and the

Reviewed Interim Financial Statements have been reviewed by, WUYIGE. The Audited Financial Statements and the Reviewed Interim Financial Statements which are included elsewhere in this Offering Circular were prepared and presented in accordance with PRC GAAP.

LEGAL ENTITY IDENTIFIER

The Issuer's Legal Entity Identifier number is 655600GN5O5WU42UTQ39.

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Notes:

1. For the avoidance of any doubt, all references to Shandong Hualu Holdings Co., Ltd. or Hualu Holding Co., Ltd in the Audited Financial Statements are to the Guarantor.

2. For the avoidance of any doubt, all references to WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP. or WUYIGE Certified Public Accountants LLP in the Audited Financial Statements are to WUYIGE.

3. As stated in the text next to the QR code in Chinese on page 1 of the Audited Financial Statements, the authenticity of the Audited Financial Statements can be verified by scanning the QR code or visiting the "Unified Regulatory Platform for the CPA Profession".

HUALU HOLDINGS CO., LTD.

Review Report

DAXIN YUE ZI **[2026]NO.3-00006**

WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP.

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and financial statements prepared in accordance with Accounting Standards for Business Enterprises of China. Should there be inconsistency between the Chinese and English versions, the Chinese version shall prevail.

此码用于证明该审计报告是否由具有执业许可的会计师事务所出具，
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报告编码：京26W37F1NV2

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Review Report

DAXIN YUE ZI [2026]NO. 3-00006

To the Shareholders of Hualu Holdings Co., Ltd.:

We have reviewed the accompanying financial statements of Hualu Holdings Co., Ltd. (hereinafter referred to as “your Company”), which comprise the consolidated and parent-company balance sheets as at 30 June 2026, the consolidated and parent-company statements of profit or loss, consolidated and parent-company statements of cash flows, consolidated and parent-company statements of changes in equity for the six-month period ended 30 June 2026, and the notes to the financial statements. The preparation of these financial statements is the responsibility of your Company’s management. Our responsibility is to issue a review report on these financial statements based on our review procedures.

We conducted our review in accordance with China Standards on Review Engagements No. 2101 — Review of Financial Statements. Those standards require us to plan and perform the review to obtain limited assurance as to whether the financial statements are free from material misstatement. A review is limited primarily to making inquiries of relevant personnel of your Company and performing analytical procedures on financial data, and provides a lower level of assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the financial statements have not been prepared in accordance with Accounting Standards for Business Enterprises, and do not present fairly, in all material respects, the consolidated and parent-company

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financial position of your Company as at 30 June 2026, as well as its consolidated and parent-company operating results and cash flows for the six-month period ended 30 June 2026.

WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP

Certified Public Accountant of China

(Engagement partner)

Certified Public Accountant of China

Beijing • China

Date: 26 August 2026

Consolidated Balance Sheet

Prepared by: Hualu Holdings Co., Ltd. 30 June 2026 Unit: RMB Yuan

Item	As at 30/06/2026	As at 31/12/2025
Current assets:		
Cash at bank and on hand	7,122,955,940.88	6,853,807,967.16
Financial assets held for trading	1,020,503,642.62	276,742,377.57
Derivative financial assets		
Notes receivable	103,556,523.87	70,534,018.02
Accounts receivable	2,862,580,920.68	2,475,232,713.72
Receivables for financing	3,299,231,742.91	2,564,673,829.25
Prepayments	793,386,137.79	949,143,043.73
Other receivables	363,627,769.52	385,968,985.93
Including:Interest receivable	22,767,032.21	29,346,961.33
Dividends receivable	7,644,372.46	
Inventories	4,669,960,776.78	4,157,531,255.86
Contract assets	442,912,938.81	506,887,612.09
Held-for-sale assets		
Non-current assets due within one year	378,533,993.20	557,780,083.32
Other current assets	2,476,538,567.59	2,595,750,453.87
Total current assets	23,533,788,954.65	21,394,052,340.52
Non-current assets:		
Debt investments	938,789,990.18	1,255,171,143.35
Other debt investments	390,514,853.15	403,980,882.57
Long-term receivables	1,439,585.74	2,888,607.21
Long-term equity investments	129,865,030.11	132,335,533.98
Other equity instrument investments	2,406,362,159.04	2,480,683,464.21
Other non-current financial assets	64,620,060.00	43,995,060.00
Investment property	267,843,846.05	286,420,011.41
Fixed assets	39,946,422,010.10	41,047,993,653.50
Construction in process	4,164,346,713.60	3,123,212,442.71
Productive biological assets		
Oil and gas assets		
Right-of-use assets	52,909,124.49	52,865,165.92
Intangible assets	4,499,385,493.59	4,583,414,677.57
Development expenditures	142,571,843.91	133,381,724.99
Goodwill		
Long-term deferred expenses	237,358,862.78	251,587,252.41
Deferred tax assets	354,946,629.97	384,923,932.61
Other non-current assets	2,103,255,443.48	1,807,408,089.31
Total non-current assets	55,700,631,646.19	55,990,261,641.75
Total of assets	79,234,420,600.84	77,384,313,982.27

Legal representativeLegal: Person in charge of accounting function: Person in charge of accounting department:

Consolidated Balance Sheet (Continued)

Prepared by: Hualu Holdings Co., Ltd. 30 June 2026 Unit: RMB Yuan

Item	As at 30/06/2026	As at 31/12/2025
Current liabilities:		
Short-term loans	2,293,458,044.39	2,614,411,716.33
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable	1,349,565,946.06	1,044,786,636.92
Accounts payable	3,822,202,986.74	4,255,586,832.69
Advances from customers	3,802,474.96	3,733,949.13
Contract liabilities	982,566,022.91	1,114,811,620.93
Employee benefits payable	489,919,330.85	541,324,905.75
Taxes and surcharges payable	310,081,456.15	290,404,344.76
Other payables	1,243,701,662.29	876,450,330.93
Including:Interest payable		
Dividends payable	429,967,666.83	6,991,505.02
Held-for-sale liabilities		
Non-current liabilities due within one year	6,313,622,550.68	6,395,829,967.37
Other current liabilities	160,015,088.65	194,207,599.72
Total current liabilities	16,968,935,563.68	17,331,547,904.53
Non-current liabilities:		
Long-term loans	10,084,290,226.86	11,169,285,503.42
Bonds payable	2,000,000,000.00	1,000,000,000.00
Including: Preference shares		
Perpetual loans		
Lease liabilities	43,494,547.09	41,170,600.41
Other long-term payables	27,211,098.47	27,211,098.47
Long-term employee benefits payable		
Provisions	61,199,025.48	58,876,277.80
Deferred income	564,731,450.85	538,561,083.22
Deferred tax liabilities	182,892,559.07	226,987,257.96
Other non-current liabilities	3,561,500.00	3,561,500.00
Total non-current liabilities	12,967,380,407.82	13,065,653,321.28
Total liabilities	29,936,315,971.50	30,397,201,225.81
Shareholders' equity:		
Paid-in Capital	3,103,000,000.00	3,103,000,000.00
Other equity instruments		
Including: Preference shares		
Perpetual loans		
Capital reserve	1,272,906,539.84	1,214,034,387.64
Less:treasury shares		
Other comprehensive income	262,455,563.28	266,045,073.74
Special reserve	28,085,578.36	23,156,250.97
Surplus reserve	308,347,330.33	308,347,330.33
Retained earnings	12,398,585,384.15	11,562,348,312.62
Equity attributable to parent company	17,373,380,395.96	16,476,931,355.30
Minority interests	31,924,724,233.38	30,510,181,401.16
Total equity	49,298,104,629.34	46,987,112,756.46
Total liabilities and equity	79,234,420,600.84	77,384,313,982.27

Legal representativeLegal: Person in charge of accounting function: Person in charge of accounting department:

Balance Sheet

Prepared by: Hualu Holdings Co., Ltd. 30 June 2026 Unit: RMB Yuan

Item	As at 30/06/2026	As at 31/12/2025
Current assets:		
Cash at bank and on hand	228,059,188.95	598,798,474.13
Financial assets held for trading	600,000,000.00	
Derivative financial assets		
Notes receivable		
Accounts receivable		
Receivables for financing		
Prepayments		
Other receivables	177,449,791.74	177,549,754.60
Including:Interest receivable		
Dividends receivable		
Inventories		
Contract assets		
Held-for-sale assets		
Non-current assets due within one year	680,000,000.00	607,780,083.32
Other current assets	6,472,545.23	225,851.48
Total current assets	1,691,981,525.92	1,384,354,163.53
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		630,000,000.00
Long-term equity investments	3,311,894,524.32	3,311,894,524.32
Other equity instrument investments	1,948,999,814.84	1,948,999,814.84
Other non-current financial assets		
Investment property		
Fixed assets	17,353,949.44	18,244,107.23
Construction in process		
Productive biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	27,876,105.96	28,145,668.20
Development expenditures		
Goodwill		
Long-term deferred expenses	11,524,390.24	11,707,317.07
Deferred tax assets		
Other non-current assets	2,249,430.76	2,249,430.76
Total non-current assets	5,319,898,215.56	5,951,240,862.42
Total of assets	7,011,879,741.48	7,335,595,025.95

Legal representativeLegal: Person in charge of accounting function: Person in charge of accounting department:

Balance Sheet (Continued)

Prepared by: Hualu Holdings Co., Ltd. 30 June 2026 Unit: RMB Yuan

Item	As at 30/06/2026	As at 31/12/2025
Current liabilities:		
Short-term loans		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable	1,625,770.74	1,625,770.74
Advances from customers	53,788.13	215,152.37
Contract liabilities		
Employee benefits payable	32,884,490.04	35,801,216.70
Taxes and surcharges payable	289,160.38	510,187.20
Other payables	171,204,824.26	332,183,968.03
Including:Interest payable		
Dividends payable		
Held-for-sale liabilities		
Non-current liabilities due within one year	1,066,192,779.98	1,047,954,829.61
Other current liabilities		
Total current liabilities	1,272,250,813.53	1,418,291,124.65
Non-current liabilities:		
Long-term loans		1,003,000,000.00
Bonds payable	2,000,000,000.00	1,000,000,000.00
Including: Preference shares		
Perpetual loans		
Lease liabilities		
Other long-term payables	600,000.00	600,000.00
Long-term employee benefits payable		
Provisions	20,750,786.02	20,750,786.02
Deferred income		
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	2,021,350,786.02	2,024,350,786.02
Total liabilities	3,293,601,599.55	3,442,641,910.67
Shareholders' equity:		
Paid-in Capital	3,103,000,000.00	3,103,000,000.00
Other equity instruments		
Including: Preference shares		
Perpetual loans		
Capital reserve	317,000,000.00	297,000,000.00
Less:treasury shares		
Other comprehensive income	136,869,814.84	136,869,814.84
Special reserve		
Surplus reserve	308,347,330.33	308,347,330.33
Retained earnings	-146,939,003.24	47,735,970.11
Total equity	3,718,278,141.93	3,892,953,115.28
Total liabilities and equity	7,011,879,741.48	7,335,595,025.95

Legal representative:Legal: Person in charge of accounting function: Person in charge of accounting department:

Consolidated Statement of Income

Prepared by: Hualu Holdings Co., Ltd. For the six-month period ended 30 June 2026 Unit: RMB Yuan

Item	Six-month period ended 30/06/2026	Six-month period ended 30/06/2025
1. Operatinl income	28,229,029,270.47	24,110,707,887.58
Less: Operatinl costs	22,415,012,965.57	19,483,214,873.63
Taxes and surcharles	204,816,834.28	184,930,332.10
Sellinl and distribution expenses	459,409,478.31	456,412,220.02
Ieneral and administrative expenses	581,084,313.70	578,477,838.59
Research and development expenses	1,040,152,476.49	701,420,017.95
Finance expenses	287,364,395.90	201,818,377.33
Includinl:Interest expenses	284,887,599.87	247,697,200.69
Interest income	44,584,549.58	29,344,058.54
Add: Other income	111,923,150.54	155,751,101.54
Investment income ("-" for loss)	56,683,010.76	39,498,867.28
Includinl: Investment income from associates and joint ventures	-2,470,503.87	-3,314,952.22
Income from derecolnition of financial assets measured at amortised cost		
Iains from net position hedlinl ("-" for loss)		
Iain from fair value chanles ("-" for loss)	16,653,890.45	-1,417,595.40
Credit impairment losses ("-" for loss)	8,871,530.90	-66,244,662.83
Impairment on assets ("-" for loss)	-75,748,204.84	-123,303,424.63
Iains from disposal of assets ("-" for loss)	6,592,342.62	1,897,782.71
2. Operatinl profits ("-" for loss)	3,366,164,526.65	2,510,616,296.63
Add: Non-operatinl income	6,270,477.66	5,266,718.52
Less:Non-operatinl expenses	16,479,229.83	8,600,912.65
3. Profit before tax ("-" for loss)	3,355,955,774.48	2,507,282,102.50
Less:income tax expenses	500,828,001.41	458,066,978.53
4. Net profit ("-" for net loss)	2,855,127,773.07	2,049,215,123.97
Catelorized by loinl concern basis	2,855,127,773.07	2,049,215,123.97
1. Profit or loss from continuinl operations	2,855,127,773.07	2,049,215,123.97
2. Profit or loss from discontinued operations		
Catelorized by ownership	2,855,127,773.07	2,049,215,123.97
1. Net profit attributable to parent company	1,039,557,248.38	745,990,030.03
2. Profit/loss attributable to minority shareholders	1,815,570,524.69	1,303,225,093.94
5. Other comprehensive income net of tax	-44,702,696.02	13,740,727.53
Total comprehensive income attributable to parent company	-3,589,510.46	5,841,567.38
(1) Comprehensive income not to be reclassified to profit or loss	-23,847,326.18	306,608.89
1) Chanles in remeasurement of defined benefit oblilations		
2) Other comprehensive income not to be reclassified to profit or loss in equity method		
3) Fair value chanles in other equity instrument investments	-23,847,326.18	306,608.89
4) Fair value chanles in the enterprise's own credit risk		
(2) Comprehensive income to be reclassified to profit or loss	20,257,815.72	5,534,958.49
1) Other comprehensive income to be reclassified to profit or loss in equity method		
2) Iain or loss from fair value chanles of other debt instruments		
3) The amount of financial assets reclassified to other comprehensive income		
4) Credit impairment provision of other debt investment		
5) Cash flow hedlinl reserve		
6) Currency translation difference	20,257,815.72	5,534,958.49
7) Others		
Other comprehensive income attributable to minority share-holders, net	-41,113,185.56	7,899,160.15
6. Total comprehensive income	2,810,425,077.05	2,062,955,851.50
(1) Total comprehensive income attributable to parent company	1,035,967,737.92	751,831,597.41
(2) Total comprehensive income attributable to minority shareholders	1,774,457,339.13	1,311,124,254.09
7. Earninls per share		
(1) Basic earninls per share		
(2) Diluted earninls per share		

Lefal representative: Person in charle of accountinl function: Person in charle of accountinl department:

Statement of Income

Prepared by: Hualu Holdings Co., Ltd. For the six-month period ended 30 June 2026 Unit: RMB Yuan

Item	Six-month period ended 30/06/2026	Six-month period ended 30/06/2025
1. Operating income	13,557,377.31	10,271,963.87
Less: Operating costs		
Taxes and surcharges	735,196.95	568,759.17
Selling and distribution expenses		
General and administrative expenses	33,084,019.46	29,269,710.97
Research and development expenses		
Finance expenses	20,574,708.90	15,538,295.57
Including:Interest expenses	24,342,623.87	25,062,709.38
Interest income	3,778,680.05	9,527,936.15
Add: Other income	135,901.69	41,989.70
Investment income ("-" for loss)	43,695,706.98	42,575,098.44
Including: Investment income from associates and joint ventures		
Income from derecognition of financial assets measured at amortised cost		
Gains from net position hedging ("-" for loss)		
Gain from fair value changes ("-" for loss)		
Credit impairment losses ("-" for loss)	-455,701.61	
Impairment on assets		
Gains from disposal of assets ("-" for loss)	6,542,121.57	71,532.24
2. Operating profits ("-" for loss)	9,081,480.63	7,583,818.54
Add: Non-operating income	1.45	
Less:Non-operating expenses	435,855.43	299.66
3. Profit before tax ("-" for loss)	8,645,626.65	7,583,518.88
Less:income tax expenses		
4. Net profit ("-" for net loss)	8,645,626.65	7,583,518.88
Profit or loss from continuing operations ("-" for loss)	8,645,626.65	7,583,518.88
Profit or loss from discontinued operations ("-" for loss)		
5. Other comprehensive income net of tax		-5,066,445.01
(1) Comprehensive income not to be reclassified to profit or loss		-5,066,445.01
1) Changes in remeasurement of defined benefit obligations		
2) Other comprehensive income not to be reclassified to profit or loss in equity method		
3) Fair value changes in other equity instrument investments		-5,066,445.01
4) Fair value changes in the enterprise's own credit risk		
(2) Comprehensive income to be reclassified to profit or loss		
1) Other comprehensive income to be reclassified to profit or loss in equity method		
2) Gain or loss from fair value changes of other debt instruments		
3) The amount of financial assets reclassified to other comprehensive income		
4) Credit impairment provision of other debt investment		
5) Cash flow hedging reserve		
6) Currency translation difference		
7) Others		
6. Total comprehensive income	8,645,626.65	2,517,073.87
7. Earnings per share		
(1) Basic earnings per share		
(2) Diluted earnings per share		

Legal representative: Person in charge of accounting function: Person in charge of accounting department:

Consolidated Statement of Cash Flows

Prepared by: Hualu Holdings Co., Ltd. For the six-month period ended 30 June 2026 Unit: RMB Yuan

Item	Six-month period ended 30/06/2026	Six-month period ended 30/06/2025
1. Cash flows from operating activities		
Cash received from sales and services	25,088,030,530.09	21,893,530,797.83
Taxes and surcharges refunds	55,652,330.97	89,980,738.80
Cash received related to other operating activities	246,897,676.03	202,811,858.93
Total cash inflows from operating activities	25,390,580,537.09	22,186,323,395.56
Cash paid for goods and services	18,497,698,220.37	15,739,960,546.89
Cash paid to and for employees	1,993,393,362.00	1,945,000,503.47
Taxes and surcharges cash payments	1,250,553,544.43	1,150,742,861.20
Cash paid related to other operating activities	564,703,245.24	613,204,008.58
Total cash outflows from operating activities	22,306,348,372.04	19,448,907,920.14
Net cash flows from operating activities	3,084,232,165.05	2,737,415,475.42
2. Cash flows from investing activities:		
Cash received from withdraw of investments	1,850,727,824.25	1,415,836,367.29
Cash received from investment income	121,920,195.88	47,056,433.89
Net cash received from disposal of \property, plant and equipement,intangible assets and other long-term assets	19,553,037.71	29,836,807.09
Net cash received from disposal of subsidiaries and other		
Cash received related to other investing activities	218,304.14	12,981,120.00
Total cash inflows from investing activities	1,992,419,361.98	1,505,710,728.27
Cash paid for property, plant and equipement,intangible assets and other long-term assets	1,861,805,674.84	2,243,675,386.34
Cash payments for investments	2,182,006,881.23	2,115,170,548.28
Net cash paid for acquiring subsidiaries and other business		
Cash paid related to other investing activities	2,123.05	17,607,338.66
Total cash outflows from investing activities	4,043,814,679.12	4,376,453,273.28
Net cash flows from investing activities	-2,051,395,317.14	-2,870,742,545.01
3. Cash flows from financing activities:		
Cash received from investments by others	68,340,450.50	55,577,524.50
Cash received from borrowings	4,136,662,886.02	3,999,257,752.65
Cash received related to other financing activities	20,393,276.89	141,382,998.38
Total cash inflows from financing activities	4,225,396,613.41	4,196,218,275.53
Cash repayments for debts	4,400,747,394.94	2,932,041,034.65
Cash payments for distribution of dividends, profit and	481,126,488.04	1,005,767,296.50
Cash paid related to other financing activities	36,727,769.18	67,392,930.33
Total cash outflows from financing activities	4,918,601,652.16	4,005,201,261.48
Net cash flows from financing activities	-693,205,038.75	191,017,014.05
4. Effect of foreign exchange rate changes on cash and cash	-21,588,186.41	16,956,926.01
5. Net increase in cash and cash equivalents	318,043,622.75	74,646,870.47
Add: beginning balance of cash and cash equivalents	6,401,438,673.48	4,209,477,971.56
6. Ending balance of cash and cash equivalents	6,719,482,296.23	4,284,124,842.03

Legal representative: Person in charge of accounting function: Person in charge of accounting department:

Statement of Cash Flows

Prepared by: Hualu Holdings Co., Ltd. For the six-month period ended 30 June 2026 Unit: RMB Yuan

Item	Six-month period ended 30/06/2026	Six-month period ended 30/06/2025
1. Cash flows from operating activities		
Cash received from sales and services	7,241,824.00	5,024,720.00
Taxes and surcharges refunds		
Cash received related to other operating activities	126,372,613.90	355,999,483.22
Total cash inflows from operating activities	133,614,437.90	361,024,203.22
Cash paid for goods and services		
Cash paid to and for employees	14,696,390.19	14,377,599.85
Taxes and surcharges cash payments	1,495,623.24	1,640,103.07
Cash paid related to other operating activities	299,476,887.61	363,703,507.52
Total cash outflows from operating activities	315,668,901.04	379,721,210.44
Net cash flows from operating activities	-182,054,463.14	-18,697,007.22
2. Cash flows from investing activities:		
Cash received from withdraw of investments	1,002,000,000.00	570,000,000.00
Cash received from investment income	93,003,942.55	230,669,604.35
Net cash received from disposal of \property, plant and equipement,intangible assets and other long-term assets		128,500.00
Net cash received from disposal of subsidiaries and other business units		
Cash received related to other investing activities		
Total cash inflows from investing activities	1,095,003,942.55	800,798,104.35
Cash paid for property, plant and equipement,intangible assets and other long-term assets	366,425.00	1,041,582.13
Cash payments for investments	1,090,000,000.00	980,000,000.00
Net cash paid for acquiring subsidiaries and other business		
Cash paid related to other investing activities		
Total cash outflows from investing activities	1,090,366,425.00	981,041,582.13
Net cash flows from investing activities	4,637,517.55	-180,243,477.78
3. Cash flows from financing activities:		
Cash received from investments by others	20,000,000.00	
Cash received from borrowings	1,000,000,000.00	500,000,000.00
Cash received related to other financing activities	7,197,841.66	360,371,647.21
Total cash inflows from financing activities	1,027,197,841.66	860,371,647.21
Cash repayments for debts	978,500,000.00	520,500,000.00
Cash payments for distribution of dividends, profit and interest	241,120,181.25	224,077,911.67
Cash paid related to other financing activities	900,000.00	
Total cash outflows from financing activities	1,220,520,181.25	744,577,911.67
Net cash flows from financing activities	-193,322,339.59	115,793,735.54
4. Effect of foreign exchange rate changes on cash and cash		
5. Net increase in cash and cash equivalents	-370,739,285.18	-83,146,749.46
Add: beginning balance of cash and cash equivalents	598,798,474.13	199,427,170.80
6. Ending balance of cash and cash equivalents	228,059,188.95	116,280,421.34

Legal representative: Person in charge of accounting function: Person in charge of accounting department:

Consolidated Statement of Changes in Equity

Prepared by: Hualu Holdings Co., Ltd.

For the six-month period ended 30 June 2026

Unit: RMB Yuan

Item	Six-month period ended 30/06/2026												
	Equity attributable to shareholders of parent company											Minority interests	Total equity
	Share capital	Other equity instruments			Capital reserve	Less:treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Sub-total		
		Preference shares	Perpetual loans	Others									
1. Ending balance of last year	3,103,000,000.00				1,214,034,387.64		266,045,073.74	23,156,250.97	308,347,330.33	11,562,348,312.62	16,476,931,355.30	30,510,181,401.16	46,987,112,756.46
Add: Impact from changes in accounting policies													
Impact from corrections of errors in prior period													
Business combination under common control													
Others													
2. Beginning balance of current year	3,103,000,000.00				1,214,034,387.64		266,045,073.74	23,156,250.97	308,347,330.33	11,562,348,312.62	16,476,931,355.30	30,510,181,401.16	46,987,112,756.46
3. Movement for current year("-" for decrease)					58,872,152.20		-3,589,510.46	4,929,327.39		836,237,071.53	896,449,040.66	1,414,542,832.22	2,310,991,872.88
(1) Total comprehensive income							-3,589,510.46			1,039,557,248.38	1,035,967,737.92	1,774,457,339.13	2,810,425,077.05
(2) Shareholder's contributions and withdrawals of captial					58,872,152.20						58,872,152.20	60,036,930.23	118,909,082.43
1) Common stock contributed by shareholders					20,000,000.00						20,000,000.00	48,259,235.50	68,259,235.50
2) Capital contributed by other equity instruments holders													
3) Share-based payment recorded in shareholder's equity					6,152,816.55						6,152,816.55	13,681,079.39	19,833,895.94
4) Others					32,719,335.65						32,719,335.65	-1,903,384.66	30,815,950.99
(3) Profits distribution										-203,320,600.00	-203,320,600.00	-424,895,312.58	-628,215,912.58
1) Appropriation of surplus reserve													
2) Distribution to shareholders										-203,320,600.00	-203,320,600.00	-424,895,312.58	-628,215,912.58
3) Others													
(4) Internal transfer within shareholder's equity										423.15	423.15		423.15
1) Conversion of capital reserve into share capital													
2) Conversion of surplus reserve into share capital													
3) Recover of loss by surplus reserve													
4) Change of defined benefit obligations carried forward to retained earnings													
5) Other comprehensive income carried forward to retained earnings										423.15	423.15		423.15
6) Others													
(5) Special reserve								4,929,327.39			4,929,327.39	4,943,875.44	9,873,202.83
1) Accrual of special reserve								20,300,602.38			20,300,602.38	31,941,762.27	52,242,364.65
2) Utilization of special reserve								-15,371,274.99			-15,371,274.99	-26,997,886.83	-42,369,161.82
(6) Others													
4. Ending balance of current year	3,103,000,000.00				1,272,906,539.84		262,455,563.28	28,085,578.36	308,347,330.33	12,398,585,384.15	17,373,380,395.96	31,924,724,233.38	49,298,104,629.34

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

Statement of Changes in Equity

Prepared by: Hualu Holdings Co., Ltd.

For the six-month period ended 30 June 2026

Unit: RMB Yuan

Item	Six-month period ended 30/06/2026										
	Share capital	Other equity instruments			Capital reserve	Less:treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
		Preference shares	Perpetual loans	Others							
1. Ending balance of last year	3,103,000,000.00				297,000,000.00		136,869,814.84		308,347,330.33	47,735,970.11	3,892,953,115.28
Add: Impact from changes in accounting policies											
Impact from corrections of errors in prior period											
Others											
2. Beginning balance of current year	3,103,000,000.00				297,000,000.00		136,869,814.84		308,347,330.33	47,735,970.11	3,892,953,115.28
3. Movement for current year("-" for decrease)					20,000,000.00					-194,674,973.35	-174,674,973.35
(1) Total comprehensive income										8,645,626.65	8,645,626.65
(2) Shareholder's contributions and withdrawals of captial					20,000,000.00						20,000,000.00
1) Common stock contributed by shareholders					20,000,000.00						20,000,000.00
2) Capital contributed by other equity instruments holders											
3) Share-based payment recorded in shareholder's equity											
4) Others											
(3) Profits distribution										-203,320,600.00	-203,320,600.00
1) Appropriation of surplus reserve											
2) Distribution to shareholders										-203,320,600.00	-203,320,600.00
3) Others											
(4) Internal transfer within shareholder's equity											
1) Conversion of capital reserve into share capital											
2) Conversion of surplus reserve into share capital											
3) Recover of loss by surplus reserve											
4) Change of defined benefit obligations carried forward to retained earnings											
5) Other comprehensive income carried forward to retained earnings											
6) Others											
(5) Special reserve											
1) Accrual of special reserve											
2) Utilization of special reserve											
(6) Others											
4. Ending balance of current year	3,103,000,000.00				317,000,000.00		136,869,814.84		308,347,330.33	-146,939,003.24	3,718,278,141.93

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

Hualu Holdings Co., Ltd.(Consolidated)
Notes to the Financial Statements

(All amounts in Chinese Renminbi Yuan unless otherwise stated)

1. Company profile

1.1 The Company's registered place, organization structure and the address of head quarter.

Hualu Holdings Co., Ltd. (hereinafter referred to as "the company" or "company") was established on January 28, 2005, the company's unified social credit code is 913700007710397120; registered capital of RMB is 3,103 million; legal representative: Yang Yilong; enterprise Address: 22nd Floor, Block A, Huachuang Guanli Center, No. 219, Shunhai Road, Lixia District, Jinan City, Shandong Province.

1.2 The Company's business nature and main operation activities, like its industry, primary product or service, customers' nature, trading strategy and supervisory environment etc.

The company belongs to the commercial service industry, and its main service is to invest in the chemical, pharmaceutical and environmental protection industries (industry) with its own funds; Management operation and consulting. (Projects that are subject to approval in accordance with the law can be operated only after being approved by relevant departments).

1.3 The parent company is Hualu Holdings Co., Ltd.， the actual controller of the company is the State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government.

2. Basis of preparation of financial statements

On the basis of going concern and transactions and events actually occurred, the Company prepares its financial statements with the following accounting policies and accounting estimates in accordance with the Accounting Standards for Business Enterprises – basic Standards, specific accounting standards and other relevant provisions (hereinafter collectively known as "Accounting Standards for Business Enterprises" or "CAS")

3. Declaration on compliance with the Accounting Standards for Business

Enterprises

The financial statements have been prepared in compliance with the Accounting Standards for Business Enterprises to truly and completely reflect the Company's financial position as of 30 June 2026 and its operating results, cash flows and other relevant information For the six-month period ended 30 June 2026.

4. Significant accounting policies and accounting estimates

4.1 Accounting period

The financial year of the Company is from January 1 to December 31 of each calendar year. The accounting period covered by the financial information set out in these financial statements is the six-month period from 1 January 2026 to 30 June 2026.

4.2 Functional currency

The Company's functional currency is Chinese Renminbi (hereafter referred to as "RMB").

4.3 Accounting basis and pricing principles

The Company's accounting is based on the accrual basis. Except for the financial assets / liabilities that are measured at fair value and whose changes are included in the current profit or loss, derivative financial instruments, available-for-sale financial assets and cash-settled share-based payments are measured on value measurement, the rest are based on historical cost. If the asset is impaired, the corresponding impairment provision shall be made in accordance with the relevant regulations.

4.4 Business combination

4.4.1 Business combinations involving enterprises under common control

In a business combination involving enterprises under common control, if the acquirer pays for the business combination in cash, by transferring of non-cash assets or assuming liabilities, the initial investment cost is the holding share of the acquiree's equity in the ultimate controlling party's consolidated financial statements measured at the carrying amounts at the acquisition date. If the acquirer issues equity instruments for the business combination, the acquirer measures the share capital by the par value of the shares issued. The difference between the original investment cost and the carrying amount (or the total par value of shares issued) will be adjusted to the capital reserve. If

the capital reserve is insufficient to absorb the difference, the remaining amount shall be deducted from the retained earnings.

If a business combination under the same control is realized step by step through multiple transactions, which belongs to a package deal, the combining party shall treat each transaction as a transaction that obtains control. If it is not a "package deal", in the financial statements of the parent company, the share of the acquirer 's equity of the acquiree on the acquisition date calculated by the shareholding ratio on the acquisition date shall be taken as the initial investment cost of the investment. The difference between the initial investment cost and the sum of the book value of the original long-term equity investment plus the book value of the newly paid consideration for further shares on the acquisition date shall be adjusted to the capital reserve (share premium), If the capital reserve is insufficient to offset, the retained earnings shall be offset.

4.4.2 Business combinations involving enterprises not under uncommon control

In a business combination involving enterprises not under common control, the combination costs are the aggregate of the fair values of the assets paid, the liabilities incurred or assumed and the equity instruments issued by the acquirer in exchange for control over the acquiree at the acquisition date. At the acquisition date, the acquired assets, liabilities and contingent liabilities of the acquiree that meet the recognition criteria are measured at their fair value. The Company recognises the difference of the combination costs in excess of its interest portion in the fair value of the net identifiable assets acquired from the acquiree as goodwill. The Company recognises the difference of the combination costs less than its interest portion in the fair value of the net identifiable assets acquired from the acquiree in the non-operating income for current period after reassessment.

If the business combination not under the common control is realized step by step through multiple transactions, in the financial statements of the parent company, the sum of the book value of the equity investment held by the acquirer before the acquisition date and the new investment cost on the acquisition date shall be taken as the initial investment cost of the investment. In the consolidated financial statements, the equity of the acquiree held before the acquisition date is remeasured according to the fair value of the equity on the acquisition date, and the difference between the fair value and its book value is included in the current investment income; If the equity of the acquiree held before the acquisition date involves other comprehensive income, the relevant other

comprehensive income shall be transferred to the current investment income on the acquisition date, except for other comprehensive income that cannot be reclassified into the current profit and loss. The company takes the sum of the fair value of the equity of the acquiree held before the acquisition date and the fair value of the consideration paid for the newly purchased equity on the acquisition date as the acquisition cost, and compares it with the share of the fair value of the identifiable net assets of the acquiree calculated according to the shareholding ratio on the acquisition date obtained by the acquirer, so as to determine the goodwill to be recognized on the acquisition date or the amount to be included in the current profit and loss of the merger.

4.5 Preparation of consolidated financial statements

4.5.1 The scope of consolidated financial statements

The Company incorporates all its subsidiaries (including individual entities under its control) into the scope of the consolidated financial statements, including the enterprises controlled by the Company, divisible part in the investees and structured entities.

4.5.2 Uniform accounting policies, balance sheet date and accounting period

If the subsidiaries adopt different accounting policies or accounting periods compared with those of the Company, the Company makes necessary adjustments on the subsidiaries' financial statements according to its accounting policies or accounting period when the consolidated financial statements are prepared.

4.5.3 The elimination in the preparation of consolidated financial statements

The consolidated financial statements are prepared based on the individual financial statements of the Company and its subsidiaries, after elimination of the transactions incurred among the Company and the subsidiaries. The portion of a subsidiary’s equity that is not attributable to the Company is treated as minority interests and presented in the consolidated balance sheet within equity. The equity investment of the Company held by one subsidiary is treated as the Company's treasury shares and a deduction of the shareholders' equity which is presented as "less: treasury shares" in the consolidated balance sheet within equity.

4.5.4 The accounting treatment for obtaining subsidiaries through a business combination

Where a subsidiary or business has been acquired through a business combination involving enterprises under common control in the reporting period, the obtained subsidiary or business is

deemed to be included in the consolidated financial statements from the date they are controlled by the ultimate controlling party. Their assets, liabilities, operating results and cash flows are included in the consolidated financial statements from the beginning of the accounting period in which the acquisition occurred. Where a subsidiary or business has been acquired through a business combination not involving enterprises under common control, their individual financial statements are adjusted based on the fair value of identifiable net assets at the acquisition date when preparing the consolidated financial statements.

4.5.5 The accounting treatment for disposal of equity investment in a subsidiary

In the consolidated financial statements, when the Company partly disposes its investment in a subsidiary without losing its control on the subsidiary, the difference between the consideration received and its corresponding portion of the net asset continually calculated from the purchase date or combination date should be adjusted to the capital reserve and if the capital reserve is insufficient to absorb the difference, the remaining amount will be deducted from the retained earnings.

If the Company loses its control on a investee because of disposing some portion of its equity investment in the investee, when it prepares its consolidated financial statements, the remaining balance of its equity investment will be remeasured at the fair value of the date at which it loses its control. The difference between the sum of the consideration received and the fair value of the remaining equity investment, and its corresponding interest portion of the net asset continually calculated from the purchase date or the combination date should be recorded in the investment income of the current period, and be deducted to goodwill simultaneously. Other comprehensive income (OCI) etc. relating to the investment in the former subsidiary will be transferred to the investment income in the same period in which it loses its control.

4.6 Joint arrangement classification and accounting treatments

4.6.1 The classification of joint arrangement

Joint arrangements are classified as joint operations or joint ventures. A joint arrangement will be classified as joint operation when the joint arrangement achieves not through an individual entity. Individual entity is an entity with individual identifiable finance structure, including single legal entity and entity unqualified as legal entity but qualified as lawful entity. A joint arrangement is usually be classified as joint venture when the joint arrangement achieves through incorporating an

individual entity. When changes arising from relevant events or environment cause changes of the cooperative parties' rights and obligations in the joint arrangements, the cooperative parties shall reassess the classification of the joint arrangements.

4.6.2 The accounting treatment of joint operations

The Company acted as a party participating in joint operations, recognises the following items relating to its interests in the joint operations and accounts for them in accordance with related requirements of Accounting Standards for Business Enterprises: (a) Its solely-held assets and solely-assumed liabilities, and its share of any assets and liabilities held jointly; (b) Its revenue from the sale of its share of the output arising from the joint operation; (c) Its share of the revenue from the sale of the output by the joint operation; (d) Its own expenses and its share of any expenses incurred jointly.

The Company acted as a party involving in joint operations without common control power, accounts for its investments referring to the treatment method of joint operation participants if it is entitled to relevant assets and undertake relevant liabilities of the joint operations, otherwise, it accounts for its investments according to related requirements of Accounting Standards for Business Enterprises.

4.6.3 The accounting treatment of joint ventures

The Company accounts for its investments in accordance with Accounting Standards for Business Enterprises No.2 - Long-term Equity Investment if it is one of the participating parties with common control power in joint ventures. And the Company accounts for its investments according to its influence extent on the joint ventures if it is not one of the participating parties with common control power involved in the joint ventures.

4.7 Cash and cash equivalents

The cash in the Company's statement of cash flows is cash on hand and deposits that can be readily drawn on demand. Cash equivalents in the statement of cash flows are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

4.8 Foreign currency transactions and translation of financial statements denominated in foreign currency

4.8.1 Translation of foreign currency transactions

The Company records foreign currency transactions in RMB for accounting purpose using the spot exchange rate prevailing at the date when the transactions occurs. At the balance sheet date, monetary items denominated in foreign currency are translated to RMB by adopting the prevailing exchange rate on that date. Foreign exchange difference between the prevailing exchange rate on that date and the prevailing exchange rate on initial recognition or on the previous balance sheet date are recognised in profit or loss for the current period, except the foreign exchange arising from specific loan denominated in foreign currency qualified as capital expenditure and included in the cost of related assets. Non-monetary items denominated in foreign currency that are measured at historical cost are still translated at amount in functional currency exchanged at the prevailing exchange rate at the transaction date. Non-monetary items denominated in foreign currency that are measured at fair value are translated using the exchange rate at the date when fair value was determined and the difference between the translated functional currency amount and the prior translated amount on initial recognition or on the previous balance sheet date are recorded in profit or loss for the current period or other comprehensive income.

4.8.2 The translation of financial statements denominated in foreign currency

If the Company's controlled subsidiaries, joint ventures and associates etc. adopt different reporting currency, their financial statements denominated in foreign currency shall be translated to financial statements in RMB when preparing consolidated financial statements. The assets and liabilities are translated to RMB amounts using the spot exchange rate at the balance sheet date. Items of the equity, except for "retained earnings ", are translated at the spot exchange rate at the dates when such items occurred. The revenue and expenditures in the statement of income are translated using the spot exchange rate at the transaction date. The difference arising from foreign currency financial statements translation is presented in other comprehensive income at the consolidated balance sheet within equity. Items of the statement of cash flows are translated using the spot exchange rate when they incurred. Effect arising from changes of exchange rates on cash and cash equivalents is presented separately in the statement of cash flows. When disposing of foreign operations, exchange differences of foreign currency financial statements attributable to the foreign operations are transferred to profit or loss for the current period entirely or in proportion with the disposal portion

of the foreign operations.

4.9 Financial instruments

4.9.1 Classification and reclassification of financial instruments

Financial instruments are the contracts under which the financial assets of an entity are formed and correspondingly the financial liabilities or equity instruments of any other entity are formed.

4.9.1.1 Financial assets

The Company classifies a financial asset as subsequently measured at amortised cost that meets both of the following conditions:

a) the financial asset is held within a business model whose objective is to collect contractual cash flows;

b) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company classifies a financial asset as subsequently measured at fair value through other comprehensive income that meets both of the following conditions:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset, and

b) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company may make an irrevocable election at initial recognition to designate non-traded equity instruments as subsequently measured at fair value through other comprehensive income. The designation is made on the basis of single investment which meets the equity instrument definition from the aspect of the issuer.

The Company classifies a financial asset as subsequently measured at fair value through profit or loss unless it is subsequently measured at amortised cost or measured at fair value through other comprehensive income. The Company may make an irrevocable election at initial recognition to designate a financial asset as subsequently measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

When the Company changes its business model for managing financial assets, all affected financial assets are reclassified from the first day of the next subsequent reporting period after the business

model changes and the reclassification is applied prospectively from the reclassification date, meaning that any previously recognised gains, losses (including impairment gains or losses) or interest will not be restated.

4.9.1.2 Financial liabilities

Financial liabilities are classified at initial recognition as: a) financial liabilities measured at fair value through profit or loss; b) financial liabilities that arise when transfers of financial assets do not qualify for derecognition or when the continuing involvement approach applies; c) and financial liabilities as subsequently measured at amortised cost. All financial liabilities are not be reclassified.

4.9.2 Measurement of financial instruments

The Company measures financial instruments at fair value upon their initial recognition. The related transaction fees for the financial assets and financial liabilities subsequently measured at fair value through profit or loss are charged in profit or loss directly. The related transaction fees for other financial assets and financial liabilities are included in their initial costs. The Company measures the accounts receivable and notes receivable deriving from selling goods or providing services at their transaction price if the accounts receivable and notes receivable do not contain a significant financing component or the Company applies the practical expedient not considering the significant financing component. The subsequent measurement of a financial instrument is determined by its classification.

4.9.2.1 Financial assets

A. Financial assets measured at amortised cost

The financial assets are measured subsequently at amortised cost using the effective interest method after initial recognition. The gains or losses calculated by the effective interest method which do not belong to any hedging relationships are recognised in profit or loss when the financial assets are derecognised, reclassified, amortizied or impaired.

B. Financial assets measured at fair value through profit or loss

After initial recognition, the financial assets are measured subsequently at fair value except that they belong to any hedging relationships, and any gains or losses including interests and dividends are recognised in profit or loss.

C. Financial assets measured at fair value through other comprehensive income

After initial recognition, the financial assets are measured subsequently at fair value. The interest calculated by the effective interest method, impairment losses or gains and exchange gains or losses are recognised in profit or loss and other gains or losses are recognised in other comprehensive income. The accumulated gains or losses recognised in other comprehensive income will be reclassified in profit or loss upon derecognition of the financial assets.

4.9.2.2 Financial liabilities

A. Financial liabilities measured at fair value through profit or loss

The category includes financial liabilities held for trading, derivative financial liabilities and financial liabilities designated as measured at fair value through profit or loss. After initial recognition, financial liabilities in this category are measured at fair value and the gains and losses from changes of fair value of financial liabilities held for trading are recognised in profit or loss except those relating to hedging accounting. For financial liabilities designated as measured at fair value through profit or loss, the change of fair value due to the change of the Company's self-credit risk are recognised in other comprehensive income, and other changes of fair value are recognised in profit or loss. If the recognition in other comprehensive income for the change of fair value due to the change of the financial liabilities' self-credit risk will cause or enhance an accounting mismatch in profit or loss, the Company recognises all gains or losses from the financial liabilities in profit or loss.

B. Financial liabilities measured at amortised cost

After initial recognition, financial liabilities in this category are measured at amortised cost using the effective interest method.

4.9.3 Measurement method of financial instruments' fair value

For financial instruments that active markets exist, the Company uses the quoted prices in the active markets to determine their fair value. If there is no active market for the financial instruments, the Company uses valuation techniques to determine their fair value. The valuation techniques mainly include market approach, income approach and cost approach. In limited conditions, if there is no sufficient updated information to determine the fair value, or the range of estimated fair value is so wide that the cost indicates the best estimate of the fair value, the cost may represent the appropriate estimate of the fair value within the distribution range. The Company makes use of all available

information concerning the investee's business performance and operation to determine if the cost may represent its fair value.

4.9.4 The recognition basis and measurement approach for transfer of financial assets and liabilities

4.9.4.1 Financial assets

A financial asset of the Company is derecognised when it meets one of the following conditions: a) the contractual rights to the cash flows from the financial asset expire, or b) the financial asset has been transferred and the Company transfers substantially all the risks and rewards of ownership of the financial asset; c) the financial asset has been transferred, although the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it has not retained control.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, and recognises related financial liabilities correspondingly.

On derecognition of a financial asset in its entirety, the difference between the following two items is recognised in profit or loss:

(a) the carrying amount measured at the date of derecognition and

(b) the sum of the consideration received and the accumulated change amount of fair value recognised directly in other comprehensive income for the corresponding derecognition financial asset (relating to a financial asset measured at fair value through other comprehensive income) .

If a financial asset is partly transferred, the entire carrying amount of the financial asset is split into the derecognised part and retained part according to their respective fair value at the derecognition date, and the difference between the following two items is recognised in profit or loss:

a) the carrying amount measured at the date of derecognition which is allocated to the derecognized part; and

(b) the sum of the consideration received for the derecognised part and the accumulated change amount of fair value which has been recognised in other comprehensive income belonging to the corresponding derecognised part (relating to a financial asset measured at fair value through other comprehensive income).

4.9.4.2 Financial liabilities

When the present obligation specified in the contract is extinguished, the Company derecognises a financial liability (or a part of a financial liability).

When a financial liability (or a part of a financial liability) is derecognised, the Company recognises the difference between the carrying amount of the financial liability (or a part of the financial liability) and the consideration paid (including any non-cash assets transferred or liabilities assumed) in profit or loss.

4.10 The approach and accounting treatment of expected credit losses (ECL)

4.10.1 The approach of expected credit losses

The Company recognises loss allowance based on ECL on financial assets that are measured at amortized cost (including accounts receivable), financial assets measured at fair value through other comprehensive income (including receivables for financing), lease receivables, and contract assets,.

The Company assesses whether the credit risk on financial instruments have increased significantly since initial recognition at each balance sheet date and divides the credit risk impairment process into three stages and adopts different accounting treatment:

(a) In the first stage, the credit risk on financial instruments has not significantly increased since initial recognition. The Company measures the loss allowance for the financial instruments at an amount equal to 12‑month expected credit losses, and calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets.

(b) In the second stage, the credit risk on financial instruments has significantly increased since initial recognition which are not subject to impairment. The Company measures the loss allowance for the financial instruments at an amount equal to the lifetime expected credit losses, and calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets.

(c) In the third stage, the financial instruments are subject to impairment since initial recognition. The Company measures the loss allowance for the financial instruments at an amount equal to the lifetime expected credit losses, and calculates interest income by applying the effective interest rate to the net carrying amount (gross carrying amount minus the impairment allowance) of the financial

instruments.

4.10.1.1 The approach of expected credit losses for the financial instruments with a low risk of default

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition directly without comparing the credit risk with that on initial recognition if the financial instrument is determined to have a low credit risk at the balance sheet date.

If the financial instrument has a a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations, the financial instrument is considered to have a low credit risk.

4.10.1.2 The approach of expected credit losses for accounts receivable, lease receivables, and contract assets

(a) Accounts receivable and contract assets not containing a significant financing component

The Company adopts simplified approach, i.e. the measurement of lifetime ECL, to determine the impairment losses for accounts receivable and contract assets not containing a significant financing component that result from transactions within the scope of Accounting Standards for Business Enterprises No. 14- Revenue.

The company divides notes receivable, accounts receivable, and contract assets into several combinations based on the type of financial instrument, credit risk rating, initial confirmation date, remaining contract duration, debtor’s industry, debtor’s geographic location, and other credit risk characteristics. The expected credit loss is calculated on the basis of the combination, and the basis for determining the combination is as follows:

Accounts receivable portfolio 1: Accounts receivable from external customers, the company refers to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, compiles a comparison table of accounts receivable aging and the entire duration of the expected credit loss rate, and calculates Expected credit losses.

Accounts receivable portfolio 2: Accounts receivable from related parties within the scope of

consolidation, the company judges that there is no expected credit loss, and no credit loss provision is made.

Notes receivable portfolio 1: Bank acceptance bills, no credit loss is expected, and no credit loss provision is made.

Notes receivable portfolio 2: Commercial acceptance bills. The company refers to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, and calculates expected credit losses through default risk exposure and the entire duration of expected credit loss rate.

Comparison Table of Receivable Note Combination and Expected Credit Loss Rate for the Whole Duration

Aging	Expected credit losses rate（%）
Within 1 year	0.50-1.00
1-2 years	20.00-50.00
2-3 years	60.00-100.00
3-4 years	100.00
4-5 years	100.00
More than 5 years	100.00

Contract asset portfolio: For general performance contracts, the company refers to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, and calculates expected credit losses through default risk exposure and the entire duration of the expected credit loss rate.

(b) Accounts receivable, contract assets and lease receivables containing a significant financing component

The Company adopts the normal approach, i.e. the three-stage model, to determine the impairment losses for accounts receivable and contract assets that result from transactions within the scope of Accounting Standards for Business Enterprises No. 14- Revenue, and the lease receivables that result from transactions within the scope of Accounting Standards for Business Enterprises No. 21- Lease, all of which contain a significant financing component.

(c) Methods of measuring loss reserves for other financial assets

For financial assets other than the above, such as debt investment, other debt investment, other

receivables, long-term receivables other than lease receivables, etc., the company uses the general method, namely the "three-stage" model to measure loss reserves.

When measuring the credit impairment of financial instruments, the company considers the following factors in assessing whether the credit risk has increased significantly:

(a) The issuer or debtor has major financial difficulties;

(b) The debtor breached the contract, such as defaulting or overdue payment of interest or principal;

(c) The creditor, out of economic or contractual considerations related to the debtor’s financial difficulties, gives the debtor a concession that the debtor would not make under any other circumstances;

(d) The debtor is likely to go bankrupt or carry out other financial reorganizations;

(e) The issuer or debtor’s financial difficulties have caused the disappearance of the active market for the financial asset.

4.10.1.3 The approach of expected credit losses for other financial instruments

The Company adopts the normal approach, i.e. the three-stage model, to determine the impairment losses for other financial instruments except aforementioned financial assets, like debt investments, other debt investments, other receivables, long-term receivables excluding lease receivables etc.

The Company considers the following factors for ECL measurement when assessing whether the credit risk on financial instruments has significantly increased or not:

4.10.2 The accounting treatment of expected credit losses

The Company remeasures ECL at each balance sheet date to reflect the credit risk change of financial instruments after initial recognition and recognises the additional or reverse amount of the impairment allowance in profit or loss of the current period as impairment losses or gains, which will be deducted from the carrying amount of the financial assets in the balance sheet, or recorded to the provisions for loan commitments or financial guarantee contracts or in other comprehensive income for financial assets measured at fair value through other comprehensive income depending on the category of the financial instruments.

4.11 Inventories

4.11.1 Categories of inventories

Inventories are the finished goods or commodities that the Company holds to sell, the work in progress in production process, and the material and goods consumed during the production process or service rendering process in daily operation. Inventories include raw materials, revolving materials (packaging materials and low-value consumables etc.), consigned processing materials, work in progress, self-manufactured semifinished product, and finished goods (commodities) etc.

4.11.2 Measurement of inventories upon delivery

Weighted average method is used to measure the actual costs of inventories upon delivery.

4.11.3 Provision for diminution in value of inventories

At each balance sheet date, inventories are measured at the lower of cost and net realisable value. When the cost of inventory exceeds its net realizable value, provision for diminution in value of inventories is recognised. The Company usually recognises provision for diminution in value of inventories on the basis of a single inventory item. For the inventory items of large quantity and low price, the Company recognises provision for diminution in value of inventories based on inventory categories.

4.11.4 Inventory count system

The Company adopts the perpetual inventory system.

4.11.5 Amortization methods of low-value consumables and packaging materials

Low-cost consumables and packaging materials are amortized by the once-off amortization method.

4.12 Contract assets and contract liabilities

4.12.1 Contract assets

The Company presents the right to consideration in exchange for goods or services that it has transferred to a customer as a contract asset when that right is conditioned on something other than the passage of time. The provision for impairment of contract assets shall be made in accordance with the expected credit loss method of financial instruments. For contract assets that do not contain significant financing components, the Company adopts a simplified method to measure the loss provisions. For contract assets containing significant financing components, the Company measures the loss provisions in accordance with the general method.

In the event of impairment losses on contract assets, debit "Impairment Loss on Assets" and credit the impairment provision for contract assets based on the amount to be written down. When

reversing the impairment provisions for assets that have been accrued, make the opposite entry.

4.12.2 Contract liabilities

The Company presents the obligation to transfer goods or services to a customer for which it has received (or the amount is due) from the customer as a contract liability. The Company presents the net balance of contract asset and contract liability arising from the same contract.

4.13 Long-term equity investment

4.13.1 Determination of initial investment cost

Long-term equity investment acquired through a business combination: For a business combination involving enterprises under common control, the initial investment cost of a long-term equity investment is the holding share of the acquiree's equity in the ultimate controlling party's consolidated financial statements measured at the carrying amounts at the acquisition date. For a business combination not involving enterprises under common control, the initial investment cost of a long-term equity investment is the cost of acquisition determined at the date of acquisition. For a long-term equity investment acquired in cash, the initial investment cost is the amount of cash paid. For a long-term equity investment acquired by issuing equity securities, the initial investment cost is the fair value of the equity securities issued. For a long-term equity investment acquired by debt restructuring, the initial investment cost is determined according to related requirements of Accounting Standards for Business Enterprises No. 12- Debt Restructuring. For a long-term equity investment acquired by exchange of non-cash assets, the initial investment cost is determined according to related requirements of Accounting Standards for Business Enterprises No. 7- Exchange of Non-monetary Assets .

4.13.2 Subsequent measurement and recognition of profit or loss

Where the Company is able to exercise control over an investee, the long-term equity investment is accounted for using the cost method. Where the Company has investment in associates and joint ventures, the long-term equity investment is accounted for using the equity method. Where portion of the long-term equity investment in an associate is indirectly held through venture capital organizations, mutual funds, trust companies or similar entities including investment-linked insurance funds, regardless whether these entities can exercise significant influence on the

investments, the Company treats the investment portion according to Accounting Standards for Business Enterprises No. 22- Financial Instrument Recognition and Measurement and accounts for the remaining portion using the equity method.

4.13.3 Basis for recognition of joint control or significant influence over an investee

Joint control of an investee is that the decision of activities that can significantly affect the arrangement's return must require the unanimous consent of the parties sharing control, including sale and purchase of goods or services, financial assets management, purchase and disposal of assets, research and development activity and financing activities etc. The Company holding of 20%-50% voting capital of the investee presents it can exercise significant influence over the investee. The Company usually can exercise significant influence over the investee even its voting capital less than 20% if it can meet one of the following situations: a) Appointing representatives in the board of directors or similar governing body of the investee; b) Participating in the strategy and policy decision process; c) Delegating management personnel; d) The investee relying on the Company's technique or technical material; e) Significant transactions occur between the Company and the investee.

4.14 Investment property

Measured by cost value model:

Investment property refers to land use rights and buildings held to earn rent or capital appreciation, or both, including leased land use rights, land use rights held and ready to be transferred after appreciation, and leased buildings. In addition, for vacant buildings held by the company for operating leases, if the board of directors makes a written resolution stating that they will be used for operating leases and the holding intention will no longer change in the short term, they are also listed as investment property.

The company’s investment property is valued at its cost. The cost of outsourcing investment property includes the purchase price, relevant taxes and other expenses directly attributable to the asset; the cost of self-built investment property is determined by the construction of investment property The composition of the necessary expenditures incurred before the asset reaches the expected usable state.

The company adopts the cost model for subsequent measurement of investment property, and

depreciates or amortizes buildings and land use rights based on their estimated service life and net residual value rate. The estimated service life, net residual value rate and annual depreciation (amortization) rate of investment property are listed as follows:

Category	Depreciation period (years)	Residual rate (%)	Annual depreciation rate (%)
Land use right	40-50	0.00	2.00-2.50
Buildings	20-30	5.00	3.17-4.75

When the use of investment property is changed to self-use, the company will convert the investment property into fixed assets or intangible assets from the date of change. When the purpose of self-use real estate is changed to earning rent or capital appreciation, the company will convert fixed assets or intangible assets into investment property from the date of change. When a conversion occurs, the book value before the conversion is used as the entry value after the conversion.

On the balance sheet date, the company estimates the recoverable amount of investment property with signs of impairment. If the recoverable amount is lower than its book value, the corresponding impairment loss is recognized. Once the impairment loss of investment property is confirmed, it will not be reversed.

When an investment property is disposed of or is permanently withdrawn from use and it is expected that no economic benefits can be obtained from its disposal, the confirmation of the investment property shall be terminated. The amount of disposal income from the sale, transfer, scrapping or destruction of investment property after deducting its book value and relevant taxes shall be included in the current profit and loss.

4.15 Fixed assets

4.15.1 Recognition criteria for fixed assets

Fixed assets refer to tangible assets held for the purpose of producing commodities, services rendering, renting or business administration with useful lives exceeding one accounting year. Fixed assets can be recognised when the following criteria are met: a) It is probable that the economic benefits relating to the fixed assets will flow into the Company; and b) The costs of the fixed assets can be measured reliably.

4.15.2 Classification and depreciation method of fixed assets

The categories of fixed assets mainly include:： Land assets, buildings, machinery & equipment, transportation vehicles, electronic equipment and office equipment. The Company adopts the straight line method for depreciation. The useful life and residual value of an asset is assessed based on its nature and the manner of use. At the end of each financial year, the useful lives, residual values and the depreciation method are reviewed, and adjusted if there are variances with the original estimates. Other than fully depreciated assets which are still in use and land individually measured and recorded, depreciation is provided for all fixed assets.

Category	Depreciation period (years)	Residual rate (%)	Annual depreciation rate (%)
Land assets	No depreciation		
Buildings	20-50	5.00	1.90-4.75
Machinery & equipment	5-14	5.00	6.79-19.00
Transportation vehicles	3-5	5.00	19.00-31.67
Electronic equipment	4-8	5.00	11.88-23.75
Office equipment	3-10	5.00	9.50-31.67
Others	3-5	5.00	19.00-31.67

4.15.3 Identification basis and pricing method of fixed assets leased by financing

Financing leased fixed assets is a lease that substantially transfers all risks and rewards related to asset ownership. The initial valuation of finance leased fixed assets is the lower of the fair value of the leased asset and the current value of the minimum lease payment on the beginning of the lease period; the subsequent valuation of the finance leased fixed assets adopts the depreciation policy consistent with its own fixed assets provision for depreciation and impairment.

4.16 Construction in progress

The construction in progress of the Company includes self-construction and sub-contracting construction. Construction in progress is transferred to fixed assets when it has reached the working condition for its intended use. The recognition criteria of intended use include any of the followings: a) The tangible work of fixed assets (including installation) have been entirely or substantively completed; b) Trial production or trial operation has occurred whose outcome indicates the asset can be operated properly or manufacture quality product steadily; c) No expenditure or insignificant expenditure occur subsequently for the constructed asset; d) The constructed asset has achieved or substantively achieved the requirement of design or contract.

4.17 Borrowing costs

4.17.1 Recognition criteria for capitalization of borrowing costs

Borrowing costs are capitalized when they are directly attributable to the acquisition, construction or production of a qualifying asset and included in the cost of related assets. Other borrowing costs are recognised as expenses and recorded in profit or loss for the current period when incurred. Qualifying assets that meet conditions for capitalization are fixed assets, investment property, inventory or other assets that take a substantial period of time for construction or production in order to get ready for their intended use or sale.

4.17.2 Calculation of capitalization cost

Capitalization period refers to the period from commencement of capitalization of borrowing costs to its termination. The period during which capitalization is suspended is excluded. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months.

For designated borrowings, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing less any bank interest earned from unused funds of the designated borrowings or any investment income on the temporary investment of those funds. For funds borrowed for general purpose, the amount of interest to be capitalized on such borrowings is calculated by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of designated borrowings. Capitalization rate is determined by calculating weighted average interest rate of general borrowings. If there is any premium or discount of the borrowings, the interest cost shall be adjusted in every accounting period by the amortized amount of premium or discount calculating by effective interest method.

Effective interest method is the method to calculate the amortization amount of premium or discount or interest expenses by the effective interest rate of the borrowings. The effective interest rate is the interest rate to discount the future cash flow of the borrowing during its expected duration to the present carrying amount of the borrowing.

4.18 Intangible assets

4.18.1 The measurement of intangible assets

The intangible assets shall be initially measured according to its cost. Acquisition costs of intangible assets include purchase price and relevant expenditures. The invested cost of intangible assets contributed by investors shall be determined according to the conventional value in the investment contract or agreement, except for those of unfair value in the contract or agreement. If the conventional value in the investment contract or agreement is unfair, the costs of intangible assets shall be their fair value. The costs of internally generated intangible assets include the total development expenditures to bring the asset to its intended use.

The subsequent measurements for intangible assets are as follows: a) The intangible assets with definite useful life are amortized by straight line method and reviewed the useful life and amortization method at the end of each year. Any discrepancy between the review and initial estimates shall be adjusted accordingly. b) The intangible assets with indefinite useful life are not amortized, and reviewed for the useful life at the end of each year. If there are objective evidence indicating their useful life is definite, the Company shall estimate the useful life of the intangible assets and amortize them by straight line method.

The amortization methods of intangible assets with limited service life are as follows:

Category	Depreciation period (years)	Amortization methods
Software	5	Straight-line
Land use rights	40-50	Straight-line
Patent	5-10	Straight-line
Others	5-10	Straight-line

4.18.2 The assessment basis for indefinite useful life

Intangible assets without foreseeable period to bring economic benefits to the Company or with uncertain useful life are classified as intangible assets of indefinite life. The judgment basis for indefinite life includes: a) The legal rights are derived from contractual rights or other legal rights, however there is no explicit useful life indicated in the contracts or regulations; b) Although considering the industry practice or demonstration from related professionals comprehensively, the benefit period of the intangible assets still can't be decided.

At the end of each year, the Company reviews the intangible assets with indefinite useful life mainly using bottom-to-top approach. The related departments who use the intangible assets will perform a basic review and evaluate whether there are changes on the basis to determine indefinite useful life.

4.18.3 The specific criteria for research phase and development phase of internally generated projects, and the specific criteria for capitalization of expenditure incurred during development phase.

Expenditures for the research phase of internal research and development projects are included in the current profit and loss when incurred; expenditures for the development phase meet the conditions for recognition as intangible assets and are transferred to intangible assets. If the following conditions are met at the same time, it is recognized as an intangible asset: a) It is technically feasible to complete the intangible asset so that it can be used or sold; b) There is the intention to complete the intangible asset and use or sell it; c) The ways in which intangible assets generate economic benefits include the ability to prove that the products produced by the intangible assets exist in the market or the intangible assets themselves exist in the market. If the intangible assets will be used internally, they can prove their usefulness; d) There are sufficient technology and finance resources and other resource support to complete the development of the intangible asset and the ability to use or sell the intangible asset; e) The expenditure attributable to the development stage of the intangible asset can be reliably measured.

4.19 Impairment of long-term assets

At each balance sheet date, if there are impairment indications for the long-term assets including long-term equity investments, investment property subsequently measured at cost model, fixed assets, construction in progress, productive biological assets measured at cost, oil and gas assets, and intangible assets etc., the Company performs impairment test. If the outcome of impairment test indicates the recoverable amount of the asset is lower than its carrying amount, the Company recognises the provision for impairment based on the amount of the shortfall.

The recoverable amount of an asset is determined by the higher of the net amount after deducting the disposal costs from the asset's fair value and the present value of the asset's estimated future cash flow. The provision for impairment of asset is estimated and recognised on individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the asset group to which the asset belongs. The asset group is the minimum portfolio of assets that could generate cash inflow independently.

Impairment tests are conducted for goodwill presented in the financial statements separately at least

at the end of every accounting year regardless whether there are impairment indications or not. The carrying amount of goodwill arising from business combinations is allocated to relevant asset groups or asset group portfolio. The related impairment loss is recognised if the impairment test indicates the recoverable amount of the asset groups or asset group portfolio embodied the goodwill is lower than their carrying amounts. The amount of impairment loss is firstly deducted from the carrying amount of goodwill embodied in the asset groups or asset group portfolio, then be deducted from the carrying amounts of other assets based on the proportions of their carrying amounts in the asset group or asset groups portfolio.

The impairment losses of assets will not be reversed in subsequent periods once they are recognised.

4.20 Long-term deferred expenses

Long-term deferred expenses refer to expenses that have been paid but their benefit period is more than one year (excluding one year). Long-term deferred expenses will be amortized in the benefit periods. If one long-term deferred expense can't benefit the Company in the subsequent periods, the remaining balance of the long-term deferred expense shall be recognised as expense in profit or loss for the current period.

4.21Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Company in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

4.21.1 Short-time employee benefits

In the accounting period in which employees have rendered services, the Company recognizes the employee benefits as liability, and charges to profit or loss for the current period, or includes in the cost of relevant assets in accordance with other accounting standards. Welfare benefit are charged to profit or loss for the current period or included in the cost of relevant assets when incurred. Welfare benefit in non-monetary forms is measured at fair value. In the accounting period in which employees have rendered services, the Company recognizes the social security contributions as liability according to regulations such as medical insurance, work injury insurance and maternity insurance as well as housing funds, and charges to profit or loss for the current period or includes in

the cost of relevant assets.

4.21.2 Post-employment benefits

During the accounting period in which employees provide the service, the Company calculates the defined contribution plans payable according to the basis and percentage required by local government, recognised as the liability and charges to profit or loss for current period or includes in the cost of related assets. The Company attributes the obligation incurred by defined benefits plans using the projected accumulated benefit unit credit method to periods in which the employees rendered services and charges the obligation to profit or loss for the current period or includes in the cost of related assets.

4.21.3 Termination benefits

Termination benefits provided by the Company to employees are recognised as an employee benefit liability and charged to profit or loss for the current period at the earlier of the following dates: a) The Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; and b) When the Company recognizes costs or expenses related to the restructuring that involves the payment of termination benefits.

4.21.4 Other long-term employee benefits

If other long-term employee benefits provided by the Company to the employees meet the conditions for classifying as a defined contributions plan, those benefits are accounted for in accordance with the above requirements relating to defined contribution plan. Besides, net obligations or net assets of other long-term employee benefits are recognised and measured in accordance with the above requirements relating to defined benefits plan.

4.22 Share-based payment

The share-based payment can be distinguished into equity-settled and cash-settled share-based payment. Equity-settled share-based payment in exchange for services rendered by employees is measured at fair value of the equity instruments granted to the employees. If there exists an active market for options and other equity instruments granted by the Company, their fair value is determined on the price quotes in the active market. If there does not exist an active market, the fair value shall be determined by valuation techniques, including referring to the recent market prices in an arm's length transaction between the knowledgeable and willing parties, the fair value of other

financial instruments with the same substance, the discount cash flow method and option price model.

At each balance sheet date in the vesting period, the Company revises the number of equity instruments that will ultimately vest based on the best estimate of the latest number of eligible employees, the fulfillment of performance conditions and other subsequent information, and recognises the expenses in each accounting period accordingly. The share-based payment can be allocated among the accounting periods based on the vesting period's proportion of the whole vesting period in each accounting period if the share-based payment will be recognised in more than one accounting period.

4.23 Provisions

A provision relating to contingency is recognised when: a) The obligation is a present obligation of the Company; b) It is probable that an outflow of economic benefits will be required to settle the obligation; c) The amount of the obligation can be measured reliably. Provisions are initially measured at the best estimate of the payment to settle the associated obligations. If there is a continuous range for the necessary expenses and probabilities of occurrence of all the outcomes within this range are equal, the best estimate is determined at the average amount of upper and lower limits within the range. If the contingency involves two or more items, the best estimate is determined according to all the possible outcomes with their relevant probabilities.

The Company reviews the carrying amounts of provisions at each balance sheet date, and if there are conclusive evidences that indicate the carrying amounts of provisions can't reflect the present best estimate of the payment, the carrying amounts of provisions will be adjusted to the present best estimate of the payment.

4.24 Preference shares and perpetual bonds

4.24.1 Classification of financial liabilities and equity instruments

The Company classifies the preference shares, perpetual bonds, warrants and convertible bonds etc. into financial liabilities or equity instruments according to the following criteria:

(a) To settle the contract obligation in cash, by other financial assets or exchange of financial assets or liabilities

If the Company can't avoid paying cash or other financial assets unconditionally to fulfill its

obligation in one contract, the obligation of contract meets the definition of financial liabilities.

(b) To settle the contract obligation by the Company's own equity instruments

If the financial instrument shall or can be settled by the Company's own equity instruments for the alternatives of cash or other financial assets, the financial instrument is a financial liability of the Company; if the holder of financial instrument can enjoy the rest equity benefit after the Company deducts all liabilities from the assets, the financial instrument is an equity instrument of the Company.

(c) To distinguish between derivative financial instrument and non-derivative financial instrument when the Company shall or can settle the contract obligation using own equity instrument

For non- derivative financial instrument, if the Company has no obligation to settle by issuing convertible-quantity own equity instrument in the future, the non-derivative financial instrument is an equity instrument. Conversely the non-derivative financial instrument is a financial liability. For derivative financial instrument, if the Company can only settle the contract obligation using fixed-quantity own equity instrument to exchange fixed-amount cash or other financial assets, the derivative financial instrument is an equity instrument; if the Company uses fixed-quantity own equity instrument to exchange convertible-amount cash or other financial assets, or uses convertible-quantity own equity instrument to exchange fixed-amount cash or other financial assets, or when the transfer price is not fixed, uses convertible-quantity own equity instrument to exchange convertible-amount cash or other financial assets, the derivative financial instrument is a financial liability or a financial asset.

4.24.2 The accounting treatment for preference shares and perpetual bonds

The Company accounts for the financial instruments that is classified as financial liabilities by the account "Bonds payable", calculates interest and adjusts the carrying amount of the interests payable etc. in accordance with the regulation of financial liability subsequent measurement with amortized cost in the financial instrument recognition and measurement standard. The Company accounts for the equity instruments in the account "other equity instruments" and treats the dividend payments (including interests arising from instruments that are classified as equity instruments) as profit distribution during the equity instruments' existence.

4.25 Revenues

The Company recognises revenue at the allocated transaction price when it satisfies a performance obligation in a contract, i.e. the customer obtains the control of related goods or services. Obtaining control of related goods means the ability to direct the use of, and obtain substantively all the benefits from it. A performance obligation is the Company's a promise in a contract with a customer to transfer to the customer a good or service (or a bundle of goods or services) that is distinct. The transactions price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts to be expected to repay the customer.

A performance obligation satisfied over time or at a point of time is determined by the terms in the contract and the requirements of relevant laws and regulations. If a performance obligation is satisfied over time, the Company will recognise revenue over time by its progress towards complete satisfaction of the performance obligation. Otherwise the Company will recognise revenue at a point of time when the customer obtains the control of related assets.

4.25.1 Sales of goods contract

For a domestic sales contract of goods in China for which the control of goods is transferred at a certain point in time, when the Group delivers the goods to the customer or carrier and the Group has obtained the current right of payment request and is likely to recover the consideration, that is when the customer obtains the relevant goods Confirm when the customer have the right to control.

For a sales contract outside of China for the transfer of commodity control rights at a certain point in time, when the income is issued and the goods are shipped and departed at the port of shipment and the Group has obtained the current right of payment request and is likely to recover the consideration, that is when the customer obtains the relevant Confirm when controlling the goods.

4.25.2 Service contract

The service contract between the Company and its customers usually includes performance obligations such as maintenance guarantee services, operation and maintenance services, and engineering services. If the customer obtains and consumes the economic benefits brought by the Company’s performance as the company performs the contract, the Company will recognize the revenue according to the performance progress in this period. For the service contract with clear output indicators, such as maintenance guarantee services, operation and maintenance services, etc.,

the Company determines the performance progress of the services provided in accordance with the output method; for contracts with a small number of output indicators that cannot be clearly measured, the input method is used to determine the performance progress of the service.

4.26 Contract costs

The contract costs of the Company include the incremental costs to obtain a contract and the costs to fulfil a contract. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. If the Company expects to recover those costs, the costs will be recognised as an asset.

If the costs incurred in fulfilling a contract with a customer are not within the scope of another standard like Accounting Standards for Business Enterprises No. 1- Inventories, they will be treated as the costs to fulfil a contract and recognised as an asset when meeting the following conditions:

a) the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify, including direct labour, direct materials, allocations of costs that relate directly to the contract, costs that are explicitly chargeable to the customer under the contract and other costs that are incurred only because the Company entered into the contract;

b) the costs generate or enhance resources of the Company that will be used in satisfying performance obligations in the future;

c) the costs are expected to be recovered.

The Company records the costs to fulfil a contract in the inventory whose amortization period upon initial recognition is no longer than one year or one common operating cycle, and records the costs to fulfil a contract in the other non-current assets whose amortization period upon initial recognition is longer than one year or one common operating cycle.

An asset recognised for the costs to obtain a contract is presented in other current assets if its amortisation is not longer than 1 year or an operating cycle upon initial recognition; otherwise, it is presented in other non-current assets.

The Company recognizes an impairment loss in profit or loss to the extent that the carrying amount of an asset recognised exceeds:

(a) the remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates; less

(b) the costs that relate directly to providing those goods or services and that are estimated to incur.

If the depreciation factors of the previous period have changed, and it makes the difference between the aforementioned two conditions is higher than the book value of the asset, the original provision for impairment of the asset should be reversed and included in the current profit and loss, but the book value of the asset after the reversal should not exceed the book value of the asset on the date of reversal under the assumption that no impairment provision is made.

4.27 Government grants

4.27.1 Category and accounting treatment of government grants

Government grants are the monetary assets and non-monetary assets received from the government without consideration to be paid which are not including the capital injected by the government acted as an owner role. Government grants in the form of monetary assets are measured for the received or receivable amount, while government grants in the form of non-monetary assets are measured at fair value. When the fair value of non-monetary assets can't be obtained reliably, the government grants are measured at nominal amount.

Government grants related to the Company's routine operation will be recorded in other income based on the nature of its economic substance and government grants not related to the Company's routine operation will be recorded in non-operating income or expenses.

If the government documents explicitly state that the government grants will be used to establish or form long-term assets, the government grants will be classified as government grants related to assets. If there is no explicit subsidy object in the government document, the portion related to long-term assets will be classified as government grants related to assets and the rest portion will be classified as government grants related to income. If the category of a government grant can't be distinguished reasonably, all the government grant will be classified as government grants related to income. Government grants related to assets are deducted from the carrying amount of related assets. Except those grants which are classified as government grants related to assets, other government grants are classified as government grants related to income. If the grant related to income is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is

recognised as deferred income, and amortized in profit or loss over the periods in which the related costs are recognised. If the grant related to income is a compensation for related expenses or losses already incurred, the grant is recognised directly in profit or loss for the current period.

When a bank receives the discount interest fund from the financial sector and then provides a loan to the Company with preferential interest rate, the Company accounts for the loan at the actual received amount and related interest expenses will be calculated based on the principal and the preferential interest rate. When the Company receives the discount interest fund from the financial sector directly, the discount interest fund will be deducted from related borrowing cost.

4.27.2 The recognition timing for government grants

The government grants will be recognised when the Company meets the accompanying conditions of the government grants which are entitled to be received. The receivable government grants will be recognised when there are conclusive evidence to indicate the Company could meet all related requirements of the government grants and the Company expects to receive the government grants in the future. Other government grants will be recognised when the grant fund is received.

4.28 Deferred tax asset and deferred tax liability

4.28.1 Temporary differences arising from the difference between the carrying amount of an asset or liability (asset or liability not recognised in balance sheet but the tax base is ascertained by the current tax laws and regulation, the tax base is the temporary difference) and its tax base are recognised as deferred tax calculating by the effective tax rate in the expected period to receive the asset or discharge the liability.

4.28.2 Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized and should be recognised for deductible loss or tax reduction that could be carried forward in subsequent periods to the extent that it is probable that taxable income will be available against which deductible loss or tax reduction can be utilized. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred tax asset to be utilized, the carrying amount of the deferred tax asset is reduced.

4.28.3 The taxable temporary differences associated with investments in subsidiaries and associates shall be recognised deferred tax liability; except the Company is able to control the timing of the

reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The deductible temporary differences associated with investments in subsidiaries, associates, the corresponding deferred tax asset is recognised when it is probable that the temporary difference will reverse in the foreseeable future and it is probable that taxable profits will be available in the future against which the temporary difference can be utilized.

4.29 Leases

4.29.1 The accounting treatment for lessee

At the lease commencement date, the Company recognises right-of-use assets and lease liabilities for all other leases except short-term leases and leases of low-value assets, and will recognise depreciation expenses and interest expenses separately over the lease term.

The Company recognises rental expenses in profit or loss applying a straight-line basis in each period over the lease term for short-term leases and leases of low-value assets.

4.29.1.1 Right-of-use assets

Right-of-use assets represent a lessee's rights to use the underlying assets for the lease term. At the commencement date, a right-of-use asset is measured at cost. The cost includes:

a) the amount of the initial measurement of the lease liability;

b) any lease payments made at or before the commencement date, less any lease incentives received if such lease incentives exist;

(c) any initial direct costs incurred by the lessee;

(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets of the Company are depreciated by the straight line method based on their category. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If the Company can reasonably be certain that the ownership of a leased asset will be obtained at the expiration of the lease term, the related right-of-use asset is depreciated over the useful life of the underlying asset. The related right-of-use asset is depreciated over the shorter of lease term and residual use life of the underlying asset if the Company can not reasonably be certain that the ownership of a leased asset will be obtained at the expiration of lease term.

The Company determines whether a right-of-use asset is subject to impairment or not in accordance with the requirements of Accounting Standards for Business Enterprises No. 8- Impairment of assets.

4.29.1.2 Lease liabilities

At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments include: a) fixed payments (including in-substance fixed payments) less any lease incentives if such lease incentives exist; b) variable lease payments that depend on an index or a rate; c) amounts expected to be payable by the lessee under residual value guarantees; d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Company uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. The Company calculates the interest expenses which are recorded in finance expenses using the constant periodic rate of interest in each period during the lease term. The periodic rate of interest is the discount rate or adjusted discount rate the Company uses.

Variable lease payments which are not included in the measurement of lease liabilities are recognised in profit or loss when they actually occur.

If the assessment of an option to renew, terminate or purchase the underlying asset changes, the lease liability is remeasured by the revised lease payments using a revised discount rate and the carrying amount of right-of-use asset is revised accordingly. When there is a change in the in-substance fixed payment, the amount expected to be payable under a residual value guarantee, or the variable lease payment that depends on an index or a rate, the lease liability is remeasured by the revised lease payments using an unchanged discount rate and the carrying amount of right-of-use asset is revised accordingly.

4.29.2 The accounting treatment for lease

4.29.2.1 The accounting treatment for operating lease

The Company recognises lease payments for operating leases in profit or loss applying a straight-line basis in each period over the lease term. The Company capitalized the initial direct expenses

incurred which are amortizes in profit or loss over the lease term on the same recognition basis as the lease income.

4.29.2.2 The accounting treatment for finance lease

The Company recognises the unearned finance income by the difference between the sum of finance lease receivable and unguaranteed residual value, and their present value at the commencement date, which will be recognised as lease income in the periods to collect lease payment. The initial direct expenses incurred relating to the lease transaction will be included in the initial carrying amount of finance lease receivable.

5. Changes of significant accounting policies and accounting estimates

5.1 The changes of accounting policies and reason for change

None.

5.2 Significant changes in accounting estimates

None.

5.3 Correction of prior accounting errors

None.

6. Taxes

6.1 Main taxes categories and tax rates

Tax category	Tax base	Tax rate
Value added tax	Domestic sales; provide processing, repair and repair services; import goods; provide tangible movable property leasing services	13%
	Sell or import fertilizers	9%
	Provide real estate leasing services ; sell real estate	9%
	Other taxable sales services	6%
	Simple tax calculation method	5%、3%
Urban maintenance and construction tax	Turnover tax payable	7%
Educational surtax	Turnover tax payable	3%
Local educational surtax	Turnover tax payable	2%
Enterprise income tax	Taxable income	8.84%、8.25%、15%、16.5%、19%、20%、21%、25%、25.80%

Income tax rates for different taxpayers:

Name of tax enterprise	Tax rate of income tax	Remark
China Shandong Company Limited	16.5%	Registered in HongKong
Shandong Xinhua Pharmaceutical Co., Ltd.	15%	High-tech Enterprise
Shandong Zibo Xinda Pharmaceutical Co., Ltd.	15%	High-tech Enterprise
Xinhua Pharmaceutical (Shouguang) Co., Ltd.	15%	High-tech Enterprise
Shandong Xinhua Design Engineering Co., Ltd.	15%	High-tech Enterprise
Xinhua Pharmaceutical (Gaomi) Co., Ltd.	15%	High-tech Enterprise
Shandong Xinhua Wanbo Chemical Co., Ltd.	15%	High-tech Enterprise
Shandong Xinhua Pharmaceutical (Europe) B.V.	25.8%、19%	Dutch Corporate tax
Shandong Xinhua Pharmaceutical (USA), Inc.	Federal tax 21%, Sate tax 8.84%	U.S.-incorporated entities
Shandong Xinhua Mechanical and Electrical Engineering Co., Ltd.	20%	Small and low-profit enterprises
Xinhua Health Technology (Hong Kong) Co., Limited	16.5%	Registered in HongKong
Shandong Lukang Pharmaceutical Co., Ltd.	15%	High-tech Enterprise
Shandong Lukang Shelile Pharmaceutical Co., Ltd.	15%	High-tech Enterprise
Shandong Lukang Pharmaceutical Group Saite Co., Ltd.	15%	High-tech Enterprise
Shandong Lukang Zhonghe Environment Protection Technology Co., Ltd.	15%	High-tech Enterprise
Qinghai LuKang Dadi Pharmaceutical Co., Ltd.	15%	High-tech Enterprise
Shandong Lukang Biological Pesticides Co., Ltd.	15%	High-tech Enterprise
Shandong Lukang Mechanical and Electrical Engineering Co., Ltd.	15%	High-tech Enterprise
Shandong Lukang International Trade Co., Ltd.	20%	Small and low-profit enterprises
Shandong Lukang Hecheng Pharmaceutical Co., Ltd.	20%	Small and low-profit enterprises
Shandong Lukang Biological chemicals Management Co., Ltd.	20%	Small and low-profit enterprises
Hualu CCB International Investment Limited	16.5%	Registered in HongKong
Shanghai Hualu Hongxin Private Equity Fund Management Co., Ltd.	20%	Small and low-profit enterprises
Dezhou Minxin Service Co., Ltd.	20%	Small and low-profit enterprises
Shandong Hualu-Hengsheng Chemical Co., Ltd.	15%	High-tech Enterprise
Hualu-Hengsheng (Jingzhou) Co., Ltd.	15%	High-tech Enterprise
Shandong Academy of Environmental Sciences Co., Ltd.	15%	High-tech Enterprise
Shandong Academy of Environmental Sciences Environmental Engineering Co., Ltd.	15%	High-tech Enterprise
Shandong Academy of Environmental Sciences Environmental Testing Co., Ltd.	15%	High-tech Enterprise
Zhongke Hualu Resources and Environment Co., Ltd.	15%	High-tech Enterprise
Hualu Huanke (Xinji) Water Treatment Co., Ltd.	12.5%	Three exemptions and three halvings enterprises
Shandong Hualu International Business Center Co., Ltd.	20%	Small and low-profit enterprises
Shandong Hualu International Advertising Co., Ltd.	20%	Small and low-profit enterprises

6.2 Significant tax incentives and approval documents

6.2.1Shandong Xinhua Pharmaceutical Co.,Ltd. (hereinafter referred to as "Xinhua Pharmaceutical"):

6.2.1.1 Xinhua Pharmaceutical and its subsidiary, Shandong Zibo Xinda Pharmaceutical Co., Ltd. (hereinafter referred to as "Xinda Pharmaceutical"), obtained the High-tech Enterprise Certificate issued by the Shandong Provincial Department of Science and Technology, the Shandong Provincial Department of Finance, and the Shandong Provincial Taxation Bureau of the State Taxation Administration on December 7, 2023. The certificate numbers are GR202337005178 and GR202337005744 respectively, and the validity period is 3 years. According to the provisions of the "Enterprise Income Tax Law of the People's Republic of China", our company and Xinda Pharmaceutical enjoy the tax preferential policy of levying enterprise income tax at a rate of 15%. Enterprise income tax is provisionally prepaid at a rate of 15% for the current reporting period.

6.2.1.2Xinhua Pharmaceutical's subsidiary, Xinhua Pharmaceutical (Shouguang) Co., Ltd. (hereinafter referred to as "Shouguang Company"), obtained the High-tech Enterprise Certificate issued by the Shandong Provincial Department of Science and Technology, the Shandong Provincial Department of Finance, and the Shandong Provincial Taxation Bureau of the State Taxation Administration on December 7, 2024. The certificate number is GR202437002139, and the validity period is three years. According to the provisions of the Enterprise Income Tax Law of the People's Republic of China, Shouguang Company enjoys the tax preferential policy of being subject to enterprise income tax at a rate of 15%. The Company enjoyed a tax incentive for the six-month period ended 30 June 2026, and the applicable enterprise income tax rate was 15%.

6.2.1.3Shandong Xinhua Design Engineering Co., Ltd., a subsidiary of Xinhua Pharmaceutical (hereinafter referred to as "Design Engineering Company"), obtained the High-tech Enterprise Certificate issued by the Shandong Provincial Department of Science and Technology, the Shandong Provincial Department of Finance, and the Shandong Provincial Taxation Bureau of the State Taxation Administration on December 8, 2025. The certificate number is GR202537002212, and the validity period is three years. According to the provisions of the Enterprise Income Tax Law of the People's Republic of China, design engineering companies enjoy the tax preferential policy of being

subject to enterprise income tax at a rate of 15%. The Company enjoyed a tax incentive for the six-month period ended 30 June 2026, and the applicable enterprise income tax rate was 15%.

6.2.1.4On November 29, 2023, Xinhua Pharmaceutical's subsidiaries, Xinhua Pharmaceutical (Gaomi) Co., Ltd. (hereinafter referred to as "Gaomi Company") and Shandong Xinhua Wanbo Chemical Co., Ltd. (hereinafter referred to as "Wanbo Chemical"), were awarded the High-tech Enterprise certificates by the Shandong Provincial Department of Science and Technology, the Shandong Provincial Department of Finance, and the Shandong Provincial Taxation Bureau of the State Taxation Administration. The certificate numbers are GR202337001341 and GR202337001830 respectively, and the validity period is 3 years. According to the provisions of the Enterprise Income Tax Law of the People's Republic of China, Gaomi Company and Wanbo Chemical enjoy the tax preferential policy of being subject to enterprise income tax at a rate of 15%. Enterprise income tax is provisionally prepaid at a rate of 15% for the current reporting period.

6.2.1.5Shandong Xinhua Mechanical and Electrical Engineering Co., Ltd., a subsidiary of Xinhua Pharmaceutical (hereinafter referred to as "Xinhua Mechanical and Electrical Company"), meets the conditions for taxing the annual taxable income of small and micro enterprises as stipulated in Article 1 of the "Announcement of the Ministry of Finance and the State Taxation Administration on Implementing Income Tax Preferential Policies for Small and Micro Enterprises and Individual Business Households" (Announcement No. 6 of 2023 of the Ministry of Finance and the State Taxation Administration) : The portion of the annual taxable income not exceeding RMB 1 million shall be included in the taxable income at a reduced rate of 25% and subject to enterprise income tax at a rate of 20%. This policy, in accordance with the relevant provisions of Article 3 of the "Announcement of the Ministry of Finance and the State Taxation Administration on Tax and Fee Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Business Households" (Announcement No. 12 of 2023 of the Ministry of Finance and the State Taxation Administration), will be extended until December 31, 2027.

6.2.1.6Xinhua Pharmaceutical and its subsidiaries are entitled to the VAT exemption-credit-refund policy for exported commodities.

Pursuant to Article 1 of the Announcement on the Additional VAT-deduction Policy for

Advanced-manufacturing Enterprises(Announcement No.43 of 2023 issued by the Ministry of Finance and the State Taxation Administration): from 1 January 2023 to 31 December 2027, qualified advanced-manufacturing enterprises are permitted to deduct an additional 5% based on their current-period deductible input VAT against the payable VAT.

6.2.2 Shandong Lukang Pharmaceutical Co., Ltd. (hereinafter referred to as "Lukang Pharmaceutical"):

6.2.2.1 On December 7, 2024, LuKang Pharmaceutical was recognized as a high-tech enterprise, with the certificate number GR202437002673. The validity period of the certificate is three years, and during this reporting period, it actually implemented a preferential enterprise income tax rate of 15%.

6.2.2.2 On December 8, 2025, the subsidiary, Shandong Lukang Shelile Pharmaceutical Co., Ltd., was recognized as a high-tech enterprise, with the certificate number GR202537001838. The validity period of the certificate is three years, and during this reporting period, the actual preferential enterprise income tax rate of 15% was implemented.

6.2.2.3 On November 29, 2023, the subsidiary, Shandong Lukang Pharmaceutical Group Sate Co., Ltd., was recognized as a high-tech enterprise, with the certificate number GR202337000429. The validity period of the certificate is three years, and during this reporting period, it actually implemented a preferential enterprise income tax rate of 15%.

6.2.2.4 On December 7, 2024, the subsidiary, Shandong Lukang Zhonghe Environmental Protection Technology Co., Ltd., was recognized as a high-tech enterprise, with the certificate number GR202437000081. The validity period of the certificate is three years, and during this reporting period, the actual preferential enterprise income tax rate of 15% was implemented.

6.2.2.5 On November 14, 2023, the subsidiary, Qinghai LuKang Dadi Pharmaceutical Co., Ltd., was recognized as a high-tech enterprise, with the certificate number GR202363000032. The validity period of the certificate is three years, and during this reporting period, the actual preferential enterprise income tax rate of 15% was implemented.

6.2.2.6 On December 7, 2024, the subsidiary, Shandong Lukang Biopesticide Co., Ltd., was

recognized as a high-tech enterprise, with the certificate number GR202437007285. The validity period of the certificate is three years, and during this reporting period, the actual preferential enterprise income tax rate of 15% was implemented.

6.2.2.7 On December 8, 2025 the subsidiary, Shandong Lukang Mechanical and Electrical Engineering Co., Ltd., was recognized as a high-tech enterprise, with the certificate number GR202537007995. The validity period of the certificate is three years, and during this reporting period, the actual preferential enterprise income tax rate of 15% was implemented.

6.2.2.8 The subsidiaries, namely Shandong Lukang International Trade Co., Ltd., Shandong Lukang Hecheng Pharmaceutical Co., Ltd., Shandong Lukang Bio-Chemicals Trading Co., Ltd. and Shandong Lukang Mechanical and Electrical Engineering Co., Ltd., are small and low-profit enterprises. According to the "Announcement on Tax and Fee Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Business Households" [Announcement No. 12 of 2023 of the Ministry of Finance and the State Taxation Administration], the policy of reducing the taxable income of small and micro enterprises to 25% and paying enterprise income tax at a rate of 20% will be extended until December 31, 2027.

6.2.3 Shandong Hualu-Hengsheng Group Co.,Ltd. (hereinafter referred to as " Hualu-Hengsheng Group ")：

6.2.3.1 The subsidiary, Dezhou Minxin Service Co., Ltd., is a small and low-profit enterprise. According to the "Announcement of the Ministry of Finance and the State Taxation Administration on Relevant Tax and Fee Policies to Further Support the Development of Small and Micro Enterprises and Individual Business Households" (Announcement No. 12 of 2023 of the Ministry of Finance and the State Taxation Administration), from January 1, 2023 to December 31, 2027, The urban maintenance and construction tax, stamp duty (excluding transaction stamp duty), education surcharge and local education surcharge shall be halved for small and low-profit enterprises. The policy of calculating the taxable income at a reduced rate of 25% and paying enterprise income tax at a rate of 20% will be extended until December 31, 2027.

6.2.3.2 On November 29, 2023, the subsidiary, Shandong Hualu-Hengsheng Chemical Co., Ltd., obtained the High-tech Enterprise Certificate with the number GR202337000995, and the validity period is three years.Enterprise income tax is provisionally prepaid at a rate of 15% for the current

reporting period.

6.2.3.3 On November 11, 2025, the subsidiary company Hualu-Hengsheng (Jingzhou) Co., Ltd. was recognized as a high-tech enterprise. The certificate number is GR202542000637, with a validity period of three years. During this reporting period, the 15% corporate income tax preferential rate was actually implemented.

6.2.4 Hualu Investment & Development Co., Ltd. (hereinafter referred to as "Hualu Investment"):

Shanghai Hualu Hongxin Private Equity Fund Management Co., Ltd. is a small and low-profit enterprise. According to the "Announcement of the Ministry of Finance and the State Taxation Administration on Further Supporting the Development of Small and Micro Enterprises and Individual Businesses (Announcement of the Ministry of Finance and the State Taxation Administration No. 12 of 2023)", from January 1, 2023 to December 31, 2027, for small and micro enterprises, the resource tax (excluding water resources tax), urban maintenance construction tax, property tax, urban land use tax, stamp duty (excluding securities transaction stamp duty), farmland occupation tax and education surcharge and local education surcharge will be halved; and the taxable income will be calculated at 25% and corporate income tax will be paid at a rate of 20%, which will be continued until December 31, 2027.

6.2.5 Shandong Academy of Environmental Sciences Co.,Ltd. (hereinafter referred to as "Academy of Environmental Sciences"):

6.2.5.1Approved by the Department of Science and Technology of Shandong Province, the Department of Finance of Shandong Province, and the Shandong Provincial Taxation Bureau of the State Taxation Administration, Shandong Academy of Environmental Sciences Co.,Ltd. obtained the High-tech Enterprise Certificate with the number GR202437007056 on December 7, 2024, and the applicable income tax rate is 15%.

6.2.5.2 According to Article 28, Paragraph 2 of the Enterprise Income Tax Law of the People's Republic of China, high-tech enterprises that are in need of key support from the state shall be subject to enterprise income tax at a reduced rate of 15%. Approved by the Department of Science and Technology of Shandong Province, the Department of Finance of Shandong Province, and the Shandong Provincial Taxation Bureau of the State Taxation Administration, Shandong Academy of

Environmental Sciences Environmental Engineering Co., Ltd. obtained the High-tech Enterprise Certificate with the number GR202437007135 on December 7, 2024, and is subject to an income tax rate of 15%.

6.2.5.3 According to Article 28, Paragraph 2 of the Enterprise Income Tax Law of the People's Republic of China, high-tech enterprises that are in need of key support from the state shall be subject to enterprise income tax at a reduced rate of 15%. Shandong Academy of Environmental Sciences Environmental Testing Co., Ltd. was approved by the Shandong Provincial Department of Science and Technology, the Shandong Provincial Department of Finance, and the Shandong Provincial Taxation Bureau of the State Taxation Administration. On December 8, 2025, it obtained the High-tech Enterprise Certificate with the number GR202537005031, and the applicable income tax rate is 15%.

6.2.5.4According to Article 28, Paragraph 2 of the Enterprise Income Tax Law of the People's Republic of China, high-tech enterprises that are in need of key support from the state shall be subject to enterprise income tax at a reduced rate of 15%. Zhongke Hualu Resources and Environment Co., Ltd. was approved by the Shandong Provincial Department of Science and Technology, the Shandong Provincial Department of Finance, and the Shandong Provincial Taxation Bureau of the State Taxation Administration. On December 7, 2023, it obtained the High-tech Enterprise Certificate with the number GR202337004402, and the applicable income tax rate is 15%.

6.2.5.5 According to Article 27, Paragraph 3 of the Enterprise Income Tax Law: "Income from engaging in environmental protection and energy conservation and water conservation projects that meet the conditions may be exempted or subject to reduced enterprise income tax." As well as Article 88 of the Implementing Regulations of the Enterprise Income Tax Law, "The environmental protection and energy conservation and water conservation projects that meet the conditions as referred to in Item (3) of Article 27 of the Enterprise Income Tax Law include public sewage treatment, public garbage treatment, comprehensive development and utilization of biogas, energy conservation and emission reduction technological transformation, seawater desalination, etc." The income derived by enterprises from the environmental protection and energy conservation and water conservation projects that meet the conditions as stipulated in the preceding paragraph shall be

exempt from enterprise income tax for the first three years starting from the tax year in which the first production and business income is obtained, and shall be subject to a 50% reduction in enterprise income tax for the fourth to sixth years.

Hualu Huanke (Xinji) Water Treatment Co., Ltd. obtained its first business income in the tax year of 2022. It has enjoyed exemption from enterprise income tax and has filed for the preferential matters of enterprise income tax, This period enjoys a halved corporate income tax rate.

6.2.6 China Shandong Group Co., Ltd. (hereinafter referred to as " Shandong Group "):

The subsidiaries of Shandong Hualu, namely Shandong Hualu International Business Center Co., Ltd. and Shandong Hualu International Advertising Co., Ltd., are small and low-profit enterprises. According to the "Announcement of the Ministry of Finance and the State Taxation Administration on Relevant Tax and Fee Policies to Further Support the Development of Small and Micro Enterprises and Individual Business Households" (Announcement No. 12 of 2023 of the Ministry of Finance and the State Taxation Administration), from January 1, 2023 to December 31, 2027, For small and low-profit enterprises, the resource tax (excluding water-containing resource tax), urban maintenance and construction tax, property tax, urban land use tax, stamp duty (excluding stamp duty on securities transactions), farmland occupation tax, education surcharge and local education surcharge shall be halved. The policy of calculating the taxable income at a reduced rate of 25% and paying enterprise income tax at a rate of 20% will be extended until December 31, 2027.

7. Business combination and consolidated financial statements

7.1 Constitution of the Company

No.	Name of Subsidiaries	Level	Corporate type	Registration place	Principal place of business	Business Nature	Paid up capital (10 thousand yuan)	Holding proportion (%)	Voting right(%)	Amount of Investment（10 thousand yuan)	Acquisition method
1	China Shandong Group Co., Ltd.	2	Domestic non-financial subsidiary	Jinan	Jinan	Trade	11,112.00	100.00	100.00	11,380.85	Investment establishment
2	China Shandong Company Limited	2	Overseas subsidiary	Hong Kong	Hong Kong	Trade	40,424.97	100.00	100.00	47,447.20	Investment establishment
3	Shandong Hualu-Hengsheng Group Co., Ltd.	2	Domestic non-financial subsidiary	Dezhou	Dezhou	Chemical	10,117.06	100.00	100.00	69,818.15	Transfer
4	Shandong Xinhua Pharmaceutical Co., Ltd.	2	Domestic non-financial subsidiary	Zibo	Zibo	Pharmaceutical	69,668.34	37.72	37.72	22,841.84	Consolidation under common control
5	Shandong Lukang Pharmaceutical Co., Ltd.	2	Domestic non-financial subsidiary	Jining	Jining	Pharmaceutical	104,518.98	23.81	23.81	58,200.38	Consolidation under common control
6	Hualu Investment & Development Co., Ltd.	2	Domestic non-financial subsidiary	Jinan	Jinan	Investment Management	110,000.00	100.00	100.00	110,000.00	Investment establishment
7	Shandong Academy of Environmental Sciences Co., Ltd.	2	Domestic non-financial subsidiary	Jinan	Jinan	Internet and related services	9,804.00	51.00	51.00	10,501.03	Transfer

7.2 Atomic companies or structured entities that are no longer included in the consolidation scope in this period

None.

8. Notes to the consolidated financial statements

8.1 Cash at bank and on hand

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Cash on hand	260,812.04	274,768.61
Cash at bank	6,718,726,025.23	6,411,272,954.09
Other monetary funds	403,969,103.61	442,260,244.46
Total	7,122,955,940.88	6,853,807,967.16
Including: the total balance deposited overseas	98,002,204.49	82,833,779.69

Details of other monetary funds：

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
The bank acceptance deposit	335,262,895.43	355,621,888.13
The letter of credit deposit	28,290,968.54	55,945,098.45
Frozen funds in bank deposits	31,010,688.75	28,220,923.97
Worker’s deposits, etc	7,358,048.01	9,173,573.49
Security deposit for letter of guarantee	863,400.84	1,654,756.80
Performance bond		1,083,434.07
Loans margin deposit	679,643.08	661,087.53
ETC margin	8,000.00	8,000.00
Others		531.24
Total	403,473,644.65	452,369,293.68

8.2 Financial assets held for trading

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Financial assets classified upon initial recognition as at fair value through profit or loss	1,020,503,642.62	276,742,377.57
Including: Equity instrument investment	43,117,312.50	47,430,163.17
Others	977,386,330.12	229,312,214.40
Total	1,020,503,642.62	276,742,377.57

8.3 Notes receivable

8.3.1 Notes receivable by category

Item	Balance as at 30/06/2026			Balance as at 31/12/2025		
	Balance	Allowance for credit losses	Carrying amount	Balance	Allowance for credit losses	Carrying amount
Bank acceptance bills	29,591,034.24	70,484.33	29,520,549.91	39,854,773.43	142,878.26	39,711,895.17
Trade acceptance bills	78,546,147.90	4,510,173.94	74,035,973.96	32,650,081.95	1,827,959.10	30,822,122.85

Item	Balance as at 30/06/2026			Balance as at 31/12/2025		
Total	108,137,182.14	4,580,658.27	103,556,523.87	72,504,855.38	1,970,837.36	70,534,018.02

8.3.2 Notes receivable endorsed or discounted at the end of the period but not yet due at the balance sheet date

Item	Amounts not derecognised at the end of the period
Bank acceptance bills	11,877,585.72
Trade acceptance bills	6,445,091.63
Total	18,322,677.35

8.4 Accounts receivable

8.4.1 Accounts receivable by aging

Aging	Balance as at 30/06/2026	Balance as at 31/12/2025
Within 1 year	2,413,936,685.30	2,057,600,767.08
1-2 years	343,785,408.46	291,267,171.69
2-3 years	164,875,012.41	170,425,668.50
More than 3 years	712,205,680.10	734,056,169.12
Less: Allowance for credit losses	772,221,865.59	778,117,062.67
Total	2,862,580,920.68	2,475,232,713.72

8.4.2 Accounts receivable by provision method for allowance credit losses

Category	As at 30/06/2026				
	Balance		Allowance for credit losses		Carrying amount
	Amount	PCT(%)	Amount	Allowance rate (%)	
Individual assessment subject to allowance for credit losses	212,900,801.03	5.86	208,734,850.76	98.04	4,165,950.27
Grouping assessment subject to allowance for credit losses	3,421,901,985.24	94.14	563,487,014.83	16.47	2,858,414,970.41
Including:Group1：Aging portfolio	3,359,041,456.81	92.41	559,715,383.13	16.66	2,799,326,073.68
Group 2: Accounts receivable for bad debt provision using the balance percentage method	62,860,528.43	1.73	3,771,631.70	6.00	59,088,896.73
Total	3,634,802,786.27	——	772,221,865.59	——	2,862,580,920.68

（continue）

Category	As at 31/12/2025				
	Balance		Allowance for credit losses		Carrying amount
	Amount	PCT(%)	Amount	Allowance rate (%)	
Individual assessment subject to allowance for credit losses	215,162,300.33	6.61	214,634,700.33	99.75	527,600.00
Grouping assessment subject to allowance for credit losses	3,038,187,476.06	93.39	563,482,362.34	18.55	2,474,705,113.72
Including:Group1：Aging portfolio	3,005,439,106.49	92.38	561,517,460.17	18.68	2,443,921,646.32

Category	As at 31/12/2025				
	Balance		Allowance for credit losses		Carrying amount
	Amount	PCT(%)	Amount	Allowance rate (%)	
Group 2: Accounts receivable for bad debt provision using the balance percentage method	32,748,369.57	1.01	1,964,902.17	6.00	30,783,467.40
Total	3,253,349,776.39	——	778,117,062.67	——	2,475,232,713.72

8.4.2.1 Significant accounts receivable that are individually assessed allowance for credit losses

Company name	Book Balance	Allowance for credit losses	ECL rate (%)	Allowance reason
BIO ASIA LIMITED	31,264,614.49	31,264,614.49	100.00	Expected to be irrecoverable
LABIOFAM S.A CUBA	28,299,923.38	28,299,923.38	100.00	Expected to be irrecoverable
Weifang Huaxiu Textile Co., Ltd.	28,105,664.64	28,105,664.64	100.00	Expected to be irrecoverable
Le'an Sub-district Office, Guangrao County	12,267,155.60	8,624,705.33	70.31	Not expected to be fully recoverable
Other sales proceeds	112,963,442.92	112,439,942.92	99.54	Not expected to be fully recoverable
Total	212,900,801.03	208,734,850.76	——	——

8.4.2.2 Accounts receivable that are assessed allowance for credit losses on grouping basis

Group 1: Accounts receivable due from aging analysis:

Aging	As at 30/06/2026			As at 31/12/2025		
	Balance		Allowance for credit losses	Balance		Allowance for credit losses
	Amount	PCT (%)		Amount	PCT (%)	
Within 1 year	2,350,617,795.22	69.98	56,371,835.46	2,024,852,397.51	67.37	37,871,247.57
1-2 years	343,364,208.46	10.22	44,942,898.14	291,267,171.69	9.69	38,626,288.91
2-3 years	160,199,628.50	4.77	56,761,631.62	170,425,668.50	5.67	57,110,184.04
More than 3 years	504,859,824.63	15.03	401,639,017.91	518,893,868.79	17.27	427,909,739.65
Total	3,359,041,456.81	——	559,715,383.13	3,005,439,106.49	——	561,517,460.17

Group 2: Accounts receivable due from the balance percentage method:

Combination name	As at 30/06/2026			As at 31/12/2025		
	Balance	ECL rate(%)	Allowance for credit losses	Balance	ECL rate(%)	Allowance for credit losses
Coal chemical industry	62,860,528.43	6.00	3,771,631.70	32,748,369.57	6.00	1,964,902.17
Total	62,860,528.43	6.00	3,771,631.70	32,748,369.57	6.00	1,964,902.17

8.4.3 Top 5 accounts receivable in ending balance by debtor

Company name	Balance as at 30/06/2026	Percentage in total accounts receivable (%)	Balance of allowance for credit losses as at 30/06/2026
Hebei Xinji Economic Development	190,014,961.62	5.23	11,672,955.94

Company name	Balance as at 30/06/2026	Percentage in total accounts receivable (%)	Balance of allowance for credit losses as at 30/06/2026
Zone Administrative Committee			
Zibo Central Hospital	66,930,006.45	1.84	1,027,015.34
Xinji Ecological Environment Bureau	65,557,801.57	1.80	4,638,527.07
Beijing Jingdong Hongjian Health Co., Ltd.	49,822,732.25	1.37	249,113.66
Fujian Zhibao Trading Co., Ltd.	40,000,000.00	1.10	40,000,000.00
Total	412,325,501.89	11.34	57,587,612.01

8.5 Receivables for financing

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Notes receivable	2,730,806,084.05	1,818,582,521.86
Receivable electronic creditor’s right certificates	603,750,700.92	793,076,173.97
Subtotal	3,334,556,784.97	2,611,658,695.83
Allowance for credit losses	35,325,042.06	46,984,866.58
Total	3,299,231,742.91	2,564,673,829.25

8.6 Prepayments

8.6.1 Aging analysis of prepayments

Aging	As at 30/06/2026			As at 31/12/2025		
	Balance		Allowance for credit losses	Balance		Allowance for credit losses
	Amount	PCT(%)		Amount	PCT(%)	
Within 1 year	777,403,157.25	97.31		938,256,654.08	98.28	
1-2 years	11,008,364.45	1.38		5,561,436.10	0.58	
2-3 years	1,441,041.16	0.18		2,840,645.95	0.30	
More than 3 years	9,070,219.51	1.13	5,536,644.58	8,020,952.18	0.84	5,536,644.58
Total	798,922,782.37	100.00	5,536,644.58	954,679,688.31	100.00	5,536,644.58

8.6.2 The top five prepayments are as follows:

Company name	Balance as at 30/06/2026	Percentage in total prepayment(%)	Allowance for credit losses
Shaanxi Coal Transportation and Marketing Group Jianhong Investment Development Co., Ltd.	257,219,139.92	32.20	
Shaanxi Future Energy Chemical Co., Ltd.	77,822,641.68	9.74	
Yankuang Energy (Erdos) Co., Ltd. Coal Transportation and Sales Branch	54,469,286.11	6.82	
Sinopec Chemical Sales (Tianjin) Co., Ltd.	20,036,532.90	2.51	
Puyang Zhonghui New Energy Technology Co., Ltd.	17,649,095.90	2.21	
Total	427,196,696.51	53.48	

8.7 Other receivables

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Interest receivable	22,767,032.21	29,346,961.33
Dividends Receivable	7,644,372.46	
Other receivables	333,216,364.85	356,622,024.60
Total	363,627,769.52	385,968,985.93

8.7.1 Interest receivable

8.7.1.1Interest receivable by categories

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Bond investments	22,767,032.21	29,346,961.33
Less: Allowance for credit losses		
Total	22,767,032.21	29,346,961.33

8.7.2 dividends receivable

8.7.2.1 Category of dividends receivable

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Dividends receivable within one year	7,644,372.46	
Including: Guangshen Railway Company Limitedd	510,259.18	
Bank of Communications Co., Ltd.	1,384,113.28	
China Pacific Insurance (Group) Co., Ltd.	5,750,000.00	
Total	7,644,372.46	

8.7.3 Other receivables

8.7.3.1 Aging analysis of other receivables

Aging	Balance as at 30/06/2026		Balance as at 31/12/2025	
	Balance	Allowance for credit losses	Balance	Allowance for credit losses
Within 1 year	69,850,217.05	2,122,472.04	112,456,035.74	2,551,978.52
1-2 years	50,686,091.53	8,926,049.71	241,525,107.96	17,322,936.06
2-3 years	221,480,178.43	17,956,138.55	5,666,213.72	2,702,589.48
More than 3 years	147,520,061.83	127,315,523.69	145,938,809.09	126,386,637.85
Total	489,536,548.84	156,320,183.99	505,586,166.51	148,964,141.91

8.7.3.2 The provision of allowance for credit losses

The allowance for credit losses	Stage one	Stage two	Stage three	Total
	12-month ECL	Lifetime ECL (credit-unimpaired)	Lifetime ECL (credit-impaired)	
Balance as at 1/1/2026	25,790,905.87	11,845,419.51	111,327,816.53	148,964,141.91
Balance as at 1/1/2026 during the current period	25,790,905.87	11,845,419.51	111,327,816.53	148,964,141.91

The allowance for credit losses	Stage one	Stage two	Stage three	Total
	12-month ECL	Lifetime ECL (credit-unimpaired)	Lifetime ECL (credit-impaired)	
Provision during the current period	8,717,559.86	-150,247.66	155,099.92	8,722,412.12
Reversal during the current period	1,199,709.51			1,199,709.51
Resale-off during the current period				
Write-off during the current period				
Other changes			-166,660.53	-166,660.53
Balance as at 30/06/2026	33,308,756.22	11,695,171.85	111,316,255.92	156,320,183.99

8.7.3.3 Other receivables due from the top five debtors are as follows:

Debtor name	Nature of balance	Balance as at 30/06/2026	Aging	Percentage in total other receivables(%)
Jining Bureau of Natural Resources and Planning	Land acquisition and reserve compensation payment	208,119,000.00	2 to 3 years	42.51
Zoucheng Bureau of Finance	Current-account funds	49,660,000.00	Within 2 year	10.14
Zibo Land Reserve and Trading Center	Current-account funds	24,530,500.00	More than 3 years	5.01
Jining Tongli Rubber Products Co., Ltd.	Current-account funds	17,071,959.70	More than 3 years	3.49
Haitong Securities Co., Ltd.	Current-account funds	16,222,934.27	More than 3 years	3.31
Total	——	315,604,393.97	——	64.46

8.8 Inventories

8.8.1 Inventories by categories

Item	As at 30/06/2026			As at 31/12/2025		
	Book balance	Provision for diminution in value	Carrying amount	Book balance	Provision for diminution in value	Carrying amount
Raw materials	1,568,787,726.50	11,396,290.21	1,557,391,436.29	1,365,031,376.30	14,983,153.70	1,350,048,222.60
Self-manufactured semifinished product and work in progress	406,470,687.11	13,715,929.90	392,754,757.21	415,612,059.27	13,926,898.92	401,685,160.35
Stock commodities	2,627,854,404.98	77,767,061.98	2,550,087,343.00	2,274,762,962.57	92,066,176.48	2,182,696,786.09
Goods in transit	75,220,144.90	568,153.48	74,651,991.42	138,839,795.09	2,559,781.45	136,280,013.64
Revolving materials	26,061,348.88	404,590.99	25,656,757.89	26,680,863.42	404,590.99	26,276,272.43
Costs to fulfil contracts	68,623,715.15	941,102.37	67,682,612.78	59,750,024.93	941,102.37	58,808,922.56
Others	1,735,878.19		1,735,878.19	1,735,878.19		1,735,878.19
Total	4,774,753,905.71	104,793,128.93	4,669,960,776.78	4,282,412,959.77	124,881,703.91	4,157,531,255.86

8.9 Contract assets

Item	As at 30/06/2026			As at 31/12/2025		
	Balance	Allowance for credit losses	Carrying amount	Balance	Allowance for credit losses	Carrying amount

Item	As at 30/06/2026			As at 31/12/2025		
	Balance	Allowance for credit losses	Carrying amount	Balance	Allowance for credit losses	Carrying amount
Retention money and progress payments	576,659,817.83	133,746,879.02	442,912,938.81	639,781,497.69	132,893,885.60	506,887,612.09
Total	576,659,817.83	133,746,879.02	442,912,938.81	639,781,497.69	132,893,885.60	506,887,612.09

8.10 Non-current assets due within one year

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Certificates of deposit		557,780,083.32
Debt investments due within one year	378,533,993.20	
Total	378,533,993.20	557,780,083.32

8.11 Other current assets

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Input tax to be deducted	2,362,117,586.16	2,495,495,780.25
Prepaid tax	114,370,843.93	99,923,672.49
Others	50,137.50	331,001.13
Total	2,476,538,567.59	2,595,750,453.87

8.12 Debt investments

Item	As at 30/06/2026			As at 31/12/2025		
	Balance	Provision for credit losses	Carrying amount	Balance	Provision for credit losses	Carrying mount
USD bonds	938,789,990.18		938,789,990.18	1,255,171,143.35		1,255,171,143.35
Total	938,789,990.18		938,789,990.18	1,255,171,143.35		1,255,171,143.35

8.13 Other debt investments

8.13.1 Classification of other debt investments

Item	As at 30/06/2026	As at 31/12/2025
China Shandong SPC Market Balanced Fund SP	390,514,853.15	403,980,882.57
Total	390,514,853.15	403,980,882.57

8.13.2 Significant other debt investments

Item	Carrying amount	Fair value	The amount of changes in fair value accrued to other composite income	The amount of impairment reserve has been calculated and set aside
China Shandong SPC Market Balanced Fund SP	347,942,033.53	390,514,853.15	42,572,819.62	

Item	Carrying amount	Fair value	The amount of changes in fair value accrued to other composite income	The amount of impairment reserve has been calculated and set aside
Government treasuries and bonds	256,522.99			256,522.99
Total	348,198,556.52	390,514,853.15	42,572,819.62	256,522.99

8.14 Long-term receivables

Item	As at 30/06/2026			As at 31/12/2025		
	Balance	Allowance for credit losses	Carrying amount	Balance	Allowance for credit losses	Carrying amount
Finance Leases	136,067,760.94	134,628,175.20	1,439,585.74	138,965,803.87	136,077,196.66	2,888,607.21
Including: Unrealized finance income	19,297,423.38	19,297,423.38		20,680,739.01	20,614,140.84	66,598.17
Total	136,067,760.94	134,628,175.20	1,439,585.74	138,965,803.87	136,077,196.66	2,888,607.21

8.15 Long-term equity investment

8.15.1 Long-term equity investment by categories:

Item	As at 1/1/2026	Additions	Reductions	As at 30/06/2026
Investment to joint associates	136,218,533.20		2,470,503.87	133,748,029.33
Subtotal	136,218,533.20		2,470,503.87	133,748,029.33
Less: provision for impairment of long-term equity investment	3,882,999.22			3,882,999.22
Total	132,335,533.98		2,470,503.87	129,865,030.11

8.15.2. Detailed statement of long-term equity investment

Investee	Investment cost	Balance as at 1/1/2026	Movement during the current period								Balance As at 30/06/2026	Provision for impairment As at 30/06/2026
			Addition of investment	Reduction of investment	Investment income/loss recognised under the equity method	Adjustment of OCI	Changes of other equity	Cash dividend or profit announced to be issued	Provision for impairment	Others		
Associates												
Hualu Yellow Triangle (Ningxia) Equity Investment Fund (Limited Partnership)	4,725,000.00	4,723,159.55									4,723,159.55	
Cansheng Pharmaceutical (Zibo) Co., Ltd.	63,129,358.99	41,884,594.87			338,078.34						42,222,673.21	
America Lukang Pharmaceutical Co., Ltd.	3,882,999.22	3,882,999.22									3,882,999.22	3,882,999.22
Shandong Lukang Haoliyou Biotechnology Development Co., Ltd.	42,182,040.00	41,316,595.62			-2,354,018.80						38,962,576.82	
Suez Environmental Technology (Jinan) Co., Ltd	22,416,000.00	16,775,029.30									16,775,029.30	
Shandong Leading Green Industry Development Co., Ltd.	4,400,000.00	4,076,748.33									4,076,748.33	
Beijing Yujing Health Technology Co., Ltd.	30,001,500.00	23,559,406.31			-454,563.41						23,104,842.90	
Total	170,736,898.21	136,218,533.20			-2,470,503.87						133,748,029.33	3,882,999.22

8.16 Other equity instrument investments

Item	Investment cost	Balance as at 30/06/2026	Balance as at 31/12/2025
Shandong Railway Development Fund Co.,Ltd.	622,130,000.00	708,033,783.33	708,033,783.33
Shandong Railway Investment Holding Group Co., Ltd.	690,000,000.00	813,899,707.94	813,899,707.94
Shandong Yulong Petrochemical Co., Ltd.	500,000,000.00	427,066,323.57	427,066,323.57
Dezhou Bank Co.,Ltd.	5,000,000.00	5,000,000.00	5,000,000.00
Bank of Communications Co., Ltd.	14,225,318.00	52,849,456.00	59,589,200.00
China Pacific Insurance (Group) Co. , Ltd.	7,000,000.00	142,600,000.00	209,550,000.00
Northern Healthcare Big Data Technology Co., Ltd.	60,000,000.00	21,270,340.39	21,567,343.27
Tiangong Biotechnology (Tianjin) Co., Ltd.	10,000,000.00	4,427,750.10	4,762,139.17
Gaotang Suirong No.6 Management Service Partnership (Limited Partnership)	1.00	1.00	1.00
Disposal of creditor's rights of Quanlin Group (debt-equity swap)	1.00	1.00	1.00
Galaxy Hualu Asset Allocation Phase I Private Equity Fund			169.22
Luxiu Xunlu No. 44 Private Equity Investment Fund	160,000,000.00	231,214,795.71	231,214,795.71
Total	2,068,355,320.00	2,406,362,159.04	2,480,683,464.21

8.16. 1 Details of other equity instrument investments

Item	Balance as at 1/1/2026	Movement during the period					Balance as at 30/06/2026
		Addition of investment	Reduction of investment	Profit included in OCI	Loss included in OCI	Others	
Shandong Railway Development Fund Co.,Ltd.	708,033,783.33						708,033,783.33
Shandong Railway Investment Holding Group Co., Ltd.	813,899,707.94						813,899,707.94
Shandong Yulong Petrochemical Co., Ltd.	427,066,323.57						427,066,323.57
Dezhou Bank Co.,Ltd.	5,000,000.00						5,000,000.00
Bank of Communications Co., Ltd.	59,589,200.00				6,739,744.00		52,849,456.00
China Pacific Insurance (Group) Co. , Ltd.	209,550,000.00				66,950,000.00		142,600,000.00
Northern Healthcare Big Data Technology Co., Ltd.	21,567,343.27				297,002.88		21,270,340.39
Tiangong Biotechnology (Tianjin) Co., Ltd.	4,762,139.17				334,389.07		4,427,750.10
Gaotang Suirong No.6 Management Service Partnership (Limited Partnership)	1.00						1.00
Disposal of creditor's rights of Quanlin Group (debt-equity swap)	1.00						1.00
Galaxy Hualu Asset Allocation Phase I Private Equity Fund	169.22		188.23			19.01	
Luxiu Xunlu No. 44 Private Equity	231,214,795.71						231,214,795.71

Item	Balance as at 1/1/2026	Movement during the period					Balance as at 30/06/2026
		Addition of investment	Reduction of investment	Profit included in OCI	Loss included in OCI	Others	
Investment Fund							
Total	2,480,683,464.21		188.23		74,321,135.95	19.01	2,406,362,159.04

(Continued)

Item	Dividend income during the period	Accumulated gains included in OCI	Accumulated losses included in OCI	Reason for designated as at fair value through OCI
Shandong Railway Development Fund Co.,Ltd.		85,903,783.33		Non-trading equity instrument investments, intended to be held for the long-term
Shandong Railway Investment Holding Group Co., Ltd.		123,899,707.94		Non-trading equity instrument investments, intended to be held for the long-term
Shandong Yulong Petrochemical Co., Ltd.			72,933,676.43	Non-trading equity instrument investments, intended to be held for the long-term
Dezhou Bank Co.,Ltd.				Non-trading equity instrument investments, intended to be held for the long-term
Bank of Communications Co., Ltd.	1,384,113.28	32,830,517.30		Non-trading equity instrument investments, intended to be held for the long-term
China Pacific Insurance (Group) Co. , Ltd.	5,750,000.00	115,260,000.00		Non-trading equity instrument investments, intended to be held for the long-term
Northern Healthcare Big Data Technology Co., Ltd.			35,742,188.00	Non-trading equity instrument investments, intended to be held for the long-term
Tiangong Biotechnology (Tianjin) Co., Ltd.			5,572,249.90	Non-trading equity instrument investments, intended to be held for the long-term
Gaotang Suirong No.6 Management Service Partnership(Limited Partnership)				Non-trading equity instrument investments, intended to be held for the long-term
Disposal of creditor's rights of Quanlin Group (debt-equity swap)				Non-trading equity instrument investments, intended to be held for the long-term
Galaxy Hualu Asset Allocation Phase I Private Equity Fund		186,436.05		Non-trading equity instrument investments, intended to be held for the long-term
Luxiu Xunlu No. 44 Private Equity Investment Fund		53,411,096.78		Non-trading equity instrument investments, intended to be held for the long-term
Total	7,134,113.28	411,491,541.40	114,248,114.33	

8.17 Other non-current financial assets

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Shanghai Kuitedi Biotechnology Co., Ltd.	11,820,060.00	11,820,060.00
Innogrit Technologies Co., Limited	7,500,000.00	7,500,000.00
Francool Technology (Shenzhen) Co., Ltd	45,300,000.00	24,675,000.00
Total	64,620,060.00	43,995,060.00

8.18 Investment property

Investment property measured by cost

Item	Balance as at 1/1/2026	Additions	Reductions	Balance as at 30/06/2026
Ⅰ.Cost	567,246,808.83		14,798,630.75	552,448,178.08
Including: buildings	567,246,808.83		14,798,630.75	552,448,178.08
II. Accumulated depreciation	280,826,797.42	7,861,872.07	4,084,337.46	284,604,332.03
Including: buildings	280,826,797.42	7,861,872.07	4,084,337.46	284,604,332.03
III.Net book value	286,420,011.41	——	——	267,843,846.05
Including: buildings	286,420,011.41	——	——	267,843,846.05
IV. Provision for impairment				
Including: buildings				
V. Carrying amount	286,420,011.41	——	——	267,843,846.05
Including: buildings	286,420,011.41	——	——	267,843,846.05

8.19 Fixed assets

Category	Balance as at 30/06/2026	Balance as at 31/12/2025
Fixed assets	39,946,418,719.45	41,047,939,824.31
Disposal of fixed assets	3,290.65	53,829.19
Total	39,946,422,010.10	41,047,993,653.50

8.19.1 Movement of fixed assets

Item		Balance as at 1/1/2026	Additions	Reductions	Balance as at 30/06/2026
I. Cost		69,117,697,119.76	1,073,787,102.18	63,580,103.30	70,127,904,118.64
Including: Land assets		17,973,489.20			17,973,489.20
	Buildings	14,476,142,022.74	151,033,712.95	9,255,967.60	14,617,919,768.09
	Machinery & equipment	50,368,999,393.51	797,976,846.65	42,388,622.82	51,124,587,617.34
	Transportation vehicles	234,299,947.92	10,731,039.85	9,481,259.78	235,549,727.99
	Electronic equipment	3,994,200,549.65	105,066,169.90	1,649,781.60	4,097,616,937.95
	Office equipment	5,615,552.99	661,890.26	790,653.50	5,486,789.75
	Other equipment	20,466,163.75	8,317,442.57	13,818.00	28,769,788.32
II. Accumulated depreciation		28,026,485,433.14	2,158,100,081.79	46,252,284.58	30,138,333,230.35
Including: Land assets					
	Buildings	3,693,110,669.17	265,239,503.81	558,667.40	3,957,791,505.58
	Machinery & equipment	21,924,112,475.60	1,595,068,882.01	33,646,873.30	23,485,534,484.31
	Transportation vehicles	157,176,153.83	10,024,330.12	9,419,307.17	157,781,176.78
	Electronic equipment	2,233,067,444.48	282,090,530.48	1,406,659.12	2,513,751,315.84
	Office equipment	4,607,986.22	271,998.92	1,207,650.49	3,672,334.65
	Other equipment	14,410,703.84	5,404,836.45	13,127.10	19,802,413.19
III.Net book value		41,091,211,686.62	——	——	39,989,570,888.29

Item	Balance as at 1/1/2026	Additions	Reductions	Balance as at 30/06/2026
Including: Land assets	17,973,489.20	——	——	17,973,489.20
Buildings	10,783,031,353.57	——	——	10,660,128,262.51
Machinery & equipment	28,444,886,917.91	——	——	27,639,053,133.03
Transportation vehicles	77,123,794.09	——	——	77,768,551.21
Electronic equipment	1,761,133,105.17	——	——	1,583,865,622.11
Office equipment	1,007,566.77	——	——	1,814,455.10
Other equipment	6,055,459.91	——	——	8,967,375.13
IV. Provision for impairment	43,271,862.31		119,693.47	43,152,168.84
Including: Land assets				
Buildings	3,393,234.28			3,393,234.28
Machinery & equipment	39,846,272.70		118,999.97	39,727,272.73
Transportation vehicles				
Electronic equipment	25,194.10			25,194.10
Office equipment				
Other equipment	7,161.23		693.50	6,467.73
V. Carrying amount	41,047,939,824.31	——	——	39,946,418,719.45
Including: Land assets	17,973,489.20	——	——	17,973,489.20
Buildings	10,779,638,119.29	——	——	10,656,735,028.23
Machinery & equipment	28,405,040,645.21	——	——	27,599,325,860.30
Transportation vehicles	77,123,794.09	——	——	77,768,551.21
Electronic equipment	1,761,107,911.07	——	——	1,583,840,428.01
Office equipment	1,007,566.77	——	——	1,814,455.10
Other equipment	6,048,298.68	——	——	8,960,907.40

8.19.2 Disposal of fixed assets

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Transportation vehicles		50,538.54
Machinery & equipment	3,290.65	3,290.65
Total	3,290.65	53,829.19

8.20 Construction in process

8.20.1 Construction in process by categories:

Category	As at 30/06/2026			As at 31/12/2025		
	Balance	Provision for impairment	Carrying amount	Balance	Provision for impairment	Carrying amount

Category	As at 30/06/2026			As at 31/12/2025		
	Balance	Provision for impairment	Carrying amount	Balance	Provision for impairment	Carrying amount
Projects constructed in process	3,839,141,979.50	1,368,000.00	3,837,773,979.50	3,003,231,784.87	1,368,000.00	3,001,863,784.87
Construction materials	326,572,734.10		326,572,734.10	121,348,657.84		121,348,657.84
Total	4,165,714,713.60	1,368,000.00	4,164,346,713.60	3,124,580,442.71	1,368,000.00	3,123,212,442.71

8.20.2 Movement of significant construction in progress

Project name	Budget（RMB 10 thousand）	As at 1/1/2026	Additions	Transfer to fixed assets	Other reductions	As at 30/06/2026
200,000 Tonnes-per-Annum Monoprotic Acid Project	81,567.00	683,303,695.90	172,481,624.52	713,534,535.54		142,250,784.88
Melamine Resin Monomer Material Project	73,378.00	144,968,387.70	2,088,554.23			147,056,941.93
Gasification Platform Upgrade and Renovation Project	303,905.00	304,997,048.44	1,018,999,291.34			1,323,996,339.78
Miscellaneous Engineering and Small-Scale Technical Upgrades		1,206,521,560.63	397,483,936.01	106,174,574.89		1,497,830,921.75
Methyldopa and Series Products Production Project	7,385.00	71,400,490.64	4,488,254.01			75,888,744.65
High-end Steroid Series API Construction Project	15,206.00	67,610,216.95			2,663,331.88	64,946,885.07
17-Hydroxyprogesterone Acetate and Cortisone Acetate Steroid Hormone Series Products Project	4,200.00	38,841,237.15	6,332,594.03			45,173,831.18
Specialty API and Pharmaceutical Intermediate Project	3,850.00	37,172,752.62	812,526.51			37,985,279.13
Southern District Public Works Supporting Project	2,980.00	24,767,794.81	3,692,326.41			28,460,121.22
Workshop 104 Levodopa Expansion and Revamp Project	3,000.00	23,131,338.73	2,393,321.80			25,524,660.53
New Pharmaceutical Preparation Warehouse Project	2,650.00	22,883,488.40	2,700,973.76	25,584,462.16		
SY-25 Project	9,085.09	78,242,308.15	4,345,697.71	82,588,005.86		
FT606-1 Project	9,308.77	1,250,086.98	22,134,028.17			23,384,115.15
QH Capacity Expansion Project	6,500.00	45,484,895.85	333,083.50			45,817,979.35
Biopesticide Base Construction Project	43,215.00	64,178,760.91	82,009,430.89			146,188,191.80
Total	566,229.86	2,814,754,063.86	1,720,295,642.89	927,881,578.45	2,663,331.88	3,604,504,796.42

Movement of significant construction in progress(Continued)

Project name	Percentage of accumulated input over budget (%)	Construction progress(%)	Accumulated capitalized interest	Including: Interest capitalized in current period	Capitalization rate in current period (%)	Sources of funds
200,000 Tonnes-per-Annum	104.92	99.55	307,324.20	201,975.84	2.71	Own funds and

Project name	Percentage of accumulated input over budget (%)	Construction progress(%)	Accumulated capitalized interest	Including: Interest capitalized in current period	Capitalization rate in current period (%)	Sources of funds
Monoprotic Acid Project						borrowings
Melamine Resin Monomer Material Project	52.38	52.38	7,599,659.14			Own funds and borrowings
Gasification Platform Upgrade and Renovation Project	43.57	63.16	8,304,348.97	7,425,380.57	2.57	Own funds and borrowings
Miscellaneous Engineering and Small-Scale Technical Upgrades			59,019,221.36	1,086,471.88	2.37	Own funds and bor-rowings
Methyldopa and Series Products Production Project	103.00	99.00				Own funds
High-end Steroid Series API Construction Project	119.00	99.00				Own funds
17-Hydroxyprogesterone Acetate and Cortisone Acetate Steroid Hormone Series Products Project	108.00	95.00				Own funds
Specialty API and Pharmaceutical Intermediate Project	99.00	97.00				Own funds
Southern District Public Works Supporting Project	96.00	99.00				Own funds
Workshop 104 Levodopa Expansion and Revamp Project	85.00	95.00				Own funds
New Pharmaceutical Preparation Warehouse Project	97.00	100.00				Own funds
SY-25 Project	91.37	100.00				Own funds
FT606-1 Project	42.05	75.00	9,149.40	9,149.40	2.60	Own funds
QH Capacity Expansion Project	75.63	95.00	33,489.21	14,356.08	2.50	Own funds
Biopesticide Base Construction Project	37.41	60.00				Raised funds
Total	——	——	75,273,192.28	8,737,333.77	——	——

8.20.3 Construction materials

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Special materials	153,484.70	154,586.78
Construction materials	326,419,249.40	121,194,071.06
Total	326,572,734.10	121,348,657.84

8.21 Right-of-use assets

Item	Balance as at 1/1/2026	Additions	Reductions	Balance as at 30/06/2026
I. Cost	70,328,515.10	6,612,239.30	496,007.25	76,444,747.15
Including: Buildings	23,152,555.29	5,753,266.29	496,007.25	28,409,814.33
Land assets	47,175,959.81	858,973.01		48,034,932.82
II. Accumulated depreciation	17,463,349.18	6,194,044.78	121,771.30	23,535,622.66
Including: Buildings	8,968,697.25	3,979,427.36	121,771.30	12,826,353.31

Item	Balance as at 1/1/2026	Additions	Reductions	Balance as at 30/06/2026
Land assets	8,494,651.93	2,214,617.42		10,709,269.35
III. Provision for impairment				
Including: Buildings				
Land assets				
IV. Carrying amount	52,865,165.92	——	——	52,909,124.49
Including: Buildings	14,183,858.04	——	——	15,583,461.02
Land assets	38,681,307.88	——	——	37,325,663.47

8.22 Intangible assets

Item	Balance as at 1/1/2026	Additions	Reductions	Balance as at 30/06/2026
Ⅰ.Cost	5,652,681,731.05	41,513,996.88	787,914.26	5,693,407,813.67
Including:Software	88,904,402.66	4,206,027.69		93,110,430.35
Land use rights	4,432,655,282.60		754,906.43	4,431,900,376.17
Patent rights	41,033,513.92			41,033,513.92
Non-Patent techniques	708,545,856.40	37,197,289.19		745,743,145.59
Concessions	339,713,341.64		33,007.83	339,680,333.81
Others	41,829,333.83	110,680.00		41,940,013.83
II. Accumulated depreciation	1,054,596,016.59	124,852,146.25	96,879.65	1,179,351,283.19
Including:Software	53,150,677.62	4,332,633.26		57,483,310.88
Land use rights	633,667,601.01	64,310,451.46	96,879.65	697,881,172.82
Patent rights	27,250,161.25	1,233,542.40		28,483,703.65
Non-Patent techniques	275,915,247.08	48,050,937.87		323,966,184.95
Concessions	40,418,749.07	5,688,752.46		46,107,501.53
Others	24,193,580.56	1,235,828.80		25,429,409.36
III. Provision for impairment	14,671,036.89			14,671,036.89
Including:Software	381,560.97			381,560.97
Land use rights				
Patent rights				
Non-Patent techniques	7,496,862.02			7,496,862.02
Concessions				
Others	6,792,613.90			6,792,613.90
IV. Carrying amount	4,583,414,677.57	——	——	4,499,385,493.59
Including:Software	35,372,164.07	——	——	35,245,558.50
Land use rights	3,798,987,681.59	——	——	3,734,019,203.35
Patent rights	13,783,352.67	——	——	12,549,810.27
Non-Patent techniques	425,133,747.30	——	——	414,280,098.62

Item	Balance as at 1/1/2026	Additions	Reductions	Balance as at 30/06/2026
Concessions	299,294,592.57	——	——	293,572,832.28
Others	10,843,139.37	——	——	9,717,990.57

8.23 Development expenditures

Project	Balance as at 1/1/2026	Additions		Reductions			Balance as at 30/06/2026
		Internally development expenditures	Others	Recognised as intangible assets	Profit or loss	Others	
CIGB-814 Project	37,509,683.27						37,509,683.27
TRN-157 Project	14,012,108.25						14,012,108.25
Respiratory System Pharmaceutical Products Technology Development	1,698,113.21	849,056.60					2,547,169.81
Anti-tumor Pharmaceutical Products Technology Development	22,776,613.20	3,226,273.59		11,824,528.32			14,178,358.47
Immune System Pharmaceutical Products Technology Development	7,853,294.33	-486,504.90					7,366,789.43
Systemic Anti-infective Pharmaceutical Products Technology Development	8,323,962.26	4,124,230.21					12,448,192.47
Nervous System Pharmaceutical Products Technology Development	9,649,370.29	2,666,532.09					12,315,902.38
Cardio-cerebrovascular System Pharmaceutical Products Technology Development	13,281,221.70						13,281,221.70
ST - Process Technology Development	8,513,207.53	3,073,676.59		1,000,000.00			10,586,884.12
Ibuprofen Injection Technology Development	9,764,150.95	8,561,383.06					18,325,534.01
Total	133,381,724.99	22,014,647.24		12,824,528.32			142,571,843.91

8.24 Goodwill

8.24.1 Cost of goodwill

Item	Balance as at 1/1/2026	Additions	Reductions	Balance as at 30/06/2026
Xinhua Pharmaceutical (Gaomi) Co., Ltd.	2,715,585.22			2,715,585.22
Total	2,715,585.22			2,715,585.22

8.24.2 Provision for impairment of goodwill

Item	Balance as at 1/1/2026	Additions	Reductions	Balance as at 30/06/2026
Xinhua Pharmaceutical (Gaomi) Co., Ltd.	2,715,585.22			2,715,585.22
Total	2,715,585.22			2,715,585.22

8.25 Long-term deferred expenses

Item	Balance as at 1/1/2026	Additions	Amortization	Reductions	Balance as at 30/06/2026
Technical compensation	164,324,324.33		15,420,000.00		148,904,324.33
Technology royalties	43,636,363.64	13,730,000.00	4,423,251.00		52,943,112.64
Catalyst	18,050,975.31		7,740,631.80		10,310,343.51
Environmental protection R&D base No.3 workshop usage fee	11,707,317.07		182,926.83		11,524,390.24
Asset renovation expense	5,911,069.45	2,044,514.55	804,982.03		7,150,601.97
Gene and Cell Engineering Research Center Project	4,699,140.56		854,389.20		3,844,751.36
Renovation costs for health technology new function complex buildings	624,872.53		107,377.08		517,495.45
Temporary land use projects	201,530.92		80,853.59		120,677.33
Renovation and renovation fees for leased assets	326,648.13		122,493.06		204,155.07
Ph.D. settling-in allowance	1,433,094.85		189,385.26		1,243,709.59
others	671,915.62	103,328.00	179,942.33		595,301.29
Total	251,587,252.41	15,877,842.55	30,106,232.18		237,358,862.78

8.26 Deferred tax assets and deferred tax liabilities

8.26.1 Deferred tax assets and deferred tax liabilities before offsetting

Item	As at 30/06/2026		As at 31/12/2025	
	Deductible or taxable temporary differences	Deferred tax assets or liabilities	Deductible or taxable temporary differences	Deferred tax assets or liabilities
Deferred tax assets:				
Total impairment allowances for assets	889,315,265.69	139,132,731.86	954,799,227.19	148,633,270.72
Withholding expenses	737,641,000.55	110,924,074.26	768,692,518.92	115,497,780.39
Deferred income	245,743,721.03	36,861,558.16	200,250,742.62	29,963,937.78
Unrealized profits from insider trading	78,749,046.33	11,727,059.06	99,067,593.58	14,423,926.82
Deductible losses	2,086,519.08	521,629.77	131,608,393.31	19,842,895.92
Share-based payments	10,385,337.24	1,557,800.59	122,025,293.34	18,304,544.92
Changes in the fair value of financial assets measured at fair value through profit or loss	20,583,941.48	5,145,985.37	17,116,788.15	4,279,197.05
Lease liabilities	53,457,129.98	8,282,439.93	59,577,007.01	8,851,938.78
Provisions	38,125,491.80	7,864,462.82	38,125,491.78	7,864,462.82
Changes in the fair value of financial assets through other comprehensive income	21,116,477.40	3,287,471.61	20,261,096.52	3,159,164.48
Government grant for demolition and relocation	94,018,752.87	14,102,812.93	94,018,752.87	14,102,812.93
others	102,017,236.35	15,538,603.61		

Item	As at 30/06/2026		As at 31/12/2025	
	Deductible or taxable temporary differences	Deferred tax assets or liabilities	Deductible or taxable temporary differences	Deferred tax assets or liabilities
Subtotal	2,293,239,919.80	354,946,629.97	2,505,542,905.29	384,923,932.61
Deferred tax liabilities:				
Depreciation of property, plant and equipment	837,589,228.90	130,259,636.81	1,051,608,665.11	162,812,927.40
Right-of-use assets	55,863,274.08	8,695,602.63	61,340,628.50	9,183,549.33
Fair value movements of other equity instrument investments	245,438,933.79	43,937,319.63	330,323,174.63	54,990,781.23
Subtotal	1,138,891,436.77	182,892,559.07	1,443,272,468.24	226,987,257.96

8.27 Other non-current assets

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Prepayment for long-term assets	2,046,915,453.49	1,742,941,332.04
Prepayment for the purchase of patented technology	46,230,812.53	56,054,662.52
House demolition	6,162,663.99	6,162,663.99
Prepayments for software development	1,697,082.71	
Others	2,249,430.76	2,249,430.76
Total	2,103,255,443.48	1,807,408,089.31

8.28 Short-term loans

Borrowing condition	Balance as at 30/06/2026	Balance as at 31/12/2025
Secured loans	10,000,000.00	10,000,000.00
Guarantee loans	307,500,000.00	454,918,658.24
Loans on credit	1,571,460,890.24	1,543,029,557.59
Bill financing	401,305,727.74	601,150,000.00
Subtotal	2,290,266,617.98	2,609,098,215.83
Interest payable	3,191,426.41	5,313,500.50
Total	2,293,458,044.39	2,614,411,716.33

8.29 Notes payable

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Bank acceptance notes	1,308,493,193.49	1,011,270,031.79
Commercial acceptance notes	41,072,752.57	33,516,605.13
Total	1,349,565,946.06	1,044,786,636.92

8.30 Accounts payable

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Within 1 year (including 1 year)	2,780,876,660.30	3,222,636,776.31

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
1-2 years (including 2 year)	526,669,313.17	600,112,126.00
2-3 years (including 3 year)	170,507,144.22	247,082,206.63
More than 3 year	344,149,869.05	185,755,723.75
Total	3,822,202,986.74	4,255,586,832.69

8.31 Advances from customers

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Within 1 year (including 1 year)	3,781,436.21	3,712,910.38
More than 1 year	21,038.75	21,038.75
Total	3,802,474.96	3,733,949.13

8.32 Contract liabilities

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Unearned revenue on sales	982,566,022.91	1,114,811,620.93
Total	982,566,022.91	1,114,811,620.93

8.33 Employee benefits payable

8.33.1 Movement of employee benefits payable

Item	As at 1/1/2026	Accrued	Paid	As at 30/06/2026
Short-term employee benefits	541,295,315.09	1,754,226,783.04	1,805,690,973.08	489,831,125.05
Post-employment benefits — defined contribution plans	29,590.66	265,635,630.72	265,577,015.58	88,205.80
Termination benefits		816,508.74	816,508.74	
Other benefits due within one year				
Total	541,324,905.75	2,020,678,922.50	2,072,084,497.40	489,919,330.85

8.33.2 Details of the short-term employee benefits

Item	As at 1/1/2026	Accrued	Paid	As at 30/06/2026
Salaries, bonus, and allowances	313,094,590.01	1,410,453,779.94	1,454,002,506.10	269,545,863.85
Staff welfare	23,618,870.45	62,699,528.16	62,706,550.16	23,611,848.45
Social insurances	48,138.15	117,591,746.94	117,576,929.50	62,955.59
Including: Medical insurance	31,225.31	102,988,972.02	102,974,175.38	46,021.95
Work injury insurance	172.84	10,560,017.93	10,559,997.13	193.64
Supplemental health insurance				
Others	16,740.00	4,042,756.99	4,042,756.99	16,740.00
Housing Fund	984,142.44	137,167,420.62	137,086,816.38	1,064,746.68
Union funds and employee education fee	203,546,964.04	17,720,695.97	25,724,559.53	195,543,100.48
Others	2,610.00	8,593,611.41	8,593,611.41	2,610.00

Item	As at 1/1/2026	Accrued	Paid	As at 30/06/2026
Total	541,295,315.09	1,754,226,783.04	1,805,690,973.08	489,831,125.05

8.33.3 Defined contribution plans

Item	As at 1/1/2026	Accrued	Paid	As at 30/06/2026
Primary endowment insurance	29,158.53	200,400,214.27	200,343,707.71	85,665.09
Unemployment insurance	432.13	8,762,863.45	8,760,754.87	2,540.71
Pension insurance		56,472,553.00	56,472,553.00	
Total	29,590.66	265,635,630.72	265,577,015.58	88,205.80

8.34Taxes and surcharges payable

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Enterprise income tax	233,462,580.02	177,612,499.82
Value-added tax	9,636,374.83	40,449,017.02
Individual income tax	6,585,158.12	17,502,478.20
Property tax	19,074,651.96	19,169,440.40
Urban maintenance and construction tax	5,365,149.46	5,342,510.37
Urban land use tax	14,182,726.22	8,317,818.89
Stamp duty	6,948,724.70	7,247,623.90
Water resource tax	7,706,430.80	6,807,962.20
Education surcharge	2,315,842.53	2,422,800.23
Environmental protection tax	2,498,025.37	2,534,986.48
Local education surcharge	1,512,499.74	1,392,780.03
Deed tax		1,008,000.00
Other taxes and surcharges	793,292.40	596,427.22
Total	310,081,456.15	290,404,344.76

8.35 Other payables

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Dividends payable	429,967,666.83	6,991,505.02
Other payables	813,733,995.46	869,458,825.91
Total	1,243,701,662.29	876,450,330.93

8.35.1 Dividends payable

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Dividends payable to non-controlling interests of subsidiaries	429,967,666.83	6,991,505.02
Total	429,967,666.83	6,991,505.02

8.35.2 Other payables

8.35.2.1 Other payables by nature

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Payments payable for engineering equipment	236,285,924.87	307,972,563.02
Current Payments	102,280,030.02	126,926,395.64
Deposits, security deposits	136,165,121.75	129,344,307.07
Collect and pay on behalf of others	30,891,815.70	2,950,487.07
Restricted share repurchase obligations	4,166,510.03	58,264,203.47
Risk fund for private placement	1,400,000.00	1,400,000.00
Party-building work funds	30,564,329.47	30,267,155.24
Others	271,980,263.62	212,333,714.40
Total	813,733,995.46	869,458,825.91

8.36 Non-current liabilities due within one year

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Long-term loans due within one year	4,252,787,920.90	4,257,431,409.57
Long-term bonds due within one year	2,053,967,276.08	2,128,690,178.67
Lease liabilities due within one year	6,867,353.70	9,708,379.13
Total	6,313,622,550.68	6,395,829,967.37

8.37 Other current liabilities

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
VAT output tax to be transferred	144,917,950.06	157,352,041.98
Notes receivable not derecognised	15,097,138.59	36,855,557.74
Total	160,015,088.65	194,207,599.72

8.38 Long-term loans

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Guarantee loans	7,684,021,934.75	8,419,346,803.34
Loans on credit	2,151,054,672.11	2,507,490,880.08
Pledge loans	197,663,820.00	187,663,820.00
Secured loans	51,549,800.00	54,784,000.00
Total	10,084,290,226.86	11,169,285,503.42

8.39 Bonds payable

8.39.1 Bonds payable by categories:

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Corporate bonds	2,000,000,000.00	1,000,000,000.00
Total	2,000,000,000.00	1,000,000,000.00

8.39.2 Movement of bonds payable

Bond name	Par value	Issue date	Bond period	The amount of the issue	Balance as at 1/1/2026
Hualu Group's US dollar bonds	1,918,800,000.00	2021/10/27	5 年	1,918,800,000.00	2,112,136,480.04
24 Hualu K1	500,000,000.00	2024/5/24	5 年	500,000,000.00	507,481,095.89
25 Hualu K1	500,000,000.00	2025/1/6	5 年	500,000,000.00	509,072,602.74
26 Hualu K1	1,000,000,000.00	2026/3/9	3 年	1,000,000,000.00	
Total	3,918,800,000.00	——	——	3,918,800,000.00	3,128,690,178.67

Movement of bonds payable (Continued)

Bond name	Issue in current period	Interest accrued on par value	Amortization of premium or discount	Repayments during the current period	Balance as at 30/06/2026	Whether or not in default
Hualu Group's US dollar bonds		22,393,800.00	-69,137,149.77	22,393,800.00	2,042,999,330.27	No
24 Hualu K1		6,099,452.06		12,300,000.00	501,280,547.95	No
25 Hualu K1		4,586,986.30		9,250,000.00	504,409,589.04	No
26 Hualu K1	1,000,000,000.00	5,277,808.82			1,005,277,808.82	No
Total	1,000,000,000.00	38,358,047.18	-69,137,149.77	43,943,800.00	4,053,967,276.08	No

Note: The accrued interest on Hualu K1 calculated at par value as of the period end has been reclassified to non-current liabilities due within one year; the ending balance of Hualu Group's USD bonds includes non-current liabilities due within one year of RMB 2,042,999,330.27.

8.40 Lease liabilities

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Lease payment	57,158,569.63	57,860,668.79
Less: Unrealized finance expense	6,796,668.84	6,981,689.25
Lease liabilities due within one year	6,867,353.70	9,708,379.13
Total	43,494,547.09	41,170,600.41

8.41 Long-term payables

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Special payables	27,211,098.47	27,211,098.47
Total	27,211,098.47	27,211,098.47

8.41.1 Top 5 Special payables in ending balance by debtor

Item	Balance as at 1/1/2026	Accrued	Paid	Balance as at 30/06/2026
Novel Continuous-flow Synthesis Technology Industrialisation Project	24,500,000.00			24,500,000.00
Pharmaceutical reserve fund	2,000,000.00			2,000,000.00

Item	Balance as at 1/1/2026	Accrued	Paid	Balance as at 30/06/2026
Veterinary raw materials	600,000.00			600,000.00
Research on the key points of prevention and management of air pollution prevention and control of typical regional energy	62,499.00			62,499.00
Strategic Environmental Assessment of the Central Plains Economic Zone	22,212.30			22,212.30
Total	27,184,711.30			27,184,711.30

8.42 Provisions

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Guarantees for third parties	20,750,786.02	20,750,786.02
Restructuring obligations	16,669,101.27	16,669,101.27
Expenditure on asset replacement and overhaul	23,779,138.19	21,456,390.51
Total	61,199,025.48	58,876,277.80

Notes1: In 1997, in accordance with the requirements of the relevant merger policy of the Zibo Municipal Government, Shandong Xinhua Pharmaceutical Group Co., Ltd. (hereinafter referred to as "Xinhua Group"), the atomic company of the Company, successively merged three loss-making enterprises, including Shandong Zibo Acid Plant, Zibo Dongfeng Chemical Plant and Shandong Dongda Group, and accordingly undertook the bank loan guarantee liability of the aforesaid three enterprises. Among them, the Zibo Dongfeng Chemical Plant (later changed to Shandong Xinhua Dongfeng Chemical Company), which was merged by Xinhua Group on March 31, 2003, provided four bank loan guarantees and assumed joint and several guarantee liability. The principal of the four loans was RMB 12.917 million , and the accumulated interest arrears as of December 31, 2009 were RMB 6.6338 million, with a total principal and interest of RMB 19.5508 million. As of December 31, 2010, Xinhua Group estimated that the interest payable for this year was about RMB 1.20 million according to the reminder notice delivered by ICBC in 2009, which was recognized as a projected liability, and a total of RMB 20.7508 million was recognized as a total of estimated liabilities.

After the resolution of the 3rd meeting of the board of directors of the company in 2018, Shandong Xinhua Group Co., Ltd. was "sub-redivided", and Xinhua Group was cancelled after the merger was absorbed by Hualu Holding Group Co., Ltd. and Xinhua Branch was established.

2: Description of restructuring obligations: The company was originally a public institution under the Shandong Provincial Environmental Protection Department, and in 2016, according to the Shandong Provincial Environmental Protection Department's "Instructions on Applying for the Adjustment of the Transformation and Restructuring Plan of Shandong Environmental Protection Research and Design Institute" (Lu Huanfa [2016] No. 44) and the Shandong Provincial People's Government's "Approval on Agreeing to the Transformation of Shandong Environmental Protection Research and Design Institute into a State-owned Enterprise" (Lu Zheng Zi [2016] No. 90) document, it began to transform into a state-owned enterprise. The number of employees who resign or choose to join the enterprise, and the expected wages, social insurance premiums and economic compensation to be borne shall be included in the estimated liabilities-restructuring obligations as the restructuring costs of the transformation of public institutions into state-owned enterprises.

8.43 Deferred income

Item	Balance as at 1/1/2026	Increase	Decrease	Balance as at 30/06/2026
Government grants	506,187,913.29	60,687,805.32	34,517,437.69	532,358,280.92
Others	32,373,169.93			32,373,169.93
Total	538,561,083.22	60,687,805.32	34,517,437.69	564,731,450.85

8.44 Other non-current liabilities

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Authorized reserve fund	3,561,500.00	3,561,500.00
Total	3,561,500.00	3,561,500.00

8.45 Paid-in Capital

Item	Balance as at 1/1/2026		Increase	Decrease	Balance as at 30/06/2026	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)
State-owned Assets Supervision and Administration Commission of Shandong Province	1,835,700,000.00	59.16			1,835,700,000.00	59.16
Shandong Development Investment Holding Group Co., Ltd.	627,400,000.00	20.22			627,400,000.00	20.22
Shandong Finance Investment Group Co., Ltd.	377,700,000.00	12.17			377,700,000.00	12.17
Shandong Caixin Asset Management Co., Ltd.	262,200,000.00	8.45			262,200,000.00	8.45
Total	3,103,000,000.00	100.00			3,103,000,000.00	100.00

8.46 Capital reserve

Item	Balance as at 1/1/2026	Increase	Decrease	Balance as at 30/06/2026
I. Capital premiums	1,094,558,453.28	20,011,151.14	291,815.49	1,114,277,788.93
II. Other capital reserve	119,475,934.36	40,999,331.63	1,846,515.08	158,628,750.91
Total	1,214,034,387.64	61,010,482.77	2,138,330.57	1,272,906,539.84

Notes:1. The reduced share capital premium for the current period is the amount that should be reduced by the company to repurchase and cancel the restricted shares held by the incentive recipients who have been transferred out of the company and retired;

2. The increase in other capital reserve resulted from the accrual of equity- based instrument expenses during the vesting period, recognition of deferred tax assets limited to the probable future taxable profit based on estimated future tax- deductible amounts calculated using the share price at the end of the period for the granted stock option incentive plan, as well as the transfer of central budget funds.

3. The decrease in other capital reserve was attributable to the write- off of capital reserve corresponding to the remaining deferred tax assets, following the full exercise of the 2021 equity incentive plan which qualified for pre- tax deduction.

4. The additional share premium arising in the current period was caused by capital contributions from investors and acquisition of equity interests from non- controlling shareholders.

8.47 Other comprehensive income

Item	Balance as at 1/1/2026	Movement during the current period					Balance as at 30/06/2026
		Amount before tax	Less: OCI in prior periods transfer in profit or loss for the current period	Less: income tax	Amount after tax attributable to the Company	Amount after tax attributable to minority interests	
Ⅰ.OCI items which will not be reclassified subsequently to profit or loss	236,974,684.11	-74,321,135.95		-11,181,768.73	-23,847,326.18	-39,292,041.04	213,127,357.93
Including: Fair value changes in other equity instrument investments	236,974,684.11	-74,321,135.95		-11,181,768.73	-23,847,326.18	-39,292,041.04	213,127,357.93
Ⅱ.OCI items which will be reclassified subsequently to profit or loss	29,070,389.63	18,436,671.20			20,257,815.72	-1,821,144.52	49,328,205.35
Including: Gain or loss from fair value changes of other debt instruments	52,882,857.09						52,882,857.09
Translation differences from translation of foreign currency financial statements	-23,812,467.46	18,436,671.20			20,257,815.72	-1,821,144.52	-3,554,651.74
Total of OCI	266,045,073.74	-55,884,464.75		-11,181,768.73	-3,589,510.46	-41,113,185.56	262,455,563.28

8.48 Special reserve

Item	Balance as at 1/1/2026	Increase	Decrease	Balance as at 30/06/2026
Safety costs	23,156,250.97	20,214,896.94	15,285,569.55	28,085,578.36
Others		85,705.44	85,705.44	
Total	23,156,250.97	20,300,602.38	15,371,274.99	28,085,578.36

8.49 Surplus reserve

Item	Balance as at 1/1/2026	Increase	Decrease	Balance as at 30/06/2026
Statutory surplus reserve	308,347,330.33			308,347,330.33
Total	308,347,330.33			308,347,330.33

8.50 Retained earnings

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Retained earnings as at 1/1/2026 before adjustment	11,562,348,312.62	10,703,819,127.03
Opening balance adjustment：changes in accounting policies		
Retained earnings as at 1/1/2026 after adjustment	11,562,348,312.62	10,703,819,127.03
Add: Net profit attributable to the Company during the current period	1,039,557,248.38	1,411,134,391.23
Other comprehensive income is transferred to retained earnings	423.15	145,847.35
Less: Appropriation of statutory surplus reserve		44,314,852.99
Common share dividends payable	203,320,600.00	508,436,200.00
Other comprehensive income is transferred to retained earnings		
Retained earnings as at 30/06/2026	12,398,585,384.15	11,562,348,312.62

8.51 Operating income and operating costs

Item	Period from Jan to Jun 2026		Period from Jan to Jun 2025	
	Income	Costs	Income	Costs
I. Primary operating business	27,983,831,173.10	22,200,141,097.07	23,884,152,324.90	19,279,618,498.31
Chemical industry	13,006,545,728.03	10,128,107,786.09	10,276,313,364.66	8,931,188,076.10
fertilizer	3,882,298,299.72	2,590,307,559.29	3,878,645,252.64	2,709,707,229.60
preparation	2,936,578,656.80	2,200,019,408.11	3,169,066,497.36	2,371,977,756.71
Raw materials	1,638,469,751.32	1,167,012,590.33	1,920,242,807.36	1,349,964,681.40
Veterinary antibiotics	1,447,878,181.23	1,195,903,301.33	1,352,627,603.07	1,122,177,979.52
Pharmaceutical intermediates and others	1,150,833,941.51	150,204,562.51	1,091,408,140.84	1,094,789,881.89
Technical services	234,635,455.48	150,204,562.51	128,268,644.37	35,918,756.85

Item	Period from Jan to Jun 2026		Period from Jan to Jun 2025	
	Income	Costs	Income	Costs
cogeneration	115,082,756.77	124,915,981.94	111,262,544.70	101,682,346.54
Finance lease	1,305,014.75		3,483,381.27	
Core- business trading	3,264,045,141.41	3,259,138,653.58	283,481,220.11	281,122,783.85
Others	306,158,246.08	1,234,326,691.38	1,669,352,868.52	1,281,089,005.85
II. Other operating business	245,198,097.37	214,871,868.50	226,555,562.68	203,596,375.32
Lease income	6,941,025.60	5,646,796.89	8,380,521.60	1,999,050.25
Others	238,257,071.77	209,225,071.61	218,175,041.08	201,597,325.07
Total	28,229,029,270.47	22,415,012,965.57	24,110,707,887.58	19,483,214,873.63

8.52 Taxes and surcharges

Item	Period from Jan to Jun 2026	Period from Jan to Jun 2025
Urban maintenance and construction tax	56,040,818.02	54,280,836.17
Property tax	38,992,514.72	35,075,363.78
Urban land use tax	33,206,299.95	19,681,000.22
Local education surcharge	16,014,980.02	12,702,743.99
Education surcharge	24,022,480.51	26,128,228.00
Stamp duty	16,775,853.55	17,592,024.76
Vehicle and vessel tax	67,082.54	84,394.17
Water conservancy construction fund		1,248.43
Others	19,696,804.97	19,384,492.58
Total	204,816,834.28	184,930,332.10

8.53 Selling and distribution expenses

Item	Period from Jan to Jun 2026	Period from Jan to Jun 2025
Personnel costs	183,976,556.78	181,803,542.51
Sales service expenses	179,386,134.51	184,601,829.77
Business expenses	9,257,796.44	12,267,082.33
Warehousing and storage expenses	9,490,264.14	11,860,023.72
Depreciation	6,872,219.60	4,982,569.37
Advertising expenses	5,059,284.80	2,403,705.81
Repair expenses	619,637.74	758,909.55
Insurance premium		3,877.36
Others	64,747,584.30	57,730,679.60
Total	459,409,478.31	456,412,220.02

8.54 General and administrative expenses

Item	Period from Jan to Jun 2026	Period from Jan to Jun 2025
Personnel costs	250,700,281.70	255,302,051.43
Depreciation	83,149,901.53	125,554,319.99
Amortization of intangible assets	93,204,442.94	54,789,144.07
Hiring intermediary agency expenses	36,906,994.67	5,962,639.07
Travel expenses	9,499,329.26	8,776,155.77
Office expenses	5,491,961.27	5,241,611.69
Repair expenses	5,429,420.02	6,317,792.64
Business hospitality expenses	5,837,513.65	6,928,275.85
Consultation expenses	875,280.18	88,620.40
Insurance premium	250,802.91	226,887.37
Litigation cost	876,046.04	
Conference expenses	2,471.74	20,315.10
Others	88,859,867.79	109,270,025.21
Total	581,084,313.70	578,477,838.59

8.55 Research and development expenses

Item	Period from Jan to Jun 2026	Period from Jan to Jun 2025
Personnel costs	294,863,762.73	286,303,493.89
Direct input costs	601,115,182.81	267,802,326.02
Commissioned external R&D expenses	60,126,851.39	40,711,689.35
Depreciation and amortization	33,849,056.02	26,957,989.98
Clinical trial expenses	8,561,777.29	25,010,575.46
Analyze the test expenses	11,203,264.51	11,562,415.26
Others	30,432,581.74	43,071,527.99
Total	1,040,152,476.49	701,420,017.95

8.56Finance expenses

Item	Period from Jan to Jun 2026	Period from Jan to Jun 2025
Interest expense	284,887,599.87	247,697,200.69
Less: interest income	44,584,549.58	29,344,058.54
Losses from foreign exchange	41,673,402.59	3,965.28
Less: Gains from foreign exchange	10,817.52	21,982,307.00
Finance charges	3,702,457.13	4,205,567.33
Others	1,696,303.41	1,238,009.57
Total	287,364,395.90	201,818,377.33

8.57 Other income

Item	Period from Jan to Jun 2026	Period from Jan to Jun 2025

Item	Period from Jan to Jun 2026	Period from Jan to Jun 2025
Government grants	49,813,860.59	52,091,917.18
Additional deduction of input tax amount	59,583,172.82	100,889,126.46
Individual income tax handling fee refund	2,526,117.13	2,770,057.90
Total	111,923,150.54	155,751,101.54

Details of government grants:

Item	Period from Jan to Jun 2026	Period from Jan to Jun 2025
Government subsidy income for heating pipe-network renovation of old residential communities	7,701,897.83	2,156,573.62
Project grant for Biomedical Industrial Park	5,007,677.40	
Department of Science and Technology of Shandong Province (Funding under 2026 Key R&D Program of Shandong Province (Major Scientific and Technological Innovation Project)-TRN-157)	4,776,693.28	
Modern Medicine International Cooperation Center Project	3,790,557.60	3,790,557.60
Talent-policy-related grant funds	2,850,000.00	
2011 Enterprise Development Support Fund	2,173,144.58	2,187,060.84
Tax refund for welfare enterprises employing disabled persons	1,792,920.00	8,361,600.00
Comprehensive Air Pollution Prevention and Control Project for Recycling of Organic Gases including Dichloromethane	1,780,500.00	1,780,500.00
2025 Provincial Special-purpose Fund for Integrated Domestic-Foreign Trade Development (Second Batch)	1,700,000.00	
2023 Central Government Infrastructure Investment Fund	1,596,000.00	1,596,000.00
2025 First-batch Subsidy from Central Ultra-long-term Special Treasury Bonds	1,288,343.56	
Grant for Capacity Improvement Project of "Specialized, Refined, Differential and Innovative" Enterprises	1,250,000.00	
GMP Renovation Project for Injectables (High-end New Pharmaceutical Preparation Industrialization Project)	970,950.00	970,950.00
Policy Implementation under High-quality Real-economy Development List (Digital-intelligent Transformation, Innovative Development, Scale Expansion & Strength Enhancement, Tax Contribution)	853,200.00	582,200.00
Government-disbursed Subsidy under Ultra-long-term Special Treasury Bonds	815,053.76	
Fund for Technical Upgrading of VOCs Treatment	701,147.70	
Research Project Fund for Taishan Industrial Leading Talents	700,000.00	5,000,000.00
2021 Central Budget-allocated Fund for Jining Key Core Technology Tackling Program (Biological Reagent and Bacteria Strain Sector)	684,000.00	684,000.00
2018 Jining Special Fund for Major Scientific and Technological Innovation Platform Construction、Municipal Service Industry Development Fund allocated by Zoucheng Finance Bureau、2018 Development Zone Special-purpose Fund allocated by Zoucheng Industrial Park Administrative Committee	652,305.66	652,305.71
Enterprise Support Fund allocated by Finance and Banking Bureau of Jining High-tech Zone	535,714.26	535,714.26
Government grants for equipment	535,699.98	535,699.98
Phase-III Project of Biomedicine Circular Economy Industrial Park	467,395.35	359,982.38
2021 Provincial Special-purpose Fund for High-quality	387,428.10	119,642.88

Item	Period from Jan to Jun 2026	Period from Jan to Jun 2025
Development of Manufacturing Industry		
VAT refund upon collection	341,763.46	189,928.62
2025 Provincial Special-purpose Fund for High-quality Development of Manufacturing Industry	300,000.00	
Technical Renovation Project for Hormone-series Products	298,238.88	298,238.88
Enterprise Development Support Fund allocated by Zoucheng Industrial Park Administrative Committee	285,546.38	285,546.42
2026 Electricity-use Reward for Above-scale Industrial Enterprises during Spring Festival in Jiangling County	266,962.00	
Special-purpose Fund for Air Pollution Prevention and Control	264,285.72	264,285.72
Post-performance-assessment Subsidy for Professional Institutes of Jining Industrial Technology Research Institute	250,000.02	166,666.67
2020 Central Government Subsidy for Emergency Material Support System Construction	250,000.02	250,000.01
2023 Corporate Income Tax Refund under Investment Agreement		8,260,055.00
2024 Provincial Special-purpose Fund for Foreign Trade and Economic Development		4,140,000.00
Fund for Major Scientific and Technological Innovation Project of Shandong Province		1,233,100.00
Special-purpose Fund-Grant for Research and Demonstration Project on Key Technologies for Comprehensive Prevention & Control of Water Source and Water-supply Safety and Improvement of River-basin Water Environmental Capacity		1,064,000.00
Employment subsidy		809,972.00
Science and Technology Innovation Award for Provincial Industrial Innovation Consortium		500,000.00
2022 Municipal Industrial Development Fund from Dezhou Bureau of Industry and Information Technology (Shandong Provincial Manufacturing Single-champion Product)		300,000.00
Others	4,546,435.05	5,017,336.59
Total	49,813,860.59	52,091,917.18

8.58 Investment income

Item	Period from Jan to Jun 2026	Period from Jan to Jun 2025
Gain/(Loss) from long-term equity investments in equity method	-2,470,503.87	-3,314,952.22
Gain/(Loss) on financial assets held for trading for the current period	3,706,731.63	2,803,632.70
Gain/(Loss) on disposal of financial assets held for trading for the current period	2,501,484.81	233,623.58
Gains/(Loss) on other equity instrument investments during the holding period	10,734,113.28	8,114,072.90
Interest income from debt investments during the holding period	38,914,873.00	35,965,608.62
Gains/(Loss) on other equity instrument investments during the holding period	8,026,278.08	8,296,826.78
Others	-4,729,966.17	-12,599,945.08
Total	56,683,010.76	39,498,867.28

8.59 Gains from fair value changes

Item	Period from Jan to Jun 2026	Period from Jan to Jun 2025

Item	Period from Jan to Jun 2026	Period from Jan to Jun 2025
Financial assets held for trading	16,653,890.45	-1,417,595.40
Total	16,653,890.45	-1,417,595.40

8.60 Credit impairment losses

Item	Period from Jan to Jun 2026	Period from Jan to Jun 2025
Allowance for credit losses of accounts receivable	5,895,208.44	-55,690,216.17
Allowance for credit losses of other receivables	-7,522,702.61	-8,209,063.71
Allowance for credit losses of long-term receivables	1,449,021.46	1,449,021.46
Allowance for credit losses of receivables financing	11,659,824.52	-5,784,032.92
Allowance for credit losses of notes receivables	-2,609,820.91	1,989,628.51
Total	8,871,530.90	-66,244,662.83

8.61 Impairment on assets ("-" for loss)

Item	Period from Jan to Jun 2026	Period from Jan to Jun 2025
Impairment loss on contract assets	-852,993.42	-7,968,221.77
Provision for diminution in value of inventory and impairment loss on contractual performance costs	-74,895,211.42	-115,335,202.86
Total	-75,748,204.84	-123,303,424.63

8.62 Gains from disposal of assets

Item	Period from Jan to Jun 2026	Period from Jan to Jun 2025	Amount to be included in non-recurring gain or loss for the current period
Proceeds from the disposal of non-current assets	6,592,342.62	1,897,782.71	6,592,342.62
Total	6,592,342.62	1,897,782.71	6,592,342.62

8.63 Non-operating income

Item	Period from Jan to Jun 2026	Period from Jan to Jun 2025	Amount to be included in non-recurring gain or loss for the current period
Unpayable	739,411.68	2,130,050.96	739,411.68
Fine income	800,709.16	462,783.23	800,709.16
Government grants from non-routine activities		30,000.00	
Non-current assets damage and retirement gains	1,095,750.18	1,812,862.48	1,095,750.18
Compensation income and others	3,634,606.64	831,021.85	3,634,606.64
Total	6,270,477.66	5,266,718.52	6,270,477.66

8.64 Non-operating expenses

Item	Period from Jan to Jun 2026	Period from Jan to Jun 2025	Amount to be included in non-recurring gain or loss for the current period

Item	Period from Jan to Jun 2026	Period from Jan to Jun 2025	Amount to be included in non-recurring gain or loss for the current period
Liquidated damages, compensation, late fees and fines	10,608,110.82	2,659,676.79	10,608,110.82
Losses on damage or abandonment of non-current assets	2,346,020.57	595,727.55	2,346,020.57
Expenditure of technical schools	936,848.45	1,158,836.51	936,848.45
Others	2,588,249.99	4,186,671.80	2,588,249.99
Total	16,479,229.83	8,600,912.65	16,479,229.83

8.65 Income tax expenses

Item	Period from Jan to Jun 2026	Period from Jan to Jun 2025
Current income tax expense calculated according to tax laws	495,005,139.82	440,007,862.14
Deferred income tax	-2,935,627.51	8,134,594.22
Others	8,758,489.10	9,924,522.17
Total	500,828,001.41	458,066,978.53

8.66 Notes to statement of cash flows

8.66.1 Supplement to statement of cash flows

Item	Period from Jan to Jun 2026	Period from Jan to Jun 2025
Ⅰ.Net profit adjusted to cash flows from operating activities	——	——
Net profit	2,855,127,773.07	2,049,215,123.97
Add: provision for asset impairment	75,748,204.84	123,303,424.63
Credit impairment losses	-8,871,530.90	66,244,662.83
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets and depreciation of investment property，depreciation of right-of-use assets	2,172,155,998.64	1,965,700,708.25
Amortization of intangible assets	124,852,146.25	90,443,633.82
Amortization of long-term deferred expenses	30,106,232.18	30,267,072.97
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-4,563,253.15	-1,897,782.71
Losses on write-down of fixed assets ("-" for gains)	1,250,270.39	-1,118,865.15
Losses from changes in fair value ("-" for gains)	-16,653,890.45	1,417,595.40
Financial expenses ("-" for income)	284,887,599.87	248,987,739.98
Investments losses ("-" for gains)	-56,683,010.76	-39,498,867.28
Decreases in the deferred tax assets ("-" for increases)	29,977,302.64	46,174,916.68
Increases in the deferred tax liabilities ("-" for decreases)	-44,094,698.89	-30,081,869.74
Decreases in inventories ("-" for increases)	-492,340,945.94	144,701,141.04
Decreases in operating receivables ("-" for increases)	-905,055,222.31	-868,293,767.12
Increases in operating payables ("-" for decreases)	-990,103,925.74	-1,099,496,056.84
Others	28,493,115.31	11,346,664.69

Item	Period from Jan to Jun 2026	Period from Jan to Jun 2025
Net cash flows from operating activities	3,084,232,165.05	2,737,415,475.42
Ⅱ.Significant investing and financing activities not involving cash inflow and outflow	——	——
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under financial lease		
Ⅲ.Net change in cash and cash equivalents	——	——
Cash As at 30/06/2026	6,719,482,296.23	4,284,124,842.03
Less: cash as at 1/1/2026	6,401,438,673.48	4,209,477,971.56
Add: cash equivalents As at 30/06/2026		
Less: cash equivalents as at 1/1/2026		
Net increase in cash and cash equivalents	318,043,622.75	74,646,870.47

8.66.2 Cash and cash equivalents

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
I. Cash	6,719,482,296.23	6,401,438,673.48
Including: cash on hand	260,812.04	274,768.61
Unrestricted bank deposits	6,661,371,724.85	6,374,125,210.94
Unrestricted other cash and cash equivalents	57,849,759.34	27,038,693.93
II. Cash equivalents		
Including: bonds investment maturing within 3 months		
III. Cash and cash equivalents As at 30/06/2026	6,719,482,296.23	6,401,438,673.48
Including: cash and cash equivalents restricted for use in the Company or the subsidiaries		

8.67 Monetary items denominated in foreign currency

8.67.1 Monetary items denominated in foreign currency

Item	Balance in foreign currency as at 30/06/2026	Balance translated into RMB 30/06/2026
Cash at hand and in banks	——	——
Including: USD	21,045,373.16	143,212,627.99
EUR	4,035,095.96	31,340,993.83
HKD	8,358,589.94	7,271,678.46
MOP	14,161.04	11,962.82
JPY	18,334,943.00	770,892.68
Accounts receivable	——	——
Including: USD	80,150,888.80	545,899,688.53
USD-Note1	9,209,254.61	59,564,537.87
EUR	2,622,536.67	20,369,504.57

Item	Balance in foreign currency as at 30/06/2026	Balance translated into RMB 30/06/2026
EUR-Note2	2,126,555.75	17,513,249.88
HKD	34,114.65	29,630.28
JPY	4,172,100.00	175,415.94
GBP	1,741,431.02	15,698,129.93
Other receivables	——	——
Including: USD	1,446,123.35	9,814,933.36
EUR	55,900.00	434,180.89
HKD	338,314.00	294,333.18
JPY	1,980,000.00	83,249.10
Accounts payable	——	——
Including: USD	2,016,854.33	13,736,593.16
EUR	89,635.80	696,210.22
Other payables	——	——
Including: USD	158,943.74	1,082,549.92
HKD	54,298,694.97	47,239,864.62
Short-term loans	——	——
Including: USD	17,000,000.00	115,362,000.00
HKD	70,000,000.00	60,900,000.00

Note1: It was converted into RMB at the exchange rate as of August 31, 2021, and a full provision for bad debts was made. After the full provision for bad debts was made, it was not reconverted.

2：It was converted into RMB at the exchange rate as of December 31, 2025, and a full provision for bad debts was made. After the full provision for bad debts was made, it was not reconverted.

8.68 Assets with restricted ownership or usage rights

Item	Balance as at 30/06/2026	Restricted reasons
Monetary funds	403,473,644.65	Bank freeze, bank acceptance bill margin, letter of credit margin, etc
Notes receivable	18,322,677.35	Endorsed bills which are not yet due and have not been derecognized
Receivables financing	56,280,720.72	Bank acceptance bill pledge
Accounts receivable	175,013,643.42	Pledged loans and non-derecognition
Intangible asset	11,763,391.62	Loan mortgage
Fixed assets	253,143,217.46	Loan mortgage
Total	917,997,295.22	——

9. Commitments and contingencies

9.1 The large-scale outsourcing contracts that Xinhua Pharmaceutical has signed and is currently

executing or is preparing to fulfill.

Project Name	Contract amount	Unpaid amount
Development of innovative drugs and formulations	100,000,000.00	87,000,000.00
Development of innovative drug raw materials, their preparations, and formulations	100,000,000.00	99,000,000.00
Total	200,000,000.00	186,000,000.00

Save for the commitments mentioned above, the Company had no other material commitments as at 30 June 2026.

9.2 Contingencies

The Company has provided guarantee-type guarantees for its investee company, Shandong Yulong Petrochemical Co., Ltd. The loans are raised to fund its project construction. Such guarantees have been filed for record-keeping and included in the budget. As at present, no default or litigation has occurred, and no provision for contingent liabilities has been recognised. Please refer to Note 11.5 Related-party Relationships and Transactions to these financial statements for further details. Other than the above matters, the Company had no other material contingent events requiring disclosure as at 30 June 2026.

10. Post balance sheet events

As at 30 June 2026, the Company had no material post-balance-sheet events requiring disclosure.

11. Related parties and transactions

11.1 The parent company of the Company

Name of parent company	Registration place	Type of business	Registered capital	Shareholding ratio of the Company(%)	Voting rights proportion % of the Company
State-owned Assets Supervision and Administration Commission of Shandong Province	Jinan, Shandong	—	—	59.16	59.16

11.2 Subsidiaries of the Company

Details of subsidiaries refer to Note 7.1 Interest in other entities.

11.3 Joint ventures and associates of the Company

For information on the Company's significant joint ventures and associates, please refer to Note 8.15 — Long-term Equity Investments in the Notes to Significant Items of Consolidated Financial Statements.

11.4 Other related parties

Entity name	Relationship
Perrigo Company plc	Subsidiary shareholder
Shandong Huanke Kechuang Environmental Protection Technology Co., Ltd.	Joint stock company
Hubei Common Biotechnology Co., Ltd.	Controlled by subsidiary shareholder
Shandong Yulong Petrochemical Co., Ltd.	Joint stock company

11.5 Transactions with related parties

11.5.1 Purchase of goods/receipt of services and sales of goods/rendering of services

Name	Contents	Period from Jan to Jun 2026	Period from Jan to Jun 2025
Cansheng Pharmaceutical (Zibo) Co., Ltd.	Procurement of preparation raw materials	1,962,168.15	9,010,176.99
Hubei Common Biotechnology Co., Ltd.	Procurement of chemical raw materials	14,546,460.18	6,059,292.05
Shandong Lukang Haoliyou Biotechnology Development Co., Ltd.	Management services, sales of water and electricity, etc	288,915.41	157,013.20
Cansheng Pharmaceutical (Zibo) Co., Ltd.	Sales motivation, etc	2,790,699.94	2,791,725.46
Perrigo Company plc	Sell formulation products, active pharmaceutical ingredients (APIs), etc	128,392,101.65	194,155,226.45
Hubei Common Biotechnology Co., Ltd.	Sales of raw materials	7,566,371.68	2,751,106.20
Beijing Yujing Health Technology Co., Ltd.	Technical service fees, etc	1,553,551.70	4,232,273.58

11.5.2 Leases with related parties

Lessor	Lessee	Types of leased assets	Rental income for the period ended 30 June 2026	Rental income for the period ended 30 June 2025
Shandong Lukang Pharmaceutical Co.,Ltd.	Shandong Lukang Haoliyou Biotechnology Development Co., Ltd.	Office facilities	984,585.73	981,579.00

11.5.3 Guarantee activities with related parties

11.5.3.1 As guarantor

Guarantee	Amount of guarantee(RMB 100 million)	Start date	Maturity date	Guarantee obligation expired or not
Shandong Yulong Petrochemical Co., Ltd.	8.60	2022/11/25	2037/08/14	NO

11.6 Receivables due from and payables due to related parties

11.6.1 Receivables due from related parties

Account name	Related party	As at 30/06/2026		As at 31/12/2025	
		Balance	Allowance for credit losses	Balance	Allowance for credit losses
Accounts receivable	Perrigo Company plc	30,528,245.95	393,376.55	49,900,230.37	516,810.30

Account name	Related party	As at 30/06/2026		As at 31/12/2025	
		Balance	Allowance for credit losses	Balance	Allowance for credit losses
Accounts receivable	Cansheng Pharmaceutical (Zibo) Co., Ltd.	20,400.00	102.00	301,871.30	5,748.62
Accounts receivable	Shandong Lukang Haoliyou Biotechnology Development Co., Ltd.	76,226.25	2,286.79		
Receivables financing	Cansheng Pharmaceutical (Zibo) Co., Ltd.	1,854,177.94		1,043,054.24	
Other receivables	Shandong Lukang Haoliyou Biotechnology Development Co., Ltd.			140,028.02	4,200.84

11.6.2 Payables due to related parties

Account name	Related party	Balance as at 30/06/2026	Balance as at 31/12/2025
Accounts payable	Cansheng Pharmaceutical (Zibo) Co., Ltd.	1,095,000.00	760,000.00
Accounts payable	Hubei Common Biotechnology Co., Ltd.	19,633,500.00	28,065,400.00
Accounts payable	Beijing Yujing Health Technology Co., Ltd.	219,080.00	
Contract liabilities	Cansheng Pharmaceutical (Zibo) Co., Ltd.	683,090.66	21,226.42
Contract liabilities	Hubei Common Biotechnology Co., Ltd.	674,960.00	
Other payables	Shandong Lukang Haoliyou Biotechnology Development Co., Ltd.	617,300.00	617,300.00
Other payables	Beijing Yujing Health Technology Co., Ltd.	490,000.00	490,000.00

12. Notes to the financial statements of the Parent Company

12.1 Accounts receivable

12.1.1 Accounts receivable by aging

Aging	Balance as at 30/06/2026	Balance as at 31/12/2025
More than 3 years	119,860.00	119,860.00
Less: Allowance for credit losses	119,860.00	119,860.00
Total		

12.1.2 Accounts receivable by provision method for allowance credit losses

Category	As at 30/06/2026				
	Balance		Allowance for credit losses		Carrying amount
	Amount	PCT(%)	Amount	Allowance rate (%)	
Individual assessment subject to allowance for credit losses	119,860.00	100.00	119,860.00	100.00	
Total	119,860.00	——	119,860.00	——	

(continue)

Category	As at 31/12/2025

	Balance		Allowance for credit losses		Carrying amount
	Amount	PCT(%)	Amount	Allowance rate (%)	
Individual assessment subject to allowance for credit losses	119,860.00	100.00	119,860.00	100.00	
Total	119,860.00	——	119,860.00	——	

Significant accounts receivable that are individually assessed allowance for credit losses

Company name	As at 30/06/2026			
	Balance	Allowance for credit losses	Allowance rate(%)	Allowance reason
Jining Chenlong Veterinary Medicine Factory	106,900.00	106,900.00	100.00	Expected to be irrecoverable
Total	106,900.00	106,900.00	——	——

12.1.3 Top 5 accounts receivable in ending balance by debtor

Company name	Ending balance of accounts receivable	Percentage of total accounts receivable and contract assets(%)	Balance of allowance for credit losses as at 30/06/2026
Jining Chenlong Veterinary Medicine Factory	106,900.00	89.19	106,900.00
Qingdao Zhonglian Haibao Animal Pharmaceutical Co., Ltd.	10,000.00	8.34	10,000.00
Yanzhou No.1 People's Hospital	2,960.00	2.47	2,960.00
Total	119,860.00	100.00	119,860.00

12.2 Other receivables

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
Dividends receivable		
Other receivables	177,449,791.74	177,549,754.60
Total	177,449,791.74	177,549,754.60

12.2.1 Other receivables

12.2.1.1 Aging of other receivables

Aging	Balance as at 30/06/2026	Balance as at 31/12/2025
Within 1 year	143,578,386.93	141,759,444.26
1-2 years	751,067.08	18,121,916.00
2-3 years	16,738,289.00	133,027.21
More than 3 years	100,636,794.60	101,334,411.39
Subtotal	261,704,537.61	261,348,798.86
Less: Allowance for credit losses	84,254,745.87	83,799,044.26
Total	177,449,791.74	177,549,754.60

12.2.1.2 Category of other receivables by nature

Nature	Balance as at 30/06/2026	Balance as at 31/12/2025
Current accounts	260,124,040.58	260,542,008.26
Deposits	18,250.00	12,500.00
Others	1,562,247.03	794,290.60
Less: Allowance for credit losses	84,254,745.87	83,799,044.26
Total	177,449,791.74	177,549,754.60

12.2.1.3 The provision of allowance for credit losses

The allowance for credit losses	Stage one	Stage two	Stage three	Total
	12-month ECL	Lifetime ECL (credit-unimpaired)	Lifetime ECL (credit-impaired)	
Beginning balance	1,229,917.27		82,569,126.99	83,799,044.26
Revaluation of beginning balance	1,229,917.27		82,569,126.99	83,799,044.26
Provision	455,701.61			455,701.61
Reversal				
Write-off				
Other changes				
Ending balance	1,685,618.88		82,569,126.99	84,254,745.87

12.2.1.4 Other receivables due from the top five debtors are as follows:

Debtor name	Nature of balance	Balance as at 30/06/2026	Aging	Percentage in total other receivables(%)
China Shandong Group Limited	Current account	127,986,487.13	Within 1 year	48.9
Shandong Lukang Pharmaceutical Co.,Ltd.	Current account	32,350,454.52	More than 3 years	12.36
Zibo Land Reserve and Trading Center	Current account	24,530,500.00	More than 3 years	9.37
Jining Tongli Rubber Products Co., Ltd.	Current account	17,071,959.70	More than 3 years	6.52
Haitong Securities Co., Ltd.	Current account	16,222,934.27	More than 3 years	6.2
Total	—	218,162,335.62	—	83.35

12.2.1.5 Account receivable of individually significant amount and with allowance for credit losses made on an individual basis

Debtor name	Balance as at 30/06/2026	Balance of allowance for credit losses As at 30/06/2026	Aging	ECL rate(%)	Allowance reason
Jining Tongli Rubber Products Co., Ltd.	17,071,959.70	17,071,959.70	More than 3 years	100.00	Expected to be irrecoverable
Haitong Securities Co., Ltd..	16,222,934.27	16,222,934.27	More than 3 years	100.00	Expected to be irrecoverable
Shandong Pharmaceutical Exhibition and Sales Center	5,557,592.72	5,557,592.72	More than 3 years	100.00	Expected to be irrecoverable
Jining Municipal Construction Management Commission	529,428.00	529,428.00	More than 3 years	100.00	Expected to be irrecoverable
Zhuhai Ruisheng	481,848.00	481,848.00	More than 3	100.00	Expected to be

Debtor name	Balance as at 30/06/2026	Balance of allowance for credit losses As at 30/06/2026	Aging	ECL rate(%)	Allowance reason
Pharmaceutical Technology Co., Ltd.			years		irrecoverable
Beiyao Lukang Chain Co., Ltd.	478,016.40	478,016.40	More than 3 years	100.00	Expected to be irrecoverable
Provincial Urban Labor Training Center	400,000.00	400,000.00	More than 3 years	100.00	Expected to be irrecoverable
Linyi Lihong Food Factory	375,248.80	375,248.80	More than 3 years	100.00	Expected to be irrecoverable
Total	41,117,027.89	41,117,027.89	—	—	—

12.3 Long-term equity investments

12.3.1 Long-term equity investments by categories

Item	As at 1/1/2026	Additions	Reductions	As at 30/06/2026
Investment to subsidiaries	3,311,894,524.32			3,311,894,524.32
Investment to joint associates	3,882,999.22			3,882,999.22
Subtotal	3,315,777,523.54			3,315,777,523.54
Less: provision for impairment of long-term equity investment	3,882,999.22			3,882,999.22
Total	3,311,894,524.32			3,311,894,524.32

12.3.2 Investment to subsidiaries and associates

Investee	Investment cost	Balance as at 1/1/2026	Movement during the current period								Balance As at 30/06/2026	Provision for impairment As at 30/06/2026
			Addition of investment	Reduction of investment	Investment income/loss recognised under the equity method	Adjust-ment of OCI	Changes of other equity	Cash dividend or profit announced to be issued	Provision for impairment	Others		
I. Subsidiaries	3,311,894,524.32	3,311,894,524.32									3,311,894,524.32	
China Shandong group limited	474,472,003.22	474,472,003.22									474,472,003.22	
China Shandong Group Co., Ltd.	113,808,531.27	113,808,531.27									113,808,531.27	
Shandong Hualu-Hengsheng Group Co.,Ltd.	698,181,499.35	698,181,499.35									698,181,499.35	
Shandong Xinhua Pharmaceutical Co.,Ltd.	228,418,428.12	228,418,428.12									228,418,428.12	
Shandong Lukang Pharmaceutical Co.,Ltd.	582,003,780.62	582,003,780.62									582,003,780.62	
Hualu Investment & Development Co., Ltd.	1,100,000,000.00	1,100,000,000.00									1,100,000,000.00	
Shandong Academy of Environmental Sciences Co.,Ltd.	105,010,281.74	105,010,281.74									105,010,281.74	
Zhongke Hualu Resources and Environment Co., Ltd.	10,000,000.00	10,000,000.00									10,000,000.00	
II. Investment to joint associates	3,882,999.22	3,882,999.22									3,882,999.22	3,882,999.22
America Lukang Pharmaceutical Co., Ltd.	3,882,999.22	3,882,999.22									3,882,999.22	3,882,999.22
Total	3,315,777,523.54	3,315,777,523.54									3,315,777,523.54	3,882,999.22

12.4 Operating income and operating costs

Item	Period from Jan to Jun 2026		Period from Jan to Jun 2025	
	Income	Cost	Income	Cost
Other operating business	13,557,377.31		10,271,963.87	
Lease income	425,301.85		1,970,077.07	
Others	13,132,075.46		8,301,886.80	
Total	13,557,377.31		10,271,963.87	

12.5 Investment income

12.5.1 Investment income by categories

Item	Period from Jan to Jun 2026	Period from Jan to Jun 2025
Gain/(Loss) on financial assets held for trading for the current period	1,695,706.98	1,575,098.44
Gain/(Loss) from long-term equity investments in cost method	42,000,000.00	41,000,000.00
Total	43,695,706.98	42,575,098.44

12.6 Notes to statement of cash flows

12.6.1 Supplement to statement of cash flows

Item	Period from Jan to Jun 2026	Period from Jan to Jun 2025
Ⅰ.Net profit adjusted to cash flows from operating activities:	——	——
Net profit	8,645,626.65	7,583,518.88
Add: provision for asset impairment		
Credit impairment losses	455,701.61	
Depreciation of fixed assets, depreciation of right-of-use assets， depletion of oil and gas assets, depreciation of productive biological assets and depreciation of investment property	995,467.52	894,379.70
Amortization of intangible assets	603,941.94	474,082.86
Amortization of long-term deferred expenses	182,926.83	
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-6,542,121.57	-71,532.24
Losses on write-down of fixed assets ("-" for gains）		
Losses from changes in fair value ("-" for gains)		
Financial expenses ("-" for income)	24,342,623.87	25,062,709.38
Investments losses ("-" for gains)	-43,695,706.98	-42,575,098.44
Decreases in the deferred tax assets ("-" for increases)		
Increases in the deferred tax liabilities ("-" for decreases)		
Decreases in inventories ("-" for increases)		
Decreases in operating receivables ("-" for increases)	-355,738.75	-18,461,774.99
Increases in operating payables ("-" for decreases)	-166,687,184.26	8,396,707.63
Others		

Item	Period from Jan to Jun 2026	Period from Jan to Jun 2025
Net cash flows from operating activities	-182,054,463.14	-18,697,007.22
II .Significant investing and financing activities not involving cash inflow and outflow:		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under financial lease		
III.Net change in cash and cash equivalents:		
Cash As at 30/06/2026	228,059,188.95	116,280,421.34
Less: cash as at 1/1/2026	598,798,474.13	199,427,170.80
Add: cash equivalents As at 30/06/2026		
Less: cash equivalents as at 1/1/2026		
Net increase in cash and cash equivalents	-370,739,285.18	-83,146,749.46

12.6.2 Cash and cash equivalents

Item	Balance as at 30/06/2026	Balance as at 31/12/2025
I. Cash	228,059,188.95	598,798,474.13
Including: cash on hand	2,400.50	2,400.50
Unrestricted bank deposits	228,056,788.45	598,796,073.63
Unrestricted other cash and cash equivalents		
II. Cash equivalents		
Including: bonds investment maturing within 3 months		
III. Cash and cash equivalents As at 30/06/2026	228,059,188.95	598,798,474.13
Including: cash and cash equivalents restricted for use in the Company or the subsidiaries		

13. Other significant events

The company has no other significant matters that need to be disclosed.

14. Approval of financial statements

These financial statements were approved for issue by the Board of Directors on 25 August 2026.

Hualu Holdings Co., Ltd.

26 August 2026

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The notes to the financial statements from page 13 to page 104 were approved by the following representatives:

Legal representative	Person in charge of accounting function	Person in charge of accounting department
Signature:	Signature:	Signature:
Date: 26/8/2026	Date: 26/8/2026	Date: 26/8/2026

HUALU HOLDINGS CO., LTD.

Auditor's Report

DAXIN SHEN ZI **[2026]NO.3-00501**

WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP.

The auditor’s report and the accompanying financial statements are English translations of the Chinese auditor's report and financial statements prepared in accordance with Accounting Standards for Business Enterprises of China. Should there be inconsistency between the Chinese and English versions, the Chinese version shall prevail.

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Auditor's Report

DAXIN SHEN ZI [2026]NO. 3-00501

To Hualu Holdings Co., Ltd.:

I. Opinion

We have audited the financial statements of Shandong Hualu Holdings Co., Ltd. (hereafter referred to as “the Company”), which comprise the consolidated and the Company's balance sheets as at December 31, 2025, the consolidated and the Company's statements of income, the consolidated and the Company's statements of cash flows and the consolidated and the Company's statements of changes in equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2025, and of its financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. Basis for Opinion

We conducted our audit in accordance with Chinese Certified Public Accountants Auditing Standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Chinese Certified Public Accountants and have 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 audit opinion.

III. Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, 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.

IV. Responsibilities of the Directors and Those Charged with Governance for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

V. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards 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 financial statements.

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

A. Identify and assess the risks of material misstatement of the 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.

B. 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 Company's internal control.

C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

D. 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 Company'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

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report to the related disclosures in the 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 Company to cease to continue as a going concern.

E. Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP.

Certified Public Accountant of China

(Engagement partner)

Certified Public Accountant of China

Beijing • China

Date: April 24, 2026

Consolidated Balance Sheet

Prepared by: Hualu Holdings Co., Ltd. 31-12-2025 Unit: RMB Yuan

Item	As at 31/12/2025	As at 31/12/2024
Current assets:		
Cash at bank and on hand	6,853,807,967.16	4,612,680,114.78
Financial assets held for trading	276,742,377.57	261,644,001.49
Derivative financial assets		
Notes receivable	70,534,018.02	111,315,905.08
Accounts receivable	2,475,232,713.72	2,662,433,383.44
Receivables for financing	2,564,673,829.25	2,636,761,498.29
Prepayments	949,143,043.73	740,027,750.72
Other receivables	385,968,985.93	470,881,363.58
Including:Interest receivable		
Dividends receivable		1,495,894.40
Inventories	4,157,531,255.86	4,191,042,512.87
Contract assets	506,887,612.09	584,048,112.63
Held-for-sale assets		
Non-current assets due within one year	557,780,083.32	
Other current assets	2,595,750,453.87	2,095,931,386.02
Total current assets	21,394,052,340.52	18,366,766,028.90
Non-current assets:		
Debt investments	1,255,171,143.35	1,215,235,574.61
Other debt investments	403,980,882.57	386,937,420.24
Long-term receivables	2,888,607.21	9,409,203.81
Long-term equity investments	132,335,533.98	139,255,590.34
Other equity instrument investments	2,480,683,464.21	2,414,333,002.70
Other non-current financial assets	43,995,060.00	
Investment property	286,420,011.41	286,919,361.66
Fixed assets	41,047,993,653.50	37,670,814,843.26
Construction in process	3,123,212,442.71	5,797,672,499.69
Productive biological assets		
Oil and gas assets		
Right-of-use assets	52,865,165.92	52,679,320.44
Intangible assets	4,583,414,677.57	4,061,123,647.45
Development expenditures	133,381,724.99	127,280,307.33
Goodwill		
Long-term deferred expenses	251,587,252.41	301,121,298.59
Deferred tax assets	384,923,932.61	366,796,218.64
Other non-current assets	1,807,408,089.31	2,372,402,567.84
Total non-current assets	55,990,261,641.75	55,201,980,856.60
Total of assets	77,384,313,982.27	73,568,746,885.50

Legal representativeLegal: Person in charge of accounting function: Person in charge of accounting department:

Consolidated Balance Sheet (Continued)

Prepared by: Hualu Holdings Co., Ltd. 31-12-2025 Unit: RMB Yuan

Item	As at 31/12/2025	As at 31/12/2024
Current liabilities:		
Short-term loans	2,614,411,716.33	1,623,072,200.12
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable	1,044,786,636.92	1,964,068,364.74
Accounts payable	4,255,586,832.69	5,139,144,134.28
Advances from customers	3,733,949.13	3,769,170.92
Contract liabilities	1,114,811,620.93	920,962,798.25
Employee benefits payable	541,324,905.75	548,190,595.15
Taxes and surcharges payable	290,404,344.76	290,438,399.44
Other payables	876,450,330.93	1,086,951,434.13
Including:Interest payable		
Dividends payable	6,991,505.02	15,973,505.02
Held-for-sale liabilities		
Non-current liabilities due within one year	6,395,829,967.37	2,356,614,189.13
Other current liabilities	194,207,599.72	191,332,279.62
Total current liabilities	17,331,547,904.53	14,124,543,565.78
Non-current liabilities:		
Long-term loans	11,169,285,503.42	12,562,809,713.01
Bonds payable	1,000,000,000.00	2,671,366,830.47
Including: Preference shares		
Perpetual loans		
Lease liabilities	41,170,600.41	41,680,884.19
Other long-term payables	27,211,098.47	146,068,803.47
Long-term employee benefits payable		
Provisions	58,876,277.80	61,063,378.12
Deferred income	538,561,083.22	373,505,124.30
Deferred tax liabilities	226,987,257.96	233,472,999.24
Other non-current liabilities	3,561,500.00	6,561,500.00
Total non-current liabilities	13,065,653,321.28	16,096,529,232.80
Total liabilities	30,397,201,225.81	30,221,072,798.58
Shareholders' equity:		
Share capital	3,103,000,000.00	3,103,000,000.00
Other equity instruments		
Including: Preference shares		
Perpetual loans		
Capital reserve	1,214,034,387.64	1,380,322,136.37
Less:treasury shares		
Other comprehensive income	266,045,073.74	148,251,355.40
Special reserve	23,156,250.97	16,792,517.64
Surplus reserve	308,347,330.33	264,032,477.34
Retained earnings	11,562,348,312.62	10,703,819,127.03
Equity attributable to parent company	16,476,931,355.30	15,616,217,613.78
Minority interests	30,510,181,401.16	27,731,456,473.14
Total equity	46,987,112,756.46	43,347,674,086.92
Total liabilities and equity	77,384,313,982.27	73,568,746,885.50

Legal representativeLegal: Person in charge of accounting function: Person in charge of accounting department:

Balance Sheet

Prepared by: Hualu Holdings Co., Ltd. 31-12-2025 Unit: RMB Yuan

Item	As at 31/12/2025	As at 31/12/2024
Current assets:		
Cash at bank and on hand	598,798,474.13	199,427,170.80
Financial assets held for trading		110,000,000.00
Derivative financial assets		
Notes receivable		
Accounts receivable		
Receivables for financing		
Prepayments		
Other receivables	177,549,754.60	359,590,914.92
Including:Interest receivable		
Dividends receivable		188,000,000.00
Inventories		
Contract assets		
Held-for-sale assets		
Non-current assets due within one year	607,780,083.32	
Other current assets	225,851.48	385,857.15
Total current assets	1,384,354,163.53	669,403,942.87
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables	630,000,000.00	1,030,000,000.00
Long-term equity investments	3,311,894,524.32	3,026,132,475.93
Other equity instrument investments	1,948,999,814.84	1,930,927,298.35
Other non-current financial assets		
Investment property		
Fixed assets	18,244,107.23	18,030,901.87
Construction in process		
Productive biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	28,145,668.20	28,240,867.85
Development expenditures		
Goodwill		
Long-term deferred expenses	11,707,317.07	12,073,170.73
Deferred tax assets		
Other non-current assets	2,249,430.76	543,507,764.08
Total non-current assets	5,951,240,862.42	6,588,912,478.81
Total of assets	7,335,595,025.95	7,258,316,421.68

Legal representativeLegal: Person in charge of accounting function: Person in charge of accounting department:

Balance Sheet (Continued)

Prepared by: Hualu Holdings Co., Ltd. 31-12-2025 Unit: RMB Yuan

Item	As at 31/12/2025	As at 31/12/2024
Current liabilities:		
Short-term loans		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable	1,625,770.74	1,625,770.74
Advances from customers	215,152.37	
Contract liabilities		
Employee benefits payable	35,801,216.70	36,352,324.96
Taxes and surcharges payable	510,187.20	714,939.96
Other payables	332,183,968.03	175,151,772.45
Including:Interest payable		
Dividends payable		
Held-for-sale liabilities		
Non-current liabilities due within one year	1,047,954,829.61	549,452,558.69
Other current liabilities		
Total current liabilities	1,418,291,124.65	763,297,366.80
Non-current liabilities:		
Long-term loans	1,003,000,000.00	2,033,500,000.00
Bonds payable	1,000,000,000.00	500,000,000.00
Including: Preference shares		
Perpetual loans		
Lease liabilities		
Other long-term payables	600,000.00	600,000.00
Long-term employee benefits payable		
Provisions	20,750,786.02	20,750,786.02
Deferred income		
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	2,024,350,786.02	2,554,850,786.02
Total liabilities	3,442,641,910.67	3,318,148,152.82
Shareholders' equity:		
Share capital	3,103,000,000.00	3,103,000,000.00
Other equity instruments		
Including: Preference shares		
Perpetual loans		
Capital reserve	297,000,000.00	297,000,000.00
Less:treasury shares		
Other comprehensive income	136,869,814.84	118,797,298.35
Special reserve		
Surplus reserve	308,347,330.33	264,032,477.34
Retained earnings	47,735,970.11	157,338,493.17
Total equity	3,892,953,115.28	3,940,168,268.86
Total liabilities and equity	7,335,595,025.95	7,258,316,421.68

Legal representativeLegal: Person in charge of accounting function: Person in charge of accounting department:

Consolidated Statement of Income

Prepared by: Hualu Holdings Co., Ltd. For the year ended 31 DeDmber 2025 Unit: RMB Yuan

Item	Year ended 31/12/2025	Year ended 31/12/2024
1. OperatinI income	48,555,743,443.59	51,546,605,925.89
Less: Operating costs	39,329,328,319.77	41,221,532,471.53
Taxes and surcharges	357,465,453.68	340,354,048.10
Selling and distribution expenses	945,786,611.34	1,295,952,855.11
General and administrative expenses	1,220,726,012.97	1,205,716,541.15
Research and development expenses	1,599,730,027.22	1,428,406,810.17
Finance expenses	450,699,373.86	390,517,725.05
Including:Interest expenses	504,210,986.92	513,648,666.91
Interest income	55,367,029.54	83,787,661.82
Add: Other income	277,745,814.30	374,368,773.83
Investment income ("-" for loss)	111,036,355.75	69,430,478.20
IncludinI: Investment income from associates and joint ventures	-6,920,056.36	-10,656,493.35
Income from derecognition of financial assets measured at amortised		
Net exposure hedging gains("-" for loss)		
Gain from fair value changes("-" for loss)	3,537,630.90	-6,788,404.62
Credit impairment losses ("-" for loss)	-110,873,678.18	-88,792,435.42
Impairment on assets ("-" for loss)	-126,578,142.22	-190,549,788.04
Gains from disposal of assets("-" for loss)	2,445,727.02	173,021,658.62
2. Operating profits ("-" for loss)	4,809,321,352.32	5,994,815,757.35
Add: Non-operating income	31,916,819.36	25,100,157.49
Less:Non-operating expenses	20,435,617.24	16,474,432.13
3. Profit before tax ("-" for loss)	4,820,802,554.44	6,003,441,482.71
Less:income tax expenses	724,542,814.38	906,514,394.31
4. Net profit ("-" for net loss)	4,096,259,740.06	5,096,927,088.40
Categorized by going concern basis	4,096,259,740.06	5,096,927,088.40
1. Profit or loss from continuing operations	4,096,259,740.06	5,096,927,088.40
2. Profit or loss from discontinued operations		
Categorized by ownership	4,096,259,740.06	5,096,927,088.40
1. Net profit attributable to parent company	1,411,134,391.23	1,883,096,886.96
2. Profit/loss attributable to minority shareholders	2,685,125,348.83	3,213,830,201.44
5. Other comprehensive income net of tax	129,852,390.24	175,985,928.34
Total comprehensive income attributable to shareholders of parent	117,793,718.34	147,367,794.76
(1) Comprehensive income not to be reclassified to profit or loss	73,263,241.85	151,130,646.39
1) Changes in remeasurement of defined benefit obligations		
2) Other comprehensive income not to be reclassified to profit or loss in equity method		
3) Fair value changes in other equity instrument investments	73,263,241.85	151,130,646.39
4) Fair value changes in the enterprise's own credit risk		
(2) Comprehensive income to be reclassified to profit or loss	44,530,476.49	-3,762,851.63
1) Other comprehensive income to be reclassified to profit or loss in equity method		
2) Gain or loss from fair value changes of other debt instruments	29,525,314.59	25,304,604.22
3) The amount of financial assets reclassified to other comprehensive income		
4) Credit impairment provision of other debt investment		
5) Cash flow hedging reserve		
6) Currency translation difference	15,005,161.90	-29,067,455.85
7) Others		
Other comprehensive income attributable to minority share-holders, net	12,058,671.90	28,618,133.58
6. Total comprehensive income	4,226,112,130.30	5,272,913,016.74
(1) Total comprehensive income attributable to shareholders of parent	1,528,928,109.57	2,030,464,681.72
(2) Total comprehensive income attributable to minority shareholders	2,697,184,020.73	3,242,448,335.02
7. Earnings per share		
(1) Basic earnings per share		
(2) Diluted earnings per share		

Legal representativeLegal : Person in charge of accounting function: Person in charge of accounting department:

Statement of Income

Prepared by: Hualu Holdings Co., Ltd. For the year ended 31 DeDmber 2025 Unit: RMB Yuan

Item	Year ended 31/12/2025	Year ended 31/12/2024
1. Operating income	19,675,729.42	21,599,774.75
Less: Operating costs		
Taxes and surcharges	1,581,041.66	1,856,832.37
Selling and distribution expenses		
General and administrative expenses	58,654,681.59	60,713,168.00
Research and development expenses		
Finance expenses	20,080,132.75	33,177,434.03
Including:Interest expenses	38,725,803.60	55,538,544.71
Interest income	18,657,215.12	22,442,833.47
Add: Other income	41,989.70	1,186,400.38
Investment income ("-" for loss)	505,971,591.96	714,258,082.08
Including: Investment income from associates and joint ventures		
Income from derecognition of financial assets measured at amortised cost		
Gains from net position hedging ("-" for loss)		
Gain from fair value changes ("-" for loss)		
Credit impairment losses ("-" for loss)	-274,622.03	-334,416.17
Impairment on assets		
Gains from disposal of assets ("-" for loss)	49,996.54	17,979,277.85
2. Operating profits ("-" for loss)	445,148,829.59	658,941,684.49
Add: Non-operating income		7,084,572.29
Less:Non-operating expenses	2,000,299.66	858.97
3. Profit before tax ("-" for loss)	443,148,529.93	666,025,397.81
Less:income tax expenses		
4. Net profit ("-" for net loss)	443,148,529.93	666,025,397.81
Profit or loss from continuing operations ("-" for loss)	443,148,529.93	666,025,397.81
Profit or loss from discontinued operations ("-" for loss)		
5. Other comprehensive income net of tax	18,072,516.49	118, 797, 298. 35
(1) Comprehensive income not to be reclassified to profit or loss	18,072,516.49	118, 797, 298. 35
1) Changes in remeasurement of defined benefit obligations		
2) Other comprehensive income not to be reclassified to profit or loss in equity method		
3) Fair value changes in other equity instrument investments	18,072,516.49	118, 797, 298. 35
4) Fair value changes in the enterprise's own credit risk		
(2) Comprehensive income to be reclassified to profit or loss		
1) Other comprehensive income to be reclassified to profit or loss in equity method		
2) Gain or loss from fair value changes of other debt instruments		
3) The amount of financial assets reclassified to other comprehensive income		
4) Credit impairment provision of other debt investment		
5) Cash flow hedging reserve		
6) Currency translation difference		
7) Others		
6. Total comprehensive income	461,221,046.42	784,822,696.16
7. Earnings per share		
(1) Basic earnings per share		
(2) Diluted earnings per share		

Legal representative: 樊军 Person in charge of accounting function: 王良远 Person in charge of accounting department: 王平笃

Consolidated Statement of Cash Flows

Prepared by: Hualu Holdings Co., Ltd. For the year ended 31 DeDmber 2025 Unit: RMB Yuan

Item	Year ended 31/12/2025	Year ended 31/12/2024
1. Cash flows from operating activities		
Cash received from sales and services	45,452,791,644.31	48,021,219,046.94
Taxes and surcharges refunds	113,895,716.81	228,880,942.57
Cash received related to other operating activities	396,808,598.21	626,249,737.17
Total cash inflows from operating activities	45,963,495,959.33	48,876,349,726.68
Cash paid for goods and services	33,121,679,235.75	35,136,927,581.99
Cash paid to and for employees	3,872,256,724.23	3,819,851,777.53
Taxes and surcharges cash payments	2,248,135,344.34	2,385,983,420.20
Cash paid related to other operating activities	1,314,842,786.92	1,760,139,065.60
Total cash outflows from operating activities	40,556,914,091.24	43,102,901,845.32
Net cash flows from operating activities	5,406,581,868.09	5,773,447,881.36
2. Cash flows from investing activities:		
Cash received from withdraw of investments	1,327,972,953.29	2,529,145,408.50
Cash received from investment income	154,612,945.24	102,239,071.77
Net cash received from disposal of \property, plant and equipement,intangible assets and other long-term assets	108,708,279.65	38,935,156.71
Net cash received from disposal of subsidiaries and other		
Cash received related to other investing activities	1,529,792.06	22,686,334.60
Total cash inflows from investing activities	1,592,823,970.24	2,693,005,971.58
Cash paid for property, plant and equipement,intangible assets and other long-term assets	4,236,972,517.56	5,655,569,648.77
Cash payments for investments	1,425,909,441.40	2,824,243,539.30
Net cash paid for acquiring subsidiaries and other business		
Cash paid related to other investing activities	52,534.85	36,192,412.42
Total cash outflows from investing activities	5,662,934,493.81	8,516,005,600.49
Net cash flows from investing activities	-4,070,110,523.57	-5,822,999,628.91
3. Cash flows from financing activities:		
Cash received from investments by others	965,604,703.90	182,140,885.78
Including: cash received by subsidiaries from minority	912,432,242.90	67,901,106.10
Cash received from borrowings	7,097,489,022.41	6,925,220,238.84
Cash received related to other financing activities	520,758,751.95	488,542,163.89
Total cash inflows from financing activities	8,583,852,478.26	7,595,903,288.51
Cash repayments for debts	5,203,458,597.00	5,051,399,206.21
Cash payments for distribution of dividends, profit and	2,110,046,531.18	2,542,875,593.41
Including: dividends or profit paid by subsidiaries to		
Cash paid related to other financing activities	428,997,417.90	122,056,855.12
Total cash outflows from financing activities	7,742,502,546.08	7,716,331,654.74
Net cash flows from financing activities	841,349,932.18	-120,428,366.23
4. Effect of foreign exchange rate changes on cash and cash	14,139,425.22	46,385,273.72
5. Net increase in cash and cash equivalents	2,191,960,701.92	-123,594,840.06
Add: beginning balance of cash and cash equivalents	4,209,477,971.56	4,333,072,811.62
6. Ending balance of cash and cash equivalents	6,401,438,673.48	4,209,477,971.56

Legal representative: Person in charge of accounting function: Person in charge of accounting department:

Statement of Cash Flows

Prepared by: Hualu Holdings Co., Ltd. For the year ended 31 DeDmber 2025 Unit: RMB Yuan

Item	Year ended 31/12/2025	Year ended 31/12/2024
1. Cash flows from operating activities		
Cash received from sales and services	10,133,780.00	10,672,312.00
Taxes and surcharges refunds		
Cash received related to other operating activities	470,898,229.84	294,483,661.67
Total cash inflows from operating activities	481,032,009.84	305,155,973.67
Cash paid for goods and services		1,577,408.26
Cash paid to and for employees	37,329,864.73	34,957,346.69
Taxes and surcharges cash payments	2,275,864.30	2,828,397.72
Cash paid related to other operating activities	317,149,924.16	282,811,381.17
Total cash outflows from operating activities	356,755,653.19	322,174,533.84
Net cash flows from operating activities	124,276,356.65	-17,018,560.17
2. Cash flows from investing activities:		
Cash received from withdraw of investments	110,000,000.00	836,000,000.00
Cash received from investment income	694,379,304.18	526,369,527.79
Net cash received from disposal of \property, plant and equipement,intangible assets and other long-term assets	128,500.00	
Net cash received from disposal of subsidiaries and other business units		
Cash received related to other investing activities		
Total cash inflows from investing activities	804,507,804.18	1,362,369,527.79
Cash paid for property, plant and equipement,intangible assets and other long-term assets	1,735,912.13	517,694.00
Cash payments for investments	285,762,048.39	981,000,000.00
Net cash paid for acquiring subsidiaries and other business		
Cash paid related to other investing activities		4,866,784.75
Total cash outflows from investing activities	287,497,960.52	986,384,478.75
Net cash flows from investing activities	517,009,843.66	375,985,049.04
3. Cash flows from financing activities:		
Cash received from investments by others		
Cash received from borrowings	500,000,000.00	1,499,250,000.00
Cash received related to other financing activities	350,000,000.00	100,868,379.37
Total cash inflows from financing activities	850,000,000.00	1,600,118,379.37
Cash repayments for debts	541,000,000.00	1,541,000,000.00
Cash payments for distribution of dividends, profit and interest	550,914,896.98	495,162,131.67
Cash paid related to other financing activities		100,000,100.00
Total cash outflows from financing activities	1,091,914,896.98	2,136,162,231.67
Net cash flows from financing activities	-241,914,896.98	-536,043,852.30
4. Effect of foreign exchange rate changes on cash and cash		
5. Net increase in cash and cash equivalents	399,371,303.33	-177,077,363.43
Add: beginning balance of cash and cash equivalents	199,427,170.80	376,504,534.23
6. Ending balance of cash and cash equivalents	598,798,474.13	199,427,170.80

Legal representative: Person in charge of accounting function: Person in charge of accounting department:

Consolidated Statement of Changes in Equity

Prepared by: Hualu Holdings Co., Ltd | For the year ended 31 December 2025 | Unit: RMB Yuan

Item	Year 2025												
	Equity attributable to shareholders of parent company											Minority interests	Total equity
	Share capital	Other equity instruments			Capital reserve	Less:treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Sub-total		
		Preference shares	Perpetual loans	Others									
1. Ending balance of last year	3,103,000,000.00				1,380,322,136.37		148,251,355.40	16,792,517.64	264,032,477.34	10,703,819,127.03	15,616,217,613.78	27,731,456,473.14	43,347,674,086.92
Add: Impact from changes in accounting policies													
Impact from corrections of errors in prior period													
Business combination under common control													
Others													
2. Beginning balance of current year	3,103,000,000.00				1,380,322,136.37		148,251,355.40	16,792,517.64	264,032,477.34	10,703,819,127.03	15,616,217,613.78	27,731,456,473.14	43,347,674,086.92
3. Movement for current year("-" for decrease)					-166,287,748.73		117,793,718.34	6,363,733.33	44,314,852.99	858,529,185.59	860,713,741.52	2,778,724,928.02	3,639,438,669.54
(1) Total comprehensive income							117,793,718.34			1,411,134,391.23	1,528,928,109.57	2,697,184,020.73	4,226,112,130.30
(2) Shareholder's contributions and withdrawals of captial					-166,287,748.73					145,847.35	-166,141,901.38	1,061,191,521.24	895,049,619.86
1) Common stock contributed by shareholders												1,009,781,852.40	1,009,781,852.40
2) Capital contributed by other equity instruments holders													
3) Share-based payment recorded in shareholder's equity					-38,607,613.69						-38,607,613.69	88,689,876.64	50,082,262.95
4) Others					-127,680,135.04					145,847.35	-127,534,287.69	-37,280,207.80	-164,814,495.49
(3) Profits distribution									44,314,852.99	-552,751,052.99	-508,436,200.00	-983,206,585.23	-1,491,642,785.23
1) Appropriation of surplus reserve									44,314,852.99	-44,314,852.99			
2) Distribution to shareholders										-508,436,200.00	-508,436,200.00	-983,206,585.23	-1,491,642,785.23
3) Others													
(4) Internal transfer within shareholder's equity													
1) Conversion of capital reserve into share capital													
2) Conversion of surplus reserve into share capital													
3) Recover of loss by surplus reserve													
4) Change of defined benefit obligations carried forward to retained earnings													
5) Other comprehensive income carried forward to retained earnings													
6) Others													
(5) Special reserve								6,363,733.33			6,363,733.33	3,555,971.28	9,919,704.61
1) Accrual of special reserve								42,915,395.53			42,915,395.53	69,384,908.52	112,300,304.05
2) Utilization of special reserve								-36,551,662.20			-36,551,662.20	-65,828,937.24	-102,380,599.44
(6) Others													
4. Ending balance of current year	3,103,000,000.00				1,214,034,387.64		266,045,073.74	23,156,250.97	308,347,330.33	11,562,348,312.62	16,476,931,355.30	30,510,181,401.16	46,987,112,756.46

Legal representative: 樊军 | Person in charge of accounting function: 王良印远 | Person in charge of accounting department: 王平印笃

Consolidated Statement of Changes in Equity (Continued)

Prepared by: Huafu Holdings Co., Ltd. For the year ended 31 December 2025 Unit: RMB Yuan

Item	Year 2024												
	Equity attributable to shareholders of parent company											Minority interests	Total equity
	Share capital	Other equity instruments			Capital reserve	Less:treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Sub-total		
		Preference shares	Perpetual loans	Others									
1. Ending balance of last year	3,103,000,000.00				1,326,482,912.00		2,563,177.14	7,709,106.31	197,429,937.56	9,268,183,346.86	13,905,368,479.87	25,790,785,459.91	39,696,153,939.78
Add: Impact from changes in accounting policies													
Impact from corrections of errors in prior period													
Business combination under common control													
Others													
2. Beginning balance of current year	3,103,000,000.00				1,326,482,912.00		2,563,177.14	7,709,106.31	197,429,937.56	9,268,183,346.86	13,905,368,479.87	25,790,785,459.91	39,696,153,939.78
3. Movement for current year("-" for decrease)					53,839,224.37		145,688,178.26	9,083,411.33	66,602,539.78	1,435,635,780.17	1,710,849,133.91	1,940,671,013.23	3,651,520,147.14
(1) Total comprehensive income							147,367,794.76			1,883,096,886.96	2,030,464,681.72	3,242,448,335.02	5,272,913,016.74
(2) Shareholder's contributions and withdrawals of captial					53,839,224.37						53,839,224.37	285,116,195.70	338,955,420.07
1) Common stock contributed by shareholders					15,976,783.65						15,976,783.65	204,009,450.13	219,986,233.78
2) Capital contributed by other equity instruments holders													
3) Share-based payment recorded in shareholder's equity					37,862,440.72						37,862,440.72	81,106,745.57	118,969,186.29
4) Others													
(3) Profits distribution									66,602,539.78	-449,140,723.29	-382,538,183.51	-1,598,323,737.47	-1,980,861,920.98
1) Appropriation of surplus reserve									66,602,539.78	-66,602,539.78			
2) Distribution to shareholders										-385,302,000.00	-385,302,000.00	-1,600,078,283.66	-1,985,380,283.66
3) Others										2,763,816.49	2,763,816.49	1,754,546.19	4,518,362.68
(4) Internal transfer within shareholder's equity							-1,679,616.50			1,679,616.50		1,066,266.43	1,066,266.43
1) Conversion of capital reserve into share capital													
2) Conversion of surplus reserve into share capital													
3) Recover of loss by surplus reserve													
4) Change of defined benefit obligations carried forward to retained earnings													
5) Other comprehensive income carried forward to retained earnings							-1,679,616.50			1,679,616.50		1,066,266.43	1,066,266.43
6) Others													
(5) Special reserve								9,083,411.33			9,083,411.33	10,363,953.55	19,447,364.88
1) Accrual of special reserve								44,484,572.78			44,484,572.78	62,289,616.09	106,774,188.87
2) Utilization of special reserve								-35,401,161.45			-35,401,161.45	-51,925,662.54	-87,326,823.99
(6) Others													
4. Ending balance of current year	3,103,000,000.00				1,380,322,136.37		148,251,355.40	16,792,517.64	264,032,477.34	10,703,819,127.03	15,616,217,613.78	27,731,456,473.14	43,347,674,086.92

Legal representative: 樊军

Person in charge of accounting function: 王良印远

Person in charge of accounting department: 王平笃

Statement of Changes in Equity

Prepared by: Hualu Holdings Co., Ltd. For the year ended 31 December 2025 Unit: RMB Yuan

Item	Year 2025										
	Share capital	Other equity instruments			Capital reserve	Less:treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
		Preference shares	Perpetual loans	Others							
1. Ending balance of last year	3,103,000,000.00				297,000,000.00		118,797,298.35		264,032,477.34	157,338,493.17	3,940,168,268.86
Add: Impact from changes in accounting policies											
Impact from corrections of errors in prior period											
Others											
2. Beginning balance of current year	3,103,000,000.00				297,000,000.00		118,797,298.35		264,032,477.34	157,338,493.17	3,940,168,268.86
3. Movement for current year("-" for decrease)							18,072,516.49		44,314,852.99	-109,602,523.06	-47,215,153.58
(1) Total comprehensive income							18,072,516.49			443,148,529.93	461,221,046.42
(2) Shareholder's contributions and withdrawals of captial											
1) Common stock contributed by shareholders											
2) Capital contributed by other equity instruments holders											
3) Share-based payment recorded in shareholder's equity											
4) Others											
(3) Profits distribution									44,314,852.99	-552,751,052.99	-508,436,200.00
1) Appropriation of surplus reserve									44,314,852.99	-44,314,852.99	
2) Distribution to shareholders										-508,436,200.00	-508,436,200.00
3) Others											
(4) Internal transfer within shareholder's equity											
1) Conversion of capital reserve into share capital											
2) Conversion of surplus reserve into share capital											
3) Recover of loss by surplus reserve											
4) Change of defined benefit obligations carried forward to retained earnings											
5) Other comprehensive income carried forward to retained earnings											
6) Others											
(5) Special reserve											
1) Accrual of special reserve											
2) Utilization of special reserve											
(6) Others											
4. Ending balance of current year	3,103,000,000.00				297,000,000.00		136,869,814.84		308,347,330.33	47,735,970.11	3,892,953,115.28

Legal representative: 樊军 3701027361709 Person in charge of accounting function: 王良印远 Person in charge of accounting department: 王平笃印

Statement of Changes in Equity (Continued)

Prepared by: Huafu Holdings Co., Ltd. For the year ended 31 December 2025 Unit: RMB Yuan

Item	Year 2024										
	Share capital	Other equity instruments			Capital reserve	Less:treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
		Preference shares	Perpetual loans	Others							
1. Ending balance of last year	3,103,000,000.00				297,000,000.00				197,429,937.56	-56,782,364.86	3,540,647,572.70
Add: Impact from changes in accounting policies											
Impact from corrections of errors in prior period											
Others											
2. Beginning balance of current year	3,103,000,000.00				297,000,000.00				197,429,937.56	-56,782,364.86	3,540,647,572.70
3. Movement for current year("-" for decrease)							118,797,298.35		66,602,539.78	214,120,858.03	399,520,696.16
(1) Total comprehensive income							118,797,298.35			666,025,397.81	784,822,696.16
(2) Shareholder's contributions and withdrawals of captial											
1) Common stock contributed by shareholders											
2) Capital contributed by other equity instruments holders											
3) Share-based payment recorded in shareholder's equity											
4) Others											
(3) Profits distribution									66,602,539.78	-451,904,539.78	-385,302,000.00
1) Appropriation of surplus reserve									66,602,539.78	-66,602,539.78	
2) Distribution to shareholders										-385,302,000.00	-385,302,000.00
3) Others											
(4) Internal transfer within shareholder's equity											
1) Conversion of capital reserve into share capital											
2) Conversion of surplus reserve into share capital											
3) Recover of loss by surplus reserve											
4) Change of defined benefit obligations carried forward to retained earnings											
5) Other comprehensive income carried forward to retained earnings											
6) Others											
(5) Special reserve											
1) Accrual of special reserve											
2) Utilization of special reserve											
(6) Others											
4. Ending balance of current year	3,103,000,000.00				297,000,000.00		118,797,298.35		264,032,477.34	157,338,493.17	3,940,168,268.86

Legal representative: 樊军 Person in charge of accounting function: 王良印远 Person in charge of accounting department: 王平笃印

Hualu Holdings Co., Ltd.
Notes to the Financial Statements

(All amounts in Chinese Renminbi Yuan unless otherwise stated)

1. Company profile

1.1 The Company's registered place, organization structure and the address of head quarter.

Hualu Holdings Co., Ltd. (hereinafter referred to as "the company" or "company") was established on January 28, 2005, the company's unified social credit code is 913700007710397120; registered capital of RMB is 3,103 million; legal representative: Fan Jun; enterprise Address: 22nd Floor, Block A, Huachuang Guanli Center, No. 219, Shunhai Road, Lixia District, Jinan City, Shandong Province.

1.2 The Company's business nature and main operation activities, like its industry, primary product or service, customers' nature, trading strategy and supervisory environment etc.

The company belongs to the commercial service industry, and its main service is to invest in the chemical, pharmaceutical and environmental protection industries (industry) with its own funds; Management operation and consulting. (Projects that are subject to approval in accordance with the law can be operated only after being approved by relevant departments).

1.3 The parent company is Hualu Holdings Co., Ltd.， the actual controller of the company is the State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government.

2. Basis of preparation of financial statements

On the basis of going concern and transactions and events actually occurred, the Company prepares its financial statements with the following accounting policies and accounting estimates in accordance with the Accounting Standards for Business Enterprises – basic Standards, specific accounting standards and other relevant provisions (hereinafter collectively known as "Accounting Standards for Business Enterprises" or "CAS")

3. Declaration on compliance with the Accounting Standards for Business

Enterprises

The financial statements have been prepared in compliance with the Accounting Standards for Business Enterprises to truly and completely reflect the Company's financial position as of 31 December 2025 and its operating results, cash flows and other relevant information for the year ended 31 December 2025.

4. Significant accounting policies and accounting estimates

4.1 Accounting period

The financial year of the Company is from January 1 to December 31 of each calendar year.

4.2 Functional currency

The Company's functional currency is Chinese Renminbi (hereafter referred to as "RMB").

4.3 Accounting basis and pricing principles

The Company's accounting is based on the accrual basis. Except for the financial assets / liabilities that are measured at fair value and whose changes are included in the current profit or loss, derivative financial instruments, available-for-sale financial assets and cash-settled share-based payments are measured on value measurement, the rest are based on historical cost. If the asset is impaired, the corresponding impairment provision shall be made in accordance with the relevant regulations.

4.4 Business combination

4.4.1 Business combinations involving enterprises under common control

In a business combination involving enterprises under common control, if the acquirer pays for the business combination in cash, by transferring of non-cash assets or assuming liabilities, the initial investment cost is the holding share of the acquiree's equity in the ultimate controlling party's consolidated financial statements measured at the carrying amounts at the acquisition date. If the acquirer issues equity instruments for the business combination, the acquirer measures the share capital by the par value of the shares issued. The difference between the original investment cost and the carrying amount (or the total par value of shares issued) will be adjusted to the capital reserve. If the capital reserve is insufficient to absorb the difference, the remaining amount shall be deducted from the retained earnings.

If a business combination under the same control is realized step by step through multiple transactions, which belongs to a package deal, the combining party shall treat each transaction as a transaction that obtains control. If it is not a "package deal", in the financial statements of the parent company, the share of the acquirer 's equity of the acquiree on the acquisition date calculated by the shareholding ratio on the acquisition date shall be taken as the initial investment cost of the investment. The difference between the initial investment cost and the sum of the book value of the original long-term equity investment plus the book value of the newly paid consideration for further shares on the acquisition date shall be adjusted to the capital reserve (share premium), If the capital reserve is insufficient to offset, the retained earnings shall be offset.

4.4.2 Business combinations involving enterprises not under uncommon control

In a business combination involving enterprises not under common control, the combination costs are the aggregate of the fair values of the assets paid, the liabilities incurred or assumed and the equity instruments issued by the acquirer in exchange for control over the acquiree at the acquisition date. At the acquisition date, the acquired assets, liabilities and contingent liabilities of the acquiree that meet the recognition criteria are measured at their fair value. The Company recognises the difference of the combination costs in excess of its interest portion in the fair value of the net identifiable assets acquired from the acquiree as goodwill. The Company recognises the difference of the combination costs less than its interest portion in the fair value of the net identifiable assets acquired from the acquiree in the non-operating income for current period after reassessment.

If the business combination not under the common control is realized step by step through multiple transactions, in the financial statements of the parent company, the sum of the book value of the equity investment held by the acquirer before the acquisition date and the new investment cost on the acquisition date shall be taken as the initial investment cost of the investment. In the consolidated financial statements, the equity of the acquiree held before the acquisition date is remeasured according to the fair value of the equity on the acquisition date, and the difference between the fair value and its book value is included in the current investment income; If the equity of the acquiree held before the acquisition date involves other comprehensive income, the relevant other comprehensive income shall be transferred to the current investment income on the acquisition date, except for other comprehensive income that cannot be reclassified into the current profit and loss.

The company takes the sum of the fair value of the equity of the acquiree held before the acquisition date and the fair value of the consideration paid for the newly purchased equity on the acquisition date as the acquisition cost, and compares it with the share of the fair value of the identifiable net assets of the acquiree calculated according to the shareholding ratio on the acquisition date obtained by the acquirer, so as to determine the goodwill to be recognized on the acquisition date or the amount to be included in the current profit and loss of the merger.

4.5 Preparation of consolidated financial statements

4.5.1 The scope of consolidated financial statements

The Company incorporates all its subsidiaries (including individual entities under its control) into the scope of the consolidated financial statements, including the enterprises controlled by the Company, divisible part in the investees and structured entities.

4.5.2 Uniform accounting policies, balance sheet date and accounting period

If the subsidiaries adopt different accounting policies or accounting periods compared with those of the Company, the Company makes necessary adjustments on the subsidiaries' financial statements according to its accounting policies or accounting period when the consolidated financial statements are prepared.

4.5.3 The elimination in the preparation of consolidated financial statements

The consolidated financial statements are prepared based on the individual financial statements of the Company and its subsidiaries, after elimination of the transactions incurred among the Company and the subsidiaries. The portion of a subsidiary’s equity that is not attributable to the Company is treated as minority interests and presented in the consolidated balance sheet within equity. The equity investment of the Company held by one subsidiary is treated as the Company's treasury shares and a deduction of the shareholders' equity which is presented as "less: treasury shares" in the consolidated balance sheet within equity.

4.5.4 The accounting treatment for obtaining subsidiaries through a business combination

Where a subsidiary or business has been acquired through a business combination involving enterprises under common control in the reporting period, the obtained subsidiary or business is deemed to be included in the consolidated financial statements from the date they are controlled by the ultimate controlling party. Their assets, liabilities, operating results and cash flows are included

in the consolidated financial statements from the beginning of the accounting period in which the acquisition occurred. Where a subsidiary or business has been acquired through a business combination not involving enterprises under common control, their individual financial statements are adjusted based on the fair value of identifiable net assets at the acquisition date when preparing the consolidated financial statements.

4.5.5 The accounting treatment for disposal of equity investment in a subsidiary

In the consolidated financial statements, when the Company partly disposes its investment in a subsidiary without losing its control on the subsidiary, the difference between the consideration received and its corresponding portion of the net asset continually calculated from the purchase date or combination date should be adjusted to the capital reserve and if the capital reserve is insufficient to absorb the difference, the remaining amount will be deducted from the retained earnings.

If the Company loses its control on a investee because of disposing some portion of its equity investment in the investee, when it prepares its consolidated financial statements, the remaining balance of its equity investment will be remeasured at the fair value of the date at which it loses its control. The difference between the sum of the consideration received and the fair value of the remaining equity investment, and its corresponding interest portion of the net asset continually calculated from the purchase date or the combination date should be recorded in the investment income of the current period, and be deducted to goodwill simultaneously. Other comprehensive income (OCI) etc. relating to the investment in the former subsidiary will be transferred to the investment income in the same period in which it loses its control.

4.6 Joint arrangement classification and accounting treatments

4.6.1 The classification of joint arrangement

Joint arrangements are classified as joint operations or joint ventures. A joint arrangement will be classified as joint operation when the joint arrangement achieves not through an individual entity. Individual entity is an entity with individual identifiable finance structure, including single legal entity and entity unqualified as legal entity but qualified as lawful entity. A joint arrangement is usually be classified as joint venture when the joint arrangement achieves through incorporating an individual entity. When changes arising from relevant events or environment cause changes of the cooperative parties' rights and obligations in the joint arrangements, the cooperative parties shall

reassess the classification of the joint arrangements.

4.6.2 The accounting treatment of joint operations

The Company acted as a party participating in joint operations, recognises the following items relating to its interests in the joint operations and accounts for them in accordance with related requirements of Accounting Standards for Business Enterprises: (a) Its solely-held assets and solely-assumed liabilities, and its share of any assets and liabilities held jointly; (b) Its revenue from the sale of its share of the output arising from the joint operation; (c) Its share of the revenue from the sale of the output by the joint operation; (d) Its own expenses and its share of any expenses incurred jointly.

The Company acted as a party involving in joint operations without common control power, accounts for its investments referring to the treatment method of joint operation participants if it is entitled to relevant assets and undertake relevant liabilities of the joint operations, otherwise, it accounts for its investments according to related requirements of Accounting Standards for Business Enterprises.

4.6.3 The accounting treatment of joint ventures

The Company accounts for its investments in accordance with Accounting Standards for Business Enterprises No.2 - Long-term Equity Investment if it is one of the participating parties with common control power in joint ventures. And the Company accounts for its investments according to its influence extent on the joint ventures if it is not one of the participating parties with common control power involved in the joint ventures.

4.7 Cash and cash equivalents

The cash in the Company's statement of cash flows is cash on hand and deposits that can be readily drawn on demand. Cash equivalents in the statement of cash flows are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

4.8 Foreign currency transactions and translation of financial statements denominated in foreign currency

4.8.1 Translation of foreign currency transactions

The Company records foreign currency transactions in RMB for accounting purpose using the spot

exchange rate prevailing at the date when the transactions occurs. At the balance sheet date, monetary items denominated in foreign currency are translated to RMB by adopting the prevailing exchange rate on that date. Foreign exchange difference between the prevailing exchange rate on that date and the prevailing exchange rate on initial recognition or on the previous balance sheet date are recognised in profit or loss for the current period, except the foreign exchange arising from specific loan denominated in foreign currency qualified as capital expenditure and included in the cost of related assets. Non-monetary items denominated in foreign currency that are measured at historical cost are still translated at amount in functional currency exchanged at the prevailing exchange rate at the transaction date. Non-monetary items denominated in foreign currency that are measured at fair value are translated using the exchange rate at the date when fair value was determined and the difference between the translated functional currency amount and the prior translated amount on initial recognition or on the previous balance sheet date are recorded in profit or loss for the current period or other comprehensive income.

4.8.2 The translation of financial statements denominated in foreign currency

If the Company's controlled subsidiaries, joint ventures and associates etc. adopt different reporting currency, their financial statements denominated in foreign currency shall be translated to financial statements in RMB when preparing consolidated financial statements. The assets and liabilities are translated to RMB amounts using the spot exchange rate at the balance sheet date. Items of the equity, except for "retained earnings ", are translated at the spot exchange rate at the dates when such items occurred. The revenue and expenditures in the statement of income are translated using the spot exchange rate at the transaction date. The difference arising from foreign currency financial statements translation is presented in other comprehensive income at the consolidated balance sheet within equity. Items of the statement of cash flows are translated using the spot exchange rate when they incurred. Effect arising from changes of exchange rates on cash and cash equivalents is presented separately in the statement of cash flows. When disposing of foreign operations, exchange differences of foreign currency financial statements attributable to the foreign operations are transferred to profit or loss for the current period entirely or in proportion with the disposal portion of the foreign operations.

4.9 Financial instruments

4.9.1 Classification and reclassification of financial instruments

Financial instruments are the contracts under which the financial assets of an entity are formed and correspondingly the financial liabilities or equity instruments of any other entity are formed.

4.9.1.1 Financial assets

The Company classifies a financial asset as subsequently measured at amortised cost that meets both of the following conditions:

a) the financial asset is held within a business model whose objective is to collect contractual cash flows;

b) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company classifies a financial asset as subsequently measured at fair value through other comprehensive income that meets both of the following conditions:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset, and

b) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company may make an irrevocable election at initial recognition to designate non-traded equity instruments as subsequently measured at fair value through other comprehensive income. The designation is made on the basis of single investment which meets the equity instrument definition from the aspect of the issuer.

The Company classifies a financial asset as subsequently measured at fair value through profit or loss unless it is subsequently measured at amortised cost or measured at fair value through other comprehensive income. The Company may make an irrevocable election at initial recognition to designate a financial asset as subsequently measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

When the Company changes its business model for managing financial assets, all affected financial assets are reclassified from the first day of the next subsequent reporting period after the business model changes and the reclassification is applied prospectively from the reclassification date, meaning that any previously recognised gains, losses (including impairment gains or losses) or

interest will not be restated.

4.9.1.2 Financial liabilities

Financial liabilities are classified at initial recognition as: a) financial liabilities measured at fair value through profit or loss; b) financial liabilities that arise when transfers of financial assets do not qualify for derecognition or when the continuing involvement approach applies; c) and financial liabilities as subsequently measured at amortised cost. All financial liabilities are not be reclassified.

4.9.2 Measurement of financial instruments

The Company measures financial instruments at fair value upon their initial recognition. The related transaction fees for the financial assets and financial liabilities subsequently measured at fair value through profit or loss are charged in profit or loss directly. The related transaction fees for other financial assets and financial liabilities are included in their initial costs. The Company measures the accounts receivable and notes receivable deriving from selling goods or providing services at their transaction price if the accounts receivable and notes receivable do not contain a significant financing component or the Company applies the practical expedient not considering the significant financing component. The subsequent measurement of a financial instrument is determined by its classification.

4.9.2.1 Financial assets

A. Financial assets measured at amortised cost

The financial assets are measured subsequently at amortised cost using the effective interest method after initial recognition. The gains or losses calculated by the effective interest method which do not belong to any hedging relationships are recognised in profit or loss when the financial assets are derecognised, reclassified, amortizied or impaired.

B. Financial assets measured at fair value through profit or loss

After initial recognition, the financial assets are measured subsequently at fair value except that they belong to any hedging relationships, and any gains or losses including interests and dividends are recognised in profit or loss.

C. Financial assets measured at fair value through other comprehensive income

After initial recognition, the financial assets are measured subsequently at fair value. The interest calculated by the effective interest method, impairment losses or gains and exchange gains or losses

are recognised in profit or loss and other gains or losses are recognised in other comprehensive income. The accumulated gains or losses recognised in other comprehensive income will be reclassified in profit or loss upon derecognition of the financial assets.

4.9.2.2 Financial liabilities

A. Financial liabilities measured at fair value through profit or loss

The category includes financial liabilities held for trading, derivative financial liabilities and financial liabilities designated as measured at fair value through profit or loss. After initial recognition, financial liabilities in this category are measured at fair value and the gains and losses from changes of fair value of financial liabilities held for trading are recognised in profit or loss except those relating to hedging accounting. For financial liabilities designated as measured at fair value through profit or loss, the change of fair value due to the change of the Company's self-credit risk are recognised in other comprehensive income, and other changes of fair value are recognised in profit or loss. If the recognition in other comprehensive income for the change of fair value due to the change of the financial liabilities' self-credit risk will cause or enhance an accounting mismatch in profit or loss, the Company recognises all gains or losses from the financial liabilities in profit or loss.

B. Financial liabilities measured at amortised cost

After initial recognition, financial liabilities in this category are measured at amortised cost using the effective interest method.

4.9.3 Measurement method of financial instruments' fair value

For financial instruments that active markets exist, the Company uses the quoted prices in the active markets to determine their fair value. If there is no active market for the financial instruments, the Company uses valuation techniques to determine their fair value. The valuation techniques mainly include market approach, income approach and cost approach. In limited conditions, if there is no sufficient updated information to determine the fair value, or the range of estimated fair value is so wide that the cost indicates the best estimate of the fair value, the cost may represent the appropriate estimate of the fair value within the distribution range. The Company makes use of all available information concerning the investee's business performance and operation to determine if the cost may represent its fair value.

4.9.4 The recognition basis and measurement approach for transfer of financial assets and liabilities

4.9.4.1 Financial assets

A financial asset of the Company is derecognised when it meets one of the following conditions: a) the contractual rights to the cash flows from the financial asset expire, or b) the financial asset has been transferred and the Company transfers substantially all the risks and rewards of ownership of the financial asset; c) the financial asset has been transferred, although the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it has not retained control.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, and recognises related financial liabilities correspondingly.

On derecognition of a financial asset in its entirety, the difference between the following two items is recognised in profit or loss:

(a) the carrying amount measured at the date of derecognition and

(b) the sum of the consideration received and the accumulated change amount of fair value recognised directly in other comprehensive income for the corresponding derecognition financial asset (relating to a financial asset measured at fair value through other comprehensive income) .

If a financial asset is partly transferred, the entire carrying amount of the financial asset is split into the derecognised part and retained part according to their respective fair value at the derecognition date, and the difference between the following two items is recognised in profit or loss:

a) the carrying amount measured at the date of derecognition which is allocated to the derecognized part; and

(b) the sum of the consideration received for the derecognised part and the accumulated change amount of fair value which has been recognised in other comprehensive income belonging to the corresponding derecognised part (relating to a financial asset measured at fair value through other comprehensive income).

4.9.4.2 Financial liabilities

When the present obligation specified in the contract is extinguished, the Company derecognises a

financial liability (or a part of a financial liability).

When a financial liability (or a part of a financial liability) is derecognised, the Company recognises the difference between the carrying amount of the financial liability (or a part of the financial liability) and the consideration paid (including any non-cash assets transferred or liabilities assumed) in profit or loss.

4.10 The approach and accounting treatment of expected credit losses (ECL)

4.10.1 The approach of expected credit losses

The Company recognises loss allowance based on ECL on financial assets that are measured at amortized cost (including accounts receivable), financial assets measured at fair value through other comprehensive income (including receivables for financing), lease receivables, and contract assets,.

The Company assesses whether the credit risk on financial instruments have increased significantly since initial recognition at each balance sheet date and divides the credit risk impairment process into three stages and adopts different accounting treatment:

(a) In the first stage, the credit risk on financial instruments has not significantly increased since initial recognition. The Company measures the loss allowance for the financial instruments at an amount equal to 12‑month expected credit losses, and calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets.

(b) In the second stage, the credit risk on financial instruments has significantly increased since initial recognition which are not subject to impairment. The Company measures the loss allowance for the financial instruments at an amount equal to the lifetime expected credit losses, and calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets.

(c) In the third stage, the financial instruments are subject to impairment since initial recognition. The Company measures the loss allowance for the financial instruments at an amount equal to the lifetime expected credit losses, and calculates interest income by applying the effective interest rate to the net carrying amount (gross carrying amount minus the impairment allowance) of the financial instruments.

4.10.1.1 The approach of expected credit losses for the financial instruments with a low risk of default

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition directly without comparing the credit risk with that on initial recognition if the financial instrument is determined to have a low credit risk at the balance sheet date.

If the financial instrument has a a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations, the financial instrument is considered to have a low credit risk.

4.10.1.2 The approach of expected credit losses for accounts receivable, lease receivables, and contract assets

(a) Accounts receivable and contract assets not containing a significant financing component

The Company adopts simplified approach, i.e. the measurement of lifetime ECL, to determine the impairment losses for accounts receivable and contract assets not containing a significant financing component that result from transactions within the scope of Accounting Standards for Business Enterprises No. 14- Revenue.

The company divides notes receivable, accounts receivable, and contract assets into several combinations based on the type of financial instrument, credit risk rating, initial confirmation date, remaining contract duration, debtor’s industry, debtor’s geographic location, and other credit risk characteristics. The expected credit loss is calculated on the basis of the combination, and the basis for determining the combination is as follows:

Accounts receivable portfolio 1: Accounts receivable from external customers, the company refers to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, compiles a comparison table of accounts receivable aging and the entire duration of the expected credit loss rate, and calculates Expected credit losses.

Accounts receivable portfolio 2: Accounts receivable from related parties within the scope of consolidation, the company judges that there is no expected credit loss, and no credit loss provision

is made.

Notes receivable portfolio 1: Bank acceptance bills, no credit loss is expected, and no credit loss provision is made.

Notes receivable portfolio 2: Commercial acceptance bills. The company refers to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, and calculates expected credit losses through default risk exposure and the entire duration of expected credit loss rate.

Comparison Table of Receivable Note Combination and Expected Credit Loss Rate for the Whole Duration

Aging	Expected credit losses rate（%）
Within 1 year	0.50-1.00
1-2 years	20.00-50.00
2-3 years	60.00-100.00
3-4 years	100.00
4-5 years	100.00
More than 5 years	100.00

Contract asset portfolio: For general performance contracts, the company refers to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, and calculates expected credit losses through default risk exposure and the entire duration of the expected credit loss rate.

(b) Accounts receivable, contract assets and lease receivables containing a significant financing component

The Company adopts the normal approach, i.e. the three-stage model, to determine the impairment losses for accounts receivable and contract assets that result from transactions within the scope of Accounting Standards for Business Enterprises No. 14- Revenue, and the lease receivables that result from transactions within the scope of Accounting Standards for Business Enterprises No. 21- Lease, all of which contain a significant financing component.

(c) Methods of measuring loss reserves for other financial assets

For financial assets other than the above, such as debt investment, other debt investment, other receivables, long-term receivables other than lease receivables, etc., the company uses the general

method, namely the "three-stage" model to measure loss reserves.

When measuring the credit impairment of financial instruments, the company considers the following factors in assessing whether the credit risk has increased significantly:

(a) The issuer or debtor has major financial difficulties;

(b) The debtor breached the contract, such as defaulting or overdue payment of interest or principal;

(c) The creditor, out of economic or contractual considerations related to the debtor’s financial difficulties, gives the debtor a concession that the debtor would not make under any other circumstances;

(d) The debtor is likely to go bankrupt or carry out other financial reorganizations;

(e) The issuer or debtor’s financial difficulties have caused the disappearance of the active market for the financial asset.

4.10.1.3 The approach of expected credit losses for other financial instruments

The Company adopts the normal approach, i.e. the three-stage model, to determine the impairment losses for other financial instruments except aforementioned financial assets, like debt investments, other debt investments, other receivables, long-term receivables excluding lease receivables etc.

The Company considers the following factors for ECL measurement when assessing whether the credit risk on financial instruments has significantly increased or not:

4.10.2 The accounting treatment of expected credit losses

The Company remeasures ECL at each balance sheet date to reflect the credit risk change of financial instruments after initial recognition and recognises the additional or reverse amount of the impairment allowance in profit or loss of the current period as impairment losses or gains, which will be deducted from the carrying amount of the financial assets in the balance sheet, or recorded to the provisions for loan commitments or financial guarantee contracts or in other comprehensive income for financial assets measured at fair value through other comprehensive income depending on the category of the financial instruments.

4.11 Inventories

4.11.1 Categories of inventories

Inventories are the finished goods or commodities that the Company holds to sell, the work in

progress in production process, and the material and goods consumed during the production process or service rendering process in daily operation. Inventories include raw materials, revolving materials (packaging materials and low-value consumables etc.), consigned processing materials, work in progress, self-manufactured semifinished product, and finished goods (commodities) etc.

4.11.2 Measurement of inventories upon delivery

Weighted average method is used to measure the actual costs of inventories upon delivery.

4.11.3 Provision for diminution in value of inventories

At each balance sheet date, inventories are measured at the lower of cost and net realisable value. When the cost of inventory exceeds its net realizable value, provision for diminution in value of inventories is recognised. The Company usually recognises provision for diminution in value of inventories on the basis of a single inventory item. For the inventory items of large quantity and low price, the Company recognises provision for diminution in value of inventories based on inventory categories.

4.11.4 Inventory count system

The Company adopts the perpetual inventory system.

4.11.5 Amortization methods of low-value consumables and packaging materials

Low-cost consumables and packaging materials are amortized by the once-off amortization method.

4.12 Contract assets and contract liabilities

4.12.1 Contract assets

The Company presents the right to consideration in exchange for goods or services that it has transferred to a customer as a contract asset when that right is conditioned on something other than the passage of time. The provision for impairment of contract assets shall be made in accordance with the expected credit loss method of financial instruments. For contract assets that do not contain significant financing components, the Company adopts a simplified method to measure the loss provisions. For contract assets containing significant financing components, the Company measures the loss provisions in accordance with the general method.

In the event of impairment losses on contract assets, debit "Impairment Loss on Assets" and credit the impairment provision for contract assets based on the amount to be written down. When reversing the impairment provisions for assets that have been accrued, make the opposite entry.

4.12.2 Contract liabilities

The Company presents the obligation to transfer goods or services to a customer for which it has received (or the amount is due) from the customer as a contract liability. The Company presents the net balance of contract asset and contract liability arising from the same contract.

4.13 Long-term equity investment

4.13.1 Determination of initial investment cost

Long-term equity investment acquired through a business combination: For a business combination involving enterprises under common control, the initial investment cost of a long-term equity investment is the holding share of the acquiree's equity in the ultimate controlling party's consolidated financial statements measured at the carrying amounts at the acquisition date. For a business combination not involving enterprises under common control, the initial investment cost of a long-term equity investment is the cost of acquisition determined at the date of acquisition. For a long-term equity investment acquired in cash, the initial investment cost is the amount of cash paid. For a long-term equity investment acquired by issuing equity securities, the initial investment cost is the fair value of the equity securities issued. For a long-term equity investment acquired by debt restructuring, the initial investment cost is determined according to related requirements of Accounting Standards for Business Enterprises No. 12- Debt Restructuring. For a long-term equity investment acquired by exchange of non-cash assets, the initial investment cost is determined according to related requirements of Accounting Standards for Business Enterprises No. 7- Exchange of Non-monetary Assets .

4.13.2 Subsequent measurement and recognition of profit or loss

Where the Company is able to exercise control over an investee, the long-term equity investment is accounted for using the cost method. Where the Company has investment in associates and joint ventures, the long-term equity investment is accounted for using the equity method. Where portion of the long-term equity investment in an associate is indirectly held through venture capital organizations, mutual funds, trust companies or similar entities including investment-linked insurance funds, regardless whether these entities can exercise significant influence on the investments, the Company treats the investment portion according to Accounting Standards for

Business Enterprises No. 22- Financial Instrument Recognition and Measurement and accounts for the remaining portion using the equity method.

4.13.3 Basis for recognition of joint control or significant influence over an investee

Joint control of an investee is that the decision of activities that can significantly affect the arrangement's return must require the unanimous consent of the parties sharing control, including sale and purchase of goods or services, financial assets management, purchase and disposal of assets, research and development activity and financing activities etc. The Company holding of 20%-50% voting capital of the investee presents it can exercise significant influence over the investee. The Company usually can exercise significant influence over the investee even its voting capital less than 20% if it can meet one of the following situations: a) Appointing representatives in the board of directors or similar governing body of the investee; b) Participating in the strategy and policy decision process; c) Delegating management personnel; d) The investee relying on the Company's technique or technical material; e) Significant transactions occur between the Company and the investee.

4.14 Investment property

Measured by cost value model:

Investment property refers to land use rights and buildings held to earn rent or capital appreciation, or both, including leased land use rights, land use rights held and ready to be transferred after appreciation, and leased buildings. In addition, for vacant buildings held by the company for operating leases, if the board of directors makes a written resolution stating that they will be used for operating leases and the holding intention will no longer change in the short term, they are also listed as investment property.

The company’s investment property is valued at its cost. The cost of outsourcing investment property includes the purchase price, relevant taxes and other expenses directly attributable to the asset; the cost of self-built investment property is determined by the construction of investment property The composition of the necessary expenditures incurred before the asset reaches the expected usable state.

The company adopts the cost model for subsequent measurement of investment property, and depreciates or amortizes buildings and land use rights based on their estimated service life and net

residual value rate. The estimated service life, net residual value rate and annual depreciation (amortization) rate of investment property are listed as follows:

Category	Depreciation period (years)	Residual rate (%)	Annual depreciation rate (%)
Land ues right	40-50	0.00	2.00-2.50
Buildings	20-30	5.00	3.17-4.75

When the use of investment property is changed to self-use, the company will convert the investment property into fixed assets or intangible assets from the date of change. When the purpose of self-use real estate is changed to earning rent or capital appreciation, the company will convert fixed assets or intangible assets into investment property from the date of change. When a conversion occurs, the book value before the conversion is used as the entry value after the conversion.

On the balance sheet date, the company estimates the recoverable amount of investment property with signs of impairment. If the recoverable amount is lower than its book value, the corresponding impairment loss is recognized. Once the impairment loss of investment property is confirmed, it will not be reversed.

When an investment property is disposed of or is permanently withdrawn from use and it is expected that no economic benefits can be obtained from its disposal, the confirmation of the investment property shall be terminated. The amount of disposal income from the sale, transfer, scrapping or destruction of investment property after deducting its book value and relevant taxes shall be included in the current profit and loss.

4.15 Fixed assets

4.15.1 Recognition criteria for fixed assets

Fixed assets refer to tangible assets held for the purpose of producing commodities, services rendering, renting or business administration with useful lives exceeding one accounting year. Fixed assets can be recognised when the following criteria are met: a) It is probable that the economic benefits relating to the fixed assets will flow into the Company; and b) The costs of the fixed assets can be measured reliably.

4.15.2 Classification and depreciation method of fixed assets

The categories of fixed assets mainly include:： Land assets, buildings, machinery & equipment, transportation vehicles, electronic equipment and office equipment. The Company adopts the

straight line method for depreciation. The useful life and residual value of an asset is assessed based on its nature and the manner of use. At the end of each financial year, the useful lives, residual values and the depreciation method are reviewed, and adjusted if there are variances with the original estimates. Other than fully depreciated assets which are still in use and land individually measured and recorded, depreciation is provided for all fixed assets.

Category	Depreciation period (years)	Residual rate (%)	Annual depreciation rate (%)
Land assets	No depreciation		
Buildings	20-50	5.00	1.90-4.75
Machinery & equipment	5-14	5.00	6.79-19.00
Transportation vehicles	3-5	5.00	19.00-31.67
Electronic equipment	4-8	5.00	11.88-23.75
Office equipment	3-10	5.00	9.50-31.67
Others	3-5	5.00	19.00-31.67

4.15.3 Identification basis and pricing method of fixed assets leased by financing

Financing leased fixed assets is a lease that substantially transfers all risks and rewards related to asset ownership. The initial valuation of finance leased fixed assets is the lower of the fair value of the leased asset and the current value of the minimum lease payment on the beginning of the lease period; the subsequent valuation of the finance leased fixed assets adopts the depreciation policy consistent with its own fixed assets provision for depreciation and impairment.

4.16 Construction in progress

The construction in progress of the Company includes self-construction and sub-contracting construction. Construction in progress is transferred to fixed assets when it has reached the working condition for its intended use. The recognition criteria of intended use include any of the followings: a) The tangible work of fixed assets (including installation) have been entirely or substantively completed; b) Trial production or trial operation has occurred whose outcome indicates the asset can be operated properly or manufacture quality product steadily; c) No expenditure or insignificant expenditure occur subsequently for the constructed asset; d) The constructed asset has achieved or substantively achieved the requirement of design or contract.

4.17 Borrowing costs

4.17.1 Recognition criteria for capitalization of borrowing costs

Borrowing costs are capitalized when they are directly attributable to the acquisition, construction or

production of a qualifying asset and included in the cost of related assets. Other borrowing costs are recognised as expenses and recorded in profit or loss for the current period when incurred. Qualifying assets that meet conditions for capitalization are fixed assets, investment property, inventory or other assets that take a substantial period of time for construction or production in order to get ready for their intended use or sale.

4.17.2 Calculation of capitalization cost

Capitalization period refers to the period from commencement of capitalization of borrowing costs to its termination. The period during which capitalization is suspended is excluded. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months.

For designated borrowings, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing less any bank interest earned from unused funds of the designated borrowings or any investment income on the temporary investment of those funds. For funds borrowed for general purpose, the amount of interest to be capitalized on such borrowings is calculated by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of designated borrowings. Capitalization rate is determined by calculating weighted average interest rate of general borrowings. If there is any premium or discount of the borrowings, the interest cost shall be adjusted in every accounting period by the amortized amount of premium or discount calculating by effective interest method.

Effective interest method is the method to calculate the amortization amount of premium or discount or interest expenses by the effective interest rate of the borrowings. The effective interest rate is the interest rate to discount the future cash flow of the borrowing during its expected duration to the present carrying amount of the borrowing.

4.18 Intangible assets

4.18.1 The measurement of intangible assets

The intangible assets shall be initially measured according to its cost. Acquisition costs of intangible assets include purchase price and relevant expenditures. The invested cost of intangible assets

contributed by investors shall be determined according to the conventional value in the investment contract or agreement, except for those of unfair value in the contract or agreement. If the conventional value in the investment contract or agreement is unfair, the costs of intangible assets shall be their fair value. The costs of internally generated intangible assets include the total development expenditures to bring the asset to its intended use.

The subsequent measurements for intangible assets are as follows: a) The intangible assets with definite useful life are amortized by straight line method and reviewed the useful life and amortization method at the end of each year. Any discrepancy between the review and initial estimates shall be adjusted accordingly. b) The intangible assets with indefinite useful life are not amortized, and reviewed for the useful life at the end of each year. If there are objective evidence indicating their useful life is definite, the Company shall estimate the useful life of the intangible assets and amortize them by straight line method.

The amortization methods of intangible assets with limited service life are as follows:

Category	Depreciation period (years)	Amortization methods
Software	5	Straight-line
Land use rights	40-50	Straight-line
Patent	5-10	Straight-line
Others	5-10	Straight-line

4.18.2 The assessment basis for indefinite useful life

Intangible assets without foreseeable period to bring economic benefits to the Company or with uncertain useful life are classified as intangible assets of indefinite life. The judgment basis for indefinite life includes: a) The legal rights are derived from contractual rights or other legal rights, however there is no explicit useful life indicated in the contracts or regulations; b) Although considering the industry practice or demonstration from related professionals comprehensively, the benefit period of the intangible assets still can't be decided.

At the end of each year, the Company reviews the intangible assets with indefinite useful life mainly using bottom-to-top approach. The related departments who use the intangible assets will perform a basic review and evaluate whether there are changes on the basis to determine indefinite useful life.

4.18.3 The specific criteria for research phase and development phase of internally generated projects, and the specific criteria for capitalization of expenditure incurred during development

phase.

Expenditures for the research phase of internal research and development projects are included in the current profit and loss when incurred; expenditures for the development phase meet the conditions for recognition as intangible assets and are transferred to intangible assets. If the following conditions are met at the same time, it is recognized as an intangible asset: a) It is technically feasible to complete the intangible asset so that it can be used or sold; b) There is the intention to complete the intangible asset and use or sell it; c) The ways in which intangible assets generate economic benefits include the ability to prove that the products produced by the intangible assets exist in the market or the intangible assets themselves exist in the market. If the intangible assets will be used internally, they can prove their usefulness; d) There are sufficient technology and finance resources and other resource support to complete the development of the intangible asset and the ability to use or sell the intangible asset; e) The expenditure attributable to the development stage of the intangible asset can be reliably measured.

4.19 Impairment of long-term assets

At each balance sheet date, if there are impairment indications for the long-term assets including long-term equity investments, investment property subsequently measured at cost model, fixed assets, construction in progress, productive biological assets measured at cost, oil and gas assets, and intangible assets etc., the Company performs impairment test. If the outcome of impairment test indicates the recoverable amount of the asset is lower than its carrying amount, the Company recognises the provision for impairment based on the amount of the shortfall.

The recoverable amount of an asset is determined by the higher of the net amount after deducting the disposal costs from the asset's fair value and the present value of the asset's estimated future cash flow. The provision for impairment of asset is estimated and recognised on individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the asset group to which the asset belongs. The asset group is the minimum portfolio of assets that could generate cash inflow independently.

Impairment tests are conducted for goodwill presented in the financial statements separately at least at the end of every accounting year regardless whether there are impairment indications or not. The carrying amount of goodwill arising from business combinations is allocated to relevant asset groups

or asset group portfolio. The related impairment loss is recognised if the impairment test indicates the recoverable amount of the asset groups or asset group portfolio embodied the goodwill is lower than their carrying amounts. The amount of impairment loss is firstly deducted from the carrying amount of goodwill embodied in the asset groups or asset group portfolio, then be deducted from the carrying amounts of other assets' based on the proportions of their carrying amounts in the asset group or asset groups portfolio.

The impairment losses of assets will not be reversed in subsequent periods once they are recognised.

4.20 Long-term deferred expenses

Long-term deferred expenses refer to expenses that have been paid but their benefit period is more than one year (excluding one year). Long-term deferred expenses will be amortized in the benefit periods. If one long-term deferred expense can't benefit the Company in the subsequent periods, the remaining balance of the long-term deferred expense shall be recognised as expense in profit or loss for the current period.

4.21Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Company in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

4.21.1 Short-time employee benefits

In the accounting period in which employees have rendered services, the Company recognizes the employee benefits as liability, and charges to profit or loss for the current period, or includes in the cost of relevant assets in accordance with other accounting standards. Welfare benefit are charged to profit or loss for the current period or included in the cost of relevant assets when incurred. Welfare benefit in non-monetary forms is measured at fair value. In the accounting period in which employees have rendered services, the Company recognizes the social security contributions as liability according to regulations such as medical insurance, work injury insurance and maternity insurance as well as housing funds, and charges to profit or loss for the current period or includes in the cost of relevant assets.

4.21.2 Post-employment benefits

During the accounting period in which employees provide the service, the Company calculates the defined contribution plans payable according to the basis and percentage required by local government, recognised as the liability and charges to profit or loss for current period or includes in the cost of related assets. The Company attributes the obligation incurred by defined benefits plans using the projected accumulated benefit unit credit method to periods in which the employees rendered services and charges the obligation to profit or loss for the current period or includes in the cost of related assets.

4.21.3 Termination benefits

Termination benefits provided by the Company to employees are recognised as an employee benefit liability and charged to profit or loss for the current period at the earlier of the following dates: a) The Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; and b) When the Company recognizes costs or expenses related to the restructuring that involves the payment of termination benefits.

4.21.4 Other long-term employee benefits

If other long-term employee benefits provided by the Company to the employees meet the conditions for classifying as a defined contributions plan, those benefits are accounted for in accordance with the above requirements relating to defined contribution plan. Besides, net obligations or net assets of other long-term employee benefits are recognised and measured in accordance with the above requirements relating to defined benefits plan.

4.22 Share-based payment

The share-based payment can be distinguished into equity-settled and cash-settled share-based payment. Equity-settled share-based payment in exchange for services rendered by employees is measured at fair value of the equity instruments granted to the employees. If there exists an active market for options and other equity instruments granted by the Company, their fair value is determined on the price quotes in the active market. If there does not exist an active market, the fair value shall be determined by valuation techniques, including referring to the recent market prices in an arm's length transaction between the knowledgeable and willing parties, the fair value of other financial instruments with the same substance, the discount cash flow method and option price model.

At each balance sheet date in the vesting period, the Company revises the number of equity instruments that will ultimately vest based on the best estimate of the latest number of eligible employees, the fulfillment of performance conditions and other subsequent information, and recognises the expenses in each accounting period accordingly. The share-based payment can be allocated among the accounting periods based on the vesting period's proportion of the whole vesting period in each accounting period if the share-based payment will be recognised in more than one accounting period.

4.23 Provisions

A provision relating to contingency is recognised when: a) The obligation is a present obligation of the Company; b) It is probable that an outflow of economic benefits will be required to settle the obligation; c) The amount of the obligation can be measured reliably. Provisions are initially measured at the best estimate of the payment to settle the associated obligations. If there is a continuous range for the necessary expenses and probabilities of occurrence of all the outcomes within this range are equal, the best estimate is determined at the average amount of upper and lower limits within the range. If the contingency involves two or more items, the best estimate is determined according to all the possible outcomes with their relevant probabilities.

The Company reviews the carrying amounts of provisions at each balance sheet date, and if there are conclusive evidences that indicate the carrying amounts of provisions can't reflect the present best estimate of the payment, the carrying amounts of provisions will be adjusted to the present best estimate of the payment.

4.24 Preference shares and perpetual bonds

4.24.1 Classification of financial liabilities and equity instruments

The Company classifies the preference shares, perpetual bonds, warrants and convertible bonds etc. into financial liabilities or equity instruments according to the following criteria:

(a) To settle the contract obligation in cash, by other financial assets or exchange of financial assets or liabilities

If the Company can't avoid paying cash or other financial assets unconditionally to fulfill its obligation in one contract, the obligation of contract meets the definition of financial liabilities.

(b) To settle the contract obligation by the Company's own equity instruments

If the financial instrument shall or can be settled by the Company's own equity instruments for the alternatives of cash or other financial assets, the financial instrument is a financial liability of the Company; if the holder of financial instrument can enjoy the rest equity benefit after the Company deducts all liabilities from the assets, the financial instrument is an equity instrument of the Company.

(c) To distinguish between derivative financial instrument and non-derivative financial instrument when the Company shall or can settle the contract obligation using own equity instrument

For non- derivative financial instrument, if the Company has no obligation to settle by issuing convertible-quantity own equity instrument in the future, the non-derivative financial instrument is an equity instrument. Conversely the non-derivative financial instrument is a financial liability. For derivative financial instrument, if the Company can only settle the contract obligation using fixed-quantity own equity instrument to exchange fixed-amount cash or other financial assets, the derivative financial instrument is an equity instrument; if the Company uses fixed-quantity own equity instrument to exchange convertible-amount cash or other financial assets, or uses convertible-quantity own equity instrument to exchange fixed-amount cash or other financial assets, or when the transfer price is not fixed, uses convertible-quantity own equity instrument to exchange convertible-amount cash or other financial assets, the derivative financial instrument is a financial liability or a financial asset.

4.24.2 The accounting treatment for preference shares and perpetual bonds

The Company accounts for the financial instruments that is classified as financial liabilities by the account "Bonds payable", calculates interest and adjusts the carrying amount of the interests payable etc. in accordance with the regulation of financial liability subsequent measurement with amortized cost in the financial instrument recognition and measurement standard. The Company accounts for the equity instruments in the account "other equity instruments" and treats the dividend payments (including interests arising from instruments that are classified as equity instruments) as profit distribution during the equity instruments' existence.

4.25 Revenues

The Company recognises revenue at the allocated transaction price when it satisfies a performance obligation in a contract, i.e. the customer obtains the control of related goods or services. Obtaining

control of related goods means the ability to direct the use of, and obtain substantively all the benefits from it. A performance obligation is the Company's a promise in a contract with a customer to transfer to the customer a good or service (or a bundle of goods or services) that is distinct. The transactions price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts to be expected to repay the customer.

A performance obligation satisfied over time or at a point of time is determined by the terms in the contract and the requirements of relevant laws and regulations. If a performance obligation is satisfied over time, the Company will recognise revenue over time by its progress towards complete satisfaction of the performance obligation. Otherwise the Company will recognise revenue at a point of time when the customer obtains the control of related assets.

4.25.1 Sales of goods contract

For a domestic sales contract of goods in China for which the control of goods is transferred at a certain point in time, when the Group delivers the goods to the customer or carrier and the Group has obtained the current right of payment request and is likely to recover the consideration, that is when the customer obtains the relevant goods Confirm when the customer have the right to control.

For a sales contract outside of China for the transfer of commodity control rights at a certain point in time, when the income is issued and the goods are shipped and departed at the port of shipment and the Group has obtained the current right of payment request and is likely to recover the consideration, that is when the customer obtains the relevant Confirm when controlling the goods.

4.25.2 Service contract

The service contract between the Company and its customers usually includes performance obligations such as maintenance guarantee services, operation and maintenance services, and engineering services. If the customer obtains and consumes the economic benefits brought by the Company’s performance as the company performs the contract, the Company will recognize the revenue according to the performance progress in this period. For the service contract with clear output indicators, such as maintenance guarantee services, operation and maintenance services, etc., the Company determines the performance progress of the services provided in accordance with the

output method; for contracts with a small number of output indicators that cannot be clearly measured, the input method is used to determine the performance progress of the service.

4.26 Contract costs

The contract costs of the Company include the incremental costs to obtain a contract and the costs to fulfil a contract. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. If the Company expects to recover those costs, the costs will be recognised as an asset.

If the costs incurred in fulfilling a contract with a customer are not within the scope of another standard like Accounting Standards for Business Enterprises No. 1- Inventories, they will be treated as the costs to fulfil a contract and recognised as an asset when meeting the following conditions:

a) the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify, including direct labour, direct materials, allocations of costs that relate directly to the contract, costs that are explicitly chargeable to the customer under the contract and other costs that are incurred only because the Company entered into the contract;

b) the costs generate or enhance resources of the Company that will be used in satisfying performance obligations in the future;

c) the costs are expected to be recovered.

The Company records the costs to fulfil a contract in the inventory whose amortization period upon initial recognition is no longer than one year or one common opertaing cycle, and records the costs to fulfil a contract in the other non-current assets whose amortization period upon initial recognition is longer than one year or one common opertaing cycle.

An asset recognised for the costs to obtain a contract is presented in other current assets if its amortisation is not longer than 1 year or an operating cycle upon initial recognition; otherwise, it is presented in other non-current assets.

The Company recognizes an impairment loss in profit or loss to the extent that the carrying amount of an asset recognised exceeds:

(a) the remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates; less

(b) the costs that relate directly to providing those goods or services and that are estimated to incur.

If the depreciation factors of the previous period have changed, and it makes the difference between the aforementioned two conditions is higher than the book value of the asset, the original provision for impairment of the asset should be reversed and included in the current profit and loss, but the book value of the asset after the reversal should not exceed the book value of the asset on the date of reversal under the assumption that no impairment provision is made.

4.27 Government grants

4.27.1 Category and accounting treatment of government grants

Government grants are the monetary assets and non-monetary assets received from the government without consideration to be paid which are not including the capital injected by the government acted as an owner role. Government grants in the form of monetary assets are measured for the received or receivable amount, while government grants in the form of non-monetary assets are measured at fair value. When the fair value of non-monetary assets can't be obtained reliably, the government grants are measured at nominal amount.

Government grants related to the Company's routine operation will be recorded in other income based on the nature of its economic substance and government grants not related to the Company's routine operation will be recorded in non-operating income or expenses.

If the government documents explicitly state that the government grants will be used to establish or form long-term assets, the government grants will be classified as government grants related to assets. If there is no explicit subsidy object in the government document, the portion related to long-term assets will be classified as government grants related to assets and the rest portion will be classified as government grants related to income. If the category of a government grant can't be distinguished reasonably, all the government grant will be classified as government grants related to income. Government grants related to assets are deducted from the carrying amount of related assets.

Except those grants which are classified as government grants related to assets, other government grants are classified as government grants related to income. If the grant related to income is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and amortized in profit or loss over the periods in which the related costs are recognised. If the grant related to income is a compensation for related expenses or losses

already incurred, the grant is recognised directly in profit or loss for the current period.

When a bank receives the discount interest fund from the financial sector and then provides a loan to the Company with preferential interest rate, the Company accounts for the loan at the actual received amount and related interest expenses will be calculated based on the principal and the preferential interest rate. When the Company receives the discount interest fund from the financial sector directly, the discount interest fund will be deducted from related borrowing cost.

4.27.2 The recognition timing for government grants

The government grants will be recognised when the Company meets the accompanying conditions of the government grants which are entitled to be received. The receivable government grants will be recognised when there are conclusive evidence to indicate the Company could meet all related requirements of the government grants and the Company expects to receive the government grants in the future. Other government grants will be recognised when the grant fund is received.

4.28 Deferred tax asset and deferred tax liability

4.28.1 Temporary differences arising from the difference between the carrying amount of an asset or liability (asset or liability not recognised in balance sheet but the tax base is ascertained by the current tax laws and regulation, the tax base is the temporary difference) and its tax base are recognised as deferred tax calculating by the effective tax rate in the expected period to receive the asset or discharge the liability.

4.28.2 Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized and should be recognised for deductible loss or tax reduction that could be carried forward in subsequent periods to the extent that it is probable that taxable income will be available against which deductible loss or tax reduction can be utilized. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred tax asset to be utilized, the carrying amount of the deferred tax asset is reduced.

4.28.3 The taxable temporary differences associated with investments in subsidiaries and associates shall be recognised deferred tax liability; except the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The deductible temporary differences associated with investments in

subsidiaries, associates, the corresponding deferred tax asset is recognised when it is probable that the temporary difference will reverse in the foreseeable future and it is probable that taxable profits will be available in the future against which the temporary difference can be utilized.

4.29 Leases

4.29.1 The accounting treatment for lessee

At the lease commencement date, the Company recognises right-of-use assets and lease liabilities for all other leases except short-term leases and leases of low-value assets, and will recognise depreciation expenses and interest expenses separately over the lease term.

The Company recognises rental expenses in profit or loss applying a straight-line basis in each period over the lease term for short-term leases and leases of low-value assets.

4.29.1.1 Right-of-use assets

Right-of-use assets represent a lessee's rights to use the underlying assets for the lease term. At the commencement date, a right-of-use asset is measured at cost. The cost includes:

a) the amount of the initial measurement of the lease liability;

b) any lease payments made at or before the commencement date, less any lease incentives received if such lease incentives exist;

(c) any initial direct costs incurred by the lessee;

(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets of the Company are depreciated by the straight line method based on their category. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If the Company can reasonably be certain that the ownership of a leased asset will be obtained at the expiration of the lease term, the related right-of-use asset is depreciated over the useful life of the underlying asset. The related right-of-use asset is depreciated over the shorter of lease term and residual use life of the underlying asset if the Company can not reasonably be certain that the ownership of a leased asset will be obtained at the expiration of lease term.

The Company determines whether a right-of-use asset is subject to impairment or not in accordance with the requirements of Accounting Standards for Business Enterprises No. 8- Impairment of

assets.

4.29.1.2 Lease liabilities

At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments include: a) fixed payments (including in-substance fixed payments) less any lease incentives if such lease incentives exist; b) variable lease payments that depend on an index or a rate; c) amounts expected to be payable by the lessee under residual value guarantees; d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Company uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. The Company calculates the interest expenses which are recorded in finance expenses using the constant periodic rate of interest in each period during the lease term. The periodic rate of interest is the discount rate or adjusted discount rate the Company uses.

Variable lease payments which are not included in the measurement of lease liabilities are recognised in profit or loss when they actually occur.

If the assessment of an option to renew, terminate or purchase the underlying asset changes, the lease liability is remeasured by the revised lease payments using a revised discount rate and the carrying amount of right-of-use asset is revised accordingly. When there is a change in the in-substance fixed payment, the amount expected to be payable under a residual value guarantee, or the variable lease payment that depends on an index or a rate, the lease liability is remeasured by the revised lease payments using an unchanged discount rate and the carrying amount of right-of-use asset is revised accordingly.

4.29.2 The accounting treatment for lease

4.29.2.1 The accounting treatment for operating lease

The Company recognises lease payments for operating leases in profit or loss applying a straight-line basis in each period over the lease term. The Company capitalized the initial direct expenses incurred which are amortizes in profit or loss over the lease term on the same recognition basis as the lease income.

4.29.2.2 The accounting treatment for finance lease

The Company recognises the unearned finance income by the difference between the sum of finance lease receivable and unguaranteed residual value, and their present value at the commencement date, which will be recognised as lease income in the periods to collect lease payment. The initial direct expenses incurred relating to the lease transaction will be included in the initial carrying amount of finance lease receivable.

5. Changes of significant accounting policies and accounting estimates

5.1 The changes of accounting policies and reason for change

None.

5.2 Significant changes in accounting estimates

None.

5.3 Correction of prior accounting errors

None.

6. Taxes

6.1 Main taxes categories and tax rates

Tax category	Tax base	Tax rate
Value added tax	Domestic sales; provide processing, repair and repair services; import goods; provide tangible movable property leasing services	13%
	Sell or import fertilizers	9%
	Provide real estate leasing services ; sell real estate	9%
	Other taxable sales services	6%
	Simple tax calculation method	5%、3%
Urban maintenance and construction tax	Turnover tax payable	7%
Educational surtax	Turnover tax payable	3%
Local educational surtax	Turnover tax payable	2%
Enterprise income tax	Taxable income	8.84%、8.25%、15%、16.5%、19%、20%、21%、25%、25.80%

Income tax rates for different taxpayers:

Name of tax enterprise	Tax rate of income tax	Remark
China Shandong group limited	16.5%	Registered in HongKong

Name of tax enterprise	Tax rate of income tax	Remark
Shandong Xinhua PharmaceuticalCo.,Ltd.	15%	High-tech Enterprise
Shandong Zibo Xinda Pharmaceutical Co., Ltd.	15%	High-tech Enterprise
Xinhua Pharmaceutical (Shouguang) Co., Ltd.	15%	High-tech Enterprise
Shandong Xinhua Design Engineering Co., Ltd.	15%	High-tech Enterprise
Xinhua Pharmaceutical (Gaomi) Co., Ltd.	15%	High-tech Enterprise
Shandong Xinhua Wanbo Chemical Co., Ltd.	15%	High-tech Enterprise
Shandong Xinhua Pharmaceutical (Europe) Co. Ltd.	25%、19%	Dutch Corporate tax
Shandong Xinhua Pharmaceutical (USA) Co. Ltd.	Federal tax 21%, Sate tax 8.84%	
Shandong Xinhua Mechanical and Electrical Engineering Co.,Ltd.	20%	Small and low-profit enterprises
Xinhua Health Technology (HongKong) Co.,Ltd.	16.5%	Registered in HongKong
Shandong Lukang Pharmaceutical Co.,Ltd.	15%	High-tech Enterprise
Shandong Lukang Shelile Pharmaceutical Co., Ltd.	15%	High-tech Enterprise
Shandong Lukang Group Saite Co., Ltd.	15%	High-tech Enterprise
Shandong Lukang Zhonghe Environment Protection Technology Co., Ltd.	15%	High-tech Enterprise
Qinghai Lu Kang Dadi Pharmaceutical Co., Ltd.	15%	High-tech Enterprise
Shandong Lukang Biological Pesticides Co., Ltd.	15%	High-tech Enterprise
Shandong Lukang Electromechanical Engineering Co., Ltd.	20%	Small and low-profit enterprises
Shandong Lukang International Trading Co., Ltd.	20%	Small and low-profit enterprises
Shandong Lukang Hecheng Pharmaceutical Co., Ltd.	20%	Small and low-profit enterprises
Shandong Lukang Biological chemicals Management Co. Ltd.	20%	Small and low-profit enterprises
HUALU CCB INTERNATIONAL INVESTMENT LIMITED	16.5%	Registered in HongKong
Shanghai Hualu Hongxin Private Fund Management Co., Ltd.	20%	Small and low-profit enterprises
Dezhou Minxin Service Co., Ltd.	20%	Small and low-profit enterprises
Shandong Hualu-Hengsheng Chemical Co.,Ltd.	15%	High-tech Enterprise
Hualu Hengsheng (Jingzhou) Co., Ltd.	15%	High-tech Enterprise
Shandong Academy of Environmental Science Co.,Ltd.	15%	High-tech Enterprise
Shandong Huanke Environmental Engineering Co., Ltd.	15%	High-tech Enterprise
Shandong Academy of Environmental Sciences Environmental Inspection Co., Ltd.	15%	High-tech Enterprise
Zhongke Hualu Soil Remediation Engineering Co., Ltd.	15%	High-tech Enterprise
Hualu Huanke (Xinji) Water Treatment Co., Ltd.	12.5%	Three exemptions and three halvings enterprises
Hualu Environmental Science & Technology (Xinji) Water Treatment Co., Ltd.	20%	Small and low-profit enterprises
Shandong Hualu International Commerce Centre Co., Ltd.	20%	Small and low-profit enterprises
Shandong Hualu International Advertising Co., Ltd.	20%	Small and low-profit enterprises

6.2 Significant tax incentives and approval documents

6.2.1Shandong Xinhua Pharmaceutical Co.,Ltd. (hereinafter referred to as "Xinhua Pharmaceutical"):

6.2.1.1 Xinhua Pharmaceutical and its subsidiary, Shandong Zibo Xinda Pharmaceutical Co., Ltd. (hereinafter referred to as "Xinda Pharmaceutical"), obtained the High-tech Enterprise Certificate issued by the Shandong Provincial Department of Science and Technology, the Shandong Provincial Department of Finance, and the Shandong Provincial Taxation Bureau of the State Taxation Administration on December 7, 2023. The certificate numbers are GR202337005178 and GR202337005744 respectively, and the validity period is 3 years. According to the provisions of the "Enterprise Income Tax Law of the People's Republic of China", our company and Xinda Pharmaceutical enjoy the tax preferential policy of levying enterprise income tax at a rate of 15%. Our company and Xinda Pharmaceutical are in the tax preference period in 2025, with an applicable income tax rate of 15%.

6.2.1.2Xinhua Pharmaceutical's subsidiary, Xinhua Pharmaceutical (Shouguang) Co., Ltd. (hereinafter referred to as "Shouguang Company"), obtained the High-tech Enterprise Certificate issued by the Shandong Provincial Department of Science and Technology, the Shandong Provincial Department of Finance, and the Shandong Provincial Taxation Bureau of the State Taxation Administration on December 7, 2024. The certificate number is GR202437002139, and the validity period is three years. According to the provisions of the Enterprise Income Tax Law of the People's Republic of China, Shouguang Company enjoys the tax preferential policy of being subject to enterprise income tax at a rate of 15%. Shouguang Company is in a tax preferential period in 2025, with an applicable income tax rate of 15%.

6.2.1.3Shandong Xinhua Design Engineering Co., Ltd., a subsidiary of Xinhua Pharmaceutical (hereinafter referred to as "Design Engineering Company"), obtained the High-tech Enterprise Certificate issued by the Shandong Provincial Department of Science and Technology, the Shandong Provincial Department of Finance, and the Shandong Provincial Taxation Bureau of the State Taxation Administration on December 8, 2025. The certificate number is GR202537002212, and the validity period is three years. According to the provisions of the Enterprise Income Tax Law of the

People's Republic of China, design engineering companies enjoy the tax preferential policy of being subject to enterprise income tax at a rate of 15%. The design engineering company is in a tax preference period in 2025, with an applicable income tax rate of 15%.

6.2.1.4On November 29, 2023, Xinhua Pharmaceutical's subsidiaries, Xinhua Pharmaceutical (Gaomi) Co., Ltd. (hereinafter referred to as "Gaomi Company") and Shandong Xinhua Wanbo Chemical Co., Ltd. (hereinafter referred to as "Wanbo Chemical"), were awarded the High-tech Enterprise certificates by the Shandong Provincial Department of Science and Technology, the Shandong Provincial Department of Finance, and the Shandong Provincial Taxation Bureau of the State Taxation Administration. The certificate numbers are GR202337001341 and GR202337001830 respectively, and the validity period is 3 years. According to the provisions of the Enterprise Income Tax Law of the People's Republic of China, Gaomi Company and Wanbo Chemical enjoy the tax preferential policy of being subject to enterprise income tax at a rate of 15%. Gaomi Company and Wanbo Chemical are in the tax preferential period in 2025, with an applicable income tax rate of 15%.

6.2.1.5Shandong Xinhua Mechanical and Electrical Engineering Co., Ltd., a subsidiary of Xinhua Pharmaceutical (hereinafter referred to as "Xinhua Mechanical and Electrical Company"), meets the conditions for taxing the annual taxable income of small and micro enterprises as stipulated in Article 1 of the "Announcement of the Ministry of Finance and the State Taxation Administration on Implementing Income Tax Preferential Policies for Small and Micro Enterprises and Individual Business Households" (Announcement No. 6 of 2023 of the Ministry of Finance and the State Taxation Administration) : The portion of the annual taxable income not exceeding RMB 1 million shall be included in the taxable income at a reduced rate of 25% and subject to enterprise income tax at a rate of 20%. This policy, in accordance with the relevant provisions of Article 3 of the "Announcement of the Ministry of Finance and the State Taxation Administration on Tax and Fee Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Business Households" (Announcement No. 12 of 2023 of the Ministry of Finance and the State Taxation Administration), will be extended until December 31, 2027.

6.2.2 Shandong Lukang Pharmaceutical Co., Ltd. (hereinafter referred to as "Lukang

Pharmaceutical"):

6.2.2.1 On December 7, 2024, Lu Kang Pharmaceutical was recognized as a high-tech enterprise, with the certificate number GR202437002673. The validity period of the certificate is three years, and during this reporting period, it actually implemented a preferential enterprise income tax rate of 15%.

6.2.2.2 On December 8, 2025, the subsidiary, Shandong Lukang Shelile Pharmaceutical Co., Ltd., was recognized as a high-tech enterprise, with the certificate number GR202537001838. The validity period of the certificate is three years, and during this reporting period, the actual preferential enterprise income tax rate of 15% was implemented.

6.2.2.3 On November 29, 2023, the subsidiary, Shandong Lukang Pharmaceutical Group Sate Co., Ltd., was recognized as a high-tech enterprise, with the certificate number GR202337000429. The validity period of the certificate is three years, and during this reporting period, it actually implemented a preferential enterprise income tax rate of 15%.

6.2.2.4 On December 7, 2024, the subsidiary, Shandong Lukang Zhonghe Environmental Protection Technology Co., Ltd., was recognized as a high-tech enterprise, with the certificate number GR202437000081. The validity period of the certificate is three years, and during this reporting period, the actual preferential enterprise income tax rate of 15% was implemented.

6.2.2.5 On November 14, 2023, the subsidiary, Qinghai Lu Kang Dadi Pharmaceutical Co., Ltd., was recognized as a high-tech enterprise, with the certificate number GR202363000032. The validity period of the certificate is three years, and during this reporting period, the actual preferential enterprise income tax rate of 15% was implemented.

6.2.2.6 On December 7, 2024, the subsidiary, Shandong Lukang Biopesticide Co., Ltd., was recognized as a high-tech enterprise, with the certificate number GR202437007285. The validity period of the certificate is three years, and during this reporting period, the actual preferential enterprise income tax rate of 15% was implemented.

6.2.2.7 On December 8, 2025 the subsidiary, Shandong Lukang Mechanical and Electrical Engineering Co., Ltd., was recognized as a high-tech enterprise, with the certificate number

GR202537007995. The validity period of the certificate is three years, and during this reporting period, the actual preferential enterprise income tax rate of 15% was implemented.

6.2.2.8 The subsidiaries, namely Shandong Lukang International Trade Co., Ltd., Shandong Lukang Hecheng Pharmaceutical Co., Ltd., Shandong Lukang Bio-Chemicals Trading Co., Ltd. and Shandong Lukang Mechanical and Electrical Engineering Co., Ltd., are small and low-profit enterprises. According to the "Announcement on Tax and Fee Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Business Households" [Announcement No. 12 of 2023 of the Ministry of Finance and the State Taxation Administration], the policy of reducing the taxable income of small and micro enterprises to 25% and paying enterprise income tax at a rate of 20% will be extended until December 31, 2027.

6.2.3 Shandong Hualu-Hengsheng Group Co.,Ltd. (hereinafter referred to as " Hualu-Hengsheng Group ")：

6.2.3.1 The subsidiary, Dezhou Minxin Service Co., Ltd., is a small and low-profit enterprise. According to the "Announcement of the Ministry of Finance and the State Taxation Administration on Relevant Tax and Fee Policies to Further Support the Development of Small and Micro Enterprises and Individual Business Households" (Announcement No. 12 of 2023 of the Ministry of Finance and the State Taxation Administration), from January 1, 2023 to December 31, 2027, The urban maintenance and construction tax, stamp duty (excluding transaction stamp duty), education surcharge and local education surcharge shall be halved for small and low-profit enterprises. The policy of calculating the taxable income at a reduced rate of 25% and paying enterprise income tax at a rate of 20% will be extended until December 31, 2027.

6.2.3.2 On November 29, 2023, the subsidiary, Shandong Hualu Hengsheng Chemical Co., Ltd., obtained the High-tech Enterprise Certificate with the number GR202337000995, and the validity period is three years. Corporate income tax will be paid at a rate of 15% in 2024.

6.2.3.3 On November 11, 2025, the subsidiary company Huarulengsheng (Jingzhou) Co., Ltd. was recognized as a high-tech enterprise. The certificate number is GR202542000637, with a validity period of three years. During this reporting period, the 15% corporate income tax preferential rate was actually implemented.

6.2.4 Hualu Investment Development Co., Ltd. (hereinafter referred to as "Hualu Investment"):

Shanghai Hualu Hongxin Private Fund Management Co., Ltd. is a small and low-profit enterprise. According to the "Announcement of the Ministry of Finance and the State Taxation Administration on Further Supporting the Development of Small and Micro Enterprises and Individual Businesses (Announcement of the Ministry of Finance and the State Taxation Administration No. 12 of 2023)", from January 1, 2023 to December 31, 2027, for small and micro enterprises, the resource tax (excluding water resources tax), urban maintenance construction tax, property tax, urban land use tax, stamp duty (excluding securities transaction stamp duty), farmland occupation tax and education surcharge and local education surcharge will be halved; and the taxable income will be calculated at 25% and corporate income tax will be paid at a rate of 20%, which will be continued until December 31, 2027.

6.2.5 Shandong Provincial Environmental Protection Research and Design Institute Co., Ltd. (hereinafter referred to as "Academy of Environmental Sciences"):

6.2.5.1Approved by the Department of Science and Technology of Shandong Province, the Department of Finance of Shandong Province, and the Shandong Provincial Taxation Bureau of the State Taxation Administration, the Academy of Environmental Sciences obtained the High-tech Enterprise Certificate with the number GR202437007056 on December 7, 2024, and the applicable income tax rate is 15%.

6.2.5.2 According to Article 28, Paragraph 2 of the Enterprise Income Tax Law of the People's Republic of China, high-tech enterprises that are in need of key support from the state shall be subject to enterprise income tax at a reduced rate of 15%. Approved by the Department of Science and Technology of Shandong Province, the Department of Finance of Shandong Province, and the Shandong Provincial Taxation Bureau of the State Taxation Administration, Shandong Academy of Environmental Sciences Environmental Engineering Co., Ltd. obtained the High-tech Enterprise Certificate with the number GR202437007135 on December 7, 2024, and is subject to an income tax rate of 15%.

6.2.5.3 According to Article 28, Paragraph 2 of the Enterprise Income Tax Law of the People's Republic of China, high-tech enterprises that are in need of key support from the state shall be

subject to enterprise income tax at a reduced rate of 15%. Shandong Provincial Academy of Environmental Sciences Environmental Testing Co., Ltd. was approved by the Shandong Provincial Department of Science and Technology, the Shandong Provincial Department of Finance, and the Shandong Provincial Taxation Bureau of the State Taxation Administration. On December 8, 2025, it obtained the High-tech Enterprise Certificate with the number GR202537005031, and the applicable income tax rate is 15%.

6.2.5.4According to Article 28, Paragraph 2 of the Enterprise Income Tax Law of the People's Republic of China, high-tech enterprises that are in need of key support from the state shall be subject to enterprise income tax at a reduced rate of 15%. Zhongke Hualusirang Restoration Engineering Co., Ltd. was approved by the Shandong Provincial Department of Science and Technology, the Shandong Provincial Department of Finance, and the Shandong Provincial Taxation Bureau of the State Taxation Administration. On December 7, 2023, it obtained the High-tech Enterprise Certificate with the number GR202337004402, and the applicable income tax rate is 15%.

6.2.5.5 According to Article 27, Paragraph 3 of the Enterprise Income Tax Law: "Income from engaging in environmental protection and energy conservation and water conservation projects that meet the conditions may be exempted or subject to reduced enterprise income tax." As well as Article 88 of the Implementing Regulations of the Enterprise Income Tax Law, "The environmental protection and energy conservation and water conservation projects that meet the conditions as referred to in Item (3) of Article 27 of the Enterprise Income Tax Law include public sewage treatment, public garbage treatment, comprehensive development and utilization of biogas, energy conservation and emission reduction technological transformation, seawater desalination, etc." The income derived by enterprises from the environmental protection and energy conservation and water conservation projects that meet the conditions as stipulated in the preceding paragraph shall be exempt from enterprise income tax for the first three years starting from the tax year in which the first production and business income is obtained, and shall be subject to a 50% reduction in enterprise income tax for the fourth to sixth years.

Hualu Huanke (Xinji) Water Treatment Co., Ltd. obtained its first business income in the tax year of 2022. It has enjoyed exemption from enterprise income tax and has filed for the preferential matters

of enterprise income tax,This period enjoys a halved corporate income tax rate.

6.2.5.6 Huolu Huanke (Xinji) Reclaimed Water Technology Co., Ltd. is a small and low-profit enterprise. According to the "Announcement of the Ministry of Finance and the State Taxation Administration on Further Supporting the Development of Small Enterprises and Individual Businesses and Related Tax Policies" (Announcement of the Ministry of Finance and the State Taxation Administration of 2023 No. 12), from January 1, 2023 to December 31, 2027, for small and low-profit enterprises, the resource tax (excluding water resources tax), urban maintenance and construction tax, property tax, urban land use tax, stamp duty (excluding securities transaction stamp duty), farmland occupation tax and education surcharge and local education surcharge will be halved; and the taxable income will be calculated at 25% and corporate income tax will be paid at a rate of 20%, which will be continued until December 31, 2027.

6.2.6 China Shandong Group Co., Ltd. (hereinafter referred to as " Shandong Group ")：

The subsidiaries of Shandong Hualu, namely Shandong Hualu International Business Center Co., Ltd. and Shandong Hualu International Advertising Co., Ltd., are small and low-profit enterprises. According to the "Announcement of the Ministry of Finance and the State Taxation Administration on Relevant Tax and Fee Policies to Further Support the Development of Small and Micro Enterprises and Individual Business Households" (Announcement No. 12 of 2023 of the Ministry of Finance and the State Taxation Administration), from January 1, 2023 to December 31, 2027, For small and low-profit enterprises, the resource tax (excluding water-containing resource tax), urban maintenance and construction tax, property tax, urban land use tax, stamp duty (excluding stamp duty on securities transactions), farmland occupation tax, education surcharge and local education surcharge shall be halved. The policy of calculating the taxable income at a reduced rate of 25% and paying enterprise income tax at a rate of 20% will be extended until December 31, 2027.

7. Business combination and consolidated financial statements

7.1 Constitution of the Company

No.	Name of Subsidiaries	Level	Corporate type	Registration place	Principal place of business	Business Nature	Paid up capital (10 thousand yuan)	Holding proportion (%)	Voting right(%)	Amount of Investment（10 thousand yuan)	Acquisition method
1	China Shandong Group Co., Ltd.	2	Domestic non-financial subsidiary	Jinan	Jinan	Trade	11,112.00	100.00	100.00	11,380.85	Investment establishment
2	China Shandong group limited	2	Overseas subsidiary	Hong Kong	Hong Kong	Trade	40,424.97	100.00	100.00	47,447.20	Investment establishment
3	Shandong Hualu-Hengsheng Group Co.,Ltd.	2	Domestic non-financial subsidiary	Dezhou	Dezhou	Chemical	10,117.06	100.00	100.00	69,818.15	Transfer
4	Shandong Xinhua PharmaceuticalCo.,Ltd.	2	Domestic non-financial subsidiary	Zibo	Zibo	Pharmaceutical	68,977.65	38.10	38.10	22,841.84	Consolidation under common control
5	Shandong Lukang Pharmaceutical Co.,Ltd.	2	Domestic non-financial subsidiary	Jining	Jining	Pharmaceutical	104,518.98	23.81	23.81	58,200.38	Consolidation under common control
6	Huaru Investment Development Co., Ltd.	2	Domestic non-financial subsidiary	Jinan	Jinan	Investment Management	110,000.00	100.00	100.00	110,000.00	Investment establishment
7	Shandong Academy of Environmental Science Co.,Ltd.	2	Domestic non-financial subsidiary	Jinan	Jinan	Internet and related services	9,804.00	51.00	51.00	10,501.03	Transfer

7.2 Atomic companies or structured entities that are no longer included in the consolidation scope in this period

None.

8. Notes to the consolidated financial statements

8.1 Cash at bank and on hand

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Cash on hand	274,768.61	174,011.18
Cash at bank	6,411,272,954.09	4,186,053,544.86
Other monetary funds	442,260,244.46	426,452,558.74
Total	6,853,807,967.16	4,612,680,114.78
Including: the total balance deposited overseas	82,833,779.69	94,228,853.63

Details of other monetary funds:

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
The bank acceptance deposit	355,621,888.13	386,950,216.78
The letter of credit deposit	55,945,098.45	2,576,562.60
Frozen funds in bank deposits	28,220,923.97	528,043.00
Worker’s deposits, etc	9,173,573.49	11,188,583.41
Security Deposit for Letter of Guarantee	1,654,756.80	
Performance bond	1,083,434.07	1,273,733.04
Loans margin deposit	661,087.53	679,004.39
ETC Margin	8,000.00	6,000.00
Others	531.24	
Total	452,369,293.68	403,202,143.22

8.2 Financial assets held for trading

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Financial assets classified upon initial recognition as at fair value through profit or loss	276,742,377.57	261,644,001.49
Including: Equity instrument investment	47,430,163.17	47,497,531.90
Others	229,312,214.40	214,146,469.59
Total	276,742,377.57	261,644,001.49

8.3 Notes receivable

8.3.1 Notes receivable by category

Item	Balance as at 31/12/2025			Balance as at 1/1/2025		
	Balance	Allowance for credit losses	Carrying amount	Balance	Allowance for credit losses	Carrying amount
Bank acceptance bills	39,854,773.43	142,878.26	39,711,895.17	55,065,251.24	213,894.16	54,851,357.08

Item	Balance as at 31/12/2025			Balance as at 1/1/2025		
Trade acceptance bills	32,650,081.95	1,827,959.10	30,822,122.85	59,994,200.00	3,529,652.00	56,464,548.00
Total	72,504,855.38	1,970,837.36	70,534,018.02	115,059,451.24	3,743,546.16	111,315,905.08

8.3.2 Notes receivable endorsed or discounted at the end of the period but not yet due at the balance sheet date

Item	Amounts not derecognised at the end of the period
Bank acceptance bills	31,434,144.81
Trade acceptance bills	5,421,412.93
Total	36,855,557.74

8.4 Accounts receivable

8.4.1 Accounts receivable by aging

Aging	Balance as at 31/12/2025	Balance as at 1/1/2025
Within 1 year	2,057,600,767.08	2,347,830,732.43
1-2 years	291,267,171.69	210,214,154.35
2-3 years	170,425,668.50	138,402,996.26
More than 3 years	734,056,169.12	660,369,990.24
Less: Allowance for credit losses	778,117,062.67	694,384,489.84
Total	2,475,232,713.72	2,662,433,383.44

8.4.2 Accounts receivable by provision method for allowance credit losses

Category	As at 31/12/2025				
	Balance		Allowance for credit losses		Carrying amount
	Amount	PCT(%)	Amount	Allowance rate (%)	
Individual assessment subject to allowance for credit losses	215,162,300.33	6.61	214,634,700.33	99.75	527,600.00
Grouping assessment subject to allowance for credit losses	3,038,187,476.06	93.39	563,482,362.34	18.55	2,474,705,113.72
Including:Group1：Aging portfolio	3,005,439,106.49	92.38	561,517,460.17	18.68	2,443,921,646.32
Group 2: Accounts receivable for bad debt provision using the balance percentage method	32,748,369.57	1.01	1,964,902.17	6.00	30,783,467.40
Total	3,253,349,776.39	——	778,117,062.67	——	2,475,232,713.72

（continue）

Category	As at 1/1/2025				
	Balance		Allowance for credit losses		Carrying amount
	Amount	PCT(%)	Amount	Allowance rate (%)	
Individual assessment subject to allowance for credit losses	195,826,972.99	5.83	195,826,972.99	100.00	

Category	As at 1/1/2025				
	Balance		Allowance for credit losses		Carrying amount
	Amount	PCT(%)	Amount	Allowance rate (%)	
Grouping assessment subject to allowance for credit losses	3,160,990,900.29	94.17	498,557,516.85	15.77	2,662,433,383.44
Including:Group1：Aging portfolio	3,074,208,501.85	91.58	493,350,572.94	16.05	2,580,857,928.91
Group 2: Accounts receivable for bad debt provision using the balance percentage method	86,782,398.44	2.59	5,206,943.91	6.00	81,575,454.53
Total	3,356,817,873.28	——	694,384,489.84	——	2,662,433,383.44

8.4.2.1 Significant accounts receivable that are individually assessed allowance for credit losses

Company name	Book Balance	Allowance for credit losses	ECL rate (%)	Allowance reason
BIO ASIA LIMITED	31,264,614.49	31,264,614.49	100.00	Expected to not be fully collectible
LABIOFAM S.A CUBA	28,299,923.38	28,299,923.38	100.00	Expected to not be fully collectible
Weifang Huaxiu Textile Co., Ltd.	28,105,664.64	28,105,664.64	100.00	Expected to not be fully collectible
FARMACUBA	19,668,488.05	19,668,488.05	100.00	Expected to not be fully collectible
Other sales proceeds	107,823,609.77	107,296,009.77	99.40	Expected to not be fully collectible
Total	215,162,300.33	214,634,700.33	——	——

8.4.2.2 Accounts receivable that are assessed allowance for credit losses on grouping basis

Group 1: Accounts receivable due from aging analysis:

Aging	As at 31/12/2025			As at 1/1/2025		
	Balance		Allowance for credit losses	Balance		Allowance for credit losses
	Amount	PCT (%)		Amount	PCT (%)	
Within 1 year	2,024,852,397.51	67.37	37,871,247.57	2,260,371,238.65	73.53	59,272,636.26
1-2 years	291,267,171.69	9.69	38,626,288.91	210,204,554.35	6.84	29,940,578.93
2-3 years	170,425,668.50	5.67	57,110,184.04	138,402,996.26	4.50	45,439,217.80
More than 3 years	518,893,868.79	17.27	427,909,739.65	465,229,712.59	15.13	358,698,139.95
Total	3,005,439,106.49	——	561,517,460.17	3,074,208,501.85	——	493,350,572.94

Group 2: Accounts receivable due from the balance percentage method:

Combination name	As at 31/12/2025			As at 1/1/2025		
	Balance	ECL rate(%)	Allowance for credit losses	Balance	ECL rate(%)	Allowance for credit losses
Coal chemical industry	32,748,369.57	6.00	1,964,902.17	86,782,398.44	6.00	5,206,943.91
Total	32,748,369.57	6.00	1,964,902.17	86,782,398.44	6.00	5,206,943.91

8.4.3 Top 5 accounts receivable and contract assets in ending balance by debtor

Company name	Balance as at 31/12/2025	Percentage in total accounts receivable (%)	Balance of allowance for credit losses as at 31/12/2025
Hebei Xinji Economic Development Zone Administrative Committee	133,086,917.22	4.09	6,892,389.15
Zibo Central Hospital	78,438,047.50	2.41	1,458,634.71
Xinji Municipal Bureau of Ecology and Environment	64,483,272.20	1.98	5,828,884.49
Perrigo International, Inc. (USA)	49,900,230.37	1.53	516,810.30
Fujian Zhibao Trading Co., Ltd.	40,000,000.00	1.23	40,000,000.00
Total	365,908,467.29	11.24	54,696,718.65

8.5 Receivables for financing

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Notes receivable	1,818,582,521.86	2,235,083,258.16
Electronic certificate of receivables	793,076,173.97	426,500,551.76
Subtotal	2,611,658,695.83	2,661,583,809.92
Allowance for credit losses	46,984,866.58	24,822,311.63
Total	2,564,673,829.25	2,636,761,498.29

8.6 Prepayments

8.6.1 Aging analysis of prepayments

Aging	As at 31/12/2025			As at 1/1/2025		
	Balance		Allowance for credit losses	Balance		Allowance for credit losses
	Amount	PCT(%)		Amount	PCT(%)	
Within 1 year	938,256,654.08	98.28		732,273,066.45	98.20	
1-2 years	5,561,436.10	0.58		4,591,796.48	0.61	
2-3 years	2,840,645.95	0.30		1,412,211.04	0.19	
More than 3 years	8,020,952.18	0.84	5,536,644.58	7,449,639.22	1.00	5,698,962.47
Total	954,679,688.31	100.00	5,536,644.58	745,726,713.19	100.00	5,698,962.47

8.6.2 The top five prepayments are as follows:

Company name	Balance as at 31/12/2025	Percentage in total prepayment(%)	Allowance for credit losses
Shanxi Coal Transportation and Sales Group Jianhong Investment Development Co., Ltd.	425,613,598.33	44.58	
Yankuang Energy (Erdos) Co., Ltd. Coal Marketing and Transportation Branch	71,172,538.79	7.46	
Shanxi Future Energy Chemical Co., Ltd.	68,785,708.07	7.21	
Guiyan Chemical Materials (Yunnan) Co., Ltd.	54,040,000.00	5.66	
Sinopec Chemical Sales (Tianjin) Co., Ltd.	39,614,296.37	4.15	
Total	659,226,141.56	69.06	

8.7 Other receivables

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Interest receivable	29,346,961.33	13,447,796.07
Dividends Receivable		1,495,894.40
Other receivables	356,622,024.60	455,937,673.11
Total	385,968,985.93	470,881,363.58

8.7.1 Interest receivable

8.7.1.1Interest receivable by categories

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Bond investments	29,346,961.33	13,447,796.07
Less: Allowance for credit losses		
Total	29,346,961.33	13,447,796.07

8.7.2 dividends receivable

8.7.2.1 Category of dividends receivable

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Dividends receivable within one year		1,495,894.40
Including:Bank of Communications Corporation Limited		1,495,894.40
Total		1,495,894.40

8.7.3 Other receivables

8.7.3.1 Aging analysis of other receivables

Aging	Balance as at 31/12/2025		Balance as at 1/1/2025	
	Balance	Allowance for credit losses	Balance	Allowance for credit losses
Within 1 year	112,456,035.74	2,551,978.52	428,344,853.79	17,487,598.93
1-2 years	241,525,107.96	17,322,936.06	9,290,103.59	1,984,972.93
2-3 years	5,666,213.72	2,702,589.48	3,200,114.21	1,432,909.43
More than 3 years	145,938,809.09	126,386,637.85	168,506,293.45	132,498,210.64
Total	505,586,166.51	148,964,141.91	609,341,365.04	153,403,691.93

8.7.3.2 The provision of allowance for credit losses

The allowance for credit losses	Stage one	Stage two	Stage three	Total
	12-month ECL	Lifetime ECL (credit-unimpaired)	Lifetime ECL (credit-impaired)	
Balance as at 1/1/2025	38,475,663.33	151,251.03	114,776,777.57	153,403,691.93
Balance as at 1/1/2025 during the year	38,475,663.33	151,251.03	114,776,777.57	153,403,691.93
—Transfer to stage two	-7,997,454.91	7,997,454.91		
—Transfer to stage three	-5,045,833.83		5,045,833.83	
—Reversal to stage two				

The allowance for credit losses	Stage one	Stage two	Stage three	Total
	12-month ECL	Lifetime ECL (credit-unimpaired)	Lifetime ECL (credit-impaired)	
—Reversal to stage one				
Provision during the year	6,011,521.14	3,696,713.57	-695,728.85	9,012,505.86
Reversal during the year	5,652,989.86		188.89	5,653,178.75
Resale-off during the year				
Write-off during the year				
Other changes			-7,798,877.13	-7,798,877.13
Balance as at 31/12/2025	25,790,905.87	11,845,419.51	111,327,816.53	148,964,141.91

8.7.3.3 Other receivables due from the top five debtors are as follows:

Debtor name	Nature of balance	Balance as at 31/12/2025	Aging	Percentage in total other receivables(%)	Allowance for credit losses
Jining Municipal Bureau of Natural Resources and Planning	Compensation for land acquisition and storage	228,119,000.00	1 to 2 years	45.12	10,683,652.90
Zoucheng Municipal Bureau of Finance	Inter-company transactions	49,660,000.00	Within 1 year	9.82	1,489,800.00
Zibo Municipal Land Reserve and Transaction Center	Compensation for land acquisition and storage	24,530,500.00	More than 5 years	4.85	
Qingdao Luxiu Investment Management Co., Ltd.	Investment dividends	22,500,000.00	Within 1 year	4.45	
Jining Tongli Rubber Products	Inter-company transactions	17,071,959.70	More than 5 years	3.38	17,071,959.70
Total	——	341,881,459.70	——	67.62	29,245,412.60

8.8 Inventories

8.8.1 Inventories by categories

Item	As at 31/12/2025			As at 1/1/2025		
	Book balance	Provision for diminution in value	Carrying amount	Book balance	Provision for diminution in value	Carrying amount
Raw materials	1,365,031,376.30	14,983,153.70	1,350,048,222.60	1,151,507,446.80	15,799,586.33	1,135,707,860.47
Self-manufactured semifinished product and work in progress	415,612,059.27	13,926,898.92	401,685,160.35	461,872,266.03	21,554,798.09	440,317,467.94
Stock commodities	2,274,762,962.57	92,066,176.48	2,182,696,786.09	2,553,496,518.96	116,825,193.43	2,436,671,325.53
Goods in transit	138,839,795.09	2,559,781.45	136,280,013.64	83,091,239.88	2,970,517.85	80,120,722.03
Revolving materials	26,680,863.42	404,590.99	26,276,272.43	28,771,768.30	382,367.88	28,389,400.42
Costs to fulfil contracts	59,750,024.93	941,102.37	58,808,922.56	68,567,723.07	467,864.78	68,099,858.29
Others	1,735,878.19		1,735,878.19	1,735,878.19		1,735,878.19
Total	4,282,412,959.77	124,881,703.91	4,157,531,255.86	4,349,042,841.23	158,000,328.36	4,191,042,512.87

8.9 Contract assets

Item	As at 31/12/2025			As at 1/1/2025		
	Balance	Allowance for credit losses	Carrying amount	Balance	Allowance for credit losses	Carrying amount
Warranty and progress payment	639,781,497.69	132,893,885.60	506,887,612.09	710,195,353.25	126,147,240.62	584,048,112.63
Total	639,781,497.69	132,893,885.60	506,887,612.09	710,195,353.25	126,147,240.62	584,048,112.63

8.10 Non-current assets due within one year

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Certificates of Deposit	557,780,083.32	
Total	557,780,083.32	

8.11 Other current assets

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Input tax to be deducted	2,495,495,780.25	2,083,604,937.15
Prepaid tax	99,923,672.49	12,323,102.51
Others	331,001.13	3,346.36
Total	2,595,750,453.87	2,095,931,386.02

8.12 Debt investments

Item	As at 31/12/2025			As at 1/1/2025		
	Balance	Provision for credit losses	Carrying amount	Balance	Provision for credit losses	Carrying mount
USD bonds	1,255,171,143.35		1,255,171,143.35	1,215,235,574.61		1,215,235,574.61
Total	1,255,171,143.35		1,255,171,143.35	1,215,235,574.61		1,215,235,574.61

8.13 Other debt investments

8.13.1 Classification of other debt investments

Item	As at 31/12/2025	As at 1/1/2025
China Shandong SPC Market Balanced Fund SP	403,980,882.57	386,937,420.24
Total	403,980,882.57	386,937,420.24

8.13.2 Significant other debt investments

Item	Carrying amount	Fair value	The amount of changes in fair value accrued to other composite income	The amount of impairment reserve has been calculated and set aside
China Shandong SPC Market Balanced Fund SP	347,942,033.53	403,980,882.57	56,038,849.04	

Item	Carrying amount	Fair value	The amount of changes in fair value accrued to other composite income	The amount of impairment reserve has been calculated and set aside
Government treasuries and bonds	256,522.99			256,522.99
Total	348,198,556.52	403,980,882.57	56,038,849.04	256,522.99

8.14 Long-term receivables

Item	As at 31/12/2025			As at 1/1/2025		
	Balance	Allowance for credit losses	Carrying amount	Balance	Allowance for credit losses	Carrying amount
Finance Leases	138,965,803.87	136,077,196.66	2,888,607.21	144,761,889.73	135,352,685.92	9,409,203.81
Including: Unrealized finance income	20,680,739.01	20,614,140.84	66,598.17	23,670,367.49	22,968,933.32	701,434.17
Total	138,965,803.87	136,077,196.66	2,888,607.21	144,761,889.73	135,352,685.92	9,409,203.81

8.15 Long-term equity investment

8.15.1 Long-term equity investment by categories:

Item	As at 1/1/2025	Additions	Reductions	As at 31/12/2025
Investment to joint associates	143,138,589.56	-6,920,056.36		136,218,533.20
Subtotal	143,138,589.56	-6,920,056.36		136,218,533.20
Less: provision for impairment of long-term equity investment	3,882,999.22			3,882,999.22
Total	139,255,590.34	-6,920,056.36		132,335,533.98

8.15.2. Detailed statement of long-term equity investment

Investee	Investment cost	Balance as at 1/1/2025	Movement during the financial year								Balance As at 31/12/2025	Provision for impairment As at 31/12/2025
			Addition of investment	Reduction of investment	Investment income/loss recognised under the equity method	Adjustment of OCI	Changes of other equity	Cash dividend or profit announced to be issued	Provision for impairment	Others		
Associates												
Hualu Yellow River Delta (Ningxia) Equity Investment Fund (limited Partnership)	4,725,000.00	4,729,632.89			-6,473.34						4,723,159.55	
Cansheng Pharmaceutical (Zibo) Co., Ltd.	63,129,358.99	42,423,916.96			-539,322.09						41,884,594.87	
Lukang America Pharmaceuticals Ltd.	3,882,999.22	3,882,999.22									3,882,999.22	3,882,999.22
Shandong Lukang Haoliyou Biotechnology Development Co., Ltd.	42,182,040.00	46,641,355.36			-5,324,759.74						41,316,595.62	
Suez Huanke Environmental Protection Technology (Jinan) Co., Ltd.	22,416,000.00	17,104,973.44			-329,944.14						16,775,029.30	
Shandong Province Leading Green Industry Development Co., Ltd.	4,400,000.00	4,800,659.37			-723,911.04						4,076,748.33	
Beijing Yujing Health Technology Co., Ltd.	30,001,500.00	23,555,052.32			4,353.99						23,559,406.31	
Total	170,736,898.21	143,138,589.56			-6,920,056.36						136,218,533.20	3,882,999.22

8.16 Other equity instrument investments

Item	Investment cost	Balance As at 31/12/2025	Balance as at 1/1/2025
Shandong Railway Development Funds Co.,Ltd.	622,130,000.00	708,033,783.33	699,594,422.07
Shandong Railway Investment Holding Group Co. Ltd.	690,000,000.00	813,899,707.94	760,617,453.20
Shandong Yulong Petrochemical Co., Ltd.	500,000,000.00	427,066,323.57	470,715,423.08
Dezhou Bank Co.,Ltd.	5,000,000.00	5,000,000.00	5,000,000.00
BANK OF COMMUNICATIONS CO.,Ltd.	14,225,318.00	59,589,200.00	63,863,184.00
China Pacific Insurance (Group) Co. , Ltd.	7,000,000.00	209,550,000.00	170,400,000.00
North Health And Medical Big Data Technology Co., Ltd.	60,000,000.00	21,567,343.27	25,421,837.09
Tiangong Biotechnology (Tianjin) Co., Ltd.	10,000,000.00	4,762,139.17	5,813,775.84
GAOTANG Quanrong Holding Co., Ltd.	1.00	1.00	1.00
Disposal of creditor's rights of Quanlin Group (debt-equity swap)	1.00	1.00	1.00
Galaxy Hualu Asset Allocation Phase I Private Equity Fund	188.23	169.22	70,248,606.74
Luxiu Xunlu No. 44 Private Equity Investment Fund	160,000,000.00	231,214,795.71	142,658,298.68
Total	2,068,355,508.23	2,480,683,464.21	2,414,333,002.70

8.17 Other non-current financial assets

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Shanghai Kuitedi Biotechnology Co., Ltd.	11,820,060.00	
InnoGrit Technologies Co., Ltd.	7,500,000.00	
Frank Technology (Shenzhen) Co., Ltd.	24,675,000.00	
Total	43,995,060.00	

8.18 Investment property

Investment property measured by cost

Item	Balance as at 1/1/2025	Additions	Reductions	Balance as at 31/12/2025
Ⅰ.Cost	529,718,778.91	37,528,029.92		567,246,808.83
Including: buildings	529,718,778.91	37,528,029.92		567,246,808.83
II. Accumulated depreciation	242,799,417.25	38,027,380.17		280,826,797.42
Including: buildings	242,799,417.25	38,027,380.17		280,826,797.42
III.Net book value	286,919,361.66	——	——	286,420,011.41
Including: buildings	286,919,361.66	——	——	286,420,011.41
IV. Provision for impairment				
Including: buildings				
V. Book Value of Fixed Assets	286,919,361.66	——	——	286,420,011.41
Including: buildings	286,919,361.66	——	——	286,420,011.41

8.19 Fixed assets

Category	Balance As at 31/12/2025	Balance as at 1/1/2025
Fixed assets	41,047,939,824.31	37,670,687,146.65
Disposal of fixed assets	53,829.19	127,696.61
Total	41,047,993,653.50	37,670,814,843.26

8.19.1 Fixed assets

8.19.1.1Movement of fixed assets

Item	Balance as at 1/1/2025	Additions	Reductions	Balance as at 31/12/2025
I. Cost	61,775,994,086.09	7,455,253,595.97	113,550,562.30	69,117,697,119.76
Including: Land assets	17,973,489.20			17,973,489.20
Buildings	12,542,650,827.66	1,973,226,091.10	39,734,896.02	14,476,142,022.74
Machinery & equipment	45,690,325,502.19	4,740,868,339.31	62,194,447.99	50,368,999,393.51
Transportation vehicles	226,090,250.18	13,677,180.16	5,467,482.42	234,299,947.92
Electronic equipment	3,271,680,255.82	726,682,562.90	4,162,269.07	3,994,200,549.65
Office equipment	6,692,114.88	597,662.86	1,674,224.75	5,615,552.99
Other equipment	20,581,646.16	201,759.64	317,242.05	20,466,163.75
II. Accumulated depreciation	24,061,968,178.49	4,056,570,033.29	92,052,778.64	28,026,485,433.14
Including: Land assets				
Buildings	3,167,581,605.33	550,148,260.90	24,619,197.06	3,693,110,669.17
Machinery & equipment	18,984,488,433.97	2,997,231,610.78	57,607,569.15	21,924,112,475.60
Transportation vehicles	140,007,836.98	21,158,928.69	3,990,611.84	157,176,153.83
Electronic equipment	1,751,685,720.86	485,371,532.24	3,989,808.62	2,233,067,444.48
Office equipment	4,876,038.55	1,271,681.51	1,539,733.84	4,607,986.22
Other equipment	13,328,542.80	1,388,019.17	305,858.13	14,410,703.84
III.Net book value	37,714,025,907.60	——	——	41,091,211,686.62
Including: Land assets	17,973,489.20	——	——	17,973,489.20
Buildings	9,375,069,222.33	——	——	10,783,031,353.57
Machinery & equipment	26,705,837,068.22	——	——	28,444,886,917.91
Transportation vehicles	86,082,413.20	——	——	77,123,794.09
Electronic equipment	1,519,994,534.96	——	——	1,761,133,105.17

Item	Balance as at 1/1/2025	Additions	Reductions	Balance as at 31/12/2025
Office equipment	1,816,076.33	——	——	1,007,566.77
Other equipment	7,253,103.36	——	——	6,055,459.91
IV. Provision for impairment	43,338,760.95	66,569.24	133,467.88	43,271,862.31
Including: Land assets				
Buildings	3,393,234.28			3,393,234.28
Machinery & equipment	39,913,354.72	66,385.86	133,467.88	39,846,272.70
Transportation vehicles				
Electronic equipment	25,010.72	183.38		25,194.10
Office equipment				
Other equipment	7,161.23			7,161.23
V. Book Value of Fixed Assets	37,670,687,146.65	——	——	41,047,939,824.31
Including: Land assets	17,973,489.20	——	——	17,973,489.20
Buildings	9,371,675,988.05	——	——	10,779,638,119.29
Machinery & equipment	26,665,923,713.50	——	——	28,405,040,645.21
Transportation vehicles	86,082,413.20	——	——	77,123,794.09
Electronic equipment	1,519,969,524.24	——	——	1,761,107,911.07
Office equipment	1,816,076.33	——	——	1,007,566.77
Other equipment	7,245,942.13	——	——	6,048,298.68

8.19.2 Disposal of fixed assets

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Transportation vehicles	50,538.54	127,696.61
Machinery & equipment	3,290.65	
Total	53,829.19	127,696.61

8.20 Construction in process

8.20.1 Construction in process by categories:

Category	As at 31/12/2025			As at 1/1/2025		
	Balance	Provision for impairment	Carrying amount	Balance	Provision for impairment	Carrying amount
Projects constructed in process	3,003,231,784.87	1,368,000.00	3,001,863,784.87	5,090,447,829.48	1,368,000.00	5,089,079,829.48
Construction materials	121,348,657.84		121,348,657.84	708,592,670.21		708,592,670.21
Total	3,124,580,442.71	1,368,000.00	3,123,212,442.71	5,799,040,499.69	1,368,000.00	5,797,672,499.69

8.20.2 Movement of significant construction in progress

Project name	Budget	As at 1/1/2025	Additions	Transfer to fixed assets	Other reductions	As at 31/12/2025
An integrated project with an annual output of 200,000 tons of BDO, 160,000 tons of NMP and 30,000 tons of PBAT biodegradable materials	339,655.00	1,625,622,343.46	1,791,067,386.80	3,416,689,730.26		
Amide raw material optimization and upgrading Project	83,323.00	476,691,879.47	325,597,556.26	802,289,435.73		
200,000 tons/year monoacid Project	81,567.00	4,199,358.23	679,104,337.67			683,303,695.90
200,000 tons/year diacid Project	86,668.00	475,392,169.59	271,553,677.83	746,945,847.42		
Hengsheng Science and Technology R&D Park	65,500.00	225,185,316.21	100,424,873.19	325,610,189.40		
Melamine resin monomer material Project	73,378.00	130,884,333.57	14,084,054.13			144,968,387.70
Gasification Platform Upgrade and Renovation Project	303,905.00		304,997,048.44			304,997,048.44
Miscellaneous Engineering and Small-Scale Technical Upgrades		1,185,084,880.11	736,832,867.67	715,396,187.15		1,206,521,560.63
Methyldopa and series of products production Project	7,385.00	70,346,658.38	1,053,832.26			71,400,490.64
High-end steroid series API construction Project	15,206.00	163,739,883.63	17,509,123.81	113,638,790.49		67,610,216.95
17 hydroxyprogesterone acetate, cortisone acetate steroid hormone series products	4,200.00	24,634,096.69	14,207,140.46			38,841,237.15
Specialty API and Pharmaceutical Intermediate Project	3,850.00		37,172,752.62			37,172,752.62
Southern District Public Works Supporting Project	2,980.00	15,193,321.47	9,574,473.34			24,767,794.81
Workshop 104 Levodopa Expansion and Revamp Project	3,000.00	5,232,347.94	17,898,990.79			23,131,338.73
New warehouse project for pharmaceutical preparations	2,050.00	14,249,420.16	8,643,802.75	9,734.51		22,883,488.40
Logistics warehouse Project	15,597.00	138,283,968.22	9,825,280.70	148,109,248.92		
Annual output of 10,000 tons of 3,3-dichlorobenzidine production Project	11,390.00	103,163,693.25	19,329,682.77	122,493,376.02		
Annual output of 500 tons of resveratraldehyde Project	3,500.00	33,496,498.20	4,042,130.97	37,538,629.17		
103 workshop sodium salt process continuous Project	4,652.00	28,419,648.59	15,281,312.77	43,700,961.36		
301 workshop oral liquid production line Project	3,925.00	23,202,761.07	8,174,690.64	31,377,451.71		
RTO Project	4,255.00	29,005,943.59	12,055,223.08	41,061,166.67		

Project name	Budget	As at 1/1/2025	Additions	Transfer to fixed assets	Other reductions	As at 31/12/2025
GZ-09 (stereoscopic library) Project	10,401.55	53,844,156.44	35,556,829.30	89,400,985.74		
SY-25 Project	9,085.09	7,758,095.26	70,484,212.89			78,242,308.15
FT606-1 Project	4,057.00		9,776,539.34			9,776,539.34
QH Capacity Expansion Project	8,254.44		45,484,895.85			45,484,895.85
Biopesticide Base Construction Project	43,215.00		64,178,760.91			64,178,760.91
Total	1,190,999.08	4,833,630,773.53	4,623,911,477.24	6,634,261,734.55		2,823,280,516.22

Movement of significant construction in progress(Continued)

Project name	Percentage of accumulated input over budget (%)	Construction progress(%)	Accumulated capitalized interest	Including: Interest capitalized in current period	Capitalization rate in current period (%)	Sources of funds
An integrated project with an annual output of 200,000 tons of BDO, 160,000 tons of NMP and 30,000 tons of PBAT biodegradable materials	100.59	100.00	54,887,360.29	29,258,054.52	2.96	Own funds and borrowings
Amide raw material optimization and upgrading Project	96.29	100.00	4,976,932.31	1,403,422.78	2.65	Own funds and borrowings
200,000 tons/year monoacid Project	83.77	90.00	105,348.36	105,348.36	2.71	Own funds and borrowings
200,000 tons/year diacid Project	86.18	100.00	3,026,018.39	1,105,313.43	2.32	Own funds and bor-rowings
Hengsheng Science and Technology R&D Park	49.71	49.71				Own funds
Melamine resin monomer material Project	52.10	52.10	7,599,659.14	4,049,999.52	3.06	Own funds and borrowings
Gasification Platform Upgrade and Renovation Project	10.04	19.75	878,968.40	878,968.40	2.49	Own funds and borrowings
Miscellaneous Engineering and Small-Scale Technical Upgrades			96,477.18	47,568.69	2.82	Own funds and borrowings
Methyldopa and series of products production Project	96.68	98.00				Own funds
High-end steroid series API construction Project	119.20	99.00				Own funds
17 hydroxyprogesterone acetate, cortisone acetate steroid hormone series products	92.48	93.00				Own funds
Specialty API and Pharmaceutical Intermediate Project	96.55	97.00				Own funds
Southern District Public Works Supporting Project	83.11	85.00				Own funds
Workshop 104 Levodopa Expansion and Revamp Project	77.10	85.00				Own funds
New warehouse project for pharmaceutical preparations	111.67	99.00				Own funds
Logistics warehouse Project	94.96	100.00				Own funds

Project name	Percentage of accumulated input over budget (%)	Construction progress(%)	Accumulated capitalized interest	Including: Interest capitalized in current period	Capitalization rate in current period (%)	Sources of funds
Annual output of 10,000 tons of 3,3-dichlorobenzidine production Project	107.54	100.00				Own funds
Annual output of 500 tons of resveratraldehyde Project	107.25	100.00				Own funds
103 workshop sodium salt process continuous Project	93.94	100.00				Own funds
301 workshop oral liquid production line Project	79.94	100.00				Own funds
RTO Project	71.30	100.00				Own funds
GZ-09 (stereoscopic library) Project	66.92	100.00				Own funds
SY-25 Project	68.30	95.00				Own funds
FT606-1 Project	19.23	30.00				Own funds
QH Capacity Expansion Project	54.15	70.00	19,133.13	19,133.13	2.50	Own funds
Biopesticide Base Construc-tion Project	16.11	15.00				Own funds
Total	——	——	71,589,897.20	36,867,808.83	——	——

8.20.3 Construction materials

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Special materials	154,586.78	172,337.16
Construction materials	121,194,071.06	708,420,333.05
Total	121,348,657.84	708,592,670.21

8.21 Right-of-use assets

Item	Balance as at 1/1/2025	Additions	Reductions	Balance as at 31/12/2025
I. Cost	64,604,543.74	11,547,054.03	5,823,082.67	70,328,515.10
Including: Buildings	16,482,584.23	11,547,054.03	4,877,082.97	23,152,555.29
Land assets	48,121,959.51		945,999.70	47,175,959.81
II. Accumulated depreciation	11,925,223.30	9,900,210.14	4,362,084.26	17,463,349.18
Including: Buildings	6,935,646.50	5,448,910.04	3,415,859.29	8,968,697.25
Land assets	4,989,576.80	4,451,300.10	946,224.97	8,494,651.93
III. Provision for impairment				
Including: Buildings				
Land assets				
IV. Carrying amount	52,679,320.44	——	——	52,865,165.92
Including: Buildings	9,546,937.73	——	——	14,183,858.04
Land assets	43,132,382.71	——	——	38,681,307.88

8.22 Intangible assets

Item	Balance as at 1/1/2025	Additions	Reductions	Balance as at 31/12/2025
Ⅰ.Cost	4,916,002,653.40	736,679,124.82	47.17	5,652,681,731.05
Including:Software	79,140,288.10	9,764,114.56		88,904,402.66
Land use rights	3,866,455,017.08	566,200,265.52		4,432,655,282.60
Patent rights	41,018,662.43	14,851.49		41,033,513.92
Non-Patent techniques	565,874,138.51	142,671,765.06	47.17	708,545,856.40
Concessions	327,255,319.04	12,458,022.60		339,713,341.64
Others	36,259,228.24	5,570,105.59		41,829,333.83
II. Accumulated depreciation	840,637,671.31	213,958,345.28		1,054,596,016.59
Including:Software	45,728,597.68	7,422,079.94		53,150,677.62
Land use rights	549,139,937.77	84,527,663.24		633,667,601.01
Patent rights	7,360,607.64	19,889,553.61		27,250,161.25
Non-Patent techniques	186,558,736.77	89,356,510.31		275,915,247.08
Concessions	29,575,187.21	10,843,561.86		40,418,749.07
Others	22,274,604.24	1,918,976.32		24,193,580.56
III. Provision for impairment	14,241,334.64	429,702.25		14,671,036.89
Including:Software	381,560.97			381,560.97
Land use rights				
Patent rights				
Non-Patent techniques	7,496,862.02			7,496,862.02
Concessions				
Others	6,362,911.65	429,702.25		6,792,613.90
IV. Carrying amount	4,061,123,647.45	——	——	4,583,414,677.57
Including:Software	33,030,129.45	——	——	35,372,164.07
Land use rights	3,317,315,079.31	——	——	3,798,987,681.59
Patent rights	33,658,054.79	——	——	13,783,352.67
Non-Patent techniques	371,818,539.72	——	——	425,133,747.30
Concessions	297,680,131.83	——	——	299,294,592.57
Others	7,621,712.35	——	——	10,843,139.37

8.23 Development expenditures

Project	Balance as at 1/1/2025	Additions		Reductions			Balance as at 31/12/2025
		Internally development expenditures	Others	Recognised as intangible assets	Profit or loss	Others	
CIGB-814 Project	37,509,683.27						37,509,683.27
TRN-157 Project	14,012,108.25						14,012,108.25
Technology development of respiratory system		1,698,113.21					1,698,113.21

Project	Balance as at 1/1/2025	Additions		Reductions			Balance as at 31/12/2025
		Internally development expenditures	Others	Recognised as intangible assets	Profit or loss	Others	
drugs							
Technology development of anti-tumor drugs	27,152,883.02	3,625,616.97		8,001,886.79			22,776,613.20
Technology development of immune system drugs	5,727,624.14	2,125,670.19					7,853,294.33
Technology development of systemic anti-infection drugs	3,050,000.00	5,273,962.26					8,323,962.26
Technology development of nervous system drugs	2,178,528.30	7,470,841.99					9,649,370.29
Technology development of cardiovascular and cerebrovascular drugs	7,736,866.65	12,024,874.52		6,480,519.47			13,281,221.70
ST process development	24,531,187.36	9,391,378.98		25,409,358.81			8,513,207.53
Production technology of high-activity Rhodobacter and fluorescent Pseudomonas products	5,381,426.34			5,381,426.34			
Development of ibuprofen injection solution		9,764,150.95					9,764,150.95
Total	127,280,307.33	51,374,609.07		45,273,191.41			133,381,724.99

8.24 goodwill

8.24.1 Cost of goodwill

Item	Balance as at 1/1/2025	Additions	Reductions	Balance as at 31/12/2025
Xinhua Pharmaceutical (Gaomi) Co., Ltd.	2,715,585.22			2,715,585.22
Total	2,715,585.22			2,715,585.22

8.24.2 Provision for impairment of goodwill

Item	Balance as at 1/1/2025	Additions	Reductions	Balance as at 31/12/2025
Xinhua Pharmaceutical (Gaomi) Co., Ltd.	2,715,585.22			2,715,585.22
Total	2,715,585.22			2,715,585.22

8.25 Long-term deferred expenses

Item	Balance as at 1/1/2025	Additions	Amortization	Reductions	Balance as at 31/12/2025
Technical compensation	195,135,135.14		30,810,810.81		164,324,324.33
Technology Royalties	51,818,181.82		8,181,818.18		43,636,363.64

Item	Balance as at 1/1/2025	Additions	Amortization	Reductions	Balance as at 31/12/2025
catalyst	20,613,687.34	7,751,130.93	10,313,842.96		18,050,975.31
Environmental protection R&D base 3# workshop usage fee	12,073,170.73		365,853.66		11,707,317.07
Asset renovation expense	6,428,686.46	870,225.85	1,387,842.86		5,911,069.45
Gene and Cell Engineering Research Center Project	6,407,918.96		1,708,778.40		4,699,140.56
Compensation for agricultural irrigation facilities and water rights	3,333,333.68		3,333,333.68		
Renovation and renovation fees for the Pharmaceutical Innovation Park	2,054,546.72		2,054,546.72		
Renovation costs for health technology new function complex buildings	839,626.69		214,754.16		624,872.53
Temporary land use projects	611,772.29	263,296.00	673,537.37		201,530.92
Renovation and renovation fees for leased assets	571,634.11		244,985.98		326,648.13
Ph.D. settling-in allowance	550,000.00	1,109,472.95	226,378.10		1,433,094.85
others	683,604.65	357,996.02	369,685.05		671,915.62
Total	301,121,298.59	10,352,121.75	59,886,167.93		251,587,252.41

8.26 Deferred tax assets and deferred tax liabilities

8.26.1 Deferred tax assets and deferred tax liabilities before offsetting

Item	As at 31/12/2025		As at 1/1/2025	
	Deductible or taxable temporary differences	Deferred tax assets or liabilities	Deductible or taxable temporary differences	Deferred tax assets or liabilities
Deferred tax assets:				
Provisions for impairment of assets	884,381,822.08	137,834,641.76	807,596,318.68	126,865,520.03
Withholding Expenses	768,692,518.92	115,497,780.39	634,438,832.48	95,366,737.62
Deferred earnings	200,250,742.62	29,963,937.78	23,939,798.56	3,916,967.16
Fixed assets	70,417,405.11	10,798,628.96	87,812,478.00	13,692,834.01
Unrealized profits from insider trading	99,067,593.58	14,423,926.82	94,175,632.66	20,367,155.65
Deductible losses	131,608,393.31	19,842,895.92	325,680,332.84	48,999,664.16
Share-based payments	122,025,293.34	18,304,544.92	221,229,815.39	33,321,924.81
Changes in the fair value of financial assets measured at fair value through profit or loss	17,116,788.15	4,279,197.05	13,722,627.64	3,430,656.91
Lease liabilities	59,577,007.01	8,851,938.78	66,026,179.67	10,488,334.51
Provision	38,125,491.78	7,864,462.82	40,312,592.12	7,561,118.32
Changes in the fair value of financial assets through other comprehensive income	20,261,096.52	3,159,164.48	17,768,703.06	2,785,305.46
Government grant for demolition and relocation	94,018,752.87	14,102,812.93		

Item	As at 31/12/2025		As at 1/1/2025	
	Deductible or taxable temporary differences	Deferred tax assets or liabilities	Deductible or taxable temporary differences	Deferred tax assets or liabilities
Subtotal	2,505,542,905.29	384,923,932.61	2,332,703,311.10	366,796,218.64
Deferred tax liabilities:				
Depreciation of fixed assets	1,051,608,665.11	162,812,927.40	1,210,529,379.16	187,557,168.37
Right-of-use assets	61,340,628.50	9,183,549.33	65,808,169.19	10,733,424.62
Fair value changes in other equity instrument investments	330,323,174.63	54,990,781.23	225,944,771.40	35,182,406.25
Subtotal	1,443,272,468.24	226,987,257.96	1,502,282,319.75	233,472,999.24

8.27 Other non-current assets

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Prepayment for long-term assets	1,742,941,332.04	1,767,536,801.91
Prepayment for the purchase of patented technology	56,054,662.52	57,229,962.42
Large certificates of deposit		541,258,333.32
House demolition	6,162,663.99	4,128,039.43
Others	2,249,430.76	2,249,430.76
Total	1,807,408,089.31	2,372,402,567.84

8.28 Short-term loans

Borrowing condition	Balance as at 31/12/2025	Balance as at 1/1/2025
Secured loans	10,000,000.00	9,000,000.00
Guarantee loans	454,918,658.24	780,000,000.00
Loans on credit	1,543,029,557.59	455,641,911.77
Bill financing	601,150,000.00	373,361,459.73
Subtotal	2,609,098,215.83	1,618,003,371.50
Interest payable	5,313,500.50	5,068,828.62
Total	2,614,411,716.33	1,623,072,200.12

8.29 Notes payable

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Bank acceptance notes	1,011,270,031.79	1,964,068,364.74
Commercial acceptance notes	33,516,605.13	
Total	1,044,786,636.92	1,964,068,364.74

8.30 Accounts payable

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Within 1 year (including 1 year)	3,222,636,776.31	3,966,075,269.41

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
1-2 years (including 2 year)	600,112,126.00	930,257,464.21
2-3 years (including 3 year)	247,082,206.63	72,577,351.49
More than 3 year	185,755,723.75	170,234,049.17
Total	4,255,586,832.69	5,139,144,134.28

8.30.1 Significant accounts payable with aging over 1 year

Creditor	Balance as at 31/12/2025	Reasons for non-reimbursement or non-carry-over
Rizhao Liyu Construction Engineering Co., Ltd.	22,263,479.93	Not settled yet
Shanghai Jierang Environmental Technology Co., Ltd.	19,619,109.19	Not settled yet
Jining Hehai Hydraulic Engineering Co., Ltd.	19,027,522.95	Not settled yet
Anguo Shenjie Environmental Protection Technology Co., Ltd.	13,963,699.11	Not settled yet
Zhongning Construction Engineering Co., Ltd.	11,725,688.11	Not settled yet
Qingdao Spring Water Treatment Co., Ltd.	11,199,122.97	Not settled yet
Shandong Maotong Municipal Engineering Co., Ltd.	10,274,258.17	Not settled yet
Shijiazhuang Meirun Environmental Protection Technology Co., Ltd.	8,745,201.57	Not settled yet
Zhujiu Construction Group Co., Ltd.	8,251,459.78	Not settled yet
Jining Runze Environmental Technology Co., Ltd.	7,639,558.40	Not settled yet
Shandong Luhuan Environmental Protection Technology Co., Ltd.	7,255,822.45	Not settled yet
Shouguang Dexin Construction and Installation Co., Ltd.	7,174,722.52	Not settled yet
Shandong Haoshun Industrial Co., Ltd.	6,972,477.41	Not settled yet
Zhuozheng Construction Engineering Co., Ltd.	6,377,557.69	Not settled yet
Shandong Ceyu Construction Engineering Co., Ltd.	6,244,199.07	Not settled yet
Guangdong Xiangyu Construction Engineering Co., Ltd.	5,815,932.08	Not settled yet
Heilongjiang Thermal Power No.3 Engineering Company Dezhou Branch	5,688,014.98	Not settled yet
Ningxia Kaidatong Construction Engineering Co., Ltd.	5,615,187.01	Not settled yet
Shandong Guyu Agriculture and Forestry Technology Co., Ltd.	5,535,080.28	Not settled yet
Shandong Junhui Construction Group Co., Ltd.	5,378,779.02	Not settled yet
Total	194,766,872.69	——

8.31 Advances from customers

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Within 1 year (including 1 year)	3,712,910.38	3,767,179.92
More than 1 year	21,038.75	1,991.00
Total	3,733,949.13	3,769,170.92

8.32 Contract liabilities

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Unearned revenue on sales	1,114,811,620.93	920,962,798.25
Total	1,114,811,620.93	920,962,798.25

8.33 Employee benefits payable

8.33.1 Movement of employee benefits payable

Item	As at 1/1/2025	Accrued	Paid	As at 31/12/2025
Short-term employee benefits	548,166,519.90	3,518,461,214.20	3,525,332,419.01	541,295,315.09
Post-employment benefits — defined contribution plans	24,075.25	523,952,430.65	523,946,915.24	29,590.66
Termination benefits		813,021.13	813,021.13	
Other benefits due within one year				
Total	548,190,595.15	4,043,226,665.98	4,050,092,355.38	541,324,905.75

8.33.2 Details of the short-term employee benefits

Item	As at 1/1/2025	Accrued	Paid	As at 31/12/2025
Salaries, bonus, and allowances	302,690,958.08	2,810,308,838.90	2,799,905,206.97	313,094,590.01
Staff welfare	23,618,870.45	144,045,069.53	144,045,069.53	23,618,870.45
Social insurances	45,041.70	222,787,832.22	222,784,735.77	48,138.15
Including: Medical insurance	28,216.90	201,988,027.39	201,985,018.98	31,225.31
Work injury insurance	84.80	20,434,428.87	20,434,340.83	172.84
Supplemental Health Insurance				
Others	16,740.00	365,375.96	365,375.96	16,740.00
Housing Fund	1,037,382.80	275,813,189.83	275,866,430.19	984,142.44
Union funds and employee education fee	220,726,266.87	35,539,513.19	52,718,816.02	203,546,964.04
Others	48,000.00	29,966,770.53	30,012,160.53	2,610.00
Total	548,166,519.90	3,518,461,214.20	3,525,332,419.01	541,295,315.09

8.33.3 Defined contribution plans

Item	As at 1/1/2025	Accrued	Paid	As at 31/12/2025
Primary endowment insurance	23,810.25	398,721,347.84	398,715,999.56	29,158.53
Unemployment insurance	265.00	17,449,284.81	17,449,117.68	432.13
Pension insurance		107,781,798.00	107,781,798.00	
Total	24,075.25	523,952,430.65	523,946,915.24	29,590.66

8.34Taxes and surcharges payable

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Enterprise income tax	177,612,499.82	132,675,502.12

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Value added tax	40,449,017.02	81,107,310.50
Individual income tax	17,502,478.20	16,894,694.15
Estate tax	19,169,440.40	15,984,261.50
Urban maintenance and construction tax	5,342,510.37	9,710,839.33
Land use tax	8,317,818.89	9,422,050.74
stamp duty	7,247,623.90	8,572,987.41
Water tax	6,807,962.20	5,972,194.40
Educational surtax	2,422,800.23	4,705,815.28
Environmental Protection Tax	2,534,986.48	2,455,210.09
Local Education Add-on	1,392,780.03	2,227,686.85
Deed tax	1,008,000.00	
Local Water Conservancy Construction Fund		50.46
Other taxes and surcharges	596,427.22	709,796.61
Total	290,404,344.76	290,438,399.44

8.35 Other payables

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Dividends payable	6,991,505.02	15,973,505.02
Other payables	869,458,825.91	1,070,977,929.11
Total	876,450,330.93	1,086,951,434.13

8.35.1 Dividends payable

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Dividends payable by subsidiaries to minority shareholders	6,991,505.02	15,973,505.02
Total	6,991,505.02	15,973,505.02

8.35.2 Other payables

8.35.2.1 Other payables by nature

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Payments payable for engineering equipment	307,972,563.02	372,386,955.59
Current Payments	126,926,395.64	178,921,088.13
Deposits, security deposits	129,344,307.07	142,755,115.62
Collect and pay on behalf of others	2,950,487.07	2,465,927.37
Restricted share repurchase obligations	58,264,203.47	122,468,199.17
Risk fund for private placement	1,400,000.00	1,600,000.00
Power fees, consulting fees, etc		48,419,626.35
Preparation for LAT liquidation		27,700,113.53

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Warranty	10,296.00	10,296.00
Others	242,590,573.64	174,250,607.35
Total	869,458,825.91	1,070,977,929.11

8.35.2.2 Significant other payables aging over 1 year:

Creditor	Balance as at 31/12/2025	Reasons for non-reimbursement or non-carry-over
Shandong Minsheng Coal Chemical Co., Ltd.	4,640,000.00	Unsettled
Shandong Lukang Sanye Pharmaceutical Co., Ltd.	2,640,445.61	Unsettled
Qingdao Dongxin Industrial Co., Ltd.	2,477,779.42	The company has been dissolved.
Jingxian Guangxia Real Estate Development Co., Ltd.	1,588,657.10	Unsettled
Dongfang Kaifu (Beijing) Investment Co., Ltd.	1,000,000.00	Involved in litigation
Total	12,346,882.13	——

8.36 Non-current liabilities due within one year

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Long-term loans due within one year	4,257,431,409.57	2,330,657,384.62
Long-term bonds due within one year	2,128,690,178.67	15,723,167.84
Lease liabilities due within one year	9,708,379.13	10,233,636.67
Total	6,395,829,967.37	2,356,614,189.13

8.37 Other current liabilities

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
The amount of tax to be re-sold	157,352,041.98	148,928,274.13
Unrecognized notes receivable	36,855,557.74	42,360,487.39
Others		43,518.10
Total	194,207,599.72	191,332,279.62

8.38 Long-term loans

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Guarantee loans	8,419,346,803.34	8,760,693,276.48
Loans on credit	2,507,490,880.08	3,604,452,616.53
Pledge loans	187,663,820.00	197,663,820.00
Secured loans	54,784,000.00	
Total	11,169,285,503.42	12,562,809,713.01

8.39 Bonds payable

8.39.1 Bonds payable by categories:

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Corporate bonds	1,000,000,000.00	2,671,366,830.47
Total	1,000,000,000.00	2,671,366,830.47

8.39.2 Movement of bonds payable

Bond name	Par value	Issue date	Bond period	The amount of the issue	Balance as at 1/1/2025
Hualu Group's US dollar bonds	1,918,800,000.00	2021/10/27	5 years	1,918,800,000.00	2,171,366,830.47
24 Hualu K1	500,000,000.00	2024/5/24	5 years	500,000,000.00	500,000,000.00
25Hualu K1	500,000,000.00	2025/1/6	5 years	500,000,000.00	
Total	2,918,800,000.00	——	——	2,918,800,000.00	2,671,366,830.47

Movement of bonds payable (Continued)

Bond name	Issue in current period	Interest accrued on par value	Amortization of premium or discount	Adjusted to Non-current liabilities due within one year	Balance as at 31/12/2025
Hualu Group's US dollar bonds		47,361,600.00	-59,230,350.43	47,361,600.00	2,112,136,480.04
24 Hualu K1		19,781,095.89		12,300,000.00	507,481,095.89
25Hualu K1	500,000,000.00	9,072,602.74			509,072,602.74
Total	500,000,000.00	76,215,298.63	-59,230,350.43	59,661,600.00	3,128,690,178.67

Note: The accrued interest on Hualu K1 calculated at par value as of the period end has been reclassified to non-current liabilities due within one year; the ending balance of Hualu Group's USD bonds includes non-current liabilities due within one year of RMB 2,112,136,480.04.

8.40 Lease liabilities

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Lease payment	57,860,668.79	60,197,885.44
Less: Unrealized finance expense	6,981,689.25	8,283,364.58
Lease liabilities due within one year	9,708,379.13	10,233,636.67
Total	41,170,600.41	41,680,884.19

8.41 Long-term payables

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Long-term payables		121,857,705.00
Special payables	27,211,098.47	24,211,098.47
Total	27,211,098.47	146,068,803.47

8.41.1 Long-term payables by category

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Shandong Zhengfang Industrial Development Co. Ltd.		121,857,705.00

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Total		121,857,705.00

8.41.2.Top 5 Special payables in ending balance by debtor

Item	Balance as at 1/1/2025	Accrued	Paid	Balance as at 31/12/2025
Industrialization project of new continuous synthesis technology	21,500,000.00	3,000,000.00		24,500,000.00
Pharmaceutical Reserve Fund	2,000,000.00			2,000,000.00
Veterinary raw materials	600,000.00			600,000.00
Research on the key points of prevention and management of air pollution prevention and control of typical regional energy	62,499.00			62,499.00
Strategic Environmental Assessment of the Central Plains Economic Zone	22,212.30			22,212.30
Total	24,184,711.30	3,000,000.00		27,184,711.30

8.42 Provisions

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Guarantees for third parties	20,750,786.02	20,750,786.02
Restructuring obligations	16,669,101.27	25,170,297.07
Expenditure on asset replacement and overhaul	21,456,390.51	15,142,295.03
Total	58,876,277.80	61,063,378.12

Notes1: In 1997, in accordance with the requirements of the relevant merger policy of the Zibo Municipal Government, Shandong Xinhua Pharmaceutical Group Co., Ltd. (hereinafter referred to as "Xinhua Group"), the atomic company of the Company, successively merged three loss-making enterprises, including Shandong Zibo Acid Plant, Zibo Dongfeng Chemical Plant and Shandong Dongda Group, and accordingly undertook the bank loan guarantee liability of the aforesaid three enterprises. Among them, the Zibo Dongfeng Chemical Plant (later changed to Shandong Xinhua Dongfeng Chemical Company), which was merged by Xinhua Group on March 31, 2003, provided four bank loan guarantees and assumed joint and several guarantee liability. The principal of the four loans was RMB 12.917 million , and the accumulated interest arrears as of December 31, 2009 were RMB 6.6338 million, with a total principal and interest of RMB 19.5508 million. As of December 31, 2010, Xinhua Group estimated that the interest payable for this year was about RMB 1.20 million according to the reminder notice delivered by ICBC in 2009, which was recognized as a projected liability, and a total of RMB 20.7508 million was recognized as a total of estimated liabilities.

After the resolution of the 3rd meeting of the board of directors of the company in 2018, Shandong Xinhua Group Co., Ltd. was "sub-redivided", and Xinhua Group was cancelled after the merger was absorbed by Hualu Holding Group Co., Ltd. and Xinhua Branch was established.

2: Description of restructuring obligations: The company was originally a public institution under the Shandong Provincial Environmental Protection Department, and in 2016, according to the Shandong Provincial Environmental Protection Department's "Instructions on Applying for the Adjustment of the Transformation and Restructuring Plan of Shandong Environmental Protection Research and Design Institute" (Lu Huanfa [2016] No. 44) and the Shandong Provincial People's Government's "Approval on Agreeing to the Transformation of Shandong Environmental Protection Research and Design Institute into a State-owned Enterprise" (Lu Zheng Zi [2016] No. 90) document, it began to transform into a state-owned enterprise. The number of employees who resign or choose to join the enterprise, and the expected wages, social insurance premiums and economic compensation to be borne shall be included in the estimated liabilities-restructuring obligations as the restructuring costs of the transformation of public

institutions into state-owned enterprises.

8.43 Deferred income

Item	Balance as at 1/1/2025	Increase	Decrease	Balance as at 31/12/2025
Government grants	341,765,199.45	214,861,369.00	50,438,655.16	506,187,913.29
Others	31,739,924.85	7,065,751.38	6,432,506.30	32,373,169.93
Total	373,505,124.30	221,927,120.38	56,871,161.46	538,561,083.22

Deferred income from government grants

Item	type	Balance as at 1/1/2025	Increase	Recorded in profit or loss for current period	Amount returned in the current period	Other movement	Balance as at 31/12/2025
Government subsidy income for renovation of old residential district heating pipe network	Asset-related	71,284,978.30	9,921,800.00	5,083,086.03			76,123,692.27
Special fund for oxo synthesis project	Earnings related	415,178.52		160,714.28			254,464.24
Special fund for flue gas desulfurization renovation project	Asset-related	571,428.60		142,857.16			428,571.44
Special fund for traditional industry upgrade and clean production comprehensive utilization	Earnings related	1,888,928.58		276,428.56			1,612,500.02
Special fund for air pollution prevention and control	Earnings related	3,699,999.99		528,571.44			3,171,428.55
Special fund for industrial development equipment upgrade	Asset-related	1,096,653.79		107,867.60			988,786.19
Special fund for intelligent technology transformation equipment	Asset-related	744,646.35		62,487.80			682,158.55
2021 Provincial high-quality manufacturing development special fund	Earnings related	3,090,773.81		239,285.76			2,851,488.05
Technology development for 1,4-butynediol catalytic equipment, a key intermediate of degradable plastics	Earnings related	3,826,875.00					3,826,875.00
Phase I of new high-end material project of Nylon 66	Asset-related	1,290,000.00		92,142.84			1,197,857.16
First batch of 2025 central ultra-long term special treasury bonds	Asset-related		35,000,000.00	1,073,619.63			33,926,380.37
Government-paid subsidy from ultra-long term special treasury bonds	Asset-related		10,993,564.00	160,768.50			10,832,795.50
Follow-up fund of 2021 high-quality development special project	Asset-related		6,650,000.00	267,785.22			6,382,214.78
2025 Provincial science and technology innovation special fund	Asset-related		450,000.00				450,000.00
Modern pharmaceutical international cooperation center project	Asset-related	30,724,966.00		7,581,115.20			23,143,850.80
Comprehensive air pollution control project for recovery of dichloromethane and other organic gases	Asset-related	13,947,250.00		3,561,000.00			10,386,250.00
Injection GMP renovation project (high-end new pharmaceutical preparation industrialization	Asset-related	14,240,600.00		1,941,900.00			12,298,700.00

Item	type	Balance as at 1/1/2025	Increase	Recorded in profit or loss for current period	Amount returned in the current period	Other movement	Balance as at 31/12/2025
project)							
Equipment-related government grants	Asset-related	6,184,383.46		1,071,399.96			5,112,983.50
Hormone series product technical transformation project	Asset-related	2,002,894.33		596,477.76			1,406,416.57
Common key technology innovation and industrial chain system construction of steroid drugs	Earnings related	2,263,333.41		279,999.96			1,983,333.45
Solid preparation international cooperation project	Asset-related	1,883,333.31		200,000.04			1,683,333.27
Aspirin technical transformation project (matching fund for national major science and technology projects)	Asset-related	1,566,666.78		399,999.96			1,166,666.82
Research and industrialization of polycarbophil calcium and its tablets	Earnings related	1,314,159.67		336,302.52			977,857.15
High-efficiency core industrial enzymes	Asset-related	1,600,650.00					1,600,650.00
Calcium acetylacetonate renovation project	Asset-related	1,350,000.00		200,000.00			1,150,000.00
Development of medicinal-grade EPA raw materials and preparations	Asset-related		3,480,000.00				3,480,000.00
New 2,000 m³/day wastewater treatment system construction project at Dongyuan	Asset-related	933,999.88		467,000.04			466,999.84
Intelligent upgrading of APIs in No.1 plant	Asset-related	943,174.91		121,700.04			821,474.87
Green key technology and continuous system construction of caffeine	Earnings related	880,000.18		159,999.96			720,000.22
Environmental protection equipment subsidy	Asset-related	2,977,476.23		638,761.90			2,338,714.33
Special science and technology fund	Earnings related	648,951.70		111,248.86			537,702.84
Enterprise development support fund	Earnings related	14,805,890.21		4,374,121.67			10,431,768.54
Science and technology innovation platform construction special fund	Asset-related	10,946,683.90		1,304,611.42			9,642,072.48
Special fermented raw material drug construction project	Asset-related	3,361,111.12		333,333.33			3,027,777.79
Shandong Provincial key R&D plan major scientific and technological innovation project fund	Earnings related	6,130,960.00		3,259,531.43			2,871,428.57

Item	type	Balance as at 1/1/2025	Increase	Recorded in profit or loss for current period	Amount returned in the current period	Other movement	Balance as at 31/12/2025
Enterprise development support fund	Asset-related	6,853,114.32		571,092.86			6,282,021.46
2020 central subsidy for emergency supplies guarantee system construction	Asset-related	5,454,533.64		500,000.00			4,954,533.64
Industrial enterprise technical transformation award fund	Asset-related	1,615,238.10		151,428.57			1,463,809.53
Post-performance evaluation subsidy for industrial technology research institute annual assessment	Earnings related	2,571,428.64		214,285.69			2,357,142.95
Energy conservation project fiscal reward fund	Earnings related	2,426,666.66		186,666.67			2,239,999.99
Special fund for key core technology breakthroughs (project construction investment)	Asset-related	14,934,000.00		1,368,000.00			13,566,000.00
Subsidy for industrial VOCs treatment technology upgrade project in Lukang biopharmaceutical circular economy industrial park	Asset-related	6,500,000.00	14,360,000.00	153,846.34			20,706,153.66
Lukang pharmaceutical preparation production line intelligent equipment renewal and transformation project	Asset-related		1,550,000.00				1,550,000.00
Demonstration and application of thousand-ton scale production of trans-aconitate ester plasticizer	Asset-related	235,125.00	64,900.00				300,025.00
Enterprise support fund from Jining High-tech Zone Finance Bureau	Earnings related	15,000,000.00		1,071,428.57			13,928,571.43
2023 Central infrastructure investment fund	Earnings related	36,707,999.89		3,192,000.00			33,515,999.89
Phase III of biopharmaceutical circular economy industrial park project	Asset-related	28,783,132.23		602,582.66			28,180,549.57
Municipal enterprise technical transformation support fund (greenization)	Asset-related		915,000.00	49,459.46			865,540.54
Central subsidy for emergency supplies guarantee system construction	Earnings related	1,700,000.00		300,000.00			1,400,000.00
Innovation and entrepreneurship post-subsidy fund	Earnings related	1,270,333.35		148,000.00			1,122,333.35
Special fund for emerging industries and key sectors development	Earnings related	74,186.06		50,000.04			24,186.02
Regional strategy promotion special fund	Earnings related	1,121,647.15		300,000.00			821,647.15
VOCs waste gas treatment project subsidy	Asset-related	1,606,249.86		183,571.44			1,422,678.42

Item	type	Balance as at 1/1/2025	Increase	Recorded in profit or loss for current period	Amount returned in the current period	Other movement	Balance as at 31/12/2025
Zoucheng 2024 second batch ultra-long term special treasury bond fund supporting equipment renewal – premix agent construction project (automated closed high-efficiency mixing production process)	Asset-related		3,750,000.00	296,052.66			3,453,947.34
Biopharmaceutical industrial park project subsidy fund	Asset-related		121,857,705.00	834,612.90			121,023,092.10
60% advance of innovation project support fund	Earnings related	169,200.00		169,200.00			
R&D and demonstration application of ecological environment cloud center platform	Asset-related	1,884,316.08	1,630,000.00	412,964.69			3,101,351.39
Industrial wastewater treatment technology and industrialization application patent navigation	Earnings related		150,000.00				150,000.00
Research on evaluation index system for ecological and environmental science and technology achievements transformation	Earnings related	38,293.02		38,293.02			
Public project of testing company	Earnings related	237,871.48					237,871.48
R&D and demonstration application of multi-user information management system for ecological environment laboratory	Asset-related	60,731.05					60,731.05
Shandong new pollutants smart cloud monitoring platform construction research	Earnings related		920,000.00	692,099.82			227,900.18
R&D and application of high-performance materials and equipment technology from synergistic preparation of red mud-based solid waste	Earnings related	200,889.53		107,597.88			93,291.65
Construction of sustainable wastewater treatment system based on resource and energy recovery and development of high-end equipment	Asset-related	991,429.42		770,301.73			221,127.69
R&D and application of intelligent monitoring, dosing and control system for wastewater treatment based on water quality model calculation	Asset-related	41,903.00		28,783.38			13,119.62
R&D and integrated application of typical organic contaminated soil remediation technology in the Yellow River basin	Earnings related	224,811.83	80,000.00	304,811.83			
R&D and integrated application of odor treatment technology system for typical industries	Earnings related	139,314.56		139,314.56			

Item	type	Balance as at 1/1/2025	Increase	Recorded in profit or loss for current period	Amount returned in the current period	Other movement	Balance as at 31/12/2025
Technology and demonstration of high-efficiency purification and water recycling of integrated tannery park wastewater	Earnings related		1,458,000.00	12,491.97			1,445,508.03
Research and application of reduction treatment system equipment for hazardous waste sludge and high-concentration liquid waste	Earnings related		566,400.00	231,805.45			334,594.55
Research and demonstration of comprehensive prevention of water source and drinking water safety and key technology to improve water environmental capacity of river basins	Earnings related		1,064,000.00	1,064,000.00			
Development and application demonstration of new multi-functional water ecological filler	Earnings related	476,335.29		269,446.44			206,888.85
Key technology R&D and demonstration application project of emergency control of groundwater in industrial agglomeration area based on accurate prediction of migration pathways	Earnings related	420,000.00		52,358.49			367,641.51
Others	Asset-related	3,410,501.26		838,039.17			2,572,462.09
Total	——	341,765,199.45	214,861,369.00	50,438,655.16			506,187,913.29

8.44 Other non-current liabilities

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Authorized reserve fund	3,561,500.00	3,561,500.00
Equity payments		3,000,000.00
Total	3,561,500.00	6,561,500.00

8.45 Paid-in Capital

Item	Balance as at 1/1/2025		Increase	Decrease	Balance as at 31/12/2025	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)
State-owned Assets Supervision and Administration Commission of Shandong People's Government	1,835,700,000.00	59.16			1,835,700,000.00	59.16
Shandong Caixin Asset Operation Co., Ltd.	262,200,000.00	8.45			262,200,000.00	8.45
Shandong Finance investment Group Co. Ltd.	377,700,000.00	12.17			377,700,000.00	12.17
Shandong Development Investment Holding Group Co. Ltd.	103,000,000.00	3.32	524,400,000.00		627,400,000.00	20.22
Shandong Guohui Investment Co. Ltd.	524,400,000.00	16.90		524,400,000.00		
Total	3,103,000,000.00	100.00	524,400,000.00	524,400,000.00	3,103,000,000.00	100.00

8.46 Capital reserve

Item	Balance as at 1/1/2025	Increase	Decrease	Balance as at 31/12/2025
I. Capital premiums	1,156,037,376.26		61,478,922.98	1,094,558,453.28
II. Other capital reserve	224,284,760.11	25,131,309.29	129,940,135.04	119,475,934.36
Total	1,380,322,136.37	25,131,309.29	191,419,058.02	1,214,034,387.64

Notes:1. The reduced share capital premium for the current period is the amount that should be reduced by the company to repurchase and cancel the restricted shares held by the incentive recipients who have been transferred out of the company and retired;

2. The increase in other capital reserves is due to the recognition of deferred tax assets based on the estimated amount of future pre-tax deduction based on the stock price at the end of the period and the amount of taxable income likely to be obtained in the future according to the accrual of equity instrument expenses during the waiting period and the grant of stock option incentive plans.

3. The decrease in other capital reserve is caused by the conversion of other capital reserve into premium after the exercise of stock options and the pre-tax deduction allowed to offset the capital reserve corresponding to the remaining deferred tax assets after the full exercise of the equity incentive plan granted in previous years.

8.47 Other comprehensive income

Item	Balance as at 1/1/2025	Movement in the year					Balance as at 31/12/2025
		Amount before tax	Less: OCI in prior periods transfer in profit or loss for the current period	Less: income tax	Amount after tax attributable to the Company	Amount after tax attributable to minority interests	
Ⅰ.OCI items which will not be reclassified subsequently to profit or loss	163,711,442.26	106,598,880.02	186,455.06	19,496,667.64	73,263,241.85	13,652,515.47	236,974,684.11
Including: Fair value changes in other equity instrument investments	163,711,442.26	106,598,880.02	186,455.06	19,496,667.64	73,263,241.85	13,652,515.47	236,974,684.11
Ⅱ.OCI items which will be reclassified subsequently to profit or loss	-15,460,086.86	42,936,632.92			44,530,476.49	-1,593,843.57	29,070,389.63
Including: Gain or loss from fair value changes of other debt instruments	23,357,542.50	29,525,314.59			29,525,314.59		52,882,857.09
Translation differences from translation of foreign currency financial statements	-38,817,629.36	13,411,318.33			15,005,161.90	-1,593,843.57	-23,812,467.46
Total of OCI	148,251,355.40	149,535,512.94	186,455.06	19,496,667.64	117,793,718.34	12,058,671.90	266,045,073.74

8.48Special reserve

Item	Balance as at 1/1/2025	Increase	Decrease	Balance as at 31/12/2025
Safety costs	16,792,517.64	42,915,395.53	36,551,662.20	23,156,250.97
Total	16,792,517.64	42,915,395.53	36,551,662.20	23,156,250.97

8.49 Surplus reserve

Item	Balance as at 1/1/2025	Increase	Decrease	Balance as at 31/12/2025
Statutory surplus reserve	264,032,477.34	44,314,852.99		308,347,330.33
Total	264,032,477.34	44,314,852.99		308,347,330.33

8.50 Retained earnings

Item	Period from Jan to Dec 2025	Period from Jan to Dec 2024
Retained earnings as at 1/1/2025	10,703,819,127.03	9,268,183,346.86
Opening balance adjustment：changes in accounting policies		
Retained earnings as at 1/1/2025 after adjustment	10,703,819,127.03	9,268,183,346.86
Add: Net profit attributable to the Company during the year	1,411,134,391.23	1,883,096,886.96
Other comprehensive income is transferred to retained earnings	145,847.35	4,443,432.99
Less: Appropriation of statutory surplus reserve	44,314,852.99	66,602,539.78
Common share dividends payable	508,436,200.00	385,302,000.00
Other comprehensive income is transferred to retained earnings		
Retained earnings as at 31/12/2025	11,562,348,312.62	10,703,819,127.03

8.51 Operating income and operating costs

Item	Period from Jan to Dec 2025		Period from Jan to Dec 2024	
	Income	Costs	Income	Costs
I. Primary operating business	48,537,394,363.16	39,318,775,111.77	51,524,935,381.42	41,210,277,280.24
High-end chemical industry	31,054,172,350.51	25,061,995,485.60	34,314,825,675.05	27,879,101,800.61
Biomedical industry	14,520,837,524.57	11,603,449,967.72	14,699,399,971.46	11,164,229,578.23
Ecological and environmental protection	916,385,214.76	601,083,751.17	964,285,150.95	638,818,476.21
Others	2,045,999,273.32	2,052,245,907.28	1,546,424,583.96	1,528,127,425.19
II. Other operating business	18,349,080.43	10,553,208.00	21,670,544.47	11,255,191.29
Financial leasing	4,912,440.70		6,753,793.03	939,443.45
Others	13,436,639.73	10,553,208.00	14,916,751.44	10,315,747.84
Total	48,555,743,443.59	39,329,328,319.77	51,546,605,925.89	41,221,532,471.53

8.52 Taxes and surcharges

Item	Period from Jan to Dec 2025	Period from Jan to Dec 2024
Urban maintenance and construction tax	101,812,116.85	99,135,835.49
Estate tax	73,276,920.58	59,896,733.20
Land use tax	38,682,886.29	41,577,325.89
Local educational surtax	24,245,377.42	36,345,580.07
Educational surcharge	48,561,300.91	34,568,027.58
Stamp duty	31,163,356.61	32,069,669.92
Water resource tax	28,003,233.10	4,305,939.20
Vehicle and vessel usage tax	117,208.78	165,280.07
Water conservancy construction fund	6,504.75	43,053.50
Environmental protection tax	11,515,596.40	
Others	80,951.99	32,246,603.18
Total	357,465,453.68	340,354,048.10

8.53 Selling and distribution expenses

Item	Period from Jan to Dec 2025	Period from Jan to Dec 2024
Employee benefits	374,689,083.97	353,231,928.47
Sales service expenses	342,876,674.38	703,549,710.36
Business expenses	44,861,974.78	65,029,133.54
Warehousing and storage expenses	21,840,770.81	25,318,164.00
Depreciation	11,604,716.75	11,316,458.68
Advertising expenses	7,674,521.99	7,469,584.77
Sample and product loss	2,872,662.43	2,756,519.37
Repair expenses	1,161,878.99	431,426.19
Insurance premium	639,736.23	1,039,269.44
Exhibition expenses	257,873.58	426,094.90
loading expenses	36,774.95	267,445.39
Others	137,269,942.48	125,117,120.00
Total	945,786,611.34	1,295,952,855.11

8.54 General and administrative expenses

Item	Period from Jan to Dec 2025	Period from Jan to Dec 2024
Employee benefits	589,234,726.10	570,990,030.95
Depreciation	160,464,390.25	144,351,766.76
Amortization of intangible assets	173,084,631.01	134,729,393.38
Hiring intermediary agency expenses	10,812,494.75	29,225,811.04
Travel expenses	23,781,801.98	23,544,390.04
Office expenses	16,119,757.86	18,774,392.77
Repair expenses	11,867,409.55	14,826,875.86

Item	Period from Jan to Dec 2025	Period from Jan to Dec 2024
Business Hospitality expenses	14,262,683.78	14,629,128.68
Consultation expenses	3,505,610.91	4,910,631.97
Insurance premium	2,188,122.31	2,924,309.93
Director's expenses	543,440.29	545,156.12
Litigation cost	1,606,787.04	283,400.07
Inventory shortage	102,615.10	23,120.12
Technology transfer expenses		22,641.51
Conference expenses	362,872.42	-149,666.87
Others	212,788,669.62	246,085,158.82
Total	1,220,726,012.97	1,205,716,541.15

8.55 Research and development expenses

Item	Period from Jan to Dec 2025	Period from Jan to Dec 2024
Employee benefits	574,142,285.17	580,423,758.91
Materials expenses	716,318,398.47	509,514,771.12
Commissioned external R&D expenses	105,470,017.20	140,097,226.44
Depreciation and amortization	55,709,128.06	57,203,310.52
Power expenses	26,914,268.63	27,742,685.67
Clinical trial expenses	38,001,471.68	38,216,478.91
Analyze the test expenses	23,053,275.03	22,352,218.39
Others	60,121,182.98	52,856,360.21
Total	1,599,730,027.22	1,428,406,810.17

8.56Finance expenses

Item	Period from Jan to Dec 2025	Period from Jan to Dec 2024
Interest expense	504,210,986.92	513,648,666.91
Less: interest income	55,367,029.54	83,787,661.82
Less: Gains from foreign exchange	8,030,732.26	49,972,430.99
Finance charges	9,886,148.74	8,013,234.90
Others		2,615,916.05
Total	450,699,373.86	390,517,725.05

8.57 Other income

Item	Period from Jan to Dec 2025	Period from Jan to Dec 2024
Government grants	105,811,674.71	126,123,356.47
Additional deduction of input tax amount	169,165,553.83	245,163,213.72
Individual income tax handling fee refund	2,768,585.76	3,082,203.64
Total	277,745,814.30	374,368,773.83

8.58 Investment income

8.58.1 Investment income by categories:

Item	Period from Jan to Dec 2025	Period from Jan to Dec 2024
Gain/(Loss) from long-term equity investments in equity method	-6,920,056.36	-10,664,092.61
Gain/(Loss) on financial assets held for trading for the current period	2,703,941.03	3,700,916.84
Gain/(Loss) on disposal of financial assets held for trading for the current period	12,405,383.05	4,289,045.55
Gains/(Loss) on other equity instrument investments during the holding period	32,569,468.74	16,459,237.30
Interest income from debt investments during the holding period	89,764,415.79	72,105,122.99
Discount interest on bank acceptance drafts	-20,328,906.01	-32,028,987.54
Gains/(Loss) on other equity instrument investments during the holding period		15,390,162.77
Others	842,109.51	179,072.90
Total	111,036,355.75	69,430,478.20

8.59 Gains from fair value changes

Item	Period from Jan to Dec 2025	Period from Jan to Dec 2024
Financial assets held for trading	3,537,630.90	-6,779,456.62
Investment property measured by fair value		-8,948.00
Total	3,537,630.90	-6,788,404.62

8.60 Credit impairment losses

Item	Period from Jan to Dec 2025	Period from Jan to Dec 2024
Allowance for credit losses of accounts receivable	-86,399,994.18	-74,031,718.61
Allowance for credit losses of other receivables	-3,359,327.11	-9,109,904.69
Allowance for credit losses of long-term receivables	-724,510.74	21,302,082.49
Allowance for credit losses of receivables financing	-22,162,554.95	-24,822,311.63
Allowance for credit losses of notes receivables	1,772,708.80	-2,130,582.98
Total	-110,873,678.18	-88,792,435.42

8.61 Impairment on assets ("-" for loss)

Item	Period from Jan to Dec 2025	Period from Jan to Dec 2024
Impairment loss on contract assets	-6,746,644.98	-43,317,625.23
Provision for diminution in value of inventory and impairment loss on contractual performance costs	-119,335,225.75	-146,681,161.18
Impairment loss on fixed assets	-66,569.24	-184,548.56
Impairment loss for intangible assets	-429,702.25	-366,453.07
Total	-126,578,142.22	-190,549,788.04

8.62 Gains from disposal of assets

Item	Period from Jan to Dec 2025	Period from Jan to Dec 2024	Amount to be included in non-recurring gain or loss for the year
Proceeds from the disposal of non-current assets	2,445,727.02	173,021,658.62	2,445,727.02
Total	2,445,727.02	173,021,658.62	2,445,727.02

8.63 Non-operating income

Item	Period from Jan to Dec 2025	Period from Jan to Dec 2024	Amount to be included in non-recurring gain or loss for the year
Unpayable	10,566,701.56	7,748,797.90	10,566,701.56
Fine income	1,199,086.42	1,879,516.67	1,199,086.42
Carbon emission trading allowance	9,624,740.19		9,624,740.19
Government grants from non-routine activities	114,000.00	120,000.00	114,000.00
Non-current assets damage and retirement gains	3,104,090.63	5,293,399.71	3,104,090.63
Compensation income	4,581,999.95	777,818.47	4,581,999.95
Others	2,726,200.61	9,280,624.74	2,726,200.61
Total	31,916,819.36	25,100,157.49	31,916,819.36

Details of government grants:

Item	Period from Jan to Dec 2025	Period from Jan to Dec 2024
National Student Grant	114,000.00	120,000.00
Total	114,000.00	120,000.00

8.64 Non-operating expenses

Item	Period from Jan to Dec 2025	Period from Jan to Dec 2024	Amount to be included in non-recurring gain or loss for the year
Donation	2,000,000.00		2,000,000.00
Liquidated damages, compensation, late fees and fines	7,119,056.12	1,968,504.65	7,119,056.12
Losses on damage or abandonment of non-current assets	2,656,818.44	5,927,567.48	2,656,818.44
Expenditure of technical schools	2,200,568.33	2,034,352.15	2,200,568.33
Others	6,459,174.35	6,544,007.85	6,459,174.35
Total	20,435,617.24	16,474,432.13	20,435,617.24

8.65 Income tax expenses

8.65.1 Details of income tax expenses

Item	Period from Jan to Dec 2025	Period from Jan to Dec 2024
Current income tax expense calculated according to tax laws	770,915,429.16	919,783,300.65

Item	Period from Jan to Dec 2025	Period from Jan to Dec 2024
Deferred income tax	-46,372,614.78	-13,268,906.34
Total	724,542,814.38	906,514,394.31

8.66 Notes to statement of cash flows

8.66.1 Supplement to statement of cash flows

Item	Period from Jan to Dec 2025	Period from Jan to Dec 2024
Ⅰ.Net profit adjusted to cash flows from operating activities	——	——
Net profit	4,096,259,740.06	5,096,927,088.40
Add: provision for asset impairment	126,578,142.22	190,549,788.04
Credit impairment losses	110,873,678.18	88,792,435.42
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets and depreciation of investment property，depreciation of right-of-use assets	4,104,497,623.60	3,610,160,191.19
Amortization of intangible assets	213,958,345.28	155,878,227.10
Amortization of long-term deferred expenses	59,886,167.93	60,261,179.49
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-5,560,526.27	-173,021,658.62
Losses on write-down of fixed assets ("-" for gains)	2,540,423.41	5,920,122.09
Losses from changes in fair value ("-" for gains)	-3,537,630.90	6,788,404.62
Financial expenses ("-" for income)	487,422,921.24	414,355,157.08
Investments losses ("-" for gains)	-111,036,355.75	-69,430,478.20
Decreases in the deferred tax assets ("-" for increases)	-18,127,713.97	-61,783,959.67
Increases in the deferred tax liabilities ("-" for decreases)	-6,485,741.28	-263,655,415.23
Decreases in inventories ("-" for increases)	66,629,881.46	57,111,223.47
Decreases in operating receivables ("-" for increases)	-3,240,053,580.95	-2,056,132,992.33
Increases in operating payables ("-" for decreases)	-500,094,366.97	-1,388,468,228.49
Others	22,830,860.80	99,196,797.00
Net cash flows from operating activities	5,406,581,868.09	5,773,447,881.36
Ⅱ.Significant investing and financing activities not involving cash inflow and outflow	——	——
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under financial lease		
Ⅲ.Net change in cash and cash equivalents	——	——
Cash As at 31/12/2025	6,401,438,673.48	4,209,477,971.56
Less: cash as at 1/1/2025	4,209,477,971.56	4,333,072,811.62
Add: cash equivalents As at 31/12/2025		
Less: cash equivalents as at 1/1/2025		
Net increase in cash and cash equivalents	2,191,960,701.92	-123,594,840.06

8.66.2 Cash and cash equivalents

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
I. Cash	6,401,438,673.48	4,209,477,971.56
Including: cash on hand	274,768.61	174,011.18
Unrestricted bank deposits	6,374,125,210.94	4,161,999,178.69
Unrestricted other cash and cash equivalents	27,038,693.93	47,304,781.69
II. Cash equivalents		
Including: bonds investment maturing within 3 months		
III. Cash and cash equivalents As at 31/12/2025	6,401,438,673.48	4,209,477,971.56
Including: cash and cash equivalents restricted for use in the Company or the subsidiaries		

8.67 Monetary items denominated in foreign currency

8.67.1 Monetary items denominated in foreign currency

Item	Balance in foreign currency As at 31/12/2025	Balance translated into RMB As at 31/12/2025
Cash at hand and in banks	——	——
Including: USD	32,442,375.77	228,030,970.81
Euro	3,173,373.55	26,134,317.87
HKD	7,270,754.80	6,566,945.74
JPY	69,156,460.05	3,098,001.94
Accounts receivable	——	——
Including: USD	67,159,105.63	472,047,921.65
USD-Note	9,209,254.61	59,564,537.87
GBP	1,752,879.15	16,537,713.63
Euro	4,403,508.25	36,265,092.19
HKD	8,053.75	7,274.15
JPY	24,692,154.00	1,106,134.42
Other receivables	——	——
Including: USD	2,220,802.29	509,215.61
Euro	54,500.00	448,834.75
JPY	1,980,000.00	88,698.06
HKD	3,148,567.05	2,841,319.71
Short-term loans	——	——
Including: USD	26,000,000.00	182,748,800.00
Accounts payable	——	——
Including: USD	56,004.00	393,640.92
Euro	56,004.00	461,220.94
Other payables	——	——
Including: USD	23,452.89	164,845.67
Euro	7,708,465.00	6,962,285.59

Note: It was converted into RMB at the exchange rate as of August 31, 2021, and a full provision for bad debts was made. After the full provision for bad debts was made, it was not reconverted.

8.68 Assets with restricted ownership or usage rights

Item	Balance as at 31/12/2025	Restricted reasons
Monetary funds	452,369,293.68	Bank freeze, bank acceptance bill margin, letter of credit margin, etc
Notes receivable	36,855,557.74	Endorsed bills which are not yet due and have not been derecognized
Receivables financing	16,107,926.36	Bank acceptance bill pledge
Accounts receivable	122,474,595.94	Pledge of assets for a loan
Accounts receivable	1,500,000.00	Discounted and underecognized Jianxin Rongtong (not yet due)
Accounts receivable	480,000.00	Accounts receivable factoring
Intangible asset	11,950,568.52	Loan mortgage
Fixed assets	253,249,267.16	Loan mortgage
Total	894,987,209.40	——

9. Commitments and contingencies

9.1 The large-scale outsourcing contracts that Xinhua Pharmaceutical has signed and is currently executing or is preparing to fulfill.

Project Name	Contract amount	Unpaid amount
Development of innovative drugs and formulations	100,000,000.00	87,000,000.00
Development of innovative drug raw materials, their preparations, and formulations	100,000,000.00	99,000,000.00
Total	200,000,000.00	186,000,000.00

Apart from the aforementioned commitments, as of December 31, 2025, the company has no other significant commitments.

9.2 Contingencies

As of December 31, 2025, there are no significant contingent matters that need to be disclosed.

10. Post balance sheet events

10.1 Lukang Pharmaceutical

The company's profit distribution plan for the year 2025 is as follows: Based on a total of 1,045,189,778 shares, a cash dividend of 0.50 yuan (including tax) will be distributed to all shareholders for every 10 shares. No stock dividend or capital reserve conversion into shares will be implemented. These matters still need to be approved by the shareholders' meeting.

10.2 Xinhua Pharmaceutical

According to the resolution of the board meeting held on March 27, 2026, it is proposed to distribute a final dividend of RMB 0.15 per share (including tax) to all shareholders based on a total of 696,683,435 shares. If the total share capital of the company changes before the implementation of the 2025 profit distribution plan due to stock option exercise under equity incentive, additional shares issued through refinancing, etc., the distribution plan will be adjusted accordingly according to the principle of maintaining the same dividend per share. The proposed dividend distribution is subject to approval by the annual general meeting of shareholders.

From the end of the reporting period to the disclosure date, due to the fulfillment of the third exercise condition of the first grant of stock options in 2021 of the company's stock option incentive plan, in accordance with the provisions of the company's "2021 A-share Stock Option Incentive Plan (Draft)", a total of 183 first-grant incentive recipients who met the option exercise conditions this time applied for exercise of stock options, and the number of stock options that could be exercised was 6,906,900. This time, the company issued 6,906,900 shares to 183 equity incentive recipients through targeted issuance, increasing the registered capital by RMB 6,906,900.00, and the changed registered capital is RMB 696,683,435.00, with a par value of 1 yuan per share, and the total number of shares is 696,683,435.

10.3 Hengsheng Group

The 8th meeting of the 9th board of directors of the company approved the profit distribution plan for the year 2025. Based on the total share capital of the company as of the record date for the implementation of the equity distribution, with a cash dividend of 2.50 yuan per 10 shares (including tax) distributed to all shareholders, and at the same time, 3 shares of capital reserve were converted into shares for every 10 shares for all shareholders. The above profit distribution plan is still awaiting approval by the shareholders' meeting of the company.

Apart from the matters mentioned above that occurred after the balance sheet date, as of April 24, 2026, the company has no other significant matters that should be disclosed but have not been disclosed after the balance sheet date.

11. Related parties and transactions

11.1 The parent company of the Company

Name of parent company	Registration place	Type of business	Registered capital	Shareholding ratio of the Company(%)	Voting rights proportion % of the Company
The State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government.	Jinan, Shandong	—	—	59.16	59.16

11.2 Subsidiaries of the Company

Details of subsidiaries refer to Note 7 Interest in other entities.

11.3 Joint ventures and associates of the Company

The important joint venture or associated enterprises of our company are detailed in Note 8 of the financial statements and the relevant item notes for significant items in the consolidated financial statements (Note 15) - Information on Long-Term Equity Investments.

11.4 Other related parties

Entity name	Relationship
Perrigo Company	Subsidiary shareholder
Shandong Huanke Kechuang Environmental Protection Technology Co. Ltd.	Joint stock company
Hubei Gongtong Biotechnology Co., Ltd.	Controlled by subsidiary shareholder

11.5 Transactions with related parties

11.5.1 Purchase of goods/receipt of services and sales of goods/rendering of services

Name	Contents	Period from Jan to Dec 2025	Period from Jan to Dec 2024
Cansheng Pharmaceutical (Zibo) Co., Ltd.	Procurement of preparation raw materials	8,847,013.27	12,149,668.15
Hubei Goto Biopharm Co.,Ltd.	Procurement of chemical raw materials	28,111,858.40	3,680,530.97
Shandong Lukang Haoliyou Biotechnology Development Co., Ltd.	Management services, sales of water and electricity, etc	255,062.35	642,169.29
Cansheng Pharmaceutical (Zibo) Co., Ltd.	Sales motivation, etc	7,205,080.31	9,843,845.82
Perrigo Company	Sell formulation products, active pharmaceutical ingredients (APIs), etc	353,585,420.27	376,210,976.40
Hubei Goto Biopharm Co.,Ltd.	Sales of raw materials	9,672,345.14	897,256.63
Beijing Yujing Health Technology Co., Ltd.	Technical service fees, etc	6,037,415.07	5,060,433.96

11.5.2 Leases with related parties

Lessor	Lessee	Types of leased assets	Year ended 31/12/2025 Rental income	Year ended 31/12/2024 Rental income

Lessor	Lessee	Types of leased assets	Year ended 31/12/2025 Rental income	Year ended 31/12/2024 Rental income
Shandong Lukang Pharmaceutical Co.,Ltd.	Shandong Lukang Haoliyou Biotechnology Development Co., Ltd.	Office facilities	1,978,191.67	1,978,191.67

11.6 Receivables due from and payables due to related parties

11.6.1 Receivables due from related parties

Account name	Related party	As at 31/12/2025		As at 1/1/2025	
		Balance	Allowance for credit losses	Balance	Allowance for credit losses
Accounts receivable	Perrigo Company	49,900,230.37	516,810.30	71,635,650.33	852,185.03
Accounts receivable	Cansheng Pharmaceutical (Zibo) Co., Ltd.	301,871.30	5,748.62	150,140.00	2,252.10
Receivables financing	Cansheng Pharmaceutical (Zibo) Co., Ltd.	1,043,054.24		822,182.99	
Other receivables	Shandong Lukang Haoliyou Biotechnology Development Co., Ltd.	140,028.02	4,200.84	237,489.32	7,124.68

11.6.2 Payables due to related parties

Account name	Related party	Balance as at 31/12/2025	Balance as at 1/1/2025
Notes payable	Cansheng Pharmaceutical (Zibo) Co., Ltd.		1,911,000.00
Notes payable	Hubei Goto Biopharm Co.,Ltd.		32,890.20
Accounts payable	Cansheng Pharmaceutical (Zibo) Co., Ltd.	760,000.00	420,000.00
Accounts payable	Hubei Goto Biopharm Co.,Ltd.	28,065,400.00	4,159,000.00
Accounts payable	Beijing Yujing Health Technology Co., Ltd.		2,136,500.00
Contract liabilities	Cansheng Pharmaceutical (Zibo) Co., Ltd.	21,226.42	5,683.23
Contract liabilities	Hubei Goto Biopharm Co.,Ltd.		1,356,551.62
Other payables	Shandong Lukang Haoliyou Biotechnology Development Co., Ltd.	617,300.00	617,300.00
Other payables	Beijing Yujing Health Technology Co., Ltd.	490,000.00	490,000.00

12. Notes to the financial statements of the Parent Company

12.1 Accounts receivable

12.1.1 Accounts receivable by aging

Aging	Balance as at 31/12/2025	Balance as at 1/1/2025
More than 3 years	119,860.00	119,860.00
Less: Allowance for credit losses	119,860.00	119,860.00

Aging	Balance as at 31/12/2025	Balance as at 1/1/2025
Total		

12.1.2 Accounts receivable by provision method for allowance credit losses

Category	As at 31/12/2025				
	Balance		Allowance for credit losses		Carrying amount
	Amount	PCT(%)	Amount	Allowance rate (%)	
Individual assessment subject to allowance for credit losses	119,860.00	100.00	119,860.00	100.00	
Total	119,860.00	——	119,860.00	——	

(continue)

Category	As at 1/1/2025				
	Balance		Allowance for credit losses		Carrying amount
	Amount	PCT(%)	Amount	Allowance rate (%)	
Individual assessment subject to allowance for credit losses	119,860.00	100.00	119,860.00	100.00	
Total	119,860.00	——	119,860.00	——	

Significant accounts receivable that are individually assessed allowance for credit losses

Company name	As at 31/12/2025			
	Balance	Allowance for credit losses	Allowance rate(%)	Allowance reason
Jining Chenlong Veterinary Drug Factory	106,900.00	106,900.00	100.00	Expected to not be fully collectible
Total	106,900.00	106,900.00	——	——

12.2 Other receivables

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Dividends receivable		188,000,000.00
Other receivables	177,549,754.60	171,590,914.92
Total	177,549,754.60	359,590,914.92

12.2.1 Dividends receivable

Item	Balance as at 31/12/2025	Balance as at 1/1/2025
Dividends receivable within one year of an accounting age		188,000,000.00
Including : Hengsheng Group distributes dividends		188,000,000.00
Total		188,000,000.00

12.2.2 Other receivables

12.2.2.1Aging of other receivables

Aging	Balance as at 31/12/2025	Balance as at 1/1/2025

Aging	Balance as at 31/12/2025	Balance as at 1/1/2025
Within 1 year	141,759,444.26	145,905,970.56
1-2 years	18,121,916.00	1,427,414.20
2-3 years	133,027.21	44,247.79
More than 3 years	101,334,411.39	107,737,704.60
Less: Allowance for credit losses	83,799,044.26	83,524,422.23
Total	177,549,754.60	171,590,914.92

12.2.2.2 Category of other receivables by nature

Nature	Balance as at 31/12/2025	Balance as at 1/1/2025
Current account	260,542,008.26	253,547,955.45
Deposit	12,500.00	8,250.00
Others	794,290.60	1,559,131.70
Less: Allowance for credit losses	83,799,044.26	83,524,422.23
Total	177,549,754.60	171,590,914.92

12.2.2.3 The provision of allowance for credit losses

The allowance for credit losses	Stage one	Stage two	Stage three	Total
	12-month ECL	Lifetime ECL (credit-unimpaired)	Lifetime ECL (credit-impaired)	
Beginning balance	955,295.24		82,569,126.99	83,524,422.23
Revaluation of beginning balance	955,295.24		82,569,126.99	83,524,422.23
Provision	274,622.03			274,622.03
Reversal				
Write-off				
Other changes				
Ending balance	1,229,917.27		82,569,126.99	83,799,044.26

12.2.2.4 Other receivables due from the top five debtors are as follows:

Debtor name	Nature of balance	Balance as at 31/12/2025	Aging	Percentage in total other receivables(%)	Balance of allowance for credit losses As at 31/12/2025
Shandong Lukang Pharmaceutical Co.,Ltd.	Current account	32,350,454.52	More than 3 years	12.38	32,350,455.79
Zibo Land Reserve and Trading Center	Current account	24,530,500.00	More than 3 years	9.39	
Jining Tongli Rubber Products Co., Ltd.	Current account	17,071,959.70	More than 3 years	6.53	17,071,960.37
Haitong Securities Company Limited	Current account	16,222,934.27	More than 3 years	6.21	16,222,934.91
Jining Municipal Bureau of Natural Resources and Planning	Current account	14,445,942.00	1-2 years	5.53	
Total	—	104,621,790.49	—	40.04	65,645,351.07

12.2.2.5 Account receivable of individually significant amount and with allowance for credit losses made on an individual basis

Debtor name	Balance as at 31/12/2025	Balance of allowance for credit losses As at 31/12/2025	Aging	ECL rate(%)	Allowance reason
Jining Tongli rubber products Co., Ltd.	17,071,959.70	17,071,959.70	More than 3 years	100.00	Expected to be uncollectible
Haitong Securities Company Limited	16,222,934.27	16,222,934.27	More than 3 years	100.00	Expected to be uncollectible
Shandong Provincial Pharmaceutical Exhibition and Sales Center	5,557,592.72	5,557,592.72	More than 3 years	100.00	Expected to be uncollectible
Jining Construction Management Committee	529,428.00	529,428.00	More than 3 years	100.00	Expected to be uncollectible
Zhuhai ruifuxing Pharmaceutical Co., Ltd.	481,848.00	481,848.00	More than 3 years	100.00	Expected to be uncollectible
Beiyao Lukang Chain Co., Ltd.	478,016.40	478,016.40	More than 3 years	100.00	Expected to be uncollectible
Provincial Urban Labor Training Center	400,000.00	400,000.00	More than 3 years	100.00	Expected to be uncollectible
Linyi Lihong food factory	375,248.80	375,248.80	More than 3 years	100.00	Expected to be uncollectible
Total	41,117,027.89	41,117,027.89	—	—	—

12.3 Long-term equity investments

12.3.1 Long-term equity investments by categories

Item	As at 1/1/2025	Additions	Reductions	As at 31/12/2025
Investment to subsidiaries	3,026,132,475.93	285,762,048.39		3,311,894,524.32
Investment to joint associates	3,882,999.22			3,882,999.22
Subtotal	3,030,015,475.15	285,762,048.39		3,315,777,523.54
Less: provision for impairment of long-term equity investment	3,882,999.22			3,882,999.22
Total	3,026,132,475.93	285,762,048.39		3,311,894,524.32

12.3.2 Investment to subsidiaries and associates

Investee	Investment cost	Balance as at 1/1/2025	Movement during the financial year								Balance As at 31/12/2025	Provision for impairment As at 31/12/2025
			Addition of investment	Reduction of investment	Investment income/loss recognised under the equity method	Adjust-ment of OCI	Changes of other equity	Cash dividend or profit announced to be issued	Provision for impairment	Others		
I. Subsidiaries	3,311,894,524.32	3,026,132,475.93	285,762,048.39								3,311,894,524.32	
China Shandong group limited	474,472,003.22	474,472,003.22									474,472,003.22	
China Shandong Group Co., Ltd.	113,808,531.27	113,808,531.27									113,808,531.27	
Shandong Hualu-Hengsheng Group Co.,Ltd.	698,181,499.35	698,181,499.35									698,181,499.35	
Shandong Xinhua PharmaceuticalCo.,Ltd.	228,418,428.12	228,418,428.12									228,418,428.12	
Shandong Lukang Pharmaceutical Co.,Ltd.	582,003,780.62	296,241,732.23	285,762,048.39								582,003,780.62	
Huaru Investment Development Co., Ltd.	1,100,000,000.00	1,100,000,000.00									1,100,000,000.00	
Shandong Academy of Environmental Science Co.,Ltd.	105,010,281.74	105,010,281.74									105,010,281.74	
Zhongke Hualu Soil Remediation Engineering Co., Ltd.	10,000,000.00	10,000,000.00									10,000,000.00	
II. Investment to joint associates	3,882,999.22	3,882,999.22									3,882,999.22	3,882,999.22
Lukang America Pharmaceuticals Ltd.	3,882,999.22	3,882,999.22									3,882,999.22	3,882,999.22
Total	3,315,777,523.54	3,030,015,475.15	285,762,048.39								3,315,777,523.54	3,882,999.22

12.4 Operating income and operating costs

Item	Period from Jan to Dec 2025		Period from Jan to Dec 2024	
	Income	Cost	Income	Cost
Other operating business	19,675,729.42		21,599,774.75	
Lease income	2,771,796.34		4,996,001.22	
Others	16,903,933.08		16,603,773.53	
Total	19,675,729.42		21,599,774.75	

12.5 Investment income

12.5.1 Investment income by categories

Item	Period from Jan to Dec 2025	Period from Jan to Dec 2024
Gain/(Loss) on financial assets held for trading for the current period		1,857,428.58
Gain/(Loss) on disposal of financial assets held for trading for the current period	6,795,203.52	
Gain/(Loss) from long-term equity investments in cost method	499,176,388.44	712,400,653.50
Total	505,971,591.96	714,258,082.08

12.6 Notes to statement of cash flows

12.6.1 Supplement to statement of cash flows

Item	Period from Jan to Dec 2025	Period from Jan to Dec 2024
Ⅰ.Net profit adjusted to cash flows from operating activities:	——	——
Net profit	443,148,529.93	666,025,397.81
Add: provision for asset impairment		
Credit impairment losses	274,622.03	334,416.17
Depreciation of fixed assets, depreciation of right-of-use assets，depletion of oil and gas assets, depreciation of productive biological assets and depreciation of investment property	1,875,074.34	1,651,455.39
Amortization of intangible assets	1,059,226.20	952,453.49
Amortization of long-term deferred expenses	365,853.66	365,853.66
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-49,996.54	
Losses on write-down of fixed assets ("-" for gains）		
Losses from changes in fair value ("-" for gains)		
Financial expenses ("-" for income)	38,466,483.34	55,538,544.71
Investments losses ("-" for gains)	-505,971,591.96	-714,258,082.08
Decreases in the deferred tax assets ("-" for increases)		
Increases in the deferred tax liabilities ("-" for decreases)		
Decreases in inventories ("-" for increases)		
Decreases in operating receivables ("-" for increases)	-6,233,461.71	-18,399,588.70
Increases in operating payables ("-" for decreases)	151,341,617.36	-9,229,010.62
Others		

Item	Period from Jan to Dec 2025	Period from Jan to Dec 2024
Net cash flows from operating activities	124,276,356.65	-17,018,560.17
Ⅱ .Significant investing and financing activities not involving cash inflow and outflow:		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under financial lease		
III.Net change in cash and cash equivalents:		
Cash As at 31/12/2025	598,798,474.13	199,427,170.80
Less: cash as at 1/1/2025	199,427,170.80	376,504,534.23
Add: cash equivalents As at 31/12/2025		
Less: cash equivalents as at 1/1/2025		
Net increase in cash and cash equivalents	399,371,303.33	-177,077,363.43

13. Other significant events

The company has no other significant matters that need to be disclosed.

14. Approval of financial statements

The financial statements have been approved by the board of directors of the Company.

Hualu Holdings Co., Ltd.

April 24 2026

The notes to the financial statements from page 17 to page 109 were approved by the following representatives:

Legal representative	Person in charge of accounting function	Person in charge of accounting department
Signature:	Signature:	Signature:
Date: 24/4/2026	Date: 24/4/2026	Date: 24/4/2026

HUALU HOLDINGS CO., LTD.

Auditor's Report

DAXIN SHEN ZI **[2025]NO.3-00488**

WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP.

The auditor’s report and the accompanying financial statements are English translations of the Chinese auditor's report and financial statements prepared in accordance with Accounting Standards for Business Enterprises of China. Should there be inconsistency between the Chinese and English versions, the Chinese version shall prevail.

此码用于证明该审计报告是否由具有执业许可的会计师事务所出具，
您可使用手机“扫一扫”或进入“注册会计师行业统一监管平台（http://acc.mof.gov.cn）”进行查验。
报告编码：京25TQXMTSP8

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Auditor's Report

DAXIN SHEN ZI [2025]NO. 3-00488

To Hualu Holdings Co., Ltd.:

I. Opinion

We have audited the financial statements of Shandong Hualu Holdings Co., Ltd. (hereafter referred to as “the Company”), which comprise the consolidated and the Company's balance sheets as at December 31, 2024, the consolidated and the Company's statements of income, the consolidated and the Company's statements of cash flows and the consolidated and the Company's statements of changes in equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2024, and of its financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. Basis for Opinion

We conducted our audit in accordance with Chinese Certified Public Accountants Auditing Standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Chinese Certified Public Accountants and have 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 audit opinion.

III. Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, 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.

IV. Responsibilities of the Directors and Those Charged with Governance for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

V. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards 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 financial statements.

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

A. Identify and assess the risks of material misstatement of the 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.

B. 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 Company's internal control.

C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

D. 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 Company'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

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report to the related disclosures in the 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 Company to cease to continue as a going concern.

E. Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP

Certified Public Accountant of China

(Engagement partner)

Certified Public Accountant of China

Beijing • China

Date: April 25, 2025

Consolidated Balance Sheet

Prepared by: Hualu Holding Co., Ltd. 31/12/2024 Unit: RMB Yuan

Item	As at 31/12/2024	As at 31/12/2023
Current assets:		
Cash at bank and on hand	4,612,680,114.78	4,974,582,398.59
Financial assets held for trading	261,644,001.49	177,695,143.10
Derivative financial assets		
Notes receivable	111,315,905.08	170,520,972.23
Accounts receivable	2,662,433,383.44	2,150,121,697.61
Receivables for financing	2,636,761,498.29	3,078,215,279.33
Prepayments	740,027,750.72	592,015,993.17
Other receivables	470,881,363.58	98,245,267.80
Including:Interest receivable		
Dividends receivable	1,495,894.40	
Inventories	4,191,042,512.87	4,406,154,064.70
Contract assets	584,048,112.63	545,898,956.15
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	2,095,931,386.02	1,675,600,692.42
Total current assets	18,366,766,028.90	17,869,050,465.10
Non-current assets:		
Debt investments	1,215,235,574.61	993,896,669.67
Other debt investments	386,937,420.24	355,213,531.57
Long-term receivables	9,409,203.81	183,279,867.66
Long-term equity investments	139,255,590.34	149,919,682.95
Other equity instrument investments	2,414,333,002.70	2,238,894,414.69
Other non-current financial assets		
Investment property	286,919,361.66	321,970,653.45
Fixed assets	37,670,814,843.26	36,444,674,008.65
Construction in process	5,797,672,499.69	4,062,488,624.95
Productive biological assets		
Oil and gas assets		
Right-of-use assets	52,679,320.44	25,337,156.69
Intangible assets	4,061,123,647.45	3,531,359,171.95
Development expenditures	127,280,307.33	106,974,209.07
Goodwill		
Long-term deferred expenses	301,121,298.59	336,970,252.73
Deferred tax assets	366,796,218.64	305,012,258.97
Other non-current assets	2,372,402,567.84	2,416,451,007.44
Total non-current assets	55,201,980,856.60	51,472,441,510.44
Total of assets	73,568,746,885.50	69,341,491,975.54

Legal representativeLegal: Person in charge of accounting function: Person in charge of accounting department:

Consolidated Balance Sheet (Continued)

Prepared by: Hualu Holding Co., Ltd. 31/12/2024 Unit: RMB Yuan

Item	As at 31/12/2024	As at 31/12/2023
Current liabilities:		
Short-term loans	1,623,072,200.12	1,627,614,143.67
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable	1,964,068,364.74	1,668,242,266.14
Accounts payable	5,139,144,134.28	6,048,367,670.38
Advances from customers	3,769,170.92	4,400,894.79
Contract liabilities	920,962,798.25	1,191,723,841.22
Employee benefits payable	548,190,595.15	552,027,758.03
Taxes and surcharges payable	290,438,399.44	398,134,918.73
Other payables	1,086,951,434.13	1,098,642,977.83
Including:Interest payable		
Dividends payable	15,973,505.02	16,971,505.02
Held-for-sale liabilities		
Non-current liabilities due within one year	2,356,614,189.13	2,566,729,511.89
Other current liabilities	191,332,279.62	326,109,495.64
Total current liabilities	14,124,543,565.78	15,481,993,478.32
Non-current liabilities:		
Long-term loans	12,562,809,713.01	10,902,881,511.98
Bonds payable	2,671,366,830.47	2,122,125,050.85
Including: Preference shares		
Perpetual loans		
Lease liabilities	41,680,884.19	15,736,331.16
Other long-term payables	146,068,803.47	144,568,803.47
Long-term employee benefits payable		
Provisions	61,063,378.12	497,128,414.47
Deferred income	373,505,124.30	296,803,687.80
Deferred tax liabilities	233,472,999.24	180,539,257.71
Other non-current liabilities	6,561,500.00	3,561,500.00
Total non-current liabilities	16,096,529,232.80	14,163,344,557.44
Total liabilities	30,221,072,798.58	29,645,338,035.76
Shareholders' equity:		
Share capital	3,103,000,000.00	3,103,000,000.00
Other equity instruments		
Including: Preference shares		
Perpetual loans		
Capital reserve	1,380,322,136.37	1,326,482,912.00
Less:treasury shares		
Other comprehensive income	148,251,355.40	2,563,177.14
Special reserve	16,792,517.64	7,709,106.31
Surplus reserve	264,032,477.34	197,429,937.56
Retained earnings	10,703,819,127.03	9,268,183,346.86
Equity attributable to parent company	15,616,217,613.78	13,905,368,479.87
Minority interests	27,731,456,473.14	25,790,785,459.91
Total equity	43,347,674,086.92	39,696,153,939.78
Total liabilities and equity	73,568,746,885.50	69,341,491,975.54

Legal representativeLegal: Person in charge of accounting function: Person in charge of accounting department:

Balance Sheet

Prepared by: Hualu Holding Co., Ltd. 31/12/2024 Unit: RMB Yuan

Item	As at 31/12/2024	As at 31/12/2023
Current assets:		
Cash at bank and on hand	199,427,170.80	376,504,534.23
Financial assets held for trading	110,000,000.00	
Derivative financial assets		
Notes receivable		
Accounts receivable		
Receivables for financing		
Prepayments		
Other receivables	359,590,914.92	153,559,171.65
Including:Interest receivable		
Dividends receivable	188,000,000.00	
Inventories		
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	385,857.15	4,826.41
Total current assets	669,403,942.87	530,068,532.29
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables	1,030,000,000.00	980,000,000.00
Long-term equity investments	3,026,132,475.93	2,926,132,475.93
Other equity instrument investments	1,930,927,298.35	1,812,130,000.00
Other non-current financial assets		
Investment property		
Fixed assets	18,030,901.87	20,904,657.60
Construction in process		
Productive biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	28,240,867.85	29,028,661.13
Development expenditures		
Goodwill		
Long-term deferred expenses	12,073,170.73	12,439,024.39
Deferred tax assets		
Other non-current assets	543,507,764.08	594,017,464.60
Total non-current assets	6,588,912,478.81	6,374,652,283.65
Total of assets	7,258,316,421.68	6,904,720,815.94

Legal representativeLegal: Person in charge of accounting function: Person in charge of accounting department:

Balance Sheet (Continued)

Prepared by: Hualu Holding Co., Ltd. 31/12/2024 Unit: RMB Yuan

Item	As at 31/12/2024	As at 31/12/2023
Current liabilities:		
Short-term loans		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable	1,625,770.74	1,625,770.74
Advances from customers		
Contract liabilities		
Employee benefits payable	36,352,324.96	35,167,883.62
Taxes and surcharges payable	714,939.96	1,102,349.41
Other payables	175,151,772.45	177,967,933.62
Including:Interest payable		
Dividends payable		
Held-for-sale liabilities		
Non-current liabilities due within one year	549,452,558.69	1,538,358,519.83
Other current liabilities		
Total current liabilities	763,297,366.80	1,754,222,457.22
Non-current liabilities:		
Long-term loans	2,033,500,000.00	1,588,500,000.00
Bonds payable	500,000,000.00	
Including: Preference shares		
Perpetual loans		
Lease liabilities		
Other long-term payables	600,000.00	600,000.00
Long-term employee benefits payable		
Provisions	20,750,786.02	20,750,786.02
Deferred income		
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	2,554,850,786.02	1,609,850,786.02
Total liabilities	3,318,148,152.82	3,364,073,243.24
Shareholders' equity:		
Share capital	3,103,000,000.00	3,103,000,000.00
Other equity instruments		
Including: Preference shares		
Perpetual loans		
Capital reserve	297,000,000.00	297,000,000.00
Less:treasury shares		
Other comprehensive income	118,797,298.35	
Special reserve		
Surplus reserve	264,032,477.34	197,429,937.56
Retained earnings	157,338,493.17	-56,782,364.86
Total equity	3,940,168,268.86	3,540,647,572.70
Total liabilities and equity	7,258,316,421.68	6,904,720,815.94

Legal representativeLegal: Person in charge of accounting function: Person in charge of accounting department:

Consolidated Statement of Income

Prepared by: Hualu Holding Co., Ltd. For the year ended 31 December 2024 Unit: RMB Yuan

Item	Year ended 31/12/2024	Year ended 31/12/2023
1. Operating income	51,546,605,925.89	47,499,694,202.86
Less: Operating costs	41,221,532,471.53	37,526,573,636.53
Taxes and surcharges	340,354,048.10	351,386,327.79
Selling and distribution expenses	1,295,952,855.11	1,463,084,366.69
General and administrative expenses	1,205,716,541.15	1,281,673,867.52
Research and development expenses	1,428,406,810.17	1,385,415,697.64
Finance expenses	390,517,725.05	251,316,189.82
Including:Interest expenses	513,648,666.91	352,615,567.44
Interest income	83,787,661.82	85,517,840.36
Add: Other income	374,368,773.83	136,169,685.34
Investment income ("-" for loss)	69,430,478.20	117,447,963.17
Including: Investment income from associates and joint ventures	-10,656,493.35	-5,778,454.51
Income from derecognition of financial assets measured at amortised cost		
Gains from net position hedging ("-" for loss)		
Gain from fair value changes ("-" for loss)	-6,788,404.62	-1,429,031.72
Credit impairment losses ("-" for loss)	-88,792,435.42	-65,103,988.24
Impairment on assets ("-" for loss)	-190,549,788.04	-199,739,361.14
Gains from disposal of assets ("-" for loss)	173,021,658.62	16,088,829.70
2. Operating profits ("-" for loss)	5,994,815,757.35	5,243,678,213.98
Add: Non-operating income	25,100,157.49	16,396,622.31
Less:Non-operating expenses	16,474,432.13	166,781,797.32
3. Profit before tax ("-" for loss)	6,003,441,482.71	5,093,293,038.97
Less:income tax expenses	906,514,394.31	714,589,787.13
4. Net profit ("-" for net loss)	5,096,927,088.40	4,378,703,251.84
Categorized by going concern basis	5,096,927,088.40	4,378,703,251.84
1. Profit or loss from continuing operations	5,096,927,088.40	4,378,703,251.84
2. Profit or loss from discontinued operations		
Categorized by ownership	5,096,927,088.40	4,378,703,251.84
1. Net profit attributable to parent company	1,883,096,886.96	1,417,347,318.77
2. Profit/loss attributable to minority shareholders	3,213,830,201.44	2,961,355,933.07
5. Other comprehensive income net of tax	175,985,928.34	-22,634,652.93
Total comprehensive income attributable to parent company	147,367,794.76	-18,535,893.12
(1) Comprehensive income not to be reclassified to profit or loss	151,130,646.39	-7,579,798.14
1) Changes in remeasurement of defined benefit obligations		
2) Other comprehensive income not to be reclassified to profit or loss in equity method		
3) Fair value changes in other equity instrument investments	151,130,646.39	-7,579,798.14
4) Fair value changes in the enterprise's own credit risk		
(2) Comprehensive income to be reclassified to profit or loss	-3,762,851.63	-10,956,094.98
1) Other comprehensive income to be reclassified to profit or loss in equity method		
2) Gain or loss from fair value changes of other debt instruments	25,304,604.22	-4,609,279.88
3) The amount of financial assets reclassified to other comprehensive income		
4) Credit impairment provision of other debt investment		
5) Cash flow hedging reserve		
6) Currency translation difference	-29,067,455.85	-6,346,815.10
7) Others		
Other comprehensive income attributable to minority share-holders,	28,618,133.58	-4,098,759.81
6. Total comprehensive income	5,272,913,016.74	4,356,068,598.91
(1) Total comprehensive income attributable to parent company	2,030,464,681.72	1,398,811,425.65
(2) Total comprehensive income attributable to minority shareholders	3,242,448,335.02	2,957,257,173.26
7. Earnings per share		
(1) Basic earnings per share		
(2) Diluted earnings per share		

Legal representative: Person in charge of accounting function: Person in charge of accounting department:

Statement of Income

Prepared by: Hualu Holding Co., Ltd. For the year ended 31 Decmber 2024 Unit: RMB Yuan

Item	Year ended 31/12/2024	Year ended 31/12/2023
1. Operating income	21,599,774.75	22,320,033.33
Less: Operating costs		
Taxes and surcharges	1,856,832.37	2,173,779.91
Selling and distribution expenses		
General and administrative expenses	60,713,168.00	61,232,899.97
Research and development expenses		
Finance expenses	33,177,434.03	39,154,514.71
Including:Interest expenses	55,538,544.71	58,098,170.13
Interest income	22,442,833.47	18,957,864.84
Add: Other income	1,186,400.38	2,132,224.57
Investment income ("-" for loss)	714,258,082.08	892,772,562.71
Including: Investment income from associates and joint		
Income from derecognition of financial assets measured at amortised cost		
Gains from net position hedging ("-" for loss)		
Gain from fair value changes ("-" for loss)		
Credit impairment losses ("-" for loss)	-334,416.17	-104,295.10
Impairment on assets		
Gains from disposal of assets ("-" for loss)	17,979,277.85	232,108.82
2. Operating profits ("-" for loss)	658,941,684.49	814,791,439.74
Add: Non-operating income	7,084,572.29	639,628.16
Less:Non-operating expenses	858.97	2,125,508.19
3. Profit before tax ("-" for loss)	666,025,397.81	813,305,559.71
Less:income tax expenses		
4. Net profit ("-" for net loss)	666,025,397.81	813,305,559.71
Profit or loss from continuing operations ("-" for loss)	666,025,397.81	813,305,559.71
Profit or loss from discontinued operations ("-" for loss)		
5. Other comprehensive income net of tax	118,797,298.35	
(1) Comprehensive income not to be reclassified to profit or loss	118,797,298.35	
1) Changes in remeasurement of defined benefit obligations		
2) Other comprehensive income not to be reclassified to profit or loss in equity method		
3) Fair value changes in other equity instrument investments	118,797,298.35	
4) Fair value changes in the enterprise's own credit risk		
(2) Comprehensive income to be reclassified to profit or loss		
1) Other comprehensive income to be reclassified to profit or loss in equity method		
2) Gain or loss from fair value changes of other debt instruments		
3) The amount of financial assets reclassified to other comprehensive income		
4) Credit impairment provision of other debt investment		
5) Cash flow hedging reserve		
6) Currency translation difference		
7) Others		
6. Total comprehensive income	784,822,696.16	813,305,559.71
7. Earnings per share		
(1) Basic earnings per share		
(2) Diluted earnings per share		

Legal representative: Person in charge of accounting function: Person in charge of accounting department:

Consolidated Statement of Cash Flows

Prepared by: Hualu Holding Co., Ltd. For the year ended 31 December 2024 Unit: RMB Yuan

Item	Year ended 31/12/2024	Year ended 31/12/2023
1. Cash flows from operating activities		
Cash received from sales and services	48,021,219,046.94	43,932,173,460.85
Taxes and surcharges refunds	228,880,942.57	110,927,110.81
Cash received related to other operating activities	626,249,737.17	717,263,802.86
Total cash inflows from operating activities	48,876,349,726.68	44,760,364,374.52
Cash paid for goods and services	35,136,927,581.99	30,458,123,835.18
Cash paid to and for employees	3,819,851,777.53	3,620,137,257.03
Taxes and surcharges cash payments	2,385,983,420.20	2,284,089,632.60
Cash paid related to other operating activities	1,760,139,065.60	2,578,245,857.14
Total cash outflows from operating activities	43,102,901,845.32	38,940,596,581.95
Net cash flows from operating activities	5,773,447,881.36	5,819,767,792.57
2. Cash flows from investing activities:		
Cash received from withdraw of investments	2,529,145,408.50	5,581,111,447.79
Cash received from investment income	102,239,071.77	148,889,166.65
Net cash received from disposal of \property, plant and equipement,intangible assets and other long-term assets	38,935,156.71	27,385,465.13
Net cash received from disposal of subsidiaries and other		
Cash received related to other investing activities	22,686,334.60	1,159,645,754.53
Total cash inflows from investing activities	2,693,005,971.58	6,917,031,834.10
Cash paid for property, plant and equipement,intangible assets and other long-term assets	5,655,569,648.77	9,428,578,466.18
Cash payments for investments	2,824,243,539.30	4,227,560,178.77
Net cash paid for acquiring subsidiaries and other business		
Cash paid related to other investing activities	36,192,412.42	964,959,632.71
Total cash outflows from investing activities	8,516,005,600.49	14,621,098,277.66
Net cash flows from investing activities	-5,822,999,628.91	-7,704,066,443.56
3. Cash flows from financing activities:		
Cash received from investments by others	182,140,885.78	67,901,106.10
Including: cash received by subsidiaries from minority	67,901,106.10	37,379,996.22
Cash received from borrowings	6,925,220,238.84	9,102,280,157.28
Cash received related to other financing activities	488,542,163.89	272,734,808.04
Total cash inflows from financing activities	7,595,903,288.51	9,442,916,071.42
Cash repayments for debts	5,051,399,206.21	4,343,377,323.34
Cash payments for distribution of dividends, profit and	2,542,875,593.41	2,686,535,694.56
Including: dividends or profit paid by subsidiaries to		
Cash paid related to other financing activities	122,056,855.12	796,135,619.14
Total cash outflows from financing activities	7,716,331,654.74	7,826,048,637.04
Net cash flows from financing activities	-120,428,366.23	1,616,867,434.38
4. Effect of foreign exchange rate changes on cash and cash	46,385,273.72	27,737,119.81
5. Net increase in cash and cash equivalents	-123,594,840.06	-239,694,096.80
Add: beginning balance of cash and cash equivalents	4,333,072,811.62	4,572,766,908.42
6. Ending balance of cash and cash equivalents	4,209,477,971.56	4,333,072,811.62

Legal representative: Person in charge of accounting function: Person in charge of accounting department:

Statement of Cash Flows

Prepared by: Hualu Holding Co., Ltd. For the year ended 31 Decmber 2024 Unit: RMB Yuan

Item	Year ended 31/12/2024	Year ended 31/12/2023
1. Cash flows from operating activities:		
Cash received from sales and services	10,672,312.00	10,476,764.00
Taxes and surcharges refunds		107,500.00
Cash received related to other operating activities	294,483,661.67	611,303,223.35
Total cash inflows from operating activities	305,155,973.67	621,887,487.35
Cash paid for goods and services	1,577,408.26	362,602.56
Cash paid to and for employees	34,957,346.69	36,206,526.17
Taxes and surcharges cash payments	2,828,397.72	4,973,148.74
Cash paid related to other operating activities	282,811,381.17	691,220,854.41
Total cash outflows from operating activities	322,174,533.84	732,763,131.88
Net cash flows from operating activities	-17,018,560.17	-110,875,644.53
2. Cash flows from investing activities:		
Cash received from withdraw of investments	836,000,000.00	50,000,000.00
Cash received from investment income	526,369,527.79	894,919,821.84
Net cash received from disposal of \property, plant and equipement,intangible assets and other long-term assets		7,148,213.00
Net cash received from disposal of subsidiaries and other business units		
Cash received related to other investing activities		1,140,000,000.00
Total cash inflows from investing activities	1,362,369,527.79	2,092,068,034.84
Cash paid for property, plant and equipement,intangible assets and other long-term assets	517,694.00	223,236.92
Cash payments for investments	981,000,000.00	518,000,000.00
Net cash paid for acquiring subsidiaries and other business		
Cash paid related to other investing activities	4,866,784.75	930,904,197.94
Total cash outflows from investing activities	986,384,478.75	1,449,127,434.86
Net cash flows from investing activities	375,985,049.04	642,940,599.98
3. Cash flows from financing activities:		
Cash received from investments by others		
Cash received from borrowings	1,499,250,000.00	1,200,000,000.00
Cash received related to other financing activities	100,868,379.37	1,114,884,495.89
Total cash inflows from financing activities	1,600,118,379.37	2,314,884,495.89
Cash repayments for debts	1,541,000,000.00	1,508,506,849.32
Cash payments for distribution of dividends, profit and interest	495,162,131.67	991,298,950.00
Cash paid related to other financing activities	100,000,100.00	215,334,998.47
Total cash outflows from financing activities	2,136,162,231.67	2,715,140,797.79
Net cash flows from financing activities	-536,043,852.30	-400,256,301.90
4. Effect of foreign exchange rate changes on cash and cash		
5. Net increase in cash and cash equivalents	-177,077,363.43	131,808,653.55
Add: beginning balance of cash and cash equivalents	376,504,534.23	244,695,880.68
6. Ending balance of cash and cash equivalents	199,427,170.80	376,504,534.23

Legal representative: Person in charge of accounting function: Person in charge of accounting department:

Consolidated Statement of Changes in Equity

Prepared by: Hualu Holding Co., Ltd. For the year ended 31 December 2024 Unit: RMB Yuan

Item	Year 2024												
	Equity attributable to shareholders of parent company											Minority interests	Total equity
	Share capital	Other equity instruments			Capital reserve	Less:treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Sub-total		
		Preference shares	Perpetual loans	Others									
1. Ending balance of last year	3,103,000,000.00				1,326,482,912.00		2,563,177.14	7,709,106.31	197,429,937.56	9,268,183,346.86	13,905,368,479.87	25,790,785,459.91	39,696,153,939.78
Add: Impact from changes in accounting policies													
Impact from corrections of errors in prior period													
Business combination under common control													
Others													
2. Beginning balance of current year	3,103,000,000.00				1,326,482,912.00		2,563,177.14	7,709,106.31	197,429,937.56	9,268,183,346.86	13,905,368,479.87	25,790,785,459.91	39,696,153,939.78
3. Movement for current year("-" for decrease)					53,839,224.37		145,688,178.26	9,083,411.33	66,602,539.78	1,435,635,780.17	1,710,849,133.91	1,940,671,013.23	3,651,520,147.14
(1) Total comprehensive income							147,367,794.76			1,883,096,886.96	2,030,464,681.72	3,242,448,335.02	5,272,913,016.74
(2) Shareholder's contributions and withdrawals of captial					53,839,224.37						53,839,224.37	285,116,195.70	338,955,420.07
1) Common stock contributed by shareholders					15,976,783.65						15,976,783.65	204,009,450.13	219,986,233.78
2) Capital contributed by other equity instruments holders													
3) Share-based payment recorded in shareholder's equity					37,862,440.72						37,862,440.72	81,106,745.57	118,969,186.29
4) Others													
(3) Profits distribution									66,602,539.78	-449,140,723.29	-382,538,183.51	-1,598,323,737.47	-1,980,861,920.98
1) Appropriation of surplus reserve									66,602,539.78	-66,602,539.78			
2) Distribution to shareholders										-385,302,000.00	-385,302,000.00	-1,600,078,283.66	-1,985,380,283.66
3) Others										2,763,816.49	2,763,816.49	1,754,546.19	4,518,362.68
(4) Internal transfer within shareholder's equity							-1,679,616.50			1,679,616.50		1,066,266.43	1,066,266.43
1) Conversion of capital reserve into share capital													
2) Conversion of surplus reserve into share capital													
3) Recover of loss by surplus reserve													
4) Change of defined benefit obligations carried forward to retained earnings													
5) Other comprehensive income carried forward to retained earnings							-1,679,616.50			1,679,616.50		1,066,266.43	1,066,266.43
6) Others													
(5) Special reserve								9,083,411.33			9,083,411.33	10,363,953.55	19,447,364.88
1) Accrual of special reserve								44,484,572.78			44,484,572.78	62,289,616.09	106,774,188.87
2) Utilization of special reserve								-35,401,161.45			-35,401,161.45	-51,925,662.54	-87,326,823.99
(6) Others													
4. Ending balance of current year	3,103,000,000.00				1,380,322,136.37		148,251,355.40	16,792,517.64	264,032,477.34	10,703,819,127.03	15,616,217,613.78	27,731,456,473.14	43,347,674,086.92

Legal representative: Person in charge of accounting function: Person in charge of accounting department:

Consolidated Statement of Changes in Equity (Continued)

Prepared by: Hualu Holding Co., Ltd. For the year ended 31 December 2024 Unit: RMB Yuan

Item	Year 2023												
	Equity attributable to shareholders of parent company											Minority interests	Total equity
	Share capital	Other equity instruments			Capital reserve	Less:treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Sub-total		
		Preference shares	Perpetual loans	Others									
1. Ending balance of last year	3,103,000,000.00				1,278,063,557.81		18,671,638.31	2,677,312.23	116,099,381.59	8,966,828,364.37	13,485,340,254.31	23,800,863,386.07	37,286,203,640.38
Add: Impact from changes in accounting policies													
Impact from corrections of errors in prior period					96,615.38					-53,044,435.59	-52,947,820.21	19,435,589.53	-33,512,230.68
Business combination under common control													
Others													
2. Beginning balance of current year	3,103,000,000.00				1,278,160,173.19		18,671,638.31	2,677,312.23	116,099,381.59	8,913,783,928.78	13,432,392,434.10	23,820,298,975.60	37,252,691,409.70
3. Movement for current year("-" for decrease)					48,322,738.81		-16,108,461.17	5,031,794.08	81,330,555.97	354,399,418.08	472,976,045.77	1,970,486,484.31	2,443,462,530.08
(1) Total comprehensive income							-18,535,893.12			1,417,347,318.77	1,398,811,425.65	2,957,257,173.26	4,356,068,598.91
(2) Shareholder's contributions and withdrawals of captial					48,322,738.81						48,322,738.81	146,060,580.19	194,383,319.00
1) Common stock contributed by shareholders					2,483,637.59						2,483,637.59	66,798,590.26	69,282,227.85
2) Capital contributed by other equity instruments holders													
3) Share-based payment recorded in shareholder's equity					38,219,682.57						38,219,682.57	75,756,622.79	113,976,305.36
4) Others					7,619,418.65						7,619,418.65	3,505,367.14	11,124,785.79
(3) Profits distribution									81,330,555.97	-1,060,520,468.74	-979,189,912.77	-1,104,921,849.65	-2,084,111,762.42
1) Appropriation of surplus reserve									81,330,555.97	-81,330,555.97			
2) Distribution to shareholders										-978,298,300.00	-978,298,300.00	-1,104,355,829.51	-2,082,654,129.51
3) Others										-891,612.77	-891,612.77	-566,020.14	-1,457,632.91
(4) Internal transfer within shareholder's equity							2,427,431.95			-2,427,431.95		-32,831,322.97	-32,831,322.97
1) Conversion of capital reserve into share capital													
2) Conversion of surplus reserve into share capital													
3) Recover of loss by surplus reserve													
4) Change of defined benefit obligations carried forward to retained earnings													
5) Other comprehensive income carried forward to retained earnings							2,427,431.95			-2,427,431.95		-1,540,905.39	-1,540,905.39
6) Others												-31,290,417.58	-31,290,417.58
(5) Special reserve								5,031,794.08			5,031,794.08	4,921,903.48	9,953,697.56
1) Accrual of special reserve								40,378,753.47			40,378,753.47	68,312,768.94	108,691,522.41
2) Utilization of special reserve								-35,346,959.39			-35,346,959.39	-63,390,865.46	-98,737,824.85
(6) Others													
4. Ending balance of current year	3,103,000,000.00				1,326,482,912.00		2,563,177.14	7,709,106.31	197,429,937.56	9,268,183,346.86	13,905,368,479.87	25,790,785,459.91	39,696,153,939.78

Legal representative: Person in charge of accounting function: Person in charge of accounting department:

Statement of Changes in Equity

Prepared by: Hualu Holding Co., Ltd. For the year ended 31 December 2024 Unit: RMB Yuan

Item	Year 2024										
	Share capital	Other equity instruments			Capital reserve	Less:treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
		Preference shares	Perpetual loans	Others							
1. Ending balance of last year	3,103,000,000.00				297,000,000.00				197,429,937.56	-56,782,364.86	3,540,647,572.70
Add: Impact from changes in accounting policies											
Impact from corrections of errors in prior period											
Others											
2. Beginning balance of current year	3,103,000,000.00				297,000,000.00				197,429,937.56	-56,782,364.86	3,540,647,572.70
3. Movement for current year("-" for decrease)							118,797,298.35		66,602,539.78	214,120,858.03	399,520,696.16
(1) Total comprehensive income							118,797,298.35			666,025,397.81	784,822,696.16
(2) Shareholder's contributions and withdrawals of captial											
1) Common stock contributed by shareholders											
2) Capital contributed by other equity instruments holders											
3) Share-based payment recorded in shareholder's equity											
4) Others											
(3) Profits distribution									66,602,539.78	-451,904,539.78	-385,302,000.00
1) Appropriation of surplus reserve									66,602,539.78	-66,602,539.78	
2) Distribution to shareholders										-385,302,000.00	-385,302,000.00
3) Others											
(4) Internal transfer within shareholder's equity											
1) Conversion of capital reserve into share capital											
2) Conversion of surplus reserve into share capital											
3) Recover of loss by surplus reserve											
4) Change of defined benefit obligations carried forward to retained earnings											
5) Other comprehensive income carried forward to retained earnings											
6) Others											
(5) Special reserve											
1) Accrual of special reserve											
2) Utilization of special reserve											
(6) Others											
4. Ending balance of current year	3,103,000,000.00				297,000,000.00		118,797,298.35		264,032,477.34	157,338,493.17	3,940,168,268.86

Legal representative: Person in charge of accounting function: Person in charge of accounting department:

Statement of Changes in Equity (Continued)

Prepared by: Hualu Holding Co., Ltd. | For the year ended 31 December 2024 | Unit: RMB Yuan

Item	Year 2023										
	Share capital	Other equity instruments			Capital reserve	Less:treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
		Preference shares	Perpetual loans	Others							
1. Ending balance of last year	3,103,000,000.00				297,000,000.00				116,099,381.59	189,540,931.40	3,705,640,312.99
Add: Impact from changes in accounting policies											
Impact from corrections of errors in prior period											
Others											
2. Beginning balance of current year	3,103,000,000.00				297,000,000.00				116,099,381.59	189,540,931.40	3,705,640,312.99
3. Movement for current year("-" for decrease)									81,330,555.97	-246,323,296.26	-164,992,740.29
(1) Total comprehensive income										813,305,559.71	813,305,559.71
(2) Shareholder's contributions and withdrawals of captial											
1) Common stock contributed by shareholders											
2) Capital contributed by other equity instruments holders											
3) Share-based payment recorded in shareholder's equity											
4) Others											
(3) Profits distribution									81,330,555.97	-1,059,628,855.97	-978,298,300.00
1) Appropriation of surplus reserve									81,330,555.97	-81,330,555.97	
2) Distribution to shareholders										-978,298,300.00	-978,298,300.00
3) Others											
(4) Internal transfer within shareholder's equity											
1) Conversion of capital reserve into share capital											
2) Conversion of surplus reserve into share capital											
3) Recover of loss by surplus reserve											
4) Change of defined benefit obligations carried forward to retained earnings											
5) Other comprehensive income carried forward to retained earnings											
6) Others											
(5) Special reserve											
1) Accrual of special reserve											
2) Utilization of special reserve											
(6) Others											
4. Ending balance of current year	3,103,000,000.00				297,000,000.00				197,429,937.56	-56,782,364.86	3,540,647,572.70

Legal representative: 樊军 | Person in charge of accounting function: 王远良印 | Person in charge of accounting department: 王笃平印

Hualu Holdings Co., Ltd.
Notes to the Financial Statements

(All amounts in Chinese Renminbi Yuan unless otherwise stated)

1. Company profile

1.1 The Company's registered place, organization structure and the address of head quarter.

Hualu Holdings Co., Ltd. (hereinafter referred to as "the company" or "company") was established on January 28, 2005, the company's unified social credit code is 913700007710397120; registered capital of RMB is 3,103 million; legal representative: Fan Jun; enterprise Address: 22nd Floor, Block A, Huachuang Guanli Center, No. 219, Shunhai Road, Lixia District, Jinan City, Shandong Province.

1.2 The Company's business nature and main operation activities, like its industry, primary product or service, customers' nature, trading strategy and supervisory environment etc.

The company belongs to the commercial service industry, and its main service is to invest in the chemical, pharmaceutical and environmental protection industries (industry) with its own funds; Management operation and consulting. (Projects that are subject to approval in accordance with the law can be operated only after being approved by relevant departments).

1.3 The parent company is Hualu Holdings Co., Ltd.， the actual controller of the company is the State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government.

2. Basis of preparation of financial statements

On the basis of going concern and transactions and events actually occurred, the Company prepares its financial statements with the following accounting policies and accounting estimates in accordance with the Accounting Standards for Business Enterprises – basic Standards, specific accounting standards and other relevant provisions (hereinafter collectively known as "Accounting Standards for Business Enterprises" or "CAS")

3. Declaration on compliance with the Accounting Standards for Business

Enterprises

The financial statements have been prepared in compliance with the Accounting Standards for Business Enterprises to truly and completely reflect the Company's financial position as of 31 December 2024 and its operating results, cash flows and other relevant information for the year ended 31 December 2024.

4. Significant accounting policies and accounting estimates

4.1 Accounting period

The financial year of the Company is from January 1 to December 31 of each calendar year.

4.2 Functional currency

The Company's functional currency is Chinese Renminbi (hereafter referred to as "RMB").

4.3 Accounting basis and pricing principles

The Company's accounting is based on the accrual basis. Except for the financial assets / liabilities that are measured at fair value and whose changes are included in the current profit or loss, derivative financial instruments, available-for-sale financial assets and cash-settled share-based payments are measured on value measurement, the rest are based on historical cost. If the asset is impaired, the corresponding impairment provision shall be made in accordance with the relevant regulations.

4.4 Business combination

4.4.1 Business combinations involving enterprises under common control

In a business combination involving enterprises under common control, if the acquirer pays for the business combination in cash, by transferring of non-cash assets or assuming liabilities, the initial investment cost is the holding share of the acquiree's equity in the ultimate controlling party's consolidated financial statements measured at the carrying amounts at the acquisition date. If the acquirer issues equity instruments for the business combination, the acquirer measures the share capital by the par value of the shares issued. The difference between the original investment cost and the carrying amount (or the total par value of shares issued) will be adjusted to the capital reserve. If the capital reserve is insufficient to absorb the difference, the remaining amount shall be deducted from the retained earnings.

If a business combination under the same control is realized step by step through multiple transactions, which belongs to a package deal, the combining party shall treat each transaction as a transaction that obtains control. If it is not a "package deal", in the financial statements of the parent company, the share of the acquirer 's equity of the acquiree on the acquisition date calculated by the shareholding ratio on the acquisition date shall be taken as the initial investment cost of the investment. The difference between the initial investment cost and the sum of the book value of the original long-term equity investment plus the book value of the newly paid consideration for further shares on the acquisition date shall be adjusted to the capital reserve (share premium), If the capital reserve is insufficient to offset, the retained earnings shall be offset.

4.4.2 Business combinations involving enterprises not under uncommon control

In a business combination involving enterprises not under common control, the combination costs are the aggregate of the fair values of the assets paid, the liabilities incurred or assumed and the equity instruments issued by the acquirer in exchange for control over the acquiree at the acquisition date. At the acquisition date, the acquired assets, liabilities and contingent liabilities of the acquiree that meet the recognition criteria are measured at their fair value. The Company recognises the difference of the combination costs in excess of its interest portion in the fair value of the net identifiable assets acquired from the acquiree as goodwill. The Company recognises the difference of the combination costs less than its interest portion in the fair value of the net identifiable assets acquired from the acquiree in the non-operating income for current period after reassessment.

If the business combination not under the common control is realized step by step through multiple transactions, in the financial statements of the parent company, the sum of the book value of the equity investment held by the acquirer before the acquisition date and the new investment cost on the acquisition date shall be taken as the initial investment cost of the investment. In the consolidated financial statements, the equity of the acquiree held before the acquisition date is remeasured according to the fair value of the equity on the acquisition date, and the difference between the fair value and its book value is included in the current investment income; If the equity of the acquiree held before the acquisition date involves other comprehensive income, the relevant other comprehensive income shall be transferred to the current investment income on the acquisition date, except for other comprehensive income that cannot be reclassified into the current profit and loss.

The company takes the sum of the fair value of the equity of the acquiree held before the acquisition date and the fair value of the consideration paid for the newly purchased equity on the acquisition date as the acquisition cost, and compares it with the share of the fair value of the identifiable net assets of the acquiree calculated according to the shareholding ratio on the acquisition date obtained by the acquirer, so as to determine the goodwill to be recognized on the acquisition date or the amount to be included in the current profit and loss of the merger.

4.5 Preparation of consolidated financial statements

4.5.1 The scope of consolidated financial statements

The Company incorporates all its subsidiaries (including individual entities under its control) into the scope of the consolidated financial statements, including the enterprises controlled by the Company, divisible part in the investees and structured entities.

4.5.2 Uniform accounting policies, balance sheet date and accounting period

If the subsidiaries adopt different accounting policies or accounting periods compared with those of the Company, the Company makes necessary adjustments on the subsidiaries' financial statements according to its accounting policies or accounting period when the consolidated financial statements are prepared.

4.5.3 The elimination in the preparation of consolidated financial statements

The consolidated financial statements are prepared based on the individual financial statements of the Company and its subsidiaries, after elimination of the transactions incurred among the Company and the subsidiaries. The portion of a subsidiary’s equity that is not attributable to the Company is treated as minority interests and presented in the consolidated balance sheet within equity. The equity investment of the Company held by one subsidiary is treated as the Company's treasury shares and a deduction of the shareholders' equity which is presented as "less: treasury shares" in the consolidated balance sheet within equity.

4.5.4 The accounting treatment for obtaining subsidiaries through a business combination

Where a subsidiary or business has been acquired through a business combination involving enterprises under common control in the reporting period, the obtained subsidiary or business is deemed to be included in the consolidated financial statements from the date they are controlled by the ultimate controlling party. Their assets, liabilities, operating results and cash flows are included

in the consolidated financial statements from the beginning of the accounting period in which the acquisition occurred. Where a subsidiary or business has been acquired through a business combination not involving enterprises under common control, their individual financial statements are adjusted based on the fair value of identifiable net assets at the acquisition date when preparing the consolidated financial statements.

4.5.5 The accounting treatment for disposal of equity investment in a subsidiary

In the consolidated financial statements, when the Company partly disposes its investment in a subsidiary without losing its control on the subsidiary, the difference between the consideration received and its corresponding portion of the net asset continually calculated from the purchase date or combination date should be adjusted to the capital reserve and if the capital reserve is insufficient to absorb the difference, the remaining amount will be deducted from the retained earnings.

If the Company loses its control on a investee because of disposing some portion of its equity investment in the investee, when it prepares its consolidated financial statements, the remaining balance of its equity investment will be remeasured at the fair value of the date at which it loses its control. The difference between the sum of the consideration received and the fair value of the remaining equity investment, and its corresponding interest portion of the net asset continually calculated from the purchase date or the combination date should be recorded in the investment income of the current period, and be deducted to goodwill simultaneously. Other comprehensive income (OCI) etc. relating to the investment in the former subsidiary will be transferred to the investment income in the same period in which it loses its control.

4.6 Joint arrangement classification and accounting treatments

4.6.1 The classification of joint arrangement

Joint arrangements are classified as joint operations or joint ventures. A joint arrangement will be classified as joint operation when the joint arrangement achieves not through an individual entity. Individual entity is an entity with individual identifiable finance structure, including single legal entity and entity unqualified as legal entity but qualified as lawful entity. A joint arrangement is usually be classified as joint venture when the joint arrangement achieves through incorporating an individual entity. When changes arising from relevant events or environment cause changes of the cooperative parties' rights and obligations in the joint arrangements, the cooperative parties shall

reassess the classification of the joint arrangements.

4.6.2 The accounting treatment of joint operations

The Company acted as a party participating in joint operations, recognises the following items relating to its interests in the joint operations and accounts for them in accordance with related requirements of Accounting Standards for Business Enterprises: (a) Its solely-held assets and solely-assumed liabilities, and its share of any assets and liabilities held jointly; (b) Its revenue from the sale of its share of the output arising from the joint operation; (c) Its share of the revenue from the sale of the output by the joint operation; (d) Its own expenses and its share of any expenses incurred jointly.

The Company acted as a party involving in joint operations without common control power, accounts for its investments referring to the treatment method of joint operation participants if it is entitled to relevant assets and undertake relevant liabilities of the joint operations, otherwise, it accounts for its investments according to related requirements of Accounting Standards for Business Enterprises.

4.6.3 The accounting treatment of joint ventures

The Company accounts for its investments in accordance with Accounting Standards for Business Enterprises No.2 - Long-term Equity Investment if it is one of the participating parties with common control power in joint ventures. And the Company accounts for its investments according to its influence extent on the joint ventures if it is not one of the participating parties with common control power involved in the joint ventures.

4.7 Cash and cash equivalents

The cash in the Company's statement of cash flows is cash on hand and deposits that can be readily drawn on demand. Cash equivalents in the statement of cash flows are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

4.8 Foreign currency transactions and translation of financial statements denominated in foreign currency

4.8.1 Translation of foreign currency transactions

The Company records foreign currency transactions in RMB for accounting purpose using the spot

exchange rate prevailing at the date when the transactions occurs. At the balance sheet date, monetary items denominated in foreign currency are translated to RMB by adopting the prevailing exchange rate on that date. Foreign exchange difference between the prevailing exchange rate on that date and the prevailing exchange rate on initial recognition or on the previous balance sheet date are recognised in profit or loss for the current period, except the foreign exchange arising from specific loan denominated in foreign currency qualified as capital expenditure and included in the cost of related assets. Non-monetary items denominated in foreign currency that are measured at historical cost are still translated at amount in functional currency exchanged at the prevailing exchange rate at the transaction date. Non-monetary items denominated in foreign currency that are measured at fair value are translated using the exchange rate at the date when fair value was determined and the difference between the translated functional currency amount and the prior translated amount on initial recognition or on the previous balance sheet date are recorded in profit or loss for the current period or other comprehensive income.

4.8.2 The translation of financial statements denominated in foreign currency

If the Company's controlled subsidiaries, joint ventures and associates etc. adopt different reporting currency, their financial statements denominated in foreign currency shall be translated to financial statements in RMB when preparing consolidated financial statements. The assets and liabilities are translated to RMB amounts using the spot exchange rate at the balance sheet date. Items of the equity, except for "retained earnings ", are translated at the spot exchange rate at the dates when such items occurred. The revenue and expenditures in the statement of income are translated using the spot exchange rate at the transaction date. The difference arising from foreign currency financial statements translation is presented in other comprehensive income at the consolidated balance sheet within equity. Items of the statement of cash flows are translated using the spot exchange rate when they incurred. Effect arising from changes of exchange rates on cash and cash equivalents is presented separately in the statement of cash flows. When disposing of foreign operations, exchange differences of foreign currency financial statements attributable to the foreign operations are transferred to profit or loss for the current period entirely or in proportion with the disposal portion of the foreign operations.

4.9 Financial instruments

4.9.1 Classification and reclassification of financial instruments

Financial instruments are the contracts under which the financial assets of an entity are formed and correspondingly the financial liabilities or equity instruments of any other entity are formed.

4.9.1.1 Financial assets

The Company classifies a financial asset as subsequently measured at amortised cost that meets both of the following conditions:

a) the financial asset is held within a business model whose objective is to collect contractual cash flows;

b) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company classifies a financial asset as subsequently measured at fair value through other comprehensive income that meets both of the following conditions:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset, and

b) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company may make an irrevocable election at initial recognition to designate non-traded equity instruments as subsequently measured at fair value through other comprehensive income. The designation is made on the basis of single investment which meets the equity instrument definition from the aspect of the issuer.

The Company classifies a financial asset as subsequently measured at fair value through profit or loss unless it is subsequently measured at amortised cost or measured at fair value through other comprehensive income. The Company may make an irrevocable election at initial recognition to designate a financial asset as subsequently measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

When the Company changes its business model for managing financial assets, all affected financial assets are reclassified from the first day of the next subsequent reporting period after the business model changes and the reclassification is applied prospectively from the reclassification date, meaning that any previously recognised gains, losses (including impairment gains or losses) or

interest will not be restated.

4.9.1.2 Financial liabilities

Financial liabilities are classified at initial recognition as: a) financial liabilities measured at fair value through profit or loss; b) financial liabilities that arise when transfers of financial assets do not qualify for derecognition or when the continuing involvement approach applies; c) and financial liabilities as subsequently measured at amortised cost. All financial liabilities are not be reclassified.

4.9.2 Measurement of financial instruments

The Company measures financial instruments at fair value upon their initial recognition. The related transaction fees for the financial assets and financial liabilities subsequently measured at fair value through profit or loss are charged in profit or loss directly. The related transaction fees for other financial assets and financial liabilities are included in their initial costs. The Company measures the accounts receivable and notes receivable deriving from selling goods or providing services at their transaction price if the accounts receivable and notes receivable do not contain a significant financing component or the Company applies the practical expedient not considering the significant financing component. The subsequent measurement of a financial instrument is determined by its classification.

4.9.2.1 Financial assets

A. Financial assets measured at amortised cost

The financial assets are measured subsequently at amortised cost using the effective interest method after initial recognition. The gains or losses calculated by the effective interest method which do not belong to any hedging relationships are recognised in profit or loss when the financial assets are derecognised, reclassified, amortizied or impaired.

B. Financial assets measured at fair value through profit or loss

After initial recognition, the financial assets are measured subsequently at fair value except that they belong to any hedging relationships, and any gains or losses including interests and dividends are recognised in profit or loss.

C. Financial assets measured at fair value through other comprehensive income

After initial recognition, the financial assets are measured subsequently at fair value. The interest calculated by the effective interest method, impairment losses or gains and exchange gains or losses

are recognised in profit or loss and other gains or losses are recognised in other comprehensive income. The accumulated gains or losses recognised in other comprehensive income will be reclassified in profit or loss upon derecognition of the financial assets.

4.9.2.2 Financial liabilities

A. Financial liabilities measured at fair value through profit or loss

The category includes financial liabilities held for trading, derivative financial liabilities and financial liabilities designated as measured at fair value through profit or loss. After initial recognition, financial liabilities in this category are measured at fair value and the gains and losses from changes of fair value of financial liabilities held for trading are recognised in profit or loss except those relating to hedging accounting. For financial liabilities designated as measured at fair value through profit or loss, the change of fair value due to the change of the Company's self-credit risk are recognised in other comprehensive income, and other changes of fair value are recognised in profit or loss. If the recognition in other comprehensive income for the change of fair value due to the change of the financial liabilities' self-credit risk will cause or enhance an accounting mismatch in profit or loss, the Company recognises all gains or losses from the financial liabilities in profit or loss.

B. Financial liabilities measured at amortised cost

After initial recognition, financial liabilities in this category are measured at amortised cost using the effective interest method.

4.9.3 Measurement method of financial instruments' fair value

For financial instruments that active markets exist, the Company uses the quoted prices in the active markets to determine their fair value. If there is no active market for the financial instruments, the Company uses valuation techniques to determine their fair value. The valuation techniques mainly include market approach, income approach and cost approach. In limited conditions, if there is no sufficient updated information to determine the fair value, or the range of estimated fair value is so wide that the cost indicates the best estimate of the fair value, the cost may represent the appropriate estimate of the fair value within the distribution range. The Company makes use of all available information concerning the investee's business performance and operation to determine if the cost may represent its fair value.

4.9.4 The recognition basis and measurement approach for transfer of financial assets and liabilities

4.9.4.1 Financial assets

A financial asset of the Company is derecognised when it meets one of the following conditions: a) the contractual rights to the cash flows from the financial asset expire, or b) the financial asset has been transferred and the Company transfers substantially all the risks and rewards of ownership of the financial asset; c) the financial asset has been transferred, although the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it has not retained control.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, and recognises related financial liabilities correspondingly.

On derecognition of a financial asset in its entirety, the difference between the following two items is recognised in profit or loss:

(a) the carrying amount measured at the date of derecognition and

(b) the sum of the consideration received and the accumulated change amount of fair value recognised directly in other comprehensive income for the corresponding derecognition financial asset (relating to a financial asset measured at fair value through other comprehensive income) .

If a financial asset is partly transferred, the entire carrying amount of the financial asset is split into the derecognised part and retained part according to their respective fair value at the derecognition date, and the difference between the following two items is recognised in profit or loss:

a) the carrying amount measured at the date of derecognition which is allocated to the derecognized part; and

(b) the sum of the consideration received for the derecognised part and the accumulated change amount of fair value which has been recognised in other comprehensive income belonging to the corresponding derecognised part (relating to a financial asset measured at fair value through other comprehensive income).

4.9.4.2 Financial liabilities

When the present obligation specified in the contract is extinguished, the Company derecognises a

financial liability (or a part of a financial liability).

When a financial liability (or a part of a financial liability) is derecognised, the Company recognises the difference between the carrying amount of the financial liability (or a part of the financial liability) and the consideration paid (including any non-cash assets transferred or liabilities assumed) in profit or loss.

4.10 The approach and accounting treatment of expected credit losses (ECL)

4.10.1 The approach of expected credit losses

The Company recognises loss allowance based on ECL on financial assets that are measured at amortized cost (including accounts receivable), financial assets measured at fair value through other comprehensive income (including receivables for financing), lease receivables, and contract assets,.

The Company assesses whether the credit risk on financial instruments have increased significantly since initial recognition at each balance sheet date and divides the credit risk impairment process into three stages and adopts different accounting treatment:

(a) In the first stage, the credit risk on financial instruments has not significantly increased since initial recognition. The Company measures the loss allowance for the financial instruments at an amount equal to 12‑month expected credit losses, and calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets.

(b) In the second stage, the credit risk on financial instruments has significantly increased since initial recognition which are not subject to impairment. The Company measures the loss allowance for the financial instruments at an amount equal to the lifetime expected credit losses, and calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets.

(c) In the third stage, the financial instruments are subject to impairment since initial recognition. The Company measures the loss allowance for the financial instruments at an amount equal to the lifetime expected credit losses, and calculates interest income by applying the effective interest rate to the net carrying amount (gross carrying amount minus the impairment allowance) of the financial instruments.

4.10.1.1 The approach of expected credit losses for the financial instruments with a low risk of default

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition directly without comparing the credit risk with that on initial recognition if the financial instrument is determined to have a low credit risk at the balance sheet date.

If the financial instrument has a a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations, the financial instrument is considered to have a low credit risk.

4.10.1.2 The approach of expected credit losses for accounts receivable, lease receivables, and contract assets

(a) Accounts receivable and contract assets not containing a significant financing component

The Company adopts simplified approach, i.e. the measurement of lifetime ECL, to determine the impairment losses for accounts receivable and contract assets not containing a significant financing component that result from transactions within the scope of Accounting Standards for Business Enterprises No. 14- Revenue.

The company divides notes receivable, accounts receivable, and contract assets into several combinations based on the type of financial instrument, credit risk rating, initial confirmation date, remaining contract duration, debtor’s industry, debtor’s geographic location, and other credit risk characteristics. The expected credit loss is calculated on the basis of the combination, and the basis for determining the combination is as follows:

Accounts receivable portfolio 1: Accounts receivable from external customers, the company refers to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, compiles a comparison table of accounts receivable aging and the entire duration of the expected credit loss rate, and calculates Expected credit losses.

Accounts receivable portfolio 2: Accounts receivable from related parties within the scope of consolidation, the company judges that there is no expected credit loss, and no credit loss provision

is made.

Notes receivable portfolio 1: Bank acceptance bills, no credit loss is expected, and no credit loss provision is made.

Notes receivable portfolio 2: Commercial acceptance bills. The company refers to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, and calculates expected credit losses through default risk exposure and the entire duration of expected credit loss rate.

Comparison Table of Receivable Note Combination and Expected Credit Loss Rate for the Whole Duration

Aging	Expected credit losses rate（%）
Within 1 year	0.50-1.00
1-2 years	20.00-50.00
2-3 years	60.00-100.00
3-4 years	100.00
4-5 years	100.00
More than 5 years	100.00

Contract asset portfolio: For general performance contracts, the company refers to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, and calculates expected credit losses through default risk exposure and the entire duration of the expected credit loss rate.

(b) Accounts receivable, contract assets and lease receivables containing a significant financing component

The Company adopts the normal approach, i.e. the three-stage model, to determine the impairment losses for accounts receivable and contract assets that result from transactions within the scope of Accounting Standards for Business Enterprises No. 14- Revenue, and the lease receivables that result from transactions within the scope of Accounting Standards for Business Enterprises No. 21- Lease, all of which contain a significant financing component.

(c) Methods of measuring loss reserves for other financial assets

For financial assets other than the above, such as debt investment, other debt investment, other receivables, long-term receivables other than lease receivables, etc., the company uses the general

method, namely the "three-stage" model to measure loss reserves.

When measuring the credit impairment of financial instruments, the company considers the following factors in assessing whether the credit risk has increased significantly:

(a) The issuer or debtor has major financial difficulties;

(b) The debtor breached the contract, such as defaulting or overdue payment of interest or principal;

(c) The creditor, out of economic or contractual considerations related to the debtor's financial difficulties, gives the debtor a concession that the debtor would not make under any other circumstances;

(d) The debtor is likely to go bankrupt or carry out other financial reorganizations;

(e) The issuer or debtor's financial difficulties have caused the disappearance of the active market for the financial asset.

4.10.1.3 The approach of expected credit losses for other financial instruments

The Company adopts the normal approach, i.e. the three-stage model, to determine the impairment losses for other financial instruments except aforementioned financial assets, like debt investments, other debt investments, other receivables, long-term receivables excluding lease receivables etc.

The Company considers the following factors for ECL measurement when assessing whether the credit risk on financial instruments has significantly increased or not:

4.10.2 The accounting treatment of expected credit losses

The Company remeasures ECL at each balance sheet date to reflect the credit risk change of financial instruments after initial recognition and recognises the additional or reverse amount of the impairment allowance in profit or loss of the current period as impairment losses or gains, which will be deducted from the carrying amount of the financial assets in the balance sheet, or recorded to the provisions for loan commitments or financial guarantee contracts or in other comprehensive income for financial assets measured at fair value through other comprehensive income depending on the category of the financial instruments.

4.11 Inventories

4.11.1 Categories of inventories

Inventories are the finished goods or commodities that the Company holds to sell, the work in

progress in production process, and the material and goods consumed during the production process or service rendering process in daily operation. Inventories include raw materials, revolving materials (packaging materials and low-value consumables etc.), consigned processing materials, work in progress, self-manufactured semifinished product, and finished goods (commodities) etc.

4.11.2 Measurement of inventories upon delivery

Weighted average method is used to measure the actual costs of inventories upon delivery.

4.11.3 Provision for diminution in value of inventories

At each balance sheet date, inventories are measured at the lower of cost and net realisable value. When the cost of inventory exceeds its net realizable value, provision for diminution in value of inventories is recognised. The Company usually recognises provision for diminution in value of inventories on the basis of a single inventory item. For the inventory items of large quantity and low price, the Company recognises provision for diminution in value of inventories based on inventory categories.

4.11.4 Inventory count system

The Company adopts the perpetual inventory system.

4.11.5 Amortization methods of low-value consumables and packaging materials

Low-cost consumables and packaging materials are amortized by the once-off amortization method.

4.12 Contract assets and contract liabilities

4.12.1 Contract assets

The Company presents the right to consideration in exchange for goods or services that it has transferred to a customer as a contract asset when that right is conditioned on something other than the passage of time. The provision for impairment of contract assets shall be made in accordance with the expected credit loss method of financial instruments. For contract assets that do not contain significant financing components, the Company adopts a simplified method to measure the loss provisions. For contract assets containing significant financing components, the Company measures the loss provisions in accordance with the general method.

In the event of impairment losses on contract assets, debit "Impairment Loss on Assets" and credit the impairment provision for contract assets based on the amount to be written down. When reversing the impairment provisions for assets that have been accrued, make the opposite entry.

4.12.2 Contract liabilities

The Company presents the obligation to transfer goods or services to a customer for which it has received (or the amount is due) from the customer as a contract liability. The Company presents the net balance of contract asset and contract liability arising from the same contract.

4.13 Long-term equity investment

4.13.1 Determination of initial investment cost

Long-term equity investment acquired through a business combination: For a business combination involving enterprises under common control, the initial investment cost of a long-term equity investment is the holding share of the acquiree's equity in the ultimate controlling party's consolidated financial statements measured at the carrying amounts at the acquisition date. For a business combination not involving enterprises under common control, the initial investment cost of a long-term equity investment is the cost of acquisition determined at the date of acquisition. For a long-term equity investment acquired in cash, the initial investment cost is the amount of cash paid. For a long-term equity investment acquired by issuing equity securities, the initial investment cost is the fair value of the equity securities issued. For a long-term equity investment acquired by debt restructuring, the initial investment cost is determined according to related requirements of Accounting Standards for Business Enterprises No. 12- Debt Restructuring. For a long-term equity investment acquired by exchange of non-cash assets, the initial investment cost is determined according to related requirements of Accounting Standards for Business Enterprises No. 7- Exchange of Non-monetary Assets .

4.13.2 Subsequent measurement and recognition of profit or loss

Where the Company is able to exercise control over an investee, the long-term equity investment is accounted for using the cost method. Where the Company has investment in associates and joint ventures, the long-term equity investment is accounted for using the equity method. Where portion of the long-term equity investment in an associate is indirectly held through venture capital organizations, mutual funds, trust companies or similar entities including investment-linked insurance funds, regardless whether these entities can exercise significant influence on the investments, the Company treats the investment portion according to Accounting Standards for

Business Enterprises No. 22- Financial Instrument Recognition and Measurement and accounts for the remaining portion using the equity method.

4.13.3 Basis for recognition of joint control or significant influence over an investee

Joint control of an investee is that the decision of activities that can significantly affect the arrangement's return must require the unanimous consent of the parties sharing control, including sale and purchase of goods or services, financial assets management, purchase and disposal of assets, research and development activity and financing activities etc. The Company holding of 20%-50% voting capital of the investee presents it can exercise significant influence over the investee. The Company usually can exercise significant influence over the investee even its voting capital less than 20% if it can meet one of the following situations: a) Appointing representatives in the board of directors or similar governing body of the investee; b) Participating in the strategy and policy decision process; c) Delegating management personnel; d) The investee relying on the Company's technique or technical material; e) Significant transactions occur between the Company and the investee.

4.14 Investment property

Measured by cost value model:

Investment property refers to land use rights and buildings held to earn rent or capital appreciation, or both, including leased land use rights, land use rights held and ready to be transferred after appreciation, and leased buildings. In addition, for vacant buildings held by the company for operating leases, if the board of directors makes a written resolution stating that they will be used for operating leases and the holding intention will no longer change in the short term, they are also listed as investment property.

The company’s investment property is valued at its cost. The cost of outsourcing investment property includes the purchase price, relevant taxes and other expenses directly attributable to the asset; the cost of self-built investment property is determined by the construction of investment property The composition of the necessary expenditures incurred before the asset reaches the expected usable state.

The company adopts the cost model for subsequent measurement of investment property, and depreciates or amortizes buildings and land use rights based on their estimated service life and net

residual value rate. The estimated service life, net residual value rate and annual depreciation (amortization) rate of investment property are listed as follows:

Category	Depreciation period (years)	Residual rate (%)	Annual depreciation rate (%)
Land ues right	40-50	0.00	2.00-2.50
Buildings	20-30	5.00	3.17-4.75

When the use of investment property is changed to self-use, the company will convert the investment property into fixed assets or intangible assets from the date of change. When the purpose of self-use real estate is changed to earning rent or capital appreciation, the company will convert fixed assets or intangible assets into investment property from the date of change. When a conversion occurs, the book value before the conversion is used as the entry value after the conversion.

On the balance sheet date, the company estimates the recoverable amount of investment property with signs of impairment. If the recoverable amount is lower than its book value, the corresponding impairment loss is recognized. Once the impairment loss of investment property is confirmed, it will not be reversed.

When an investment property is disposed of or is permanently withdrawn from use and it is expected that no economic benefits can be obtained from its disposal, the confirmation of the investment property shall be terminated. The amount of disposal income from the sale, transfer, scrapping or destruction of investment property after deducting its book value and relevant taxes shall be included in the current profit and loss.

4.15 Fixed assets

4.15.1 Recognition criteria for fixed assets

Fixed assets refer to tangible assets held for the purpose of producing commodities, services rendering, renting or business administration with useful lives exceeding one accounting year. Fixed assets can be recognised when the following criteria are met: a) It is probable that the economic benefits relating to the fixed assets will flow into the Company; and b) The costs of the fixed assets can be measured reliably.

4.15.2 Classification and depreciation method of fixed assets

The categories of fixed assets mainly include:： Land assets, buildings, machinery & equipment, transportation vehicles, electronic equipment and office equipment. The Company adopts the

straight line method for depreciation. The useful life and residual value of an asset is assessed based on its nature and the manner of use. At the end of each financial year, the useful lives, residual values and the depreciation method are reviewed, and adjusted if there are variances with the original estimates. Other than fully depreciated assets which are still in use and land individually measured and recorded, depreciation is provided for all fixed assets.

Category	Depreciation period (years)	Residual rate (%)	Annual depreciation rate (%)
Land assets	No depreciation		
Buildings	20-50	5.00	1.90-4.75
Machinery & equipment	5-14	5.00	6.79-19.00
Transportation vehicles	3-5	5.00	19.00-31.67
Electronic equipment	4-8	5.00	11.88-23.75
Office equipment	3-10	5.00	9.50-31.67
Others	3-5	5.00	19.00-31.67

4.15.3 Identification basis and pricing method of fixed assets leased by financing

Financing leased fixed assets is a lease that substantially transfers all risks and rewards related to asset ownership. The initial valuation of finance leased fixed assets is the lower of the fair value of the leased asset and the current value of the minimum lease payment on the beginning of the lease period; the subsequent valuation of the finance leased fixed assets adopts the depreciation policy consistent with its own fixed assets provision for depreciation and impairment.

4.16 Construction in progress

The construction in progress of the Company includes self-construction and sub-contracting construction. Construction in progress is transferred to fixed assets when it has reached the working condition for its intended use. The recognition criteria of intended use include any of the followings: a) The tangible work of fixed assets (including installation) have been entirely or substantively completed; b) Trial production or trial operation has occurred whose outcome indicates the asset can be operated properly or manufacture quality product steadily; c) No expenditure or insignificant expenditure occur subsequently for the constructed asset; d) The constructed asset has achieved or substantively achieved the requirement of design or contract.

4.17 Borrowing costs

4.17.1 Recognition criteria for capitalization of borrowing costs

Borrowing costs are capitalized when they are directly attributable to the acquisition, construction or

production of a qualifying asset and included in the cost of related assets. Other borrowing costs are recognised as expenses and recorded in profit or loss for the current period when incurred. Qualifying assets that meet conditions for capitalization are fixed assets, investment property, inventory or other assets that take a substantial period of time for construction or production in order to get ready for their intended use or sale.

4.17.2 Calculation of capitalization cost

Capitalization period refers to the period from commencement of capitalization of borrowing costs to its termination. The period during which capitalization is suspended is excluded. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months.

For designated borrowings, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing less any bank interest earned from unused funds of the designated borrowings or any investment income on the temporary investment of those funds. For funds borrowed for general purpose, the amount of interest to be capitalized on such borrowings is calculated by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of designated borrowings. Capitalization rate is determined by calculating weighted average interest rate of general borrowings. If there is any premium or discount of the borrowings, the interest cost shall be adjusted in every accounting period by the amortized amount of premium or discount calculating by effective interest method.

Effective interest method is the method to calculate the amortization amount of premium or discount or interest expenses by the effective interest rate of the borrowings. The effective interest rate is the interest rate to discount the future cash flow of the borrowing during its expected duration to the present carrying amount of the borrowing.

4.18 Intangible assets

4.18.1 The measurement of intangible assets

The intangible assets shall be initially measured according to its cost. Acquisition costs of intangible assets include purchase price and relevant expenditures. The invested cost of intangible assets

contributed by investors shall be determined according to the conventional value in the investment contract or agreement, except for those of unfair value in the contract or agreement. If the conventional value in the investment contract or agreement is unfair, the costs of intangible assets shall be their fair value. The costs of internally generated intangible assets include the total development expenditures to bring the asset to its intended use.

The subsequent measurements for intangible assets are as follows: a) The intangible assets with definite useful life are amortized by straight line method and reviewed the useful life and amortization method at the end of each year. Any discrepancy between the review and initial estimates shall be adjusted accordingly. b) The intangible assets with indefinite useful life are not amortized, and reviewed for the useful life at the end of each year. If there are objective evidence indicating their useful life is definite, the Company shall estimate the useful life of the intangible assets and amortize them by straight line method.

The amortization methods of intangible assets with limited service life are as follows:

Category	Depreciation period (years)	Amortization methods
Software	5	Straight-line
Land use rights	40-50	Straight-line
Patent	5-10	Straight-line
Others	5-10	Straight-line

4.18.2 The assessment basis for indefinite useful life

Intangible assets without foreseeable period to bring economic benefits to the Company or with uncertain useful life are classified as intangible assets of indefinite life. The judgment basis for indefinite life includes: a) The legal rights are derived from contractual rights or other legal rights, however there is no explicit useful life indicated in the contracts or regulations; b) Although considering the industry practice or demonstration from related professionals comprehensively, the benefit period of the intangible assets still can't be decided.

At the end of each year, the Company reviews the intangible assets with indefinite useful life mainly using bottom-to-top approach. The related departments who use the intangible assets will perform a basic review and evaluate whether there are changes on the basis to determine indefinite useful life.

4.18.3 The specific criteria for research phase and development phase of internally generated projects, and the specific criteria for capitalization of expenditure incurred during development

phase.

Expenditures for the research phase of internal research and development projects are included in the current profit and loss when incurred; expenditures for the development phase meet the conditions for recognition as intangible assets and are transferred to intangible assets. If the following conditions are met at the same time, it is recognized as an intangible asset: a) It is technically feasible to complete the intangible asset so that it can be used or sold; b) There is the intention to complete the intangible asset and use or sell it; c) The ways in which intangible assets generate economic benefits include the ability to prove that the products produced by the intangible assets exist in the market or the intangible assets themselves exist in the market. If the intangible assets will be used internally, they can prove their usefulness; d) There are sufficient technology and finance resources and other resource support to complete the development of the intangible asset and the ability to use or sell the intangible asset; e) The expenditure attributable to the development stage of the intangible asset can be reliably measured.

4.19 Impairment of long-term assets

At each balance sheet date, if there are impairment indications for the long-term assets including long-term equity investments, investment property subsequently measured at cost model, fixed assets, construction in progress, productive biological assets measured at cost, oil and gas assets, and intangible assets etc., the Company performs impairment test. If the outcome of impairment test indicates the recoverable amount of the asset is lower than its carrying amount, the Company recognises the provision for impairment based on the amount of the shortfall.

The recoverable amount of an asset is determined by the higher of the net amount after deducting the disposal costs from the asset's fair value and the present value of the asset's estimated future cash flow. The provision for impairment of asset is estimated and recognised on individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the asset group to which the asset belongs. The asset group is the minimum portfolio of assets that could generate cash inflow independently.

Impairment tests are conducted for goodwill presented in the financial statements separately at least at the end of every accounting year regardless whether there are impairment indications or not. The carrying amount of goodwill arising from business combinations is allocated to relevant asset groups

or asset group portfolio. The related impairment loss is recognised if the impairment test indicates the recoverable amount of the asset groups or asset group portfolio embodied the goodwill is lower than their carrying amounts. The amount of impairment loss is firstly deducted from the carrying amount of goodwill embodied in the asset groups or asset group portfolio, then be deducted from the carrying amounts of other assets' based on the proportions of their carrying amounts in the asset group or asset groups portfolio.

The impairment losses of assets will not be reversed in subsequent periods once they are recognised.

4.20 Long-term deferred expenses

Long-term deferred expenses refer to expenses that have been paid but their benefit period is more than one year (excluding one year). Long-term deferred expenses will be amortized in the benefit periods. If one long-term deferred expense can't benefit the Company in the subsequent periods, the remaining balance of the long-term deferred expense shall be recognised as expense in profit or loss for the current period.

4.21Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Company in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

4.21.1 Short-time employee benefits

In the accounting period in which employees have rendered services, the Company recognizes the employee benefits as liability, and charges to profit or loss for the current period, or includes in the cost of relevant assets in accordance with other accounting standards. Welfare benefit are charged to profit or loss for the current period or included in the cost of relevant assets when incurred. Welfare benefit in non-monetary forms is measured at fair value. In the accounting period in which employees have rendered services, the Company recognizes the social security contributions as liability according to regulations such as medical insurance, work injury insurance and maternity insurance as well as housing funds, and charges to profit or loss for the current period or includes in the cost of relevant assets.

4.21.2 Post-employment benefits

During the accounting period in which employees provide the service, the Company calculates the defined contribution plans payable according to the basis and percentage required by local government, recognised as the liability and charges to profit or loss for current period or includes in the cost of related assets. The Company attributes the obligation incurred by defined benefits plans using the projected accumulated benefit unit credit method to periods in which the employees rendered services and charges the obligation to profit or loss for the current period or includes in the cost of related assets.

4.21.3 Termination benefits

Termination benefits provided by the Company to employees are recognised as an employee benefit liability and charged to profit or loss for the current period at the earlier of the following dates: a) The Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; and b) When the Company recognizes costs or expenses related to the restructuring that involves the payment of termination benefits.

4.21.4 Other long-term employee benefits

If other long-term employee benefits provided by the Company to the employees meet the conditions for classifying as a defined contributions plan, those benefits are accounted for in accordance with the above requirements relating to defined contribution plan. Besides, net obligations or net assets of other long-term employee benefits are recognised and measured in accordance with the above requirements relating to defined benefits plan.

4.22 Share-based payment

The share-based payment can be distinguished into equity-settled and cash-settled share-based payment. Equity-settled share-based payment in exchange for services rendered by employees is measured at fair value of the equity instruments granted to the employees. If there exists an active market for options and other equity instruments granted by the Company, their fair value is determined on the price quotes in the active market. If there does not exist an active market, the fair value shall be determined by valuation techniques, including referring to the recent market prices in an arm's length transaction between the knowledgeable and willing parties, the fair value of other financial instruments with the same substance, the discount cash flow method and option price model.

At each balance sheet date in the vesting period, the Company revises the number of equity instruments that will ultimately vest based on the best estimate of the latest number of eligible employees, the fulfillment of performance conditions and other subsequent information, and recognises the expenses in each accounting period accordingly. The share-based payment can be allocated among the accounting periods based on the vesting period's proportion of the whole vesting period in each accounting period if the share-based payment will be recognised in more than one accounting period.

4.23 Provisions

A provision relating to contingency is recognised when: a) The obligation is a present obligation of the Company; b) It is probable that an outflow of economic benefits will be required to settle the obligation; c) The amount of the obligation can be measured reliably. Provisions are initially measured at the best estimate of the payment to settle the associated obligations. If there is a continuous range for the necessary expenses and probabilities of occurrence of all the outcomes within this range are equal, the best estimate is determined at the average amount of upper and lower limits within the range. If the contingency involves two or more items, the best estimate is determined according to all the possible outcomes with their relevant probabilities.

The Company reviews the carrying amounts of provisions at each balance sheet date, and if there are conclusive evidences that indicate the carrying amounts of provisions can't reflect the present best estimate of the payment, the carrying amounts of provisions will be adjusted to the present best estimate of the payment.

4.24 Preference shares and perpetual bonds

4.24.1 Classification of financial liabilities and equity instruments

The Company classifies the preference shares, perpetual bonds, warrants and convertible bonds etc. into financial liabilities or equity instruments according to the following criteria:

(a) To settle the contract obligation in cash, by other financial assets or exchange of financial assets or liabilities

If the Company can't avoid paying cash or other financial assets unconditionally to fulfill its obligation in one contract, the obligation of contract meets the definition of financial liabilities.

(b) To settle the contract obligation by the Company's own equity instruments

If the financial instrument shall or can be settled by the Company's own equity instruments for the alternatives of cash or other financial assets, the financial instrument is a financial liability of the Company; if the holder of financial instrument can enjoy the rest equity benefit after the Company deducts all liabilities from the assets, the financial instrument is an equity instrument of the Company.

(c) To distinguish between derivative financial instrument and non-derivative financial instrument when the Company shall or can settle the contract obligation using own equity instrument

For non- derivative financial instrument, if the Company has no obligation to settle by issuing convertible-quantity own equity instrument in the future, the non-derivative financial instrument is an equity instrument. Conversely the non-derivative financial instrument is a financial liability. For derivative financial instrument, if the Company can only settle the contract obligation using fixed-quantity own equity instrument to exchange fixed-amount cash or other financial assets, the derivative financial instrument is an equity instrument; if the Company uses fixed-quantity own equity instrument to exchange convertible-amount cash or other financial assets, or uses convertible-quantity own equity instrument to exchange fixed-amount cash or other financial assets, or when the transfer price is not fixed, uses convertible-quantity own equity instrument to exchange convertible-amount cash or other financial assets, the derivative financial instrument is a financial liability or a financial asset.

4.24.2 The accounting treatment for preference shares and perpetual bonds

The Company accounts for the financial instruments that is classified as financial liabilities by the account "Bonds payable", calculates interest and adjusts the carrying amount of the interests payable etc. in accordance with the regulation of financial liability subsequent measurement with amortized cost in the financial instrument recognition and measurement standard. The Company accounts for the equity instruments in the account "other equity instruments" and treats the dividend payments (including interests arising from instruments that are classified as equity instruments) as profit distribution during the equity instruments' existence.

4.25 Revenues

The Company recognises revenue at the allocated transaction price when it satisfies a performance obligation in a contract, i.e. the customer obtains the control of related goods or services. Obtaining

control of related goods means the ability to direct the use of, and obtain substantively all the benefits from it. A performance obligation is the Company's a promise in a contract with a customer to transfer to the customer a good or service (or a bundle of goods or services) that is distinct. The transactions price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts to be expected to repay the customer.

A performance obligation satisfied over time or at a point of time is determined by the terms in the contract and the requirements of relevant laws and regulations. If a performance obligation is satisfied over time, the Company will recognise revenue over time by its progress towards complete satisfaction of the performance obligation. Otherwise the Company will recognise revenue at a point of time when the customer obtains the control of related assets.

4.25.1 Sales of goods contract

For a domestic sales contract of goods in China for which the control of goods is transferred at a certain point in time, when the Group delivers the goods to the customer or carrier and the Group has obtained the current right of payment request and is likely to recover the consideration, that is when the customer obtains the relevant goods Confirm when the customer have the right to control.

For a sales contract outside of China for the transfer of commodity control rights at a certain point in time, when the income is issued and the goods are shipped and departed at the port of shipment and the Group has obtained the current right of payment request and is likely to recover the consideration, that is when the customer obtains the relevant Confirm when controlling the goods.

4.25.2 Service contract

The service contract between the Company and its customers usually includes performance obligations such as maintenance guarantee services, operation and maintenance services, and engineering services. If the customer obtains and consumes the economic benefits brought by the Company’s performance as the company performs the contract, the Company will recognize the revenue according to the performance progress in this period. For the service contract with clear output indicators, such as maintenance guarantee services, operation and maintenance services, etc., the Company determines the performance progress of the services provided in accordance with the

output method; for contracts with a small number of output indicators that cannot be clearly measured, the input method is used to determine the performance progress of the service.

4.26 Contract costs

The contract costs of the Company include the incremental costs to obtain a contract and the costs to fulfil a contract. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. If the Company expects to recover those costs, the costs will be recognised as an asset.

If the costs incurred in fulfilling a contract with a customer are not within the scope of another standard like Accounting Standards for Business Enterprises No. 1- Inventories, they will be treated as the costs to fulfil a contract and recognised as an asset when meeting the following conditions:

a) the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify, including direct labour, direct materials, allocations of costs that relate directly to the contract, costs that are explicitly chargeable to the customer under the contract and other costs that are incurred only because the Company entered into the contract;

b) the costs generate or enhance resources of the Company that will be used in satisfying performance obligations in the future;

c) the costs are expected to be recovered.

The Company records the costs to fulfil a contract in the inventory whose amortization period upon initial recognition is no longer than one year or one common opertaing cycle, and records the costs to fulfil a contract in the other non-current assets whose amortization period upon initial recognition is longer than one year or one common opertaing cycle.

An asset recognised for the costs to obtain a contract is presented in other current assets if its amortisation is not longer than 1 year or an operating cycle upon initial recognition; otherwise, it is presented in other non-current assets.

The Company recognizes an impairment loss in profit or loss to the extent that the carrying amount of an asset recognised exceeds:

(a) the remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates; less

(b) the costs that relate directly to providing those goods or services and that are estimated to incur.

If the depreciation factors of the previous period have changed, and it makes the difference between the aforementioned two conditions is higher than the book value of the asset, the original provision for impairment of the asset should be reversed and included in the current profit and loss, but the book value of the asset after the reversal should not exceed the book value of the asset on the date of reversal under the assumption that no impairment provision is made.

4.27 Government grants

4.27.1 Category and accounting treatment of government grants

Government grants are the monetary assets and non-monetary assets received from the government without consideration to be paid which are not including the capital injected by the government acted as an owner role. Government grants in the form of monetary assets are measured for the received or receivable amount, while government grants in the form of non-monetary assets are measured at fair value. When the fair value of non-monetary assets can't be obtained reliably, the government grants are measured at nominal amount.

Government grants related to the Company's routine operation will be recorded in other income based on the nature of its economic substance and government grants not related to the Company's routine operation will be recorded in non-operating income or expenses.

If the government documents explicitly state that the government grants will be used to establish or form long-term assets, the government grants will be classified as government grants related to assets. If there is no explicit subsidy object in the government document, the portion related to long-term assets will be classified as government grants related to assets and the rest portion will be classified as government grants related to income. If the category of a government grant can't be distinguished reasonably, all the government grant will be classified as government grants related to income. Government grants related to assets are deducted from the carrying amount of related assets.

Except those grants which are classified as government grants related to assets, other government grants are classified as government grants related to income. If the grant related to income is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and amortized in profit or loss over the periods in which the related costs are recognised. If the grant related to income is a compensation for related expenses or losses

already incurred, the grant is recognised directly in profit or loss for the current period.

When a bank receives the discount interest fund from the financial sector and then provides a loan to the Company with preferential interest rate, the Company accounts for the loan at the actual received amount and related interest expenses will be calculated based on the principal and the preferential interest rate. When the Company receives the discount interest fund from the financial sector directly, the discount interest fund will be deducted from related borrowing cost.

4.27.2 The recognition timing for government grants

The government grants will be recognised when the Company meets the accompanying conditions of the government grants which are entitled to be received. The receivable government grants will be recognised when there are conclusive evidence to indicate the Company could meet all related requirements of the government grants and the Company expects to receive the government grants in the future. Other government grants will be recognised when the grant fund is received.

4.28 Deferred tax asset and deferred tax liability

4.28.1 Temporary differences arising from the difference between the carrying amount of an asset or liability (asset or liability not recognised in balance sheet but the tax base is ascertained by the current tax laws and regulation, the tax base is the temporary difference) and its tax base are recognised as deferred tax calculating by the effective tax rate in the expected period to receive the asset or discharge the liability.

4.28.2 Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized and should be recognised for deductible loss or tax reduction that could be carried forward in subsequent periods to the extent that it is probable that taxable income will be available against which deductible loss or tax reduction can be utilized. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred tax asset to be utilized, the carrying amount of the deferred tax asset is reduced.

4.28.3 The taxable temporary differences associated with investments in subsidiaries and associates shall be recognised deferred tax liability; except the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The deductible temporary differences associated with investments in

subsidiaries, associates, the corresponding deferred tax asset is recognised when it is probable that the temporary difference will reverse in the foreseeable future and it is probable that taxable profits will be available in the future against which the temporary difference can be utilized.

4.29 Leases

4.29.1 The accounting treatment for lessee

At the lease commencement date, the Company recognises right-of-use assets and lease liabilities for all other leases except short-term leases and leases of low-value assets, and will recognise depreciation expenses and interest expenses separately over the lease term.

The Company recognises rental expenses in profit or loss applying a straight-line basis in each period over the lease term for short-term leases and leases of low-value assets.

4.29.1.1 Right-of-use assets

Right-of-use assets represent a lessee's rights to use the underlying assets for the lease term. At the commencement date, a right-of-use asset is measured at cost. The cost includes:

a) the amount of the initial measurement of the lease liability;

b) any lease payments made at or before the commencement date, less any lease incentives received if such lease incentives exist;

(c) any initial direct costs incurred by the lessee;

(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets of the Company are depreciated by the straight line method based on their category. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If the Company can reasonably be certain that the ownership of a leased asset will be obtained at the expiration of the lease term, the related right-of-use asset is depreciated over the useful life of the underlying asset. The related right-of-use asset is depreciated over the shorter of lease term and residual use life of the underlying asset if the Company can not reasonably be certain that the ownership of a leased asset will be obtained at the expiration of lease term.

The Company determines whether a right-of-use asset is subject to impairment or not in accordance with the requirements of Accounting Standards for Business Enterprises No. 8- Impairment of

assets.

4.29.1.2 Lease liabilities

At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments include: a) fixed payments (including in-substance fixed payments) less any lease incentives if such lease incentives exist; b) variable lease payments that depend on an index or a rate; c) amounts expected to be payable by the lessee under residual value guarantees; d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Company uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. The Company calculates the interest expenses which are recorded in finance expenses using the constant periodic rate of interest in each period during the lease term. The periodic rate of interest is the discount rate or adjusted discount rate the Company uses.

Variable lease payments which are not included in the measurement of lease liabilities are recognised in profit or loss when they actually occur.

If the assessment of an option to renew, terminate or purchase the underlying asset changes, the lease liability is remeasured by the revised lease payments using a revised discount rate and the carrying amount of right-of-use asset is revised accordingly. When there is a change in the in-substance fixed payment, the amount expected to be payable under a residual value guarantee, or the variable lease payment that depends on an index or a rate, the lease liability is remeasured by the revised lease payments using an unchanged discount rate and the carrying amount of right-of-use asset is revised accordingly.

4.29.2 The accounting treatment for lease

4.29.2.1 The accounting treatment for operating lease

The Company recognises lease payments for operating leases in profit or loss applying a straight-line basis in each period over the lease term. The Company capitalized the initial direct expenses incurred which are amortizes in profit or loss over the lease term on the same recognition basis as the lease income.

4.29.2.2 The accounting treatment for finance lease

The Company recognises the unearned finance income by the difference between the sum of finance lease receivable and unguaranteed residual value, and their present value at the commencement date, which will be recognised as lease income in the periods to collect lease payment. The initial direct expenses incurred relating to the lease transaction will be included in the initial carrying amount of finance lease receivable.

5. Changes of significant accounting policies and accounting estimates

5.1 The changes of accounting policies and reason for change

5.1.1 Interpretation No. 17 of Accounting Standards for Business Enterprises

The Ministry of Finance issued Interpretation No. 17 of Accounting Standards for Business Enterprises (CAI Kuai [2023] No. 21) (hereinafter referred to as "Interpretation No. 17") on October 25, 2023.

The classification of current liabilities and non-current liabilities

Interpretation No. 17 stipulates that for liabilities arising from enterprise loan arrangements, the right of an enterprise to postpone the settlement of liabilities until more than one year after the balance sheet date may depend on whether the enterprise has complied with the conditions stipulated in the loan arrangement (hereinafter referred to as the "contractual conditions"). The contractual conditions that an enterprise should follow on or before the balance sheet date, even if the compliance of such contractual conditions is evaluated only after the balance sheet date (for example, some contractual conditions stipulate that the assessment is based on the financial position on the balance sheet date after the balance sheet date), affect the judgment of whether such rights exist on the balance sheet date. This further affects the liquidity classification of the liability as of the balance sheet date. The contractual conditions that an enterprise should follow after the balance sheet date (for example, some contractual conditions stipulate that the assessment is based on the financial position of the six months after the balance sheet date) do not affect the determination of whether the right exists on the balance sheet date and have nothing to do with the liquidity classification of the liability on the balance sheet date.

If the liability clause leads an enterprise to settle by delivering its own equity instrument at the

counterparty's choice, and if the option is classified as an equity instrument and recognized separately as an equity component of a composite financial instrument in accordance with the standards, then this clause does not affect the liquidity classification of the liability.

The Group has implemented this regulation as of January 1, 2024, and adjusted the information for comparable periods.

The adoption of Interpretation No. 17 had no significant impact on the financial position and operating results of the Group.

Disclosure of supplier financing arrangements

Interpretation No. 17 stipulates that for the supplier financing arrangement, the following should be disclosed: (1) The terms and conditions of the supplier financing arrangement (such as the extension of the payment period and the provision of guarantees, etc.). (2) ① The presentation items and carrying amounts of financial liabilities belonging to the financing arrangements of suppliers in the balance sheet. ② If the supplier has received the funds from the financing provider, it shall disclose the presentation items and carrying amounts of the corresponding financial liabilities. ③ And the payment due date range of related financial liabilities, as well as the payment due date range of comparable accounts payable that do not fall under the supplier's financing arrangements. If the range of payment due dates is large, the enterprise shall also disclose explanatory information or additional interval information regarding these intervals. (3) The types and impacts of current period changes in the carrying amount of the relevant financial liabilities that do not involve cash receipts and payments (including business combinations, exchange rate fluctuations, and other transactions or events that do not require the use of cash or cash equivalents).

When an enterprise discloses liquidity risk information in accordance with the requirements of Accounting Standard for Business Enterprises No. 37 - Presentation of Financial Instruments, it should consider whether it has obtained or has obtained through means the credit line for providing deferred payment to the enterprise or early collection to its suppliers through the supplier financing arrangement. When enterprises identify the concentration of liquidity risk in accordance with the requirements of relevant standards, they should take into account the factor that the financing arrangements of suppliers cause enterprises to concentrate part of their financial liabilities originally payable to suppliers in the financing providers.

The Group has implemented this regulation as of January 1, 2024. When this regulation was first implemented, the Group was not required to disclose the relevant information for comparable periods and the opening information required under items ② and ③ in (2).

The adoption of Interpretation No. 17 had no significant impact on the financial position and operating results of the Group.

5.1.2 Interpretation No. 18 of Accounting Standards for Business Enterprises

On December 31, 2024, the Ministry of Finance issued the "Interpretation No. 18 of Accounting Standards for Business Enterprises" (CAI Kuai [2024] No. 24, Interpretation No. 18).

Accounting treatment for quality guarantees that do not fall under individual performance obligations

Interpretation No. 18 stipulates that when accounting for the estimated liabilities arising from quality guarantees that do not fall under individual performance obligations, enterprises shall, in accordance with the relevant provisions of Accounting Standard for Business Enterprises No. 13 - Contingent Matters, debit the "Cost of Main Business", "Cost of Other Business" and other accounts and credit the "Estimated Liabilities" account based on the determined amount of estimated liabilities. And it is presented accordingly in items such as "Operating Costs" in the income statement and "Other Current Liabilities", "Non-current liabilities due within one Year", and "Estimated liabilities" in the balance sheet.

The Group has implemented this regulation since the date of issuance of Interpretation No. 18 and has made retroactive adjustments.

Execution Interpretation No. 18 has no significant impact on the financial position and operating results of the Group.

The subsequent measurement of investment real estate held as a basic item under the floating fee method

Interpretation No. 18 stipulates that for investment real estate held as a base item under the floating fee method that has been subsequently measured using the fair value model, it shall not be converted to the cost model. Moreover, enterprises should measure all investment real estate held as a base item under the floating fee method using the fair value model.

The Group has implemented this regulation since the date of issuance of Interpretation No. 18 and

has made retroactive adjustments.

Execution Interpretation No. 18 has no significant impact on the financial position and operating results of the Group.

5.2 Significant changes in accounting estimates

None.

5.3 Correction of prior accounting errors

5.3.1 The company sorted out the PPP projects during the reporting period, and at the same time, in accordance with the CSRC (Accounting Department Letter [2024] No. 66), re-determined the time and amount for the accounting and amortization of PPP projects in intangible assets, as well as the estimated liability amount arising from the renewal of related equipment. Therefore, the company retrospectively adjusts the accounting treatment for the reporting period and previous years.

5.3.2 Based on the principle of prudence, the company adopted the same revenue recognition policy as comparable companies in the same industry in 2024. Now, in accordance with the new revenue policy, the company's accounts for the reporting period and previous years are being retrospectively adjusted accordingly.

5.3.3Based on the principle of prudence, the company reorganized its accounts in 2024, analyzed and retrospectively adjusted the capitalized interest expenses recorded in previous years in accordance with the specific provisions of Accounting Standard for Business Enterprises No. 17 - Borrowing Costs.

5.4 The items affected on January 1, 2024 are as follows:

Item	As at 31/12/2023	The amount affected	As at 1/1/2024
Cash at bank and on hand	4,974,622,398.52	-39,999.93	4,974,582,398.59
Notes receivable	171,423,707.23	-902,735.00	170,520,972.23
Accounts receivable	2,229,931,999.16	-79,810,301.55	2,150,121,697.61
Receivables financing	3,078,345,279.33	-130,000.00	3,078,215,279.33
Prepayments	611,514,102.68	-19,498,109.51	592,015,993.17
Other receivables	152,137,110.18	-53,891,842.38	98,245,267.80
Inventories	4,460,696,657.70	-54,542,593.00	4,406,154,064.70
Contract assets	545,537,765.01	361,191.14	545,898,956.15
Other current assets	1,670,235,434.12	5,365,258.30	1,675,600,692.42
Fixed assets	36,447,233,501.16	-2,559,492.51	36,444,674,008.65

Item	As at 31/12/2023	The amount affected	As at 1/1/2024
Construction in process	4,060,813,433.26	1,675,191.69	4,062,488,624.95
Right-of-use assets	23,987,022.14	1,350,134.55	25,337,156.69
Intangible assets	3,535,867,033.23	-4,507,861.28	3,531,359,171.95
Deferred tax assets	240,673,108.15	64,339,150.82	305,012,258.97
Other non-current assets	2,411,698,550.31	4,752,457.13	2,416,451,007.44
Accounts payable	6,055,021,907.44	-6,654,237.06	6,048,367,670.38
Contract liabilities	1,225,740,936.58	-34,017,095.36	1,191,723,841.22
Employee benefits payable	543,544,157.25	8,483,600.78	552,027,758.03
Taxes and surcharges payable	382,937,402.25	15,197,516.48	398,134,918.73
Other payables	1,161,766,907.69	-63,123,929.86	1,098,642,977.83
Non-current liabilities due within one year	2,556,976,197.56	9,753,314.33	2,566,729,511.89
Other current liabilities	329,015,641.43	-2,906,145.79	326,109,495.64
Long-term loans	10,912,634,826.31	-9,753,314.33	10,902,881,511.98
Lease liabilities	14,451,896.20	1,284,434.96	15,736,331.16
Long-term payables	144,554,252.71	14,550.76	144,568,803.47
Provisions	496,272,592.31	855,822.16	497,128,414.47
Deferred income	300,686,156.03	-3,882,468.23	296,803,687.80
Deferred tax liabilities	179,675,742.39	863,515.32	180,539,257.71
Capital reserve	1,328,670,668.42	-2,187,756.42	1,326,482,912.00
Special reserve	5,050,387.24	2,658,719.07	7,709,106.31
Retained earnings	9,330,924,898.04	-62,741,551.18	9,268,183,346.86
Operating income	47,508,016,743.83	-8,322,540.97	47,499,694,202.86
Operating costs	37,520,701,437.31	5,872,199.22	37,526,573,636.53
Taxes and surcharges	350,425,020.42	961,307.37	351,386,327.79
Selling and distribution expenses	1,455,570,210.47	7,514,156.22	1,463,084,366.69
General and administrative expenses	1,279,418,535.43	2,255,332.09	1,281,673,867.52
Research and development expenses	1,384,544,432.85	871,264.79	1,385,415,697.64
Finance expenses	250,282,856.56	1,033,333.26	251,316,189.82
Other income	132,970,278.34	3,199,407.00	136,169,685.34
Credit impairment losses	-59,544,980.05	-5,559,008.19	-65,103,988.24
Assets impairment losses	-197,571,785.69	-2,167,575.45	-199,739,361.14
Non-operating income	16,396,601.31	21.00	16,396,622.31
Non-operating expenses	166,748,199.90	33,597.42	166,781,797.32
Income tax expenses	726,801,241.05	-12,211,453.92	714,589,787.13

6. Taxes

6.1 Main taxes categories and tax rates

Tax category	Tax base	Tax rate
Value added tax	Domestic sales; provide processing, repair and repair services; import goods; provide tangible movable property leasing services	13%
	Sell or import fertilizers	9%
	Provide real estate leasing services ; sell real estate	9%
	Other taxable sales services	6%
	Simple tax calculation method	5%、3%
Urban maintenance and construction tax	Turnover tax payable	7%
Educational surtax	Turnover tax payable	3%
Local educational surtax	Turnover tax payable	2%
Enterprise income tax	Taxable income	8.84%、8.25%、15%、16.5%、19%、20%、21%、25%、25.80%

Income tax rates for different taxpayers:

Name of tax enterprise	Tax rate of income tax	Remark
China Shandong group limited	16.5%	Registered in HongKong
Shandong Xinhua PharmaceuticalCo.,Ltd.	15%	High-tech Enterprise
Shandong Zibo Xinda Pharmaceutical Co., Ltd.	15%	High-tech Enterprise
Xinhua Pharmaceutical (Shouguang) Co., Ltd.	15%	High-tech Enterprise
Shandong Xinhua Design Engineering Co., Ltd.	15%	High-tech Enterprise
Xinhua Pharmaceutical (Gaomi) Co., Ltd.	15%	High-tech Enterprise
Shandong Xinhua Wanbo Chemical Co., Ltd.	15%	High-tech Enterprise
Shandong Xinhua Pharmaceutical (Europe) Co. Ltd.	25%、19%	Dutch Corporate tax
Shandong Xinhua Pharmaceutical (USA) Co. Ltd.	Federal tax 21%, Sate tax 8.84%	
Shandong Xinhua Mechanical and Electrical Engineering Co.,Ltd.	20%	Small and low-profit enterprises
Xinhua Health Technology (HongKong) Co.,Ltd.	8.25%	
Shandong Lukang Pharmaceutical Co.,Ltd.	15%	High-tech Enterprise
Shandong Lukang Shelile Pharmaceutical Co., Ltd.	15%	High-tech Enterprise
Shandong Lukang Group Saite Co., Ltd.	15%	High-tech Enterprise
Shandong Lukang Zhonghe Environment Protection Technology Co., Ltd.	15%	High-tech Enterprise
Qinghai Lu Kang Dadi Pharmaceutical Co., Ltd.	15%	High-tech Enterprise
Shandong Lukang Biological Pesticides Co., Ltd.	15%	High-tech Enterprise
Shandong Lukang Electromechanical Engineering Co., Ltd.	20%	Small and low-profit enterprises
Shandong Lukang International Trading Co., Ltd.	20%	Small and low-profit enterprises
Shandong Lukang Hecheng Pharmaceutical Co., Ltd.	20%	Small and low-profit enterprises
Shandong Lukang Biological chemicals Management Co. Ltd.	20%	Small and low-profit enterprises

Name of tax enterprise	Tax rate of income tax	Remark
Dezhou Minxin Service Co., Ltd.	20%	Small and low-profit enterprises
Shandong Hualu-Hengsheng Chemical Co.,Ltd.	15%	High-tech Enterprise
Shandong Academy of Environmental Science Co.,Ltd.	15%	High-tech Enterprise
Shandong Huanke Environmental Engineering Co., Ltd.	15%	High-tech Enterprise
Shandong Academy of Environmental Sciences Environmental Inspection Co., Ltd.	15%	High-tech Enterprise
Zhongke Hualu Soil Remediation Engineering Co., Ltd.	15%	High-tech Enterprise
Hualu Huanke (Xinji) Water Treatment Co., Ltd.	0%	Tax-exempt Enterprise
Shandong Huatong Chemical Co. Ltd.	20%	Small and low-profit enterprises
Shandong Hualu International Commerce Centre Co., Ltd.	20%	Small and low-profit enterprises
Shandong Hualu International Advertising Co., Ltd.	20%	Small and low-profit enterprises

6.2 Significant tax incentives and approval documents

6.2.1Shandong Xinhua Pharmaceutical Co.,Ltd. (hereinafter referred to as "Xinhua Pharmaceutical"):

6.2.1.1 Xinhua Pharmaceutical and its subsidiary, Shandong Zibo Xinda Pharmaceutical Co., Ltd. (hereinafter referred to as "Xinda Pharmaceutical"), obtained the High-tech Enterprise Certificate issued by the Shandong Provincial Department of Science and Technology, the Shandong Provincial Department of Finance, and the Shandong Provincial Taxation Bureau of the State Taxation Administration on December 7, 2023. The certificate numbers are GR202337005178 and GR202337005744 respectively, and the validity period is 3 years. According to the provisions of the "Enterprise Income Tax Law of the People's Republic of China", our company and Xinda Pharmaceutical enjoy the tax preferential policy of levying enterprise income tax at a rate of 15%. Our company and Xinda Pharmaceutical are in the tax preference period in 2024, with an applicable income tax rate of 15%.

6.2.1.2Xinhua Pharmaceutical's subsidiary, Xinhua Pharmaceutical (Shouguang) Co., Ltd. (hereinafter referred to as "Shouguang Company"), obtained the High-tech Enterprise Certificate issued by the Shandong Provincial Department of Science and Technology, the Shandong Provincial Department of Finance, and the Shandong Provincial Taxation Bureau of the State Taxation Administration on December 7, 2024. The certificate number is GR202437002139, and the validity period is three years. According to the provisions of the Enterprise Income Tax Law of the People's

Republic of China, Shouguang Company enjoys the tax preferential policy of being subject to enterprise income tax at a rate of 15%. Shouguang Company is in a tax preferential period in 2024, with an applicable income tax rate of 15%.

6.2.1.3Shandong Xinhua Design Engineering Co., Ltd., a subsidiary of Xinhua Pharmaceutical (hereinafter referred to as "Design Engineering Company"), obtained the High-tech Enterprise Certificate issued by the Shandong Provincial Department of Science and Technology, the Shandong Provincial Department of Finance, and the Shandong Provincial Taxation Bureau of the State Taxation Administration on December 12, 2022. The certificate number is GR202237003571, and the validity period is three years. According to the provisions of the Enterprise Income Tax Law of the People's Republic of China, design engineering companies enjoy the tax preferential policy of being subject to enterprise income tax at a rate of 15%. The design engineering company is in a tax preference period in 2024, with an applicable income tax rate of 15%.

6.2.1.4On November 29, 2023, Xinhua Pharmaceutical's subsidiaries, Xinhua Pharmaceutical (Gaomi) Co., Ltd. (hereinafter referred to as "Gaomi Company") and Shandong Xinhua Wanbo Chemical Co., Ltd. (hereinafter referred to as "Wanbo Chemical"), were awarded the High-tech Enterprise certificates by the Shandong Provincial Department of Science and Technology, the Shandong Provincial Department of Finance, and the Shandong Provincial Taxation Bureau of the State Taxation Administration. The certificate numbers are GR202337001341 and GR202337001830 respectively, and the validity period is 3 years. According to the provisions of the Enterprise Income Tax Law of the People's Republic of China, Gaomi Company and Wanbo Chemical enjoy the tax preferential policy of being subject to enterprise income tax at a rate of 15%. Gaomi Company and Wanbo Chemical are in the tax preferential period in 2024, with an applicable income tax rate of 15%.

6.2.1.5Shandong Xinhua Mechanical and Electrical Engineering Co., Ltd., a subsidiary of Xinhua Pharmaceutical (hereinafter referred to as "Xinhua Mechanical and Electrical Company"), meets the conditions for taxing the annual taxable income of small and micro enterprises as stipulated in Article 1 of the "Announcement of the Ministry of Finance and the State Taxation Administration on Implementing Income Tax Preferential Policies for Small and Micro Enterprises and Individual

Business Households" (Announcement No. 6 of 2023 of the Ministry of Finance and the State Taxation Administration) : The portion of the annual taxable income not exceeding RMB 1 million shall be included in the taxable income at a reduced rate of 25% and subject to enterprise income tax at a rate of 20%. This policy, in accordance with the relevant provisions of Article 3 of the "Announcement of the Ministry of Finance and the State Taxation Administration on Tax and Fee Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Business Households" (Announcement No. 12 of 2023 of the Ministry of Finance and the State Taxation Administration), will be extended until December 31, 2027.

6.2.2 Shandong Lukang Pharmaceutical Co., Ltd. (hereinafter referred to as "Lukang Pharmaceutical"):

6.2.2.1 On December 7, 2024, Lu Kang Pharmaceutical was recognized as a high-tech enterprise, with the certificate number GR202437002673. The validity period of the certificate is three years, and during this reporting period, it actually implemented a preferential enterprise income tax rate of 15%.

6.2.2.2 On December 12, 2022, the subsidiary, Shandong Lukang Shelile Pharmaceutical Co., Ltd., was recognized as a high-tech enterprise, with the certificate number GR202237004343. The validity period of the certificate is three years, and during this reporting period, the actual preferential enterprise income tax rate of 15% was implemented.

6.2.2.3 On November 29, 2023, the subsidiary, Shandong Lukang Pharmaceutical Group Sate Co., Ltd., was recognized as a high-tech enterprise, with the certificate number GR202337000429. The validity period of the certificate is three years, and during this reporting period, it actually implemented a preferential enterprise income tax rate of 15%.

6.2.2.4 On December 7, 2024, the subsidiary, Shandong Lukang Zhonghe Environmental Protection Technology Co., Ltd., was recognized as a high-tech enterprise, with the certificate number GR202437000081. The validity period of the certificate is three years, and during this reporting period, the actual preferential enterprise income tax rate of 15% was implemented.

6.2.2.5 On November 14, 2023, the subsidiary, Qinghai Lu Kang Dadi Pharmaceutical Co., Ltd., was

recognized as a high-tech enterprise, with the certificate number GR202363000032. The validity period of the certificate is three years, and during this reporting period, the actual preferential enterprise income tax rate of 15% was implemented.

6.2.2.6 On December 7, 2024, the subsidiary, Shandong Lukang Biopesticide Co., Ltd., was recognized as a high-tech enterprise, with the certificate number GR202437007285. The validity period of the certificate is three years, and during this reporting period, the actual preferential enterprise income tax rate of 15% was implemented.

6.2.2.7 On December 12, 2022, the subsidiary, Shandong Lukang Mechanical and Electrical Engineering Co., Ltd., was recognized as a high-tech enterprise, with the certificate number GR202237000610. The validity period of the certificate is three years, and during this reporting period, the actual preferential enterprise income tax rate of 15% was implemented.

6.2.2.8 The subsidiaries, namely Shandong Lukang International Trade Co., Ltd., Shandong Lukang Hecheng Pharmaceutical Co., Ltd., Shandong Lukang Bio-Chemicals Trading Co., Ltd. and Shandong Lukang Mechanical and Electrical Engineering Co., Ltd., are small and low-profit enterprises. According to the "Announcement on Tax and Fee Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Business Households" [Announcement No. 12 of 2023 of the Ministry of Finance and the State Taxation Administration], the policy of reducing the taxable income of small and micro enterprises to 25% and paying enterprise income tax at a rate of 20% will be extended until December 31, 2027.

6.2.3 Shandong Hualu-Hengsheng Group Co.,Ltd. (hereinafter referred to as " Hualu-Hengsheng Group ")：

6.2.3.1 The subsidiary, Dezhou Minxin Service Co., Ltd., is a small and low-profit enterprise. According to the "Announcement of the Ministry of Finance and the State Taxation Administration on Relevant Tax and Fee Policies to Further Support the Development of Small and Micro Enterprises and Individual Business Households" (Announcement No. 12 of 2023 of the Ministry of Finance and the State Taxation Administration), from January 1, 2023 to December 31, 2027, The urban maintenance and construction tax, stamp duty (excluding transaction stamp duty), education surcharge and local education surcharge shall be halved for small and low-profit enterprises. The

policy of calculating the taxable income at a reduced rate of 25% and paying enterprise income tax at a rate of 20% will be extended until December 31, 2027.

6.2.3.2 On November 29, 2023, the subsidiary, Shandong Hualu Hengsheng Chemical Co., Ltd., obtained the High-tech Enterprise Certificate with the number GR202437000995, and the validity period is three years. Corporate income tax will be paid at a rate of 15% in 2024.

6.2.4 Shandong Provincial Environmental Protection Research and Design Institute Co., Ltd. (hereinafter referred to as "Academy of Environmental Sciences"):

6.2.4.1Approved by the Department of Science and Technology of Shandong Province, the Department of Finance of Shandong Province, and the Shandong Provincial Taxation Bureau of the State Taxation Administration, the Academy of Environmental Sciences obtained the High-tech Enterprise Certificate with the number GR202437007056 on December 7, 2024, and the applicable income tax rate is 15%.

6.2.4.2 According to Article 28, Paragraph 2 of the Enterprise Income Tax Law of the People's Republic of China, high-tech enterprises that are in need of key support from the state shall be subject to enterprise income tax at a reduced rate of 15%. Approved by the Department of Science and Technology of Shandong Province, the Department of Finance of Shandong Province, and the Shandong Provincial Taxation Bureau of the State Taxation Administration, Shandong Academy of Environmental Sciences Environmental Engineering Co., Ltd. obtained the High-tech Enterprise Certificate with the number GR202437007135 on December 7, 2024, and is subject to an income tax rate of 15%.

6.2.4.3 According to Article 28, Paragraph 2 of the Enterprise Income Tax Law of the People's Republic of China, high-tech enterprises that are in need of key support from the state shall be subject to enterprise income tax at a reduced rate of 15%. Shandong Provincial Academy of Environmental Sciences Environmental Testing Co., Ltd. was approved by the Shandong Provincial Department of Science and Technology, the Shandong Provincial Department of Finance, and the Shandong Provincial Taxation Bureau of the State Taxation Administration. On December 12, 2022, it obtained the High-tech Enterprise Certificate with the number GR202237000928, and the applicable income tax rate is 15%.

6.2.4.4According to Article 28, Paragraph 2 of the Enterprise Income Tax Law of the People's Republic of China, high-tech enterprises that are in need of key support from the state shall be subject to enterprise income tax at a reduced rate of 15%. Zhongke Hualusirang Restoration Engineering Co., Ltd. was approved by the Shandong Provincial Department of Science and Technology, the Shandong Provincial Department of Finance, and the Shandong Provincial Taxation Bureau of the State Taxation Administration. On December 7, 2023, it obtained the High-tech Enterprise Certificate with the number GR202437004402, and the applicable income tax rate is 15%.

6.2.4.5 According to Article 27, Paragraph 3 of the Enterprise Income Tax Law: "Income from engaging in environmental protection and energy conservation and water conservation projects that meet the conditions may be exempted or subject to reduced enterprise income tax." As well as Article 88 of the Implementing Regulations of the Enterprise Income Tax Law, "The environmental protection and energy conservation and water conservation projects that meet the conditions as referred to in Item (3) of Article 27 of the Enterprise Income Tax Law include public sewage treatment, public garbage treatment, comprehensive development and utilization of biogas, energy conservation and emission reduction technological transformation, seawater desalination, etc." The income derived by enterprises from the environmental protection and energy conservation and water conservation projects that meet the conditions as stipulated in the preceding paragraph shall be exempt from enterprise income tax for the first three years starting from the tax year in which the first production and business income is obtained, and shall be subject to a 50% reduction in enterprise income tax for the fourth to sixth years.

Hualu Huanke (Xinji) Water Treatment Co., Ltd. obtained its first business income in the tax year of 2022. It has enjoyed exemption from enterprise income tax and has filed for the preferential matters of enterprise income tax.

6.2.5 China Shandong Group Co., Ltd. (hereinafter referred to as " Shandong Group "):

The subsidiaries of Shandong Hualu, namely Shandong Huatong Chemical Co., Ltd., Shandong Hualu International Business Center Co., Ltd. and Shandong Hualu International Advertising Co., Ltd., are small and low-profit enterprises. According to the "Announcement of the Ministry of Finance and the State Taxation Administration on Relevant Tax and Fee Policies to Further Support

the Development of Small and Micro Enterprises and Individual Business Households" (Announcement No. 12 of 2023 of the Ministry of Finance and the State Taxation Administration), from January 1, 2023 to December 31, 2027, For small and low-profit enterprises, the resource tax (excluding water-containing resource tax), urban maintenance and construction tax, property tax, urban land use tax, stamp duty (excluding stamp duty on securities transactions), farmland occupation tax, education surcharge and local education surcharge shall be halved. The policy of calculating the taxable income at a reduced rate of 25% and paying enterprise income tax at a rate of 20% will be extended until December 31, 2027.

7. Business combination and consolidated financial statements

7.1 Constitution of the Company

No.	Name of Subsidiaries	Level	Corporate type	Registration place	Principal place of business	Business Nature	Paid up capital (10 thousand yuan)	Holding proportion (%)	Voting right(%)	Amount of Investment（10 thousand yuan)	Acquisition method
1	China Shandong Group Co., Ltd.	2	Domestic non-financial subsidiary	Jinan	Jinan	Trade	11,112.00	100.00	100.00	11,380.85	Investment establishment
2	China Shandong group limited	2	Overseas subsidiary	Hong Kong	Hong Kong	Trade	40,424.97	100.00	100.00	47,447.20	Investment establishment
3	Shandong Hualu-Hengsheng Group Co.,Ltd.	2	Domestic non-financial subsidiary	Dezhou	Dezhou	Chemical	10,117.06	100.00	100.00	69,818.15	Transfer
4	Shandong Xinhua Pharmaceutical Co.,Ltd.	2	Domestic non-financial subsidiary	Zibo	Zibo	Pharmaceutical	68,240.76	38.95	38.95	22,841.84	Consolidation under common control
5	Shandong Lukang Pharmaceutical Co.,Ltd.	2	Domestic non-financial subsidiary	Jining	Jining	Pharmaceutical	89,866.96	23.82	23.82	29,624.17	Consolidation under common control
6	Huaru Investment Development Co., Ltd.	2	Domestic non-financial subsidiary	Jinan	Jinan	Investment Management	110,000.00	100.00	100.00	110,000.00	Investment establishment
7	Shandong Academy of Environmental Science Co.,Ltd.	2	Domestic non-financial subsidiary	Jinan	Jinan	Internet and related services	9,804.00	51.00	51.00	10,501.03	Transfer

7.2 Atomic companies or structured entities that are no longer included in the consolidation scope in this period

Name of Subsidiaries	Registration place	Corporate type	Holding proportion (%)	Voting right(%)	The reasons for not being included in the consolidation scope	Assets on the disposal date	Liabilities on the disposal date	Net assets on the disposal date
Ronghua (Zibo) Property Service Co., Ltd.	Zibo	Real estate development and operation	100.00	100.00	Absorption merger	50,368,757.63	3,464,675.65	46,904,081.98
Shandong Zhonglu Environmental Engineering Assessment Center Co., Ltd.	Jinan	Consultation	100.00	100.00	Absorption merger	19,337,102.66	15,501,644.53	3,835,458.13
Shandong Boer Radiation Environment Technology Co., Ltd.	Jinan	Environmental protection monitoring	100.00	100.00	Absorption merger	14,051,159.63	8,928,629.39	5,122,530.24

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Name of Subsidiaries	Assets as of the balance sheet date of the previous accounting period	Liabilities as of the balance sheet date of the previous accounting period	Net assets as of the balance sheet date of the previous accounting period	Revenue from the beginning of the current period to the disposal date	The expenses from the beginning of the current period to the disposal date	The net profit from the beginning of the current period to the disposal date
Ronghua (Zibo) Property Service Co., Ltd.	98,154,607.04	4,129,895.07	94,024,711.97	4,267,750.12	4,125,865.11	-1,335,886.13
Shandong Zhonglu Environmental Engineering Assessment Center Co., Ltd.	19,541,384.85	845,272.17	18,696,112.68	1,011,378.96	1,022,033.51	-10,654.55
Shandong Boer Radiation Environment Technology Co., Ltd.	15,370,033.04	6,915,660.30	8,454,372.74	1,814,880.76	1,716,723.26	98,157.50

8. Notes to the consolidated financial statements

8.1 Cash at bank and on hand

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Cash on hand	174,011.18	237,441.84
Cash at bank	4,186,053,544.86	4,403,601,112.34
Other monetary funds	426,452,558.74	570,743,844.41
Total	4,612,680,114.78	4,974,582,398.59
Including: the total balance deposited overseas	94,228,853.63	117,956,177.59

Details of other monetary funds：

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
The bank acceptance deposit	386,950,216.78	431,675,816.12

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Performance bond	1,273,733.04	7,289,395.03
The letter of credit deposit	2,576,562.60	86,780,856.75
Litigation freezes funds		98,423,084.18
Loans margin deposit	679,004.39	666,716.46
Worker's deposits, etc	11,188,583.41	2,894,165.56
Frozen funds in bank deposits	528,043.00	
Regulated advance receipt for the sale of real estate		13,773,552.87
ETC Margin	6,000.00	6,000.00
Total	403,202,143.22	641,509,586.97

8.2 Financial assets held for trading

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Financial assets classified upon initial recognition as at fair value through profit or loss	261,644,001.49	177,695,143.10
Including: Equity instrument investment	47,497,531.90	60,871,143.10
Others	214,146,469.59	116,824,000.00
Total	261,644,001.49	177,695,143.10

8.3 Notes receivable

8.3.1 Notes receivable by category

Item	Balance as at 31/12/2024			Balance as at 1/1/2024		
	Balance	Allowance for credit losses	Carrying amount	Balance	Allowance for credit losses	Carrying amount
Bank acceptance bills	55,065,251.24	213,894.16	54,851,357.08	143,852,435.41	48,108.18	143,804,327.23
Trade acceptance bills	59,994,200.00	3,529,652.00	56,464,548.00	28,281,500.00	1,564,855.00	26,716,645.00
Total	115,059,451.24	3,743,546.16	111,315,905.08	172,133,935.41	1,612,963.18	170,520,972.23

8.3.2 Notes receivable endorsed or discounted at the end of the period but not yet due at the balance sheet date

Item	Amounts not derecognised at the end of the period
Bank acceptance bills	31,953,862.87
Total	31,953,862.87

8.4 Accounts receivable

8.4.1 Accounts receivable by aging

Aging	Balance as at 31/12/2024	Balance as at 1/1/2024
Within 1 year	2,347,830,732.43	1,885,333,444.55

Aging	Balance as at 31/12/2024	Balance as at 1/1/2024
1-2 years	210,214,154.35	150,855,205.75
2-3 years	138,402,996.26	210,371,279.45
More than 3 years	660,369,990.24	523,227,843.75
Less: Allowance for credit losses	694,384,489.84	619,666,075.89
Total	2,662,433,383.44	2,150,121,697.61

8.4.2 Accounts receivable by provision method for allowance credit losses

Category	As at 31/12/2024				
	Balance		Allowance for credit losses		Carrying amount
	Amount	PCT(%)	Amount	Allowance rate (%)	
Individual assessment subject to allowance for credit losses	195,826,972.99	5.83	195,826,972.99	100.00	-
Grouping assessment subject to allowance for credit losses	3,160,990,900.29	94.17	498,557,516.85	15.77	2,662,433,383.44
Including:Group1：Aging portfolio	3,074,208,501.85	91.58	493,350,572.94	16.05	2,580,857,928.91
Group 2: Accounts receivable for bad debt provision using the balance percentage method	86,782,398.44	2.59	5,206,943.91	6.00	81,575,454.53
Total	3,356,817,873.28	——	694,384,489.84	——	2,662,433,383.44

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Category	As at 1/1/2024				
	Balance		Allowance for credit losses		Carrying amount
	Amount	PCT(%)	Amount	Allowance rate (%)	
Individual assessment subject to allowance for credit losses	196,558,743.22	7.10	196,558,743.22	100.00	-
Grouping assessment subject to allowance for credit losses	2,573,229,030.28	92.90	423,107,332.67	16.44	2,150,121,697.61
Including:Group1：Aging portfolio	2,531,110,835.59	91.38	420,580,240.99	16.62	2,110,530,594.60
Group 2: Accounts receivable for bad debt provision using the balance percentage method	42,118,194.69	1.52	2,527,091.68	6.00	39,591,103.01
Total	2,769,787,773.50	——	619,666,075.89	——	2,150,121,697.61

8.4.2.1 Significant accounts receivable that are individually assessed allowance for credit losses

Company name	Book Balance	Allowance for credit losses	ECL rate (%)	Allowance reason
BIO ASIA LIMITED	31,264,614.49	31,264,614.49	100.00	Expected to not be fully collectible
LABIOFAM S.A CUBA	28,299,923.38	28,299,923.38	100.00	Expected to not be fully collectible
Guangrao County Le'an Street Office	11,631,636.80	11,631,636.80	100.00	Expected to not be fully collectible
Weifang Huaxiu Textile Co., Ltd.	28,616,439.50	28,616,439.50	100.00	Expected to not be fully collectible

Company name	Book Balance	Allowance for credit losses	ECL rate (%)	Allowance reason
Other sales proceeds	96,014,358.82	96,014,358.82	100.00	Expected to not be fully collectible
Total	195,826,972.99	195,826,972.99	——	——

8.4.2.2 Accounts receivable that are assessed allowance for credit losses on grouping basis

Group 1: Accounts receivable due from aging analysis:

Aging	As at 31/12/2024			As at 1/1/2024		
	Balance		Allowance for credit losses	Balance		Allowance for credit losses
	Amount	PCT (%)		Amount	PCT (%)	
Within 1 year	2,260,371,238.65	73.53	59,272,636.26	1,843,215,250.09	72.82	47,758,524.16
1-2 years	210,204,554.35	6.84	29,940,578.93	150,855,205.75	5.96	20,794,719.85
2-3 years	138,402,996.26	4.50	45,439,217.80	197,440,312.65	7.80	66,644,192.13
More than 3 years	465,229,712.59	15.13	358,698,139.95	339,600,067.10	13.42	285,382,804.85
Total	3,074,208,501.85	——	493,350,572.94	2,531,110,835.59	——	420,580,240.99

Group 2: Accounts receivable due from the balance percentage method:

Combination name	As at 31/12/2024			As at 1/1/2024		
	Balance	ECL rate(%)	Allowance for credit losses	Balance	ECL rate(%)	Allowance for credit losses
Coal chemical industry	86,782,398.44	6.00	5,206,943.91	42,118,194.69	6.00	2,527,091.68
Total	86,782,398.44	6.00	5,206,943.91	42,118,194.69	6.00	2,527,091.68

8.4.3 Top 5 accounts receivable and contract assets in ending balance by debtor

Company name	Balance as at 31/12/2024	Percentage in total accounts receivable (%)	Balance of allowance for credit losses as at 31/12/2024
Management Committee of Hebei Xinji Economic Development Zone	108,140,149.52	3.22	5,407,007.48
Perrigo Company	71,635,650.33	2.13	852,185.03
Zibo Central Hospital	62,090,119.51	1.85	546,871.15
Fujian Zhibao Trading Co., Ltd.	40,000,000.00	1.19	40,000,000.00
Fujian Rongding Industrial Co., Ltd.	40,000,000.00	1.19	40,000,000.00
Total	321,865,919.36	9.58	86,806,063.66

8.5 Receivables for financing

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Notes receivable	2,235,083,258.16	3,078,215,279.33
Receivable era, Di chain financing order	426,500,551.76	-
Subtotal	2,661,583,809.92	3,078,215,279.33
Allowance for credit losses	24,822,311.63	-

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Total	2,636,761,498.29	3,078,215,279.33

8.6 Prepayments

8.6.1 Aging analysis of prepayments

Aging	As at 31/12/2024			As at 1/1/2024		
	Balance		Allowance for credit losses	Balance		Allowance for credit losses
	Amount	PCT(%)		Amount	PCT(%)	
Within 1 year	732,273,066.45	98.20		583,183,351.37	97.56	
1-2 years	4,591,796.48	0.61		2,905,216.70	0.49	
2-3 years	1,412,211.04	0.19		4,580,482.01	0.77	
More than 3 years	7,449,639.22	1.00	5,698,962.47	7,045,905.56	1.18	5,698,962.47
Total	745,726,713.19	100.00	5,698,962.47	597,714,955.64	100.00	5,698,962.47

The prepayments with aging more than 1 year

Creditor name	Debtor name	Balance as at 31/12/2024	Aging	Reasons for outstanding balance
Shandong Xinhua Pharmaceutical Co., Ltd.	Guangzhou Ami Biomedical Technology Co., Ltd.	1,171,720.00	More than 3 years	Project not accepted
Shandong Provincial Environmental Protection Research and Design Institute Co., Ltd.	Beijing Invision Ruida Technology Co., Ltd.	633,127.55	Within 1 year 、1-2 years	Project not accepted
Environmental Engineering Co., Ltd. of Shandong Academy of Environmental Sciences	Shandong Chengye Development Co., Ltd.	489,490.30	1-2 years	Project not accepted
Shandong Hualu-Hengsheng Group Co.,Ltd.	China National Chemical Equipment & Instrumentation Corporation	413,773.29	More than 3 years	Fot historical
Shandong Hualu-Hengsheng Group Co.,Ltd.	Tianjin Tanggu Fuxiang Freight Forwarding Co., Ltd	396,113.40	More than 3 years	Fot historical
Shandong Hualu-Hengsheng Group Co.,Ltd.	Tianjin Ganquan Group	368,626.00	More than 3 years	Fot historical
Shandong Hualu-Hengsheng Group Co.,Ltd.	Tianjin University	327,485.00	More than 3 years	Fot historical
Shandong Hualu-Hengsheng Group Co.,Ltd.	Weifang Shengjian compressor factory in Shandong Province	322,000.00	More than 3 years	Fot historical
Total	——	4,122,335.54	——	——

8.6.2 The top five prepayments are as follows:

Company name	Balance as at 31/12/2024	Percentage in total prepayment(%)	Allowance for credit losses
Shaanxi Coal Transportation and Sales Group Jianhong Investment Development Co., Ltd.	173,124,707.69	23.22	
Shaanxi Future Energy Chemical Co., Ltd.	57,651,061.21	7.73	
Shandong Branch of Guoneng Sales Group Co., Ltd.	49,326,666.73	6.61	
Sinopec Chemical Sales (Tianjin) Co., Ltd.	48,342,228.10	6.48	
Pingdingshan Jinhui Chemical Technology Co., Ltd.	39,838,100.00	5.34	

Company name	Balance as at 31/12/2024	Percentage in total prepayment(%)	Allowance for credit losses
Total	368,282,763.73	49.38	

8.7 Other receivables

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Interest receivable	13,447,796.07	18,637,065.16
Dividends Receivable	1,495,894.40	
Other receivables	455,937,673.11	79,608,202.64
Total	470,881,363.58	98,245,267.80

8.7.1 Interest receivable

8.7.1.1Interest receivable by categories

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Bond investments	13,447,796.07	18,637,065.16
Less: Allowance for credit losses		
Total	13,447,796.07	18,637,065.16

8.7.2 dividends receivable

8.7.2.1 Category of dividends receivable

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Dividends receivable within one year	1,495,894.40	
Including:Bank of Communications Corporation Limited	1,495,894.40	
Total	1,495,894.40	

8.7.2.2 Significant dividends receivable with aging more than one year

Item	Balance as at 31/12/2024	Reason for outstanding balance	Aging	Whether impaired and determination basis
Bank of Communications Corporation Limited	1,495,894.40	The conditions for recovery have not been met	Within 1 year	No,The account age is within one year and the risk is relatively low.
Total	1,495,894.40	—	—	—

8.7.3 Other receivables

8.7.3.1 Aging analysis of other receivables

Aging	Balance as at 31/12/2024		Balance as at 1/1/2024	
	Balance	Allowance for credit losses	Balance	Allowance for credit losses
Within 1 year	428,344,853.79	17,487,598.93	41,854,540.06	5,151,508.01
1-2 years	9,290,103.59	1,984,972.93	9,937,488.63	1,109,285.74
2-3 years	3,200,114.21	1,432,909.43	5,205,497.68	1,350,167.49
More than 3 years	168,506,293.45	132,498,210.64	166,085,437.42	135,863,799.91
Total	609,341,365.04	153,403,691.93	223,082,963.79	143,474,761.15

8.7.3.2 The provision of allowance for credit losses

The allowance for credit losses	Stage one	Stage two	Stage three	Total
	12-month ECL	Lifetime ECL (credit-unimpaired)	Lifetime ECL (credit-impaired)	
Beginning balance	27,402,128.06	117,524.69	115,955,108.40	143,474,761.15
Revaluation of beginning balance	27,402,128.06	117,524.69	115,955,108.40	143,474,761.15
Provision	11,073,535.27	33,726.34	188,843.31	11,296,104.92
Reversal			1,367,174.14	1,367,174.14
Write-off				
Other changes	-		-	-
Ending balance	38,475,663.33	151,251.03	114,776,777.57	153,403,691.93

8.7.3.3 Other receivables due from the top five debtors are as follows:

Debtor name	Nature of balance	Balance as at 31/12/2024	Aging	Percentage in total other receivables(%)	Allowance for credit losses
Jining Municipal Bureau of Natural Resources and Planning	Compensation for land acquisition and storage	340,396,000.00	Within 1 year	55.86	9,529,485.46
Zou City Natural Resources and Planning Bureau	Inter-company transactions	34,300,000.00	Within 1 year	5.63	1,029,000.00
Jining Tongli rubber products	Inter-company transactions	17,071,959.70	More than 3 years	2.80	17,071,960.37
Shandong Yikang Pharmaceutical Co., Ltd.	Inter-company transactions	7,640,000.00	More than 3 years	1.25	7,640,000.00
Gangneung County Natural Resources and Planning Bureau	Inter-company transactions	1,888,794.00	Within 1 year、1-2 years	0.31	113,327.64
Total		401,296,753.70		65.85	35,383,773.47

8.8 Inventories

8.8.1 Inventories by categories

Item	As at 31/12/2024			As at 1/1/2024		
	Book balance	Provision for diminution in value	Carrying amount	Book balance	Provision for diminution in value	Carrying amount
Raw materials	1,151,507,446.80	15,799,586.33	1,135,707,860.47	1,353,269,437.33	23,905,732.03	1,329,363,705.30
Self-manufactured semifinished product and work in progress	461,872,266.03	21,554,798.09	440,317,467.94	437,699,395.26	26,197,427.20	411,501,968.06
Stock commodities	2,553,496,518.96	116,825,193.43	2,436,671,325.53	2,623,320,131.35	114,945,361.92	2,508,374,769.43
Goods in transit	83,091,239.88	2,970,517.85	80,120,722.03	68,909,887.83	698,128.42	68,211,759.41
Revolving materials	68,567,723.07	467,864.78	68,099,858.29	63,974,369.60		63,974,369.60
Costs to fulfil contracts	28,771,768.30	382,367.88	28,389,400.42	23,357,170.59	365,555.88	22,991,614.71
Others	1,735,878.19		1,735,878.19	1,735,878.19		1,735,878.19
Total	4,349,042,841.23	158,000,328.36	4,191,042,512.87	4,572,266,270.15	166,112,205.45	4,406,154,064.70

8.9 Contract assets

Item	As at 31/12/2024			As at 1/1/2024		
	Balance	Allowance for credit losses	Carrying amount	Balance	Allowance for credit losses	Carrying amount
Warranty and progress payment	710,195,353.25	126,147,240.62	584,048,112.63	628,728,571.54	82,829,615.39	545,898,956.15
Total	710,195,353.25	126,147,240.62	584,048,112.63	628,728,571.54	82,829,615.39	545,898,956.15

8.10 Other current assets

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Input tax to be deducted	2,083,604,937.15	1,641,020,197.20
Prepaid tax	12,323,102.51	33,849,351.05
Others	3,346.36	731,144.17
Total	2,095,931,386.02	1,675,600,692.42

8.11 Debt investments

Item	As at 31/12/2024			As at 1/1/2024		
	Balance	Provision for credit losses	Carrying amount	Balance	Provision for credit losses	Carrying mount
Jinan urban construction dollar bonds	72,540,000.00		72,540,000.00			
Jinan Energy Group's US dollar bonds	101,556,000.00		101,556,000.00			
Successive holding group dollar bonds	7,254,000.00		7,254,000.00			
Lushang International US Dollar Bonds	166,842,000.00		166,842,000.00			
Lushang Group U.S. dollar bonds	36,270,000.00		36,270,000.00	198,744,000.00		198,744,000.00
Qilu Treasury US Dollar Bonds	7,254,000.00		7,254,000.00	7,098,000.00		7,098,000.00
Qingdao Chengtou US dollar bonds	36,270,000.00		36,270,000.00			
Qingdao Guoxin US dollar bonds	72,540,000.00		72,540,000.00			
Qingdao Huatong US dollar bonds	50,778,000.00		50,778,000.00	21,145,606.70		21,145,606.70
Qingdao Development Investment Group US				70,980,000.00		70,980,000.00

Item	As at 31/12/2024			As at 1/1/2024		
	Balance	Provision for credit losses	Carrying amount	Balance	Provision for credit losses	Carrying mount
dollar bonds						
Shandong high-speed dollar bonds	37,176,750.00		37,176,750.00	71,122,822.52		71,122,822.52
Shandong high-speed perpetual bonds	221,247,000.00		221,247,000.00			
Shandong Guohui US dollar bonds	58,032,000.00		58,032,000.00	56,784,000.00		56,784,000.00
Shandong Gold Dollar Bonds	21,762,000.00		21,762,000.00	21,294,000.00		21,294,000.00
Shandong Energy USD Bonds				141,960,000.00		141,960,000.00
Shandong Iron and Steel Group dollar bonds	585,824.61		585,824.61	56,966,240.45		56,966,240.45
Tai'an Guotai Min'an dollar bonds	29,016,000.00		29,016,000.00	28,392,000.00		28,392,000.00
Yantai Guofeng Group US dollar bonds	145,080,000.00		145,080,000.00			
Sino-Thai international dollar bonds	36,270,000.00		36,270,000.00	141,960,000.00		141,960,000.00
Zhongtai International Private Placement Bonds	114,762,000.00		114,762,000.00			
Zibo high-tech dollar bonds				177,450,000.00		177,450,000.00
Total	1,215,235,574.61	-	1,215,235,574.61	993,896,669.67	-	993,896,669.67

8.12 Other debt investments

8.12.1 Classification of other debt investments

Item	As at 31/12/2024	As at 1/1/2024
China Shandong SPC Market Balanced Fund SP	386,937,420.24	355,213,531.57
Total	386,937,420.24	355,213,531.57

8.12.2 Significant other debt investments

Item	Carrying amount	Fair value	The amount of changes in fair value accrued to other composite income	The amount of impairment reserve has been calculated and set aside
China Shandong SPC Market Balanced Fund SP	347,942,033.53	386,937,420.24	38,995,386.71	
Government treasuries and bonds	256,522.99			256,522.99
Total	348,198,556.52	386,937,420.24	38,995,386.71	256,522.99

8.13 Long-term receivables

Item	As at 31/12/2024			As at 1/1/2024		
	Balance	Allowance for credit losses	Carrying amount	Balance	Allowance for credit losses	Carrying amount
Finance Leases	144,761,889.73	135,352,685.92	9,409,203.81	168,134,002.88	156,654,768.41	11,479,234.47
Including: Unrealized finance income	23,670,367.49	22,968,933.32	701,434.17	27,776,031.18	26,600,636.91	1,175,394.27
Others				171,800,633.19	-	171,800,633.19
Total	144,761,889.73	135,352,685.92	9,409,203.81	339,934,636.07	156,654,768.41	183,279,867.66

8.14 Long-term equity investment

8.14.1 Long-term equity investment by categories:

Item	As at 1/1/2024	Additions	Reductions	As at 31/12/2024
Investment to joint associates	153,802,682.17		10,664,092.61	143,138,589.56
Subtotal	153,802,682.17		10,664,092.61	143,138,589.56
Less: provision for impairment of long-term equity investment	3,882,999.22			3,882,999.22
Total	149,919,682.95		10,664,092.61	139,255,590.34

8.14.2. Detailed statement of long-term equity investment

Investee	Investment cost	Balance as at 1/1/2024	Movement during the financial year								Balance as at 31/12/2024	Provision for impairment as at 31/12/2024
			Addition of investment	Reduction of investment	Investment income/loss recognised under the equity method	Adjustment of OCI	Changes of other equity	Cash dividend or profit announced to be issued	Provision for impairment	Others		
Associates												
Hualu Yellow River Delta (Ningxia) Equity Investment Fund (limited Partnership)	4,725,000.00	4,737,232.15			-7,599.26						4,729,632.89	
Cansheng Pharmaceutical (Zibo) Co., Ltd.	63,129,358.99	42,265,595.31			158,321.65						42,423,916.96	
Lukang America Pharmaceuticals Ltd.	3,882,999.22	3,882,999.22									3,882,999.22	3,882,999.22
Shandong Lukang Haoliyou Biotechnology Development Co., Ltd.	42,182,040.00	52,268,222.22			-5,626,866.86						46,641,355.36	
Suez Huanke Environmental Protection Technology (Jinan) Co., Ltd.	22,416,000.00	19,958,451.93			-2,853,478.49						17,104,973.44	
Shandong Province Leading Green Industry Development Co., Ltd.	4,400,000.00	5,088,930.59			-288,271.22						4,800,659.37	
Beijing Yujing Health Technology Co., Ltd.	30,001,500.00	25,601,250.75			-2,046,198.43						23,555,052.32	
Total	170,736,898.21	153,802,682.17			-10,664,092.61						143,138,589.56	3,882,999.22

8.15 Other equity instrument investments

Item	Investment cost	Balance as at 31/12/2024	Balance as at 1/1/2024
Shandong Railway Development Funds Co.,Ltd.	622,130,000.00	699,594,422.07	622,130,000.00
Shandong Railway Investment Holding Group Co. Ltd.	690,000,000.00	760,617,453.20	690,000,000.00
Shandong Yulong Petrochemical Co., Ltd.	500,000,000.00	470,715,423.08	500,000,000.00
Shandong Airlines Co. Ltd.	200,000.00		200,000.00
Chengdu CNNC New Materials Co., Ltd.	4,700,000.00		
Dezhou Bank Co.,Ltd.	5,000,000.00	5,000,000.00	5,000,000.00
Dezhou Modern Agriculture Development Co. Ltd.	1,000,000.00		
BANK OF COMMUNICATIONS CO.,Ltd.	14,225,318.00	63,863,184.00	47,178,208.00
China Pacific Insurance (Group) Co. , Ltd.	7,000,000.00	170,400,000.00	118,900,000.00
North Health And Medical Big Data Technology Co., Ltd.	60,000,000.00	25,421,837.09	33,437,718.60
Tiangong Biotechnology (Tianjin) Co., Ltd.	10,000,000.00	5,813,775.84	8,537,698.61
Wintime Energy Co.,ltd.	22,195,880.15		15,674,411.12
GAOTANG Quanrong Holding Co., Ltd.	1.00	1.00	1.00
Disposal of creditor's rights of Quanlin Group (debt-equity swap)		1.00	1.00
Shandong Huanke Kechuang Environmental Protection Technology Co. Ltd.	1,000,000.00		
Galaxy Hualu Asset Allocation Phase I Private Equity Fund	70,000,000.00	70,248,606.74	65,252,364.02
Luxiu Xunlu No. 44 Private Equity Investment Fund	100,000,000.00	142,658,298.68	132,584,012.34
Total	2,107,451,199.15	2,414,333,002.70	2,238,894,414.69

8.16 Investment property

Item	Balance as at 1/1/2024	Additions	Reductions	Balance as at 31/12/2024
Ⅰ.Cost	570,745,258.12	1,806,451.03	42,832,930.24	529,718,778.91
Including: buildings	570,745,258.12	1,806,451.03	42,832,930.24	529,718,778.91
II. Accumulated depreciation	248,774,604.67	9,412,586.84	15,387,774.26	242,799,417.25
Including: buildings	248,774,604.67	9,412,586.84	15,387,774.26	242,799,417.25
III.Net book value	321,970,653.45	——	——	286,919,361.66
Including: buildings	321,970,653.45	——	——	286,919,361.66
IV. Provision for impairment				
Including: buildings				
V. Book Value of Fixed Assets	321,970,653.45	——	——	286,919,361.66
Including: buildings	321,970,653.45	——	——	286,919,361.66

8.17 Fixed assets

Category	Balance as at 31/12/2024	Balance as at 1/1/2024

Category	Balance as at 31/12/2024	Balance as at 1/1/2024
Fixed assets	37,670,687,146.65	36,444,674,008.65
Disposal of fixed assets	127,696.61	
Total	37,670,814,843.26	36,444,674,008.65

8.17.1 Fixed assets

8.17.1.1Movement of fixed assets

Item	Balance as at 1/1/2024	Additions	Reductions	Balance as at 31/12/2024
I. Cost	57,094,710,719.95	4,868,715,766.57	187,432,400.43	61,775,994,086.09
Including: Land assets	19,414,065.07		1,440,575.87	17,973,489.20
Buildings	11,741,164,309.11	861,753,693.80	60,267,175.25	12,542,650,827.66
Machinery & equipment	42,327,279,839.03	3,464,607,470.06	101,561,806.90	45,690,325,502.19
Transportation vehicles	218,404,837.95	16,322,214.17	8,636,801.94	226,090,250.18
Electronic equipment	2,763,426,038.02	522,948,764.33	14,694,546.53	3,271,680,255.82
Office equipment	7,101,338.51	148,497.35	557,720.98	6,692,114.88
Other equipment	17,920,292.26	2,935,126.86	273,772.96	20,581,646.16
II. Accumulated depreciation	20,605,581,186.36	3,614,859,127.33	158,472,135.20	24,061,968,178.49
Including: Land assets				
Buildings	2,717,818,030.18	492,626,631.13	42,863,055.98	3,167,581,605.33
Machinery & equipment	16,376,874,676.60	2,700,254,150.82	92,640,393.45	18,984,488,433.97
Transportation vehicles	124,431,436.50	23,786,515.91	8,210,115.43	140,007,836.98
Electronic equipment	1,368,660,293.23	396,988,465.87	13,963,038.24	1,751,685,720.86
Office equipment	4,684,616.57	729,480.01	538,058.03	4,876,038.55
Other equipment	13,112,133.28	473,883.59	257,474.07	13,328,542.80
III.Net book value	36,489,129,533.59			37,714,025,907.60
Including: Land assets	19,414,065.07			17,973,489.20
Buildings	9,023,346,278.93			9,375,069,222.33
Machinery & equipment	25,950,405,162.43			26,705,837,068.22
Transportation vehicles	93,973,401.45			86,082,413.20
Electronic equipment	1,394,765,744.79			1,519,994,534.96
Office equipment	2,416,721.94			1,816,076.33
Other equipment	4,808,158.98			7,253,103.36
IV. Provision for impairment	44,455,524.94			43,338,760.95
Including: Land assets				
Buildings	3,607,151.30			3,393,234.28
Machinery & equipment	40,827,457.22			39,913,354.72
Transportation vehicles				

Item	Balance as at 1/1/2024	Additions	Reductions	Balance as at 31/12/2024
Electronic equipment	13,118.69			25,010.72
Office equipment				
Other equipment	7,797.73			7,161.23
V. Book Value of Fixed Assets	36,444,674,008.65			37,670,687,146.65
Including: Land assets	19,414,065.07			17,973,489.20
Buildings	9,019,739,127.63			9,371,675,988.05
Machinery & equipment	25,909,577,705.21			26,665,923,713.50
Transportation vehicles	93,973,401.45			86,082,413.20
Electronic equipment	1,394,752,626.10			1,519,969,524.24
Office equipment	2,416,721.94			1,816,076.33
Other equipment	4,800,361.25			7,245,942.13

8.17.2 Disposal of fixed assets

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Transportation vehicles	127,696.61	
Total	127,696.61	

8.18 Construction in process

8.18.1 Construction in process by categories:

Category	As at 31/12/2024			As at 1/1/2024		
	Balance	Provision for impairment	Carrying amount	Balance	Provision for impairment	Carrying amount
Projects constructed in process	5,090,447,829.48	1,368,000.00	5,089,079,829.48	3,946,454,228.93	1,368,000.00	3,945,086,228.93
Construction materials	708,592,670.21		708,592,670.21	117,402,396.02		117,402,396.02
Total	5,799,040,499.69	1,368,000.00	5,797,672,499.69	4,063,856,624.95	1,368,000.00	4,062,488,624.95

8.18.2 Movement of significant construction in progress

Project name	Budget	As at 1/1/2024	Additions	Transfer to fixed assets	Other reductions	As at 31/12/2024
An integrated project with an annual output of 200,000 tons of BDO, 160,000 tons of NMP and 30,000 tons of PBAT biodegradable materials	339,655.00	87,962,096.95	1,537,660,246.51			1,625,622,343.46
Amide raw material optimization and upgrading project	83,323.00	15,316,957.60	461,374,921.87			476,691,879.47
200,000 tons/year diacid project	86,668.00	40,730,570.70	434,661,598.89			475,392,169.59
Hengsheng Science and Technology R&D Park	65,500.00	35,888,356.07	189,296,960.14			225,185,316.21
Melamine resin monomer material project	73,378.00	58,264,463.72	309,942,287.18	237,322,417.33		130,884,333.57

Project name	Budget	As at 1/1/2024	Additions	Transfer to fixed assets	Other reductions	As at 31/12/2024
Nylon 66 high-end new material project	307,800.00	783,406,393.18	502,438,114.38	1,285,844,507.56		
Optimization and upgrading project of key equipment of the public works platform in the park	69,987.00	556,364,735.51	34,095,308.06	590,460,043.57		
Melamine resin monomer material raw materials and product optimization and improvement projects	54,102.47	32,926,039.97	521,343,226.23	554,269,266.20		
Sporadic works and minor technical transformations		1,472,768,945.14	728,017,905.16	1,011,502,611.96		1,189,284,238.34
CK-06 project	2,286.04	11,882,166.35	7,983,068.58	19,865,234.93		
RTO project	4,200.00	22,217,857.53	6,788,086.06			29,005,943.59
CK-20 project	2,800.00	8,637,679.74	17,781,779.63	26,419,459.37		
GZ-09 (stereoscopic library) project	10,401.55	1,351,046.04	52,493,110.40			53,844,156.44
Salinomycin premix expansion project	3,850.00	137,735.85	33,594,763.97	33,732,499.82		
GZ-03-03 Technical Transformation Project	4,389.00	228,017.22	30,419,467.15	30,647,484.37		
SY-25 project	9,085.09		7,758,095.26			7,758,095.26
High-end steroid series API construction project	15,206.00	155,063,657.20	8,676,226.43			163,739,883.63
Logistics warehouse project	15,597.00	1,969,934.83	136,314,033.39			138,283,968.22
Annual output of 10,000 tons of 3,3-dichlorobenzidine production project	11,390.00	76,055,063.20	27,108,630.05			103,163,693.25
Methyldopa and series of products production project	7,385.00	49,012,785.94	21,333,872.44			70,346,658.38
Annual output of 500 tons of resveratraldehyde project	3,500.00	7,842,282.81	25,779,879.11	125,663.72		33,496,498.20
103 workshop sodium salt process continuous project	4,652.00	661,685.90	27,757,962.69			28,419,648.59
17 hydroxyprogesterone acetate, cortisone acetate steroid hormone series products	4,200.00		24,634,096.69			24,634,096.69
Multi-functional pilot production line project and annual output of 1000 tons of 3-hydroxybutyrate and 500 tons of D-β-hydroxybutyrate project	3,650.00	24,788,125.95	1,045,142.30	1,499,032.74		24,334,235.51
301 workshop oral liquid production line project	3,925.00	475,159.27	22,727,601.80			23,202,761.07
Helion ibuprofen extended-release capsule project	1,968.00	187,268.11	15,151,862.61			15,339,130.72
Southern District Public Works Supporting Project	2,980.00	10,009,624.22	5,183,697.25			15,193,321.47
Organic waste gas and odor RTO treatment project in the plant	2,050.00	14,273,478.08	549,568.99			14,823,047.07
O-chloroacetylacetanilide project	1,850.00		14,308,545.67			14,308,545.67
New warehouse project for pharmaceutical preparations	2,050.00	100,686.73	14,148,733.43			14,249,420.16
Pururic acid and 4AU automated packaging transformation project	1,750.00	4,246,881.47	8,565,043.34			12,811,924.81
15,000 tons of isobutylbenzene expansion project	18,000.00	126,160,994.70	66,446,755.48	192,607,750.18		
International Cooperation Project for Solid Preparations	17,715.00	79,467,615.18	28,818,627.80	108,286,242.98		

Project name	Budget	As at 1/1/2024	Additions	Transfer to fixed assets	Other reductions	As at 31/12/2024
- Merck Preparations						
International Processing Technology Transformation Project for Solid Preparations	17,429.00	5,560,530.30	826,271.59	5,327,374.65	1,059,427.24	
Linyi University Town Sewage Treatment Plant Upgrading and Renovation BOT Project	984.95	3,719,717.28	5,254,000.85			8,973,718.13
Total	1,253,707.10	3,687,678,552.74	5,330,279,491.38	4,097,909,589.38	1,059,427.24	4,918,989,027.50

Movement of significant construction in progress(Continued)

Project name	Percentage of accumulated input over budget (%)	Construction progress(%)	Accumulated capitalized interest	Including: Interest capitalized in current period	Capitalization rate in current period (%)	Sources of funds
An integrated project with an annual output of 200,000 tons of BDO, 160,000 tons of NMP and 30,000 tons of PBAT biodegradable materials	47.86	79.02	25,629,305.77	21,338,423.87	3.38	Own funds and borrowings
Amide raw material optimization and upgrading project	57.21	71.77	3,573,509.53	3,573,509.53	2.5	Own funds and borrowings
200,000 tons/year diacid project	54.85	71.19	1,920,704.96	1,920,704.96	2.63	Own funds and borrowings
Hengsheng Science and Technology R&D Park	34.38	37.47				Own funds
Melamine resin monomer material project	50.18	50.18	3,549,659.62	2,860,920.41	3.49	Own funds and borrowings
Nylon 66 high-end new material project	41.78	45.12	16,173,283.55	13,869,217.76	3.36	Own funds and borrowings
Optimization and upgrading project of key equipment of the public works platform in the park	84.37	100.00	1,732,747.12	1,428,869.33	3.29	Own funds and borrowings
Melamine resin monomer material raw materials and product optimization and improvement projects	102.45	100.00	683,173.62	683,173.62	3.37	Own funds and borrowings
Sporadic works and minor technical transformations			1,682,847.01	1,223,427.63	3.52	Own funds and borrowings
CK-06 project	86.9	100.00				Own funds
RTO project	69.06	69.06				Own funds
CK-20 project	94.36	100.00				Own funds
GZ-09 (stereoscopic library) project	51.77	51.77				Own funds
Salinomycin premix expansion project	97.23	100.00				Own funds
GZ-03-03 Technical Transformation Project	69.83	100.00				Own funds
SY-25 project	8.54	8.54				Own funds
High-end steroid series API construction project	107.68	98.00				Own funds
Logistics warehouse project	88.66	90.00				Own funds
Annual output of 10,000 tons of	90.57	95.00				Own funds

Project name	Percentage of accumulated input over budget (%)	Construction progress(%)	Accumulated capitalized interest	Including: Interest capitalized in current period	Capitalization rate in current period (%)	Sources of funds
3,3-dichlorobenzidine production project						
Methyldopa and series of products production project	95.26	96.00				Own funds
Annual output of 500 tons of resveratraldehyde project	96.06	97.00				Own funds
103 workshop sodium salt process continuous project	61.09	70.00				Own funds
17 hydroxyprogesterone acetate, cortisone acetate steroid hormone series products	58.65	60.00				Own funds
Multi-functional pilot production line project and annual output of 1000 tons of 3-hydroxybutyrate and 500 tons of D-β-hydroxybutyrate project	70.78	75.00				Own funds
301 workshop oral liquid production line project	59.12	65.00				Own funds
Helion ibuprofen extended-release capsule project	77.94	85.00				Own funds
Southern District Public Works Supporting Project	50.98	60.00				Own funds
Organic waste gas and odor RTO treatment project in the plant	72.31	80.00				Own funds
O-chloroacetylacetanilide project	77.34	80.00				Own funds
New warehouse project for pharmaceutical preparations	69.51	70.00				Own funds
Pururic acid and 4AU automated packaging transformation project	73.21	80.00				Own funds
15,000 tons of isobutylbenzene expansion project	107.00	100.00				Own funds
International Cooperation Project for Solid Preparations - Merck Preparations	61.13	100.00				Own funds
International Processing Technology Transformation Project for Solid Preparations	74.00	100.00				Own funds
Linyi University Town Sewage Treatment Plant Upgrading and Renovation BOT Project	91.11	100.00				Own funds
Total			54,945,231.18	46,898,247.11		——

8.18.3 Construction materials

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Special materials	172,337.16	256,149.38
Construction materials	708,420,333.05	117,146,246.64

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Total	708,592,670.21	117,402,396.02

8.19 Right-of-use assets

Item	Balance as at 1/1/2024	Additions	Reductions	Balance as at 31/12/2024
I. Cost	46,469,364.05	40,216,377.34	22,081,197.65	64,604,543.74
Including: Buildings	24,909,418.50	4,100,969.73	12,527,804.00	16,482,584.23
Land assets	21,559,945.55	36,115,407.61	9,553,393.65	48,121,959.51
II. Accumulated depreciation	21,132,207.36	12,334,830.18	21,541,814.24	11,925,223.30
Including: Buildings	11,020,528.17	7,903,538.80	11,988,420.47	6,935,646.50
Land assets	10,111,679.19	4,431,291.38	9,553,393.77	4,989,576.80
III. Provision for impairment				
Including: Buildings				
Land assets				
IV. Carrying amount	25,337,156.69	——	——	52,679,320.44
Including: Buildings	13,888,890.33			9,546,937.73
Land assets	11,448,266.36	——	——	43,132,382.71

8.20 Intangible assets

Item	Balance as at 1/1/2024	Additions	Reductions	Balance as at 31/12/2024
Ⅰ.Cost	4,234,755,532.45	697,400,611.44	16,153,490.49	4,916,002,653.40
Including:Software	58,153,204.15	21,256,622.41	269,538.46	79,140,288.10
Land use rights	3,418,291,427.49	464,047,541.62	15,883,952.03	3,866,455,017.08
Patent rights	18,357,694.47	22,660,967.96		41,018,662.43
Non-Patent techniques	386,502,859.00	179,371,279.51		565,874,138.51
Concessions	317,191,119.10	10,064,199.94		327,255,319.04
Others	36,259,228.24			36,259,228.24
II. Accumulated depreciation	689,521,478.93	156,038,165.00	4,921,972.62	840,637,671.31
Including:Software	40,652,900.69	5,345,235.45	269,538.46	45,728,597.68
Land use rights	476,934,803.32	76,857,568.61	4,652,434.16	549,139,937.77
Patent rights	4,013,644.16	3,346,963.48		7,360,607.64
Non-Patent techniques	127,737,463.08	58,821,273.69		186,558,736.77
Concessions	18,934,228.49	10,640,958.72		29,575,187.21
Others	21,248,439.19	1,026,165.05		22,274,604.24
III. Provision for impairment	13,874,881.57	366,453.07		14,241,334.64
Including:Software	15,107.90	366,453.07		381,560.97
Land use rights				
Patent rights				
Non-Patent techniques	7,496,862.02			7,496,862.02

Item	Balance as at 1/1/2024	Additions	Reductions	Balance as at 31/12/2024
Concessions				
Others	6,362,911.65			6,362,911.65
IV. Carrying amount	3,531,359,171.95	——	——	4,061,123,647.45
Including:Software	17,485,195.56	——	——	33,030,129.45
Land use rights	2,941,356,624.17	——	——	3,317,315,079.31
Patent rights	14,344,050.31	——	——	33,658,054.79
Non-Patent techniques	251,268,533.90	——	——	371,818,539.72
Concessions	298,256,890.61	——	——	297,680,131.83
Others	8,647,877.40	——	——	7,621,712.35

8.21 Development expenditures

Project	Balance as at 1/1/2024	Additions		Reductions			Balance as at 31/12/2024
		Internally development expenditures	Others	Recognised as intangible assets	Profit or loss	Others	
Ezetimibusimvastatin tablets	3,849,576.08	1,440,000.00					5,289,576.08
Febuxostat, febuxostat tablets	3,526,698.12	1,632,735.85		5,159,433.97			
Apixaban raw materials and tablets	4,635,424.53	1,375,000.00		6,010,424.53			
Turn-157	7,333,004.50	6,679,103.75					14,012,108.25
CIGB-814 project	37,509,683.27						37,509,683.27
Aprepitant and capsules (specifications: 80mg, 125mg) were commissioned for research and development	2,689,811.32	7,011,990.57					9,701,801.89
Biological enzymatic catalysis for the synthesis of 7-ADCA	8,000,000.00				8,000,000.00		
Moxifloxacin hydrochloride and tablets	5,424,905.67	1,497,735.85		6,922,641.52			
Imatinib and tablets	1,140,000.00	4,290,128.30					5,430,128.30
Gefitinib raw materials and tablets	4,231,226.41	1,971,037.74					6,202,264.15
Registration of pivolate and granules of tebipenem	2,210,000.00	840,000.00					3,050,000.00
Research and industrialization of raw materials and preparation process of lenvatinib mesylate	2,471,698.11	3,346,990.57					5,818,688.68
Technical development of Furulasheng Fumarate Tablets (10mg 20mg).	1,650,000.00	4,077,624.14					5,727,624.14
Dapagliflozin metformin extended-release tablets		1,075,292.46					1,075,292.46
Finerenone raw materials and tablets (10mg, 20mg)		1,371,998.11					1,371,998.11

Project	Balance as at 1/1/2024	Additions		Reductions			Balance as at 31/12/2024
		Internally development expenditures	Others	Recognised as intangible assets	Profit or loss	Others	
registration declaration							
Brexpeprazole raw materials and tablets (0.25mg, 1mg and 2mg) registration declaration		2,178,528.30					2,178,528.30
ST-Process Development	16,920,754.72	45,631,934.61		38,021,501.97			24,531,187.36
Production technology of highly active Nitrogen-fixing Cyclos. and Pseudomonas fluorescens	5,381,426.34						5,381,426.34
Total	106,974,209.07	84,420,100.25		56,114,001.99	8,000,000.00		127,280,307.33

8.22 Long-term deferred expenses

Item	Balance as at 1/1/2024	Additions	Amortization	Reductions	Balance as at 31/12/2024
Technical compensation	225,945,945.95		30,810,810.81		195,135,135.14
Technology Royalties	60,000,000.00		8,181,818.18		51,818,181.82
catalyst		23,190,398.22	2,576,710.88		20,613,687.34
Environmental protection R&D base 3# workshop usage fee	12,439,024.39		365,853.66		12,073,170.73
Gene and Cell Engineering Research Center Project	8,116,697.36		1,708,778.40		6,407,918.96
Asset renovation fees	5,504,109.56	66,280.00	693,587.24		4,876,802.32
Compensation for agricultural irrigation facilities and water rights	13,333,333.64		9,999,999.96		3,333,333.68
Renovation and renovation fees for the Pharmaceutical Innovation Park	4,520,002.76		2,465,456.04		2,054,546.72
Decoration of the office area	2,072,358.10		520,473.96		1,551,884.14
Renovation costs for health technology new function complex buildings	1,054,180.85		214,554.16		839,626.69
Temporary land use projects	1,148,550.33	360,712.00	897,490.04		611,772.29
Renovation and renovation fees for leased assets	816,620.11	110,247.53	355,233.53		571,634.11
Ph.D. settling-in allowance		600,000.00	50,000.00		550,000.00
Design and engineering company Qingdao branch office space decoration	274,530.00		64,360.00	210,170.00	
Laboratory Renovation Project	1,247,022.25		1,247,022.25		
Others	497,877.43	460,083.97	274,356.75		683,604.65
Total	336,970,252.73	24,787,721.72	60,426,505.86	210,170.00	301,121,298.59

8.23 Deferred tax assets and deferred tax liabilities

8.23.1 Deferred tax assets and deferred tax liabilities before offsetting

Item	As at 31/12/2024		As at 1/1/2024	
	Deductible or taxable temporary differences	Deferred tax assets or liabilities	Deductible or taxable temporary differences	Deferred tax assets or liabilities
Deferred tax assets:				
Provisions for impairment of assets	807,450,293.68	126,843,616.28	702,558,056.62	109,785,853.42
Withholding Expenses	634,438,832.48	95,366,737.62	521,176,440.02	78,515,123.65
Deferred earnings	23,939,798.56	3,916,967.16	18,618,503.18	4,398,681.41
Unrealized profits from insider trading	94,175,632.66	20,367,155.65	72,055,028.55	10,826,469.34
Deductible losses	325,680,332.84	48,999,664.16	213,507,881.64	33,600,900.65
Share-based payments	221,229,815.39	33,321,924.81	115,477,555.94	17,406,613.40
Changes in investments in other equity instruments	17,568,703.06	2,735,305.46	18,028,776.70	3,179,080.11
Changes in the fair value of financial assets measured at fair value through profit or loss	13,722,627.64	3,430,656.91	3,394,160.60	848,540.15
Lease liabilities	66,026,179.67	10,488,334.51	24,964,249.89	4,531,155.03
Projected liabilities	40,312,592.12	7,561,118.32		
Changes in the fair value of financial assets through other comprehensive income	200,000.00	50,000.00		
Others	87,812,478.00	13,692,834.01	200,416,333.30	41,919,841.81
Subtotal	2,332,557,286.10	366,774,314.89	1,890,196,986.44	305,012,258.97
Deferred tax liabilities:				
Depreciation of fixed assets	1,210,529,379.16	187,557,168.37	977,574,898.08	152,616,244.15
Fair value changes in the structured deposits	61,651,071.32	9,892,476.11		
Right-of-use assets	4,157,097.87	840,948.51	29,738,389.06	5,549,076.98
Fair value changes in other equity instrument investments	225,944,771.40	35,182,406.25	702,643,996.36	22,373,936.58
Subtotal	1,502,282,319.75	233,472,999.24	1,709,957,283.50	180,539,257.71

8.24 Other non-current assets

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Prepayment for long-term assets	1,767,536,801.91	1,737,337,498.82
Prepayment for the purchase of patented technology	57,229,962.42	70,146,219.38
Large certificates of deposit	541,258,333.32	594,017,464.60
House demolition	4,128,039.43	14,949,824.64
Others	2,249,430.76	
Total	2,372,402,567.84	2,416,451,007.44

8.25 Short-term loans

8.25.1 Short-term loans by categories:

Borrowing condition	Balance as at 31/12/2024	Balance as at 1/1/2024
Secured loans	9,000,000.00	12,000,000.00
Guarantee loans	782,065,555.56	545,893,884.23
Loans on credit	455,966,817.44	865,741,558.26
Bill financing	373,361,459.73	200,000,000.00
Subtotal	1,620,393,832.73	1,623,635,442.49
Less: Interest payable	2,678,367.39	3,978,701.18
Total	1,623,072,200.12	1,627,614,143.67

8.26 Notes payable

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Bank acceptance notes	1,964,068,364.74	1,668,242,266.14
Total	1,964,068,364.74	1,668,242,266.14

8.27 Accounts payable

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Within 1 year (including 1 year)	3,966,075,269.41	5,503,498,341.52
1-2 years (including 2 year)	930,257,464.21	233,573,333.88
2-3 years (including 3 year)	72,577,351.49	192,901,208.32
More than 3 year	170,234,049.17	118,394,786.66
Total	5,139,144,134.28	6,048,367,670.38

8.27.1 Significant accounts payable with aging over 1 year

Creditor	Balance as at 31/12/2024	Reasons for non-reimbursement or non-carry-over
Jining River and Sea Water Conservancy Engineering Co., Ltd.	19,027,522.95	Not settled yet
Rizhao Liyu Construction Engineering Co., Ltd.	16,526,621.95	Not settled yet
Shandong Maotong Municipal Engineering Co., Ltd.	15,713,037.41	Not settled yet
Chikuku Construction Group Co., Ltd.	12,997,922.17	Not settled yet
Zhongning Construction Engineering Co., Ltd.	11,725,688.11	Not settled yet
Shandong Qifeng Construction Engineering Co., Ltd.	8,842,531.47	Not settled yet
Tai'an Jinlong Building Decoration Engineering Co., Ltd. Xintai Branch	8,523,931.01	Not settled yet
Xinji City Melco Construction Engineering Co., Ltd.	7,608,789.21	Not settled yet
Shanxi Guoyang New Energy Co., Ltd.	7,441,703.39	Not settled yet
Guangdong Xiangyu Construction Engineering Co., Ltd.	6,284,518.32	Not settled yet
Zhuo Zheng Construction Engineering Company Limited	5,843,500.10	Not settled yet
Dezhou Branch of Heilongjiang Provincial Thermal Power Third Engineering Company	5,688,014.98	Not settled yet
Shandong Provincial Native Cultural Heritage Protection Engineering Co., Ltd. Dezhou Branch	3,500,000.00	Not settled yet

Creditor	Balance as at 31/12/2024	Reasons for non-reimbursement or non-carry-over
Jining River and Sea Water Conservancy Engineering Co., Ltd.	19,027,522.95	Not settled yet
Rizhao Liyu Construction Engineering Co., Ltd.	16,526,621.95	Not settled yet
Shandong Maotong Municipal Engineering Co., Ltd.	15,713,037.41	Not settled yet
Chikuku Construction Group Co., Ltd.	12,997,922.17	Not settled yet
Zhongning Construction Engineering Co., Ltd.	11,725,688.11	Not settled yet
Shandong Qifeng Construction Engineering Co., Ltd.	8,842,531.47	Not settled yet
Total	129,723,781.07	——

8.28 Advances from customers

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Within 1 year (including 1 year)	3,767,179.92	4,379,856.27
More than 1 year	1,991.00	21,038.52
Total	3,769,170.92	4,400,894.79

8.29 Contract liabilities

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Unearned revenue on sales	920,962,798.25	1,191,723,841.22
Total	920,962,798.25	1,191,723,841.22

8.30 Employee benefits payable

8.30.1 Movement of employee benefits payable

Item	As at 1/1/2024	Accrued	Paid	As at 31/12/2024
Short-term employee benefits	551,991,166.66	3,497,895,387.80	3,501,720,034.56	548,166,519.90
Post-employment benefits — defined contribution plans	36,591.37	517,136,692.14	517,149,208.26	24,075.25
Termination benefits		660,282.85	660,282.85	
Other benefits due within one year		213,538.49	213,538.49	
Total	552,027,758.03	4,015,905,901.28	4,019,743,064.16	548,190,595.15

8.30.2 Details of the short-term employee benefits

Item	As at 1/1/2024	Accrued	Paid	As at 31/12/2024
Salaries, bonus, and allowances	333,236,250.33	2,745,164,291.47	2,775,709,583.72	302,690,958.08
Staff welfare	23,679,616.91	146,468,685.90	146,529,432.36	23,618,870.45
Social insurances	48,429.77	220,989,165.79	220,992,553.86	45,041.70
Including: Medical insurance	33,306.31	195,060,081.63	195,065,171.04	28,216.90
Work injury insurance	153.94	24,449,122.70	24,449,191.84	84.80
Supplemental Health Insurance		1,289,612.01	1,289,612.01	
Others	14,969.52	190,349.45	188,578.97	16,740.00

Item	As at 1/1/2024	Accrued	Paid	As at 31/12/2024
Housing Fund	1,045,116.32	262,547,527.59	262,555,261.11	1,037,382.80
Union funds and employee education fee	193,972,253.33	86,113,485.20	59,359,471.66	220,726,266.87
Others	9,500.00	36,612,231.85	36,573,731.85	48,000.00
Total	551,991,166.66	3,497,895,387.80	3,501,720,034.56	548,166,519.90

8.30.3 Defined contribution plans

Item	As at 1/1/2024	Accrued	Paid	As at 31/12/2024
Primary endowment insurance	35,718.13	392,007,483.02	392,019,390.90	23,810.25
Unemployment insurance	873.24	17,150,761.48	17,151,369.72	265.00
Pension insurance		107,978,447.64	107,978,447.64	
Total	36,591.37	517,136,692.14	517,149,208.26	24,075.25

8.31Taxes and surcharges payable

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Enterprise income tax	132,675,502.12	206,794,370.05
Value added tax	81,107,310.50	107,199,039.35
Individual income tax	16,894,694.15	27,826,619.85
Estate tax	15,984,261.50	14,174,538.93
Urban maintenance and construction tax	9,710,839.33	9,238,184.48
Land use tax	9,422,050.74	8,598,017.44
stamp duty	8,572,987.41	7,906,883.86
Water tax	5,972,194.40	6,680,801.89
Educational surtax	4,705,815.28	4,247,973.24
Environmental Protection Tax	2,455,210.09	3,084,084.33
Local Education Add-on	2,227,686.85	2,350,964.95
Local Water Conservancy Construction Fund	50.46	50.46
Other taxes and surcharges	709,796.61	33,389.90
Total	290,438,399.44	398,134,918.73

8.32 Other payables

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Dividends payable	15,973,505.02	16,971,505.02
Other payables	1,070,977,929.11	1,081,671,472.81
Total	1,086,951,434.13	1,098,642,977.83

8.32.1 Dividends payable

Item	Balance as at 31/12/2024	Balance as at 1/1/2024

Dividends payable by subsidiaries to minority shareholders	1,680,905.49	1,680,905.49
Dividends for common shares	14,292,599.53	15,290,599.53
Total	15,973,505.02	16,971,505.02

8.32.2 Other payables

8.32.2.1 Other payables by nature

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Payments payable for engineering equipment	372,386,955.59	253,462,613.35
Current Payments	178,921,088.13	169,398,685.33
Deposits, security deposits	142,755,115.62	141,310,877.87
Collect and pay on behalf of others	2,465,927.37	9,287,986.02
Restricted share repurchase obligations	122,468,199.17	204,447,200.00
Fixed increase risk fund	1,600,000.00	1,600,000.00
Power fees, consulting fees, etc	48,419,626.35	66,937,536.93
Preparation for LAT liquidation	27,700,113.53	26,209,518.86
Warranty	10,296.00	11,395.04
Others	174,250,607.35	209,005,659.41
Total	1,070,977,929.11	1,081,671,472.81

8.32.2.2 Significant other payables aging over 1 year:

Creditor	Balance as at 31/12/2024	Reasons for non-reimbursement or non-carry-over
Shandong Minsheng Coal Chemical Co., Ltd.	4,640,000.00	Unsettled
Shandong Lukang Sanye Pharmaceutical Co., Ltd.	2,640,445.61	Unsettled
Qingdao Dongxin Industrial Co., Ltd.	2,477,779.42	Unsettled
Total	9,758,225.03	——

8.33 Non-current liabilities due within one year

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Long-term loans due within one year	2,329,126,306.22	1,032,224,935.59
Long-term bonds due within one year	15,723,167.84	1,518,323,191.19
Lease liabilities due within one year	10,233,636.67	4,847,673.39
Interest on long-term borrowings due within one year	1,531,078.40	11,333,711.72
Total	2,356,614,189.13	2,566,729,511.89

8.34 Other current liabilities

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
The amount of tax to be re-sold	148,928,274.13	163,326,200.77

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Supply chain finance		15,078,821.33
Unrecognized notes receivable	42,360,487.39	147,629,165.05
Others	43,518.10	75,308.49
Total	191,332,279.62	326,109,495.64

8.35 Long-term loans

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Guarantee loans	8,760,693,276.48	7,569,564,119.62
Loans on credit	3,604,452,616.53	3,125,406,886.69
Pledge loans	197,663,820.00	207,910,505.67
Total	12,562,809,713.01	10,902,881,511.98

8.36 Bonds payable

8.36.1 Bonds payable by categories:

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Corporate bonds	2,671,366,830.47	2,122,125,050.85
Total	2,671,366,830.47	2,122,125,050.85

8.36.2 Movement of bonds payable

Bond name	Par value	Issue date	Bond period	The amount of the issue	Balance as at 1/1/2024
Hualu Group's US dollar bonds	1,918,800,000.00	2021/10/27	5 years	1,918,800,000.00	2,122,125,050.85
21 Hualu 01	1,000,000,000.00	2021/4/28	3+2 years	1,000,000,000.00	1,000,000,000.00
22 Hualu K1	500,000,000.00	2022/5/31	2+1 years	500,000,000.00	500,000,000.00
24Hualu K1	500,000,000.00	2024/5/24	5 years	500,000,000.00	
Total	3,918,800,000.00	——	——	3,918,800,000.00	3,622,125,050.85

Movement of bonds payable (Continued)

Bond name	Issue in current period	Interest accrued on par value	Amortization of premium or discount	Adjusted to Non-current liabilities due within one year	Balance as at 31/12/2024
Hualu Group's US dollar bonds			49,241,779.62		2,171,366,830.47
21 Hualu 01				1,000,000,000.00	
22 Hualu K1				500,000,000.00	
24Hualu K1	500,000,000.00				500,000,000.00
Total	500,000,000.00		49,241,779.62	1,500,000,000.00	2,671,366,830.47

8.37 Lease liabilities

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Lease payment	60,197,885.44	24,988,761.38
Less: Unrealized finance expense	8,283,364.58	4,404,756.82
Lease liabilities due within one year	10,233,636.67	4,847,673.40
Total	41,680,884.19	15,736,331.16

8.38 Long-term payables

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Long-term payables	121,857,705.00	121,857,705.00
Special payables	24,211,098.47	22,711,098.47
Total	146,068,803.47	144,568,803.47

8.38.1 Long-term payables by category

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Shandong Zhengfang Industrial Development Co. Ltd.	121,857,705.00	121,857,705.00
Total	121,857,705.00	121,857,705.00

8.38.2.Top 5 Special payables in ending balance by debtor

Item	Balance as at 1/1/2024	Accrued	Paid	Balance as at 31/12/2024
Industrialization project of new continuous synthesis technology	20,000,000.00	1,500,000.00		21,500,000.00
Pharmaceutical Reserve Fund	2,000,000.00			2,000,000.00
Veterinary raw materials	600,000.00			600,000.00
Research on the key points of prevention and management of air pollution prevention and control of typical regional energy	62,499.00			62,499.00
Strategic Environmental Assessment of the Central Plains Economic Zone	22,212.30			22,212.30
Total	22,684,711.30	1,500,000.00		24,184,711.30

8.39 Provisions

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Guarantees for third parties	20,750,786.02	20,750,786.02
Restructuring obligations	25,170,297.07	27,022,282.67
Expenditure on asset replacement and overhaul	15,142,295.03	9,355,345.78
Equipment operation compensation and technical service fee		440,000,000.00
Total	61,063,378.12	497,128,414.47

Notes1: In 1997, in accordance with the requirements of the relevant merger policy of the Zibo Municipal Government, Shandong Xinhua Pharmaceutical Group Co., Ltd. (hereinafter referred to as "Xinhua Group"), the atomic company of the Company, successively merged three loss-making enterprises, including Shandong Zibo Acid Plant, Zibo Dongfeng Chemical Plant and

Shandong Dongda Group, and accordingly undertook the bank loan guarantee liability of the aforesaid three enterprises. Among them, the Zibo Dongfeng Chemical Plant (later changed to Shandong Xinhua Dongfeng Chemical Company), which was merged by Xinhua Group on March 31, 2003, provided four bank loan guarantees and assumed joint and several guarantee liability. The principal of the four loans was RMB 12.917 million , and the accumulated interest arrears as of December 31, 2009 were RMB 6.6338 million, with a total principal and interest of RMB 19.5508 million. As of December 31, 2010, Xinhua Group estimated that the interest payable for this year was about RMB 1.20 million according to the reminder notice delivered by ICBC in 2009, which was recognized as a projected liability, and a total of RMB 20.7508 million was recognized as a total of estimated liabilities.

After the resolution of the 3rd meeting of the board of directors of the company in 2018, Shandong Xinhua Group Co., Ltd. was "sub-redivided", and Xinhua Group was cancelled after the merger was absorbed by Hualu Holding Group Co., Ltd. and Xinhua Branch was established.

2: Description of restructuring obligations: The company was originally a public institution under the Shandong Provincial Environmental Protection Department, and in 2016, according to the Shandong Provincial Environmental Protection Department's "Instructions on Applying for the Adjustment of the Transformation and Restructuring Plan of Shandong Environmental Protection Research and Design Institute" (Lu Huanfa [2016] No. 44) and the Shandong Provincial People's Government's "Approval on Agreeing to the Transformation of Shandong Environmental Protection Research and Design Institute into a State-owned Enterprise" (Lu Zheng Zi [2016] No. 90) document, it began to transform into a state-owned enterprise. The number of employees who resign or choose to join the enterprise, and the expected wages, social insurance premiums and economic compensation to be borne shall be included in the estimated liabilities-restructuring obligations as the restructuring costs of the transformation of public institutions into state-owned enterprises.

8.40 Deferred income

Item	Balance as at 1/1/2024	Increase	Decrease	Balance as at 31/12/2024
Government grants	266,289,018.80	122,071,392.52	46,595,211.87	341,765,199.45
Others	30,514,669.00	10,281,211.93	9,055,956.08	31,739,924.85
Total	296,803,687.80	132,352,604.45	55,651,167.95	373,505,124.30

Deferred income from government grants

Item	type	Balance as at 1/1/2024	Increase	Recorded in profit or loss for current period	Amount returned in the current period	Other movement	Balance as at 31/12/2024
Government subsidy income for the renovation of the heating pipe network in old residential areas	Asset-related	33,036,328.70	42,306,217.52	4,057,567.92			71,284,978.30
Special funds for carbono synthesis projects	Earnings related	575,892.81		160,714.29			415,178.52
Special funds for flue gas desulfurization transformation projects	Asset-related	714,285.74		142,857.14			571,428.60
Special funds for the upgrading of traditional industries and the comprehensive utilization of cleaner production	Earnings related	2,165,357.15		276,428.57			1,888,928.58
Special funds for air pollution prevention and control	Earnings related	4,228,571.42		528,571.43			3,699,999.99
Special funds for industrial development equipment upgrades	Asset-related	1,204,521.38		107,867.59			1,096,653.79
Special funds for intelligent technological transformation equipment	Asset-related	807,134.15		62,487.80			744,646.35
In 2021, the provincial manufacturing industry will be a special fund for high-quality development	Earnings related	3,330,059.52		239,285.71			3,090,773.81
Technology development of catalytic equipment for 1.4-butynyldiol, a key intermediate of degradable plastics	Earnings related		3,826,875.00				3,826,875.00
The first phase of the nylon 66 high-end new material project	Asset-related		1,290,000.00				1,290,000.00
Modern Medicine International Cooperation Center Project	Asset-related	38,306,081.20		7,581,115.20			30,724,966.00
Comprehensive prevention and control project for the recovery of organic gases such as methylene chloride	Asset-related	17,508,250.00		3,561,000.00			13,947,250.00
Injection GMP Transformation Project (High-end New Pharmaceutical Preparation Industrialization Project)	Asset-related	16,182,500.00		1,941,900.00			14,240,600.00
Government subsidies for equipment	Asset-related	7,255,783.42		1,071,399.96			6,184,383.46
Technical transformation project of hormone series products	Asset-related	2,599,372.09		596,477.76			2,002,894.33

Item	type	Balance as at 1/1/2024	Increase	Recorded in profit or loss for current period	Amount returned in the current period	Other movement	Balance as at 31/12/2024
Key technological innovation of steroid drugs and the construction of industrial chain system	Earnings related	2,543,333.37		279,999.96			2,263,333.41
International Cooperation Project for Solid Dosage Preparations	Asset-related	2,000,000.00		116,666.69			1,883,333.31
Aspirin Technology Transformation Project (National Science and Technology Major Special Project Matching Fund)	Asset-related	1,966,666.74		399,999.96			1,566,666.78
Research and industrialization project of polycarbophil calcium and tablets	Earnings related	1,650,462.19		336,302.52			1,314,159.67
High-performance core industrial enzymes	Asset-related	1,600,650.00					1,600,650.00
Calcium acetylacetone renovation project	Asset-related	1,550,000.00		200,000.00			1,350,000.00
East Park 2000 cubic meters/day sewage treatment system new project	Asset-related	1,400,999.92		467,000.04			933,999.88
The intelligent upgrading and transformation project of API in the first branch	Asset-related	1,064,874.95		121,700.04			943,174.91
Caffeine green key technology and continuous system construction project	Earnings related	1,040,000.14		159,999.96			880,000.18
Others	Asset-related	3,997,783.90	600,000.00	1,187,282.64			3,410,501.26
Subsidies for environmental protection equipment	Asset-related	3,616,238.13		638,761.90			2,977,476.23
Science and technology funds	Earnings related	760,200.56		111,248.86			648,951.70
Funds to support the development of enterprises	Earnings related	19,180,011.88		4,374,121.67			14,805,890.21
Special funds for the construction of scientific and technological innovation platforms	Asset-related	12,251,295.31		1,304,611.41			10,946,683.90
Characteristic fermentation API construction project	Asset-related	3,694,444.45		333,333.33			3,361,111.12
Shandong Provincial Key R&D Program Major Scientific and Technological Innovation Project	Earnings related	4,904,768.00					4,904,768.00
Enterprise development support funds	Asset-related	7,424,207.16		571,092.84			6,853,114.32
In 2020, the central subsidy fund for the construction of the emergency material security system	Asset-related	5,954,533.64		500,000.00			5,454,533.64
Incentive funds for technological transformation of industrial enterprises	Asset-related	1,766,666.67		151,428.57			1,615,238.10

Item	type	Balance as at 1/1/2024	Increase	Recorded in profit or loss for current period	Amount returned in the current period	Other movement	Balance as at 31/12/2024
Subsidy funds after the annual performance appraisal of the Industrial Technology Research Institute	Earnings related	2,785,714.32		214,285.68			2,571,428.64
Financial incentive funds for energy-saving projects	Earnings related	2,613,333.33		186,666.67			2,426,666.66
Special fund for key core technology research (project construction investment)	Asset-related	16,302,000.00		1,368,000.00			14,934,000.00
Subsidy funds for the upgrading project of industrial VOCs treatment technology in Lukang Biomedical Circular Economy Industrial Park	Asset-related	6,500,000.00					6,500,000.00
Shandong Provincial Department of Science and Technology 2023 Shandong Provincial Key R&D Program (Major Science and Technology Innovation Project) Project Funds	Earnings related	1,226,192.00					1,226,192.00
1000-ton production demonstration and application of trans-aconitate plasticizer	Asset-related	235,125.00					235,125.00
The Finance and Finance Bureau of Jining High-tech Zone allocates funds for enterprise support	Earnings related	15,000,000.00					15,000,000.00
Key pharmaceutical intermediates and biopesticide science and technology research projects	Earnings related		39,900,000.00	3,192,000.11			36,707,999.89
The third phase of the biomedical circular economy industrial park	Asset-related		30,000,000.00	1,216,867.77			28,783,132.23
Central subsidy funds for the construction of emergency material support system	Earnings related	2,000,000.00		300,000.00			1,700,000.00
Subsidy funds after innovation and entrepreneurship	Earnings related	1,418,333.35		148,000.00			1,270,333.35
Special funds for the development of emerging industries and key industries	Earnings related	124,186.10		50,000.04			74,186.06
Special funds for the promotion of regional strategies	Earnings related	1,421,647.15		300,000.00			1,121,647.15
Subsidy for VOCS waste gas treatment project	Asset-related	1,789,821.30		183,571.44			1,606,249.86
60% of the funds allocated to support innovative projects will be received in advance	Earnings related		169,200.00				169,200.00
R&D and engineering demonstration of radiation pyrolysis resource utilization technology of oily sludge	Earnings related		1,008,000.00	1,008,000.00			

Item	type	Balance as at 1/1/2024	Increase	Recorded in profit or loss for current period	Amount returned in the current period	Other movement	Balance as at 31/12/2024
Research and Development (R&D) and Application Demonstration Project of the Ecological Environment Cloud Center Platform	Asset-related		1,890,000.00	5,683.92			1,884,316.08
Special Fund - Evaluation of the Environmental Effect of Systematic and Comprehensive Treatment of Multi-source Solid Waste in Typical Large Cities in the Bohai Rim	Earnings related		173,391.71	173,391.71			
Special Fund - Research on the Evaluation Index System for the Transformation of Ecological and Environmental Protection Scientific and Technological Achievements	Earnings related	49,222.50	40,000.00	50,929.48			38,293.02
Self-funded: Evaluation of the environmental effect of systematic and comprehensive treatment of multi-source solid waste in typical large cities in the Bohai Rim	Earnings related	173,391.71			173,391.71		
Inspect the company's public projects	Earnings related	237,871.48					237,871.48
Research and application demonstration of multi-user information management system in ecological environment laboratory	Asset-related		261,200.00	200,468.95			60,731.05
Special funds - research and demonstration of key technologies for comprehensive prevention and control of water source and water supply security and improvement of water environment capacity in river basins	Earnings related	6,281,393.62		6,281,393.62			
R&D and application demonstration of high-performance materials and equipment for collaborative preparation of red mud-based solid waste	Earnings related	239,229.00		38,339.47			200,889.53
Construction of sustainable sewage treatment system based on resource and energy recovery and development of high-end equipment	Asset-related	681,757.00	317,900.00	8,227.58			991,429.42
R&D and application of intelligent monitoring, dosing and control system for sewage treatment based on water quality model calculation	Asset-related		42,000.00	97.00			41,903.00
R&D and integrated application of remediation technology for typical organic contaminated soils in the Yellow River Basin	Earnings related	240,000.00		15,188.17			224,811.83

Item	type	Balance as at 1/1/2024	Increase	Recorded in profit or loss for current period	Amount returned in the current period	Other movement	Balance as at 31/12/2024
R&D and integrated application of odor control technology system in typical industries	Earnings related	184,828.83		45,514.27			139,314.56
Development and application demonstration of new multi-functional water ecological filler	Earnings related	503,697.52		27,362.23			476,335.29
R&D and demonstration application of key technologies for groundwater emergency management and control in industrial agglomeration areas based on accurate prediction of migration pathways	Earnings related		420,000.00				420,000.00
Total	——	266,289,018.80	122,244,784.23	46,595,211.87	173,391.71		341,765,199.45

8.41 Other non-current liabilities

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Authorized reserve fund	3,561,500.00	3,561,500.00
Equity payments	3,000,000.00	
Total	6,561,500.00	3,561,500.00

8.42 Paid-in Capital

Item	Balance as at 1/1/2024		Increase	Decrease	Balance as at 31/12/2024	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)
State-owned Assets Supervision and Administration Commission of Shandong People's Government	1,835,700,000.00	59.16			1,835,700,000.00	59.16
Shandong Caixin Asset Operation Co., Ltd.	262,200,000.00	8.45			262,200,000.00	8.45
Shandong Finance investment Group Co. Ltd.	377,700,000.00	12.17			377,700,000.00	12.17
Shandong Development Investment Holding Group Co. Ltd.	103,000,000.00	3.32			103,000,000.00	3.32
Shandong Guohui Investment Co. Ltd.	524,400,000.00	16.90			524,400,000.00	16.90
Total	3,103,000,000.00	100.00			3,103,000,000.00	100.00

8.43 Capital reserve

Item	Balance as at 1/1/2024	Increase	Decrease	Balance as at 31/12/2024
I. Capital premiums	1,078,581,669.63	78,283,983.65	828,277.02	1,156,037,376.26
II. Other capital reserve	247,901,242.37	55,152,671.94	78,769,154.20	224,284,760.11
Total	1,326,482,912.00	133,436,655.59	79,597,431.22	1,380,322,136.37

Notes:1. The increase in capital premium for the period is due to the increase in the share premium due to the exercise of the incentive objects of the stock option incentive plan.

2. The reduced share capital premium for the current period is the amount that should be reduced by the company to repurchase and cancel the restricted shares held by the incentive recipients who have been transferred out of the company and retired;

3. The increase in other capital reserves is due to the recognition of deferred tax assets based on the estimated amount of future pre-tax deduction based on the stock price at the end of the period and the amount of taxable income likely to be obtained in the future according to the accrual of equity instrument expenses during the waiting period and the grant of stock option incentive plans.

4. The decrease in other capital reserve is caused by the conversion of other capital reserve into premium after the exercise of stock options and the pre-tax deduction allowed to offset the capital reserve corresponding to the remaining deferred tax assets after the full exercise of the equity incentive plan granted in previous years.

8.44 Other comprehensive income

Item	Balance as at 1/1/2024	Movement in the year					Balance as at 31/12/2024
		Amount before tax	Less: OCI in prior periods transfer in profit or loss for the current period	Less: income tax	Amount after tax attributable to the Company	Amount after tax attributable to minority interests	
Ⅰ.OCI items which will not be reclassified subsequently to profit or loss	14,260,412.37	183,781,034.04	2,745,882.93	3,717,632.27	149,451,029.89	27,866,488.95	163,711,442.26
Including: Fair value changes in other equity instrument investments	14,260,412.37	183,781,034.04	2,745,882.93	3,717,632.27	149,451,029.89	27,866,488.95	163,711,442.26
Ⅱ.OCI items which will be reclassified subsequently to profit or loss	-11,697,235.23	-3,011,207.00			-3,762,851.63	751,644.63	-15,460,086.86
Including: Gain or loss from fair value changes of other debt instruments	-1,947,061.72	25,304,604.22			25,304,604.22		23,357,542.50
Translation differences from translation of foreign currency financial statements	-9,750,173.51	-28,315,811.22			-29,067,455.85	751,644.63	-38,817,629.36
Total of OCI	2,563,177.14	180,769,827.04	2,745,882.93	3,717,632.27	145,688,178.26	28,618,133.58	148,251,355.40

8.45Special reserve

Item	Balance as at 1/1/2024	Increase	Decrease	Balance as at 31/12/2024
Safety costs	7,709,106.31	44,484,572.78	35,401,161.45	16,792,517.64
Total	7,709,106.31	44,484,572.78	35,401,161.45	16,792,517.64

8.46 Surplus reserve

Item	Balance as at 1/1/2024	Increase	Decrease	Balance as at 31/12/2024
Statutory surplus reserve	197,429,937.56	66,602,539.78		264,032,477.34
Total	197,429,937.56	66,602,539.78		264,032,477.34

8.47 Retained earnings

Item	Period from Jan to Dec 2024	Period from Jan to Dec 2023
Retained earnings as at 1/1/2024	9,268,183,346.86	8,966,828,364.37
Opening balance adjustment：changes in accounting policies		-53,044,435.59
Retained earnings as at 1/1/2024 after adjustment	9,268,183,346.86	8,913,783,928.78
Add: Net profit attributable to the Company during the year	1,883,096,886.96	1,417,347,318.77
Other comprehensive income is transferred to retained earnings	4,443,432.99	
Less: Appropriation of statutory surplus reserve	66,602,539.78	81,330,555.97
Common share dividends payable	385,302,000.00	978,298,300.00
Other comprehensive income is transferred to retained earnings		3,319,044.72
Retained earnings as at 31/12/2024	10,703,819,127.03	9,268,183,346.86

8.48 Operating income and operating costs

Item	Period from Jan to Dec 2024		Period from Jan to Dec 2023	
	Income	Costs	Income	Costs
I. Primary operating business	50,863,536,774.34	40,580,718,866.69	46,909,460,531.70	37,026,704,627.32
Chemical industry	22,806,430,085.44	19,370,879,554.09	21,042,833,246.78	17,364,498,827.72
fertilizer	7,296,673,599.68	5,115,209,659.96	5,676,105,443.30	3,685,596,346.25
preparation	8,974,849,840.98	6,568,259,781.88	8,530,672,136.90	6,097,893,613.29
Raw materials	3,684,724,619.96	2,656,836,564.42	4,004,662,529.65	2,720,023,800.29
Pharmaceutical intermediates and others	1,507,460,097.65	1,457,139,101.11	1,195,331,192.52	1,107,445,922.98
Technical Services	960,813,875.34	637,477,015.87	1,044,749,098.99	727,064,615.87
Thermoelectric	115,183,393.71	123,300,161.83	113,387,676.11	121,929,298.05
Finance lease income	6,718,884.46	1,679,374.99	4,458,870.93	4,572,410.71
Trade income	1,738,351,506.18	1,731,667,827.21	5,009,172,745.93	4,997,481,581.74
Others	3,772,330,870.94	2,918,269,825.33	288,087,590.59	200,198,210.42

Item	Period from Jan to Dec 2024		Period from Jan to Dec 2023	
	Income	Costs	Income	Costs
II. Other operating business	683,069,151.55	640,813,604.84	590,233,671.16	499,869,009.21
Lease income	15,891,108.56	1,046,217.10	6,192,968.82	3,310,985.79
Others	667,178,042.99	639,767,387.74	584,040,702.34	496,558,023.42
Total	51,546,605,925.89	41,221,532,471.53	47,499,694,202.86	37,526,573,636.53

8.49 Taxes and surcharges

Item	Period from Jan to Dec 2024	Period from Jan to Dec 2023
Urban maintenance and construction tax	99,135,835.49	103,777,262.29
Estate tax	59,896,733.20	51,040,246.46
Land use tax	41,577,325.89	36,892,204.59
Local educational surtax	36,345,580.07	40,401,362.78
Educational surcharge	34,568,027.58	33,799,655.70
Stamp duty	32,069,669.92	32,780,620.20
Water resource tax	4,305,939.20	4,424,502.50
Vehicle and vessel usage tax	165,280.07	173,177.62
Water conservancy construction fund	43,053.50	18,582.64
Land-value increment tax		16,793,781.00
Others	32,246,603.18	31,284,932.01
Total	340,354,048.10	351,386,327.79

8.50 Selling and distribution expenses

Item	Period from Jan to Dec 2024	Period from Jan to Dec 2023
loading expenses	267,445.39	220,837.45
Warehousing and storage expenses	25,318,164.00	6,541,632.39
Insurance premium	1,039,269.44	655,793.52
Exhibition expenses	426,094.90	263,175.12
Advertising expenses	7,469,584.77	15,715,846.15
Sales service expenses	703,549,710.36	849,636,008.11
Employee benefits	353,231,928.47	360,102,204.07
Business expenses	65,029,133.54	76,399,599.97
Depreciation	11,316,458.68	11,142,732.06
Repair expenses	431,426.19	1,238,685.87
Sample and product loss	2,756,519.37	1,794,825.45
Others	125,117,120.00	139,373,026.53
Total	1,295,952,855.11	1,463,084,366.69

8.51 General and administrative expenses

Item	Period from Jan to Dec 2024	Period from Jan to Dec 2023
Employee benefits	570,990,030.95	639,134,885.70
Depreciation	144,351,766.76	162,249,715.14
Amortization of intangible assets	134,729,393.38	100,537,090.33
Hiring intermediary agency expenses	29,225,811.04	45,097,762.52
Travel expenses	23,544,390.04	22,644,027.92
Office expenses	18,774,392.77	22,236,469.89
Repair expenses	14,826,875.86	17,519,021.07
Business Hospitality expenses	14,629,128.68	19,928,735.52
Consultation expenses	4,910,631.97	5,895,662.50
Insurance premium	2,924,309.93	2,433,408.15
Director's expenses	545,156.12	457,474.14
Litigation cost	283,400.07	350,730.39
Inventory shortage	23,120.12	12,556.74
Technology transfer expenses	22,641.51	
Conference expenses	-149,666.87	300,186.60
Others	246,085,158.82	242,876,140.91
Total	1,205,716,541.15	1,281,673,867.52

8.52 Research and development expenses

Item	Period from Jan to Dec 2024	Period from Jan to Dec 2023
Employee benefits	580,423,758.91	529,141,717.97
Materials expenses	509,514,771.12	475,193,262.05
Commissioned external R&D expenses	140,097,226.44	149,093,618.63
Depreciation and amortization	57,203,310.52	59,842,004.35
Power expenses	27,742,685.67	17,837,329.15
Clinical trial expenses	38,216,478.91	66,000,747.61
Analyze the test expenses	22,352,218.39	23,336,717.67
Others	52,856,360.21	64,970,300.21
Total	1,428,406,810.17	1,385,415,697.64

8.53Finance expenses

Item	Period from Jan to Dec 2024	Period from Jan to Dec 2023
Interest expense	513,648,666.91	352,615,567.44
Less: interest income	83,787,661.82	85,517,840.36
Losses from foreign exchange	-49,972,430.99	-28,100,766.23
Finance charges	8,013,234.90	8,397,771.79
Others	2,615,916.05	3,921,457.18
Total	390,517,725.05	251,316,189.82

8.54 Other income

Item	Period from Jan to Dec 2024	Period from Jan to Dec 2023
Government grants	126,123,356.47	112,802,090.05
Additional deduction of input tax amount	245,163,213.72	20,461,123.94
Individual income tax handling fee refund	3,082,203.64	2,903,471.35
Social security refund		3,000.00
Total	374,368,773.83	136,169,685.34

8.55 Investment income

8.55.1 Investment income by categories:

Item	Period from Jan to Dec 2024	Period from Jan to Dec 2023
Gain/(Loss) from long-term equity investments in equity method	-10,664,092.61	-5,778,454.51
Gain/(Loss) on financial assets held for trading for the current period	3,700,916.84	44,211,315.08
Gain/(Loss) on disposal of financial assets held for trading for the current period	4,289,045.55	2,124,345.48
Gains/(Loss) on other equity instrument investments during the holding period	16,459,237.30	8,165,761.60
Interest income from debt investments during the holding period	72,105,122.99	63,768,506.98
Discount interest on bank acceptance drafts	-32,028,987.54	-16,599,980.33
Gains/(Loss) on other equity instrument investments during the holding period	15,390,162.77	21,408,636.29
Others	179,072.90	147,832.58
Total	69,430,478.20	117,447,963.17

8.56 Gains from fair value changes

Item	Period from Jan to Dec 2024	Period from Jan to Dec 2023
Financial assets held for trading	-6,779,456.62	5,450,939.65
Investment property measured by fair value	-8,948.00	-489,851.00
Principal-guaranteed floating return type wealth management		-6,390,120.37
Total	-6,788,404.62	-1,429,031.72

8.57 Credit impairment losses

Item	Period from Jan to Dec 2024	Period from Jan to Dec 2023
Allowance for credit losses of accounts receivable	-74,031,718.61	-83,985,784.54
Allowance for credit losses of other receivables	-9,109,904.69	-1,940,950.96
Allowance for credit losses of long-term receivables	21,302,082.49	10,251,359.30
Allowance for credit losses of notes receivables	-26,952,894.61	10,571,387.96
Total	-88,792,435.42	-65,103,988.24

8.58 Impairment on assets ("-" for loss)

Item	Period from Jan to Dec 2024	Period from Jan to Dec 2023
Impairment loss on contract assets	-43,317,625.23	-42,561,834.62
Provision for diminution in value of inventory and impairment loss on contractual performance costs	-146,681,161.18	-151,479,474.28
Impairment loss on fixed assets	-184,548.56	-5,698,052.24
Impairment loss for intangible assets	-366,453.07	
Total	-190,549,788.04	-199,739,361.14

8.59Gains from disposal of assets

Item	Period from Jan to Dec 2024	Period from Jan to Dec 2023	Amount to be included in non-recurring gain or loss for the year
Proceeds from the disposal of non-current assets	173,021,658.62	16,088,829.70	173,021,658.62
Total	173,021,658.62	16,088,829.70	173,021,658.62

8.60Non-operating income

Item	Period from Jan to Dec 2024	Period from Jan to Dec 2023	Amount to be included in non-recurring gain or loss for the year
Unpayable	7,748,797.90	330,866.43	7,748,797.90
Fine income	1,879,516.67	2,052,787.48	1,879,516.67
Debt restructuring gains		143,169.03	
Government grants from non-routine activities	120,000.00	90,000.00	120,000.00
Non-current assets damage and retirement gains	5,293,399.71	6,255,821.29	5,293,399.71
Compensation income	777,818.47	4,448,761.46	777,818.47
Others	9,280,624.74	3,075,216.62	9,280,624.74
Total	25,100,157.49	16,396,622.31	25,100,157.49

Details of government grants:

Item	Period from Jan to Dec 2024	Period from Jan to Dec 2023
National Student Grant	120,000.00	90,000.00
Total	120,000.00	90,000.00

8.61 Non-operating expenses

Item	Period from Jan to Dec 2024	Period from Jan to Dec 2023	Amount to be included in non-recurring gain or loss for the year
Donation		2,161,923.01	
Liquidated damages, compensation, late fees and fines	1,968,504.65	769,144.22	1,968,504.65
Three supply and one industry expenditure		154,054,054.05	
Losses on damage or abandonment of	5,927,567.48	5,474,791.05	5,927,567.48

Item	Period from Jan to Dec 2024	Period from Jan to Dec 2023	Amount to be included in non-recurring gain or loss for the year
non-current assets			
Expenditure of technical schools	2,034,352.15	2,089,725.98	2,034,352.15
Others	6,544,007.85	2,232,159.01	6,544,007.85
Total	16,474,432.13	166,781,797.32	16,474,432.13

8.62 Income tax expenses

8.62.1 Details of income tax expenses

Item	Period from Jan to Dec 2024	Period from Jan to Dec 2023
Current income tax expense calculated according to tax laws	919,783,300.65	757,055,690.32
Deferred income tax	-13,268,906.34	-42,465,903.19
Total	906,514,394.31	714,589,787.13

8.63 Notes to statement of cash flows

8.63.1 Supplement to statement of cash flows

Item	Period from Jan to Dec 2024	Period from Jan to Dec 2023
Ⅰ.Net profit adjusted to cash flows from operating activities	——	——
Net profit	5,096,927,088.40	4,378,703,251.84
Add: provision for asset impairment	190,549,788.04	199,739,361.14
Credit impairment losses	88,792,435.42	65,103,988.24
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets and depreciation of investment property，depreciation of right-of-use assets	3,610,160,191.19	2,743,790,883.85
Amortization of intangible assets	155,878,227.10	109,659,698.67
Amortization of long-term deferred expenses	60,261,179.49	172,557,191.66
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-173,021,658.62	-15,834,980.31
Losses on write-down of fixed assets ("-" for gains)	5,920,122.09	-643,954.90
Losses from changes in fair value ("-" for gains)	6,788,404.62	1,429,031.72
Financial expenses ("-" for income)	414,355,157.08	329,933,801.08
Investments losses ("-" for gains)	-69,430,478.20	-117,447,963.17
Decreases in the deferred tax assets ("-" for increases)	-61,783,959.67	-60,175,291.62
Increases in the deferred tax liabilities ("-" for decreases)	-263,655,415.23	-42,196,444.11
Decreases in inventories ("-" for increases)	57,111,223.47	-446,551,176.55
Decreases in operating receivables ("-" for increases)	-2,056,132,992.33	-58,287,088.01
Increases in operating payables ("-" for decreases)	-1,388,468,228.49	-1,292,450,997.50
Others	99,196,797.00	-147,561,519.46
Net cash flows from operating activities	5,773,447,881.36	5,819,767,792.57
Ⅱ.Significant investing and financing activities not involving cash inflow and outflow	——	——

Item	Period from Jan to Dec 2024	Period from Jan to Dec 2023
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under financial lease		
Ⅲ.Net change in cash and cash equivalents	——	——
Cash as at 31/12/2024	4,209,477,971.56	4,333,072,811.62
Less: cash as at 1/1/2024	4,333,072,811.62	4,572,766,908.42
Add: cash equivalents as at 31/12/2024		
Less: cash equivalents as at 1/1/2024		
Net increase in cash and cash equivalents	-123,594,840.06	-239,694,096.80

8.63.2 Cash and cash equivalents

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
I. Cash	4,209,477,971.56	4,333,072,811.62
Including: cash on hand	174,011.18	237,441.84
Unrestricted bank deposits	4,161,999,178.69	4,304,619,053.51
Unrestricted other cash and cash equivalents	47,304,781.69	28,216,316.27
II. Cash equivalents		
Including: bonds investment maturing within 3 months		
III. Cash and cash equivalents as at 31/12/2024	4,209,477,971.56	4,333,072,811.62
Including: cash and cash equivalents restricted for use in the Company or the subsidiaries		

8.64 Monetary items denominated in foreign currency

8.64.1 Monetary items denominated in foreign currency

Item	Balance in foreign currency as at 31/12/2024	Balance translated into RMB as at 31/12/2024
Cash at hand and in banks	——	——
Including: USD	35,219,543.51	253,720,346.45
Euro	3,238,437.01	24,371,505.41
HKD	6,280,043.11	5,838,625.71
JPY	1,217.00	56.27
Accounts receivable	——	——
Including: USD	50,096,674.73	360,123,241.59
USD-Note	9,209,254.61	59,564,537.87
GBP	3,237,190.09	29,382,355.85
Euro	4,057,791.70	30,537,723.00
HKD	58,927.86	54,567.20
Other receivables	——	——

Item	Balance in foreign currency as at 31/12/2024	Balance translated into RMB as at 31/12/2024
Including: USD	2,449,611.58	17,769,131.44
HKD	33,795,431.05	31,429,750.88
Short-term loans	——	——
Including: USD	15,402,635.46	120,140,556.58
Accounts payable	——	——
Including: USD	615,140.30	4,438,993.50
Euro	1,047,750.00	7,885,052.18
Other payables	——	——
Including: USD	367,664.93	2,666,578.76
Euro	56,051,776.67	52,128,152.31

Note: It was converted into RMB at the exchange rate as of August 31, 2021, and a full provision for bad debts was made. After the full provision for bad debts was made, it was not reconverted.

8.65 Assets with restricted ownership or usage rights

Item	Balance as at 31/12/2024	Restricted reasons
Monetary funds	403,202,143.22	Bank freeze, bank acceptance bill margin, letter of credit margin, etc
Notes receivable	31,953,862.87	Notes receivable that have not been derecognized
Receivables financing	221,024,133.46	Bank acceptance bill pledge
Intangible asset	8,568,175.81	Loan mortgage
Total	664,748,315.36	——

9. Commitments and contingencies

None.

10. Post balance sheet events

Lukang Pharmaceutical

1. Profit distribution

The company's profit distribution plan for the year 2024 is as follows: Based on 898,669,632, a cash dividend of RMB 1.12 (including tax) will be distributed to all shareholders for every 10 shares. No bonus shares or capital reserve conversion into share capital will be implemented. The above matters still need to be approved by the shareholders' meeting.

Xinhua Pharmaceutical

1. Stock option

Due to the fulfillment of the exercise conditions for the second exercise period of the first grant of the company's 2021 stock option incentive plan, in accordance with the provisions of the company's "2021 A-share Stock Option Incentive Plan (Draft)", A total of 190 initial grant incentive recipients meet the option exercise conditions this time, and the number of stock options that can be applied for exercise is 7.3689 million. For this exercise of rights, our company issued 7.3689 million shares to 190 equity incentive recipients through a private placement, increasing the registered capital by RMB 7,368,900.00. The changed registered capital is RMB 689,776,535.00 , with a par value of RMB 1 per share, and the total number of shares is 689,776,535.

Hengsheng Group

1. Profit distribution

The fourth meeting of the ninth Board of Directors of the company reviewed and approved the profit distribution plan for 2024. Based on the total share capital on the equity registration date when the company's equity distribution is implemented, a cash dividend of RMB 3.00 (including tax) will be distributed to all shareholders for every 10 shares. The above-mentioned profit distribution plan is still subject to the approval of the company's 2024 annual general Meeting of shareholders.

Except for the above-mentioned post-balance sheet events, as of April 25, 2024, the company has no other material post-balance sheet events that should be disclosed but have not been disclosed.

11. Related parties and transactions

11.1 The parent company of the Company

Name of parent company	Registration place	Type of business	Registered capital	Shareholding ratio of the Company(%)	Voting rights proportion % of the Company
The State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government.	Jinan, Shandong	—	—	59.16	59.16

11.2 Subsidiaries of the Company

Details of subsidiaries refer to Note 7 Interest in other entities.

11.3 Joint ventures and associates of the Company

Details of Significant joint ventures and associates of the Company refer to Note 7 Interest in other entities. Information of other joint ventures and associates having transactions with the Company in

current period or having outstanding balances carried forward from prior periods are as follows:

11.4 Other related parties

Entity name	Relationship
Cansheng Pharmaceutical (Zibo) Co., Ltd.	Joint stock company
Perrigo Company	Subsidiary shareholder
Shandong Huanke Kechuang Environmental Protection Technology Co. Ltd.	Joint stock company
Hubei Goto Biopharm Co.,Ltd.	Controlled by subsidiary shareholder

11.5 Transactions with related parties

11.5.1 Purchase of goods/receipt of services and sales of goods/rendering of services

Name	Contents	Period from Jan to Dec 2024	Period from Jan to Dec 2023
Cansheng Pharmaceutical (Zibo) Co., Ltd.	Procurement of preparation raw materials	12,149,668.15	17,282,853.93
Cansheng Pharmaceutical (Zibo) Co., Ltd.	Providing services	359,276.05	141,953.40
Hubei Gonggong Biotechnology Co., Ltd.	Procurement of chemical raw materials	3,680,530.97	6,849,557.50
Shandong Lukang Haoliyou Biotechnology Development Co., Ltd.	Management services, sales of water and electricity, etc	642,169.29	479,955.29
Cansheng Pharmaceutical (Zibo) Co., Ltd.	Sales motivation	9,484,569.77	8,991,801.81
Perrigo Company	Sales of raw materials	210,026,731.97	193,864,519.02
Perrigo Company	Sales of preparation products	166,184,244.43	186,864,542.25
Hubei Goto Biopharm Co.,Ltd.	Sales of raw materials	897,256.63	9,734.52
Beijing Yujing Health Technology Co., Ltd.	Technical service fees, etc.	5,060,433.96	

11.5.2 Leases with related parties

Lessor	Lessee	Types of leased assets	Year ended 31/12/2024 Rental income	Year ended 31/12/2023 Rental income
Shandong Lukang Pharmaceutical Co.,Ltd.	Shandong Lukang Haoliyou Biotechnology Development Co., Ltd.	Office facilities	1,978,191.67	1,205,659.47

11.6 Receivables due from and payables due to related parties

11.6.1 Receivables due from related parties

Account name	Related party	As at 31/12/2024		As at 1/1/2024	
		Balance	Allowance for credit losses	Balance	Allowance for credit losses
Accounts receivable	Perrigo Company	71,635,650.33	852,185.03	68,221,709.74	678,438.18
Accounts receivable	Cansheng Pharmaceutical (Zibo) Co., Ltd.	150,140.00	2,252.10	451,298.29	6,369.47

Account name	Related party	As at 31/12/2024		As at 1/1/2024	
		Balance	Allowance for credit losses	Balance	Allowance for credit losses
Receivables financing	Hubei Goto Biopharm Co.,Ltd.			1,447,000.00	
Receivables financing	Cansheng Pharmaceutical (Zibo) Co., Ltd.	822,182.99			
Other receivables	Shandong Lukang Haoliyou Biotechnology Development Co., Ltd.	237,489.32	7,124.68	372,527.84	11,175.84
Other receivables	Beijing Yujing Health Technology Co., Ltd.			286,000.00	8,580.00

11.6.2 Payables due to related parties

Account name	Related party	Balance as at 31/12/2024	Balance as at 1/1/2024
Notes payable	Cansheng Pharmaceutical (Zibo) Co., Ltd.	1,911,000.00	4,362,500.00
Notes payable	Hubei Goto Biopharm Co.,Ltd.	32,890.20	4,408,000.00
Accounts payable	Cansheng Pharmaceutical (Zibo) Co., Ltd.	420,000.00	3,691,250.00
Accounts payable	Hubei Goto Biopharm Co.,Ltd.	4,159,000.00	32,890.20
Accounts payable	Beijing Yujing Health Technology Co., Ltd.	2,136,500.00	
Contract liabilities	Hubei Goto Biopharm Co.,Ltd.	1,356,551.62	6,561,061.95
Other payables	Shandong Lukang Haoliyou Biotechnology Development Co., Ltd.	617,300.00	617,300.00
Other payables	Beijing Yujing Health Technology Co., Ltd.	490,000.00	490,000.00

12. Notes to the financial statements of the Company

12.1 Accounts receivable

12.1.1 Accounts receivable by aging

Aging	Balance as at 31/12/2024	Balance as at 1/1/2024
More than 3 years	119,860.00	119,860.00
Less: Allowance for credit losses	119,860.00	119,860.00
Total		

12.1.2 Accounts receivable by provision method for allowance credit losses

Category	As at 31/12/2024				
	Balance		Allowance for credit losses		Carrying amount
	Amount	PCT(%)	Amount	Allowance rate (%)	
Individual assessment subject to allowance for credit losses	119,860.00	100.00	119,860.00	100.00	
Total	119,860.00	——	119,860.00	——	

(continue)

Category	As at 1/1/2024				
	Balance		Allowance for credit losses		Carrying amount
	Amount	PCT(%)	Amount	Allowance rate (%)	
Individual assessment subject to allowance for credit losses	119,860.00	100.00	119,860.00	100.00	
Total	119,860.00	——	119,860.00	——	

Significant accounts receivable that are individually assessed allowance for credit losses

Company name	As at 31/12/2024			
	Balance	Allowance for credit losses	Allowance rate(%)	Allowance reason
Jining Chenlong Veterinary Drug Factory	106,900.00	106,900.00	100.00	It is expected to be unrecoverable.
Total	106,900.00	106,900.00	——	——

12.2 Other receivables

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Dividends receivable	188,000,000.00	
Other receivables	171,590,914.92	153,559,171.65
Total	359,590,914.92	153,559,171.65

12.2.1 Dividends receivable

Item	Balance as at 31/12/2024	Balance as at 1/1/2024
Dividends receivable within one year of an accounting age	188,000,000.00	
Including : Hengsheng Group distributes dividends	188,000,000.00	
Total	188,000,000.00	

12.2.2 Other receivables

12.2.2.1Aging of other receivables

Aging	Balance as at 31/12/2024	Balance as at 1/1/2024
Within 1 year	145,905,970.56	128,579,031.32
1-2 years	1,427,414.20	429,338.79
2-3 years	44,247.79	16,556.61
More than 3 years	107,737,704.60	107,724,250.99
Less: Allowance for credit losses	83,524,422.23	83,190,006.06
Total	171,590,914.92	153,559,171.65

12.2.2.2 Category of other receivables by nature

Nature	Balance as at 31/12/2024	Balance as at 1/1/2024

Nature	Balance as at 31/12/2024	Balance as at 1/1/2024
Current account	253,547,955.45	234,630,950.19
Deposit	8,250.00	5,750.00
Others	1,559,131.70	2,112,477.52
Less: Allowance for credit losses	83,524,422.23	83,190,006.06
Total	171,590,914.92	153,559,171.65

12.2.2.3 The provision of allowance for credit losses

The allowance for credit losses	Stage one	Stage two	Stage three	Total
	12-month ECL	Lifetime ECL (credit-unimpaired)	Lifetime ECL (credit-impaired)	
Beginning balance	620,879.07		82,569,126.99	83,190,006.06
Revaluation of beginning balance	620,879.07		82,569,126.99	83,190,006.06
Provision	367,845.43			367,845.43
Reversal	33,429.26			33,429.26
Write-off				
Other changes				
Ending balance	955,295.24		82,569,126.99	83,524,422.23

12.2.2.4 Other receivables due from the top five debtors are as follows:

Debtor name	Nature of balance	Balance as at 31/12/2024	Aging	Percentage in total other receivables(%)	Balance of allowance for credit losses as at 31/12/2024
Shandong Lukang Pharmaceutical Co.,Ltd.	Current account	32,350,454.52	More than 3 years	12.68	32,350,455.79
Zibo Land Reserve and Trading Center	Current account	24,530,500.00	More than 3 years	9.62	
Jining Municipal Bureau of Natural Resources and Planning	Current account	22,822,560.00	Within 1 year	8.95	2,282.26
Jining Tongli Rubber Products Co., Ltd.	Current account	17,071,959.70	More than 3 years	6.69	17,071,960.37
Haitong Securities Company Limited	Current account	16,222,934.27	More than 3 years	6.36	16,222,934.91
Total	—	112,998,408.49	—	44.30	65,647,633.33

12.2.2.5 Account receivable of individually significant amount and with allowance for credit losses made on an individual basis

Debtor name	Balance as at 31/12/2024	Balance of allowance for credit losses as at 31/12/2024	Aging	ECL rate(%)	Allowance reason
Jining Tongli rubber products Co., Ltd.	17,071,959.70	17,071,959.70	More than 3 years	100.00	Expected to be uncollectible
Haitong Securities Company Limited	16,222,934.27	16,222,934.27	More than 3 years	100.00	Expected to be uncollectible
Shandong Provincial Pharmaceutical Exhibition and Sales Center	5,557,592.72	5,557,592.72	More than 3 years	100.00	Expected to be uncollectible

Debtor name	Balance as at 31/12/2024	Balance of allowance for credit losses as at 31/12/2024	Aging	ECL rate(%)	Allowance reason
Jining Construction Management Committee	529,428.00	529,428.00	More than 3 years	100.00	Expected to be uncollectible
Zhuhai ruifuxing Pharmaceutical Co., Ltd.	481,848.00	481,848.00	More than 3 years	100.00	Expected to be uncollectible
Beiyao Lukang Chain Co., Ltd.	478,016.40	478,016.40	More than 3 years	100.00	Expected to be uncollectible
Provincial Urban Labor Training Center	400,000.00	400,000.00	More than 3 years	100.00	Expected to be uncollectible
Linyi Lihong food factory	375,248.80	375,248.80	More than 3 years	100.00	Expected to be uncollectible
Total	41,117,027.89	41,117,027.89	—	—	—

12.3 Long-term equity investments

12.3.1 Long-term equity investments by categories

Item	As at 1/1/2024	Additions	Reductions	As at 31/12/2024
Investment to subsidiaries	2,926,132,475.93	100,000,000.00		3,026,132,475.93
Investment to joint associates	3,882,999.22			3,882,999.22
Subtotal	2,930,015,475.15	100,000,000.00		3,030,015,475.15
Less: provision for impairment of long-term equity investment	3,882,999.22			3,882,999.22
Total	2,926,132,475.93	100,000,000.00		3,026,132,475.93

12.3.2 Investment to subsidiaries and associates

Investee	Investment cost	Balance as at 1/1/2024	Movement during the financial year								Balance as at 31/12/2024	Provision for impairment as at 31/12/2024
			Addition of investment	Reduction of investment	Investment income/loss recognised under the equity method	Adjust-ment of OCI	Changes of other equity	Cash dividend or profit announced to be issued	Provision for impairme-nt	Other-s		
I. Subsidiaries	2,926,132,475.93	2,926,132,475.93	100,000,000.00								3,026,132,475.93	
China Shandong group limited	474,472,003.22	474,472,003.22									474,472,003.22	
China Shandong Group Co., Ltd.	113,808,531.27	113,808,531.27									113,808,531.27	
Shandong Hualu-Hengsheng Group Co.,Ltd.	698,181,499.35	698,181,499.35									698,181,499.35	
Shandong Xinhua PharmaceuticalCo., Ltd.	228,418,428.12	228,418,428.12									228,418,428.12	
Shandong Lukang Pharmaceutical Co.,Ltd.	296,241,732.23	296,241,732.23									296,241,732.23	
Huaru Investment Development Co., Ltd.	1,000,000,000.00	1,000,000,000.00	100,000,000.00								1,100,000,000.00	
Shandong Academy of Environmental Science Co.,Ltd.	105,010,281.74	105,010,281.74									105,010,281.74	
Zhongke Hualu Soil Remediation Engineering Co., Ltd.	10,000,000.00	10,000,000.00									10,000,000.00	
II. Investment to joint associates	3,882,999.22	3,882,999.22									3,882,999.22	3,882,999.22
Lukang America Pharmaceuticals Ltd.	3,882,999.22	3,882,999.22									3,882,999.22	3,882,999.22
Total	2,930,015,475.15	2,930,015,475.15	100,000,000.00								3,030,015,475.15	3,882,999.22

12.4 Operating income and operating costs

Item	Period from Jan to Dec 2024		Period from Jan to Dec 2023	
	Income	Cost	Income	Cost
Other operating business	21,599,774.75		22,320,033.33	
Lease income	4,996,001.22		5,716,260.21	
Others	16,603,773.53		16,603,773.12	
Total	21,599,774.75		22,320,033.33	

12.5 Investment income

12.5.1 Investment income by categories

Item	Period from Jan to Dec 2024	Period from Jan to Dec 2023
Gain/(Loss) from long-term equity investments in equity method	1,857,428.58	7,175,590.21
Receive cash dividends from subsidiaries	712,400,653.50	885,596,972.50
Total	714,258,082.08	892,772,562.71

12.6 Notes to statement of cash flows

12.6.1 Supplement to statement of cash flows

Item	Period from Jan to Dec 2024	Period from Jan to Dec 2023
Ⅰ.Net profit adjusted to cash flows from operating activities:	——	——
Net profit	666,025,397.81	813,305,559.71
Add: provision for asset impairment		
Credit impairment losses	334,416.17	104,295.10
Depreciation of fixed assets, depreciation of right-of-use assets，depletion of oil and gas assets, depreciation of productive biological assets and depreciation of investment property	9,116,246.49	2,014,999.68
Amortization of intangible assets	952,453.49	1,011,142.32
Amortization of long-term deferred expenses	365,853.66	365,853.66
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)		-232,108.82
Losses on write-down of fixed assets ("-" for gains）		
Losses from changes in fair value ("-" for gains)		
Financial expenses ("-" for income)	55,538,544.71	58,098,170.13
Investments losses ("-" for gains)	-714,258,082.08	-892,772,562.71
Decreases in the deferred tax assets ("-" for increases)		
Increases in the deferred tax liabilities ("-" for decreases)		
Decreases in inventories ("-" for increases)		
Decreases in operating receivables ("-" for increases)	-18,399,588.70	-66,036,755.22
Increases in operating payables ("-" for decreases)	-16,693,801.72	-26,734,238.38
Others		
Net cash flows from operating activities	-17,018,560.17	-110,875,644.53

Item	Period from Jan to Dec 2024	Period from Jan to Dec 2023
Ⅱ .Significant investing and financing activities not involving cash inflow and outflow:		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under financial lease		
Ⅲ.Net change in cash and cash equivalents:		
Cash as at 31/12/2024	199,427,170.80	376,504,534.23
Less: cash as at 1/1/2024	376,504,534.23	244,695,880.68
Add: cash equivalents as at 31/12/2024		
Less: cash equivalents as at 1/1/2024		
Net increase in cash and cash equivalents	-177,077,363.43	131,808,653.55

13. Other significant events

According to the overall planning of the Zibo Municipal Government for the construction of the North Square area of the railway station, the former staff hospital property, the former staff apartment and the former office building in the Xinhua Pharmaceutical General Factory Area are included in the demolition and relocation scope of the construction project of the North Square area of the Zibo Railway Station. The North Square Demolition and Relocation Command has clearly stated that the real estate within the demolition and relocation scope can only be exchanged for property rights. No longer compensate in currency. On October 26, 2022, Xinhua Pharmaceutical signed the "Supplementary Agreement on Relocation Compensation for Area 2" (hereinafter referred to as the "Supplementary Agreement") with the Hutian Sub-district Office of Zhangdian District People's Government.

As of December 31, 2024, the company's asset insertion and divestment situation is as follows:

(1) Basic information of the replaced assets ① Assets divested: The assets divested by the company are real estate and land. The total area of the real estate is 25,015.52 square meters, and the area of the land is 13,997.22 square meters. The total book net value is RMB 16.8106 million . Among them: The original property of the workers' hospital is located at No. 4, Honggou Road, Zhangdian District. The area of the acquired property is 7,103.24 square meters, the area of the acquired land is 4,425.32 square meters, and the book net value of the acquired property and land is RMB 7.7652 million. The original staff apartment was located at No. 15, Dongyi Road, Zhangdian District. The area of the sold property was 9,377.56 square meters, the area of the land was 3,356.30

square meters, and the book net value of the sold property and the land was RMB 5.7671 million . The original office building is located at No. 19, Dongyi Road, Zhangdian District. The area of the acquired property is 8,534.72 square meters, and the land area is 6,215.60 square meters. The book net value of the acquired property and land is RMB 3.2783 million.

② Assets to be acquired: The assets acquired by the company are the newly-built housing in the Impression South City · Qiyuan Community constructed by Zibo Public Housing Center at the South Square of Zibo Railway Station. The area of the acquired properties is 17,669.59 square meters. The acquired properties and parking Spaces are recorded at the book net value of the acquired assets, which is RMB 16.8106 million .

(2) Relevant accounting treatment and Impact: The Company's use of the newly built housing in Impression South City · Qiyuan Community as staff apartments. According to the relevant provisions of "Accounting Standard for Business Enterprises No. 7 - Non-Monetary Asset Exchange", this asset swap does not have commercial substance. During this reporting period, the Company regarded the book value of the assets sold out as the book value of the assets sold in and did not recognize gains or losses.

14. Approval of financial statements

The financial statements have been approved by the board of directors of the Company.

Hualu Holdings Co., Ltd.

April 25, 2025

The notes to the financial statements from page 17 to page 115 were approved by the following representatives:

Legal representative	Person in charge of accounting function	Person in charge of accounting department
Signature:	Signature:	Signature:
Date: 2025.4.25	Date: 2025.4.25	Date: 2025.4.25

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