上海復旦張江生物醫藥股份有限公司

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.*

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

(Stock code: 1349)

2025 ANNUAL REPORT

* *For identification purpose only*

CONTENTS

Corporate Information

EXECUTIVE DIRECTORS

Zhao Da Jun *(Chairman)*
Xue Yan

NON-EXECUTIVE DIRECTORS

Shen Bo
Yu Xiao Yang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Wang Hong Guang
Lam Siu Wing
Xu Pei Long

EMPLOYEE DIRECTOR

Appointed on 26 November 2025:
Qu Ya Nan

SUPERVISORS

Retired on 26 November 2025:
Huang Jian *(Chairman)*
Zhou Ai Guo
Qu Ya Nan

LEGAL REPRESENTATIVE

Zhao Da Jun

COMPANY SECRETARY

Xue Yan, HKICPA/FCCA/CICPA/CIA

AUTHORISED REPRESENTATIVES

Zhao Da Jun
Xue Yan, HKICPA/FCCA/CICPA/CIA

AUDIT COMMITTEE

Lam Siu Wing *(Chairman)*
Shen Bo
Wang Hong Guang

REMUNERATION COMMITTEE

Wang Hong Guang *(Chairman)*
Lam Siu Wing
Xu Pei Long

NOMINATION COMMITTEE

Xu Pei Long *(Chairman)*
Lam Siu Wing
Xue Yan

STRATEGY COMMITTEE

Zhao Da Jun *(Chairman)*
Wang Hong Guang
Xu Pei Long

AUDITOR

PricewaterhouseCoopers Zhong Tian LLP

LEGAL ADVISERS TO THE COMPANY

ONC Lawyers (As to Hong Kong Law)
Fangda Partners (As to PRC Law)

PRINCIPAL BANKERS

Industrial and Commercial Bank of China,
Zhangjiang Sub-branch
Bank of China, Zhangjiang Sub-branch
Bank of Nanjing, Taizhou Branch
China Merchants Bank, Tianshan Sub-branch
SPD Bank, Jingan Sub-branch
Ping An Bank, Shanghai Branch

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Pudong Shanghai 201210, PRC

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AUTHORISED REPRESENTATIVE TO ACCEPT SERVICE OF PROCESS AND NOTICES

ONC Lawyers
19/F, Three Exchange Square,
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LISTING INFORMATION

H Share
The Main Board of The Stock Exchange of
Hong Kong Limited
Stock Code: 1349

A Share
The STAR Market of the Shanghai Stock Exchange
Stock Code: 688505

WEBSITE

www.fd-zj.com

Five Years Financial Data Highlights

RESULTS

	Year ended 31 December				
	2025	2024	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**685,797**	709,405	850,733	1,031,160	1,140,313
(Loss)/profit before income tax	**(155,851)**	5,458	97,528	132,294	215,921
Net (Loss)/profit for the year	**(157,724)**	39,434	108,450	137,272	212,381
(Loss)/profit attributable to:					
Shareholders of the Company	**(157,439)**	39,734	108,627	137,997	213,296
Non-controlling interests	**(284)**	(300)	(177)	(725)	(915)
Total comprehensive (loss)/income for the year	**(158,225)**	39,745	107,793	136,122	209,101
Total comprehensive (loss)/income attributable to:					
Shareholders of the Company	**(157,941)**	40,045	107,970	136,847	210,016
Non-controlling interests	**(284)**	(300)	(177)	(725)	(915)
EBITDA	**(76,537)**	88,270	162,826	216,021	278,786
	RMB	RMB	RMB	RMB	RMB
Basic and diluted earnings per share for (loss)/profit attributable to the shareholders of the Company	**(0.1522)**	0.0383	0.1051	0.1340	0.2049

ASSETS AND LIABILITIES

	As at 31 December				
	2025	2024	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**2,390,654**	2,586,503	2,876,688	2,976,007	2,781,172
Total liabilities	**(273,934)**	(281,226)	(518,124)	(722,986)	(591,582)
	2,116,720	2,305,277	2,358,564	2,253,021	2,189,590
Capital and reserves attributable to:					
Shareholders of the Company	**2,116,294**	2,304,567	2,357,554	2,257,102	2,192,946
Non-controlling interests	**426**	710	1,010	(4,081)	(3,356)
	2,116,720	2,305,277	2,358,564	2,253,021	2,189,590

The Group updated its relevant accounting policies in accordance with the Q&A on the Implementation of Accounting Standards for Business Enterprises issued by the Ministry of Finance on 2 November 2021. The adoption of the above updated standards had no significant impact on the financial statements of the Group.

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the "Company"), I present the annual report of the Company together with its subsidiaries (collectively as the "Group") for the year ended 31 December 2025 (the "Reporting Period") for shareholders' review.

DEVELOPMENT PHILOSOPHY AND OBJECTIVES

The Group is mainly engaged in the innovative research and development (R&D), production and marketing of biopharmaceuticals. Since its establishment, with the ultimate goal of staying as an innovator and a leader in the bio-pharmaceutical industry, the Group has been committed to exploring the unmet needs and deficiencies in clinical treatments as well as developing more effective treatments and medicines, so as to realize our mission of "The More We Explore, the Healthier Human Beings Will Be".

After nearly 30 years of technological accumulation and development, the Group has successively established a genetic engineering technical platform, a photodynamic technical platform and a nano technical platform and has promoted the development of dozens of drug projects at different stages of research. Such technical know-how and projects have laid a solid foundation for the development of the Group. Leveraging its technological accumulation and talented workforce, the landscape of competition and its scale and strengths, the Group will, for the long run, strategically focus on R&D and commercialization in areas where it enjoy advantages, with a view to achieving a solid and dominant position in pharmaceutical segments.

- Strategically focusing on the field of photodynamic technology. The Group's photodynamic technology is at the world's leading level, with photodynamic drugs being one of the Group's important product groups. We have the foundation to strategically focus on this field with obvious competitive advantages. We will make full use of our technical advantages, market resources, clinical reputation and other competitive advantages accumulated over the years to continuously strengthen the R&D and commercialization of photodynamic drugs. To develop in the field of photodynamic in an all-round way, from special equipment to innovative drugs, we must concentrate resources and increase investment, rapidly promote R&D, registration and commercialization, and form a comprehensive development trend in the field of photodynamic technology, with a view to achieving an all-round, long-term and absolutely dominant position as well as leadership in the field.

- Rapidly promoting the R&D and commercialization of antibody-drug conjugates (ADCs). Although the current competition in the R&D of ADCs is very keen, there is still a lot of competitive projects and drugs emerging. Some of the Group's ADC R&D projects still have certain competitive advantages in their respective segments. We will rapidly promote their R&D and commercialization, actively participate in market competition, and expand the Group's industrial scale and strengthen its industrial capabilities. At the same time, we look forward to rapidly reaching new heights and gaining a solid position in the field through the continuous accumulation of know-how and various forms of cooperation.

– Based on the technological accumulation in photodynamic drugs and ADCs, the Group will explore and develop a new direction of Antibody Photoabsorber Conjugates (APCs). As the core layout of the in-depth integration and collaborative innovation of the Group's photodynamic technology and antibody conjugate technology, we will steadily advance the R&D and implementation of APC technology, gradually establish a unique APC product pipeline, and promote the translation of technological achievements into clinical applications in the future. It is expected that this will further enrich the Group's R&D matrix and strengthen and enhancing its core competitiveness in the innovative drug sector.

At the same time, we will pay close attention to new exploratory directions and growth areas and cautiously cultivate them, strike a balance between innovation and commercialization, and a balance between R&D and marketing, so as to achieve steady and long-term development.

RESEARCH STRATEGY, REVIEW AND PROSPECTS

During the Reporting Period, the Group's innovative R&D focused on photodynamic drugs for skin diseases and precancerous lesions, photodynamic drugs for intraoperative visualization, antibody-drug conjugates for tumors.

PHOTODYNAMIC DRUGS

The Group is a world leader in the development of photodynamic drugs. The drug indications developed and under development include the treatment of condyloma acuminate, port-wine birthmarks (PWB), moderate and severe acne, actinic keratosis (AK), cervical intraepithelial neoplasia (CIN), as well as intraoperative guidance for gliomas and bladder cancer surgeries. Photodynamic drugs are a unique product group of the Group that is representative of its commitment to discovering disease patterns and formulating therapeutic principles. We will continue to capitalize on their feature of "one drug, several indications" and their use as "a new scalpel for clinical treatment" to design special therapies for diseases which currently cannot be treated or intervened.

Currently, the Group's photodynamic R&D pipeline focuses on two areas, namely photodynamic therapy (PDT) and photodynamic diagnosis (PDD).

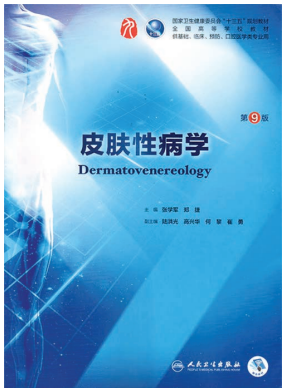
For the PDT of skin-related diseases, the Group has been expanding the clinical indications of marketed drugs on the basis of more than ten years of continuous R&D on and clinical exploration of photodynamic drugs. Meanwhile, we have been developing new photosensitive compounds and supporting medical devices in view of the unmet clinical needs for treatment of diseases.

In other areas of PDT, the Group will continue to pay attention to sub-areas such as antibacterial photodynamic therapy (aPDT) and photo immunotherapy (PIT), and proactively carry out related early research. We also focus on the screening and design of photosensitizers and their topical administration to further broaden the applications of PDT. The Group's goal is to bring accurate, controllable, efficient and low-damage PDT treatments to more clinical departments, provide patients with safe and convenient treatments, and at the same time give medical experts better treatment choices.

The PDD technology being developed by the Group is also known as intraoperative molecular imaging (IMI) technology. At the present stage, we focus on the clinical research on the indications for applying different formulations of aminolevulinic acid hydrochloride preparations in the intraoperative fluorescence visualization of gliomas, bladder cancer and breast cancer. The above projects are based on a similar mechanism: due to the stronger metabolic ability of tumor cells compared with normal cells, the tumor cells will be specifically enriched with protoporphyrin IX, which will emit red fluorescence under blue light irradiation to enable the visualization of tumors during surgical resection. This technology is expected to enable patients to receive convenient oral administration while helping surgeons determine tumor margins in real time during surgery and detect lesions that are difficult to identify under white light in conventional surgery, ultimately achieving more complete and thorough tumor resection. In addition to IMI technologies based on metabolic differences, such as those using aminolevulinic acid hydrochloride, the Group is also actively developing IMI technologies based on new photosensitizers targeting different molecules on tumor-specific receptors to provide intraoperative navigation for indications such as lung cancer, ovarian cancer and pancreatic cancer.

The Group is also developing the supporting medical devices required for PDD and PDT. In the future, the Group will gradually promote the implementation of the industrialization of these medical devices.

As the first commercialization project of the Group, the therapy of aminolevulinic acid hydrochloride (brand name: ALA,艾拉®) combined with photodynamic technology for the treatment of condyloma acuminate has received favorable market responses since its launch. It has become the clinically preferred drug for the treatment of condyloma acuminate. To expand the indications of this drug is one of the key R&D projects of the Group.



The therapy of ALA combined with photodynamic technology initiated by the Company has been included in the textbook *Dermatovenerology* published by the People's Medical Publishing House since 2013 and the ninth edition of *Dermatovenerology* adds the new application of the aforementioned therapy in acne treatment. That edition of *Dermatovenerology* also includes Hemoporfin, as a new type of photosensitizer developed by the Group, for the treatment of PWB. The therapy of ALA combined with photodynamic technology is also included in the "Guideline for Clinical Diagnosis, Treatment and Prevention of Condyloma Acuminate in China (2021)" and the "Expert Consensus on Condyloma Acuminate (2017)" issued by the Chinese Medical Association.

A phase II clinical trial of aminolevulinic acid hydrochloride powder for topical use for the treatment of cervical intraepithelial neoplasia ("CIN") caused by HPV infections has been completed. The results from the phase II clinical study of the project were presented at the 18th Gynecologic Oncology Conference of the Chinese Medical Association. CIN, especially high-grade squamous intraepithelial lesion (CIN3), is difficult to treat. The clinical R&D of this project will benefit women who suffer from CIN, and we will strive to obtain the registration for the new indication as soon as possible. The therapy of aminolevulinic acid hydrochloride combined with photodynamic technology is included in the "Chinese Expert Consensus on Clinical Application of Aminolevulinic Acid-Based Photodynamic Therapy in Female Lower Genital Tract Diseases (2022)" and the "Handbook of Gynecological Applications of Photodynamic Therapy" published in May 2024.

A phase II clinical trial of aminolevulinic acid hydrochloride for external use for the treatment of moderate and severe acne has been completed. Results from the phase II clinical study of the project were presented at the 53rd Annual Meeting of the European Society for Dermatological Research (ESDR). The therapy of aminolevulinic acid hydrochloride combined with photodynamic technology is included in the "Guideline for Acne Treatment in China (2019)" and "Expert Consensus on Clinical Application of Amino Ketoglutarate Photodynamic Therapy for the Treatment of Acne Vulgaris (2022)" issued by the Chinese Medical Doctor Association.

A phase II clinical trial of aminolevulinic acid hydrochloride for external use for the treatment of actinic keratosis (AK, also known as solar keratosis and senile keratosis) has been completed. AK is a precancerous skin lesion caused by atypical epidermal keratinocyte proliferation. It mostly occurs in exposed parts of the body such as the face, scalp or back of the hands, and mostly occurs in middle-aged and elderly people. Photodynamic therapy for the treatment of AK has been approved outside China. Existing treatment options for AK in China include freezing, curettage and topical application of medication. The therapy of aminolevulinic acid hydrochloride combined with photodynamic technology is included in the "Guideline for Clinical Application of Photodynamic Therapy in Dermatology (2021)" and "Expert Consensus on Clinical Diagnosis and Treatment of Actinic Keratosis in China (2021)" issued by the Chinese Medical Association.

The patient enrollment of the confirmatory clinical trial of aminolevulinic acid hydrochloride powder for oral solution for the intraoperative visualization of high-grade gliomas was completed during the Reporting Period. In January 2026, the new drug application has been accepted. Glioma is a tumor originating from glial cells and is the most common primary intracranial tumor, which is characterized by a high incidence, high recurrence rate, high mortality rate and short survival period. Surgical resection is the standard of care in China and around the world, and the survival prognosis of patients is related to the degree of surgical resection. Therefore, the basic principle of surgery is to remove as much diseased tissue as possible without damaging adjacent normal brain tissue. However, most high-grade gliomas are invasive growth. The boundaries between gliomas and the surrounding normal brain tissue are not clear, making it difficult to remove them completely. ALA fluorescence-guided technology, formed by the combination of aminolevulinic acid hydrochloride and photodynamic technology, can bring practical clinical benefits to patients undergoing surgical treatment for high-grade gliomas. The project is used to visualize the margins of gliomas to guide the extent of resection in real time, thus helping surgeons improve complete resection rate while preserving healthy tissue, with a view to improving patients' quality of life after surgery and prolonging their survival period.

The confirmatory clinical trial of aminolevulinic acid hydrochloride granules for the visualization of non-muscular invasive bladder cancer ("NMIBC") during transurethral resection of bladder tumor is progressing steadily during the Reporting Period. Bladder cancer is a malignant tumor with a high recurrence. According to whether the tumor has invaded the bladder's muscular wall, it can be divided into NMIBC and muscular invasive bladder cancer (MIBC). According to public data, NMIBC accounts for approximately 75% of all bladder cancer cases. Transurethral resection of bladder tumor ("TURBT") is currently the preferred surgical treatment for NMIBC, with the goal of completely removing the tumor. In clinical practice, incomplete tumor resection during TURBT is one of the major causes of recurrence of NMIBC. Therefore, the Company intends to develop this intraoperative fluorescence-guided technology to improve the detection rate of NMIBC during TURBT, so as to help surgeons remove tumor tissue more completely, thus reducing recurrence in patients.

Chairman's Statement

The investigational new drug application for Phase I clinical trial of FZ-P001 Sodium for Injection indicated as an adjunct for intraoperative identification of malignant lesions of ovarian cancer has been accepted during the Reporting Period. Additionally, the application for the Phase II clinical trial of the drug for the intraoperative visualization of malignant lesions in patients with known or suspected lung cancer has been submitted during the Reporting Period and has been approved in March 2026. FZ-P001 Sodium for Injection is a class 1 new molecular entity independently developed by the Company as an innovative photosensitizer. Its active ingredient is a small molecular drug conjugate composed of a folate receptor-targeted small molecule conjugated with a cyanine-based photosensitizer which targets malignant tumor tissues overexpressing folate receptor alpha (FRα) and enables fluorescence imaging in the near-infrared spectrum. The Company plans to utilize the Drug to develop intraoperative fluorescence guidance technology for identifying residual malignant tumor tissues and assessing tumor margin status, aiming to optimize surgical resection outcomes for relevant solid tumors (e.g., ovarian cancer, lung cancer). It delivers an integrated solution for precision-guided tumor surgery, combining molecular targeting specificity with multidimensional bio-perception capabilities.

Hemoporfin for injection (brand name: FuMeiDa,复美达®), the first photodynamic drug for the treatment of PWB in the world, is a new drug with a new drug target, a new compound and a new indication. PWB is a common congenital malformation of dilated superficial dermal capillaries. The visible manifestation of this disorder is usually relatively flat patches composed of expanded capillaries that rarely swell up. The lesions tend to become darker and thicker with time and rarely fade away during the patient's life. PWB may occur in any part of the body, but is more common in the face and neck. The incidence of PWB among newborns is as high as 0.3-0.4%. If not treated in time, the lesions in more than 65% of patients will gradually expand and, before the patients reach the age of 40, thicken or develop nodules, thus severely affecting the patients' appearance and mental health. A phase II clinical trial of Hemoporfin as a 505(b)(1) drug is undergoing in the United States. Based on the extensive and reliable clinical data of FuMeiDa in China, as well as the patented technologies being discovered and developed during treatment to improve its efficacy and minimize its side effects, we have reason to expect that once it is successfully marketed in the United States, Hemoporfin will change the lives of patients around the world and lay the foundation for the innovative development model the Group has always adhered to.

Meanwhile, the Group is also continuing its exploration and screening of new photosensitizers to lay the groundwork for the Group's photodynamic drug reserves in advance.

In the future, the Group will continue to be committed to further exploring and optimizing photodynamic therapy solutions. Based on actual clinical needs, the Group will develop new photodynamic drugs or new photodynamic drug-device combination treatment solutions by making the most of the unique advantages of photodynamic drug therapy compared to traditional treatment options.

ANTIBODY-DRUG CONJUGATES (ADCs)

ADCs are an important R&D direction and a commercialization goal for the Company's genetic engineering technical platform. Possessing the powerful cancer-killing capabilities of small molecule drugs and the targeting properties of monoclonal antibodies, ADCs have become a hot spot in the R&D of targeted therapy for tumors over the past decade.

During the Reporting Period, the patient enrollment for the Phase III clinical study of Trop2-directed antibody-drug conjugate ("Trop2-SN38 ADC", also known as "FDA018 antibody-drug conjugate for injection") for the treatment of triple-negative breast cancer ("TNBC") was completed ahead of the original schedule, with a cumulative enrollment of over 350 patients. At present, the data results of this project are continuously under follow-up, collection and statistical analysis, and the Group will submit a marketing authorization application as soon as possible. In addition, as at the end of the Reporting Period, the enrollment of a phase I clinical study of the drug for the treatment of other tumors was completed, with statistical results continuously under follow-up, collection and statistical analysis.

In recent years, we have built a new linker-drug platform (the "BB05 Platform") on the small-molecule side, which has laid a foundation for the Group's subsequent development of me-better or innovative ADCs. The ADC projects being developed by the Group on the basis of the BB05 platform include:

- The Her2-directed antibody-drug conjugate ("Her2-BB05 ADC", also known as "FDA022 antibody-drug conjugate for injection") for the treatment of breast cancer, gastric cancer and other solid tumors is undergoing phase I/II clinical studies. During the Reporting Period, the phase II clinical trial of the drug for the treatment of breast cancer with low human epidermal growth factor receptor 2 (HER2) expression has been completed, and the clinical discipline communication meeting (EOP2 meeting) between the Company and the regulatory authority was held. Meanwhile, patient enrollment for clinical trials investigating other indications of this drug is progressing smoothly. The results of a phase I clinical study of the project for the treatment of breast cancer with high HER2 expression were presented at the European Society for Medical Oncology Asia Congress 2024 (ESMO Asia 2024). The preliminary efficacy and safety results of the Phase II clinical trial of this project for the indication of breast cancer with low HER2 expression were presented orally at ESMO Asia 2025. The drug is composed of monoclonal antibodies targeting HER2 coupled with BB05. The drug can kill tumor cells by binding to and endocytosing HER2-expressing tumor cells and then releasing small-molecule cytotoxic drugs (topoisomerase I inhibitors) in lysosomes in a targeted manner through protease cleavage. The drug is intended for the treatment of advanced solid tumors with HER2-positive expression, such as breast cancer, gastric cancer, lung cancer and colorectal cancer;

- A phase I clinical study for dose expansion and indication exploration of Trop2-directed antibody-drug conjugate ("Trop2-BB05 ADC", also known as "FZ-AD004 antibody-drug conjugate for injection") for the treatment of solid tumors such as lung cancer and breast cancer is undergoing. The drug is composed of monoclonal antibodies targeting the human trophoblast cell surface glycoprotein antigen ("TROP-2") coupled with BB05. TROP-2 is expressed at different levels in normal human tissues, but its expression level is significantly increased in various carcinomas, such as breast cancer, lung cancer, and gastric cancer. The drug can kill tumor cells by binding to and endocytosing high TROP-2-expressing tumor cells and then releasing small-molecule cytotoxic drugs (topoisomerase I inhibitors) in lysosomes in a targeted manner through protease cleavage. The drug is intended for the treatment of advanced solid tumors including but not limited to lung cancer, breast cancer, gastric cancer, esophageal cancer, colorectal cancer, urothelial cancer, bladder cancer and endometrial cancer; and

– A phase I clinical study of DLL3-directed antibody-drug conjugate ("DLL3-BB05 ADC", also known as "FZ-AD005 antibody-drug conjugate for injection") for the treatment of small cell lung cancer and other solid tumors is undergoing. The clinical development of the drug is progressing smoothly. The Company has initiated exploratory studies for additional indications at the potentially recommended dose. The drug can kill tumor cells by binding to and endocytosing DLL3-positive tumor cells and then releasing small-molecule cytotoxic drugs (topoisomerase I inhibitors) in lysosomes in a targeted manner through protease cleavage. The drug is intended for the treatment of advanced solid tumors including but not limited to small cell lung cancer, large cell neuroendocrine carcinoma and prostate cancer. The Company is also actively exploring the potential use of this drug for the treatment of gliomas. The preclinical research of the drug was published in a journal of the American Association for Cancer Research (AACR). The study results demonstrated that the drug exhibited potent antitumor activity in animal models with an effective dose of 1.5 mg/kg, and was stable in blood circulation in the body. Meanwhile, no interstitial pneumonia was observed in the repeat-dose study in cynomolgus monkeys, and the highest non-severelytoxic dose reached 30 mg/kg, indicating a favorable safety profile.

We already have R&D and industrialization capabilities in the development of monoclonal antibodies, small molecules and in ADC coupling. With the completion of the construction of the Group's ADC workshop in Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd* (泰州復旦張江藥業有限公司) ("Taizhou Fudan-Zhangjiang"), a subsidiary of the Company, and its successful commencement of production, ADCs will become one of the important product groups of the Group.

ANTIBODY PHOTOABSORBER CONJUGATES (APCs)

Based on the Group's technological accumulation in photodynamic drugs and ADCs, we will explore and develop APCs. By leveraging the "precision navigation" of antibodies at the molecular level and the "site-specific activation" of light at the physical level, to achieve "dual targeting", aiming to develop valuable products for the treatment of solid tumors. The Group intends to develop a unique APC product pipeline by integrating R&D resources across fields such as immunology, oncology and photodynamic therapy, and adopting strategies including differentiated target selection, construction of high-activity photosensitizers and functional linkers, and the introduction of immune enhancement strategies. The goal of APC technology is to directly kill tumor cells through targeted photodynamic technology while rapidly inducing immunogenic cell death in tumor cells, thereby activating the body's adaptive immune response. This technology aims to improve the response rate of tumor patients to immunotherapy. With "dual targeting", APC technology is expected to enable immune enhancement and other modulatory approaches locally at the lesion, offering a larger therapeutic window.

This direction represents a new extension of the Group's photodynamic technology beyond the existing PDT and PDD, a new application of the Group's ADC technology, and more importantly, a new direction derived from the integrated development of these two core competitive technologies. Building on years of technological accumulation, the Group is confident in making significant progress in this field.

The major drugs developed by the Group and their progress as at the end of the year 2025 are summarized as follows:

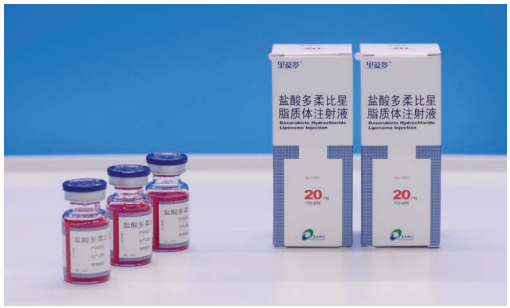
R&D Field	Technical Field	Main Project Name	Registration Type	Proposed Indication	Progress	Comparison with Industry Technical Level
R&D field of photodynamic drugs	Photodynamic technology	Hemoporfin (F0026)	505(b)(1)	PWB	Phase II clinical study underway in the United States	International leading level: new compound and new indication
		Aminolevulinic acid – CIN (F0005)	Class 2.4 improved new drug	Cervical diseases infected by HPV	Phase II clinical study completed	International leading level: new indication
		Aminolevulinic acid – acne (F0014)	Class 2.4 improved new drug	Acne	Phase II clinical study completed	International leading level: new indication
		Aminolevulinic acid – AK (F0037)	Class 2.2 improved new drug	AK	Phase II clinical study completed	International advanced level
		Aminolevulinic acid – brain gliomas (F0009)	Class 3 generic drug	Surgical visualization of brain gliomas	Under review for registration and marketing approval	International advanced level
		Aminolevulinic acid – bladder cancer (F0044)	Class 3 generic drug	Surgical visualization of bladder cancer	Confirmatory clinical trial underway	International advanced level
		FZ-P001 Sodium for injection – ovarian cancer (F0049)	Class 1 innovative new drug	Intraoperative visualization of malignant lesions in ovarian cancer surgery	Application for phase I clinical trial accepted	International leading level: new compound
		FZ-P001 Sodium for injection – lung cancer (F0052)	Class 1 innovative new drug	Intraoperative visualization of malignant lesions in patients with known or suspected lung cancer	Application for phase II clinical trial accepted	International leading level: new compound
R&D field of ADC	ADC engineering	Trop2-SN38 ADC (F0024)	Class 1 therapeutic biological products	TNBC	Phase III clinical study enrollment completed,patients follow-up & data collection underway	International advanced level
				Tumors	Phase I clinical study enrollment completed,patient follow-up & data collection underway	
		Her2-BB05 ADC (F0034)	Class 1 therapeutic biological products	HER2-low breast cancer	Phase II clinical study enrollment completed,patients follow-up & data collection underway	International advanced level
				Tumors	Phase I/II clinical studies underway	
		Trop2-BB05 ADC (F0040)	Class 1 therapeutic biological products	Tumors	Phase I clinical study underway	International advanced level
		DLL3 – BB05 ADC (F0041)	Class 1 therapeutic biological products	Tumors	Phase I clinical study underway	International leading level: new compound
R&D field of other drugs	Osmotic pump technology	Carzodopa controlled-release tablet (WD-1603)	Class 2.2 improved new drugs	Early Parkinson's disease	Phase II clinical study completed	International advanced level

OPERATION STRATEGY, REVIEW AND PROSPECTS

The Group's operation strategy is, first and foremost, to carry out adequate academic promotion for its marketed products in China, so that the products can be used by more patients. When conditions are ripe, we will initiate the international registration (mainly in Europe and the United States) of our marketed products as soon as possible to benefit more patients, achieve greater therapeutic value and gain more commercial benefits. Secondly, China has joined the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH), which has laid a foundation for the internationalization of our research. Therefore, the mid- and long-term research projects being developed by the Group are being progressed in strict accordance with international standards, ensuring synchronous registration both domestically and overseas (for example, in the United States) in order to achieve the strategic goal of internationalization in the long-term development of the Group. Meanwhile, in response to the pharmaceutical policy environment in China, including centralized procurement, the Group will proactively adapt and actively adjust. On the one hand, we will optimize the cost structure of marketed products and improve production efficiency to enhance their competitiveness in centralized procurement. On the other hand, we will focus on the layout of high-value-added, differentiated innovative products to mitigate risks arising from centralized procurement of homogeneous products. In terms of project collaboration and value realization, we will actively seek in-depth cooperation with leading global pharmaceutical companies through technology licensing, joint development and other forms to maximize the value of our technologies. In addition, we will pay close attention to the selection and development of external investment projects, and strategically deploy high-quality projects with strong synergy with the Group's core businesses. Through external cooperation models such as investment, mergers and acquisitions, and strategic partnerships, we will strike a balance between the short-term and long-term development plans of the Group and ultimately achieve the goals of corporate growth and returns to shareholders.

During the Reporting Period, the Group's revenue decreased by 3.33% year on year. ALA (艾拉®), indicated for the treatment of HPV infectious diseases and proliferative diseases of the skin (most notably condyloma acuminate), LIBOd®, indicated for the treatment of tumors, and FuMeiDa, indicated for the treatment of PWB, are the three major products of the Group, and together they contributed 98.98% of the Group's main operations revenue.

ALA (艾拉®), a first-in-class drug, is the first photodynamic drug for the treatment of condyloma acuminate in the world. It was launched in 2007. As the first photodynamic drug in China, ALA can selectively spread and accumulate in condyloma acuminatum cells, and, together with light waves of specific wavelengths and energy levels, kill those cells without damaging surrounding normal tissue cells. Due to the feature of this therapy, ALA is also effective in treating subclinical and latent infections. Compared with traditional therapies, the therapy of ALA combined with photodynamic technology has filled the gap of a long-term lack of effective treatment for urethral condyloma acuminate. In addition, the therapy has good patient tolerance and high safety and leaves no scars, and the incidence of adverse reactions and the recurrence rate associated with the therapy are much lower than the previous average levels.



LIBOd® (里葆多®) for the treatment of tumors, the first generic version of Doxil in China and the first generic version of a nano drug at home and abroad, was launched in August 2009 and has since received favorable market responses and earned a reputation. The drug is a new dosage form of doxorubicin encapsulated with advanced stealth liposomal technology with passive targeting properties. It is a new generation of replacement for anthracycline drugs. In oncology, it has the advantages of enhancing efficacy and lowering the effects of cardiac toxicity, myelosuppression and hair-loss. LIBOd® is mainly used in the treatment of Kaposi's sarcoma, breast cancer, ovarian cancer and other tumors. In accordance with the requirements of relevant laws and regulations in China, doxorubicin hydrochloride liposome injection (LIBOd®) (specification: 10ml:20mg) has passed the consistency evaluation of quality and efficacy for generic chemical injections of the National Medical Products Administration ("NMPA") (the "Consistency Evaluation"). In 2024, doxorubicin hydrochloride liposome injection was included in the National Centralized Drug Procurement Catalog ("centralized procurement") for the first time, and LIBOd® was not selected. Pursuant to the rules of this Centralized Procurement round and the changes in the competitive landscape, after prudent evaluation, the Company has correspondingly adjusted the sales strategy for this product during the Reporting Period, including but not limited to the gradual reduction of the market retail price from 1 May 2025. For more details, please refer to the announcement of the Company dated 30 April 2025. Consequently, the profit margin of LIBOd® has decreased accordingly.

FuMeiDa®, the first photodynamic drug for the treatment of PWB in the world, is a new drug with a new drug target, a new compound and a new indication. The product was launched in 2017. After entering the human body, Hemoporfin will spread quickly to surrounding tissues and be distributed specifically to vascular endothelial cells. Under the irradiation of laser or LEDs of specific wavelengths, it will selectively damage vascular endothelium tissues that are rich in photosensitizers. The dilated and abnormal capillary network at the lesion site will be cleared by photodynamic reaction and the subsequent action of the body's coagulation system, thus achieving the therapeutic goal. There was no effective treatment for PWB before. As a second-generation photosensitizer, compared with traditional therapies, Hemoporfin has the significant advantages of a stable chemical structure, low photo toxicity, rapider metabolism, a short light-avoidance period, the even disappearance of lesions, a high cure rate, a low incidence of scar formation and a low recurrence rate. Clinicians and researchers are excited by the excellent efficacy demonstrated by the drug and its high cure rate compared to the traditional laser treatment.

During the Reporting Period, the production lines of the Group's existing products for sale all passed the GMP certification of the NMPA. Our objective is to establish product lines which meet international standards so that our marketed products can be sold globally. Meanwhile, during the Reporting Period, the Group continued to regard academic promotion as its primary marketing method. The Company used a variety of online platform channels to form a mature network service system of online academic exchanges among clinician, sharing of medical cases, standardized practice videos, and a Q&A interactive platform between doctors and patients, etc. Meanwhile, the Company is also leveraging this platform to connect patients and physicians, developing new sales models to solve some common difficulties encountered by patients in actual consultations.

As at the end of the Reporting Period, the number of sales team personnel remained stable as compared to that of last year. The Company will strengthen the competitiveness of its own sales team, while expanding the scope of its access to hospitals and departments, so as to deal with the impact of the general environment on sales.

As an important production base of the Group, Taizhou Fudan-Zhangjiang covers an area of approximately 144 mu. It has established a number of production lines which are respectively used for the manufacture of Hemoporfin raw materials and injections, as well as for the industrialization preparation of solid preparations and ADC projects. The ADC workshop in Taizhou Fudan-Zhangjiang has continued to provide support for the industrialization of the Group's ADC projects during the Reporting Period, and successively carried out work including production technology transfer for commercial-scale manufacturing, production process validation and the production of trial samples for subsequent phases. The strategic layout of Taizhou Fudan-Zhangjiang guarantees the industrialization of the Group's follow-up R&D projects, and also lays a solid foundation for the steady progress of R&D and industrialization of various projects of the Group.

As at the end of the year 2025, the commercialized main products of the Group are summarized as follows:

Technical Platform	Project Name	Registration Type	Indication	Launching Time
Photodynamic technology	ALA®	Class 3.1 generic drugs	Condyloma acuminata	2007
	FuMeiDa	Class 1.1 innovative chemical drugs	PWB	2017
Nano technology	LIBOd®	Class 6 generic drugs	Tumors	2009
Other technologies	Parecoxib sodium for injection®	Class 4 generic drugs	Postoperative analgesics	2021

The Group has formed a complete cycle in the innovative R&D, manufacturing and marketing of biopharmaceuticals. We will continue to focus strategically on areas where we enjoy advantages, rapidly promote the R&D and commercialization of our products, while striking a balance between innovation and commercialization and a balance between R&D and marketing, so as to enhance our core competitiveness and sustainability, achieve a solid and dominant position in pharmaceutical segments and become an innovator and a leader in the biopharmaceutical industry.

In conclusion, the Company will focus on strengthening its core technology advantages, diversifying its product catalog, promoting the commercialization of its R&D achievements, and building a world-famous photodynamic brand. Based on its existing products, the Company will continue to strengthen its R&D and provide customers with more valuable and differentiated products and services. The Company will make full use of its competitive advantages accumulated over the years, such as product quality, R&D technology, experience in chemical synthesis, management and human resources, to implement the Company's expansion steadily. Leveraging our existing platforms of photodynamic technology, genetic engineering technology, nano technology etc., we will focus on R&D and commercialization in areas where we enjoy advantages, with a view to achieving a solid and dominant position in pharmaceutical segments. We will pay close attention to new technologies, actively apply them, keep exploring and innovating, and develop new projects, in the hope that our efforts will be beneficial to the treatment of patients and create value for investors. Although there will always be challenges, we believe our overall operation strategy and achievements will lead the Company to sustainable development in the medium and long term.

INTELLECTUAL PROPERTY RIGHTS

The Group has been actively protecting the intellectual property rights of its innovative medicines and R&D achievements. During the Reporting Period, the Group obtained the following intellectual property rights:

	Newly added		Cumulative total	
	Applied	Obtained	Applied	Obtained
Invention Patents	15	19	139	70
Utility Model Patents	2	2	31	25
Design Patents	2	0	4	2
Software Copyright	0	0	26	26
Total	19	21	200	123

Notes:

1. No. of "applied" is the number of valid patents after excluding the number of abandoned applications and expired applications;
2. No. of "obtained" in the cumulative quantity has excluded the expired patents during the Reporting Period;
3. No. of "applied" in the cumulative quantity applications of invention patents includes two PCT applications.

GRANTS AND AWARDS

The Group continuously improves its capabilities in the R&D and industrializations of new drugs in accordance with China's industrial policy. During the Reporting Period, the Group received government grants and incentives from governments at various levels totaling approximately RMB14.89 million, including financial support for the development of strategic emerging industries during the "14th Five-Year Plan" (十四五) period in Pudong New Area, Shanghai, special support for "Manufacturing Powerhouse City" (製造強市) in Taizhou.

According to the announcement of the Shanghai Municipal Commission of Economy and Informatization, the Company was successfully selected into the list of Shanghai "Specialized, Refinement, Differential and Innovation" (專精特新) Small and Medium-sized Enterprises, with the designation valid from July 2025 to June 2028.

According to the announcement of the Department of Industry and Information Technology of Jiangsu Province, the subsidiary of the Company, Taizhou Fudan-Zhangjiang was successfully selected into the list of Jiangsu "Specialized, Refinement, Differential and Innovation" (專精特新) Small and Medium-sized Enterprises from 2023 to 2025.

ACKNOWLEDGEMENT

Lastly, I would like to take this opportunity to express my gratitude to the shareholders and business partners of the Group for their unreserved support and encouragement. I would also like to express my most sincere thanks to the Directors and supervisors of the Company and all staff of the Group for their dedication and contributions.

Zhao Da Jun
Chairman

Shanghai, the PRC
30 March 2026

Management Discussion and Analysis

INDUSTRY LANDSCAPE AND TRENDS

The global pharmaceutical market has been growing steadily amid the ongoing growth of the global population, the development of emerging markets, the rise in people's living standards and the ageing of society, resulting in breakthroughs in medical technologies and the emergence of new products. The statistics of IQVIA Holdings Inc. (IQVIA) showed that global pharmaceutical expenditure has been rising in recent years and is expected to exceed USD1.1 trillion in 2024. The global pharmaceutical market is expected to grow at a compound annual growth rate of 3-6% by 2026. An ageing population saw the emergence of the over-60 age group as it accounts for an increasing proportion in the population mix, with surging demand and advancement in pharmaceutical technology further driving industry development. Since 2015, China's pharmaceutical industry has entered a phase of rapid differentiation, structural upgrades and elimination of backward capacity. With the country's accelerated promotion of the systems of conditional drug listing and priority review and approval, together with its expanding support for health insurance and the continuous promotion of the generic drug consistency evaluation, enterprises with independent pharmaceutical innovation capabilities and intellectual property protection will have significant advantages in future market competition. In recent years, as volume-based procurement is becoming the norm, the golden age of high gross profit margins for generic drugs has come to an end, while investment in the research and development (R&D) of innovative drugs has been surging.

The global biopharmaceutical industry is undergoing profound changes driven by new technologies, with the emergence of a large number of next-generation product forms such as biotechnology, gene therapy, and cell therapy. The R&D and innovation model of global pharmaceutical companies has shifted from the traditional "working behind closed doors" to a new model of patent cooperation and mergers and acquisitions. Faced with the uncertainty and new challenges in the global pharmaceutical industry, capital has been pouring into the field of pharmaceutical innovation under the guidance of policy support. China's innovative pharmaceutical industry has gradually developed from "tracking and copying" to "imitative innovation" and "independent innovation". Based on factors such as support from national policies, increased investment in the innovative R&D of healthcare and new drugs, and sustained and rapid economic development, the vigorous development of innovative drugs will become an inevitable trend in the development of the biopharmaceutical industry. At the same time, against the backdrop of the expedited internationalization of China's pharmaceutical industry and the payer reforms of centralized drug procurement and healthcare cost-control, business models and expansion plans that rely on a single domestic market can no longer meet the long-term development needs of enterprises. Domestic pharmaceutical companies are also seeking various ways to enhance their ability to participate in global competition, actively make plans for and expand into overseas markets, fully utilize the advantages of resource allocation in the global industrial chain to promote profitability, and help Chinese pharmaceutical companies gain new development momentum in the new industry competition landscape. In the long run, driven by factors such as an ageing population, the continuous improvement in people's living standards, and the enhancement of people's health awareness, the development trend of the domestic pharmaceutical industry remains positive. At the same time, the development of China's pharmaceutical industry is still in a period of significant reform with the continuous advancement and deepening of industry reform policies. It is expected that the structural adjustment of the pharmaceutical market will deepen, technological innovation will speed up, and an industry reshuffle that sorts out the strong from the weak will continue to accelerate.

MAJOR R&D ACHIEVEMENTS DURING AND AFTER THE REPORTING PERIOD

1) In March 2025, the first patient has been successfully enrolled in confirmatory clinical trial of Aminolevulinic acid hydrochloride granules for visualization of non-muscular invasive bladder cancer.

2) In June 2025, the investigational new drug application for a phase I clinical trial of FZ-P001 Sodium for Injection indicated as an adjunct for intraoperative identification of malignant lesions of ovarian cancer has been accepted, and has been approved in August 2025.

3) In December 2025, the investigational new drug application for a phase II clinical trial of FZ-P001 Sodium for Injection for the intraoperative visualization of malignant lesions in patients with known or suspected lung cancer has been accepted, and has been approved in March 2026.

4) In December 2025, the preliminary efficacy and safety results of the phase II clinical trial of Her2-BB05 ADC for the treatment of advanced/metastatic HER2-low breast cancer were presented orally at ESMO Asia 2025.

5) In January 2026, the Abbreviated New Drug Application for aminolevulinic acid hydrochloride powder for oral solution indicated in adults developed by Taizhou Fudan-Zhangjiang for the intraoperative visualization of malignant tissues for malignant glioma (CNS WHO grade III to IV) has been accepted.

FINANCIAL REVIEW

During the Reporting Period, there were no significant changes in the R&D direction of the Group, its three major products, its business model and other major matters.

REVENUE

Revenue of the Group for the year 2025 amounted to approximately RMB685.80 million, compared to approximately RMB709.40 million for the year 2024, representing a decrease of 3.33%. All revenue was derived from the Group's main operations. The Group's main operations revenue was mainly derived from the sales revenue of its three major products. The decrease in revenue was mainly attributable to the decline in sales revenue from the Company's principal product during the Reporting Period, driven by changes in the market competition landscape.

Revenue of the Group for the year 2025 mainly came from the sale of medical products. The main source of revenue for the year 2025 was nearly the same as that for the year 2024.

REVENUE FROM SALE OF MEDICAL PRODUCTS

Revenue of the Group from the sale of medical products for the year 2025 was RMB679.25 million (representing 99.04% of the main operations revenue), representing a decrease of 4.25% from RMB709.38 million for the year 2024. The contribution to the main operations revenue of ALA, LIBOd® and FuMeiDa, the major products of the Group, was 54%, 28% and 16% respectively.

The major products of the Group are ALA and FuMeiDa from photodynamic platform and LIBOd® from nano technical platform. During the Reporting Period, the sales and distribution of ALA and FuMeiDa were still undertaken by its own sales team. Meanwhile, for the marketing of LIBOd®, professional Contract Sales Organization (CSO) companies provided marketing and academic promotion services on a province and municipality basis, based on market coverage and policy implementation in each province and municipality.

COST OF SALES

Cost of sales of the Group for the year 2025 amounted to approximately RMB69.31 million, of which the cost of sales from main operations of pharmaceutical products amounted to approximately RMB68.42 million (representing 98.71% of the cost of sales). Cost of sales of the Group for the year 2024 amounted to approximately RMB61.21 million, of which the cost of sales from main operations of pharmaceutical and diagnostic products amounted to approximately RMB61.21 million (representing 100% of the cost of sales). The Group's cost of sales was mainly attributable to the sale of pharmaceutical products. The increase in cost of sales was mainly due to the increase of sales volume of LIBOd® during the Reporting Period.

For the year 2025, the ratio of main operations cost to main operations revenue was 10% (2024: 9%), and the overall gross profit margin of the Group's products remained stable. At the same time, the Group has always implemented strict cost control and will endeavor to enhance the gross profit margin while maintaining its current product mix.

SELLING EXPENSES & GENERAL AND ADMINISTRATIVE EXPENSES

For the year 2025, the selling expenses of the Group were RMB395.11 million, representing an increase of 31.99% from RMB299.34 million for the year 2024. Selling expenses included marketing and academic promotion fees, salary costs, depreciation and amortization and travel expenses, etc. The increase in selling expenses was mainly attributable to the adjustment of the sales strategy for LIBOd® and the enhancement of academic promotion efforts, which resulted in a corresponding rise in the selling expense ratio. Meanwhile, the ratio of selling expenses to revenue increased from 42% for the year 2024 to 58% for the year 2025. Details are set out in note 5(35) to the consolidated financial statements.

For the year 2025, the general and administrative expenses of the Group were RMB40.43 million, representing a decrease of 3.04% from RMB41.70 million for the year 2024. The decrease was mainly due to the decline in labor costs during the Reporting Period compared with the same period of the previous year. Details are set out in note 5(36) to the consolidated financial statements.

R&D EXPENSES

The Group has consistently adopted a conservative and prudent capitalization policy for R&D projects. Capitalization is only made for R&D projects that are technically feasible, have clear future purposes, with substantially controllable risks and are highly likely to generate future economic benefits. Accordingly, substantially all expenditures on R&D projects in progress of the Group are recognised as expenses when incurred. For the year 2025, both the R&D expenses and total investment in R&D of the Group were RMB357.94 million (representing 52.19% of revenue). For the year 2024, both the R&D expenses and total investment in R&D of the Group were RMB314.16 million (representing 44.31% of revenue), representing a year-on-year increase of 13.93%. Details are set out in note 5(37) to the consolidated financial statements.

During the Reporting Period, the main R&D projects are shown as follows:

Unit: RMB

Project Name	R&D investment amount	Expense amount of R&D investment	Capitalization amount of R&D investment	Ratio of R&D investment to revenue (%)	Change (%)
Research on antibody-drug conjugate projects[Note 1]	199,427,081	199,427,081	–	29.08	14.68
Research on Hemoporfin[Note 2]	13,782,072	13,782,072	–	2.01	0.66
Research on aminolevulinic acid hydrochloride	77,090,089	77,090,089	–	11.24	5.14
Other research	67,522,237	67,522,237	–	9.85	26.81
R&D investment during the Reporting Period	**357,939,271**	**357,939,271**	**–**	**52.19**	**13.93**

Notes:

1. Including the Trop2-SN38 ADC, Trop2-BB05 ADC, Her2-BB05 ADC, DLL3-BB05 ADC and other R&D projects;

2. Mainly including the registration project of Hemoporfin in the United States.

FINANCIAL INCOME – NET

For the year 2025, the financial income of the Group was approximately RMB2.19 million, compared with a financial income of approximately RMB5.03 million for the year 2024. The decrease in the financial income was mainly due to a decrease in interest income compared with the same period last year resulting from the decline of interest rate during the Reporting Period. Details are set out in note 5(38) to the consolidated financial statements.

OTHER INCOME

Other income of the Group for the year 2025 was RMB14.38 million, compared with RMB19.40 million for the year 2024, representing a decrease of 25.86%. The decrease in other income was mainly due to the reduction in governmental grants recognized for the year. Details are set out in note 5(40) to the consolidated financial statements.

INCOME TAX EXPENSES

Effective from 1 January 2008, Fernovelty (Hong Kong) Holding Co., Ltd ("Fernovelty Holding") is required to determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") as approved by the National People's Congress on 16 March 2007. The Company and its subsidiaries Taizhou Fudan-Zhangjiang and Tracing Bio-technology were both recognized as high-tech enterprises, and their applicable tax rates were 15% in 2025.

Fernovelty Holding was incorporated in Hong Kong in October 2016 as a subsidiary of the Group. It is subject to Hong Kong profits tax at the rate of 8.25% on the first HKD2 million of assessable profits and at the rate of 16.5% on the remaining assessable profits. Since it did not have estimated assessable profit for the years ended 31 December 2025 and 2024, Hong Kong profits tax was not provided.

As at 31 December 2025, the applicable tax rate and tax policy of the Group remained unchanged compared with 2024.

(NET LOSS)/NET PROFIT AND (NET LOSS MARGIN)/NET PROFIT MARGIN

The net loss of the Group for the year 2025 was RMB157.72 million, as compared with a net profit of RMB39.43 million for the year 2024. The net loss margin of the Group for the year 2025 was 23% (2024: net profit margin of 6%). The increase in the Group's net loss rate was mainly due to the decline in the Group's product sales performance and the significant increase in the Group's R&D investment during the Reporting Period.

NON-HKFRSs MEASURES AND THEIR ADJUSTMENTS

The following table sets forth the reconciliation from net (loss)/profit to EBITDA for the periods indicated:

Unit: RMB '000

	As at 31 December 2025	
	2025	2024
Net (Loss)/profit	**(157,724)**	39,434
Add:		
Income tax expenses	**1,872**	(33,976)
Interest expenses	**663**	592
Depreciation and amortization	**78,652**	82,220
EBITDA	**(76,537)**	88,270

Note: The EBITDA for the year refers to net profit/loss for the year excluding income tax, interest expenses and depreciation and amortization expenses for the year. Since there were no one-off and non-cash items for 2025 and 2024, adjusted EBITDA was not applicable.

(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The loss attributable to shareholders of the Company of approximately RMB157.44 million was recorded in the consolidated financial statement for the year 2025, compared with the profit attributable to shareholders of the Company of approximately RMB39.73 million for the year 2024.

SIGNIFICANT INVESTMENTS

As at 31 December 2025, the net book value of the Group's long-term equity investments amounted to RMB229.07 million, of which the fair value of the Group's interest in Shanghai Handu amounted to approximately RMB202.08 million, representing 8.45% of the Group's total assets. An investment loss of approximately RMB25.10 million was recorded during the Reporting Period, including unrealized net loss of RMB21.95 million recognized in proportion to the Group's shareholding in Shanghai Handu. The Group did not receive any dividend from Shanghai Handu during the Reporting Period. Details are set out in Notes 5(10) and 6(2) to the consolidated financial statements.

In 2021, the Company (i) subscribed for new registered capital of USD1,380,526 in Shanghai Handu at the consideration of RMB102.42 million; and (ii) acquired the equity interests corresponding to registered capital of USD2,765,490 in Shanghai Handu at a consideration of USD25,243,137. In 2021, the Company paid a total of RMB265.96 million with its own funds to complete the subscription and acquisition. Upon their completion, the Company held registered capital in Shanghai Handu in a total amount of USD4,146,016, representing 39.57% equity interest in Shanghai Handu. As at the end of the Reporting Period, representing 40.36% equity interest in Shanghai Handu. The investment in Shanghai Handu was a long-term investment of the Group for its growth potential in its drug R&D capabilities.

Shanghai Handu is an innovative drug R&D company registered in the PRC and founded by an experienced entrepreneurial team from the United States. It is committed to the development of world-leading new drug products with independent intellectual property rights and global patents that meet urgent clinical needs and combine with medical devices. It has adopted rapid and simultaneous applications in the United States, Europe and the PRC as its basic strategy, while developing a platform for the commercialization of high-value and high-end generic drugs.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during 2025.

FINANCIAL ASSETS MEASURED AT FAIR VALUE

In 2017, Fernovelty Holding, a subsidiary of the Company, entered into a subscription agreement with Adgero Biopharmaceuticals Holdings, Inc ("Adgero") to subscribe for 400,000 ordinary shares of Adgero. On 9 June 2020, Adgero entered into a reorganization and merger agreement with DelMar Pharmaceuticals, Inc (NASDAQ: DPMI, "DelMar") and a wholly owned subsidiary of DelMar. Adgero would become a wholly-owned subsidiary of DelMar after the merger. Upon completion of the reorganization in August 2020, the new company applied to change its name to "Kintara Therapeutics, Inc" (NASDAQ: KTRA, "Kintara"). On 18 October 2024, Kintara entered into a merger agreement with TuHURA Biosciences, Inc. (NASDAQ: HURA, "TuHURA") and the equity in Kintara held by the Group would be converted into the equity of TuHURA in accordance with an agreed percentage. As at the end of the Reporting Period, the Group held 360 ordinary shares of TuHURA. Based on the closing price of the shares of TuHURA on 31 December 2025, the fair value of the equity instruments held by the Company in TuHURA was approximately RMB1,915.

CONTINGENT LIABILITIES

As at 31 December 2025 and 2024, the Directors were not aware of any material contingent liabilities.

CHARGE ON ASSETS

As at 31 December 2025 and 2024, the Group had no charge on assets.

BANK BORROWINGS

As at 31 December 2025, the Group had no outstanding bank borrowings.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Based on the commercialization planning for the subsequent R&D projects of the Group, the Board reviewed and approved at a meeting on 11 August 2021 the construction of the Phase II pharmaceutical production base project by Taizhou Fudan-Zhangjiang on the plot of land adjacent to its existing plant to meet the commercialization of the Group's subsequent R&D projects and expedite the application process of its existing R&D pipeline. The Phase II production base project is planned to occupy approximately 44 acres, with an estimated total gross floor area of approximately 42,000 square meters, comprising multiple production lines including an antibody-drug conjugate workshop and other auxiliary facilities. The total investment in the project was RMB600 million (including the bidding payment for land use rights of RMB12.65 million), which was financed with the Company's own funds. In 2023, in the Phase II production base project, approximately 25,000 square meters of workshop buildings have been actually completed. In 2024, the ADC workshop was officially put into operation, laying a solid foundation for the steady progress of the Group's development strategy for ADCs. During the Reporting Period, a new production workshop for photodynamic supporting medical devices and a warehouse were gradually constructed. In the future, Taizhou Fudan-Zhangjiang will plan and carry out the construction of production lines, including an API (active pharmaceutical ingredient) workshop, in due course based on the progress of the Group's projects under development, providing complete supporting support for the industrialization of the Group's subsequent projects. All of the above future plans will be financed by internal resources of the Group.

Saved as disclosed above, the Group had no future plans for significant capital expenditures.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operating and investing activities with internally generated financial resources, proceeds from the listing of the Company's shares on the GEM of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), proceeds from the placing of H shares and the issue of A shares on the STAR Market of the Shanghai Stock Exchange, grants from municipal government authorities and commercial loans.

As at 31 December 2025, the Group had cash and cash equivalents of approximately RMB1,147.08 million (2024: RMB1,056.29 million). The cash held by the Group was principally denominated in RMB.

In line with other companies in the industry, the Group monitors its capital using the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including bank loans and loans from government authorities) less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt. As at 31 December 2025 and 2024, there was no outstanding bank borrowings. Therefore, the gearing ratio was not applicable (gearing ratio: 0).

The Group has adopted a conservative treasury policy for capital and financial management that no unnecessary risk is taken with respect to the Group's assets. To achieve better risk control and to minimize the cost of capital, the Group's treasury activities are centralized. The Group's liquidity and financing arrangements are reviewed regularly. For the effective use of idle capital, the Group subscribed to certain structured deposit products during the Reporting Period. For details of the subscriptions, please refer to the paragraphs headed "Subscription of Wealth Management Product and Structured Deposit Products" below in this report.

During the Reporting Period, the Group did not enter into any financial instruments for hedging purpose and did not engage in any foreign currency investments which were hedged by currency borrowings and other hedging instruments.

FOREIGN EXCHANGE EXPOSURE AND HEDGING

The Group mainly operates in the domestic market. The operating results and financial position of the Group will not be significantly affected by movements in exchange rates.

EMPLOYEES AND SALARIES

As at 31 December 2025, the Group had a total of 876 employees, as compared to 925 employees as at 31 December 2024. Staff costs (including remuneration of executive Directors and employee Director) for the year 2025 were RMB237.49 million compared with RMB232.12 million for the year 2024. The salaries and benefits of employees provided by the Group are kept at a competitive level and employees are rewarded on the basis of their performance within the general framework of the Group's salary and bonus system which is reviewed annually. A wide range of benefits, including statutory social security, are also provided to employees by the Group. The Group also arranges induction and on-the-job training to employees from time to time.

As at 31 December 2025, the gender ratio of the Group's workforce (including senior management) was approximately 1:2 (male: female staff members). The Group recognizes the importance of gender diversity and endeavors to promote gender diversity at all levels of the Group (including the Board). In order to further promote gender diversity within the Group, the Company takes into account gender diversity in the recruitment of middle to senior management and provides training as well as long-term career development opportunities for its female staff members, hence it is expected that there will be a pipeline of female senior management and potential successors to the Board. The measureable objective in workforce diversity is to maintain the current gender ratio in the workforce. The Group believes that its workforce has achieved gender diversity and that the Group's gender diversity policy has been effectively implemented.

Details of the remuneration policies are set out in the "Remuneration Committee" section of the "Corporate Governance Report".

OTHER MATTERS

ISSUE OF A SHARES IN 2021

In order to further broaden the Company's funding channels and enhance its core competitiveness, on 14 May 2021, the Company obtained the reply on approving the registration of the Company's initial public offering (regulatory permission [2021] no. 912) issued by the China Securities Regulatory Commission (the "CSRC"). The A shares of the Company have been listed and commenced trading on the STAR Market of the Shanghai Stock Exchange since 19 June 2021 (Stock code: 688505). The number of shares issued was 120,000,000 A shares (par value of RMB0.1 per share), and the Company's original 583,000,000 domestic shares were converted into A shares at the same time. The issue price of the A shares was RMB8.95 per share, and the A shares were issued under a special mandate granted by shareholders to the Board at an annual general meeting on 26 April 2019 and extended at an annual general meeting on 30 March 2021. The total share capital of the Company was 923,000,000 shares before the issue of A shares. After the issue, the total share capital of the Company increased to 1,043,000,000 shares, of which 703,000,000 shares were A shares and 340,000,000 shares were H Shares.

USE OF PROCEEDS

The gross proceeds from the issue of A share were RMB1,074,000,000 and the net proceeds were RMB974,323,895 after deducting issue expenses of RMB99,676,105. The net proceeds shall be used for the planned projects described in the circular of the Company dated 4 April 2019 and the announcement of the Company dated 26 April 2019. At the beginning of the Reporting Period (i.e. 1 January 2025), the unutilized balance of the net proceeds brought forward from 2024 was approximately RMB193,103,961.

Due to factors such as changes in the international environment and regulatory policies, as well as the feedback speed and communication efficiency of domestic and overseas intermediaries and overseas medical institutions, the clinical research progress of the Hemoporfin U.S. Registration Project of the Company did not meet expectations. In order to reduce the investment risk of the raised funds, improve the efficiency of the use of raised funds, and accelerate the R&D and industrialization process of the photodynamic technology platform project, after careful research and analysis, the Company plans to change the "Hemoporfin U.S. Registration Project" to the "Continuous Development Project for Innovative R&D of Photodynamic Drugs". This change was considered and approved at the 13th meeting of the 8th Board of Directors and the 11th meeting of the 8th Supervisory Committee held on 30 October 2025, as well as at the 2025 extraordinary general meeting held on 26 November 2025. For more details, please refer to the circular dated 4 November 2025 and announcement dated 26 November 2025.

After the change of use of proceeds, details of the utilisation of the net proceeds during the Reporting Period are as follows:

Intended use of proceeds for investment projects	Planned use of proceeds RMB0'000	Amount utilized during the year ended 31 December 2025 RMB0'000	Cumulative amount utilized as at 31 December 2025 RMB0'000	Remaining balance as at 31 December 2025 RMB0'000	Expected timeline of utilization
– The Registration Project of Hemoporfin in the United States [Note 4]	7,444.64	**1,479.05**	**7,444.64**	**–**	N/A
– The Innovative Research and Sustainable Development Project in Photodynamic Drugs [Note 4]	15,555.36	**150.37**	**150.37**	**15,404.99**	31 December 2027
– The Innovational Research and Sustainable Development Project in Relation to Biological Medicine	24,000.00	**–**	**24,000.00**	**–**	N/A
– The Project in Relation to Acquisition of Minor Equity Interests in Taizhou Fudan-Zhangjiang	18,000.00	**–**	**18,000.00**	**–**	N/A
Over-raised funds	–	**–**	**32,432.39**	**–**	
Interest on raised funds	–	**–**	**3,043.62**	**2,587.74**	
Total [Note 5]	65,000.00	**1,629.42**	**85,071.03**	**17,992.72**	

Notes:

(1) The total net proceeds from the issue of A shares of the Company in excess of the investment budgets of the investment projects will be used to finance the development of the Company's main operations in accordance with relevant requirements of the CSRC and the Shanghai Stock Exchange ("SSE") and subject to the approval of the Board and the shareholders' meeting. The Company will disclose relevant updates in due course;

(2) The amount that had been utilized included the amount used after the listing for replacing the self-owned fund of the Company previously invested in such projects during the Reporting Period;

(3) The Company confirms that the use of proceeds from the issue of A shares conforms to the disclosure of the supplementary circular of the Company dated 4 April 2019, and that the Company will use the proceeds from the issue of A shares in strict accordance with the relevant regulations;

(4) Due to external environmental factors, the "Registration Project of Hemoporfin in the United States" was changed to the "Innovative Research and Sustainable Development Project in Photodynamic Drugs". In addition to transferring the remaining balance of the original project to the new project, the deadline for the availability of the new project was also adjusted to 31 December 2027, commencing from the date of approval by the Company's extraordinary general meeting;

(5) The discrepancy between the total and the sum of the individual figures is due to rounding.

PERFORMANCE OF UNDERTAKINGS

During the application process in respect of the issue of A shares, the undertakings of the Company's shareholders, related parties, the Company and other related parties during the Reporting Period or up to the Reporting Period are listed in the section "Significant Events" of the interim report of the Company dated 25 August 2022, which includes the types, contents and duration of the undertakings. As at 31 December 2025, except for undertakings that had been fulfilled, the above undertakings had not changed, and all related parties had complied with the relevant disclosed undertakings.

CHANGES IN RESTRICTED SHARES DURING THE REPORTING PERIOD

Not applicable.

SUBSCRIPTION OF WEALTH MANAGEMENT PRODUCT AND STRUCTURED DEPOSIT PRODUCTS

During the Reporting Period, the Company subscribed to a number of structured deposit products. The subscription of structured deposit products is classified as a notifiable transaction under Chapter 14 of the Listing Rules and the relevant guidance materials. The following transactions of the Company constituted discloseable transactions of the Company under Chapter 14 of the Listing Rules and were subject to the announcement requirement but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

On 2 January 2025, the Company entered into the SPD Bank Structured Deposit Product Agreement with the SPD Bank and agreed to subscribe for a structured deposit product with an amount of RMB200 million with maturity periods of 89 days by using self-owned idle funds generated from its daily operation.

On 3 January 2025, the Company entered into the Ping An Bank Structured Deposit Product Agreement with Ping An Bank and agreed to subscribe for a structured deposit product with an amount of RMB200 million with a maturity period of 87 days by using self-owned idle funds generated from its daily operation.

On 8 January 2025, the Company entered into the Bank of China Structured Deposit Product Agreement with the Bank of China and agreed to subscribe for structured deposit product with an amount of RMB180 million with maturity periods of 173 days by using the temporary idle proceeds from its public offering of A shares.

On 1 April 2025, the Company entered into the SPD Bank Structured Deposit Product Agreement with the SPD Bank and agreed to subscribe for a structured deposit product with an amount of RMB220 million with maturity periods of 89 days by using self-owned idle funds generated from its daily operation.

On 2 April 2025, the Company entered into the Ping An Bank Structured Deposit Product Agreement with Ping An Bank and agreed to subscribe for a structured deposit product with an amount of RMB200 million with a maturity period of 89 days by using self-owned idle funds generated from its daily operation.

On 1 July 2025, the Company entered into the SPD Bank Structured Deposit Product Agreement with the SPD Bank and agreed to subscribe for a structured deposit product with an amount of RMB210 million with maturity periods of 89 days by using self-owned idle funds generated from its daily operation.

On 2 July 2025, the Company entered into the Ping An Bank Structured Deposit Product Agreement with Ping An Bank and agreed to subscribe for a structured deposit product with an amount of RMB270 million with a maturity period of 90 days by using self-owned idle funds generated from its daily operation.

On 4 July 2025, the Company entered into the Bank of China Structured Deposit Product Agreement with the Bank of China and agreed to subscribe for structured deposit product with an amount of RMB180 million with maturity periods of 88 days by using the temporary idle proceeds from its public offering of A shares.

On 7 July 2025, the Group entered into the China Merchants Bank Structured Deposit Product Agreement I and the China Merchants Bank Structured Deposit Product Agreement II with the China Merchants Bank and agreed to subscribe for structured deposit products with a total amount of RMB90 million with maturity periods of 84 days by using self-owned idle funds generated from its daily operation.

On 10 October 2025, the Company entered into the SPD Bank Structured Deposit Product Agreement with the SPD Bank and agreed to subscribe for a structured deposit product with an amount of RMB210 million with maturity periods of 76 days by using self-owned idle funds generated from its daily operation.

On 13 October 2025, the Company entered into the Ping An Bank Structured Deposit Product Agreement with Ping An Bank and agreed to subscribe for a structured deposit product with an amount of RMB220 million with a maturity period of 79 days by using self-owned idle funds generated from its daily operation.

On 13 October 2025 and 14 October 2025, the Company entered into the Bank of China Structured Deposit Product Agreement I and the the Bank of China Structured Deposit Product Agreement II with the Bank of China and agreed to subscribe for structured deposit products with a total amount of RMB170 million with maturity periods of 63 days and 78 days respectively by using the temporary idle proceeds from its public offering of A shares.

On 15 October 2025, the Group entered into the China Merchants Bank Structured Deposit Product Agreement I and the China Merchants Bank Structured Deposit Product Agreement II with the China Merchants Bank and agreed to subscribe for structured deposit products with a total amount of RMB100 million with maturity periods of 76 days by using self-owned idle funds generated from its daily operation.

The Company's subscription of structured deposit products by the reasonable and effective use of some of its temporary idle funds (including the proceeds from its public offering of A shares) is beneficial for enhancing the overall capital gain of the Group, which is in line with the core objectives of the Company to safeguard its capital and ensure liquidity. It is expected that the impact of risk factors in connection with the expected return of the above-mentioned structured deposit products is low, while the Group can enjoy a higher return compared with fixed term deposits in commercial banks in the PRC. The Directors (including the independent non-executive Directors) were of the view that the above-mentioned subscription of wealth management products and structured deposit products agreements were made on normal commercial terms, were fair and reasonable and in the interest of the Company and its shareholders as a whole. For more details, please refer to the announcements of the Company dated 2 January 2025, 3 January 2025, 8 January 2025, 1 April 2025, 2 April 2025, 2 July 2025, 4 July 2025, 7 July 2025, 10 October 2025, 13 October 2025, 14 October 2025 and 15 October 2025.

All the above structured deposit products were redeemed at maturity and the actual returns fell within the expected range of returns disclosed in the announcements. During the Reporting Period, the total income received by the Company through purchasing structured deposit products and wealth management products was RMB15.25 million. There was no material deviation from the disclosures in the announcements.

As at 31 December 2025, there were no outstanding wealth management products and structured deposit products held by the Company.

INCENTIVE SCHEME

During the year ended 30 December 2025, the Company had no valid and subsisting incentive plans, employees share schemes or other incentive schemes.

Report of the Directors

The Board is pleased to present the report of the directors for the year 2025 and the audited consolidated financial statements of the Group for the year ended 31 December 2025.

ACTIVITIES REVIEW

The Group is mainly engaged in the innovative research and development (R&D), production and marketing of biopharmaceuticals. During the Reporting Period, there were no significant changes in the R&D direction of the Group, its three major products, its business model and other major matters.

In terms of R&D, the Group has always adhered to its genetic engineering technical platform, photodynamic technical platform and nano technical platform for drug development. The Group is committed to developing new clinical indications for selected drugs and developing new drugs and innovative treatments to tackle selected diseases and has focused strategically on two technological fields, namely photodynamic drugs and antibody-drug conjugates, so as to form R&D features with competitive advantages. During the Reporting Period, the Group's innovative R&D mainly focused on photodynamic drugs for skin diseases and precancerous lesions, photodynamic drugs for intraoperative visualization of tumors and antibody-drug conjugates for tumors. During the Reporting Period, after taking into account its R&D resources, R&D risks and R&D cycle, the Group continued to focus its drug development in the fields of oncology, skin diseases and autoimmune diseases, expanding and strengthening the number and progress of its commercialized drugs. Given that the R&D of innovative drugs faces significant risks and challenges, the Group has adopted a more prudent and conservative capitalization policy for R&D expenses and will take into account the Group's actual financial position when formulating medium- and long-term R&D plans that are in line with the Group's development.

In terms of operation and commercialization, the major products of the Company are ALA and FuMeiDa from its photodynamic technical platform and LIBOd® from its nano technical platform. During the Reporting Period, the Group's revenue decreased by 3.33% year on year. ALA (艾拉®), indicated for the treatment of HPV infectious diseases and proliferative diseases of the skin (mostly notably condyloma acuminate), LIBOd®, indicated for the treatment of tumors, and FuMeiDa, indicated for the treatment of port-wine birthmarks, are the three major products of the Group, and together they contributed 98.98% of the Group's revenue from the sale of pharmaceutical and diagnostic products. LIBOd® (里葆多®) for the treatment of tumors, the first generic version of Doxil® in China and the first generic version of a nano drug at home and abroad, was launched in August 2009 and has since received favorable market responses and earned a reputation. In 2024, doxorubicin hydrochloride liposome injection was included in the centralized procurement for the first time, and LIBOd® was not selected. Pursuant to the rules of this Centralized Procurement round and the changes in the competitive landscape, after prudent evaluation, the Company has correspondingly adjusted the sales strategy for this product during the Reporting Period, including but not limited to the gradual reduction of the market retail price from 1 May 2025. Consequently, the profit margin of LIBOd® has decreased accordingly.

THE GROUP'S REVENUE IN 2025 WAS MAINLY DERIVED FROM THE SALE OF PHARMACEUTICAL PRODUCTS

– Dermatology Products

1. Aminolevulinic Acid Hydrochloride Topical Powder (艾拉®, ALA)

ALA, a first-in-class drug, is the first photodynamic drug for the treatment of condyloma acuminate in the world. As the first commercialization drug of the Group, it has become the clinically preferred drug for the treatment of condyloma acuminata after many years on the market. Compared with traditional therapies, the ALA photodynamic therapy significantly reduces the recurrence rate of condyloma acuminate after treatment. It has solved a clinical problem of the disease, filled an international gap in the treatment of condyloma acuminate in special locations (urinary canal, anal canal and cervix) and become a representative product of photodynamic therapy in China. The therapy of ALA combined with photodynamic technology initiated by the Company has been included in the textbook *Dermatovenerology* published by the People's Medical Publishing House and relevant clinical treatment guidelines since 2013. The ninth edition of *Dermatovenerology* adds the new application of the aforementioned therapy in acne treatment. The therapy of ALA combined with photodynamic technology is also included in the "Guideline for Clinical Diagnosis, Treatment and Prevention of Condyloma Acuminate in China (2021)" and the "Expert Consensus on Condyloma Acuminate (2017)" issued by the Chinese Medical Association.

ALA was launched in 2007. As the first photodynamic drug in China, ALA can selectively spread and accumulate in condyloma acuminatum cells, and, together with light waves of specific wavelengths and energy levels, kill those cells without damaging surrounding normal tissue cells. Due to this feature of the therapy, ALA is also effective in treating subclinical and latent infections. Compared with traditional therapies, the therapy of ALA combined with photodynamic technology has filled the gap of a long-term lack of effective treatment for urethral condyloma acuminate. In addition, the therapy has good patient tolerance and high safety and leaves no scars, and the incidence of adverse reactions and the recurrence rate associated with the therapy are much lower than the previous average levels.

2. Hemoporfin for Injection (复美达®, FuMeiDa)

FuMeiDa, the first photodynamic drug for the treatment of port-wine birthmarks in the world, is a new drug with a new drug target, a new compound and a new indication. After entering the human body, Hemoporfin will spread quickly to surrounding tissues and be distributed specifically to vascular endothelial cells. Under the irradiation of laser or LEDs of specific wavelengths, it will selectively damage vascular endothelium tissues that are rich in photosensitizers. The dilated and deformed capillary network at the lesion site will be cleared by the photodynamic reaction and the subsequent action of the body's coagulation system, thus achieving the therapeutic goal. There was no good treatment for port-wine birthmarks before. As a second-generation photosensitizer, compared with traditional therapies, Hemoporfin has the significant advantages of a stable chemical structure, low phototoxicity, rapid metabolism, a short light-avoidance period, the even disappearance of lesions, a high cure rate, a low incidence of scar formation and a low recurrence rate. Clinicians and researchers are excited by the excellent efficacy demonstrated by the drug and its high cure rate compared to the traditional laser treatment. Hemoporfin, as a new type of photosensitizer for the treatment of port-wine birthmarks, is also included in the textbook *Dermatovenerology* (9th edition) published by the People's Medical Publishing House.

– Anti Tumor Products

1. *Long Circulating Doxorubicin Hydrochloride Liposome Injection (里葆多®, LIBOd®)*

LIBOd®, indicated for the treatment of tumors, was the first generic version of Doxil in China. The drug is a new dosage form of doxorubicin encapsulated with advanced stealth liposomal technology with passive targeting properties. The treatment regimen of doxorubicin hydrochloride Liposome for various indications (breast cancer, ovarian cancer, lymphoma) has been included in multiple authoritative treatment guidelines, including the U.S. National Comprehensive Cancer Network (NCCN) Guidelines for Breast/Ovarian Cancer (2024), the Chinese Society of Clinical Oncology (CSCO) Guidelines for the Diagnosis and Treatment of Breast/Ovarian Cancer/Lymphoma (2024), and the China Anti-Cancer Association (CACA) Guidelines and Standards for Breast Cancer Diagnosis and Treatment (2024). It is a new generation of replacement for anthracycline drugs. In oncology, it has the advantages of enhancing efficacy and lowering the effects of cardiac toxicity, myelosuppression and hair-loss.

ANALYSIS OF THE GROUP'S BUSINESS MODEL IN 2025

1. *Profit model*

The Group is mainly engaged in the innovative R&D, production and marketing of biopharmaceuticals. Through the commercialization of self-developed products, the Group realizes sales revenue and profit. During the Reporting Period, the Group's main operations revenue was mainly derived from the sale of the Company's pharmaceutical products.

2. *Procurement model*

The Group's procurement system is mainly divided into procurement of raw materials for production, R&D-related procurement and procurement of daily office supplies. The Group has formulated the Management System for Material Requisition and Purchase Application, the Procedures of Material Procurement Management and Supplier Management under the cGMP system to ensure the orderly conduct of the Group's procurement activities.

3. *Production model*

Established in strict accordance with the relevant national laws and regulations, the Group's production system comprises a production department and a quality department. The Company implements the production strategy of "sales-oriented production" and formulates production plans according to market demand, sales orders received, expected sales and inventory levels.

4. *Sales and marketing model*

The Group mainly relies on distributors for the sale of its product. The academic promotion of the Group's photodynamic drugs ALA (艾拉®) and FuMeiDa (复美达®) is carried out by the Company's own teams. A professional CSO team has been engaged to market the anti-tumor drug LIBOd® (里葆多®).

5. Management model

The Group is committed to establishing a standardized and sound corporate management structure. The Group will enhance the standardized operation and scientific decision-making of the Company by improving transparency and establishing an effective accountability mechanism, thereby safeguarding the interests of all shareholders.

During the Reporting Period, there was no significant change in the Group's business model.

ANALYSIS OF THE GROUP'S MAJOR PRODUCT RELATED INDUSTRIES IN 2025

1. Overview of the development of China's pharmaceutical industry

The pharmaceutical industry is a vital component of China's national economy and a strategic emerging sector that impacts national welfare, economic development, and national security. Following the State Council executive meeting reviewed and approved the "Implementation Plan for Comprehensive Support for Innovative Drug Development" in 2024, the state continued to intensively introduce a series of supporting policies for the pharmaceutical industry, stimulating the vitality of pharmaceutical innovation from multiple dimensions and guiding the high-quality development of the pharmaceutical industry through innovation and reform. In January 2025, the General Office of the State Council issued the "Opinions on Comprehensively Deepening the Reform of Drug and Medical Device Regulation to Promote High-Quality Development of the Pharmaceutical Industry", proposing measures such as improving the review and approval mechanism, strengthening intellectual property protection, and actively supporting the promotion and use of innovative drugs. These measures encourage and stimulate drug innovation from the perspective of system design, providing a transparent, stable, and predictable policy environment for the development of the industry. The Opinions also explicitly stated that efforts would be made to shorten the review and approval timeline through various measures, further accelerating the launch of innovative drugs.

In March 2025, the "Government Work Report" released during the Two Sessions clearly stated the need to cultivate future industries such as bio-manufacturing, optimize the centralized procurement policy for drugs and consumables, improve the drug pricing mechanism, formulate a catalog for innovative drugs, support the development of innovative drugs, and continue to strengthen comprehensive support for the development of innovative drugs. In July 2025, the National Healthcare Security Administration (NHSA) and the National Health Commission jointly issued the "Several Measures to Support High-Quality Development of Innovative Drugs", which includes 16 measures such as enhancement of support for R&D of innovative drugs, supporting the clinical application of innovative drugs, improve multi-channel payment mechanisms for innovative drugs, and strengthening safeguards for innovative drugs, injecting robust vitality into the development of innovative drugs. At the local level, policies supporting the development of innovative drugs have also been introduced, covering areas such as review and approval, listing on the procurement platform, clinical application, payment channels, and service support. As these policies are gradually implemented, innovation will occupy a more central position in China's pharmaceutical industry. In March 2026, the "Government Work Report" further pointed out the implementation of a strategy for prioritizing health development, improving the policy and institutional framework for health promotion, enhancing the effectiveness of patriotic health campaigns, and strengthening public health capabilities. It also stated the need to improve the multi-tiered healthcare security system, steadily promote the provincial-level coordination of basic medical insurance, optimize centralized drug procurement and price regulation, deepen the reform of medical insurance payment methods, and improve the policy for using surplus funds. Accelerating the development of commercial health insurance, promoting the high-quality development of innovative drugs and medical devices, and better meeting people's diverse needs for medical services and medication, providing policy support for the development of the industry.

2. *The current situation of China's dermatological drug industry*

At present, the incidence of skin diseases is increasing, and the factors causing such diseases are escalating. Dermatosis is a common and frequently occurring disease in medicine, which is characterized by a wide range of patients, a large number of syndromes and a long treatment time. In recent years, the number of patients with skin diseases has been continuously increasing, and the age of patients has been getting younger. For patients of skin diseases, the recurring nature of such diseases, delayed treatment and high cumulative treatment costs, are great obstacles to their recovery. According to WHO data, the number of people suffering from skin diseases in the world is about 420 million, of which there are about 150 million patients with skin diseases in China. According to data from LeadLeo Research Institute[1], the market size of the dermatology drugs industry increased from RMB2.08 billion in 2019 to RMB2.58 billion in 2023, representing a compound annual growth rate (CAGR) of 5.54%. It is projected that from 2024 to 2028, the market size will grow from RMB2.78 billion to RMB3.55 billion, with a CAGR of 6.32% during the period. With accelerating lifestyles and worsening air pollution, the incidence rate of dermatological diseases in China has been rising steadily, affecting increasingly younger populations. As indicated by the Expert Consensus on the Methodology of Dermato-epidemiological Investigations, the prevalence rate of skin diseases among the Chinese population reaches as high as 40%-70%. Specifically, from 2018 to 2023, the number of patients with moderate-to-severe acne (Grade III/IV: pustules, nodules, and cysts) in China increased from 74.9 million to 81.8 million.

– *The treatment of condyloma acuminate*

Condyloma acuminate, also known as genital warts or venereal warts, is a sexually transmitted disease caused by human papillomavirus (HPV) infection, falling into the category of skin and venereal diseases. More than 200 types of HPV have been discovered so far, which mainly infect epithelium. Human beings are the only host of such viruses. There are over 30 types of viruses that cause condyloma acuminate, HPV6, HPV11, HPV16, HPV18 being the main ones. The goal of the treatment for condyloma acuminate is to remove the warts and reduce or prevent recurrence as much as possible. There are three main treatment options for condyloma acuminate, namely drug therapy, physical therapy and photodynamic therapy. The representatives of drug therapy are 0.5% podophyllotoxin tincture (ointment), 5% imiquimod cream, 80%-90% trichloroacetic acid (TCA) or dichloroacetic acid (BCA), interferon and fluorouracil; the representatives of physical therapy are surgical treatment, cryotherapy, laser therapy and electrocautery; and photodynamic therapy refers to 5-aminolevulinic acid (ALA) combined with photodynamic therapy.

– *The treatment of port-wine birthmarks ("PWB")*

PWB is a common congenital malformation of dilated superficial dermal capillaries. The visible manifestation of this disorder is usually relatively flat patches composed of expanded capillaries that rarely swell up. The lesions tend to become darker and thicker with time and rarely fade away during the patient's life. PWB may occur in any part of the body, but is more common in the face and neck, accounting for 75%-80% of the total number of cases. The incidence of PWB among newborns is as high as 0.3%-0.4%. There was no good treatment for PWB before. If not treated in time, the lesions in more than 65% of patients will gradually expand and, before the patients reach the age of 40, thicken or develop nodules, thus severely affecting the patients' appearance and mental health. Before the launch of Hemoporfin (FuMeiDa) on the market, there were no approved therapeutic drugs in this field.

1 LeadLeo Research Institute：https://www.leadleo.com/report/details/684fe45b65b7147b4fd0ef7a

3. Current situation of China's antineoplastic drug industry

Malignant tumors are one of the most serious diseases threatening human health and social development. Among all diseases, malignant tumors have the second highest mortality rate after cardiovascular and cerebrovascular diseases. On 22 February 2024, the National Cancer Centre (NCC) released the latest national cancer statistics. The statistical findings indicate that in 2022, China witnessed approximately 4.82 million new instances of cancer, with mortality figures ascending to 2.57 million. Over the course of the last two decades, the rate of cancer incidence has experienced an average annual escalation of 1.4%. On a global scale, the year 2020 saw 19.29 million new cancer diagnoses, of which 4.57 million were within China, constituting 23.7% of the worldwide aggregate. In light of the exacerbation of demographic aging, it is projected that by the year 2040, the burden of cancer will surge by 50% relative to the figures of 2020, with the anticipated number of new cancer cases approximating 30 million. According to IQVIA Holdings Inc. (IQVIA) data, it is estimated that by 2027, with the accelerated growth of newly marketed drugs and some biosimilars, the global oncology spending will reach US $370 billion.

– *Current situation of anthracycline antineoplastic drug industry*

Anthracyclines are antitumor antibiotics, which are chemical substances produced by microorganisms with antitumor activity. It is widely used. Even today, with the emergence of new therapies such as targeted therapy and immunotherapy, it is still a basic therapeutic drug for many solid tumors and malignant tumors of the blood and lymphatic system. Anthracyclines include daunorubicin (DNR), doxorubicin (ADM), epirubicin (EPI), pirarubicin (THP), mitoxantrone (MIT), carubicin and liposomal doxorubicin. Doxorubicin ranks first in terms of market share among the anthracycline antineoplastic drugs in China. Doxorubicin is commonly used in the treatment of malignant lymphoma, acute leukemia and breast cancer. It is a commonly used anthracycline antineoplastic drug in clinical practice, with a broad antitumor spectrum and good efficacy, but its toxicity is also serious. In addition to myelosuppression, gastrointestinal toxicity and hair loss, doxorubicin can cause serious cardiotoxicity, which is dose-limiting. Large cumulative doses can cause myocardial damage and even heart failure, which greatly limits the clinical application of doxorubicin.

Liposomes are a kind of particulate carrier of targeted drugs that have been widely studied. So far, scholars from around the world have carried out a lot of basic research in this field and found that liposomes have a wide range of application value in the encapsulation and release of anticancer and antibacterial drugs, and in immunization and clinical diagnosis. Compared with traditional doxorubicin, doxorubicin liposomes have the characteristics of long duration of action, low cardiotoxicity and good tumor targeting. Not only does it have satisfactory therapeutic effects on lymphoma and Kaposi's sarcoma, but it can also effectively improve the aforementioned related adverse reactions, significantly reduce cardiotoxicity and improve the therapeutic index of doxorubicin.

4. *Basic characteristics of the industry and main technical thresholds*

The pharmaceutical industry is a strategic emerging sector that impacts national welfare, economic development, and national security. It is characterized by weak cyclicality, high investment, high risk, high technological barriers, and strict regulation. With the continuous advancement of China's population aging process, the increasing healthcare needs of residents, and the ongoing breakthroughs in pharmaceutical innovation technologies, China's pharmaceutical industry is gradually undergoing a strategic transformation from being imitation-based to original innovation and high-quality development. At the industry policy level, the drug review and approval mechanism has been continuously optimized, effectively accelerating the launch of innovative drugs and high-end medical devices and helping to unleash the vitality of industry innovation. The deepening of healthcare payment reform and the normalization of centralized drug procurement have further steered industry competition back to the core of clinical value and cost efficiency, guiding the industry towards quality and efficiency improvement. Meanwhile, with the continuous improvement of the industry regulatory system and the wide application of innovative technologies in the pharmaceutical field, the pharmaceutical industry continues to develop in a standardized and healthy direction. The industry entry barriers have been further raised, prompting pharmaceutical companies to continuously enhance their compliance management levels and product quality standards, driving the reconstruction of the industry competition landscape and achieving orderly competition and survival of the fittest. Driven by both policy guidance and market demand, the concentration of the pharmaceutical industry continues to increase, and the innovation capabilities, compliance management levels, and global operation capabilities of enterprises have become core competitiveness factors supporting the high-quality development of the industry.

According to IQVIA data, the global pharmaceutical market is expected to grow at a compound annual growth rate of 3-6% from 2023 to 2027, reaching approximately USD1.9 trillion in total size. With steady economic development, increased national healthcare investment, and rising public health awareness of China in recent years, the Chinese pharmaceutical market is also continuously growing.

ANALYSIS OF THE STATUS OF, AND THE MOVEMENT IN, THE INDUSTRY IN WHICH THE GROUP OPERATES DURING THE REPORTING PERIOD:

1. *Photodynamic technology*

Modern photodynamic therapy stemmed from the findings of Raab, a German scholar, in 1900 that the combination of light and photosensitizers can generate cytotoxic effect. In the 1970s, this technology was gradually used in clinical applications. In 1993, Health Canada approved the use of photofin II, the first photosensitizing drug in the world, for bladder cancer treatment. Photodynamic therapy began to attract extensive attention from scientists around the world, with several photosensitizing drugs being approved for marketing successively. China commenced its research on photosensitizing drugs in the early 1980s and expanded the clinical application of photodynamic therapy from malignant tumor treatment to the treatment for a variety of benign diseases. Currently, China is one of the most active countries in the world in the field of photodynamic drug R&D.

In recent years, photodynamic therapy has gradually become one of the key treatments for tumors and various benign diseases due to the development of, and advancement in, photosensitive substances, light sources and light guide systems, as well as its low toxicity and side effects and its protective effects on organ functions. It has unique clinical advantages in treating superficial proliferative lesions detected on the body surface and cavities.

As a pioneer in the development of photodynamic therapy in recent years, the Company is one of the representative enterprises in the field of photodynamic technology around the world. The proven photosensitive compounds currently owned by the Group include aminolevulinic acid hydrochloride, Hemoporfin and Deuteroporphyrin, of which ALA® (aminolevulinic acid hydrochloride) and FuMeiDa (Hemoporfin for injection) are sold in China with several key projects under development. With reference to publicly available information, the Company currently has the most product lines of photodynamic drugs in the world and the highest sales of photodynamic products in the world.

As at the end of the Reporting Period, there were four types of photodynamic drugs that had been launched in China, namely hematoporphyrin, aminolevulinic acid hydrochloride, Verteporfin and Hemoporfin. The Company's marketed products cover two of these varieties. Owing to different indications and therapeutic focuses, the Group's products have not yet come into direct competition with other photodynamic products during the Reporting Period.

2. Nano drug production technology

Doxorubicin is a broad-spectrum antitumor drug used clinically to treat most malignant tumors, including acute leukemia, osteosarcoma, liver cancer and gastric cancer. However, doxorubicin has strong toxic side effects, including cardiotoxicity, hepatotoxicity and myelosuppression. In 1995, Doxil (doxorubicin liposome), the first anticancer nano preparation, was approved by the FDA for treating HIV-related Kaposi's sarcoma, and was subsequently approved for treating ovarian cancer and multiple myeloma. Compared with ordinary preparations, doxorubicin liposomes can allow site-specific drug delivery by evading the phagocytosis by the reticuloendothelial system, boosting drug penetration efficiency, prolonging circulatory retention time and enabling specific tumor targeting ability. Compared with traditional doxorubicin, doxorubicin liposomes have the characteristics of long duration of action, low cardiotoxicity and good tumor targeting. Not only does it have satisfactory therapeutic effects on lymphoma, Kaposi's sarcoma, multiple myeloma, gynecological tumors, breast cancer and other tumors, but it can also effectively improve related adverse reactions, significantly reduce cardiotoxicity and improve the therapeutic index of doxorubicin. Currently, the drug is recommended by the National Comprehensive Cancer Network (NCCN) Guidelines for the first-line treatment of lymphoma and ovarian cancer as well as the second-line treatment of breast cancer, bone and soft tissue sarcoma and progressive AIDS-related Kaposi's sarcoma and various other cancers. In 2009, the Company produced the first generic version of doxorubicin liposomes in China and successfully launched it. In accordance with the requirements of relevant laws and regulations in China, doxorubicin hydrochloride liposome injection (LIBOd®) (specification: 10ml: 20mg) passed the Consistency Evaluation of the NMPA in 2023.

THE DEVELOPMENT AND FUTURE TRENDS OF NEW TECHNOLOGIES, NEW SEGMENTS, NEW BUSINESS LANDSCAPE AND NEW BUSINESS MODELS DURING THE REPORTING PERIOD

In addition to technological innovation, industrial policies and industry system reforms have also had a profound impact on the development of China's biopharmaceutical industry.

1) Demand for medicines driven by an ageing population

In China, with the ageing of its population and its residents' rising awareness of healthcare, the pharmaceutical manufacturing industry has been developing rapidly. According to data from the National Bureau of Statistics[2], the ageing trend of China's population is obvious and accelerating, as the number of people aged 65 and above increased from 190 million to 220 million between 2020 and 2025, with the share of that age group in the total population increasing from 13.50% to 15.92%. The elderly population has a higher demand for medicines as they are more prone to illness and subject to multiple diseases. The increasingly severe ageing of the population will directly lead to a substantial increase in the demand for medicines in China.

2) Gradual rise in income and medical affordability

As China's economy continues to grow at a fast pace, Chinese residents' ability to pay for healthcare has been improving, along with an increase in both per capita disposable income and healthcare expenditure. According to data from the National Bureau of Statistics[3], China's total national health expenditure reached RMB9,089.56 billion in 2024, accounting for 6.74% of the country's GDP, and its per capita health expenditure was RMB6,454, an increase of RMB29 over the previous year. As Chinese residents' ability to pay for healthcare rises, the consumption of medicines in China is also expected to increase further. In addition, as the country continues to increase its investment in healthcare and expand the catalogs of drugs covered by national medical insurance, the consumption of biopharmaceutical products will continue to rise.

2 Source: the official website of National Bureau of Statistics (www.stats.gov.cn)
3 Source: the national data website of National Bureau of Statistics (data.stats.gov.cn)

3) *Industrial policy*

In March 2025, the NMPA issued the "Implementation Measures for Drug Clinical Trial Data Protection (for Trial Implementation, Draft for Comments)" and its supporting document, the "Working Procedures for Drug Clinical Trial Data Protection (Draft for Comments)". These documents stipulate that when a drug containing a new chemical entity and meeting other conditions is approved for marketing, the NMPA shall grant the applicant a data protection period of up to six years for the undisclosed test data and other data submitted by the applicant that were independently obtained, further securing the market returns for innovative drugs. In June 2025, the NMPA issued the "Announcement on Matters Concerning the Optimization of the Review and Approval Process for Clinical Trials of Innovative Drugs (Draft for Comments)", which proposed to shorten the review and approval timeline for clinical trial applications for innovative drugs meeting the requirements, such as Category 1 traditional Chinese medicine, chemical drugs, and biological products, from 60 working days to 30 working days. Eligible varieties include key innovative drugs supported by the state, varieties selected for the CDE's "Starlight Plan" for pediatric drugs and "Rare Disease Care Plan", as well as varieties undergoing global simultaneous development. This is expected to further shorten the clinical review and approval time for innovative drugs, accelerate the development progress of the Company's high-quality innovative drugs, and help enterprises bring innovative products to market more quickly to meet patient needs. In July 2025, the National Healthcare Security Administration and the National Health Commission jointly issued the "Several Measures to Support the High-Quality Development of Innovative Drugs", introducing 16 measures such as increasing support for the R&D of innovative drugs, supporting the clinical application of innovative drugs, enhancing diversified payment capabilities for innovative drugs, and strengthening safeguards, thereby injecting strong momentum into the development of innovative drugs. At the local level, policies to support the development of innovative drugs have also been introduced, covering areas such as review and approval, listing on procurement platforms, clinical application, payment channels and service support. With the gradual implementation of these policies, innovation will play an increasingly central role in China's pharmaceutical industry. The NMPA has issued relevant system documents on clinical trial data protection for innovative drugs and the optimisation of clinical trial review and approval timelines to support new drug R&D.

During the Reporting Period, the Company did not venture into any new segment, new business landscape or new business model.

ANALYSIS OF THE GROUP'S CORE COMPETITIVENESS DURING THE REPORTING PERIOD

As a pharmaceutical enterprise focusing on the R&D of new drugs, the Company has, since its establishment, adhered to selecting projects that can address the deficiencies in and the dissatisfaction with clinical treatments, and when evaluating the progress of a project the Company considers, first and foremost, whether the project demonstrates unique therapeutic effects. At present, the products of the Company that have been launched or are under development have shown positive development prospects and have been less affected by policy changes. Years of hard work and early planning have laid a solid foundation and provided momentum for the Group's development in the new policy environment.

1. R&D Innovation and Technological Strengths

Details are set out in "Summary of Major Drugs Developed by the Group and Their Progress" under "Chairman's Statement".

2. Technology Platform Strengths

Since its establishment, the Company has always adhered to the R&D philosophy that based on the premise of identifying the clinical deficiencies and unmet needs, the decisive factor in initiation and evaluation of new R&D projects is whether a project demonstrates unique clinical therapeutic effects. In addition, the Company also selects products with technical barriers for commercialization. On the premise of meeting clinical needs, the Company will try to achieve differentiated competition, utilize R&D resources and production capacity effectively and maximize economic benefits.

Based on the above R&D philosophy, the Company has gradually formed a genetic engineering technical platform, a photodynamic technical platform and a nano technical platform etc., and has focused and strategically on two technical fields, namely photodynamic drugs and antibody-drug conjugates, so as to form R&D features with competitive advantages. The Company's core technologies are obtained by independent R&D.

(1) Genetic Engineering Technical Platform

The Company has focused on genetic engineering technology since its establishment, and has successively developed cytokines, fusion proteins, monoclonal antibodies, and antibody-drug conjugates for unmet clinical needs, and established relevant technical platforms. In its early years, the Company achieved the transfer of a number of genetic engineering technologies, which contributed revenue for the Company's early development. With the continuous expansion of the Company, the commercialization of genetically engineered drugs has become feasible. ADCs are an important R&D direction and a commercialization target for the Company's genetic engineering technical platform. The Company keeps continue to strengthen the research and accelerate the registration of projects from the genetic engineering technical platform that have entered the clinical process, and strive to realize the commercialization of ADCs as soon as possible.

(2) Photodynamic Technical Platform

The scientific exploration of photodynamic therapy began at the beginning of the 20th century. In the late 1970s, photodynamic therapy began to be used in clinical practice. The first photosensitive drug was approved for marketing in 1993. Because of the unique therapeutic value of photodynamic therapy in some precancerous lesions and non-tumor diseases for which there are no effective interventions, and the lack of an international scientific standard regarding photodynamic therapy, the Company proactively established a photodynamic technical platform in 1999. The Company's photodynamic technology is at the world's leading level. The Company has been expanding the drug R&D on its photodynamic technical platform for many years, and photodynamic drugs are now one of the Company's important product groups. The marked photodynamic drugs of the Company are ALA for the treatment of condyloma acuminate and FuMeiDa for the treatment of PWB. The R&D mainly includes the US phase II clinical trial of Hemoporfin, and indication expansion for various types of aminolevulinic acid hydrochloride and the development of a new type of photosensitizer. As at the end of the Reporting Period, there were four types of photodynamic drugs that had be en launched in China, namely hematoporphyrin, aminolevulinic acid hydrochloride, Verteporfin and Hemoporfin. The Company's marketed products cover two of these varieties. Owing to different indications and focuses, the Group's products have not yet come into direct competition with other photodynamic products.

(3) Nano Technical Platform

Not only can nano preparations improve the water solubility and bioavailability of drugs, but also use their EPR effect to target the delivery of antitumor drugs to achieve effect enhancement and toxicity reduction. The Company started the R&D of liposome drugs at a time when the research on liposome drugs in China was confined to basic research without any commercialization, and gradually established its nano technical platform. Under this technical platform, LIBOd® for the treatment of tumors was launched to market in August 2009.

(4) Oral Solid Preparation Technical Platform

Although the Company has successfully achieved the commercialization of several drugs after years of R&D, there is still the problem of a long commercialization cycle with many barren periods. In recent years, based on the strategic consideration of long-term development, the Company has established an oral solid preparation technical platform on which various new drugs and generic drugs with unique clinical and therapeutic value are being developed, so as to shorten the cycle of its commercialization projects. Small-molecule targeted drugs and special oral preparations are both popular areas in the R&D of new drugs nowadays. Oral solid preparation technology will become one of the fundamental technical platforms for the long-term development of the Company. It is hoped that the new drugs can be developed to help patients fulfill the unmet needs in clinical practice.

3. Strength in Industry Promotion

The Group continues to regard academic promotion as its primary marketing method and has used a variety of online platform channels to form a mature network service system of online academic exchanges among clinical doctors, sharing of medical cases, standardized practice videos, and a Q&A interactive platform between doctors and patients, etc. Meanwhile, the Company is also leveraging this platform to connect patients and physicians, developing new sales models to solve some common difficulties encountered by patients in actual consultations.

4. Strength in Product Quality Control

The Group complies with China's cGMP standards and, with reference to the requirements and guidelines of the US FDA and European EMA in respect of cGMP, has established a pharmaceutical production quality management system covering the entire process of drug production, so as to ensure the safety, efficacy and accessibility of pharmaceutical products. The Group has set up a quality assurance system and a comprehensive documentation system covering all aspects including personnel, equipment, materials, process control and environmental control, to ensure the effective operation of the quality assurance system. Meanwhile, a sound organizational structure has been established with clear roles and responsibilities for specific departments and key positions. Personnel engaged in pharmaceutical production and quality-related work are qualified through training and assessment in accordance with the requirements of their respective positions before taking up their posts. Appropriate facilities and equipment have been deployed with corresponding operating procedures established to ensure that raw materials, intermediate products and finished products meet quality standards and are released only after review. Regular qualification and validation are conducted on facilities, equipment, production processes, cleaning procedures and other key elements, to verify that critical factors relating to production and quality operations are effectively controlled, thereby ensuring the stability and consistency of product quality. In addition, in accordance with the Pharmaceutical Administration Law of the People's Republic of China and adhering to the principle of risk management, the Group has established a quality risk management process. Based on risk classification and hierarchical management, the Group fully assesses, controls, communicates and reviews risks relating to product quality, safety and compliance throughout the product life cycle, and adopts appropriate measures to mitigate such risks.

The Group's quality framework established in compliance with GMP requirements is supported by a dedicated team of technical and management personnel as well as complete production and testing facilities and equipment. Supported by a comprehensive documentation system comprising management regulations and operating procedures, the Group has achieved standardization, proceduralization and institutionalization of the entire production process in line with high-level GMP requirements, ensuring the effective operation of the production and quality management system and the safety, efficacy and accessibility of pharmaceutical products.

5. Strength provided by Our Management and Technical Teams

The Group's advanced business philosophy and incentive system have attracted many technical talents to join the Company, thus forming a mature R&D technical team, which is the cornerstone of the Group's core technology platform. The Group's management tends to be stable and young, which helps enhance the Company's vitality and innovation capabilities and further drives the formulation of the Company's development strategy, brand-building, the fostering of corporate culture and product innovation. The Group's excellent management team and technical talents provide comprehensive support for the stable development and successful implementation of its projects.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, information on the Group's major customers and suppliers as a percentage of the Group's total sales and purchases respectively is as follows:

	Percentage of the Group's total	
	Sales	Purchases
Largest customer	37.14%	
Total of the five largest customers	69.31%	
Largest supplier		7.83%
Total of the five largest suppliers		24.87%

Note: The scope of the above supplier statistics covers the Group's suppliers of materials and raw materials, and the Group's total procurement amount refers to the total procurement amount of materials and raw materials.

Shanghai Pharmaceuticals Holding Co., Ltd. ("Shanghai Pharmaceuticals"), a substantial shareholder of the Company, is a major customer of the Company. The connected transactions with Shanghai Pharmaceuticals were approved at the Board meeting and Shareholders' meeting (if applicable) of the Company. Save for this, none of the Directors, their respective associates or any shareholder of the Company who or which to the knowledge of the Directors owns more than 5% of the issued share capital of the Company has any beneficial interest in any of the Group's five largest customers.

PRINCIPAL RISKS AND UNCERTAINTIES

(I) Core competitiveness risks

1. Risk of new drug development

The long-term competitiveness of the Company depends on the successful R&D of new products and their subsequent commercialization and marketing. According to the relevant provisions of China's Measures for the Administration of Drug Registration and other laws and regulations, the registration of a drug shall be subject to pre-clinical research, clinical trial filing, clinical trial, production approval and other stages, which shall be approved by the drug administration department of the State Council, and the relevant drug certificates and production approvals shall be issued before the production of the drug. The whole process from R&D to marketing can take a decade or more, is costly and its results are subject to great uncertainties. At present, many of the Company's products are in the stages of pre-clinical research and clinical trial, which are mainly innovative drugs. If these products under development fail to be developed successfully or the new products fail to pass the registration and approval process, the Company will be unable to recoup its initial investment, and the Company's future product planning and future growth potential will also be affected.

2. *Risk of loss of core technical personnel*

The Company's core technical personnel is an important part of the Company's core competitiveness, and also the foundation of and key to the survival and development of the Company. Whether the Company can maintain the stability of its technical personnel and constantly attract outstanding talents to join the Company is crucial to whether the Company can continue to maintain its technological leading edge in the industry, as well as the stability and durability of its R&D, production and service. If the salary level offered by the Company is not competitive compared with its industry competitors, if its core technical personnel incentive mechanism cannot be implemented, or if its human resources control and internal promotion systems are not effectively implemented, the Company's core technical personnel will be lost, which will have an adverse impact on the Company's core competitiveness and sustainable profitability.

(II) Operation risks

1. *Risk of relatively limited product types*

During the Reporting Period, the product types of the Group are relatively limited. The three main products of the Group, ALA, LIBOd® and FuMeiDa, account for a large proportion of its total sales revenue. The decline in revenue from the above leading products will have an adverse impact on the future operation and financial position of the Group, if they are impacted by competitive products, suffer from significant policy impacts, of if the Company cannot maintain the sales volume and pricing level of the leading products due to product quality and intellectual property issues and is unable to launch new alternative products timely.

(III) Risk or loss in significant decline in performance

In 2024, doxorubicin hydrochloride liposome injection was included in the centralized procurement catalogue for the first time, and LIBOd® was not selected. Pursuant to the rules of this Centralized Procurement round and the changes in the competitive landscape, after prudent evaluation, the Company has correspondingly adjusted the sales strategy for this product during the Reporting Period, including but not limited to the gradual reduction of the market retail price from 1 May 2025. As a major product of the Company, this adjustment in sales strategy had an adverse impact on the Company's subsequent sales revenue and profit.

As an R&D-driven enterprise, the Company has actively developed a product pipeline covering multiple therapeutic areas and will continue to increase its R&D investment in preclinical research, clinical trials, and pre-market preparation for new drugs. It will also optimize its R&D pipeline, strategically focus on high-potential areas, and accelerate its commercialization capabilities and processes. The continuous increase in R&D investment may have a certain impact on the Company's related financial indicators. During the Reporting Period, there were no significant adverse changes in the Company's main operations or core competitiveness.

(IV) Financial risks

1. Foreign exchange exposure and hedging

The Group mainly operates in the domestic market. The operating results and the financial position of the Group will not be substantially affected by the movement in exchange rates.

(V) Industry risks

1. Risk of drug price reduction

The National Development and Reform Commission was originally responsible for the formulation and implementation of drug pricing policies and the regulation of the overall drug price level. On 5 May 2015, the National Development and Reform Commission, the National Health and Family Planning Commission, the Ministry of Human Resources and Social Security and other departments jointly issued the Notice on Issuing Opinions on Promoting the Reform of Drug Prices, pursuant to which, with effect from 1 June 2015, government pricing of drugs other than narcotic drugs and psychotropic drugs of category I would be abolished, so as to improve the mechanism of drug procurement and implement healthcare cost-control and so that the actual transaction prices of drugs would be mainly determined by market competition. Although the notice abolished the function of the Department of Pricing of the National Development and Reform Commission to set maximum retail prices for drugs, drug prices are still subject to many factors, including patients' clinical needs, doctors' awareness, health insurance payment standards, the tender procurement mechanism of the national or local government and third-party payment standards, including commercial insurance. The drug price formation mechanism may undergo further reforms in the future, and the final pattern remains uncertain. In recent years, with the introduction of policies including national drug price negotiations, adjustments to the national medical insurance catalog, the consistency evaluation and volume-based procurement, the terminal tender procurement prices of certain drugs have gradually declined, which has led to increasingly fierce competition among pharmaceutical companies.

According to the "Notice on the Announcement of the Selection Results of the National Drug Centralized Procurement (GY-YD2024-2)" (the "Selection Notice") issued by the National Drug Centralized Procurement Office, one of the Company's main products, doxorubicin hydrochloride liposome injection (brand name: LIBOd®), was not selected in this round of national drug centralized procurement. Pursuant to the rules of this Centralized Procurement round and the changes in the competitive landscape, after prudent evaluation, the Company has correspondingly adjusted the sales strategy for this product during the Reporting Period, including but not limited to the gradual reduction of the market retail price from 1 May 2025. If the Company is unable to continuously launch new products with market competitiveness in the future, or is unable to invest more financial and human resources in academic promotion, it will lead to a decline in market share and competitiveness, which will have an adverse impact on the Company's financial performance, business conditions and operating results.

RESULTS

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of comprehensive income and related explanatory notes to the consolidated financial statements.

An analysis on the Company's annual results of 2025 using financial key performance indicators is set out in the section headed "Management Discussion and Analysis" of the annual report.

DIVIDENDS

Dividend Policy

In accordance with the Company Law and other relevant laws and regulations, the Company has implemented a continuous, stable and proactive profit distribution policy since 2015, paying attention to reasonable investment returns to Shareholders.

The profit distribution plan of the Company shall be drawn up and reviewed by the Board, taking full account of the actual operating conditions and future development needs of the Company. If the Company is profitable and has positive accumulated retained earnings in the current year, except for special circumstances, the Company shall give priority to the cash distribution of dividends, while the ratio of cash dividends shall not be less than 10% of the distributable profits of the year. Special circumstances refer to:

(1) when the distribution of cash dividends affects the Company's capital needs for normal operation;

(2) when the Company has significant cash expenditures in the next twelve months (excluding fund-raising projects). Significant cash expenditures refer to: the cumulative expenditures of the Company on external investment, acquisition of assets or purchase of equipment that reach or exceed 50% of the Company's most recent audited net assets; and

(3) other circumstances the Directors deemed inappropriate for the distribution of cash dividends.

The Company's shareholders' profit distribution plan for the three years (2023-2025) was reviewed by the Board on 27 March 2023 and was implemented upon approval by the shareholders at the 2022 annual general meeting. The Company's shareholders' profit distribution plan for the next three years (2026-2028) was reviewed by the Board on 30 March 2026 and is subject to approval by the shareholders at the 2025 annual general meeting for implementation.

After the resolution on the profit distribution plan is approved by the Board, it will be submitted to the shareholders' general meeting for consideration, and implementation upon approval.

Dividend Distribution

Upon considering the annual results of the Company for the year ended 31 December 2025, the Board resolved not to recommend the declaration of any final dividend at the meeting of the Board held on 30 March 2026 (for the year ended 31 December 2024: a total dividend of RMB0.05 per share (tax inclusive) was distributed, with an aggregate dividend payout of RMB51,828,605).

SHARE CAPITAL

Details of changes in the Company's share capital during the year are set out in note 5(28) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2025, the distributable reserve of the Company amounted to RMB676.22 million (as at 31 December 2024: RMB864.75 million).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 5(11) to the consolidated financial statements.

KEY EMPLOYEES

Details of the key employees of the Group are set out in the "Environmental, Social and Governance Report".

EMPLOYEE RETIREMENT BENEFIT SCHEME

Details of the employee retirement benefit scheme of the Group are set out in note 5(22) to the consolidated financial statements.

STAFF QUARTERS

During the year, the Group did not provided staff quarters to its employee. Details of the housing provident fund provided to employee are set out in note 5(22) to the consolidated financial statements.

DIRECTORS AND SUPERVISORS

The Directors and the supervisors of the Company (the "Supervisors") during the year and as at the date of this report are as follows:

Executive Directors

Zhao Da Jun *(Chairman)*
Xue Yan

Non-executive Directors

Shen Bo
Yu Xiao Yang

Independent Non-executive Directors

Wang Hong Guang
Lam Siu Wing
Xu Pei Long

Employee Director

Qu Ya Nan (Appointed on 26 November 2025)

Supervisors

Huang Jian *(Chairman)* (Retired on 26 November 2025)
Zhou Ai Guo (Retired on 26 November 2025)
Qu Ya Nan (Retired on 26 November 2025)

CORPORATE GOVERNANCE

The Company has always been endeavoring to establish a standardized and sound corporate governance structure. The Company believes that through enhancing its transparency and establishing an effective system of accountability, the Company can operate in a more systematic manner, make decisions in a more scientific way, safeguard the interests of all shareholders, and boost the confidence of investors. Further information on the Company's corporate governance are set out in the following reports in the annual report:

1) Corporate Governance Report;

2) Report of the Audit Committee;

3) Report of the Remuneration Committee;

4) Report of the Nomination Committee;

5) Report of the Strategy Committee;

6) Report of the Independent Non-executive Directors;

7) Environmental, Social and Governance Report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Please refer to the section "Directors' and Supervisors' Service Contracts" in the "Corporate Governance Report".

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Please refer to the section "Profiles of Directors and Senior Management".

EMOLUMENTS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND HIGHEST PAID INDIVIDUALS

The Remuneration Committee determines or recommends to the Board (as the case may be) the remuneration and other benefits payable to the Directors and Supervisors by the Group. The committee regularly monitors the remuneration of all Directors and Supervisors to ensure that their remuneration and compensation are at appropriate levels. The remuneration policy is that the Group provides competitive remuneration packages with reference to standards of the industry and according to the business development of the Group, and determines the remuneration of the Directors and Supervisors based on their qualifications, experience and contributions, to attract and retain its Directors and Supervisors as well as to control costs.

Details of the Directors, Supervisors and 5 highest paid individuals are set out in note 8(8) to the consolidated financial statements.

As at 31 December 2025, details of the senior management of the Group are set out as follows:

	Number	
	Year 2025	Year 2024
Executive Directors	**2**	2
Non-directors	**4**	4
	6	6

Their emoluments fell within the following bands:

	Number	
	Year 2025	Year 2024
Emoluments band (HKD)		
1,000,001 – 1,500,000	**3**	3
1,500,001 – 2,000,000	**3**	3
2,000,001 – 2,500,000	**–**	–
2,500,001 – 3,000,000	**–**	–
3,000,001 – 3,500,000	**–**	–
3,500,001 – 4,000,000	**–**	–
	6	6

The emoluments of the Directors, Supervisors and senior management include wages, bonuses, subsidies and all other labor costs paid by the Company on their behalf, including social insurance. Details of the emoluments of the key management personnel are set out in note 8(5)(e) to the consolidated financial statements.

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

Please refer to the section headed “Rights of Directors, Chief Executive and Supervisors to Purchase Shares or Debentures” in the “Corporate Governance Report”.

DETAILS OF OPTIONS GRANTED BY THE COMPANY

As at 31 December 2025, the Company did not have any share option scheme or share award scheme in force.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Please refer to the section headed "Directors' and Supervisors' Interests" in the "Corporate Governance Report".

PERMITTED INDEMNITY CLAUSES

During the Reporting Period, the Company took out "Directors' and Officers' Liability Insurance" for the Directors, Supervisors and senior management. The insurance covers the liabilities of Directors under relevant laws and the rules of the Main Board of The Stock Exchange of Hong Kong Limited and the STAR Market of the Shanghai Stock Exchange, providing proper protection for the Directors, Supervisors and senior management of the Group in their daily performance of their duties as well as for the Company's risk control.

MANAGEMENT CONTRACTS

No contract concerning the management and operation of the whole or any substantial part of the business of the Company was entered into or existed during the Reporting Period.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES OF THE COMPANY

As at 31 December 2025, the interests (if any) of the Directors, Supervisors and chief executive of the Company and their respective associates in the shares or debentures (including interests in shares and/or short positions) of the Company and its associated corporations, (a) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"); or (b) as recorded in the register maintained by the Company under Section 352 of the SFO; or (c) as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Name	Position	Class of shares	Number of shares held (share)	Capacity	Type of interest	Percentage in respective class of Shares	Percentage in total number of issued shares
Zhao Da Jun	Director	A Shares	15,620,710(L)	Beneficial owner	Personal	2.20%	1.51%
Xue Yan	Director	A Shares	1,980,000(L)	Beneficial owner	Personal	0.28%	0.19%
		H Shares	50,000(L)			0.02%	0.00%
Qu Ya Nan	Director	A Shares	39,000(L)	Beneficial owner	Personal	0.01%	0.00%

Notes: "L" stands for long position.

SUBSTANTIAL SHAREHOLDERS

To the best of the Directors' knowledge, as at 31 December 2025, the persons other than a Director or chief executive of the Company who had interests and/or short positions in the shares or underlying shares of the Company subject to disclosure under Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register maintained under Section 336 of the SFO, or as notified to the Company and the Stock Exchange were as follows (the interests in shares and/or short positions, if any, disclosed herein are in addition to those disclosed in respect of the Directors and chief executive):

Name of substantial shareholders	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in the respective class of shares	Percentage in total number of issued shares
Shanghai Industrial Investment (Holdings) Co., Ltd. [Note 2]	A Shares	139,578,560 (L)	Interest of controlled corporation	Corporate	19.64%	20.27%
	H Shares	70,564,000 (L)			21.65%	
Shanghai Pharmaceuticals	A Shares	139,578,560 (L)	Beneficial owner	Corporate	19.64%	20.27%
	H Shares	70,564,000 (L)			21.65%	
China New Enterprise Investment Fund II	A Shares	156,892,912 (L)	Beneficial owner	Corporate	22.08%	15.14%
Yang Zong Meng	A Shares	63,357,251 (L)	Beneficial owner	Personal	8.92%	6.11%
Wang Hai Bo	A Shares	51,728,605 (L)	Beneficial owner	Personal	7.28%	4.99%

Notes:

1. "L" stands for long position;

2. Shanghai Industrial Investment (Holdings) Co., Ltd. was the controlling shareholder of Shanghai Pharmaceuticals. Under the SFO, Shanghai Industrial Investment (Holdings) Co., Ltd. was deemed to be interested in the same number of shares held by Shanghai Pharmaceuticals.

TOP 10 SHAREHOLDERS AS AT THE END OF THE REPORTING PERIOD

Name of shareholder	Change of shareholding during the Reporting Period	Number of shares held as at the end of the period	Percentage (%)	Number of trade-restricted shares held	Shares pledged or frozen		Nature of shareholders
					Status of shares	Number of shares	
HKSCC NOMINEES LIMITED Note 1	+3,700	254,831,440	24.58	–	Unknown	0	Overseas legal person
Shanghai Pharmaceuticals Note 2	–	210,142,560	20.27	–	Nil	0	Domestic non-state-owned legal person
China New Enterprise Investment Fund II	–	156,892,912	15.14	–	Nil	0	Other
Yang Zong Meng	–11,018,243	63,357,251	6.11	–	Nil	0	Overseas natural person
Wang Hai Bo	–4,370,722	51,728,605	4.99	–	Nil	0	Domestic natural person
Zhao Da Jun	–	15,620,710	1.51	–	Nil	0	Domestic natural person
Li Jun	–	9,018,200	0.87	–	Nil	0	Domestic natural person
Shanghai Pudong Emerging Industry Investment Co., Ltd.	–	6,562,382	0.63	–	Nil	0	State-owned legal person
Wu Zhi Ming	–96,356	2,566,617	0.25	–	Nil	0	Domestic natural person
Su Yong	–10,646,106	2,042,091	0.20	–	Nil	0	Domestic natural person

TOP 10 SHAREHOLDERS WITHOUT TRADE RESTRICTIONS AS AT THE END OF THE REPORTING PERIOD

Name of shareholder	Number of shares without trade restrictions	Type and number of shares	
		Type	Number
HKSCC NOMINEES LIMITED Note 1	254,831,440	Overseas listed foreign shares	254,831,440
Shanghai Pharmaceuticals Note 2	210,142,560	Overseas listed foreign shares	70,564,000
		RMB ordinary shares	139,578,560
China New Enterprise Investment Fund II	156,892,912	RMB ordinary shares	156,892,912
Yang Zong Meng	63,357,251	RMB ordinary shares	63,357,251
Wang Hai Bo	51,728,605	RMB ordinary shares	51,728,605
Zhao Da Jun	15,620,710	RMB ordinary shares	15,620,710
Su Yong	9,018,200	RMB ordinary shares	9,018,200
Shanghai Pudong Emerging Industry Investment Co., Ltd.	6,562,382	RMB ordinary shares	6,562,382
Wu Zhi Ming	2,566,617	RMB ordinary shares	2,566,617
Li Jun	2,042,091	RMB ordinary shares	2,042,091
Description of special account for repurchase among the top ten Shareholders	Not applicable		
Explanations on the entrusting voting right, entrusted voting right and waive of voting right of the above Shareholders	Not applicable		
Note on the connected relations or concerned actions of the above shareholders	The Company was not aware of whether other shareholders had connected relations or concerned actions.		
Note on preferred shareholders with voting rights restored and number of shares held	Not applicable		

Notes:

1. Shares held by HKSCC NOMINEES LIMITED is a wholly owned subsidiary of The Stock Exchange of Hong Kong Limited, and the shares held by it are H shares (overseas listed foreign shares) of the Company on behalf of clients and the number of Shares it holds as shown in the table above excludes the 70,564,000 H Shares held by Shanghai Pharmaceuticals. As the relevant rules of the Hong Kong Stock Exchange do not require clients to report whether the shares that they hold are pledged or frozen, HKSCC NOMINEES LIMITED is unable to provide statistics on the number of shares that have been pledged or frozen;

2. Shanghai Pharmaceuticals is the largest shareholder of the Company, holding a total of 210,142,560 shares of the Company, of which 139,578,560 are A shares (RMB ordinary shares) and 70,564,000 are H shares (overseas listed foreign shares).

TOP 10 SHAREHOLDERS WITH TRADE RESTRICTIONS AS AT THE END OF THE REPORTING PERIOD

Not applicable.

REQUIRED STANDARDS FOR SECURITIES TRANSACTIONS BY DIRECTORS

Please refer to the section headed "Securities Transactions by Directors, Supervisors, Senior Management and Major Shareholders" in the "Corporate Governance Report".

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2025.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the PRC, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

TAX DEDUCTION

The Company was not aware of any tax relief enjoyed by any existing shareholders due to their holding of the Company's securities.

CONNECTED TRANSACTIONS

For the year ended 31 December 2025, the continuing connected transactions of the Group are set out as follows:

Continuing Connected Transactions under Sales and Distribution Agreement with Shanghai Pharmaceuticals:

In order to leverage the established and extensive sales and distribution network of Shanghai Pharmaceuticals, a substantial shareholder of the Company, on 10 August 2010, the Company entered into an agreement with Shanghai Pharmaceutical Co., Ltd.* (上藥控股有限公司), formerly known as Shanghai Pharmaceutical Distribution Co., Ltd.* (上海醫藥分銷控股有限公司), a wholly-owned subsidiary of Shanghai Pharmaceuticals, for the sales and distribution of the Group's pharmaceutical products. On 17 August 2018, the Company entered into an agreement directly with Shanghai Pharmaceuticals and designated Shanghai Pharmaceuticals and its subsidiaries as the Company's distribution agents. As approved by the Board at a meeting on 30 March 2023, the Company entered into a sales and distribution agreement (the "Sales and Distribution Agreement") with Shanghai Pharmaceuticals on the same date to extend the former sales and distribution agreement for three years ending 31 December 2026. For more details, please refer to the announcement of the Company dated 30 March 2023 and the circular of the Company dated 12 May 2023. Shanghai Pharmaceuticals is a promoter and a substantial shareholder of the Company and, therefore, a connected person of the Company under the Listing Rules. The transactions under the Sales and Distribution Agreement were carried out on a continuing or recurring basis in the ordinary and usual course of business of the Company and, therefore, constituted continuing connected transactions of the Company under the Listing Rules. The transactions under the Sales and Distribution Agreement are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, and were approved by the independent shareholders at an extraordinary general meeting on 30 May 2023. According to the Sales and Distribution Agreement, the annual caps for the continuing connected transactions contemplated under the Sales and Distribution Agreement for the three years ending 31 December 2026 are approximately RMB226,000,000, RMB241,000,000 and RMB260,000,000 respectively.

For the year ended 31 December 2025, the total sales of products to Shanghai Pharmaceuticals amounted to RMB87.13 million, which did not exceed the annual cap approved at the relevant extraordinary general meeting.

These connected transactions were monitored by the Company's Risk Management and Internal Audit and Control Department on a daily basis and were subsequently submitted, together with an external auditor's report on them, to the Audit Committee and independent non-executive Directors for review, and were further presented to the Board for deliberation. The Audit Committee and independent non-executive Directors confirmed that the transactions had been entered into:

(1) in accordance with the Group's pricing policy;

(2) in the ordinary and usual course of business of the Group;

(3) on normal commercial terms or better; and

(4) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. The auditor confirmed that nothing had come to their attention that caused them to believe that the continuing connected transactions:

(1) had not been approved by the Board;

(2) were not, in all material respects, in accordance with the Group's pricing policies for transactions involving the provision of goods or services by the Group;

(3) were not entered into, in all material respects, in accordance with the relevant agreements governing such transaction; and

(4) had exceeded annual cap as set by the Company.

AUDIT COMMITTEE

The Audit Committee is responsible for reviewing the financial reporting, internal controls and corporate governance issues and making relevant recommendations to the Board. The Audit Committee comprises two independent non-executive Directors and one non-executive Director, namely, Mr. Lam Siu Wing, Mr. Wang Hong Guang and Mr. Shen Bo. Mr. Lam Siu Wing was appointed as the chairman of the Audit Committee. Mr. Lam Siu Wing and Mr. Shen Bo both possess professional accounting qualifications and extensive experience in financial compliance and management. The composition of the Audit Committee meets the requirements under Rule 3.21 of Listing Rules.

The Audit Committee reviews the accounting principles and practices adopted by the Group as well as the internal controls to check whether they comply with the Listing Rules, and reviews issues regarding auditing, internal controls, risk management and financial reporting. The Audit Committee reviewed the Group's annual results and financial statements for the year ended 31 December 2025 before proposing to the Board for approval.

For more details, please refer to the sections headed "Report of the Audit Committee" and "Audit Committee" in the "Corporate Governance Report".

AUDITOR

As at 31 December 2025, there was no change in the appointment of auditors of the Company in the past three years. The financial statements of the Company for the year ended 31 December 2025 were audited by PricewaterhouseCoopers Zhong Tian LLP in accordance with the "China Accounting Standards for Business Enterprises".

As approved at the 2024 annual general meeting of the Company held on 26 June 2025, the Company reappointed PricewaterhouseCoopers Zhong Tian LLP as its domestic and overseas auditor responsible for its domestic and overseas audits and domestic internal control audits.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors of the Company confirmed with the Company their independence under Rule 3.13 of the Listing Rules. Based on the confirmation from the independent non-executive Directors, the Company considered them to be independent.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The discussion of the Company's environmental policies and performance during the Reporting Period is set out in the section headed "Social Responsibility" in the "Corporate Governance Report" and in the "Environmental, Social and Governance Report".

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Period, the Company complied with relevant laws and regulation that had a significant impact on the Company, including but not limited to the Pharmaceutical Administration Law of the People's Republic of China and its implementation regulations, Measures for the Supervision over and Administration of Pharmaceutical Production, the Law of the People's Republic of China on the Protection of the Rights and Interests of Consumers, the Trademark Law of the People's Republic of China, the Patent Law of the People's Republic of China and its implementation rules. Details of the relevant laws and regulations on environment and society with which the Company complied during the Reporting Period are set out in the "Environmental, Social and Governance Report".

By Order of the Board
Zhao Da Jun
Chairman

Shanghai, the PRC
30 March 2026

As at the date of this report, the Board comprises:

Mr. Zhao Da Jun *(Executive Director)*
Ms. Xue Yan *(Executive Director)*
Mr. Shen Bo *(Non-executive Director)*
Ms. Yu Xiao Yang *(Non-executive Director)*
Mr. Wang Hong Guang *(Independent non-executive Director)*
Mr. Lam Siu Wing *(Independent non-executive Director)*
Mr. Xu Pei Long *(Independent non-executive Director)*
Ms. Qu Ya Nan *(Employee Director)*

Report of the Audit Committee

The Audit Committee of the eighth session is comprised of two independent non-executive Directors (Mr. Lam Siu Wing and Mr. Wang Hong Guang) and one non-executive Director (Mr. Shen Bo), appointed by the Board. Mr. Lam Siu Wing, an independent non-executive Director, was appointed as the chairman of the Audit Committee. Mr. Lam Siu Wing is a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and Chartered Accountants Australia and New Zealand (CAANZ, formerly the Institute of Chartered Accountants of Australia (ICAA)). He was a partner of both PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in Hong Kong. Mr. Wang Hong Guang is currently an executive director and a professor of Peking University's China Center for Strategic Studies, the director of Chinese People's Life Safety Institute of West China Hospital in Sichuan University (also known as Huaxi Hospital or The International Hospital of Sichuan Province), a professor of Tianjin University and China Pharmaceutical University. Mr. Shen Bo holds a master's degree in accounting and is a certified public accountant in the PRC (CICPA). He is currently an executive director, the president and the chief financial officer of Shanghai Pharmaceuticals. All of them have extensive experience in accounting, the industry, and financial management.

The Audit Committee assists the Board according to its terms of reference in discharging its duties through independent review and supervision of financial reporting, and through the Group's effective internal control system and the audit opinions of the external auditors. The Audit Committee is responsible for reviewing the Company's financial information and its disclosure, supervising and evaluating internal and external audit work and internal control, and performing such other duties as stipulated by laws, administrative regulations and the Articles of Association. When necessary, the Audit Committee will also invite external auditors, the general manager and senior management to attend its meetings. The Rules of Procedure for the Audit Committee passed by the Board specifically laid down the terms of reference of the Audit Committee and elaborated on its role and the authority delegated to it by the Board.

The Audit Committee has sufficient resources to carry out its duties. The Audit Committee is accountable to the Board, and the minutes of its meetings are submitted to the Board for circulation.

The Audit Committee held four meetings in 2025.

The work performed by the Audit Committee within the meetings in 2025 major includes:

1) Review the audited financial statements and the auditor's report for the year ended 31 December 2024, the unaudited financial statements for the first quarter ended 31 March 2025, the unaudited financial statements for the six-month period ended 30 June 2025, and the unaudited financial statements for the third quarter ended 30 September 2025;

2) Reviewed the report regarding the performance of the Audit Committee in 2024;

3) Review and confirm the connected/related-party transactions conducted by the Group in 2024;

4) Supervise the Group's financial reporting system, risk management and internal control systems. Discuss and evaluate the risk management and internal control systems with the management on a regular basis to ensure that the management has performed its duty to establish effective systems;

5) Review and monitor the independence of the external auditor and evaluate its performance;

6) Review the external audit arrangements and related explanations; and

7) Review and approve the reappointment of the auditor and the auditor's fees for 2025.

The performance of the Audit Committee in 2025 is as follows:

(1) Supervision and evaluation of the work of external audit institutions

During the audit for the year 2025, the Audit Committee actively performed its duties. Before the external auditors conducted the onsite audit, the Audit Committee communicated, analyzed and evaluated with the accountant and the Company's management, listened to the report of the Company's management on the operation, finance, internal control, etc., and fully communicated and reached an agreement with them on the annual audit work content, audit plan and their respective concerns. During the audit process, the Audit Committee fully discussed and communicated with the external auditors on the audit methods and problems in the audit, and found no significant matters in the audit. After the auditor finished the annual audit, the audit opinion was carefully considered by the Audit Committee. The auditor of the Company was qualified to engage in securities and futures business, abided by the standards of independence, objectivity and fairness, and issued relevant audit opinions in a factual manner. The report issued truly reflected the financial position and operating results of the Company. During the Reporting Period, the Audit Committee supervised and evaluated the audit work of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership), the external auditor engaged by the Company, and considered that in the course of providing audit services to the Company, it maintained due independence and possessed the professional competence to provide audit services to the Company, and was able to conduct audit work in strict accordance with the relevant national regulations and the requirements of the professional standards for certified public accountants. The auditor's report issued by it truly, accurately and objectively reflected the Company's financial position and operating results.

(2) Guidance of the work of Company's internal audit

During the Reporting Period, the Audit Committee carefully reviewed the Company's internal audit work plan, timely supervised its implementation, provided guiding opinions on internal audit work based on the Company's actual situation, reviewed internal audit reports and evaluated the results of internal audit work, thereby improving the efficiency of the internal audit function and ensuring the standardized operation of the Company.

(3) Guidance on the Company's internal control

During the Reporting Period, the Audit Committee actively promoted the construction of the Company's internal control standard system, guided the internal audit department to carry out improvements to the internal control system based on the Company's actual situation, reviewed the internal control evaluation report, tracked the identification and rectification of internal control deficiencies, and promoted the effective operation of the internal control system. The Audit Committee believes that the Company has established a sound corporate governance structure and internal control system, and the actual operation of the Company's internal control meets the requirements of the relevant governance standards for listed companies.

(4) Review the Company's financial reports and expressing opinions thereon

During the Reporting Period, the Audit Committee carefully reviewed the Company's financial reports (including the annual report, interim report and quarterly reports), and considered that the Company's financial reports were true, accurate, complete and fairly presented the Company's financial position and operating results. There were no fraud, misconduct or material misstatement in relation to the financial reports, nor were there any significant accounting error adjustments, significant changes in accounting policies and estimates, matters involving significant accounting judgments, or matters that would result in the auditor issuing a non-standard unqualified auditor's report.

(5) Review of related-party/connected transactions of the Company

During the Reporting Period, members of the Audit Committee, based on the principles of independence, objectivity and professionalism, examined the necessary documents and data in relation to the Company's related-party/connected transactions and communicated with the Company's management regarding those transactions. After verification, the Audit Committee considered that the Company's daily related-party/connected transactions were out of the Company's normal operational needs, that the pricing of the related-party/connected transactions was objective and fair, and that those transactions did not affect the independence of the Company and did not harm the interests of the Company and its shareholders.

(6) Coordination of communication between the management, the internal audit department, relevant departments and the external auditor

During the Reporting Period, the Audit Committee actively coordinated the communication between the Company's management and the external auditor, and actively coordinated the communication between the Company's internal audit department and the external auditor as well as their cooperation with the external audit work, thereby improving the efficiency of the relevant audit work.

In 2025, the Audit Committee diligently and faithfully fulfilled its duties, actively participated in corporate governance, and ensured that the audit work was conducted in a standardized and well-regulated manner. It played a positive role in promoting the development of the Company's internal control system and improving the Company's audit practices. In 2026, the Audit Committee will continue to exercise its functions of review and supervision, strengthen communication with the Company's management, internal and external audit institutions, and the Company's legal advisors, earnestly fulfill its responsibilities within its mandate, ensure effective oversight of management, promote the continuous improvement of the Company's internal governance structure and internal control system, and safeguard the overall interests of the Company and the legitimate rights and interests of its investors.

On 30 March 2026, the Audit Committee held a meeting and, together with the Company's external auditors, reviewed the consolidated financial statements for the year 2025, including the accounting standards and practices adopted by the Group. Based on the results of this review and after discussions with management and the auditors, the Audit Committee endorsed the accounting treatments adopted by the Company and made every effort to ensure that the financial information disclosed in the consolidated financial statements complied with the relevant requirements of applicable accounting standards and the Listing Rules. Accordingly, the Audit Committee recommended that the Board approve the public release of the consolidated financial statements for the year ended 31 December 2025.

AUDIT COMMITTEE

Mr. Lam Siu Wing *(Chairman)*
Mr. Shen Bo
Mr. Wang Hong Guang

Shanghai, the PRC
30 March 2026

Report of the Remuneration Committee

The Remuneration Committee of the eighth session is comprised of 3 members, namely Mr. Wang Hong Guang, Mr. Lam Siu Wing and Mr. Xu Pei Long. Mr. Wang Hong Guang is the chairman of the Committee.

The Rules of Procedure for the Remuneration Committee passed by the Board specifically laid down the terms of reference of the Remuneration Committee and elaborated on its role and the authority delegated to it by the Board. The Remuneration Committee has sufficient resources to carry out its duties. If necessary, it will also refer to the opinions of external human resources advisers in respect of human resources management and remuneration policies. After each meeting, the Remuneration Committee reports to the Board. The Remuneration Committee is accountable to the Board, and the minutes of its meetings are submitted to the Board for circulation.

The duties of the Remuneration Committee include, without limitation, the following: to formulate and review the remuneration policy, structure and plans for all Directors and senior management, and to make recommendations to the Board on the formulation or amendment of equity incentive plans, employee shareholding plans, the grant of interests to incentive recipients, the satisfaction of conditions for the exercise of granted interests, the implementation of shareholding plans for Directors and senior management in subsidiaries to be spun off, and the establishment of formal and transparent procedures for developing remuneration policies; to establish performance assessment criteria for Directors and senior management and to conduct performance assessments of them; to recommend the remuneration packages of individual executive Directors and senior management, which include benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment), and to make recommendations to the Board on the remuneration of non-executive Directors; to consider the remuneration paid by comparable companies, the time commitment and responsibilities involved, and the employment conditions of other positions within the Group; to review and approve the remuneration packages of the management with reference to the corporate goals and objectives resolved by the Board from time to time; to review and approve the compensation payable to executive Directors and senior management for any loss or termination of their office or appointment, in order to ensure that such compensation is determined in accordance with relevant contractual terms or that such compensation is otherwise fair and reasonable and not excessive for the Company; to review and approve the compensation arrangements for any Director who is to be dismissed or removed due to misconduct, in order to ensure that such arrangements are determined in accordance with relevant contractual terms or that any compensation payment is otherwise reasonable and appropriate; to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; to review the equity incentive scheme of the Company and make recommendations thereon.

The Remuneration Committee held two meetings in 2025.

A summary of the work performed by the Remuneration Committee in 2025 is as follows:

1) Reviewed the report regarding the performance of the Remuneration Committee in 2024;

2) Reviewed the remuneration of Directors and senior management in 2024;

3) Formulated the remuneration plan for Directors (including the employee Director) and senior management for 2025.

In 2025, the Remuneration Committee reviewed the remuneration of Directors and senior management in 2024, as well as the remuneration plan for Directors and senior management for 2025. The remuneration of Directors and senior management in 2025 was aligned with the prevailing economic environment, the geographic location and the industry in which the Company operates and the Company's size, and was formulated with reference to remuneration standards of the industry. In 2025, the Remuneration Committee effectively fulfilled its responsibilities. In 2026, the Remuneration Committee will continue to perform its duties by establishing a transparent policy for remuneration and structure of the Company's Directors and senior management, studying performance evaluation criteria for Directors and senior management and other related matters, and making recommendations to the Board.

REMUNERATION COMMITTEE

Mr. Wang Hong Guang *(Chairman)*
Mr. Lam Siu Wing
Mr. Xu Pei Long

Shanghai, the PRC
30 March 2026

Report of the Nomination Committee

The Nomination Committee of the eighth session is comprised of 3 members, namely, Mr. Xu Pei Long (chairman and an independent non-executive Director), Ms. Xue Yan (an executive Director) and Mr. Lam Siu Wing (an independent non-executive Director).

The Rules of Procedure for the Nomination Committee passed by the Board specifically laid down the terms of reference of the Nomination Committee and elaborated on its role and the authority delegated to it by the Board. The Nomination Committee has sufficient resources to carry out its duties. The Nomination Committee is accountable to the Board, and the minutes of its meetings are submitted to the Board for circulation.

The duties of the Nomination Committee include, without limitation, the following: with due regard to the benefits of Board diversity, to identify individuals who are suitably qualified to become Board members and to select or to make recommendations to the Board on the selection of individuals nominated for directorships; to take into account a wide range of diversity factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, and service term when selecting candidates for directorships in accordance with the Board diversity policy of the Company; to review the structure, size, and composition of the Board (including skills, knowledge, experience, and diversity of its members) at least annually, to assist the Board in preparing a Board skills matrix, and to make recommendations on any proposed changes to the Board in light of the Company's corporate strategy; to report to the Board the composition of the Board members and to monitor the implementation of the Board diversity policy; to make disclosure of a summary of the Board diversity policy in the annual Corporate Governance Report, including any measurable objectives set for implementing the policy and the progress on achieving those objectives; to identify individuals suitably qualified to become Board members and to select or make recommendations to the Board on the selection of individuals nominated for directorships; to examine the qualifications of the nominated candidates for independent non-executive Directors and to form a clear opinion on such examination; to monitor the implementation of the Board diversity policy; to assess the independence of independent non-executive Directors; where appropriate, to make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors (in particular the chairman of the Board and the general manager) by taking into account the Company's corporate strategy and the skills, knowledge, experience, and diversity required for the future Board members; to formulate criteria and procedures for the selection of Directors and senior management, to select and review the selection of Directors and senior management and their qualifications for appointment, and to make recommendations to the Board on the nomination, appointment, or removal of Directors and on the appointment or dismissal of senior management; to assist the Company in periodically evaluating the performance of the Board, to study the criteria, procedures and methods for the selection of Directors, the general manager and other senior management of the Company, and to make recommendations to the Board in relation thereto; and to perform other authority delegated to the Nomination Committee by the Board or other matters assigned by the Board.

The Nomination Committee held two meetings in 2025.

A summary of the work performed by the Nomination Committee in 2025 is as follows:

1) Reviewed the report regarding the performance of the Nomination Committee in 2024;

2) Reported to the Board the composition of the Board members and monitored the implementation of the Board diversity policy; and

3) Reviewed the qualifications of candidates for the position of employee director.

In 2025, the Nomination Committee diligently performed its duties by, among others, reviewing the composition of the Board members and the implementation of the Board diversity policy. In 2026, the Nomination Committee will continue to perform its duties by, among others, paying due regard to the benefits of Board diversity, reporting to the Board on the composition of the Board members, monitoring the implementation of the Board diversity policy, reviewing the qualifications of candidates for Directors, the General Manager, Deputy General Managers, the Chief Financial Officer, and the Board Secretary, and providing opinions and recommendations in relation thereto.

NOMINATION COMMITTEE

Mr. Xu Pei Long *(Chairman)*
Ms. Xue Yan
Mr. Lam Siu Wing

Shanghai, the PRC
30 March 2026

Report of the Strategy Committee

The Strategy Committee of the eighth session is comprised of 3 members, namely, Mr. Zhao Da Jun (chairman and the chairman of the Board), Mr. Wang Hong Guang (an independent non-executive Director), and Mr. Xu Pei Long (an independent non-executive Director).

The Rules of Procedure for the Strategy Committee passed by the Board specifically laid down the terms of reference of the Strategy Committee, giving detailed account of its role and the power of the board to delegate it to the Committee. The Strategy Committee has sufficient resources to carry out its duties. The Strategy Committee shall be responsible to the board of directors, and its minutes shall be circulated to the directors.

The duties of the Strategy Committee include, without limitation, the following: to study the development strategies and the medium- and long-term development plans of the Company from time to time, to submit them to the Board for consideration and approval, and to assess and monitor their implementation; to study the proposals for any increase or reduction of the Company's registered capital, issuance of corporate bonds, merger, division, and dissolution, and to make recommendations thereon and submit them to the Board for consideration and approval; to study the Company's material business restructuring, external acquisitions, mergers, and asset transfers and disposals, and to make recommendations thereon and submit them to the Board for consideration and approval; to study the Company's expansion into new markets and new businesses, and to make recommendations thereon and submit them to the Board for consideration and approval; to study the Company's investment, financing, asset operation, and other projects that are subject to Board approval, and to make recommendations thereon and submit them to the Board for consideration and approval; to study the Company's material organizational restructuring and adjustment plans, and to make recommendations thereon and submit them to the Board for consideration and approval; and to guide and supervise the implementation of relevant Board resolutions.

The Strategy Committee held one meeting in 2025.

A summary of the work performed by the Strategy Committee in 2025 is as follows:

1) Reviewed the report regarding the performance of the Strategic Committee in 2024;

2) Reviewed proposals related to the 2025 annual business development plan and R&D strategy and prospects.

In 2025, the Strategy Committee performed its duties by, among others, studying, monitoring and evaluating the Company's development strategies. In 2026, the Strategy Committee will continue to perform its duties by, among others, monitoring and evaluating the Company's long-term development strategies, reviewing and considering investment and financing, external acquisition, asset operation, and other projects of the Company, and making relevant recommendations and timely reporting to the Board.

STRATEGY COMMITTEE

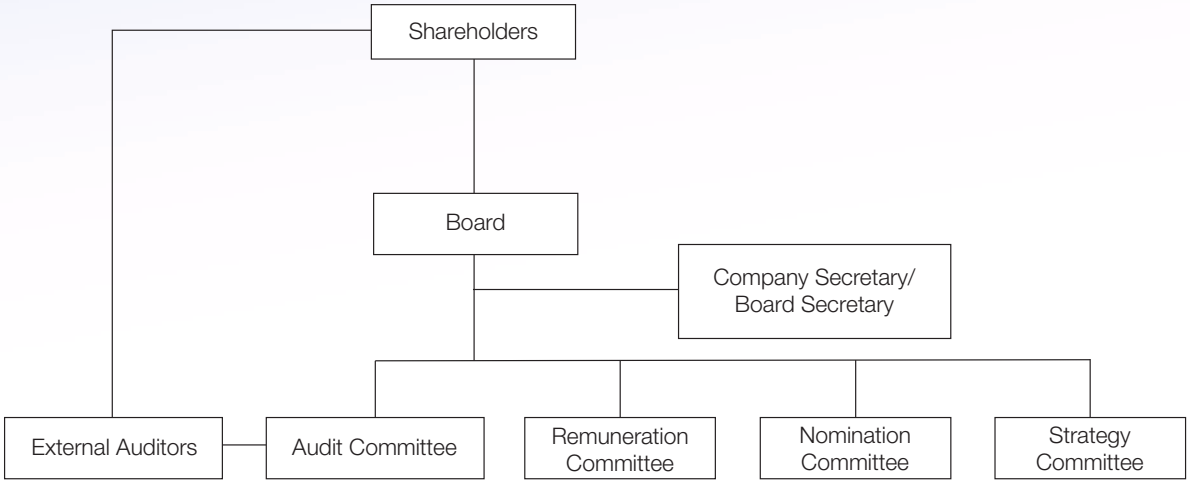
Mr. Zhao Da Jun *(Chairman)*
Mr. Wang Hong Guang
Mr. Xu Pei Long

Shanghai, the PRC
30 March 2026

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code contained in Appendix C1 to the Listing Rules as its own corporate governance code. In addition, the Company's corporate governance structure is as follows:



The Company's Corporate Governance Code also includes but is not limited to the following documents:

a) Articles of Association;

b) Rules of Procedure for the General Meeting;

c) Rules of Procedure for the Board;

d) Rules of Procedure for the Audit Committee;

e) Rules of Procedure for the Remuneration Committee;

f) Rules of Procedure for the Nomination Committee;

g) Rules of Procedure for the Strategy Committee;

h) Administrative System for Directors, Supervisors and Senior Management in relation to Holding and Trading the Shares of the Company;

i) System for Information Disclosure;

j) Administrative System for Insider Information;

k) Administrative System for Internal Control;

l) Administrative System for Related-party/Connected Transaction;

m) Other daily management documents of the Company.

The Audit Committee and the Board separately reviewed the Company's adoption of documents relating to corporate governance and considered that most of the principles and code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix C1 to the Listing Rules had been met.

During the Reporting Period, the Company complied with all applicable code provisions of the Code, except for code provision C.2.1. The main deviations from the provision as set out in the Code are as follows:

Code provision C.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhao Da Jun holds the positions of the chairman and the general manager (chief executive). The Articles of Association has clearly defined the duties of the chairman and the general manager (chief executive), who are responsible for managing the operation of the Board and managing the daily operation of the Company respectively, thus the two positions are still taken by Mr. Zhao Da Jun himself. Considering that the scale of the Company and its businesses mainly focused in the areas of research, production and sales of innovative drugs, and for the sake of management efficiency, the Board takes the view that the positions of chairman and chief executive being taken by one person is beneficial for the Company's development at the present stage. As the Company continues to develop, the Board will consider separating the roles of the chairman and the chief executive.

BOARD

The Company is managed by the Board which is responsible for the leadership and control of the Company. The Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs.

Directors

Currently, the Board comprises two executive Directors, two non-executive Directors, three independent non-executive Directors and one employee Director, of which a chairman was elected and appointed. Personal particulars of the Directors are set out in the section headed "Profiles of Directors and Senior management" in this report. No Director has any personal relationship (including financial, business, and family or other material/relevant relationships) with any other Directors or chief executive, except as disclosed in the biographies of the Directors contained in the section headed "Profiles of Directors and Senior management" in this report. Members of the Board and details of their appointments are as follows:

Director	Date of initial appointment	Date of most recent re-appointment/ appointment	Term
Executive Directors			
Zhao Da Jun *(Chairman)*	20 January 2002	30 May 2023	Three years
Xue Yan	30 May 2023	30 May 2023	Three years
Non-executive Directors			
Shen Bo	29 June 2012	30 May 2023	Three years
Yu Xiao Yang	30 May 2013	30 May 2023	Three years
Independent non-executive Directors			
Wang Hong Guang	30 May 2023	30 May 2023	Three years
Lam Siu Wing	30 May 2023	30 May 2023	Three years
Xu Pei Long	30 May 2023	30 May 2023	Three years
Employee Director			
Qu Ya Nan	26 November 2025	26 November 2025	Until the end of the term of the eighth session of the Board

The Company's independent non-executive Directors have a wide range of skills and experience. They are able to provide adequate checks and balances for safeguarding the interests of shareholders and the Company as a whole. The Board considers that they can make independent judgments effectively in compliance with the guidelines for assessing independence under Rule 3.13 of the Listing Rules. All Directors are appointed for a term of no more than three years, and shall be nominated for re-election at the annual general meeting.

Independence of Independent non-executive Directors

Each of the independent non-executive Directors of the Company confirmed with the Company their independence under Rule 3.13 of the Listing Rules. Based on the confirmation from the independent non-executive Directors, the Company considered them to be independent.

Powers of the Board

The Board reviews the performance of the operating divisions against their proposed budgets and business targets on a regular basis, and also exercises a number of reserved powers pursuant to the Articles of Association, including:

1) to be responsible for convening shareholders' general meetings, and presenting reports at the meetings;

2) to implement resolutions approved at shareholders' general meetings;

3) to determine business plans and investment plans of the Company;

4) to formulate profit distribution plans and loss compensation plans of the Company;

5) to formulate the Company's proposals for the increase or reduction of its registered capital, issue of corporate bonds or other securities and listing proposals of the Company;

6) to formulate plans for material acquisitions or disposals, purchase of shares of the Company, plans for merger, division, dissolution or transformation of the Company;

7) to decide on external investment, acquisition and disposal of assets, asset mortgage, external guarantees, consigned financial management, related-party transactions, external donations etc. of the Company within the authority granted by shareholders' general meetings;

8) to decide on the establishment of internal management organizations of the Company;

9) to appoint or dismiss the Company's general manager and the Board secretary, and to determine the policies relating to their remuneration, rewards, and penalties; and to appoint or dismiss the deputy general managers, the chief financial officer and other senior management of the Company upon the nomination of the general manager, and to determine the policies relating to their remuneration, rewards, and penalties;

10) to set up the basic management system of the Company;

11) to formulate proposals for any amendment to the Articles of Association;

12) to manage the disclosure of the Company's information;

13) to propose the appointment or replacement of an accounting firm that performs audits for the Company at shareholders' general meetings;

14) to listen to the work report of the general manager of the Company and examine his/her work;

15) to decide on other material matters and administrative matters except those requiring resolutions approved at shareholders' general meetings as specified by the Company Law and the Articles of Association;

16) to exercise other functions and powers as stipulated by laws, administrative regulations, departmental rules, the Articles of Association or other functions and powers as granted by shareholders' general meetings.

The Board is responsible for the leadership of the Group as well as promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, approving development plans and budgets; monitoring financial and operating performance; reviewing the effectiveness of its internal control system; supervising and managing the performance of the management of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to the management. The Board is responsible for the integrity of financial information and the effectiveness of the Group's internal control system and risk management processes. The Board is also responsible for reviewing and approving the financial statements of the Company. The general manager (chief executive) is responsible for achieving the Company's business objectives and its day-to-day business operations. The Board regularly reviews the duties of the general manager and the powers delegated to the general manager, so as to ensure the appropriateness of such arrangements.

Powers of the Management

Pursuant to the Articles of Association, the management of the Company (i.e. one general manager, with a certain number of deputy general managers and one chief financial officer to assist the general manager) shall be accountable to the Board and exercise the following functions and powers:

(1) to be in charge of the Company's production, operation and management and to organize the implementation of resolutions approved by the Board, and to report on its work to the Board;

(2) to organize the implementation of the Company's annual business plan and investment plan;

(3) to draft plans for the establishment of the Company's internal management organizations;

(4) to draft the Company's basic management system;

(5) to formulate the basic rules and regulations of the Company;

(6) to propose the appointment or dismissal of the Company's deputy general managers and chief financial officer to the Board;

(7) to appoint and dismiss responsible management personnel other than those required to be appointed or dismissed by the Board;

(8) to exercise other functions and powers granted by the Articles of Association and the Board.

Chairman and the General Manager

Although the Articles of Association clearly define the duties of the chairman and the general manager (chief executive), who are responsible for managing the operation of the Board and managing the daily operation of the Company respectively, the Company still has the arrangement where the two positions are held by one person. Considering that the scale of the Company is relatively small, with its businesses mainly focused in the areas of research, production and sales of innovative drugs, and for the sake of management efficiency, the Board takes the view that the positions of chairman and chief executive being taken by one person is beneficial for the Company's development at the present stage. As the Company continues to develop, the Board will consider separating the roles of the chairman and the chief executive.

Board Diversity

The Board has adopted a Board diversity policy which became effective on 9 October 2013. The Company seeks to achieve Board diversity by considering a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the candidates' merits and the contribution that they can make to the Board.

As at the date of this report, the Board comprises eight Directors. Three of them are female and two of them are residing in Hong Kong.

Three of them are independent non-executive Directors with extensive knowledge and experience in finance, law and the industry respectively and are able to provide critical review and control of the management process. One of the independent non-executive Directors, Mr. Lam Siu Wing, has appropriate professional qualifications and accounting or related financial management expertise. The Company recognizes the need to ensure at least one female member in order to maintain Board diversity. The measureable objective of Board diversity is to have at least one female Board member. As at the end of the Reporting Period, the Board comprised three female Board members, in which case the Board considers the measureable objective in Board diversity has been met. While conscious efforts are continuously being made by the Company to fulfil its Board diversity policy, all appointments are ultimately made on the basis of merit taking into account available and suitable candidates. To sum up, the composition of the Board is diversified in terms of gender, nationality, professional background and skills.

The Nomination Committee reviews the Board's composition in accordance with the Board diversity policy and monitors its implementation annually. During the Reporting Period, the Nomination Committee reviewed the Board diversity policy and assessed the effectiveness of its implementation by the Board.

To achieve Board diversity including gender diversity, the Nomination Committee will consider the desirable skills, experience, qualifications, gender and perspectives of candidates when recruiting potential successors to the Board. If an additional or replacement Director is required, suitable candidates will be identified through multiple channels, including referral from Directors, shareholders, management, advisors of the Company.

Board Meetings

The chairman is responsible for the leadership of the Board and ensuring that the Board performs its duties effectively. The chairman is also responsible for setting the agenda for Board meetings and considering matters proposed by other Directors for inclusion on the agenda. The agenda for regular Board meetings, together with accompanying Board documents, are circulated where possible at least 14 days prior to a Board or committee meeting. The chairman is also responsible for ensuring that all Directors are properly briefed on issues which will be discussed at Board meetings. During the Reporting Period, each independent non-executive Director spent no less than 15 days working on-site. The chairman ensures that the Directors are provided with accurate, timely and clear information. Directors (especially the independent non-executive Directors) are encouraged to update their skills, knowledge and familiarity with the Group through their ongoing participation in Board and committee meetings, and through meeting key personnel in each division of the Company.

All Directors have access to the services of the Company Secretary who regularly updates the Board on governance and regulatory matters. Any Director, wishing to do so in the furtherance of his or her duties, may take independent professional advice through the chairman at the Company's expense. The availability of professional advice extends to all committees.

Minutes of Board meetings are taken by the Company Secretary and, together with any supporting Board documents, are available to all Board members. Board meetings are structured to encourage open and frank discussions among the Directors, so that non-executive Directors can make effective queries to each executive Director. The independent non-executive Directors meet privately to discuss matters related to their respective responsibilities when necessary.

No Director shall vote on any resolution approving any contract or arrangement in which the Director or any of his/her close associates has a material interest or be counted in the quorum of the meeting at which the resolution is proposed.

The Board made an annual review on the implementation of the abovementioned mechanisms to ensure independent views and input are available to the Board and was of the view that the abovementioned mechanisms had been satisfactorily implemented.

In furtherance of good corporate governance, the Board has established four Board committees: the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee. All of them have terms of reference which accord with the principles set out in the Code. The Company Secretary takes minutes for the meetings of these committees and the work of these committees is reported to the Board.

In 2025, the Board held four regular meetings and two extraordinary meetings, with a total of six meetings convened, all of which were held with on-site and online communication. The attendance of individual Directors at Board meetings in 2025 is set out in the table below:

Member of the Board	Required number of attendance for the year	Attendance in person	Attendance by teleconference	Attendance by proxy	Absence	Attendance rate [Note 1]
Executive Directors						
Zhao Da Jun *(Chairman)*	6	6	0	0	0	100%
Xue Yan	6	6	0	0	0	100%
Non-executive Directors						
Shen Bo	6	6	5	0	0	100%
Yu Xiao Yang	6	6	6	0	0	100%
Independent non-executive Directors						
Wang Hong Guang	6	6	2	0	0	100%
Lam Siu Wing	6	6	1	0	0	100%
Xu Pei Long	6	6	1	0	0	100%
Employee Director						
Qu Ya Nan [Note 2]	1	1	0	0	0	100%

Notes:

1. Attendance by proxy is not counted for the calculation of attendance rate;

2. Appointed on 26 November 2025.

The table below sets out the date and major agenda of Board meetings in 2025:

Date of Board meetings	Major agenda
Regular Board meetings	
27 March 2025	Reviewed the report in relation to the work of the general manager in of 2024; Reviewed financial analysis report of 2024; Review the audited financial statements and the auditor's report for the year ended 31 December 2024; Reviewed the 2024 audited financial statements and the results announcement prepared in accordance with the "China Accounting Standards for Business Enterprises" according to the Hong Kong Listing Rules; Reviewed the (work) report of the Directors of 2024; Reviewed the profit distribution plan of 2024; Considered the re-appointment of domestic and overseas auditors in 2025; Reviewed the remuneration for Directors, Supervisors and senior management in 2024 and the relevant proposal for 2025; Review the internal control review report of 2024; Reviewed the connected transactions conducted in 2024; Reviewed the corporate governance report of 2024; Reviewed the environmental, social and governance report of 2024; Reviewed the special report on the deposit and actual use of proceed in 2024; Reviewed the proposal for the general meeting of shareholders to authorise the Board of Directors to deal with matters relating to the issue of shares to specific parties under a simplified procedure; Reviewed the formulation of the rule of public opinion management system; Reviewed the proposal on the 2025 annual action plan for Quality Improvement, Efficiency Enhancement, and Return Enhancement; Reviewed the proposal for convening the annual general meeting of 2024; Reviewed the independence assessment of independent Directors.
28 April 2025	Reviewed the first quarterly results of 2025; Reviewed the implementation of the plan for the first quarter of 2025; Reviewed the use of temporarily idle raised funds for cash management.

Date of Board meetings	Major agenda
12 August 2025	Reviewed the interim report and interim results of 2025; Reviewed of the report on the actual use of proceeds for the half year of 2025; Reviewed the plan for the interim of 2025; Review the half-yearly evaluation report on the 2025 annual action plan for Quality Improvement, Efficiency Enhancement, and Return Enhancement.
30 October 2025	Reviewed the third quarterly results of 2025; Reviewed the plan for the third quarter of 2025; Reviewed the changes to certain investment projects of the raised funds; Reviewed the amendment to the Articles of Association and its appendices and the abolition of the Supervisory Committee; Reviewed the proposal to convene the first extraordinary general meeting of 2025.
Extraordinary Board meetings	
30 June 2025	Reviewed the adjustment of the members of the Nomination Committee of the eighth session of the Board.
26 November 2025	Reviewed the amendment, formulation and repeal of certain governance rules; Reviewed the proposal on the use of raised funds for equivalent replacement.

Directors' Training

During the Reporting Period, all Directors participated in a continuing education program to develop and update their knowledge and skills in accordance with code provision C.1.4 of the Code. Meanwhile, they timely participated in relevant training sessions organized by the Shanghai Stock Exchange and the Shanghai Listed Companies Association as required and obtained relevant training certificates. In addition, during the Reporting Period, for the purpose of training, the Company Secretary arranged several special online training sessions for the Directors and from time to time provided them with materials such as Director's key responsibilities and the latest information on the industry. The Company will also arrange for newly appointed Directors to receive induction training. The following table shows the details of training sessions attended by each Director during the Reporting Period:

Members of the Board	Attendance/Number of training sessions	Attendance rate
Executive Directors		
Zhao Da Jun *(Chairman)*	3/3	100%
Xue Yan	5/5	100%
Non-executive Directors		
Shen Bo	3/3	100%
Yu Xiao Yang	2/2	100%
Independent Non-executive Directors		
Wang Hong Guang	3/3	100%
Lam Siu Wing	3/3	100%
Xu Pei Long	3/3	100%
Employee Director		
Qu Ya Nan *(Appointed on 26 November 2025)*	1/1	100%

The Company keep training records to help the Directors keep track of the training sessions they have attended. The attendance records above do not include any external professional or industry training in which the Directors participated on their own accord.

Ms. Qu Ya Nan was appointed as an employee Director of the Company on 26 November 2025. In accordance with Rule 3.09D of the Listing Rules, Ms. Qu Ya Nan obtained legal advice from a Hong Kong law firm on 25 November 2025. She confirmed that she understood the requirements under the Listing Rules applicable to her as a Director of a listed issuer, as well as the consequences of making false statements or providing false information to The Stock Exchange of Hong Kong Limited.

Directors' and Supervisors' Interests

All Directors are required to disclose to the Board on their first appointment their interests as a director or otherwise in other companies or organizations and such declarations of interests, if any, shall be updated annually. When the Board considers any proposal or transaction in which a Director has a conflict of interest, the Director shall declare his/her interest in it, abstain from voting, and withdraw from the meeting where appropriate. The Company will seek confirmation from the Directors during each financial reporting period in respect of any transactions of the Company or its subsidiaries which are related to the Directors or their associates (if any). This practice is also applicable to the Supervisors.

The Group did not enter into any contract, transaction or arrangement of significance in which the Group's Directors or Supervisors had a material interests, whether directly or indirectly, at any time in 2025. The Supervisory Committee of the Company was dissolved on 26 November 2025. For more details, please refer to the relevant announcements dated on 26 November 2025.

Directors' and Supervisors' Service Contracts

All Directors (including all non-executive Directors and independent non-executive Directors) and Supervisors have entered into service contracts with the Company with an initial term of three years. When the term of office of a Director or Supervisor expires, the service contract can only be renewed after the re-election of the Director or Supervisor at a shareholders' general meeting. The remuneration terms under the service contracts are reviewed and approved by the Remuneration Committee and the Board, and are assessed on an annual basis.

As at the end of the Reporting Period, there was no service contract between any Director and the Company or any of its subsidiaries which was not determinable within one year prior to its expiration without compensation (other than statutory compensation).

Interests of Directors, Chief Executive and Supervisors in the Shares of the Company

Please refer to the section headed "Directors, Chief Executive and Supervisors" in the "Report of the Directors".

SUPERVISORY COMMITTEE

As the approval of the resolution on amendments to the Articles of Association and dissolution of the Supervisory Committee by the Shareholders at the extraordinary general meeting held on 26 November 2025, the Company no longer has a Supervisory Committee, and the powers and functions of the Supervisory Committee as stipulated under the PRC Company Law will be exercised by the audit committee of the Board. For more details, please refer to the announcement dated on 26 November 2025. During the term of the Supervisory Committee in the year 2025 (from 1 January 2025 to 26 November 2025), the Supervisory Committee comprises one external Supervisor, one Shareholder Representative Supervisor, and one Employee Representative Supervisor, of which a chairman was elected and appointed.

During the term of the Supervisory Committee in the year 2025, members of the Supervisory Committee and their appointments are as follows:

Supervisors	Date of initial appointment	Date of most recent re-appointment/ appointment	Original term
External Supervisor			
Huang Jian *(Chairman)* Note	9 June 2017	30 May 2023	3 years
Shareholder Representative Supervisor			
Zhou Ai Guo Note	30 May 2023	30 May 2023	3 years
Employee Representative Supervisor			
Qu Ya Nan Note	29 May 2023	29 May 2023	3 years

Note: retired on 26 November 2025.

The Supervisory Committee held four meetings during 2025. The following table shows the details of each Supervisor's attendance in person at the meetings during 2025:

Member of the Supervisory Committee	Attendance in person/Number of meetings	Attendance rate
Huang Jian *(Chairman)* Note	4/4	100%
Zhou Ai GuoNote	4/4	100%
Qu Ya NanNote	4/4	100%

Note: retired on 26 November 2025.

SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND MAJOR SHAREHOLDERS

On 26 April 2019, the Board approved the Administrative System for Directors, Supervisors and Senior Management in relation to Holding and Trading the Shares of the Company (which was later revised on 26 November 2025). The above-mentioned administrative system has terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix C3 to the Listing Rules. The Directors and relevant employees shall comply with this code. A copy of the code is sent to each Director upon his/her appointment and thereafter, a notification will be sent to the Directors 30 days before the date of the Board meeting at which the quarterly and half-year results will be approved or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results, and 60 days before the date of the Board meeting at which the annual results will be approved or, if shorter, the period from the end of the relevant financial year up to the publication date of the results, to remind them not to deal in the securities of the Company before the publication of the results.

Under the provisions of the code, the Directors are required to notify the chairman and receive a dated written confirmation before dealing in the securities of the Company and, in the case of the chairman himself, he must notify a designated Director and receive a dated written confirmation before a transaction. Upon completion of a transaction, a Director is also required to notify the Company within a specified period of time and make the relevant declaration of interests.

Securities transactions by Supervisors, senior management and major shareholders shall be conducted in accordance with the provisions applicable to the Directors. All relevant employees who may possess unpublished price-sensitive information of the Group shall also comply with the code.

All Directors, Supervisors, senior management, major shareholders and relevant employees confirmed that they had complied with the required standard set out in Appendix C1 to the Listing Rules or other relevant applicable requirements in 2025. No Director, Supervisor, senior management or relevant employee was found to have violated the above provisions in the previous year.

WORKFORCE DIVERSITY

As at 31 December 2025, the gender ratio of the Group's workforce (including senior management) was approximately 1:2 (male: female staff members). The Group recognizes the importance of gender diversity and endeavors to promote gender diversity at all levels of the Group (including the Board). In order to further promote gender diversity within the Group, the Company takes into account gender diversity in the recruitment of middle to senior management and provides training as well as long-term career development opportunities for its female staff members, hence it is expected that there will be a pipeline of female senior management and potential successors to the Board. The measureable objective in workforce diversity is to maintain the current gender ratio in the workforce. The Group believes that its workforce has achieved gender diversity and that the Group's gender diversity policy has been effectively implemented.

RISK MANAGEMENT AND INTERNAL CONTROL

The responsibilities of the Board include the establishment of sound risk management and internal control and their effective implementation. During the Reporting Period, the Board was responsible for evaluating and determining the nature and extent of the risks the Group wants to take to achieve its strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. Meanwhile, the Board oversees the management in the design, implementation and monitoring of the risk management and internal control systems, and the management has provided a confirmation to the Board on the effectiveness of these systems. The Audit Committee of the Board and the Board oversaw the Group's risk management and internal control systems on an ongoing basis and conducted a review of the effectiveness of the Group's risk management and internal control systems during the Reporting Period. The review covered all material controls, including financial, operational and compliance controls and ensured the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and the Company can only provide reasonable but not absolute assurance that that there will not be material misstatements or losses.

In February 2011, the Company established the Internal Audit and Control Department of the Company, which is now the Risk Management and Internal Audit and Control Department (the "RMIACD"), to enhance its internal control system and guarantee the effectiveness of the Group in respect of financial, operational, compliance and risk management. The RMIACD reports key points in risk identification to the Audit Committee on a quarterly basis and elaborates on corresponding measures and subsequent improvements. During the Reporting Period, the RMIACD made four reviews in the Audit Committee meetings focusing on risk management, risk identification and the effectiveness of internal control and the Audit Committee summarized and reported the results to the Board. Following relevant reviews conducted in 2025, the Group is of the view that there have been no significant changes to the relevant risks faced by the Company, and the Company's risk management and internal control systems. Furthermore, the RMIACD discussed risk management and internal control systems with the Audit Committee and reviewed the effectiveness of the risk management and internal control systems. In addition, during the Report Period, the RMIACD was continually working on risk management and internal control, organizing and coordinating with each department on risks identification, analysis, assessment, alert and treatment as well as renewing the risks list in order to help the RMIACD perform more effective risk identification and internal control for forming a risk management culture of active and steady operation.

The RMIACD conducted a review of the Group's risk management and internal control efforts for the year 2025, the review covers, but is not limited to, the Group's fund activities, asset management, production and quality management, research and development, financial reporting, budget management, connected transactions, management of proceeds and information disclosure management, and the RMIACD concluded that there were no significant deficiencies and material weaknesses in financial reporting-related internal control, and no significant deficiencies and material weaknesses in non-financial reporting-related internal control were identified. The Company also did not identify any significant deficiencies or material weaknesses on its internal control systems that required remediation. The Audit Committee and the Board reviewed the effectiveness of the risk management and internal control systems of the Group during the year 2025 and the Board considers the current risk management and internal control systems of the Group are effective and adequate. In addition, the auditor also issued an internal control audit report that concluded that the Group maintained, in all material respects, effective financial reporting-related internal control as of 31 December 2025, in accordance with the "Basic Standard for Enterprise Internal Control" and related regulations. The Company will further enhance the Group's risk management and internal control systems pursuant to the requirements of the Listing Rules on internal control, to ensure that the Group's financial, operational, compliance and risk management are under effective control during the process of its continuing development, and to protect the interests of shareholders.

DAILY SUPERVISION OF INFORMATION DISCLOSURE

In strict accordance with relevant laws and regulations and the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange STAR Market, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Articles of Association and the Measures for Information Disclosure of the Company, the Company truly, accurately, completely and timely discloses relevant information to ensure all shareholders and other stakeholders have equal access to information related to the Company.

ADMINISTRATION OF INSIDER INFORMATION

The Company has formulated the "Administrative System for Insider Information" and other relevant systems to provide guidance on the definition of inside information, compliance and reporting mechanisms, minimizing the number of persons with knowledge of insider information, strengthening the confidentiality of insider information, improving the registration and management of persons with knowledge of insider information. The Directors, Supervisors, senior management and other relevant personnel of the Company strictly abide by the obligation of confidentiality during the preparation of regular reports, interim announcements and the planning of major events.

CORPORATE GOVERNANCE MEASURES TO MANAGE POTENTIAL CONFLICTS OF INTERESTS

The Company does not have controlling shareholders or de facto controllers, and there are no shareholders or individuals who have made decisions independently and exerted substantial influence on the Company's business objectives and decisions on major issues. Therefore, there is no potential conflict of interest between the Company and shareholders or individuals.

The largest shareholder of the Company is Shanghai Pharmaceutical, with a shareholding ratio of 20.27%. Since becoming a shareholder of the Company in October 1999, the shareholding ratio of Shanghai Pharmaceutical has not exceeded 30%; Shanghai Pharmaceutical only nominated one Director to participate in the daily supervision and decision-making of the Board; In addition, Shanghai Pharmaceutical has never used its status as the largest shareholder or the nominated Director to seek terms or conditions from the Group or offer conditions or terms to the Group that are superior to the terms offered to or provided by an independent third party. All connected transactions of Shanghai Pharmaceutical shall be reviewed in accordance with the procedures stipulated in the Listing Rules.

Meanwhile, Shanghai Pharmaceutical issued a Letter on Avoiding Horizontal Competition in 2019, pursuant to which:

a) Shanghai Pharmaceutical will not actively increase its shareholding in the Company or enter into concerted action agreements with other shareholders of the Company for the purpose of exercising their shareholders' rights;

b) Shanghai Pharmaceutical will strictly and actively cooperate with the Company in complying with the review procedures under the Listing Rules for connected transactions entered by the Company and Shanghai Pharmaceutical;

c) Shanghai Pharmaceutical will not engage in unfair competition or transfer of benefits with the Company.

During the Reporting Period, the Company adopted a number of corporate governance measures and regularly communicated with Shanghai Pharmaceutical and reviewed its publicly available information to confirm its compliance with its commitment to avoid horizontal competition.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Reporting Period, none of the directors or their associates had any interest in any business which directly or indirectly competes with or may compete with the business of the Group.

AUDIT COMMITTEE

The Board established the Audit Committee and formulated the Rules of Procedure for the Audit Committee with specific terms of reference for the Audit Committee as a guideline for the Audit Committee in dealing with various matters. The updated Rules of Procedure for the Audit Committee were passed by the Board on 26 November 2025. The Audit Committee is responsible for reviewing the financial report, internal control and corporate governance issues and making relevant recommendations to the Board. The Audit Committee is comprised of two independent non-executive Directors (Mr. Lam Siu Wing and Mr. Wang Hong Guang) and one non-executive Director (Mr. Shen Bo), appointed by the Board. Mr. Lam Siu Wing, an independent non-executive Director, was appointed as the chairman of the Audit Committee. Mr. Lam Siu Wing is a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and Chartered Accountants Australia and New Zealand (CAANZ, formerly the Institute of Chartered Accountants of Australia (ICAA)). He was a partner of both PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in Hong Kong. Mr. Wang Hong Guang is currently an executive director and a professor of Peking University's China Center for Strategic Studies, the director of Chinese People's Life Safety Institute of West China Hospital in Sichuan University (also known as Huaxi Hospital or The International Hospital of Sichuan Province), a professor of Tianjin University and China Pharmaceutical University. Mr. Shen Bo holds a master's degree in accounting and is a certified public accountant in the PRC(CICPA). He is currently an executive director, the president and the chief financial officer of Shanghai Pharmaceuticals. All of them have extensive experience in accounting, the industry, and financial management.

In 2025. Senior management and external auditors were invited to attend each Audit Committee meeting. In 2025, the Audit Committee reviewed the results of external auditors' reports, the accounting standards and practices adopted by the Group, risk management, internal control and compliance with the Listing Rules and reviewed issues regarding auditing, internal control, risk management and financial reporting. The Group's 2025 quarterly and interim results and its 2024 annual results were discussed at meetings of the Audit Committee before being proposed to the Board for approval. The Audit Committee discussed the appointment of external auditors and the audit fees, and made proposals to the Board in respect of such matters.

The Audit Committee held four meetings during 2025 (held on 27 March 2025, 28 April 2025, 12 August 2025 and 30 October 2025), the attendance of which was as follows:

Member of the Audit Committee	Attendance in person/Number of meetings	Attendance rate
Lam Siu Wing *(chairman)*	4/4	100%
Shen Bo	4/4	100%
Wang Hong Guang	4/4	100%

For further information about the Audit Committee, please refer to the "Report of the Audit Committee" in this report.

Connected transactions

During the Reporting Period, the Audit Committee reviewed the connected transactions conducted by the Company. For the year ended 31 December 2025, the connected transactions complied with relevant rules and regulations and were approved by Board meetings or shareholders' general meetings (if applicable).

External auditors

As approved by the annual general meeting of the Company held on 26 June 2025, the Company continued to appoint PricewaterhouseCoopers Zhong Tian LLP as the domestic and overseas auditors of the Group for the year 2025.

The consolidated financial statements for the year ended 31 December 2025 has been audited by PricewaterhouseCoopers Zhong Tian LLP in accordance with the China Accounting Standards for Business Enterprises.

The fees (excluding tax) on the audit services, non-audit services and other expenses of the Group for the year and the previous year as stipulated in relevant business agreements are set out as follows:

Auditors	**Audit fees and non-audit fees in 2025**	Audit fees and non-audit fees in 2024
PricewaterhouseCoopers Zhong Tian LLP	**RMB4,344,302**	RMB4,508,000
PricewaterhouseCoopers Business Consulting (Shanghai) Co. Limited	**RMB192,358**	RMB201,887
Other auditors	**RMB164,758**	RMB130,445

Details of the audit fees and non-audit fees are set out as follows:

	Fees in 2025	Fees in 2024
Audit fee		
Annual statutory audit	**RMB4,328,302**	RMB4,500,000
Other audits	**RMB164,758**	RMB130,445
Non-audit fee		
Environmental, Social and Governance ("ESG") Report	**RMB192,358**	RMB201,887
Vote counting services at annual general meetings and extraordinary general meetings	**RMB16,000**	RMB8,000

The Group has formulated a policy on the appointment of external auditors to provide non-audit services which stipulates the principles for the appointment of external auditors to provide non-audit services to ensure the independence of external auditors.

For further information about the Audit Committee, please refer to the "Report of the Audit Committee" in this report.

REMUNERATION COMMITTEE

The Board established the Remuneration Committee and formulated the Rules of Procedure for the Remuneration Committee with specific terms of reference for the Remuneration Committee. The updated Rules of Procedure for the Remuneration Committee were passed by the Board on 26 November 2025. The terms of reference for the Remuneration Committee include but are not limited to the following: to formulate and review the remuneration policy, structure and plans for all Directors and senior management, and to make recommendations to the Board on the formulation or amendment of equity incentive plans, employee shareholding plans, the grant of interests to incentive recipients, the satisfaction of conditions for the exercise of granted interests, the implementation of shareholding plans for Directors and senior management in subsidiaries to be spun off, and the establishment of formal and transparent procedures for developing remuneration policies; to establish performance assessment criteria for Directors and senior management and to conduct performance assessments of them; to recommend the remuneration packages of individual executive Directors and senior management, which include benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment), and to make recommendations to the Board on the remuneration of non-executive Directors; to consider the remuneration paid by comparable companies, the time commitment and responsibilities involved, and the employment conditions of other positions within the Group; to review and approve the remuneration packages of the management with reference to corporate goals and objectives resolved by the Board from time to time; to review and approve the compensation payable to executive Directors and senior management for any loss or termination of their office or appointment, in order to ensure that such compensation is determined in accordance with relevant contractual terms or that such compensation is otherwise fair and reasonable and not excessive for the Company; to review and approve the compensation arrangements for any Director who is to be dismissed or removed due to misconduct, in order to ensure that such arrangements are determined in accordance with relevant contractual terms or that any compensation payment is otherwise reasonable and appropriate; to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; to review the equity incentive scheme of the Company and make recommendations thereon.

The remuneration of the Group's employees at all levels is determined by reference to the market levels of comparable companies and relevant peers in the industry. In order to retain the talents required for the Company's successful operation, the Company's remuneration level has to be competitive. The remuneration of an employee generally comprises three parts, namely the fixed component, the non-fixed component and statutory benefits. The fixed component is the basic salary, which is mainly determined by reference to the salary levels of similar jobs in comparable companies. Individual salaries may vary depending on the job's responsibilities and the individual's performance, skills and experience. Certain adjustments may be made each year to the basic salary based on the Company's performance, market competition and inflation. In addition to the fixed component of the salary, bonuses may be paid to employees as a reward for their performance and to enhance their loyalty to the Company. The Company also provides other benefits such as free lunches and transportation allowances. Under the relevant laws and regulations of China, the Company is required to pay statutory benefits such as pension insurance, provident fund, medical insurance and unemployment insurance for its employees.

The Remuneration Committee is comprised of three independent non-executive Directors, namely Mr. Wang Hong Guang (chairman), Mr. Lam Siu Wing and Mr. Xu Pei Long.

The Remuneration Committee held two meetings during 2025 (held on 27 March 2025 and 26 November 2025), the attendance of which was as follows:

Members of the Remuneration Committee	Attendance in person/ Number of meetings	Attendance rate
Wang Hong Guang *(chairman)*	2/2	100%
Lam Siu Wing	2/2	100%
Xu Pei Long	2/2	100%

For further information about the Remuneration Committee, please refer to the "Report of the Remuneration Committee" in this report.

Remuneration Policy for Executive Directors

The primary goal of the policy on executive Directors' remuneration packages is to enable the Company to motivate and retain its executive Directors by linking their compensation with their performance as measured against corporate objectives. Under the policy, a Director is not allowed to approve his/her own remuneration.

The principal components of the remuneration of the Company's executive Directors include the basic salary, the discretionary bonus, share options (if feasible), and statutory benefits. In determining guidelines for each component, the Company will, when necessary, refer to remuneration surveys conducted by independent external consultants on companies with similar businesses to the Company.

Basic salary

Basic salaries are determined mainly by reference to the salary levels of comparable companies or industry medians. There are some adjustments to basic salaries each year based on the Company's performance, market competition, and inflation. The Remuneration Committee reviews the remuneration of Directors annually in the absence of the relevant Directors.

Discretionary bonus

Discretionary bonuses are calculated based on individual executive Directors' contribution to the measurable performance of the business they oversee.

Statutory benefits

Under the relevant laws and regulations of China, the Company is required to pay statutory benefits such as pension insurance, provident fund, medical insurance and unemployment insurance. The proportion of such benefits to salaries are also subject to adjustments pursuant to relevant regulations.

During the Reporting Period, none of the executive Directors of the Company received any Director's fee.

Remuneration of Non-executive Directors

The remuneration of non-executive Directors is subject to annual assessment and recommendation by the Remuneration Committee for shareholders' approval at the annual general meeting. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attending the Company's meetings.

The Company only pay remuneration to its independent non-executive Directors and does not pay any remuneration to its non-executive Directors.

For further information about the Remuneration Committee, please refer to the "Report of the Remuneration Committee" in the report.

NOMINATION COMMITTEE

The Board established the Nomination Committee and formulated the Rules of Procedure for the Nomination Committee with specific terms of reference for the Nomination Committee. The updated Rules of Procedure for the Remuneration Committee were passed by the Board on 26 November 2025. The terms of reference for the Nomination Committee include but are not limited to the following: with due regard to the benefits of Board diversity, to identify individuals who are suitably qualified to become Board members, and to select or to make recommendations to the Board on the selection of individuals nominated for directorships; to take into account a wide range of diversity factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, and service term when selecting candidates for directorships in accordance with the Board diversity policy of the Company; to review the structure, size, and composition of the Board (including Board diversity) at least annually, to assist the Board in preparing a Board skills matrix, and to make recommendations on any proposed changes to the Board in light of the Company's corporate strategy; to report to the Board the composition of the Board members and to monitor the implementation of the Board diversity policy; to make disclosure of a summary of the Board diversity policy in the annual Corporate Governance Report, including any measurable objectives set for implementing the policy and progress on achieving those objectives; to identify individuals suitably qualified to become Board members and to select or make recommendations to the Board on the selection of individuals nominated for directorships; to examine the qualifications of the nominated candidates for independent non-executive Directors and to form a clear opinion on such examination; to assess the independence of independent non-executive Directors; where appropriate, to make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, (in particular the chairman of the Board and the general manager) by taking into account the Company's corporate strategy and the skills, knowledge, experience, and diversity required for the future Board members; to formulate criteria and procedures for the selection of Directors and senior management, to select and review the selection of Directors and senior management and their qualifications for appointment, and to make recommendations to the Board on the nomination, appointment, or removal of Directors and on the appointment or dismissal of senior management; to assist the Company in periodically evaluating the performance of the Board.

The Nomination Committee is comprised of three members, namely Mr. Xu Pei Long (chairman, an independent non-executive Director), Ms. Xue Yan (an executive Director) and Mr. Lam Siu Wing (an independent non-executive Director).

The Nomination Committee held two meetings during 2025 (held on 27 March 2025 and 26 November 2025), the attendance of which was as follows:

Members of the Nomination Committee	Attendance in person/ Number of meetings	Attendance Rate
Xu Pei Long *(chairman)*	2/2	100%
Zhao Da Jun Note 1	1/1	100%
Xue Yan Note 2	1/1	100%
Lam Siu Wing	2/2	100%

Notes:

1. Retired on 30 June 2025;

2. Appointed on 30 June 2025.

For further information about the Nomination Committee, please refer to the "Report of the Nomination Committee" in this report.

STRATEGY COMMITTEE

The Board established the Strategy Committee and formulated the Rules of Procedure for the Strategy Committee with specific terms of reference for the Strategy Committee. The updated Rules of Procedure for the Strategy Committee were passed by the Board on 26 November 2025. The terms of reference for the Strategy Committee include: to study irregular research on the Company's development strategy and medium and long-term development plan and submit to the Board for consideration and approval, and to conduct assessment and monitor the implementation thereof; to study the proposal for increases or reductions of the Company's registered capital, issuance of corporate bonds, merger, division and dissolution, make recommendations and submit to the Board for consideration and approval; to study material business restructuring, external acquisition, merger and transfer of assets of the Company and make recommendations and submit to the Board for consideration and approval; to study the expansion into new markets and businesses of the Company, make recommendations and submit to the Board for consideration and approval; to study the plans on investments, financing and capital operations and other programs of the Company that are subject to the approval of the Board, make recommendations and submit to the Board for consideration and approval; to study the material organizational restructuring and adjustment proposals of the Company, make recommendations and submit to the Board for consideration and approval; to instruct and oversee the implementation of relevant resolutions of the Board; and other relevant matters.

The Strategy Committee is comprised of three members, namely Mr. Zhao Da Jun (chairman, an executive Director), Mr. Wang Hong Guang (an independent non-executive Director), and Mr. Xu Pei Long (an independent non-executive Director).

The Strategy Committee held one meeting during 2025 (on 27 March 2025), the attendance of which was as follows:

Members of the Strategy Committee	Attendance in person/ Number of meetings	Attendance Rate
Zhao Da Jun *(chairman)*	1/1	100%
Wang Hong Guang	1/1	100%
Xu Pei Long	1/1	100%

For further information about the Strategy Committee, please refer to the "Report of the Strategy Committee" in this report.

COMPANY SECRETARY

The primary responsibility of the company secretary of the Company is to ensure good information flows between Board members and between investors and the Company. In addition, the company secretary should be responsible for compliance with the Board's policies and procedures as well as all applicable regulations. During the year 2025, the company secretary, namely Ms. Xue Yan, complied with Rule 3.29 of the Listing Rules by completing more than 15 hours of professional training through various channels. The training covered regulatory compliance, capital operations, market value management and practice of duties.

ARTICLES OF ASSOCIATION

In accordance with the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Guidelines on the Articles of Association of Listed Companies (《上市公司章程指引》), the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange STAR Market (《上海證券交易所科創板股票上市規則》), the Guideline No. 1 for the Self-regulatory Rules for Companies Listed on the STAR Market of the Shanghai Stock Exchange – Standardised Operations (《上海證券交易所科創板上市公司自律監管指引第 1 號－規範運作》), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and other applicable laws, regulations and regulatory documents, the relevant amendments to the Articles of Association of the Company were approved by a special resolution duly passed at the extraordinary general meeting held on 26 November 2025. Other than the above amendments, there was no other change to the Articles of Association during the Reporting Period. The amended Articles of Association are available on the websites of the Company and the Stock Exchange.

RIGHTS OF INVESTORS TO CONVENE EXTRAORDINARY GENERAL MEETING

Shareholders requisitioning the convening of extraordinary general meetings of shareholders or class meetings shall abide by the following procedures:

(1) A shareholder or shareholders severally or jointly holding 10% or more of the Company's shares who request the board of directors to convene an extraordinary shareholders' meeting shall submit a written request to the board of directors. The board of directors shall, in accordance with the provisions of the laws, administrative rules and these Articles, provide feedback in writing on approval or disapproval within 10 days from the receipt of the said proposal;

(2) Where the board of directors disapproves with convening an extraordinary shareholders' meeting, or fails to respond within 10 days from receipt of the said proposal, a shareholder or shareholders severally or jointly holding 10% or more of the Company's shares propose to the Audit Committee to convene an extraordinary shareholders' meeting, shall submit a written request to the Audit Committee;

(3) Where the Audit Committee fails to issue a notice of the shareholders' meeting within the prescribed time limit, it shall be deemed that the Audit Committee will not convene and preside over the shareholders' meeting, and a shareholder or shareholders who have severally or jointly held 10% or more of the Company's shares for 90 consecutive days or more may convene and preside over the meeting independently. Where the shareholders' meeting is convened and held by the shareholders themselves due to the Board or the Audit Committee failing to convene a meeting in response to the aforementioned request, all necessary costs and expenses of the meeting shall be borne by the Company.

When the Company convenes a shareholders' general meeting, shareholders severally or jointly holding 1% or more of the shares of the Company, may put forward interim proposals and submit them in writing to the Board prior to the date convener 10 days before the shareholders' general meeting; the Board shall, within two days issue a supplementary notice of the shareholders after receipt of such proposals, notify other shareholders, and ensure that the contents of the interim proposals are announced ten (10) business days prior to the date of shareholders' general meeting. The contents of the interim proposals shall be within the scope of the functions and powers of the shareholders' general meeting, and contain clear issues and specific matters for resolutions.

PUBLIC FLOAT OF THE COMPANY

Based on information publicly available to the Company and to the best of the Directors' knowledge as at the latest practicable date prior to the issue of this annual report, as the Company is a dual listed company which is incorporated in the PRC. The Company has maintained the relevant applicable minimum percentage of listed securities as prescribed by Rule 19A.28B(2) of the Listing Rules at all times during the Reporting Period and during the period from the end of the Reporting Period to the issue date of this report.

RELATIONSHIP WITH INVESTORS

The Company maintains active communication with investors through dedicated mailboxes for investor relations, telephone calls for investor enquiries, reception of institutional research and WeChat public accounts and other diversified means to answer investors' questions and listen to their opinions and suggestions.

SHAREHOLDERS' COMMUNICATION POLICY

The Company is committed to fair disclosure and comprehensive and through reporting. The Chairman of the Board is ultimately responsible for ensuring that there is effective communication with investors and that the Board understands the views of shareholders. The Chairman therefore makes himself available to meet shareholders for this purpose. On a day-to-day basis the Board's primary contact with shareholders is through the Company Secretary at ir@fd-zj.com. In addition, the Company Secretary may respond to the various enquiries of shareholders, and provide relevant information. Upon reviewing the implementation of shareholders' communication policy during the Reporting Period, the Company considers the said policy been implemented effectively with all measures of shareholders' communication taken place.

The Company has adopted a proactive shareholders' communication policy, the details of which are as follows:

Shareholders' Meetings

- The annual general meetings and extraordinary general meetings of the Company are the primary communication channels between the Company and its Shareholders. Shareholders are encouraged to participate in general meetings in person or, if they are unable to attend, to appoint proxies to attend and vote at such meetings on their behalf;

- Notices of general meetings, related circulars and forms of proxy are provided within a prescribed time prior to the general meetings on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.fd-zj.com);

- The Directors and external auditors will attend general meetings to answer Shareholders' questions;

- The chairman of a general meeting will propose that resolutions be voted on by poll in accordance with the Articles of Association. Shareholders may entrust the chairman of the general meeting of shareholders or other persons whom the shareholders deem appropriate to conduct the voting. The voting process shall be supervised by vote supervisors (include the external auditors). The poll results will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.fd-zj.com) after the general meetings.

Results Briefings & Investor Survey

- We conduct results briefings online to fully communicate with investors on the financial results of the Company and the operation of each business in relation to the periodical report;

- We use a variety of investor communication channels and platforms (SSE e-Interaction platform, investor hotline and online and offline surveys, etc.) to communicate with investors on a daily basis, and to answer investors' recent concerns or questions in a timely manner, so as to help investors gain a deeper understanding of the Company and to demonstrate the Company's investment value.

Company's Website and Official WeChat Account of the Company

- The Company's website (www.fd-zj.com) provides Shareholders with relevant information on the Group. It also provides information on the Group's corporate governance and the composition and functions of the Board and the committees of the Board;

- The Company's announcements are available on the Company's website under the "Investor Relations" section and the Company's official WeChat public account following their release on the Stock Exchange's website (www.hkexnews.hk) and Shanghai Stock Exchange's website (www.sse.com.cn). Press releases and newsletters issued by the Company from time to time are also available there to facilitate communication between the Company, Shareholders and investors;

- Information on the Company's website is updated on a regular basis.

Corporate Communications

Pursuant to the Rule 2.07A of the Listing Rules and the Articles, the Company has adopted the following policy for dissemination of the future corporate communications of the Company (the "Corporate Communications") to the Shareholders electronically and only send Corporate Communications in printed form to the Shareholders upon request.

In this connection, the following arrangements on dissemination of Corporate Communications has come into effect:

1. Actionable Corporate Communications

   The Company will send the Actionable Corporate Communications (as defined under the Listing Rules) to its Shareholders individually in electronic form by email. If the Company does not possess the email address of a Shareholder or the email address provided is not functional, the Company will send the Actionable Corporate Communication in printed form together with a request form for soliciting the Shareholder's functional email address to facilitate electronic dissemination of Actionable Corporate Communications in the future.

2. Others

The Company will make the Corporate Communications available on its website (http://www.fd-zj.com) and the Stock Exchange's website (www.hkexnews.hk). The Company will not send a notice of publication of the website version of Corporate Communications to its Shareholders. The Shareholders are encouraged to proactively monitor the availability of all future Corporate Communications on the websites and access the Website Version of Corporate Communications by themselves.

For those Shareholders who wish to receive a printed version of all future Corporate Communications and Actionable Corporate Communications) or, if for any reason, have difficulty in gaining access to the Company's website, the Company will, upon receipt of request in writing by the Shareholder to the Company's branch share registrar in Hong Kong at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by email to ir@fd-zj.com, send future Corporate Communications and/or the relevant Corporate Communications (as the case may be) to such Shareholders in printed form free of charge.

COMMUNICATION WITH THE COMPANY

Shareholders may ask questions, request publicly available information and provide comments and suggestions to the Directors and management of the Company. Such questions, requests, comments and suggestions can be addressed to the Company by post to No.308 Cailun Rd., Z.J. Hi-tech Park, Shanghai, People's Republic of China (Zip Code: 201210), or by the following means:

Telephone number: (8621)585553583
Email address: ir@fd-zj.com

Shareholders may at any time request information on the Company to the extent that such information is publicly available.

The Company attaches great importance to the views and opinions of shareholders and potential investors on the Company, and invites shareholders and relevant stakeholders to communicate with the Company through the abovementioned means. In view of the above shareholders' communication means and measures adopted by the Company, the Board is of the view that the shareholders' communication policy implemented during the year was sufficient and effective.

At the annual general meeting, each issue should be raised individually by way of resolution and voted on by way of poll. The auditor is appointed as the scrutineer for vote counting at the annual general meeting each year, and the Company's PRC lawyers are required to attend the meeting, witness the meeting and the poll results, and issue a legal opinion.

In 2025, the Company has held an annual general meeting, details of which is as follow:

Time	14:00 p.m., 26 June 2025
Location	Conference room, ground floor, PARKYARD HOTEL, No. 699 Bibo Road, Pudong New Area, Shanghai
Nature	Shareholders' annual general meeting
Way of voting	Poll
Major issues	To consider and approve the (work) report of the Board for the year ended 31 December 2024; To consider and approve the (work) report of the Supervisory Committee for the year ended 31 December 2024; To consider and approve the annual report and its summary of the Company for the year ended 31 December 2024 for A Shares; and the audited financial statements and the auditors' report for the year ended 31 December 2024 for H Shares; To consider and approve the financial analysis report for the year ended 31 December 2024; To consider and approve the proposed profit distribution plan and the final dividend distribution plan for 2024, and to authorize the Board to distribute such final dividends to Shareholders; To consider and approve the appointment of auditors (domestic and overseas) and domestic internal control auditor, and authorize the Board to fix their remuneration for 2025; To consider and approve the remuneration of the Directors and Supervisors for 2024 and their proposed remuneration for 2025; To consider and approve the granting to the Board a general mandate to issue A Shares.

In 2025, the Company has held a shareholders' extraordinary general meeting, details of which is as follow:

Time	13:00 p.m., 26 November 2025
Location	No. 308 Cailun Road, Zhangjiang Hi-tech Park, Pudong New Area, Shanghai, the PRC
Nature	Shareholders' extraordinary general meeting
Way of voting	Poll
Major issues	To consider and approve the change in use of proceeds from the A share initial public offering; To consider and approve the amendments to the Articles of Association and dissolution of the supervisory committee; To consider and approve the amendments to the rules of procedure for the general meeting; To consider and approve the amendments to the rules of procedure for the Board.

The attendance of individual Directors at general meetings during the year 2025 is set out in the table below:

Members of the Board	Attendance in person/ Number of meetings	Attendance rate
Executive Directors		
Zhao Da Jun *(Chairman)*	2/2	100%
Xue Yan	2/2	100%
Non-executive Directors		
Shen Bo	2/2	100%
Yu Xiao Yang	2/2	100%
Independent non-executive Directors		
Wang Hong Guang	2/2	100%
Lam Siu Wing	2/2	100%
Xu Pei Long	2/2	100%

The dates for the 2025 annual results, the 2026 interim results and the 2025 annual general meeting are as follows:

Item	Proposed time
Announcement of 2025 results	30 March 2026
Annual general meeting	28 May 2026
Announcement of 2026 interim results	Around 18 August 2026

SOCIAL RESPONSIBILITY

Environment and Society

As a listed company, the Company has been proactively fulfilling its social responsibility and paying attention to environmental protection for many years. We regard this responsibility as an important factor at all stages, which include not only daily processing and production, but also procurement, logistics, administration and other functions. In its environmental protection efforts, the Group applies best practices wherever possible. The relevant functional departments consider the Company's environmental management by assessing the policies, strategies, objectives, implementation and measurement methods in relation to water, air and noise pollution and wastes.

During the Reporting Period, the Group adhered to its environmental policy, strictly complied with national laws and regulations and emission standards. Meanwhile, the Group also actively implemented the environmental targets set by the Board at the beginning of the year. During the Reporting Period, the Group was inspected many times by relevant government authorities on sewage discharge and no violation of the relevant laws and regulations was found. In addition, the Company also appointed a third-party professional institution to assess environmental indicators including noise, air and water regularly, with a view to controlling environment risks effectively and meeting pollution discharge standards.

Social public welfare

Since its establishment, the Company has always adhered to the sustainable development philosophy of "practicing social responsibility, responding to social needs", and has actively fulfilled the social responsibility and obligations of a listed company in various fields, starting from drug donation, rural revitalization, and caring for the old. The Company has incorporated social responsibility into its daily operation and management, comprehensively contributing to the progress and development of society and proactively giving back to society.

Charitable Activities: The Group has cooperated with Beijing Huakang Public Welfare Foundation since April 2020 to carry out a public welfare assistance program, "For Their Tomorrow Patient Assistance Program", which aims to help low-income patients to obtain more sustainable and effective medical treatment, so as to alleviate patients' financial burdens and improve their quality of life. During the Reporting Period, the Group successively donated medicines worth approximately RMB9 million.

Support For Elderly Well-Being: To promote the traditional virtues of respecting and caring for the elderly, and to provide substantial assistance and care to the senior population, thereby improving their quality of life in their later years, the Group donated RMB200,000 to the Shanghai Xinyuan Jiujiu Public Welfare Foundation during the reporting period to support its online and offline charitable activities for the elderly. As of the end of the Reporting Period, over 50 online science popularization/promotional videos were released in 2025, garnering tens of millions of views; over 90 offline activities were successfully organized, covering 14 administrative districts and 28 sub-districts in Shanghai, benefiting over 10,000 people, promoting the social integration of the elderly, and strengthening intergenerational harmony.

Targeted agricultural support and assistance: During the Reporting Period, the Group's labour union made purchases of agricultural products totalling nearly RMB130,000 from economically disadvantaged farmers in Dayu Village, Malu Town, Shanghai, and impoverished mountainous farmers in Rongjiang County, Guizhou, in order to support rural revitalization and benefit farmers through concrete actions.

Public donations: In response to the call of community charitable organizations, in December 2025, the Group donated RMB50,000 to the Zhangjiang Town Government of Pudong New Area, Shanghai, to support the "Joint Charity Donation" campaign. The funds were used for specific projects such as assisting the disabled, providing medical care, helping the poor, Red Cross care, supporting the military and their families, providing charitable assistance, and helping the elderly, in order to support poverty alleviation and promote community development.

During the Reporting Period, the Company prepared the Environmental, Social and Governance Report in accordance with the requirements of the "Environmental, Social and Governance Reporting Guide" as set out in Appendix C2 to the Listing Rules.

For the details, please refer to the "Environmental, Social and Governance Report".

By order of the Board
Xue Yan
Company Secretary

Shanghai, the PRC
30 March 2026

Profiles of Directors and Senior Management

DIRECTORS

Executive Directors

Zhao Da Jun, born in 1970, aged 56, was appointed as an executive Director and an authorized representative of the Company in 2002 and was appointed as the chairman of the Board, the general manager of the Company in May 2023. He is concurrently the chairman of the board of directors of Shanghai Tracing Bio-technology Co., Ltd.* (上海溯源生物技術有限公司) and an executive director of Taizhou Fudan-Zhangjiang. He is a co-founder of the Company. He was a teaching assistant at the Law School of Fudan University from August 1995 to October 1996. He was awarded the National Education Committee on Technology Advancement Grade II Award (國家教委科技進步二等獎) in 1997. He graduated from Fudan University with a bachelor's degree in biology in July 1992, a master's degree in biology in July 1995, and from University of Hong Kong with a master's degree in business administration in November 2001.

Xue Yan, born in 1981, aged 45, was appointed as an executive Director in May 2023. She is also a deputy general manager, the company secretary, the chief financial officer and an authorized representative of the Company. She is also a director of Fernovelty and a supervisor of Shanghai Handu. She is a senior accountant, a member of the Hong Kong Institute of Certified Public Accountants (HKICPA), a fellow of the Association of Chartered Certified Accountants (ACCA), and a member of the Chinese Institute of Certified Public Accountants (CICPA). She is qualified as an international certified internal auditor (CIA). She served in the assurance department of PricewaterhouseCoopers Zhong Tian LLP from 2004 to 2010. She graduated from the Shanghai University of Finance & Economics with a bachelor's degree in international accounting in July 2004 and obtained a master's degree in business administration from the University of Hong Kong in November 2018.

Non-executive Directors

Shen Bo, born in 1973, aged 53, was appointed as a non-executive Director in June 2012. He is a member of the Chinese Institute of Certified Public Accountants. He is an executive director, the president and the chief financial officer of Shanghai Pharmaceuticals Holding Co., Ltd., and holds directorships in certain subsidiaries of Shanghai Pharmaceuticals. His previous positions included a non-executive director of Tianda Pharmaceuticals Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 00455), the general manager of the finance department of Shanghai Pharmaceutical (Group) Co., Ltd., the chief financial officer of Shanghai Industrial Pharmaceutical Investment Co., Ltd. and the deputy manager of the finance department of Shanghai Jinling Co., Ltd. He graduated from the Chinese University of Hong Kong with a master's degree in accounting in December 2007.

Yu Xiao Yang, born in 1956, aged 70, was appointed as a non-executive Director in May 2013. She has over 20 years of banking and investment experience. She was a founding partner of China New Enterprise Investment and was a founder and managing partner of Victoria Capital Limited, a corporate finance advisory firm, in 1998. She was among the first mainland Chinese to embark on a professional career with major international financial institutions. She served at Paris Bank in Geneva, Dresdner Bank in Frankfurt, London and New York from 1980 to 1985, and Salomon Brothers from 1987 to 1991, working in the areas of mergers and acquisitions and corporate finance. She graduated from International Management Institute (Geneva), predecessor of International Institute for Management Development, with a master's degree in business administration in May 1982.

Independent non-executive Directors

Wang Hong Guang, born in 1962, aged 64, was appointed as an independent non-executive Director in May 2023. He is currently the Dean of the Chinese People's Life Safety Research Institute, West China Hospital of Sichuan University, and a Distinguished Professor of Peking Union Medical College, Chinese Academy of Medical Sciences. He previously served as an associate professor and a professor at China Agricultural University, a deputy director of the Department of Rural and Social Development of the Ministry of Science and Technology, a director of China National Center for Biotechnology Development of the Ministry of Science and Technology, a researcher of Chinese Academy of Science and Technology for Development, an executive director and a professor of the China Center for Strategic Studies at Peking University. He has long been engaged in research on science, technology and economic strategies, and has conducted in-depth research on domestic and international biotechnology development and industrial policy. He has compiled and authored 26 works including China's Bio-economy and published more than 170 papers. He graduated from Gansu Agricultural University in 1982 with a bachelor's degree in agronomy, obtained a master's degree in agronomy from China Agricultural University in 1986, and was awarded a doctor's degree in agronomy in 1989. He was appointed as an independent non-executive director of CSPC Pharmaceutical Group Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 01093)) on 27 January 2021; and as an external director of China National Biotec Group Co., Ltd. on 29 June 2023.

Lam Siu Wing, born in 1960, aged 66, was appointed as an independent non-executive Director in May 2023. He is a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and Chartered Accountants Australia and New Zealand (CAANZ, formerly the Institute of Chartered Accountants of Australia (ICAA)). Mr. Lam has extensive experience in financial accounting, auditing, and business consulting. He was a partner of both PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers Hong Kong from 2004 to 2020. In March 1985, he graduated from Macquarie University in Australia with a bachelor's degree in economics and accounting. In October 1989, he graduated from The University of New South Wales in Australia with a master's degree in commerce majoring in finance. He has been appointed as an independent non-executive director of Shanghai Greatpower Nickel and Cobalt Materials Co., Ltd. since 23 June 2022, an independent non-executive director of Suzhou Basecare Medical Corporation Limited (a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock Code: 2170)) since 13 July 2023, an independent non-executive director of Xi'an Kingfar Property Services Co., Ltd. (a company listed on the Main Board of the Stock Exchange (Stock Code: 1354)) since 23 May 2024, and an independent non-executive director of Bluestar Adisseo Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600299)) since 19 September 2024; an independent non-executive director of Shanghai Biren Technology Co., Ltd. (a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock Code: 6082)) since 1 June 2025; and an independent non-executive director of Qiyi Technology (Cayman) Co., Ltd. (a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock Code: 1739)) since 4 June 2025.

Xu Pei Long, born in 1977, aged 49, was appointed as an independent non-executive Director in May 2023. He is a national first-class lawyer, and currently a senior partner of MHP Law Firm, an adjunct professor of East China University of Political Science and Law. He also holds social positions as a civil administration expert of the Supreme People's Procuratorate, an arbitrator of the Shanghai Arbitration Commission, an arbitrator of the Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Centre) and other social positions. He previously served as a director and vice president of the 11th Shanghai Lawyers Association, and a partner of Shanghai Zhaohua Law Firm. He has in-depth research and rich experience in the fields of corporate governance, equity dispute resolution, corporate investment and financing, mergers and acquisitions and other related areas. He has participated in compiling and authoring a number of works including Corporate Litigation Lawyer Practice and other titles. He graduated from East China University of Political Science and Law in July 2002 with a bachelor's degree in law. He was appointed as a part-time external director of Shanghai Zhangjiang (Group) Co., Ltd. on 26 December 2025.

EMPLOYEE DIRECTOR

Qu Ya Nan, born in 1986, aged 40, was appointed as an employee Director in November 2025. She obtained a bachelor's degree in management from Zhengzhou University in July 2008 and a master's degree in management from Shanghai University of Finance and Economics in July 2011. Since July 2015, she has been engaged in risk management, internal audit, internal control and other related daily management in the Company. She is currently the manager of the Risk Management, Internal Audit and Control Department of the Company. She was appointed as an employee representative Supervisor of the Company from May 2023 to November 2025.

SENIOR MANAGEMENT

Li Jun, born in 1968, aged 58, is a deputy general manager of the Company and a co-founder of the Company. He was responsible for several research projects of the National Natural Science Foundation of China, and published several papers. He is a certified pharmacist. He was a teaching assistant and lecturer at Fudan University from August 1993 to November 1996, during which period he also served as a deputy chief technology officer of Zhejiang Shenghua Biok Biology Co. Ltd. and was involved in the research and manufacture of three new drugs. He graduated from Fudan University with a master's degree in biology in July 1993. Mr. Li Jun has not held any directorships in listed public companies in the past three years.

Qin Lei, born in 1974, aged 52, is a deputy general manager of the Company and general manager of the marketing center. He used to be a resident in Longhua Hospital Shanghai University of Traditional Chinese Medicine and an assistant researcher in Shanghai University of Traditional Chinese Medicine from July 1997 to August 2001. He worked in marketing and product sales for Hong Kong Life Sciences and Technologies Group Limited, Shanghai Lei Yun Shang Pharmaceutical Co., Ltd. and Zhejiang Kang Lai Te Pharmaceutical Co., Ltd. from September 2001 to May 2006. He has worked as the product manager, the marketing manager and the marketing director of the Company since June 2006. He is currently a general manager of the marketing center of the Company. He obtained a bachelor's degree in basic Chinese medicine from Shanghai University of Traditional Chinese Medicine in June 1997. Mr. Qin Lei has not held any directorships in listed public companies in the past three years.

Yu Dai Qing, born in 1973, aged 53, is a deputy general manager of the Company. Since 2001, she has successively engaged in the quality research and analysis of new drug development, the quality control of pharmaceutical manufacturing, the establishment of quality management systems and the daily operation management relating to pharmaceutical manufacturing in the Company. She was an employee representative Supervisor. She served as the quality director of the Company from November 2016 to July 2023. She graduated from Shandong University with a bachelor's degree in chemistry in July 1995 and a master's degree in analytical chemistry in July 1998. Ms. Yu Dai Qing has not held any directorships in listed public companies in the past three years.

Chen Yu, born in 1974, aged 52, is a deputy general manager of the Company and the general manager of Taizhou Fudan-Zhangjiang (a subsidiary of the Company). He has extensive experience in pharmaceutical production management, quality assurance and GMP certification matters. He worked as a production supervisor, international certification specialist, international certification supervisor and compliance manager of Xian-Janssen Pharmaceutical Ltd. from April 1999 to July 2011. He worked as a quality director of Zhejiang Jiuzhou Pharmaceutical Co., Ltd. from July 2011 to April 2014. He was the deputy general manager of Taizhou Fudan-Zhangjiang from April 2014 to May 2023. He obtained a bachelor's degree in English pharmacy from Shenyang Pharmaceutical University in June 1998 and a master's degree in pharmaceutical engineering from Tianjin University in February 2008. Mr. Chen Yu has not held any directorships in listed public companies in the past three years.

COMPANY SECRETARY

Xue Yan, for her biographical information, please refer to the disclosure in the paragraph headed "Executive Directors" above.

Environmental, Social and Governance Report

ABOUT THE ESG REPORT

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. hereby issues the 2025 Environmental, Social and Governance Report (the "ESG Report") of the Group, to demonstrate the Group's philosophy and practice for sustainable development and social responsibility to its stakeholders in both environmental and social areas.

For related information on corporate governance, please refer to the Corporate Governance Report.

Reporting Scope

The ESG Report covers our main businesses for the period from 1 January 2025 to 31 December 2025 (the "Reporting Period"). The key performance indicators ("KPIs") disclosed in the report cover Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. ("Shanghai FDZJ"), Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd. ("Taizhou FDZJ") and Shanghai Tracing Bio-technology Co., Ltd. ("Shanghai Tracing") for the Reporting Period.

There is no significant adjustment to the reporting scope as compared to the 2024 ESG Report included in the 2024 Annual Report of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.

Reference and Principles

This report is prepared in accordance with the *Environmental, Social and Governance Reporting Code* (the "ESG Reporting Code") set out in Appendix C2 to the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* and the *Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies – Sustainability Report (Trial)* (the "Guideline") and the *Guide No.13 for Self-Regulatory Supervision on Listed Companies of the SSE STAR Market – Compilation of Sustainable Development Reports* (the "Guide"). The ESG Report complies with the principles of "Materiality", "Quantitative", "Balance" and "Consistency". The description on how to comply with the principles of "Materiality", "Quantitative", "Balance" and "Consistency" is as follows:

- **Materiality:** The Group determines material ESG issues by stakeholder engagement and materiality assessment, the process and results of which are detailed illustrated in the "Improve Responsible Governance" chapter;

- **Quantitative:** Information on the standards, methodologies and source of conversion factors used for the reporting of emission and energy consumption has been disclosed;

- **Balance:** Information provided in this ESG Report is unbiased and comprehensive for the readers to make decisions or judgment.

- **Consistency:** During the Reporting Period, the Company included fugitive emission sources in the scope of greenhouse gas emissions and simultaneously calculated methane and nitrous oxide emissions from fuel combustion. The statistical scope and data calculation methods for other KPIs are consistent with those of previous years.

IMPROVE RESPONSIBLE GOVERNANCE

Governance Framework

The Group fully understands that the implementation of responsible governance is crucial to the sustainable development of the enterprise. We uphold the ESG management policy of sustainable development, incorporate ESG risks and opportunities into the Group's business strategy, and are committed to providing customers with safe and healthy products and providing employees with a safe and healthy working environment and scientific and practical training plans. We are also committed to establishing a transparent, standard and environmental-friendly supply chain and a positive industry environment.

The Group has established a top-down three-layer ESG management structure to properly manage ESG issues:

The Board of Directors	It is the top decision-making body, taking full responsibility for ESG strategy and reporting	✓ Assessing, prioritising and managing material ESG issues and their risks on the business of the Group; ✓ Developing ESG management policies, strategies and objectives; ✓ Regularly assessing the Group's performance against relevant objectives; ✓ Reviewing and approving the annual ESG report.
Senior Management	It organises the ESG Working Group to carry out relevant work pursuant to the ESG strategies made by the Board	✓ Implementing ESG risk management and internal control system, and reporting to the Board about ESG trends, risks and opportunities; ✓ Regularly reporting to the Board on the progress and achievement of ESG work; ✓ Reporting the annual ESG report to the Board.
ESG Working Group	It is composed of the heads of each department of the Group	✓ Implementing ESG strategies and policies made by the Board; ✓ Carrying out ESG work according to the arrangement of Senior Management; ✓ Preparing annual ESG report; ✓ Reporting on the ESG working progress and annual ESG report to senior management.

Stakeholders Engagement

We keep revising and improving the internal governance in accordance with the *Company Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies,* the *Rules for Stock Listing in Shanghai Stock Exchange STAR Market* and other laws and regulations. Independent directors monitor the daily operating and managing activities of the Company, providing a significant guarantee for the legal rights and interests of the Company and its shareholders, especially the minority shareholders. Interactive communication is carried out through a variety of channels, such as general meetings, investor hotline, investor mailboxes, Shanghai Stock Exchange E-interactions, etc. Consequently, the communication has been enhanced and transparent relationship has been established between the Company, shareholders, and investors. With attention attached to the comments and suggestions from investors, the Group will strive to improve business performance and reward investors.

We actively establish a diversified communication mechanism and communicate with various stakeholders to understand their opinions and suggestions on our sustainable performance and future development strategies.

Stakeholders	Governments and regulators	Shareholders and investors	Employees
Expectation and concerns	Compliance with laws and regulations Tax expense Product compliance Leading the healthy development of industry	Operational compliance Return on investment Corporate governance Information disclosure	Protection of employee rights and interests Career development channel Employee capacity training Healthy and safe working environment
Communication channels	Compliance management Proactive in tax payment Implementation of national policies Continuous R&D and innovation Risk analysis reporting Timely reporting adverse events Active participation in government projects	Annual report, announcements, and circulars General meeting Results presentation Roadshows Investor meeting	Employee satisfaction survey Regular meetings and trainings Employee care activities Internal communication platform

Stakeholders	Distributors and consumers	Suppliers	Community	Environment
Expectation and concerns	Product quality and safety Protection of customer rights and interests Compliance promotion R&D and innovation Privacy protection	Business ethics Win-win cooperation	Promoting community harmony Improving public welfare awareness Poverty reduction	Environment protection Improving energy efficiency Climate change mitigation
Communication channels	Satisfaction survey Complaint channel On-site communication Academic seminar Proper information management	Business visit Daily meeting Academic exchange conference	Charitable activities Supporting farmers for poverty alleviation	Concentrating on environmental protection Energy conservation and emissions reduction Risk and opportunity identification

Double Materiality Assessment

Identifying, assessing, and proactively addressing material ESG issues is key to enhancing the Group's ESG performance. The Group continuously conducts materiality assessments and annually reviews and discusses the results, incorporating feedback from internal and external stakeholders and changes in the Group's business operating environment. In 2024, we assessed the Group's material ESG issues based on the principle of "double materiality". We comprehensively analysed the impact of ESG issues on the Group's business and finance as well as on the external environment and society, and guided the Group's ESG work accordingly:

1. Identify the issues

- We identified ESG issues relevant to the Group by fully considering the Group's strategic priorities, actual business and industrial characteristics, and following the ESG Reporting Code, the Guidelines, and other regulatory requirements as well as market trends.

2. Assess the issues

- We conducted materiality assessment of the issues from two dimensions, i.e. "impact materiality" and "financial materiality":
- "Impact materiality": Through stakeholder surveys, we assessed from perspectives of the likelihood, scale, scope and irremediability of impacts whether the Group's performance on the relevant issues could have actual or potential significant impacts on the economy, society, and environment.
- "Financial materiality": Through interviews with internal management, shareholders, investors and other stakeholders, we assessed from perspectives of the likelihood and degree of impact whether the issues were expected to have a significant impact on the Group's business model, business operations, development strategy, financial position, operating results, cash flow, financing methods and costs in the short, medium and long term.

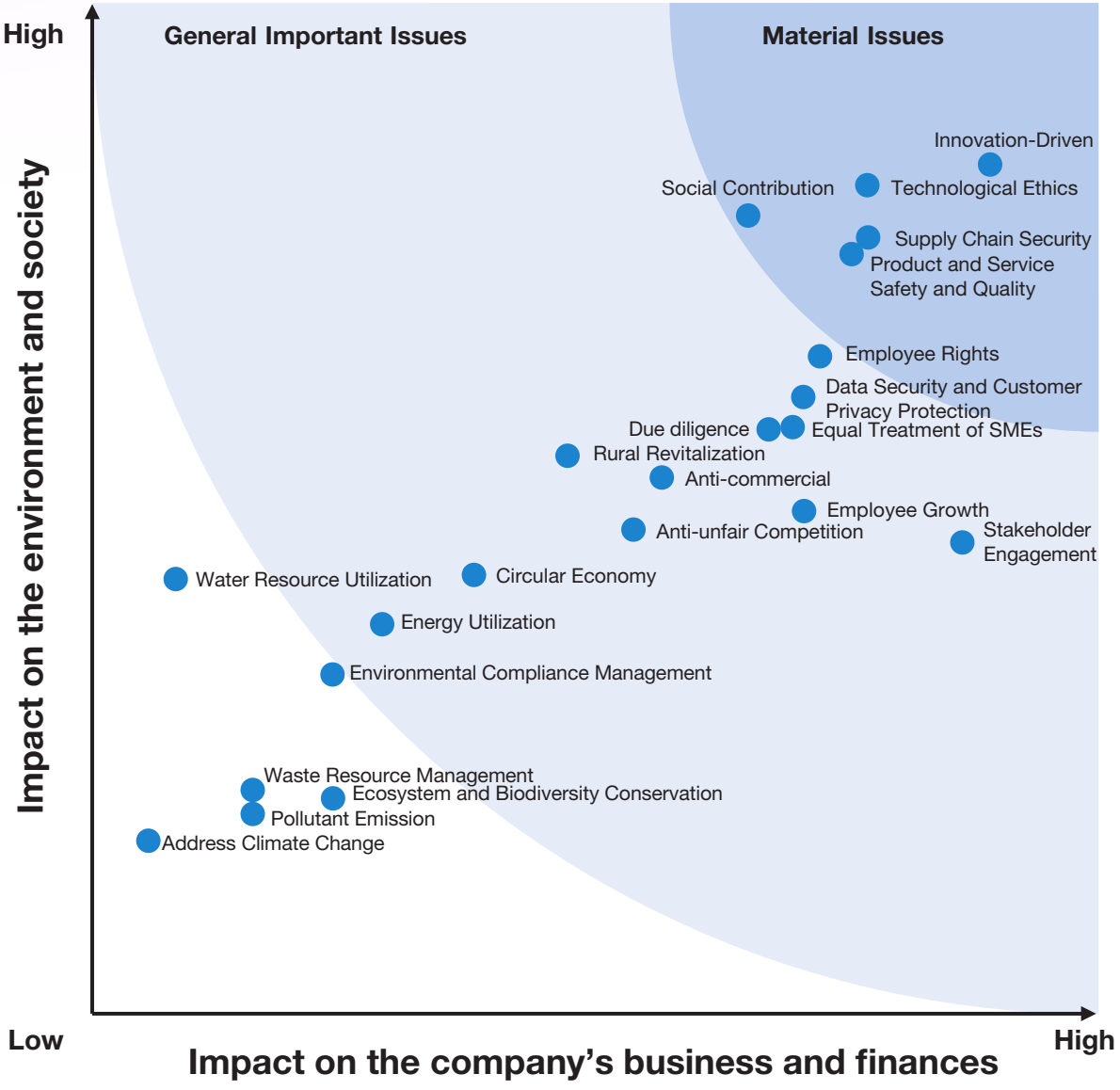
3. Confirm the issues

- Based on the assessment results from step 2, we conducted consultations with internal and external experts and organized discussions and communications with relevant departments to prioritize the ESG issues. We then established a double materiality matrix, and reported to the Board of Directors to confirm the Group's materiality assessment results.
- For the identified material ESG issues, we further established targeted management strategies and implemented enhancement actions.

Based on the results of double materiality assessment in 2024, we identified a total of 1 issue with financial materiality and 5 issues with impact materiality. In 2025, the Group's Senior Management further discussed the assessment results of the previous year and, considering that there were no material changes in the Company's business and operating environment, continued to adopt the 2024 double materiality assessment results:

Issue	Financial materiality	Impact materiality	Stakeholders affected
Innovation-Driven	Yes	Yes	Shareholders and Investors, Government and Regulatory Bodies, Distributors and Consumers, Employees
Technological Ethics	No	Yes	Government and Regulatory Bodies, Distributors and Consumers, Employees
Social Contribution	No	Yes	Government and Regulatory Bodies, Distributors and Consumers, Suppliers, Community
Product and Service Safety and Quality	No	Yes	Government and Regulatory Bodies, Distributors and Consumers, Employees
Supply Chain Security	No	Yes	Government and Regulatory Bodies, Distributors and Consumers, Suppliers

The Group's matrix of material issues for 2025 is set out below:



Double Materiality Assessment Results

Sustainability Risk Management

We have integrated sustainability risks into enterprise risk management system. Each year, the Risk Management and Internal Audit & Control Department coordinates with relevant departments to carry out risk management activities. In doing so, we consider the Group's strategy and business operations, industry trends in sustainability risks, insights from external experts, and stakeholder concerns to identify and assess sustainability-related risks including business ethics risks, supply chain risks, environmental risks, and climate risks. Based on these assessments, we determine risk levels and priorities and develop corresponding risk management strategies and response measures. Furthermore, we supervise the responsible departments to implement appropriate risk response measures according to risk ownership, and we regularly report the status of sustainability risks and the implementation of these measures to the Board of Directors, ensuring that all sustainability-related risks are properly managed.

ENSURE COMPLIANCE OPERATION

Building a Clean Enterprise

The Group treats integrity and compliance as a fundamental baseline for its business operations and management and strictly complies with laws and regulations relating to anti-corruption, anti-extortion, anti-fraud and anti-money laundering, including but not limited to these on anti-commercial bribery and anti-unfair competition practices, such as the *Criminal Law of the People's Republic of China,* the *Anti-money Laundering Law of the People's Republic of China,* and the *Anti-Unfair Competition Law of the People's Republic of China*, etc. The Group continuously strengthens internal control and supervision system, refines risk identification, review, and accountability mechanisms, steadfastly upholds integrity and compliance in business practices, strictly enforces fair competition principles, and maintains a standardized and orderly market operating environment. According to *Employee Handbook* and *Regulations on Anti-Commercial Bribery*, the Group requires the employees to be honest and self-disciplined, comply with laws/regulations and the Group's management regulations on honesty and self-discipline, follow principles of "law-abiding, honest, fair, scientific" etc., resolutely refuse to accept commercial bribery, offer bribery and commit other improper business practices. During the Reporting Period, the Group did not have any legal cases regarding corrupt practices or anti-unfair competition penalties.

To strengthen integrity and compliance management, the Risk Management and Internal Audit& Control Department, as the regulatory department for preventing commercial bribery, publicizes and implements relevant national laws, regulations and policies against commercial bribery within the Group, updates relevant internal rules and regulations based on policy changes, and arranges each department to learn and conscientiously implement these requirements in daily business practices. In addition, the department is also responsible for supervising and managing personnel on important positions and practical implementing anti-corruption and anti-commercial bribery work in business.

The Group continues to carry out compliance training and learning activities to enhance employees' compliance awareness and risk identification capabilities. Every year, we provide anti-corruption and business ethics training to board members and employees to ensure compliance operations. The Group's HR department arranges for new employees to study the relevant anti-commercial bribery requirements before induction, keeps written training records and requires new employees to sign for acknowledgement. The Risk Management and Internal Audit & Control Department actively participates in compliance trainings provided by external professional organizations. In response to the release of the *Compliance Guidelines for Pharmaceutical Enterprises to Prevent Commercial Bribery Risks* by the State Administration for Market Regulation, the issuance of key documents on rectifying malpractice in the pharmaceutical sector and related regulatory changes, we organized relevant departments of the Group to study the anti-commercial bribery compliance guidelines for pharmaceutical enterprises, anti-corruption laws and regulations, policy documents and relevant enforcement cases, and promoted implementation in daily business practices. In addition, in January 2025, the Group's Legal Department organized a related session for all departments to strengthen legal awareness and reinforce the concept of compliant operations. The Group also strengthened fair competition and antitrust compliance management by organizing relevant departments to study the *Anti-monopoly Guidelines in the Field of Drugs* issued by the Anti-monopoly and Anti-unfair Competition Committee of the State Council, as well as frontier trends and core features of antitrust litigation and domestic and overseas penalty cases, so as to effectively prevent relevant risks and ensure compliance operation in practice.

To further strengthen internal governance and control and ensure the compliance and orderliness of the Group's operations and management activities, the Group has formulated the "Complaint and Whistleblowing Management Regulations" in accordance with relevant national laws and regulations, company policies, and the Group's actual circumstances. These regulations establish guidelines for the scope of complaints, reporting channels, handling procedures, rewards and penalties, whistleblower protection, and incentives to promote integrity among employees. Specifically, the Risk Management and Internal Audit & Control Department is responsible for receiving and reviewing whistleblowing reports, responding to whistleblowers, protecting and rewarding them, and promoting whistleblowing policies. Meanwhile, relevant departments are responsible for implementing integrity management, providing whistleblowing leads, and cooperating with investigations and oversight when necessary. Whistleblowers may report issues through telephone (021-58953355-1309), email (report@fd-zj.com), or mail (No. 308 Cailun Road, Pudong New Area, Shanghai, Risk Management and Internal Audit & Control Department). Suspected criminal activity will be reported promptly to the relevant authorities.

We also focus on supply chain integrity management. When the Group cooperates with distributors and promotion agents, we make clear agreement about anti-commercial bribery in the distribution agreement and promotion agreement. In the agreement, all parties promised to strictly comply with regulations on anti-commercial bribery, such as the *Unfair Competition Law of the People's Republic of China* and create fair and honest marketing environment. We strengthen our due diligence on new suppliers and clients and develop *Regulations on Anti-Commercial Bribery*. While selecting cooperative partners, the Group paid close attention to its internal management and compliance commitment including anti-corruption, anti-commercial bribery, anti-unfair competition and other compliance matters. The Group placed emphasis on integrity management in the contract, requiring both parties to comply with related laws and regulations on anti-corruption, anti-commercial bribery and anti-unfair competition, etc.

Protecting Consumer Rights and Interests

Upholding the principle of integrity, we try the best to provide accurate consumption information, protect consumer's right to know, and provide a reliable service environment for consumers. In accordance with the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* and other laws and regulations, we have developed the management procedure of *Product Complaint* to regulate procedure of complaint registration, evaluation, investigation and treatment, under which problems from consumers should be solved immediately and effectively to improve consumers' satisfaction. During the Reporting Period, the Group did not receive any complaints about products and/or services.

To ensure standardized operation and closed-loop improvement in complaint management, the Group has established mechanisms across three dimensions: complaint channels, handling procedures, and continuous improvement. These mechanisms are outlined as follows:

Complaint Channels	Customers may submit complaints through verbal feedback, telephone, email, fax, or in-person visits.
Processing Procedure	• The department or personnel receiving a customer complaint shall immediately relay the complaint information to the Sales Department and Quality Management Department; • The Quality Management Department shall investigate the complaint, formulate and approve relevant corrective and preventive action plans as necessary, assist the Sales Department in responding to the customer, and report to the competent drug regulatory authority when required; • The Sales Department shall assist the Quality Management Department in investigating complaints, propose and implement measures related to sales operations, communicate with customers, and respond to complaints.
Continuous Improvement	The Group regularly reviews and analyses complaint trends for relevant products during quality reviews, identifies opportunities for improvement, and continuously optimizes product and service quality.

We place high priority on patient medication safety and continuously strengthen the monitoring, collection, and standardized reporting of adverse drug reactions. We have established the company's pharmacovigilance system and carried out pharmacovigilance activities in accordance with the national *Quality Management Standards for Pharmacovigilance*, the *Announcement on Direct Reporting of Adverse Reactions by Drug Marketing Authorization Holders* and other laws and regulations. The specific procedures include:

- Gradually improve the pharmacovigilance system in daily work, and report safety incidents in clinical trials to drug regulatory authorities in accordance with relevant laws and regulations;

- Prevent any possible adverse drug reactions/events during the use of our drugs, collect, deal with and report the adverse reaction cases after the drugs entering the market;

- Timely report the information on drug safety to regulatory authorities, patients, medical staff and the public to protect the rights and interests of patients.

Safeguarding Information Security

The Group incorporates information pertaining to stakeholders such as partners, trial subjects, and patients into its strict confidentiality management framework. We continuously enhance our information security and privacy protection management system, strengthen risk identification and prevention measures across the entire process, and ensure information security and compliant usage. During the Reporting Period, there were no major information security or privacy leakage incidents in the Group.

In terms of information security protection, the Group has established the *Information System Management Policy,* the *Management Regulations on Electronic Information Data Backup and Data Archiving,* the *Management Regulations on Financial Software Operation of ERP* and other policies and regulations. These efforts standardize the management of information systems and network security, server room management, user account and authority management of information systems, management of data backup and data archiving, to reasonably safeguard the security and authority control of data in various information systems.

The Group also places great importance on protecting the privacy of its partners and patients. We sign with partners the *Confidentiality Agreement* at the preliminary business contact stage and the confidentiality clauses attached to the cooperation agreement upon official establishment of cooperation. We strictly comply with the confidentiality requirements throughout the entire process. Subjects are required to sign the *Subjects' Informed Consent Form* before participating in clinical research. We strictly comply with and implement the requirements of relevant laws and regulations such as the *Personal Information Protection Law*, the *Data Security Law*, the *Good Clinical Practice,* and the *Regulations on the Management of Human Genetic Resources*, as well as the confidentiality obligations included in the *Subjects' Informed Consent Form*. In doing so, we collect, store, utilize and manage relevant information and data in a lawful and compliant manner. Additionally, we strictly adhere to the *Drug Administration Law*, the *Administrative Measures for Reporting and Monitoring Adverse Drug Reactions* and other relevant regulations during the drug sales phase. We ensure the confidentiality of personal privacy, and information of patients and reporters obtained during the process of adverse drug reaction reporting and monitoring.

In addition, we have established a comprehensive document and record management system in accordance with the Good Manufacturing Practice (GMP) regulations. We have formulated a document management protocol, which specifies the types, retention period, retention location, retention media, archiving and borrowing, and destruction of documents and records. We carry out document management strictly in accordance with the protocol. In addition, we have set up an archive room managed by designated personnel, only authorized personnel are allowed to access relevant records.

Advertising Labelling Compliance

We manage labelling and advertising by laws to protect consumers' rights and maintain brand reputation. We conform to the requirements of the *Advertising Law of the People's Republic of China*, the *Drug Administration Law of the People's Republic of China*, the *Interim Measures for the Administration of Censorship of Advertisements on Drugs, Medical Devices, Dietary Supplements and Formula Foods for Special Medical Purposes, Good Manufacturing Practices (2010 revision)* and other laws and regulations. The Group formulated *Design and Change of Packing Materials* to manage design and change of packaging materials used for new products or additional existing products to make the product package conform to characteristics of products, demand of market, technical conditions and provisions of national laws and regulations.

During the implementation process, design drafts for labels, instructions, and packaging boxes must address product specifications, packaging dimensions, size requirements, material specifications, appearance standards, and product packaging safety requirements. All design drafts require review and approval by the Marketing Department, Manufacturing Department, Logistics Department, Quality Management Department, and the quality authorized person to ensure the accuracy of information disclosure, compliance with procedures, and clarification of responsibilities among all parties.

Intellectual Property Protection

Intellectual property management is indispensable to the production and operation activities of pharmaceutical enterprises. The Group consistently places high importance on protecting the intellectual property rights of innovative drugs and scientific research achievements, and resolutely prohibits any form of intellectual property infringement.

We strictly abide by the *Patent Law of the People's Republic of China,* the *Trademark Law of the People's Republic of China,* the *Copyright Law of the People's Republic of China*, the *Enterprise Intellectual Property Management Standards* and other laws and regulations. We have established a full-process intellectual property management system following the management principle of "implementing intellectual property management throughout production and operation activities" to avoid infringement, protect self-owned intellectual properties and stimulate innovation practices in all aspects of research and development, procurement, production and sales, and set long-term and short-term work objectives regarding intellectual property to promote sustainable development. Through the implementation of the *Intellectual Property Management Manual,* the *Intellectual Property Document Control Procedures* and relevant documents, we have clearly defined the responsibilities of each department and conducted regular inspection, analysis and evaluation of intellectual property management to improve our intellectual property management system on a continuous basis.

During the Reporting Period, the Group updated the *Patent Application Management Measures* and the supporting OA online approval workflow to further enhance the standardization, refinement and systematization of patent application management in terms of procedures and documentation. Meanwhile, we updated the *Reward Measures for Employee Inventions* and the related OA online approval workflow for employee invention applications and introduced reward arrangements for inventors at key project milestone stages, reflecting the Group's continued efforts to strengthen innovation incentives. During the Reporting Period, the Group applied for 15 new invention patents. As of the end of the Reporting Period, the Group had cumulatively applied for 139 invention patents and obtained the authorisation of 70 invention patents.

ENHANCE QUALITY MANAGEMENT

Full-Cycle Product Quality Control

With the tenet of "The More We Explore, the Healthier the People Will Be", the Group constantly develops new drugs on multiple research and development platforms. To ensure product quality and safety, we are in strict compliance with the *Drug Administration Law of the People's Republic of China*, the *Regulations for Implementation of the Drug Administration Law of the People's Republic of China*, the *Law of the People's Republic of China on Product Quality,* the *Good Manufacturing Practice for Drugs*, the *Administrative Measures for Reporting and Monitoring Adverse Drug Reactions* and other laws and regulations. In the past three years, the Group has not been involved in product quality and safety related warnings or penalties.

To guarantee product quality, we have established a comprehensive GMP quality management system in accordance with Chinese GMP regulations and quality management principles. The system covers all the factors affecting medicine quality, including personnel, equipment, materials, production, testing, quality assurance, ongoing monitoring, etc., to provide guidelines for management and operation of every step and minimise risks such as pollution, cross contamination, confusion, and errors in drug production.

In the production process, we strictly control product quality which helps us win the market. The small-dose injection (antineoplastic drugs), bulk drug (Aminolevulinic Acid Hydrochloride), bulk drug (Hemoporfin), powders and freeze-dried powder injections have passed GMP compliance inspection conducted by National Medical Products Administration.

Material and Product Inspection

According to the *GMP* and the *General Notice of Chinese Pharmacopoeia*, we have formulated the management procedure, *Material and Product Inspection*, to regulate inspection basis, requirements and result processing operation procedure for materials and products such as raw materials, packaging materials, intermediate products and finished products.

For materials and products, sampling inspection is carried out on site and physical and chemical inspection and microbiological inspection are finished in laboratory. Inspection procedures and related records should comply with GMP management regulations and relevant requirements in the *General Notice of Chinese Pharmacopoeia*. Inspection report should be prepared after inspection and quality certificate should be issued for finished products to ensure the quality of materials and products.

We strictly implement the *Materials and Products Destruction Management* developed according to the *GMP* to regulate and control the destruction procedure of materials and products.

Quality Risk Control

We have established a sound quality risk management procedure which is applied to whole quality management in a systematic manner, and specified the product manufacturing process and responsibilities of every department, including supplier management, corrective and preventive measures, quality complaint, validation, production management, laboratory management, intermediate control, change control, etc.

- **Supplier management:** All suppliers which provide materials for the products to be marketed are audited. Only qualified and approved suppliers could provide products to the Group. For details of management measures, please refer to the Section "Supply Chain Management";

- **Material release management:** When receiving materials, Logistics Department is responsible for checking materials, and storing them according to specified conditions; Quality Management Department is responsible for sampling and testing, and finally determining whether the materials can be used;

- **Production and release management:** The Manufacturing Department ensures that production is carried out according to nationally approved product formulations and manufacturing processes, guaranteeing that production equipment, operational procedures, and production/packaging environments meet process requirements. Upon completion, products are stored in warehouses under specified storage conditions. Concurrently, the Quality Management Department conducts sampling inspections at critical control points during production, with the quality authorized person determining product release. In daily operations, we continuously enhance our pharmacovigilance system and report safety events occurring during clinical trials to regulatory authorities in accordance with relevant laws and regulations. We also proactively prevent potential adverse reactions or events associated with the use of Fudan Zhangjiang pharmaceuticals, while collecting, processing, and reporting post-marketing adverse drug reactions. Relevant drug safety information is promptly communicated to regulatory bodies, patients, healthcare professionals, and the public to safeguard patient rights and interests.

- **Return and recall:** Customers or distributors may file complaints or request returns after verification if they discover product quality issues during use or sales. If risks to customers are identified during product supply, or if regulatory authorities require a recall, the Group will promptly initiate recall procedures. During the Reporting Period, there was no product recall in the Group for safety or health reasons.

Innovative Technical Platform

Governance

In the field of pharmaceutical research and innovation, our Group has established a clear and efficient governance framework designed to ensure that the strategic direction of R&D activities is effectively implemented and continuously monitored.

The Group's management serves as the decision-making body for R&D and innovation, responsible for setting the Group's R&D strategic direction, defining the long-term goals and short-term execution of each project in the pipeline, and reviewing major decisions at all stages from research to industrialization. To ensure the effective operation of our R&D and innovation governance framework, the Group has established several departments, including the R&D Management Office, the Intellectual Property Department, the ADC Small Molecule Drug R&D Department, the Biotechnology Drug R&D Department, the Chemical Drug R&D Department, and the Clinical Medical Center. Through centralized management, these departments collaborate in a timely and efficient manner to fulfill their functions, ensuring that our R&D activities align with the Group's strategic planning and market demands, and providing robust support for the Group's drug R&D and innovation endeavors.

To advance R&D progress, management holds regular biweekly project review meetings where the aforementioned operational departments report on R&D developments and achievements. These reports cover patent management, project initiation, clinical research progress, domestic and international clinical trial statuses, production line construction, and operational status. This ensures management stays informed about R&D dynamics and can adjust priorities as needed.

Strategy

Since its inception, our Group's R&D philosophy has been predicated on clearly identifying clinical gaps and unmet needs, with the demonstration of unique clinical therapeutic effects serving as the decisive factor for initiating and evaluating new drug development projects. Simultaneously, the Group selectively advances the industrial development of marketed products with substantial technological barriers, thereby achieving differentiated competition by meeting clinical needs and effectively leveraging R&D resources and capacity to maximize economic benefits.

Supported by this philosophy, our Group has established the Photodynamic technical platform, Genetic engineering technical platform, Nano technical platform, etc., while strategically concentrating on the fields of photodynamic drugs and antibody–drug conjugates to cultivate a distinctive and competitive R&D profile.

- **Photodynamic technical platform:** The scientific exploration of photodynamic therapy began in the early 20th century, with its true application in human clinical settings starting in the late 1970s. The first photosensitizing drug was approved for market release in 1993. Recognizing the unique therapeutic value of photodynamic therapy in treating certain untreatable or unmanageable precancerous lesions and non-tumor diseases and in the absence of international scientific standards the company proactively established a photodynamic technology platform in 1999. Our company's photodynamic technology is at the forefront globally, and over the years, we have continually expanded drug research and development based on this platform. Photodynamic drugs constitute one of our important product groups.

- **Genetic engineering technical platform:** Since its inception, our company has been rooted in genetic engineering technology. Addressing significant unmet clinical needs, we have successively developed products such as cytokines, fusion proteins, monoclonal antibodies, and antibody-drug conjugates (ADCs), establishing corresponding technical platforms. In our early years, we achieved multiple transfers of genetic engineering technologies, contributing revenue to our initial operations. As the company has grown, the industrialization of genetic engineering drugs has become feasible. In the future, we will enhance research and registration of projects within the genetic engineering technology platform that have entered clinical stages, striving for the early realization of gene drug industrialization. ADCs are a key research and commercial focus of our genetic engineering technology platform. Combining the potent cytotoxicity of small-molecule drugs with the targeting ability of monoclonal antibodies, ADCs have emerged over the past decade as a hotspot in tumor-targeted therapy research and development.

- **Nano technical platform:** Nano preparations can not only improve drug water solubility and bioavailability but also utilize the Enhanced Permeability and Retention (EPR) effect to deliver antitumor drugs selectively, achieving enhanced efficacy and reduced toxicity. However, developing nanomedicines presents several technical challenges: First, Complexity of liposomal formulations, with few approved drugs, making it difficult to establish comprehensive technical systems. Second, Lack of high-quality excipients; developing new lipids has high barriers and costs. Third, Shortage of industrial-scale equipment; existing liposomal products vary in design, leading to differences in production techniques and processes, with equipment often customized by manufacturers. Fourth, Challenges in quality control; diverse and complex preparation methods for liposomes result in numerous quality control points, making consistency difficult to ensure. In the context of domestic liposomal drugs being limited to basic research without industrial application, our company initiated liposomal drug development and gradually established a nanotechnology platform.

Risk Management

We have integrated the risks associated with pharmaceutical R&D and innovation into our corporate risk management and internal control systems. In addition, the Group consistently adopts a conservative and prudent capitalization policy for R&D projects – capitalizing only those initiatives that are technically feasible, have clearly defined future objectives, controllable risks, and a strong likelihood of generating future economic benefits – to ensure that risks remain manageable.

Metrics and Targets

Since its establishment, the Group has upheld the corporate mission of "The More We Explore, the Healthier the People Will Be," With a core focus on identifying gaps and dissatisfaction in clinical treatments and providing more effective treatment solutions and drugs, the Group strives to become an innovator and leader in the biopharmaceutical industry. The Group remain closely attuned to emerging technologies, actively adopting new innovations, continually exploring, and consistently developing new projects. For detailed innovation-driven metrics, please refer to the "Core Technologies and R&D Progress" section of our annual report.

Complying with Technology Ethics

While advancing innovation and research and development, the Group consistently adheres to the compliance requirements of scientific ethics. We rigorously comply with all relevant laws, regulations, and guidelines – including, but not limited to, the *Regulations on the Ethical Review of Life Sciences and Medical Research Involving Human Subjects (2023)*, *Interim Measures for the Ethical Review of Science and Technology (2023)*, *Good Clinical Practice for Pharmaceutical Clinical Trials (2020)*, the *Declaration of Helsinki (2024 Revision)*, the *Biosafety Law of the People's Republic of China*, the *Regulations on the Administration of Human Genetic Resources of the People's Republic of China*, the *Implementation Rules for the Administration of Human Genetic Resources (Ministry of Science and Technology Order No. 21)*, and the *ICH "E6 (R3): Good Clinical Practice for Pharmaceutical Clinical Trials (2025)*". During this Reporting Period, our Group recorded no violations related to technology ethics.

Prior to initiating clinical trials, we conduct rigorous internal reviews in accordance with applicable laws and guidelines and submit the necessary declarations to the relevant authorities. Additionally, we strictly adhere to the management and oversight requirements of each trial centre's ethics committee, ensuring that all necessary approvals are obtained before any research commences.

Furthermore, the Group continuously strengthen our technology ethics compliance system by regularly organizing internal training on GCP and related regulations to enhance our employees' ethical awareness and professional capabilities, thereby ensuring full compliance throughout the clinical trial process. Looking ahead, we will further optimize our compliance management mechanisms and reinforce risk prevention measures in technology ethics to provide a solid foundation for the healthy development of our innovative R&D initiatives.

Proper Supply Chain Management

Supplier Management System Construction

Supplier management is one of the most important parts of quality management for pharmaceutical enterprises. Stability, safety and effectiveness of product are directly influenced by the selection of suppliers. The Group formulated *Supplier Management Policy* to regulate the operational procedures of evaluation and approval for material suppliers, and clarify the suppliers' qualification, selection principle, quality evaluation methods, evaluation standard, and approval procedure for material suppliers. In the procedure of selecting suppliers, the Group requires the suppliers should have relevant qualification certificates and be able to guarantee uniform source and controllable quality. Priority is given to suppliers passing GMP examinations and suppliers with good reputations. As of the end of the Reporting Period, the Group had 800 suppliers. The number of suppliers by geographical region is shown as below:

Region	Number
Shanghai	277
Guangdong	116
Beijing	80
Jiangsu	63
Zhejiang	50
Others	214

Note: The number of suppliers by region is only listed for the top 5 regions and other regions.

Supply Chain Risk Assessment

We conduct risk assessment for suppliers and assess and control suppliers based on the assessment result. Quality Management Department conducts document audit and on-site audit for material suppliers based on the result of risk assessment:

- **Document Audit:** Quality Management Department evaluates suppliers based on information from completed supplier questionnaires.

- **On-site Audit:** Quality Management Department organizes related departments (Logistics Department and Manufacturing Department) to set up audit team. The audit covers personnel institutions, facilities and equipment, material management, production process and production management. The audit also verifies authenticity of qualification certificates and testing reports of suppliers.

We conduct continuous testing to performance of approved suppliers, including annual review and regular audit. Annual review includes testing result of quality testing, quality complaints and unqualified management records etc., by which the risk of supplier is further assessed. We will increase audit frequency or change document audit to on-site audit or immediate audit in the circumstances where suppliers have quality issues or their production condition, technology, quality standard, inspection methods and other significant factors influencing quality have great change.

In 2025, during an on-site audit of a production material supplier, we found that the supplier had shortcomings in the quality management system in terms of product turnover, verification plan, public system maintenance and product quality review and analysis. In response to these problems, we communicated with the supplier and put forward requirements for improvement: strengthen the training of product turnover personnel to avoid confusion and errors; postpone the application for cleaning verification and complete the cleaning within the extension period; clarify that the cleaning cycle of deionised water tanks and intermediate water tanks in the public system is every 6 months; in product quality review and analyse the return of the product in the report. After receiving the rectification request, the supplier carried out rectification in time to avoid the negative impact on subsequent production and delivery.

Supply Chain Environmental and Social Risk Management

To promote suppliers to reduce environmental pollution and fulfill relevant requirements of social responsibilities, we formulate *Regulations on Environmental and Social Responsibility of Suppliers* and raise strict requirements of environmental and social responsibility to suppliers. For instance, it is required that the pollutant discharged by suppliers should comply with relevant standards, and priority selection should be given to environmental-friendly and energy saving technologies. During storage and transportation process, the suppliers should ensure that the discharge meets relevant standards and the process is safe. In addition, for the suppliers' social responsibility, the Group requires all suppliers to prevent child and forced labour, ensure employees' health and safety, strictly fulfil the responsibilities to their product, etc.

The Group formulated Supplier Questionnaire for the evaluation of the suppliers' quality system. The questionnaire is set up to investigate and manage relevant qualifications of suppliers and investigate the EHS management situation of suppliers, requiring them to strengthen environmental and social risk management. The Group formulated *Materials Purchase Management* to regulate management and procedure of material purchase and control rationality and normalisation of purchasing process.

Equal Treatment of SMEs

In our supply chain management, we consistently uphold the principles of fairness and transparency to ensure that small and medium-sized enterprises have equal opportunities in our collaborations. We support their sustainable development through a series of actionable measures, striving to build mutually beneficial partnerships based on shared risks and resources that foster joint growth.

In our supplier selection process, we employ diversified evaluation criteria that not only assess scale and cost, but also emphasize technical and service capabilities, quality management, and sustainable development potential, ensuring that SMEs enjoy equal opportunities in bidding and collaboration. Additionally, we strictly adhere to contractual payment cycles to guarantee timely payments, thereby alleviating financial pressures and promoting their healthy development.

PROTECT GREEN PLANET

The Group consistently regards environmental protection as a vital component of its corporate social responsibility, committed to achieving sustainable development goals and safeguarding the Earth's ecological environment. We strictly abide the *Energy Conservation Law of the People's Republic of China, Environmental Protection Law of the People's Republic of China, Atmospheric Pollution Prevention and Control Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, Water Pollution Prevention and Control Law of the People's Republic of China* and other relevant laws and regulations, attaching great importance to environmental protection and having established a sound management system and setting up a leadership team for environmental protection management to comprehensively manage environmental affairs. The Group did not commit any environmental-related violations during the past three years.

As a publicly listed company, the Group has long actively and proactively fulfilled its social responsibilities, with a focus on environmental protection. This responsibility is an important factor considered at all stages of our operations. These stages refer not only to daily processing and production but also to functions such as procurement, logistics, and administration. In our environmental work, best practices are applied wherever possible and reasonable, and relevant functional departments consider environmental management through evaluating policies, strategies, objectives, implementation, and measurement methods concerning water, air, noise, and waste pollution.

During the Reporting Period, the Group adhered to its consistent environmental policies, strictly implemented national laws, regulations, and emission standards, and proactively carried out the environmental target objectives set by the Board at the beginning of the year. During the Reporting Period, the Group underwent multiple specific inspections of wastewater discharge by relevant government agencies and no violations of applicable laws and regulations were found. In addition, we have commissioned independent third-party professional organizations to regularly assess environmental indicators including noise, air, and water, striving to effectively control environmental risks and ensure that pollution is discharged in compliance with standards.

Adopting the vision for environmental and social sustainable development, the Group strives to prevent pollution, actively promote energy conservation and emission reduction and protect ecological diversity, thus to build an environment-friendly society. During the Reporting Period, the Group has invested approximately RMB2,000,000 in environmental protection.

In order to continuously improve the Group's environmental management and performance, and further implement the concept of green development, the Group has updated the aforementioned environmental target with 2023 as the base year, so as to continuously fulfil its environmental responsibilities.

Environmental Indicators	Environmental Targets	Progress
Emissions	• All wastewater shall be treated and discharged in compliance with the standards	Achieved
	• Gradually reduce Greenhouse Gas (GHG) emissions, reduce GHG emissions intensity by 3% by 2025	In progress
Wastes	• All hazardous and non-hazardous waste are entrusted to qualified organizations for disposal	Achieved
	• Gradually reduce the discharge density of hazardous wastes	Achieved
Energy	• Gradually reduce energy consumption, reduce the intensity of energy consumption by 3% by 2025	In progress
Water Resources	• Gradually reduce water usage, reduce water intensity by 3% by 2025	In progress

Note: During the Reporting Period, the Group continued to increase investment in research and development and actively promoted R&D progress, leading to an increase in R&D and related supporting activities. This resulted in a periodical rise in energy use and water demand, causing the energy consumption intensity and water usage intensity targets to fall short of expectations. At the same time, this year, the Group refined the greenhouse gas accounting boundaries in accordance with the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard*, including refrigerants, methane, and nitrous oxide in Scope 1 accounting, leading to an increase in Scope 1 greenhouse gas emissions, thereby affecting the achievement of greenhouse gas emission intensity targets. In the future, the Group will continue to advance energy-saving and emission reduction as well as water-saving management efforts, continually improving resource use efficiency and environmental management standards.

Proper Emissions Management

The Group continuously improves design, uses clean energy and resources, adopts advanced technologies and equipment, improves management and comprehensive utilisation in production, by which resources are used more efficiently, pollutions are reduced from the source, and generations and emissions of pollutants in production and services are reduced or avoided. The Group formulated *Environmental Protection Management Regulation* to guarantee the practical implementation of normalised measures and provide a basis for emission management.

Our pollutant discharges consist primarily of effluents, air emissions, greenhouse gases and solid waste. In accordance with national standards, local standards and biopharmaceutical discharge standards, the Group invites qualified institutions to monitor effluents and air emissions. At the same time, we standardize and implement the management of emissions through internal management regulations, ensuring that emissions management follows established procedures.

Effluents and Air Emissions

Industrial effluents and domestic sewage from drug development and production consist of most of the wastewater in the Group. We strictly control effluent emissions and comprehensively treat the effluents, ensuring wastewater is treated to meet standards before discharge into municipal sewer lines. In accordance with the *Discharge Standard of Pollutants for Bio-pharmaceutical Industry*, the Group adopts primary treatment to effluents which cannot be directly discharged and accepts irregular monitoring by relevant authorities.

Exhaust gas from drug development and production consists of most of the air emissions in the Group. In accordance with the *Emission Standard of Air Pollutants for Pharmaceutical Industry and the Integrated Emission Standard of Air Pollutants*, the Group regulated and controlled operation of air treatment equipment to make the air emissions reach relevant standard.

In accordance with the *Emission Standard of Air Pollutants for Pharmaceutical Industry*, the *Integrated Emission Standard of Air Pollutants* and other emission standards. The Group developed *Standard Operation Procedures of Air Emission Treatment Equipment* to regulate and control operation of air treatment equipment to make the air emissions reach relevant standard.

During the Reporting Period, the Group's KPIs related to emissions are shown as below:

Types of Emissions	**2025**	2024	2023
Wastewater (tonne)	**39,225.25**	51,617.60	52,586.40
COD (kg)	**3,068.44**	2,106.00	850.79

Notes:

1. The Group's wastewater chemical oxygen demand (COD) emission data are calculated by multiplying the wastewater volume by the periodically monitored COD concentration. The Group's COD emissions are related to project arrangements such as product clinical trials, production approvals, and R&D progress.

Wastes

Hazardous and non-hazardous wastes are produced from drug development and production by various departments in the Group.

The Group has registered with Solid Waste Management Information System in Shanghai and Taizhou to monitor the treatment of wastes and conducted strict management over wastes as per *internal management regulations*. The Group requires departments to fill in the *Application Form for the Disposal of Toxic and Hazardous Waste* which requires material name, packing specification, chemical property, component, content, amount, waste form and waste reason. After the form is approved and signed by the department head, it is submitted to the Environment, Health and Safety (EHS) Department for approval and filing, wastes are stored in specified waste storage room or neutralisation tank.

We have commissioned manufacturers in Shanghai and Taizhou, holding local "Hazardous Waste Management Licenses," to handle the hazardous waste generated in Shanghai and Taizhou respectively. General solid waste is handled by qualified companies, while household waste is transported and disposed of by the local municipal sanitation departments.

Furthermore, we have incorporated the concept of a circular economy into our production and operations, striving to reduce solid waste generation through measures such as waste recycling and promoting waste sorting. During the Reporting Period, we recycled a total of 33 tons of solid waste, including waste cardboard boxes.

During the Reporting Period, the Group's KPIs related to hazardous and non-hazardous waste discharge are shown as below:

Wastes	**2025**	2024	2023
Hazardous Waste Emissions in Total (tonne)	**108.82**	153.98	166.39
Intensity (tonne/million RMB of revenue)	**0.16**	0.22	0.23
Non-hazardous Waste Emissions in Total (tonne)	**50.66**	52.20	49.80
Intensity (tonne/million RMB of revenue)	**0.07**	0.07	0.07

Notes:

1. The types and emissions of hazardous wastes of the Group are calculated according to the *Hazardous Wastes Transfer Form*.
2. The Group's non-hazardous wastes only include domestic wastes and are collected and disposed by the local Municipal Environmental Sanitation Department, which estimates the total amount of wastes and charge the Group accordingly.

Resources Conservation

Resources used by the Group are principally electricity, steam and water. To improve energy and resource usage efficiency and reduce waste, the Group implements the principles of "saving energy, reducing consumption, reducing pollution, and improving efficiency".

The Group motivates departments to save energy and water through an energy and water-conservation performance management system. Historical data and the actual production conditions are considered to set energy and water conservation targets for departments. Department heads should develop energy and water-conservation targets for their department according to the Group's energy and water-conservation targets. Departments of using production resources should improve utilisation of raw materials, take measures to reduce unqualified product rate, gradually reduce resources used for unit product, promote regular statistics and analysis on resources loss, make solutions and decide the agenda and responsible person. Resource consumption in departments is monitored and measured regularly to find the reason for the projects which do not complete energy and water-conservation plan. Relevant measures should be made and the implementation of the measures should be supervised and examined.

The Group seasonally adjusts the high electricity consumption equipment such as air conditioner in clean plant to reduce load. After energy-conservation reconstruction, warm water generated in heat source of water equipment, such as heat exchange of cooling water in distilled water machine and pure steam generator, is used as boiler makeup water. This could recycle boiler water, reduce cooling water discharge, not only save water, but also cut down boiler heat consumption, saving energy and reducing emissions.

Shanghai Fudan Zhangjiang Chiller Unit Renovation Project

To further improve the operational efficiency and load balance of the cleanroom's air conditioning system, Shanghai FDZJ conducted energy-saving renovations and optimized operational strategies for its existing chiller units and circulation systems. Before the renovation, the building's chiller plant and air conditioning system operated in a decentralized configuration. After the renovation, through pipeline integration and online control, and by optimizing equipment start-up and shutdown strategies, single-unit operation is implemented for approximately four months during autumn and winter, while independent operation is used as needed during the remaining seasons. This has reduced the overall annual electricity consumption to approximately 1,563.6 MWh, achieving significant energy savings. It is estimated that annual electricity savings will be approximately 489.3 MWh, a reduction of about 24%, equivalent to a reduction of 259.62 tons of greenhouse gas emissions, balancing environmental and economic benefits.

We actively promote the use of green energy. During the Reporting Period, Shanghai FDZJ purchased 19.5 MWh of green electricity during the reporting period, and Taizhou FDZJ installed a grid-connected solar photovoltaic power generation system on its factory roof. In 2025, photovoltaic power generation reached 169 MWh, reducing greenhouse gas emissions by a total of 100.02 tons.

Furthermore, Taizhou FDZJ always adheres to the principle of prioritizing safe and environment and energy-saving measures when introducing new products and processes. In the design of the utility refrigeration system and the PA system of the Phase II ADC Production Project, the screw inverter + centrifuge energy-saving concept and the inverter + industrial frequency energy-saving concept were adopted respectively, so as to achieve the goal of low energy consumption in the long term.

During the Reporting Period, the Group's KPIs for resources usage are as follows:

Resource Consumption	**2025**	2024	2023
Diesel (MWh)	**0.00**	0.00	0.13
Gasoline (MWh)	**10.94**	12.03	15.30
Natural Gas (MWh)	**0.00**	0.00	1,393.23
Total Direct Energy (MWh)	**10.94**	12.03	1,408.66
Electricity (MWh)	**15,693.10**	11,326.48	12,774.10
Steam (MWh)	**7,873.63**	9,827.44	6,221.47
Total Indirect Energy (MWh)	**23,735.73**	21,153.92	18,995.57
Total Energy Consumption (MWh)	**23,746.67**	21,165.95	20,404.23
Total energy consumption (tons of standard coal)	**2,918.47**	2,601.30	2,507.68
Intensity (MWh/Million RMB of Revenue)	**34.63**	29.84	28.69
Total Water Consumption (tonne)	**130,784.50**	175,412.85	135,340.00
Intensity (tonne/Million RMB of Revenue)	**190.70**	247.27	190.30
Packaging Materials in Total (tonne)	**41.62**	49.04	52.19

Notes:

1. Total energy consumption is calculated based on purchased electricity, purchased steam, natural gas, and diesel and gasoline consumption. The energy conversion factor is derived from the default values of fossil fuel-related parameters in Table 2.1 of the "Guidelines for Greenhouse Gas Emission Accounting Methods and Reporting of Chemical Production Enterprises in China" issued by the National Development and Reform Commission, the saturated steam enthalpy value in Table 2.4 of the "Guidelines for Greenhouse Gas Emission Accounting Methods and Reporting of Enterprises in Other Industrial Sectors," the fuel density in the "Energy Statistics Manual" of the Energy Department of the National Bureau of Statistics, and the "China Energy Statistical Yearbook."

2. Due to the complexity and diversity of the Group's products, it is difficult to accurately measure the total weight of products. Therefore, this report does not disclose the percentage of packaging materials per unit of finished products used in key performance indicators A2.5. We will disclose this percentage per unit of finished product packaging materials in a future, as appropriate.

3. The Group's water consumption mainly consists of production and domestic water use, sourced from tap water, which meets the daily operating water needs.

4. The Group's production activities are drug research and development and manufacturing, which do not involve other environmental and natural resources. Therefore, A3 level (environment and natural resources) and A3.1 (describe the significant impact of business activities on the environment and natural resources and the actions taken to manage the impact) are not applicable and are not disclosed in this report.

Address Climate Change

Global climate change has a profound impact on human survival and restricts sustainable development on enterprise. Accelerating adaptation to climate change is a common global issue. We continue to monitor the impact of climate change trends and regulations evolution at home and abroad on the pharmaceutical industry and our business operations.

Governance

The ESG working group of the Group actively identifies the risks and opportunities that the Group faces in relation to climate change, develops the desired response, and reports regularly to the Senior Management and the Board. The Board of Directors reviews the responses to climate related risks and opportunities at least once a year, oversees the implementation and disclosure of related issues and takes climate issues into strategy and business consideration.[1].

Strategy

In 2024, in accordance with the climate disclosure requirements of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, and with reference to IFRS S2 (International Financial Reporting Sustainability Disclosure Standard 2 – Climate-Related Disclosures), we identified and assessed significant climate-related risks and opportunities. Specific steps included:

- **Identification:** Based on a database of mainstream international climate risks and opportunities, we conduct extensive peer research and, in conjunction with the Group's current operations, strategic planning, and the latest global climate regulatory trends, identify climate-related risks and opportunities.

- **Analysis:** We invite the Group's management and department representatives to assess the short-, medium-, and long-term impacts of climate-related risks and opportunities from two dimensions: severity and probability of occurrence. We then prioritize these risks and opportunities based on management feedback and external expert recommendations, identifying significant climate-related risks and opportunities.

- **Assessment:** Using publicly available climate scenario assumptions, we assess the impact of climate factors on operational continuity, compliance and supply chain stability, cost structure, and customer experience, considering both high-emission and low-emission scenarios.

- **Response:** We integrate the scenario analysis results with the Group's climate response strategies to assess the Group's business resilience and the effectiveness of its climate response measures, thus determining future course of action.

Scenario Definitions	High-emission scenario: Referring to IPCC climate scenarios, global warming will exceed 4℃ by the end of this century. Low-emission scenario: Based on the Paris Agreement, global warming is limited to 1.5℃ or well below 2℃.
Timeframe[2]	Short-term: 2025 Medium-term: 2030 Long-term: 2050

1 At present, Fudan Zhangjiang has not incorporated climate-related factors into its compensation policy.

2 Based on the Group's business plan, energy conservation and emission reduction targets and strategies, and the climate-related policies of the countries or regions where the operating sites are located.

In 2025, the ESG Working Group reviewed and assessed the significant climate-related risks and opportunities identified in the previous year. Given that there were no significant changes in the Group's business and operating environment, the Working Group confirmed that the relevant risks and opportunities remained applicable and continued to use the identification results from the previous year:

Climate risks/opportunities		Business and financial impact[3,4]	Time horizon	Impact on value chain	Response measures
Physical risk	Rising mean temperatures	Pharmaceutical production, storage and transportation have high requirements for temperature. The increase in mean temperatures will lead to a greater demand for air conditioners, refrigerators and other equipment, resulting in increased energy consumption and higher production and operating costs.	Medium/ long term	Operation	We have established a comprehensive energy-saving performance management system. We actively reduce energy consumption through measures such as introducing high-efficiency equipment and retrofitting existing equipment for energy conservation. For specific energy-saving measures, please refer to the Resources Conservation section.
	Extreme weather such as typhoons and floods	The increasing frequency and severity of extreme weather will damage our plants, equipment and facilities, resulting in lower asset values and higher insurance expenses. In addition, extreme weather can cause disruption to operation and supply chain, resulting in lower revenue.	Short/ medium term	Upstream Operation	We have formulated emergency procedures and protective measures for extreme weather such as typhoons, floods and heavy rains to minimize the risk of operational disruption and reduce asset losses.
Transition risk	Rising raw material costs	Climate change may affect the production and supply stability of raw materials, resulting in higher raw material prices and higher production costs.	Short/ medium/ long term	Upstream Operation	We continue to focus on the supply of key raw materials, strengthen communication with suppliers, and promote an alternative supplier system to diversify the sources of raw materials, thereby enhancing the stability of raw material supply.

Climate risks/opportunities		Business and financial impact[3,4]	Time horizon	Impact on value chain	Response measures
Climate-related opportunities	Use of low-carbon energy	Promoting the use of low-carbon energy such as photovoltaic, will help reduce carbon emissions, decrease dependence on fossil energy and lower the cost of potential carbon emissions.	Short/ medium/ long term	Operation	Based on the actual situation, we have installed solar photovoltaic grid-connected power generation facilities on the factory roof of Taizhou Fudan-Zhangjiang. The photovoltaic power generation reached 169 MWh in 2025.
	Improving production and operation efficiency	Improving energy efficiency in production, storage and transportation will help reduce energy use, lower operating costs and reduce carbon emissions.	Short/ medium/ long term	Upstream Operation Downstream	We have established a comprehensive energy-saving performance management system. We actively reduce energy consumption through measures such as introducing high-efficiency equipment and retrofitting existing equipment for energy conservation. For specific energy-saving measures, please refer to the Resources Conservation section.

3 Fudan Zhangjiang has not identified any climate risks or opportunities that could have a material impact on its current financial condition, financial performance, and cash flows. Based on Appendix D of the ESG Reporting Code, "compliance or interpretation," Fudan Zhangjiang is not required to conduct a quantitative analysis of the current financial impact.

4 When assessing the expected financial impacts, Fudan Zhangjiang adopted a "financial effects relief" approach for the quantitative analysis of the expected financial impacts of climate-related risks and opportunities because the measurement methods for these impacts were too uncertain.

Based on our experience, including the Reporting Period, the Group's plants have never experienced significant asset losses or major disruptions to production and operation due to extreme weather such as typhoons, floods and heavy rains. To cope with potential operational risks caused by extreme weather and natural disasters such as typhoons, heavy rains and floods, we have developed corresponding emergency procedures and protective measures to minimize losses. In addition, the Group is not involved in large-scale production activities, so the risk of increased raw material costs is relatively low. We will continue to monitor the trends of climate policies both at home and abroad. We will also regularly assess climate-related risks and review our climate strategies and resilience. Our goal is to enhance the Group's sustainability performance and continuously strengthen our climate resilience[5].

Risk Management

We have integrated climate-related risks into enterprise risk management and internal control system. Through the *Risk Management System*, the Risk Management and Internal Audit & Control Department organizes, coordinates, guides and supervises the execution of the basic risk management process by each department every year. This includes collecting initial risk management information, conducting risk assessment, formulating risk management strategies, developing and implementing risk response measures, and carrying out risk management supervision and improvement. Regular management reports are also provided to management and the Audit Committee of the Board.

Indicators and Targets

Our greenhouse gas emissions primarily originate from electricity and steam consumption in production facilities and offices (Scope 2: Indirect Greenhouse Gas Emissions from Energy), and from the release of gasoline and diesel fuel from vehicles and a small portion of fire extinguishing equipment and refrigerant (Scope 2: Direct Greenhouse Gas Emissions). The main emission types are carbon dioxide, methane, nitrous oxide, and hydrofluoric acid compounds. The Group has set targets for "gradually reducing greenhouse gas emissions, aiming to reduce greenhouse gas emission density by 3% by 2025" and "gradually reducing energy consumption, aiming to reduce energy consumption density by 3% by 2025."[6,7,8]

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5 In climate resilience assessment, quantitative analysis of climate resilience under different emission scenarios requires undue costs to obtain all reasonable and evidence-based data. Therefore, a "reasonable information relief" is adopted for the quantitative analysis of climate resilience.

6 Fudan Zhangjiang has addressed climate change through relevant goals and measures. Given that the Group is not involved in large-scale manufacturing and has a relatively small impact on the climate, no climate-related transition plans were formulated during the Reporting Period.

7 At present, the Group has not yet introduced an internal carbon price mechanism in its investment decisions, transfer pricing and scenario analysis, nor has it determined the carbon price per metric tonne parameter for assessing the cost of greenhouse gas emissions.

8 Going forward, the Group will continue to monitor changes in climate-related disclosure requirements based on regulatory requirements, business development, and internal preparedness, and will review relevant disclosure arrangements as appropriate.

During the Reporting Period, the Group's KPIs[9] related to greenhouse gas emissions are shown as below:

Greenhouse gas	**2025**	2024	2023
Direct Greenhouse Gas Emissions (Scope 1) (tCO_2e)	**413.19**	2.94	282.34
Energy Indirect Greenhouse Gas Emissions (Scope 2, market base) (tCO_2e)	**11,467.71**	9,350.55	9,650.97
Energy Indirect Greenhouse Gas Emissions (Scope 2, location base) (tCO_2e)	**11,478.06**	9,870.52	9,748.77
Total Greenhouse Gas Emissions (market base) (tCO_2e)	**11,880.90**	9,353.49	9,933.31
Total Greenhouse Gas Emissions (location base) (tCO_2e)	**11,891.25**	9,873.46	10,031.11
Intensity (market base) (tCO_2e/million RMB of revenue)	**17.32**	13.18	13.97
Intensity (location base) (tCO_2e/million RMB of revenue)	**17.34**	13.92	14.10

Notes:

1. During the Reporting Period, the Group conducted a greenhouse gas inventory in accordance with the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard* published by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). Greenhouse gas accounting was presented in carbon dioxide equivalents. The greenhouse gas accounting methods and conversion factors were derived from the *Guidelines for Greenhouse Gas Emission Accounting and Reporting Methods for Chemical Production Enterprises in China* and *Guidelines for Greenhouse Gas Emission Accounting and Reporting Methods for Other Industrial Enterprises* published by the National Development and Reform Commission, the *2019 National Greenhouse Gas List Guidelines* published by the Intergovernmental Panel on Climate Change (IPC), and the national power grid average emission factors for 2021, 2022, and 2023 published by the Ministry of Ecology and Environment.

2. The significant increase in greenhouse gas emissions in Scope 1 during the reporting period compared to last year is due to the inclusion of refrigerant fugitive emission sources in the calculations this year in accordance with the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard*.

3. Due to the undue costs required to obtain all reasonable and well-founded data, the Group adopted the "reasonable information relief" for Scope 3 emissions.

[9] When calculating specific cross-industry indicators "the amount and percentage of assets or business activities vulnerable to climate-related physical and transition risks" and "the amount and percentage of assets or business activities exposed to climate-related opportunities", "reasonable information relief" is applied as it needs undue cost or effort to obtain all reasonable information and data.

CREATE A HAPPY WORKPLACE

Protection of Employees' Rights and Interests

The Group consistently regards safeguarding employee rights as a core responsibility, ensuring compliance with relevant laws and regulations to uphold employees' lawful rights and interests. We strictly comply with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and relevant laws and regulations. The lawful rights and interests of the Group's employees are actively protected through a series of employee management policies such as the *Labour Management Policy*, the *Employee Handbook*, the *Work Summary Management Policy*.

Recruitment and Dismissal

We adhere to the principle of equality in the recruitment process and make recruitment plan conform to the principle of "capable, efficient and putting quality before quantity", and recruit talents through open recruitment and employee referral according to the principle of "compete openly and select the best". We select employees by work attitude, applicable ability, knowledge, experience, potential and teamwork. All employees of the Group are entitled to an employment contract according to relevant laws and regulations at the start of their employment. Resignation and dismissal are processed according to the standard procedures of work handover to meet requirements of relevant laws and regulations and internal policies.

As of the end of the Reporting Period, the Group had a total of 876 employees, of which 871 were full-time employees and 5 were part-time employees. The total number of employees by gender, age group and region, as well as the employee turnover rate during the reporting period, are shown in the table below:

Indicator	**Indicator Dimension**	**Detail**	**2025**	2024
Employee Structure	Gender	Male	**301**	325
		Female	**575**	600
	Age Group	＜30	**287**	312
		30-49	**546**	579
		≥50	**43**	34
	Region	Shanghai	**725**	788
		Taizhou	**151**	137
Employee Turnover Rate	Gender	Male	**22%**	20%
		Female	**21%**	21%
	Age Group	＜30	**27%**	19%
		30-49	**19%**	20%
		≥50	**16%**	26%
	Region	Shanghai	**23%**	20%
		Taizhou	**13%**	23%

Note: Employee Turnover Rate = Number of employees lost during the Reporting Period/Total number of employees at the end of the Reporting Period*100%

Compensation and Promotion

Our Group implements a classified remuneration system, setting salary grades for each position based on job responsibilities and requirements, and constructing a comprehensive compensation system covering standard salary, subsidy, benefit, performance distribution and award. In accordance with relevant national laws and regulations, we legally contribute to employees' social insurance programs, including public pension fund, public housing fund, medical insurance fund, unemployment insurance fund, labour union expenditure, while also providing holiday benefits.

Our Group implements a diversified assessment approach. The company's Board of Directors is responsible for developing and evaluating the annual work plans of senior management (including vice presidents and above). Department managers and deputy managers submit annual work summaries and self-assessments based on the *Annual Work Plan and Budget Management Policy*, which are then evaluated by the vice president in charge based on target achievement. And then the company conducts a comprehensive assessment. Employee performance appraisals are typically conducted at the end of the year and consist of three parts: employee self-assessment, supervisor assessment, and company appraisal. Employee self-assessment is conducted through the annual summary. Supervisor and company assessments are conducted by department managers based on a comprehensive evaluation of employee work performance, work attitude, ability, workload, and suitability, while also considering feedback from relevant departments. Individual year-end summaries, department manager performance reviews, and annual comprehensive evaluation results will form an important part of employee files and provide crucial evidence for salary adjustments, promotions, job reassignments, and training.

We have established a job level system covering P1 to P13, providing clear career development paths for employees at different positions and skill levels. Every employee can find a growth path that matches their abilities and career plans. The company conducts regular job level assessments annually, adhering strictly to the principles of fairness, impartiality, and transparency. The selection criteria include skill level matching, results-oriented approach, and continuous improvement. During the assessment process, multiple dimensions, including professional skills and job value, are comprehensively considered to ensure fairness and transparency.

Working Hours and Holidays

We employ the standard working hours system to regulate attendance management. Employees are entitled to overtime pay if they obtain prior approval. We provide employees with paid days off from work for national public holidays, maternity leave and accompanying maternity leave, compassionate leave, medical treatment period and sick leave, personal leave and injury leave. Employees working for more than one year are entitled to paid annual leave and marriage leave.

Labor Standards

In accordance with the *Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China, Provisions on the Prohibition of Using Child Labour* and other laws and regulations, we avoid any use of child labour and forced labour. According to *Labour and Personnel Regulations*, all new employees' identification cards will be checked before they join in the Group to ensure their ages meet requirements of laws and regulations. If any child labour occurs by accident, we will immediately terminate the employment contract and handle it properly according to the laws and regulations. According to the *Working Hours and Attendance Management System*, if any employee has to work overtime, he/she should submit an overtime application. The Group will reasonably arrange for compensatory leave and provide overtime allowance. During the Reporting Period, the Group did not use child labour or forced labour.

Equality and Inclusiveness

In strict compliance with national and local regulations, every department, organisation and personnel of the Group allows no biases against any employee based on race, gender, skin color, age, family background, ethic, religion, physical quality, national origin and other personal characteristics, so as to ensure that employees are treated in a fair and open manner in every aspect such as recruitment, duty performing, remuneration, training, promotion and compensation.

Development and Training

We respect talents and apply sound regulations to select talents and explore employees' potential. Various types of training are provided based on work and employees' career needs. *Management Policy for Education and Training* was formulated to regulate training and continuing education. The following types of training are already in place:

Internal Training: Internal training includes routine training by internal trainer and external trainer.

Orientation Training: After new employees join in the Group, the Human Resources Department jointly with employing department conducts trainings on policy and business.

Professional Training: Arrangements are made for employees to take online or offline professional trainings based on employees' technical and business development demand.

Work License Training: Work license training and continuing education should be taken according to work demand.

To promote employees' interpersonal communication and teamwork, Shanghai FDZJ has founded teamwork training fund to provide expenditure for every department, and developed *Regulations of Use of Teamwork Training Fund* to specify fund amount and usage.

In 2025, each department organized multi-dimensional specialized training programs in accordance with its core work functions, categorized and structured across different levels. These programs will cover key modules such as practical professional skills training, in-depth professional knowledge development, quality management document standardization, professional platform operation, and project management. Through systematic training, employees' overall competence and teamwork capabilities will be significantly improved. We will also innovatively adopt various methods, including offline practical exercises, video self-study, and face-to-face instruction from professional lecturers, and actively collaborate with well-known pharmaceutical platforms to ensure the efficient implementation of employee training programs.

During the Reporting Period, the Group organized a total of 24,643.58 hours of training. The percentage of employees trained by gender, job level, and job function, and the average training hours completed per employee are shown in the table below:

Indicator Dimension	Detail	Percentage of trained employees	Average training hours completed per employee
Gender	Male	33.4%	29.1
	Female	66.6%	22.4
Employee Grade	Senior management	0.6%	35.8
	Middle management	3.5%	24.0
	Junior employees	95.9%	24.6
Employee Functions	Technician	26.0%	30.7
	Marketing	56.6%	18.5
	Manufacturing	13.4%	39.9
	Administration personnel	4.0%	20.2

Note:

1. Percentage of Employees Trained = the number of employees trained in the specified category during the Reporting Period/the total number of employees trained *100
2. Average Training Hours per Employee = total hours of training for that category of employees during the Reporting Period/number of employees for that category
3. Technician includes employees with professional skills such as R&D personnel, quality assurance (QA) personnel, and quality control (QC) personnel, etc

Diverse Employee Activities

We pay close attention to demands of employees and organise meaningful events for employees, with an aim to share a warm family feeling among employees.

- **Annual meeting:** We clarify the company's strategic goals, add speeches by Senior Management, listen to employees, and provide opportunities for individuals and departments to showcase achievements through annual meeting.
- **Management meeting:** We hold management meeting every six months to summarize and affirm the work of departments and employees for the year. Based on the Company's annual strategic priorities, we provide management suggestions for future work and develop annual work plans.

- **Team building activities:** Every year, according to actual situation, we organise various group activities such as outing, cross-departmental learning and knowledge sharing, to strengthen cross-departmental communication and achieve a good work-life balance. We also arrange team building expenditure for every department.

- **Employee care:** We held an interview event on Labour's Day in 2025 to express our blessings and encouragement to our employees; we also held two book recommendation events to foster a positive learning environment and help everyone experience a work-life balance. In addition, we designed special ceremonies for employees on special occasions, such as birthday wishes, congratulatory letters for probationary periods, and promotions.

- **Employee experience:** To help new employees quickly adapt to their new environment, we organized intensive training programs, workshops, and experiential learning camps. The training programs and workshops were designed to help employees gradually understand the company's current situation and future development direction. In 2025, over 35 new and existing employees participated. These programs were primarily visually presented and included learning about the company's organizational structure, internal and external information, and company management systems. They also included sections for self-introduction, highlighting key moments, success factors, building trust, and future action plans to facilitate interaction and exchange. Simultaneously, based on work needs, we held themed events such as "In the AI Era, Emotions Grow with Us" and "AI Empowering Personal Strengths: Exploring the Path of Collaboration Between Individuals and Technology." Employees shared their insights, experiences using AI, and practical tools during these events, enhancing individual skills and promoting cross-departmental collaboration.

Improving Employee Satisfaction

We regularly assess employee satisfaction through various methods to ensure that employee needs are addressed and met, thereby promoting long-term employee development and company culture building. The following are some of the measures we take in assessing employee satisfaction:

- **Clear Career Development Paths:** Based on the Company's development needs and employees' growth needs, in early 2025, we officially released technical job level management rules, providing employees with clearer career development paths. In addition, we have developed growth plans for employees with potential, ensuring they receive appropriate training and support according to the organisation's and talent development needs.

- **Probationary Period Interviews:** During the probationary period, the Human Resources Department conducts satisfaction interviews with employees regarding their work environment, interpersonal relationships, work goals, and work progress. In 2025, we conducted comprehensive interviews with 14 probationary employees, ensuring 100% coverage, to understand their adaptation and satisfaction, identify problems promptly, and make adjustments.

- **Feedback Collection:** To ensure the rationality and implement ability of the company's management systems, the Human Resources Department formulates relevant systems according to standardized management requirements and widely solicits employee opinions through emails and special meetings. These opinions, after being reviewed by various departments and approved by the company, officially take effect, ensuring that employee opinions and needs are fully considered and reflected in the company's management practices.

- **Employee Experience Camps:** We collect employee opinions and suggestions on the company and their work through thematic workshops. These workshops not only provide employees with opportunities to express their opinions but also help us assess overall employee satisfaction. In 2025, we held multiple experience camps, covering 35 employees, and obtained valuable feedback.

- **Employee Interviews:** We regularly conduct one-on-one interviews with key departments and key personnel, providing them with an open communication channel. In 2025, the departmental interview coverage rate reached 100%. In addition, we also conduct in-depth interviews with new and departing employees, assessing employee satisfaction with the company across dimensions such as salary, work environment, career planning, and interpersonal relationships. In 2025, we conducted in-depth interviews with 63 employees, ensuring comprehensive feedback collection and analysis. All interview results are recorded and transformed into "Interview Records" and "Exit Interview Forms," providing practical evidence for future improvements.

Through these diverse methods, we can understand employee satisfaction in real time, promptly identify potential problems and take effective measures to ensure that employee needs and expectations are met, thereby improving overall employee motivation and company cohesion.

Safeguarding Employees' Safety and Health

We make efforts to safeguard employees' occupational health and safety, provide safe working environment and equipment, and implement safe working behaviours. We strictly observe the *Production Safety Law of the People's Republic of China*, the *Emergency Response Plan Management Measures for Production Safety Accidents*, and other laws and regulations. In combination with the Group's operational characters, we have developed a sound emergency management system for production safety accidents and a strict hazardous chemicals management procedure. We make continuous improvements and conduct safety education and emergency drills to enhance employees' safety awareness and emergency response capabilities. Additionally, we regularly conduct occupational disease medical examinations and testing for occupational hazards to safeguard the occupational health and safety of our employees. In the past three Reporting Periods, there was no work-related fatality. During the Reporting Period, the total number of lost days due to work injury was 43.

Guaranteeing Occupational Health

We develop an occupational health prevention and control plan and provide medical examinations for our employees every year, which includes orientation examination and on-the-job examination under the Good Manufacturing Practice (GMP) and pre-employment, on-the-job and exit examinations to prevent employees from occupational diseases. We entrust qualified inspection and testing institutions to regularly test and evaluate the working environment involving occupational hazards and provide corresponding reports. In addition, we actively organize sports activities and encourage employees to take part in to build up their bodies and enhance their physical fitness, we carry out sports activities including swimming, badminton, table tennis, billiards, basketball, etc.

We also regularly maintain and test firefighting facilities, special equipment and security facilities to ensure their proper operation.

We have established an emergency command centre based on the principle of "reporting in time, responding rapidly and human oriented", to effectively response to emergency events. We popularise our accident emergency operation procedures among employees through the *Emergency Plan for Work Safety Accidents*, so that emergency rescue can be implemented rapidly, efficiently and orderly after an accident to protect employees' life safety and reduce property loss.

Conforming to the principle of "Prevention First and Human-oriented", we have developed the *Emergency Plan for Fire, Explosion and Chemical Accidents* and the *Hazardous Operation Management Policy* and other regulations so that we can respond to and control accident rapidly and orderly, prevent pollution, protect production safety and employee life safety, and minimise loss and damage in case of any chemical, fire or explosion accident.

We combine accident emergency response with prevention work, enhance management of hazardous sources, and carry out accident prevention, monitoring, warning and forecast. We have equipped fire-fighting equipment in offices, factories, and warehouses, such as fire sprinkler, smoke detector, fire extinguishers, etc. We have also posted evacuation map at visible places. Emergency supplies and equipment are checked once every month to ensure that employees could use nearest emergency supplies in case of emergency accident. We also organised fire protection training and drill to raise employees' fire protection awareness and knowledge.

To standardise management regulations for hazardous materials and protect the safety of life, production and property, we have formulated the Management for Toxic, Inflammable and Explosive Hazardous Materials to regulate the purchase, acceptance, entering, storage, distribution and usage of hazardous materials as well as scrap disposal and emergency treatment. We have developed standard safety protection operation procedures specifically for categories of hazardous materials.

- Hazardous materials should be managed by special personnel who have attended relevant training and obtained job skill certificate;

- Hazardous materials should be stored by category according to minimum safe storage amount, and enough safety distance should be arranged for passageway between stackings;

- Safety measures should be taken for places dedicated to storing chemicals, such as ventilation, anti-explosion, fire protection, lightning protection, extinguishment and sunblock according to materials' type and property;

- Hazardous chemicals, which easily burn, explode and produce toxic gas in case of fire or moist, should not be stored in any place which is open, humid, low-lying and easy to collect water.

In 2025, in order to comprehensively test the reliability and authenticity of the Group's emergency response plans and strengthen the construction of the safety system, we conducted a series of emergency response drills, including but not limited to leakage emergency response drills, fire fighting drills, evacuation drills, and emergency drills for limited space operations.

Safety Culture Construction

We ensure safe production and strengthen safety awareness education by implementing the Management Policy for Production Safety Education and Training. We organise emergency exercises to strengthen employees' safety awareness and emergency ability. We have established a safety production leading group, which takes charge of propaganda of laws, regulations, prevention of production safety accidents, risk avoidance, disaster avoidance, and common sense of self-rescue and mutual-rescue among all employees and organises safety education and training irregularly.

We organise safety education and training on three levels, including company level (level 1), workshop or department level (level 2), section or team level (level 3). Employees should take relevant training and pass the examination before taking up the posts. Pressure vessel operator, electrician, high matches electrician, metering personnel, driver and other special operation personnel should take technical training and get certificates from competent authority before taking special operation

To enhance employees' emergency response capabilities and test the reliability of emergency plans, the Group conducted a series of emergency drills in 2025, including leak emergency response drills, firefighting drills, evacuation drills, and emergency drills for limited space operations. In addition, Shanghai FDZJ also organized and conducted safety training, including on hazardous chemical management, to ensure the effective implementation of all safety training programs.

CREATING SOCIAL VALUE

While creating value for shareholders and wealth for customers, we actively engage in public welfare, promoting social co-development through activities such as drug donations, supporting elderly protection, targeted assistance for farmers, and charitable donations.

Charitable Activities	We have cooperated with Beijing Huakang Public Welfare Foundation since April 2020 to carry out a public welfare assistance program, "For Their Tomorrow Patient Assistance Program", which aims to help low-income patients to obtain more sustainable and effective medical treatment, so as to alleviate patients' financial burdens and improve their quality of life. During the Reporting Period, the Group successively donated medicines worth approximately RMB9 million.
Support For Elderly Well-Being	To promote the traditional virtues of respecting and caring for the elderly, and to provide substantial assistance and care to the senior population, thereby improving their quality of life in their later years, the Group donated RMB200,000 to the Shanghai Xinyuan Jiujiu Public Welfare Foundation during the reporting period to support its online and offline charitable activities for the elderly. As of the end of the Reporting Period, over 50 online science popularization/promotional videos were released in 2025, garnering tens of millions of views; over 90 offline activities were successfully organized, covering 14 administrative districts and 28 sub-districts in Shanghai, benefiting over 10,000 people, promoting the social integration of the elderly, and strengthening intergenerational harmony.
Targeted Agricultural Support And Assistance	During the Reporting Period, the Group's labour union made purchases of agricultural products totalling approximately RMB 130,000 from economically disadvantaged farmers in Dayu Village, Malu Town, Shanghai, and impoverished mountainous farmers in Rongjiang County, Guizhou, in order to support rural revitalization and benefit farmers through concrete actions.
Public Donations	In response to the call of community charitable organizations, in December 2025, the Group donated RMB50,000 to the Zhangjiang Town Government of Pudong New Area, Shanghai, to support the "Joint Charity Donation" campaign. The funds were used for specific projects such as assisting the disabled, providing medical care, helping the poor, Red Cross care, supporting the military and their families, providing charitable assistance, and helping the elderly, in order to support poverty alleviation and promote community development.

APPENDIX

ESG Reporting Code Index

KPI	Description	Section(s)	Pages
A1 Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Protect Green Planet	P19
A1.1	The types of emissions and respective emissions data.	Proper Emissions Management Address Climate Change	P20 P24
A1.3	Total hazardous waste produced and, where appropriate, intensity.	Proper Emissions Management	P20
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Proper Emissions Management	P20
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Protect Green Planet	P19
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Protect Green Planet	P19

KPI	Description	Section(s)	Pages
A2 Use of Resource			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Resources Conservation	P23
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Resources Conservation	P23
A2.2	Water consumption in total and intensity.	Resources Conservation	P23
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Protect Green Planet	P19
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Protect Green Planet	P19
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Resources Conservation	P23
A3 The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Protect Green Planet	P19
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Protect Green Planet	P19

KPI	Description	Section(s)	Pages
B1 Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Protection Of Employees' Rights And Interests	P30
B1.1	Total workforce by gender, employment type, age group and geographical region.	Recruitment And Dismissal	P30
B1.2	Employee turnover rate by gender, age group and geographical region.	Recruitment And Dismissal	P30
B2 Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Safeguarding Employees' Safety And Health	P35
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Safeguarding Employees' Safety And Health	P35
B2.2	Lost days due to work injury.	Safeguarding Employees' Safety And Health	P35
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Safeguarding Employees' Safety And Health	P35

KPI	Description	Section(s)	Pages
B3 Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development And Training	P32
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development And Training	P32
B3.2	The average training hours completed per employee by gender and employee category.	Development And Training	P32
B4 Labor Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Labor Standards	P31
B4.1	Description of measures to review employment practices to avoid child and forced labor.	Labor Standards	P31
B4.2	Description of steps taken to eliminate such practices when discovered.	Labor Standards	P31
B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Environmental And Social Risk Management	P18
B5.1	Number of suppliers by geographical region.	Supplier Management System Construction	P17
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supplier Management System Construction Supply Chain Risk Assessment	P17 P17

KPI	Description	Section(s)	Pages
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Environmental And Social Risk Management	P18
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Environmental And Social Risk Management	P18
B6 Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Full-Cycle Product Quality Control Protecting Consumer Rights And Interests Advertising Labelling Compliance	P12 P9 P11
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Quality Risk Control	P13
B6.2	Number of products and service related complaints received and how they are dealt with.	Protecting Consumer Rights And Interests	P9
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property Management	P11
B6.4	Description of quality assurance process and recall procedures.	Quality Risk Control	P13
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Protecting Consumer Rights And Interests	P9

KPI	Description	Section(s)	Pages
B7 Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Building a Clean Enterprise	P7
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Building a Clean Enterprise	P7
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Building a Clean Enterprise	P7
B7.3	Description of anti-corruption training provided to directors and staff.	Building a Clean Enterprise	P7
B8 Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Creating Social Value	P38
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Creating Social Value	P38
B8.2	Resources contributed (e.g. money or time) to the focus area.	Creating Social Value	P38

D Part: Climate-Related Disclosure

Governance	Description	Chapter Name	Page
19 (a)	the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the issuer shall identify that body(s) or individual(s) and disclose information about:	Protect Green Planet-Address Climate Change	P24
19 (b)	management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about:	Protect Green Planet-Address Climate Change	P24

Strategy	Description	Chapter Name	
20	Climate-related risks and opportunities	Protect Green Planet-Address Climate Change	P24
21	Business model and value chain	Protect Green Planet-Address Climate Change	P24
22、23	Strategies and decisions	Protect Green Planet-Address Climate Change	P24
24、25	Financial position, financial performance and cash flows	Protect Green Planet-Address Climate Change	P24
26	Climate resilience	Protect Green Planet-Address Climate Change	P24

Risk management	Description	Chapter Name	
27	Risk management	Protect Green Planet-Address Climate Change	P24

Indicators and Targets	Description	Chapter Name	
28、29	Greenhouse gas emissions	Protect Green Planet-Address Climate Change	P24
30	Climate-related transition risks	Protect Green Planet-Address Climate Change	P24
31	Climate-related physical risks	Protect Green Planet-Address Climate Change	P24
32	Climate-related opportunities	Protect Green Planet-Address Climate Change	P24
33	Capital deployment	Protect Green Planet-Address Climate Change	P24

Indicators and Targets	Description	Chapter Name	
34	Internal carbon pricing	Protect Green Planet-Address Climate Change	P24
35	Compensation	Protect Green Planet-Address Climate Change	P24
36	Industry metrics	Green Development Low-Carbon Future – Addressing Climate Change	P24
37~40	Climate-related goals	Protect Green Planet-Address Climate Change	P24
41	Cross-Industry Metrics and Applicability of Industry Metrics	Protect Green Planet-Address Climate Change	P24

Shanghai Stock Exchange Sustainability Report Disclosure Index

Disclosure requirements	Chapters in the Report
Address climate change	Address Climate Change
Pollutant emissions	Proper Emissions Management
Water Resource Management	Proper Emissions Management
Ecosystem and biodiversity Conservation	The Group's business activities do not have an impact on ecosystems or biodiversity; therefore, this issue is not applicable to the Group.
Environmental compliance management	Protect Green Planet
Energy utilization	Resources Conservation
Water resources utilization	Resources Conservation
Circular economy	Resources Conservation
Rural revitalization	Creating Social Value
Social Contribution	Creating Social Value
Innovation-driven	Innovative Technical Platform
Technology Ethics	Complying with Technology Ethics
Supply chain safety	Proper Supply Chain Management
Equal treatment of SMEs	Equal treatment of SMEs
Product and service safety and quality	Enhance Quality Management
Data security and customer privacy protection	Safeguarding Information Security
Employees	Create a Happy Workplace
Due diligence	Sustainability Risk Management
Stakeholder engagement	Stakeholders Engagement
Anti-commercial bribery and anti-corruption	Building a Clean Enterprise
Anti-unfair competition	Building a Clean Enterprise

Independent Auditor's Report

PwC ZT Shen Zi (2026) No. 10007

To the shareholders of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.,

1. OPINION

(1) What we have audited

We have audited the accompanying financial statements of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (hereinafter "the Company"), which comprise:

- the consolidated and company balance sheets as at 31 December 2025;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended; and
- notes to the financial statements.

(2) Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of the Company as at 31 December 2025, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs").

2. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the *China Independence Standard for Certified Public Accountants No. 1 – Independence for Audit and Review Engagements* and the China Code of Ethics for Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code. We have complied with the independence requirements for the audit of public interest entities.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

3. KEY AUDIT MATTERS (continued)

A key audit matter identified in our audit is revenue recognition.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition	
Please refer to Note 2(19) and Note 5(33) The Company's revenue presented in the consolidated financial statements for the year ended 31 December 2025 is RMB685.80 million, mainly including revenue from sales of pharmaceutical products of RMB679.25 million. For sales of products, the Company and its subsidiaries recognise revenue at the amount of the consideration which they expect to be entitled to receive after pharmaceutical products have been delivered to the specified carrier at the time of confirming the acceptance or transfer of control in accordance with the provisions of contracts. We noted this matter because the amount of the sales revenue which is a key performance indicator of the Company is large and revenue recognition has significant impacts on the financial statements. Moreover, as the timing of sales revenue recognition varies with the Group's products, we need to employ a lot of audit resources to perform relevant audit procedures. Therefore, we identified sales revenue recognition as a key audit matter.	We gained an understanding of the Company's internal controls related to recognition of revenue from sales of pharmaceutical products, and evaluated and tested the effectiveness of the design and operation of relevant internal controls; We conducted interviews with management, inspected the sales contracts of different types of products on a sampling basis, reviewed the terms of these contracts, and assessed whether the timing of revenue recognition for each product and technology transfer complies with the Accounting Standards for Business Enterprises; We checked the supporting documents for revenue recognition on a sampling basis, including sales contracts and orders, outbound orders, logistics receipts, invoices and payment bills;

3. KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	We performed confirmation procedures on a sampling basis on the balance of accounts receivable as at 31 December 2025; We checked the supporting documents such as the outbound orders or the logistics receipts for the sales revenue recognised around the balance sheet date to assess whether the sales revenue was recognised in the correct accounting period. Based on the audit work we have performed, we believe that the recognition of the Company's sales revenue is consistent with the Company's accounting policies.

4. OTHER INFORMATION

Management of the Company is responsible for the other information. The other information comprises all of the information included in 2025 annual report of the Company 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.

5. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

5. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS (continued)

In preparing these financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

6. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether these 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 CSAs 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 CSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(1) 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.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(4) Conclude on the appropriateness of management's 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 report to the related disclosures in these 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.

6 AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

(5) Evaluate the overall presentation (including the disclosures), 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.

(6) 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

PricewaterhouseCoopers Zhong Tian LLP

Signing CPA **Zhou Qinjun**
(Engagement Partner)

Signing CPA **Sun Lini**

Shanghai, the People's Republic of China
30 March 2026

Consolidated Balance Sheet

As at 31 December 2025
(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note	31 December 2025 Consolidated	31 December 2024 Consolidated
Current assets			
Cash at bank and on hand	5(1)	**1,147,079,542**	1,056,285,629
Notes receivable	5(2)	**96,419,794**	120,472,835
Accounts receivable	5(3)	**201,335,024**	349,489,457
Advances to suppliers	5(4)	**4,998,987**	24,750,580
Other receivables	5(5)	**1,539,207**	2,489,795
Inventories	5(6)	**33,213,163**	47,265,443
Other current assets	5(7)	**937,712**	6,024,768
Total current assets		**1,485,523,429**	1,606,778,507
Non-current assets			
Long-term receivables	5(8)	**1,667,121**	1,625,151
Investments in other equity instruments	5(9)	**1,915**	10,584
Long-term equity investments	5(10)	**229,067,595**	257,482,937
Fixed assets	5(11)	**463,280,600**	476,796,334
Construction in progress	5(12)	**188,065**	7,195,929
Right-of-use assets	5(13)	**13,786,135**	19,535,179
Intangible assets	5(14)	**60,867,259**	68,647,962
Goodwill	5(15)	**–**	–
Long-term prepaid expenses	5(16)	**4,405,457**	9,276,212
Deferred tax assets	5(17)	**131,410,717**	133,282,987
Other non-current assets	5(18)	**455,447**	5,870,841
Total non-current assets		**905,130,311**	979,724,116
TOTAL ASSETS		**2,390,653,740**	2,586,502,623

Consolidated Balance Sheet

As at 31 December 2025
(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31 December 2025 Consolidated	31 December 2024 Consolidated
Current liabilities			
Accounts payable	5(20)	**6,067,211**	10,671,215
Contract liabilities	5(21)	**5,407,189**	8,340,998
Employee benefits payable	5(22)	**22,679,439**	18,410,777
Taxes payable	5(23)	**9,895,437**	7,959,140
Other payables	5(24)	**195,877,224**	199,384,549
Including: Dividends payable		**–**	–
Non-current liabilities to be settled within one year	5(26)	**5,350,976**	6,098,210
Other current liabilities	5(25)	**343,827**	87,251
Total current liabilities		**245,621,303**	250,952,140
Non-current liabilities			
Lease liabilities	5(26)	**9,340,923**	14,427,665
Deferred income	5(27)	**18,971,999**	15,845,713
Total non-current liabilities		**28,312,922**	30,273,378
Total liabilities		**273,934,225**	281,225,518
Shareholders' equity			
Share capital	5(28)	**103,657,210**	103,657,210
Capital surplus	5(29)	**1,290,317,752**	1,289,553,594
Less: Treasury shares		**–**	–
Other comprehensive loss	5(30)	**(6,048,428)**	(5,547,421)
Surplus reserve	5(31)	**52,150,000**	52,150,000
Undistributed profits	5(32)	**676,217,368**	864,754,029
Total equity attributable to shareholders of the Company		**2,116,293,902**	2,304,567,412
Minority interests		**425,613**	709,693
Total shareholders' equity		**2,116,719,515**	2,305,277,105
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,390,653,740**	2,586,502,623

The accompanying notes form an integral part of these financial statements.

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Zhao Dajun	Xue Yan	Zhang Wen

Company Balance Sheet

As at 31 December 2025
(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note	31 December 2025 Company	31 December 2024 Company
Current assets			
Cash at bank and on hand		**1,021,375,409**	943,340,387
Notes receivable	14(1)	**70,165,871**	91,378,668
Accounts receivable	14(2)	**177,802,719**	300,413,496
Advances to suppliers		**4,668,710**	24,182,512
Other receivables	14(3)	**123,524,767**	80,395,649
Inventories		**17,120,640**	32,709,053
Total current assets		**1,414,658,116**	1,472,419,765
Non-current assets			
Long-term receivables		**1,667,121**	1,625,151
Long-term equity investments	14(4)	**694,945,566**	723,360,908
Fixed assets		**113,642,284**	109,876,880
Construction in progress		**–**	4,602,571
Right-of-use assets	14(5)	**13,786,135**	19,535,179
Intangible assets		**24,567,104**	27,930,156
Long-term prepaid expenses		**4,094,675**	4,483,134
Deferred tax assets		**120,494,857**	122,685,866
Other non-current assets		**208,500**	4,026,958
Total non-current assets		**973,406,242**	1,018,126,803
TOTAL ASSETS		**2,388,064,358**	2,490,546,568

Company Balance Sheet

As at 31 December 2025
(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31 December 2025 Company	31 December 2024 Company
Current liabilities			
Accounts payable		**3,930,544**	5,342,113
Contract liabilities		**5,280,062**	8,213,359
Employee benefits payable		**21,048,480**	16,915,225
Taxes payable		**9,803,972**	7,778,890
Other payables		**161,762,819**	158,218,147
Including: Dividends payable		**–**	–
Non-current liabilities to be settled within one year	14(6)	**5,350,976**	6,098,210
Other current liabilities		**327,301**	70,658
Total current liabilities		**207,504,154**	202,636,602
Non-current liabilities			
Lease liabilities	14(6)	**9,340,923**	14,427,665
Total non-current liabilities		**9,340,923**	14,427,665
Total liabilities		**216,845,077**	217,064,267
Shareholders' equity			
Share capital		**103,657,210**	103,657,210
Capital surplus		**1,373,775,997**	1,373,011,839
Less: Treasury shares		**–**	–
Surplus reserve		**52,150,000**	52,150,000
Undistributed profits		**641,636,074**	744,663,252
Total shareholders' equity		**2,171,219,281**	2,273,482,301
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,388,064,358**	2,490,546,568

The accompanying notes form an integral part of these financial statements.

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Zhao Dajun	Xue Yan	Zhang Wen

Consolidated Income Statements

For the year ended 31 December 2025
(All amounts in RMB Yuan unless otherwise stated)

	Note	2025 Consolidated	2024 Consolidated
Revenue	5(33)	**685,797,316**	709,404,966
Less: Cost of sales	5(33), 5(39)	**(69,311,447)**	(61,212,355)
Taxes and surcharges	5(34)	**(7,779,689)**	(7,439,079)
Selling and distribution expenses	5(35), 5(39)	**(395,108,833)**	(299,343,371)
General and administrative expenses	5(36), 5(39)	**(40,432,799)**	(41,700,643)
Research and development expenses	5(37), 5(39)	**(357,939,271)**	(314,162,142)
Financial income – net	5(38)	**2,191,616**	5,034,580
Including: Interest expenses		**(662,894)**	(591,615)
Interest income		**2,809,500**	5,548,805
Add: Other income	5(40)	**14,380,172**	19,397,448
Investment losses	5(41)	**(9,846,245)**	(10,406,606)
Including: Share of loss of associates and joint ventures		**(25,095,447)**	(28,553,238)
Reversal of credit impairment losses	5(42)	**23,947,800**	8,970,758
Asset impairment losses	5(43)	**(1,521,356)**	(6,179,616)
Gains on disposals of assets	5(44)	**220,506**	29,905
Operating (loss)/profit		**(155,402,230)**	2,393,845
Add: Non-operating income	5(45)	**230,406**	4,502,178
Less: Non-operating expenses	5(46)	**(679,484)**	(1,438,093)
Total (loss)/profit		**(155,851,308)**	5,457,930
Less: Income tax expenses	5(47)	**(1,872,270)**	33,976,142
Net (loss)/profit		**(157,723,578)**	39,434,072
Classified by continuity of operations			
Net (loss)/profit from continuing operations		**(157,723,578)**	39,434,072
Net profit from discontinued operations		**–**	–
Classified by ownership of the equity			
Net (loss)/profit attributable to shareholders of the Company		**(157,439,498)**	39,733,896
Minority interests		**(284,080)**	(299,824)

Consolidated Income Statements

For the year ended 31 December 2025
(All amounts in RMB Yuan unless otherwise stated)

	Note	2025 Consolidated	2024 Consolidated
Other comprehensive income, net of tax			
Other comprehensive income items which will not be reclassified to profit or loss			
Changes in fair value of investments in other equity instruments		**(8,669)**	(4,542)
Other comprehensive income items which will be reclassified to profit or loss			
Differences on translation of foreign currency financial statements		**(492,338)**	315,490
		(501,007)	310,948
Total comprehensive (loss)/income		**(158,224,585)**	39,745,020
Attributable to shareholders of the Company		**(157,940,505)**	40,044,844
Attributable to minority interests		**(284,080)**	(299,824)
		(158,224,585)	39,745,020
Earnings per share			
Basic earnings per share (RMB Yuan)	5(48)	**(0.15)**	0.04
Diluted earnings per share (RMB Yuan)	5(48)	**(0.15)**	0.04

The accompanying notes form an integral part of these financial statements.

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Zhao Dajun	Xue Yan	Zhang Wen

Company Income Statements

For the year ended 31 December 2025
(All amounts in RMB Yuan unless otherwise stated)

	Note	2025 Company	2024 Company
Revenue	14(7)	**660,640,737**	603,663,418
Less: Cost of sales	14(7)	**(141,375,312)**	(88,103,234)
Taxes and surcharges		**(4,718,065)**	(3,775,225)
Selling and distribution expenses		**(349,033,490)**	(252,561,301)
General and administrative expenses		**(28,951,416)**	(28,475,097)
Research and development expenses		**(226,876,506)**	(248,370,666)
Financial income – net		**1,668,256**	3,874,090
Including: Interest expenses		**(662,894)**	(591,615)
Interest income		**2,268,317**	4,370,942
Add: Other income		**6,478,075**	6,805,458
Investment losses	14(8)	**(10,692,311)**	(11,624,585)
Including: Share of loss of associates and joint ventures		**(25,095,447)**	(28,553,238)
Reversal of credit impairment losses		**23,913,764**	9,005,042
Asset impairment losses		**(682,737)**	(27,116,329)
Gains on disposals of assets		**248,564**	153,776
Operating loss		**(69,380,441)**	(36,524,653)
Add: Non-operating income		**157,068**	3,726,290
Less: Non-operating expenses		**(515,633)**	(810,691)
Total loss		**(69,739,006)**	(33,609,054)
Less: Income tax expenses		**(2,191,009)**	20,893,343
Net loss		**(71,930,015)**	(12,715,711)
Classified by continuity of operations			
Net loss from continuing operations		**(71,930,015)**	(12,715,711)
Net profit from discontinued operations		**–**	–
Other comprehensive income, net of tax		**–**	–
Total comprehensive loss		**(71,930,015)**	(12,715,711)

The accompanying notes form an integral part of these financial statements.

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Zhao Dajun	Xue Yan	Zhang Wen

Consolidated Cash Flow Statements

For the year ended 31 December 2025
(All amounts in RMB Yuan unless otherwise stated)

	Note	2025 Consolidated	2024 Consolidated
1. Cash flows from/(used in) operating activities			
Cash received from sales of products or rendering of services		**936,214,309**	853,049,148
Cash received relating to other operating activities	5(49)(a)	**18,447,162**	44,476,525
Sub-total of cash inflows		**954,661,471**	897,525,673
Cash paid for goods and services		**(460,997,860)**	(499,842,895)
Cash paid to and on behalf of employees		**(232,895,453)**	(239,967,246)
Payments of taxes and surcharges		**(49,538,793)**	(49,209,099)
Cash paid relating to other operating activities	5(49)(b)	**(69,831,110)**	(125,019,067)
Sub-total of cash outflows		**(813,263,216)**	(914,038,307)
Net cash flows from/(used in) operating activities	5(50)(a)	**141,398,255**	(16,512,634)
2. Cash flows used in investing activities			
Cash received from disposals of investments	5(49)(c)	**4,084,053**	1,742,224
Net cash received from disposals of fixed assets		**826,719**	640,667
Cash received relating to other investing activities	5(49)(d)	**3,300,249,202**	3,910,146,632
Sub-total of cash inflows		**3,305,159,974**	3,912,529,523
Cash paid to acquire fixed assets, intangible assets and other long-term assets		**(32,365,829)**	(42,669,424)
Cash paid relating to other investing activities	5(49)(e)	**(3,285,000,000)**	(3,892,000,000)
Sub-total of cash outflows		**(3,317,365,829)**	(3,934,669,424)
Net cash flows used in investing activities		**(12,205,855)**	(22,139,901)

	Note	2025 Consolidated	2024 Consolidated
3. Cash flows used in financing activities			
Cash payments for distribution of dividends, profits or interest expenses		**(31,097,163)**	(93,291,489)
Cash paid relating to other financing activities	5(49)(f)	**(6,808,980)**	(7,981,835)
Sub-total of cash outflows	5(50)(b)	**(37,906,143)**	(101,273,324)
Net cash flows used in financing activities		**(37,906,143)**	(101,273,324)
4. Effect of foreign exchange rate changes on cash		**(492,344)**	315,491
5. Net increase/(decrease) in cash	5(50)(a)	**90,793,913**	(139,610,368)
Add: Cash at the beginning of the year	5(50)(a)	**1,056,285,629**	1,195,895,997
6. Cash at the end of the year	5(50)(c)	**1,147,079,542**	1,056,285,629

The accompanying notes form an integral part of these financial statements.

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Zhao Dajun	Xue Yan	Zhang Wen

Company Cash Flow Statements

For the year ended 31 December 2025
(All amounts in RMB Yuan unless otherwise stated)

	Note	2025 Company	2024 Company
1. Cash flows from/(used in) operating activities			
Cash received from sales of products or rendering of services		**823,418,026**	672,490,544
Cash received relating to other operating activities		**7,413,877**	13,826,370
Sub-total of cash inflows		**830,831,903**	686,316,914
Cash paid for goods and services		**(424,319,125)**	(451,827,507)
Cash paid to and on behalf of employees		**(189,601,372)**	(197,996,080)
Payments of taxes and surcharges		**(40,678,988)**	(30,947,941)
Cash paid relating to other operating activities		**(64,796,826)**	(54,515,442)
Sub-total of cash outflows		**(719,396,311)**	(735,286,970)
Net cash flows from/(used in) operating activities		**111,435,592**	(48,970,056)
2. Cash flows from investing activities			
Cash received from disposals of investments		**4,084,053**	1,742,224
Net cash received from disposals of fixed assets		**4,200,743**	290,816
Cash received relating to other investing activities		**3,069,403,136**	3,640,928,653
Sub-total of cash inflows		**3,077,687,932**	3,642,961,693
Cash paid to acquire fixed assets, intangible assets and other long-term assets		**(18,182,359)**	(17,672,358)
Cash paid relating to other investing activities		**(3,055,000,000)**	(3,599,000,000)
Sub-total of cash outflows		**(3,073,182,359)**	(3,616,672,358)
Net cash flows from investing activities		**4,505,573**	26,289,335

Company Cash Flow Statements

For the year ended 31 December 2025
(All amounts in RMB Yuan unless otherwise stated)

	Note	2025 Company	2024 Company
3. Cash flows used in financing activities			
Cash payments for distribution of dividends, profits or interest expenses		**(31,097,163)**	(93,291,489)
Cash paid relating to other financing activities		**(6,808,980)**	(7,981,835)
Sub-total of cash outflows		**(37,906,143)**	(101,273,324)
Net cash flows used in financing activities		**(37,906,143)**	(101,273,324)
4. Effect of foreign exchange rate changes on cash		**–**	–
5. Net increase/(decrease) in cash		**78,035,022**	(123,954,045)
Add: Cash at the beginning of the year		**943,340,387**	1,067,294,432
6. Cash at the end of the year		**1,021,375,409**	943,340,387

The accompanying notes form an integral part of these financial statements.

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Zhao Dajun	Xue Yan	Zhang Wen

Consolidated Statements of Changes in Shareholders' Equity

For the year ended 31 December 2025
(All amounts in RMB Yuan unless otherwise stated)

Item	Attributable to shareholders of the Company							
	Share capital	Capital surplus	Less: Treasury shares	Other comprehensive loss	Surplus reserve	Undistributed profits	Minority interests	Total shareholders' equity
Balance at 1 January 2024	103,657,210	1,289,293,388	–	(5,858,369)	52,150,000	918,311,622	1,009,517	2,358,563,368
Movements for the year ended 31 December 2024								
Total comprehensive income								
Net profit	–	–	–	–	–	39,733,896	(299,824)	39,434,072
Other comprehensive income	–	–	–	310,948	–	–	–	310,948
Profit distribution								
Distribution to shareholders (Note 5(32))	–	–	–	–	–	(93,291,489)	–	(93,291,489)
Others	–	260,206	–	–	–	–	–	260,206
Balance at 31 December 2024	103,657,210	1,289,553,594	–	(5,547,421)	52,150,000	864,754,029	709,693	2,305,277,105

The accompanying notes form an integral part of these financial statements.

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Zhao Dajun	Xue Yan	Zhang Wen

Consolidated Statements of Changes in Shareholders' Equity

For the year ended 31 December 2025
(All amounts in RMB Yuan unless otherwise stated)

Item	Attributable to shareholders of the Company							
	Share capital	Capital surplus	Less: Treasury shares	Other comprehensive loss	Surplus reserve	Undistributed profits	Minority interests	Total shareholders' equity
Balance at 1 January 2025	103,657,210	1,289,553,594	-	(5,547,421)	52,150,000	864,754,029	709,693	2,305,277,105
Movements for the year ended 31 December 2025								
Total comprehensive income								
Net loss	-	-	-	-	-	(157,439,498)	(284,080)	(157,723,578)
Other comprehensive income	-	-	-	(501,007)	-	-	-	(501,007)
Profit distribution								
Distribution to shareholders (Note 5(32))	-	-	-	-	-	(31,097,163)	-	(31,097,163)
Others	-	764,158	-	-	-	-	-	764,158
Balance at 31 December 2025	103,657,210	1,290,317,752	-	(6,048,428)	52,150,000	676,217,368	425,613	2,116,719,515

The accompanying notes form an integral part of these financial statements.

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Zhao Dajun	Xue Yan	Zhang Wen

Company Statements of Changes in Shareholders' Equity

For the year ended 31 December 2025
(All amounts in RMB Yuan unless otherwise stated)

Item	Share capital	Capital surplus	Less: Treasury shares	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 1 January 2024	103,657,210	1,372,751,633	–	52,150,000	850,670,452	2,379,229,295
Movements for the year ended 31 December 2024						
Total comprehensive income						
Net loss	–	–	–	–	(12,715,711)	(12,715,711)
Profit distribution						
Distribution to shareholders	–	–	–	–	(93,291,489)	(93,291,489)
Others	–	260,206	–	–	–	260,206
Balance at 31 December 2024	103,657,210	1,373,011,839	–	52,150,000	744,663,252	2,273,482,301
Balance at 1 January 2025	**103,657,210**	**1,373,011,839**	**–**	**52,150,000**	**744,663,252**	**2,273,482,301**
Movements for the year ended 31 December 2025						
Total comprehensive income						
Net loss	**–**	**–**	**–**	**–**	**(71,930,015)**	**(71,930,015)**
Profit distribution						
Distribution to shareholders	**–**	**–**	**–**	**–**	**(31,097,163)**	**(31,097,163)**
Others	**–**	**764,158**	**–**	**–**	**–**	**764,158**
Balance at 31 December 2025	**103,657,210**	**1,373,775,997**	**–**	**52,150,000**	**641,636,074**	**2,171,219,281**

The accompanying notes form an integral part of these financial statements.

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Zhao Dajun	Xue Yan	Zhang Wen

1 GENERAL INFORMATION

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the "Company") was established in the People's Republic of China ("PRC") on 11 November 1996 with initial registered capital and paid-in capital of RMB5,295,000.

On 20 October 2000, the registered and paid-up capital of the Company was increased from RMB5,295,000 to RMB53,000,000 after successive capital increases and shareholding changes.

On 8 November 2000, the Company was transformed into a joint stock company with limited liability. The registered capital and share capital of the Company were RMB53,000,000, divided into 53,000,000 RMB-denominated ordinary shares, with a par value of RMB1.00 each.

On 20 January 2002, all shares of the Company, being 53,000,000 RMB-denominated ordinary shares with a par value of RMB1.00 each, were subdivided into 530,000,000 RMB-denominated ordinary shares ("Domestic Shares") with a par value of RMB0.10 each.

On 13 August 2002, the trading of the newly issued 198,000,000 foreign ordinary shares ("H Shares") of RMB0.10 each of the Company commenced on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), among which, 180,000,000 H shares were newly issued and 18,000,000 H shares were converted from Domestic Shares. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB71,000,000, divided into 710,000,000 shares, with a par value of RMB0.10 each.

On 4 February 2013, the Company completed a placing of 142,000,000 H Shares at a price of HKD1.70 each, and the registered capital and share capital of the Company increased to RMB85,200,000, divided into 852,000,000 shares, with a par value of RMB0.10 each.

On 29 June 2012, the Company adopted a restricted share scheme. Pursuant to the scheme, the Company granted a total of 71,000,000 Domestic Shares as restricted shares on 24 June 2013 and 21 October 2013. Upon completion of the grants, the registered capital and share capital of the Company increased to RMB92,300,000, divided into 923,000,000 shares, with a par value of RMB0.10 each.

On 16 December 2013, the Company transferred its H Shares listing from GEM to the Main Board of the Stock Exchange.

On 12 June 2020, the Company completed a placing of 120,000,000 RMB-denominated ordinary A shares with a par value of RMB0.10 each and was listed on the STAR market of Shanghai Stock Exchange on 19 June 2020. After the completion of the issuance, the Company's registered capital and share capital increased to RMB104,300,000, divided into 1,043,000,000 shares, with a par value of RMB0.10 each.

On 7 June 2022, the Company completed the cancellation procedures of the repurchased 14,000,000 H Shares at the Hong Kong Central Securities Registration Co., Ltd., and the share capital of the Company decreased from 1,043,000,000 shares to 1,029,000,000 shares.

1 GENERAL INFORMATION (continued)

On 11 May 2023, in accordance with the restricted stock incentive plan implemented in 2021, the Company issued 7,572,100 RMB-denominated ordinary A shares with a par value of RMB0.10 per share to 205 incentive subjects who met the vesting conditions, after which the registered capital and share capital of the Company were changed to RMB103,657,210.

The main business activities of the Company and its subsidiaries (collectively referred to as "the Group") include the research, development, and sales of self-developed biopharmaceutical knowledge in China, provision of contract-based research, manufacturing and sales of pharmaceutical and diagnostic products to customers, and provision of other medical services.

Please refer to Note 6(1) for main subsidiaries included into consolidation scope as at 31 December 2025.

The financial statements were authorised for issue by the Board of Directors of the Company on 30 March 2026.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group determines specific accounting policies and estimates based on the features of its production and operation, which mainly comprise the measurement of expected credit losses ("ECL") on receivables (Note 2(9)), valuation of inventories (Note 2(10)), depreciation of fixed assets and amortisation of intangible assets and right-of-use assets (Note 2(12), (14), (23)), criteria for capitalisation of development expenditures (Note 2(14)), recognition and measurement of revenue (Note 2(19)), etc.

Please refer to Note 2(25) for the Group's critical judgements, critical accounting estimates and key assumptions used in determining significant accounting policies.

(1) Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standard for Business Enterprises – Basic Standard*, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as "the Accounting Standards for Business Enterprises" or "CASs"); and are also prepared in accordance with the *Public Information Disclosure and Compilation Rules for Public Offering of Securities No. 15 – General Provisions for Financial Reporting* issued by China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

Certain related matters in the financial statements have been disclosed in accordance with the requirements of the *Hong Kong Companies Ordinance*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2025 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the Group's and the Company's financial position as at 31 December 2025 and their financial performance, cash flows and other information for the year then ended.

(3) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

(4) Determination and selection for significance

Based on the industry situation and operation characteristics of the Group, the significance of relevant financial information is comprehensively judged based on the nature and amount of the matter. Among them, the significance of the matter is comprehensively determined by the nature of the matter such as whether the matter belongs to daily activities, whether it significantly affects the financial condition, operating results, and cash flows; the significance of the amount is comprehensively determined based on its proportion to key financial indicators such as total assets, total liabilities, total owner's equity, total operating revenue, and net profit related to the matter.

Item	Significance criteria
Significant joint ventures or associates	The joint venture or associate is a listed company, or its carrying amount accounts is more than 5% of the consolidated total assets or more than RMB20,000,000.

(5) Recording currency

The Company's recording currency is Renminbi (RMB). The recording currency of the Company's each of subsidiaries is determined based on the primary economic environment in which the subsidiary operates. The financial statements are presented in RMB.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted to align with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving entities not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of shareholders' equity of subsidiaries as at the balance sheet date, net profit/loss and comprehensive income of subsidiaries for the period then ended not attributable to the Company are recognised as minority interests, net profit or loss attributable to minority interests and total comprehensive income attributable to minority interests, and presented separately in the consolidated financial statements under shareholders' equity, net profits and total comprehensive income, respectively. When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess is allocated against the balance of minority interests. Unrealised profits and losses resulting from the sales of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses resulting from the sales of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and net profit attributable to minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sales of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and net profit attributable to minority interests in accordance with the allocation proportion of the parent in the subsidiary. When a subsidiary is disposed of and the control is lost, the aforesaid profits and losses will be realised. Accordingly, the Group will adjust the profit or loss for the current period for disposing of the subsidiary.

If the accounting treatment of a transaction in the financial statements at the Group level is inconsistent with that at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into recording currency using the spot exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into recording currency using the spot exchange rates on the balance sheet date. Exchange differences arising from foreign currency translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings made specifically for acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented in other comprehensive income. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(9) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset, a financial liability or an equity instrument is recognised when the Group becomes a party to the contractual provisions of the instrument.

(a) Financial assets

(i) Classification and measurement

Based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, financial assets are classified as: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

At initial recognition, the financial assets are measured at fair value. Transaction costs that are incremental and directly attributable to the acquisition of the financial assets are included in the initially recognised amounts, except for the financial assets at fair value through profit or loss, the related transaction costs of which are expensed in profit or loss for the current period. Accounts receivable or notes receivable arising from sales of products or rendering of services (which have not contained or considered any significant financing components) are initially recognised at the consideration that is entitled to be received by the Group as expected.

Debt instruments

The debt instruments held by the Group refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following three categories:

Measured at amortised cost:

The objective of the Group's business model is to hold the financial assets to collect the contractual cash flows, and the contractual cash flow characteristics are consistent with a basic lending arrangement, which gives rise on specified dates to the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The interest income of such financial assets is recognised using the effective interest rate method. Such financial assets mainly comprise cash at bank and on hand, notes receivable, accounts receivable, other receivables, and long-term receivables. The Group's debt investments that are due within one year (inclusive) as from the balance sheet date and long-term receivables are presented as non-current assets to be recovered within one year. Debt investments with maturities of no more than one year (inclusive) at the time of acquisition are presented as other current assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(9) Financial instruments (continued)

(a) Financial assets (continued)

(i) Classification and measurement (continued)

Debt instruments (continued)

Measured at fair value through other comprehensive income:

The objective of the Group's business model is to hold the financial assets for both collection of the contractual cash flows and selling such financial assets, and the contractual cash flow characteristics are consistent with a basic lending arrangement. Such financial assets are measured at fair value through other comprehensive income, except for the impairment gains or losses, foreign exchange gains and losses, and interest income calculated using the effective interest rate method which are recognised in profit or loss for the current period. Such financial assets mainly include financing receivables and other debt investments. The Group's other debt investments that are due within one year (inclusive) as from the balance sheet date are presented as non-current assets to be recovered within one year. Other debt investments with maturities of no more than one year (inclusive) at the time of acquisition are presented as other current assets.

Measured at fair value through profit or loss:

Debt instruments held by the Group that do not meet the criteria for amortised cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. At initial recognition, the Group designates a portion of financial assets as financial assets at fair value through profit or loss in order to eliminate or significantly reduce any accounting mismatch. Financial assets that are due over one year as from the balance sheet date and are expected to be held over one year are presented as other non-current financial assets. Others are presented as financial assets held for trading.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(9) Financial instruments (continued)

(a) Financial assets (continued)

(i) Classification and measurement (continued)

Equity instruments

Investments in equity instruments, over which the Group has no control, joint control or significant influence, are measured at fair value through profit or loss under financial assets held for trading. Investments in equity instruments expected to be held over one year as from the balance sheet date are presented as other non-current financial assets.

In addition, at initial recognition, a portion of certain investments in equity instruments not held for trading are designated as financial assets at fair value through other comprehensive income under investments in other equity instruments. The relevant dividend income of such financial assets is recognised in profit or loss for the current period.

(ii) Impairment

The Group recognises loss provision based on the expected credit losses ("ECLs") for financial assets at amortised cost.

Giving consideration to reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available without undue cost or effort at the balance sheet date, weighted by the probability of default, the Group recognises the ECL as the probability-weighted amount of the present value of the difference between the contractual cash flows receivable and the cash flows expected to be collected.

For notes receivable and accounts receivable arising from sales of goods and rendering of services in the ordinary course of operating activities, the Group recognises the lifetime ECL regardless of whether a significant financing component exists.

At each balance sheet date, the ECL of financial instruments other than aforesaid notes receivable and accounts receivable is measured based on different stages. A 12-month ECL is recognised for financial instruments in Stage 1 which have not had a significant increase in credit risk since initial recognition; a lifetime ECL is recognised for financial instruments in Stage 2 which have had a significant increase in credit risk since initial recognition but are not deemed to be credit-impaired; and a lifetime ECL is recognised for financial instruments in Stage 3 that are credit-impaired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(9) Financial instruments (continued)

(a) Financial assets (continued)

(ii) Impairment (continued)

For those financial instruments with a low credit risk as at the balance sheet date, the Group assumes that there is no significant increase in credit risk since initial recognition. The Group treats them as financial instruments in Stage 1 and recognises a 12-month ECL.

For those financial instruments in Stages 1 and 2, the interest income is calculated by applying the effective interest rate to the gross carrying amount (before net of any ECL provision). For the financial instruments in Stage 3, the interest income is calculated by applying the effective interest rate to the amortised cost (net of ECL provision).

The credit risk characteristics of various financial assets with the ECL calculated individually are significantly different from those of other financial assets in that category. In cases where the ECL of an individually assessed financial asset cannot be evaluated with reasonable cost, the Group categorises the receivables into different groups based on their shared risk characteristics, and calculates the ECL for each group respectively. The basis for the determination of group and the method of provision are as follows:

Group 1 of notes receivable	Bank acceptance notes
Group 2 of notes receivable	Commercial acceptance notes
Group of accounts receivable	For all trade receivables, the overdue date is taken as the starting point of ageing
Group 1 of other receivables	Receivables from subsidiaries
Group 2 of other receivables	Receivables from related parties
Group 3 of other receivables	Deposits and guarantees
Group 4 of other receivables	Petty cash for employees
Group 5 of other receivables	Receivables from disposals of equipment
Group 6 of other receivables	Others
Group 1 of long-term receivables	Deposits and guarantees

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(9) Financial instruments (continued)

(a) Financial assets (continued)

(ii) Impairment (continued)

For accounts receivable and notes receivable arising from the sales of goods and rendering of services in the ordinary course of operating activities which are categorised into different groups for collective assessment, the Group calculates the ECL with reference to historical credit loss experience, current conditions and forecasts of future economic conditions, and based on the exposure at default and the lifetime ECL rates. For other receivables and long-term receivables that are categorised into different groups, the Group calculates the ECL with reference to historical credit loss experience, current conditions and forecasts of future economic conditions, and based on the exposure at default and the 12-month or lifetime ECL rates.

The Group recognises the provision for or reversal of losses in profit or loss for the current period.

(iii) Derecognition

A financial asset is derecognised when one of the following criteria is met: (i) the contractual rights to receive cash flows from the financial asset have expired, (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, or (iii) the financial asset has been transferred to the transferee and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

When an investment in equity instrument measured at fair value through other comprehensive income is derecognised, the difference between the carrying amount and the consideration received as well as any cumulative changes in fair value that were previously recognised directly in other comprehensive income is recognised in retained earnings. For other financial assets when they are derecognised, the difference between the carrying amount and the consideration received as well as any cumulative changes in fair value that were previously recognised directly in other comprehensive income is recognised in profit or loss for the current period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(9) Financial instruments (continued)

(b) Financial liabilities

Financial liabilities are classified as financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition.

Financial liabilities of the Group mainly comprise financial liabilities at amortised cost, including accounts payable and other payables. Such financial liabilities are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest rate method. Financial liabilities with maturity of less than one year (inclusive) are presented as current liabilities, and those with maturity of longer than one year but due within one year (inclusive) as from the balance sheet date are presented as non-current liabilities to be settled within one year. Others are presented as non-current liabilities.

When the underlying present obligation of a financial liability is fully or partly discharged, the portion of the financial liability which corresponds to the discharged present obligation is derecognised. The difference between the carrying amount of the derecognised portion of the financial liability and the consideration paid is recognised in profit or loss for the current period.

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. In the valuation, the Group adopts the valuation technique which is applicable to the current situation and supportable by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered by market participants in relevant transactions of assets or liabilities, and gives priority to the use of relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(10) Inventories

(a) Classification

Inventories include raw materials, work in progress, goods in stock and materials that can be used for multiple times but not recognised as fixed assets, and are measured at the lower of cost and net realisable value.

(b) Costing of inventories

Cost is determined using the weighted average method. The cost of goods in stock and work in progress comprise raw materials, direct labour and systematically allocated production overhead based on the normal production capacity.

(c) Basis for determining net realisable value of inventories and method for making provision for inventories

Provision for decline in the value of inventories is determined as the excess amount of the carrying amount of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of completion, the estimated costs of contract performance, the estimated selling and distribution expenses and related taxes. The Group makes the provision for decline in the value of inventories that are produced and marketed in the same geographical area and have similar purposes or end uses on an aggregate basis. Among them, for pharmaceutical and diagnostic products, the Group makes provisions for inventory impairment based on factors such as inventory age, storage status, historical sales discounts, and expected future sales.

(d) The Group adopts the perpetual inventory system as its stock-taking policy.

(e) Amortisation method for low value consumables and packaging materials

Materials that can be used for multiple times but not recognised as fixed assets include low value consumables and packaging materials. Low value consumables are amortised as expenses based upon usage. Packaging materials are expensed when issued.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(11) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances. An associate is the investee over which the Group has significant influence on its financial and operating policy decisions.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements. Investments in joint ventures and associates are accounted for using the equity method.

(a) Determination of investment cost

For long-term equity investment acquired from business combinations involving entities not under common control, the cost of the combination is the investment cost of the long-term equity investment.

For the long-term equity investment obtained by means other than business combination, the long-term equity investment obtained by paying cash shall be regarded as the initial investment cost according to the purchase price actually paid; for the long-term equity investment obtained by issuing equity securities, it shall be recognised as the initial investment cost according to the fair value of issuing equity securities.

(b) Subsequent measurement and recognition of related profit or loss

Long-term equity investments accounted for using the cost method are measured at initial investment cost. Cash dividends or profit distributions declared by the investees are recognised as investment income in profit or loss.

Where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at that cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(11) Long-term equity investments (continued)

(b) Subsequent measurement and recognition of related profit or loss (continued)

Under the equity method of accounting, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group does not recognise further losses when the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the Group's net investment in the investee is reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognising the investment losses and the provisions at the amount it expects to undertake. The Group's share of changes in the investee's owners' equity other than those arising from the net profit or loss, other comprehensive income and profit distribution is recognised in capital surplus with a corresponding adjustment to the carrying amount of the long-term equity investment. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investee.

Unrealised gains or losses on transactions between the Group and its investees are eliminated to the extent of the Group's equity interests in the investees, based on which the investment income or losses are recognised on the Company's financial statements. When preparing the consolidated financial statements, for the portion of unrealised gains and losses attributable to the Group arising from downstream transactions in which the Group invests or sells assets to the investees, on the basis of the elimination result on the Company's financial statements, the Group should eliminate the portion of unrealised revenue and costs or asset disposal gains and losses attributable to the Group, and adjust investment income or losses accordingly; for the portion of unrealised gains and losses attributable to the Group arising from the upstream transactions in which the investees invest or sell assets to the Group, on the basis of the elimination result on the Company's financial statements, the Group should eliminate the portion of unrealised gains and losses included in the carrying amount of the relevant assets, and adjust the carrying amount of long-term equity investments accordingly. Any losses resulting from transactions between the Group and its investees, which are attributable to asset impairment losses are not eliminated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(11) Long-term equity investments (continued)

(c) Basis for determining existence of control, joint control or significant influence over investees

Control is the power over the investee to enjoy variable returns by participating in related activities of the investee and the ability to affect the return amount by executing the power over the investee.

Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below the carrying amounts (Note 2(16)).

(12) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise building, machinery and equipment, electronic equipment and office equipment and motor vehicles.

Fixed assets shall be recognised as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss for the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(12) Fixed assets (continued)

(b) Depreciation method of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets, net of their estimated net residual values, over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Building	8 to 20 years	0% to 10%	4.50% to 12.50%
Machinery and equipment	3 to 10 years	0% to 10%	9.00% to 33.33%
Electronic equipment and office equipment	3 to 10 years	0% to 10%	9.00% to 33.33%
Motor vehicles	5 to 8 years	0% to 10%	11.25% to 20.00%

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

(c) When the recoverable amount of a fixed asset is lower than its carrying amount, the carrying amount is written down to the recoverable amount (Note 2(16)).

(d) Disposals of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(13) Construction in progress

Construction in progress is measured at actual cost as incurred. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the construction in progress ready for its intended use. Construction in progress is transferred to fixed assets when the asset is ready for its intended use, and depreciation is charged starting from the month following the transfer. When the recoverable amount of a project of construction in progress is lower than its carrying amount, the carrying amount is written down to the recoverable amount (Note 2(16)).

(14) Intangible assets

Intangible assets include land use rights, proprietary technologies, R&D technology (capitalised development costs of the Group's internal R&D projects) and software, and are measured at cost.

(a) Land use rights

Land use rights are amortised on the straight-line basis over their approved use period of 47 to 50 years. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

(b) Proprietary technologies

Proprietary technologies are amortised on the straight-line basis over their estimated useful lives of 5 to 10 years.

(c) R&D technology

The R&D technology is amortised on the straight-line basis according to the estimated benefit period of 5 to 10 years from the time when the technology is ready for its intended use.

(d) Software

Software is amortised on the straight-line basis over its estimated useful life of 3 to 10 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(14) Intangible assets (continued)

(e) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end and its useful life and amortisation method are adjusted as appropriate.

(f) Research and development

The research and development expenses of the Group mainly include expenses such as materials consumed for the implementation of research and development activities, salaries of R&D department employees, depreciation and amortisation of R&D equipment and software assets, R&D testing, and R&D technical service fees.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset, and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

(g) Impairment of intangible assets

The carrying amount of intangible assets are reduced to the recoverable amounts when the recoverable amounts are below the carrying amounts (Note 2(16)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(15) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to right-of-use assets, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual costs less accumulated amortisation.

(16) Impairment of long-term assets

Fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. Intangible assets that are not yet available for their intended use are tested for impairment at least annually, irrespective of whether there is any indication of impairment. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for asset impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the higher of the fair value less the cost of disposal and the present value of the future cash flows expected to be derived from it. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of an asset group to which the asset belongs is determined. An asset group is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the impairment test, the carrying amount of goodwill is allocated to the related asset group or group of asset groups which are expected to benefit from the synergies of the business combination. If the impairment result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset group or group of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in any subsequent periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(17) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits and termination benefits.

(a) Short-term employee benefits

Short-term employee benefits include wages and salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, labour union funds and employee education funds. The short-term employee benefits actually incurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly include the premiums or contributions on basic pensions and unemployment insurance, both of which are under the defined contribution plans.

Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of the Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to profit or loss for the current period or the cost of relevant assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(17) Employee benefits (continued)

(c) Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss for the current period at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses for a restructuring that involves the payment of termination benefits.

(18) Dividends distribution

Cash dividend is recognised as a liability in the period in which it is approved by the Shareholders' meeting.

(19) Revenue

The Group assesses the contract to identify individual performance obligations in the contract, and determines whether each individual performance obligation is satisfied over a period of time or at a point in time. Then, the revenue is recognised respectively when each individual performance obligation is satisfied.

The Group recognises revenue at the amount of the consideration which the Group expects to be entitled to receive when the customer obtains control over relevant goods or services. The part of that the Group has obtained unconditional collection rights is recognised as accounts receivable, and the provision for loss of accounts receivable is recognised on the basis of expected credit loss (Note 2(9)).

(a) Sales of goods

The Group recognises revenue when delivering the pharmaceutical and diagnostic products to the carrier designated by the customer, or after the customer's acceptance or after control transfer to customer. The credit period granted to customers by the Group is determined based on the characteristics of customers' credit risk, which is consistent with industry practice and there is no significant financing component. The Group's obligation to transfer goods to customers according to consideration received is presented as contract liabilities. The amount with unconditional collection right obtained is recognised as accounts receivable, and the rest is recognised as contract assets. Contract assets and contract liabilities under the same contract are presented on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(19) Revenue (continued)

(b) Technology transfer

The revenue from technology transfer is recognised when the contract execution clause is completed and control related to the technology is transferred.

Under the terms of the technology transfer contract, after the purchaser successfully commercialises the transferred technology, the Group can collect additional variable consideration in the form of revenue sharing in the future. The Group determines the best estimate of variable consideration by using the expected value method or the most likely amount method, and recognises revenue related to the variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

(c) Cooperative development, technical services and labour services

Revenue from the provision of cooperative development, technical services and labour services is recognised during the period of service provision. The Group will recognise the incremental costs incurred in obtaining labour contracts as contract acquisition costs. Contract acquisition costs with an amortisation period of no more than one year are charged to profit or loss of the current period when occurred.

(20) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return and financial subsidy.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of obtaining long-term assets through purchase, construction or other means. Government grants related to income refer to those which are not related to assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(20) Government grants (continued)

Government grants related to assets are either deducted against the carrying amount of the assets, or recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted against related costs, expenses or losses in the subsequent periods in which those costs, expenses or losses are recognised. Government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs, expenses or losses directly in current period. The Group applies the presentation method consistently to the same types of government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit and are otherwise recorded in non-operating income or expenses.

(21) Deferred income

For the amounts obtained from third parties and subsequent benefit periods, including government grants and amounts received under long-term agreements, the Company records them into deferred income when obtained, and amortises them into the current profit and loss systematically according to the expected income period.

(22) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction (other than a business combination) which affects neither accounting profit nor taxable profit (or deductible loss) and does not give rise to equal taxable and deductible temporary differences. At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(22) Deferred tax assets and deferred tax liabilities (continued)

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary differences, and it is probable that the temporary differences will not be reversed in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and deferred tax liabilities are offset when:

- the deferred tax assets and deferred tax liabilities are related to the same tax payer within the Group and the same taxation authority; and
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(23) Leases

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

The Group as the lessee

At the lease commencement date, the Group recognises the right-of-use asset and measures the lease liability at the present value of the lease payments that are not paid at that date. Lease payments include fixed payments, the exercise price of a purchase option or termination penalty if the lessee is reasonably certain to exercise that option. Lease liabilities that are due within one year (inclusive) as from the balance sheet date are presented as non-current liabilities to be settled within one year.

Right-of-use assets of the Group comprise leased buildings. Right-of-use assets are measured initially at cost which comprises the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date and any initial direct costs, less any lease incentives received. If there is reasonable certainty that the Group will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated over its remaining useful life and otherwise, depreciated over the shorter of the lease term and its remaining useful life. The carrying amount of the right-of-use asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(23) Leases (continued)

The Group as the lessee (continued)

For short-term leases with a term of 12 months or less and leases of a low value individual asset (when new), the Group chooses to include the lease payments in the cost of the underlying assets or in the profit or loss for the current period on a straight-line basis over the lease term, instead of recognising right-of-use assets and lease liabilities.

The Group accounts for a lease modification as a separate lease if both: (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the contract.

For a lease modification that is not accounted for as a separate lease, the Group shall redetermine the lease term at the effective date of the lease modification, and remeasure the lease liability by discounting the revised lease payments using a revised discount rate. For a lease modification which decreases the scope of the lease or shortens the lease term, the Group decreases the carrying amount of the right-of-use asset, and recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. For other lease modifications which lead to the remeasurement of lease liabilities, the Group correspondingly adjusts the carrying amount of the right-of-use asset.

(24) Segment information

The Group identifies operating segments based on its internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenue and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about allocation of resources to the segment and to assess the component's performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(25) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the relevant circumstances.

(a) Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(i) Useful life of fixed assets

Management of the Group determines the estimated useful lives of fixed assets. This estimate is based on experience with the actual useful lives of fixed assets of similar nature and function. This estimate may change significantly due to technological innovation or competitors taking action against severe industry cycles.

Management will increase the depreciation rate for assets with shorter useful lives than previously estimated, or give up and write off technically obsolete assets, or sell non-essential assets.

(ii) Measurement of ECL

The Group calculates ECL based on the exposure at default and the ECL rates. The determination of the ECL rates is based on the probability of default and the loss given default or the ageing matrix. In determining the ECL rates, the Group uses data such as internal historical credit loss experience, and adjusts the historical data based on current conditions and forward-looking information.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(25) Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and key assumptions (continued)

(iii) Accounting estimates for impairment of long-term assets

When the Group conducts an impairment test on long-term assets showing signs of impairment, if the test results indicate that the recoverable amount of the relevant asset is lower than its carrying value, an impairment provision is recognized for the difference and included in asset impairment losses. The recoverable amount is the higher of the asset's fair value less costs of disposal and the present value of its estimated future cash flows. The calculation of these amounts requires the application of accounting estimates (see Notes 5(10), 5(11), and 5(14)).

When the Group uses the present value of estimated future cash flows to determine the recoverable amount, due to uncertainties in the economic environment of the relevant regions, the assumptions used in the present value calculation – such as revenue growth rates, gross profit margins, and pre-tax discount rates – are also subject to uncertainty.

(iv) Income taxes and deferred tax assets

The Group is subject to enterprise income tax in numerous jurisdictions. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income tax expenses. Where the final tax outcomes of these matters are different from the amounts that were initially recorded, such differences will impact the income tax expenses and deferred income tax provisions in the period in which the tax determination is made.

As mentioned in Note 3(1), the Company and some subsidiaries are high-tech enterprises. The validity period of the high-tech enterprise qualification is three years, after which it is necessary to resubmit the application for high-tech enterprise certification to the relevant government department. Based on the historical experience of the re-identification of high-tech enterprises after the expiration of the previous years and the actual situation, the Company and those subsidiaries believe that they can continue to obtain the high-tech enterprise identification in the coming years, and then calculate the tax rate at a preferential tax rate of 15% of the corresponding deferred income tax. If in the future the Company and those subsidiaries fail to obtain re-certification after the expiration of the high-tech enterprise qualification, the income tax will be calculated at the statutory tax rate of 25%, which will affect the confirmed deferred income tax assets, deferred income tax liabilities and income tax expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(25) Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and key assumptions (continued)

(iv) Income taxes and deferred tax assets (continued)

A deferred tax asset is recognised for the carryforward of unused deductible losses to the extent that it is probable that future taxable profits will be available against which the deductible losses can be utilised. Future taxable profits include taxable profits that can be achieved through normal operations and the increase in taxable profits due to the reversal of taxable temporary differences arising from previous period in future period. The Group needs to apply estimates and judgements in determining the timing and amount of future taxable profits. If there is any difference between the actual and the estimates, adjustment would be made to the carrying amount of deferred tax assets.

(26) Significant changes in accounting policies

In 2025, the Ministry of Finance released the *Q&A on Implementation of Accounting Standards for Business Enterprises* ("Implementation Q&A"). The accounting policies consistently adopted by the Group are consistent with the principles set out in the aforementioned Implementation Q&A, and the Implementation Q&A has no significant impacts on the financial statements of the Group and the Company.

In addition, the Ministry of Finance issued the *No. 19 of the Accounting Standards for Business Enterprises* ("Interpretation No. 19") in December 2025, effective from 1 January 2026. The Group and the Company expect that the implementation of the Interpretation No. 19 has no significant impacts on the financial statements of the Group and the Company.

3 TAXATION

(1) The main categories and rates of taxes applicable to the Group are set out below:

Category	Taxation basis	Tax rate
Enterprise income tax (a)	Taxable income	15% and 16.5%
Value-added tax ("VAT")	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible input VAT of the current period)	13%, 6% and 3%
City maintenance and construction tax	The payment amount of VAT	5% and 7%

3 TAXATION (continued)

(1) The main categories and rates of taxes applicable to the Group are set out below: (continued)

(a) In 2023, the Company obtained the *High-tech Enterprise Certificate* (No. GR202331000166) issued by the Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Bureau of Finance, Shanghai Municipal Tax Service, State Taxation Administration and Shanghai Municipal Local Taxation Bureau, which is valid for 3 years. Pursuant to Article 28 of the *Enterprise Income Tax Law of the People's Republic of China*, the applicable enterprise income tax rate for 2025 is 15% (2024:15%).

In 2024, Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd. ("Taizhou Pharmaceutical"), a subsidiary of the Company, obtained the *High-tech Enterprise Certificate* (No. GR202432006284) jointly issued by Jiangsu Provincial Department of Science and Technology, Department of Finance of Jiangsu Province and Jiangsu Provincial Tax Service, State Taxation Administration, which is valid for 3 years. Pursuant to Article 28 of the *Enterprise Income Tax Law of the People's Republic of China*, the applicable enterprise income tax rate for 2025 is 15% (2024:15%).

In 2022, Shanghai Tracing Bio-technology Co., Ltd. ("Tracing Bio-technology"), a subsidiary of the Company, obtained the *High-tech Enterprise Certificate* (No. GR202231000054) jointly issued by the Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Bureau of Finance, Shanghai Municipal Tax Service, State Taxation Administration and Shanghai Municipal Local Taxation Bureau, which is valid for 3 years. In 2025, Tracing Bio-technology obtained again the *High-tech Enterprise Certificate* (No. GR202531000010), which is valid for 3 years. Pursuant to Article 28 of the *Enterprise Income Tax Law of the People's Republic of China*, the applicable enterprise income tax rate for Tracing Bio-technology for 2025 was 15% (2024: 15%). Tracing Bio-technology had no taxable income for the year ended 31 December 2025 and 2024, thus making no provision for income tax expenses.

Fernovelty (Hong Kong) Holding Co., Limited ("Fernovelty Holding"), a subsidiary of the Company, is a limited liability company incorporated in Hong Kong. From 1 January 2018, Hong Kong adopted the two-tiered profits tax rates regime, where applicable tax rate for taxable profits within HKD2,000,000 is 8.25% while that for taxable profits in excess of HKD2,000,000 is 16.5%. For the year ended 31 December 2025 and 2024, Fernovelty Holding had no taxable profits, thus making no provision for HK profits tax.

(2) Tax preference

(b) Pursuant to the *Announcement on the Policy of Value added Tax Deduction for Advanced Manufacturing Enterprises* (Cai Shui [2023] No. 43) jointly issued by the Ministry of Finance and the State Taxation Administration, the Company and Taizhou Pharmaceutical, as advanced manufacturing companies, qualify for an additional 5% deduction of input VAT from 1 January 2023 to 31 December 2027.

4 SUBSIDIARIES

Please refer to Note 6(1) for details.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	31 December 2025	31 December 2024
Cash on hand	**17,178**	31,587
Cash at bank	**1,147,062,364**	1,056,254,042
Including: Cash at bank and on hand overseas	**20,360,850**	22,177,996
	1,147,079,542	1,056,285,629

As at 31 December 2025 and 31 December 2024, no cash at bank was restricted.

(2) Notes receivable

	31 December 2025	31 December 2024
Bank acceptance notes	**96,473,274**	120,569,384
Less: Provision for bad debts	**(53,480)**	(96,549)
	96,419,794	120,472,835

(a) As at 31 December 2025, the Group had no pledged notes receivable presented in notes receivable.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(2) Notes receivable (continued)

(b) In 2025, the bank acceptance notes were endorsed by the Group and substantially all the risks and rewards of ownership were transferred to other parties. Accordingly, the carrying amount of the bank acceptance notes derecognised was RMB18,971,793 (2024: RMB64,123,805).

As at 31 December 2025, notes receivable endorsed or discounted prior to their maturities are as follows:

	Derecognised	Not derecognised
Bank acceptance notes (i)	**5,187,249**	**–**

(i) In 2025, just an insignificant portion of the bank acceptance notes was endorsed by the Group. These endorsed notes were classified as financial assets at amortised cost.

(c) Provision for bad debts

For notes receivable collected from ordinary operating activities such as sales of goods and rendering of services, the Group recognises provision for the lifetime ECL regardless of whether there is any significant financing component.

The provision for bad debts of notes receivable is analysed by category as follows:

	31 December 2025					31 December 2024				
	Gross carrying amount		Provision for bad debts			Gross carrying amount		Provision for bad debts		
	Amount	% of total balance	Amount	Provision ratio	Carrying amount	Amount	% of total balance	Amount	Provision ratio	Carrying amount
Provision for bad debts on a collective basis (ii)	**96,473,274**	**100%**	**(53,480)**	**0.06%**	**96,419,794**	120,569,384	100%	(96,549)	0.08%	120,472,835

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(2) Notes receivable (continued)

(c) Provision for bad debts

(i) Provision for bad debts made on a collective basis for notes receivable is analysed as follows:

Group – Bank acceptance notes:

As at 31 December 2025, the Group measured the provision for bad debts based on the lifetime ECL. The provision for bad debts was RMB53,480 (31 December 2024: RMB96,549), and the amount of RMB43,069 (2024: RMB20,127) was recognised in the profit for the current period. The Group considered that there was no significant credit risk associated with its bank acceptance notes within this group and did not expect that there would be any significant losses from non-performance by these banks.

(3) Accounts receivable

	31 December 2025	31 December 2024
Accounts receivable	**204,572,567**	376,535,299
Less: Provision for bad debts	**(3,237,543)**	(27,045,842)
	201,335,024	349,489,457

The Group's accounts receivable are generated from business activities such as the sales of pharmaceutical products, with credit periods of 30 to 120 days.

As at 31 December 2025 and 31 December 2024, there were no significant accounts receivable from shareholders who held more than 5% (inclusive) of the voting shares of the Company in the Group's accounts receivable.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(3) Accounts receivable (continued)

(a) The ageing analysis of accounts receivable according to date recorded is as follows:

	31 December 2025	31 December 2024
Within 1 year	**201,404,112**	365,148,509
1 to 2 years	**3,168,455**	11,386,790
	204,572,567	376,535,299

(b) As at 31 December 2025, the five largest accounts receivable aggregated by debtors are summarised and analysed as follows:

	Balance	**Provision for bad debts**	**% of total balance**
Total amount of the five largest accounts receivable	153,897,881	(2,175,619)	75.23%

(c) Provision for bad debts

	31 December 2024	Movements for the current year			**31 December 2025**
		Provision	Reversal	Write-off	
Provision for bad debts of accounts receivable	(27,045,842)	–	23,808,299	–	**(3,237,543)**

For accounts receivable, the Group recognises the loss provision based on the lifetime ECL regardless of whether there is any significant financing component.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(3) Accounts receivable (continued)

(c) Provision for bad debts (continued)

The provision for bad debts of accounts receivable is analysed by category as follows:

	31 December 2025					31 December 2024				
	Gross carrying amount		Provision for bad debts			Gross carrying amount		Provision for bad debts		
	Amount	% of total balance	Amount	Provision ratio	Carrying amount	Amount	% of total balance	Amount	Provision ratio	Carrying amount
Provision for bad debts on an individual basis (i)	-	-	-	-	-	-	-	-	-	-
Provision for bad debts on a collective basis (ii)	204,572,567	100%	(3,237,543)	1.58%	201,335,024	376,535,299	100%	(27,045,842)	7.18%	349,489,457
	204,572,567	100%	(3,237,543)	1.58%	201,335,024	376,535,299	100%	(27,045,842)	7.18%	349,489,457

(i) As at 31 December 2025 and 31 December 2024, the Group had no accounts receivable for which the related provision for bad debts was made on an individual basis.

(ii) As at 31 December 2025, provision for bad debts made on a collective basis for accounts receivable is analysed as follows:

Group – Sales receivable:

	31 December 2025		
	Gross carrying amount	Provision for bad debts	
	Amount	Lifetime ECL rates	Amount
Not overdue	119,927,279	1.25%	(1,502,234)
Overdue within 120 days	65,068,620	1.57%	(1,022,110)
Overdue for 121 days to 1 year	19,553,322	3.53%	(689,853)
Overdue for 1 to 2 years	23,346	100.00%	(23,346)
	204,572,567		(3,237,543)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(3) Accounts receivable (continued)

(c) Provision for bad debts (continued)

(ii) As at 31 December 2024, provision for bad debts made on a collective basis for accounts receivable is analysed as follows:

Group – Sales receivable:

	31 December 2024		
	Gross carrying amount	Provision for bad debts	
	Amount	Lifetime ECL rates	Amount
Not overdue	147,840,953	4.07%	(6,023,179)
Overdue within 120 days	105,777,012	5.10%	(5,396,468)
Overdue for 121 days to 1 year	122,917,334	12.71%	(15,626,195)
	376,535,299		(27,045,842)

(iii) The Group's ECL rates of accounts receivable as at 31 December 2025 decreased compared with that as at 31 December 2024, primarily due to the Group's strengthened collection efforts and enhanced credit term management in the current year.

(d) In 2025, no accounts receivable were actually written off and no provision for bad debts was made.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(4) Advances to suppliers

(a) The ageing of advances to suppliers is analysed as follows:

	31 December 2025		31 December 2024	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	4,841,122	96.84%	24,658,129	99.63%
Over 1 year	157,865	3.16%	92,451	0.37%
	4,998,987	100.00%	24,750,580	100.00%

As at 31 December 2025, advances to suppliers with ageing over one year amounting to RMB157,865 (31 December 2024: RMB92,451) were mainly advances for raw materials.

(b) As at 31 December 2025, the five largest advances to suppliers aggregated by debtors are summarised and analysed as follows:

	Amount	% of total advances to suppliers
Total amount of the five largest advances to suppliers	2,901,966	58.05%

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(5) Other receivables

	31 December 2025	31 December 2024
Deposits receivable	**1,228,000**	1,408,581
Receivables from disposals of equipment	**243,669**	1,012,669
Petty cash for employees	**55,000**	136,000
Others	**25,854**	323
	1,552,523	2,557,573
Less: Provision for bad debts	**(13,316)**	(67,778)
	1,539,207	2,489,795

There were no amounts attributed to other parties or recorded in other receivables as a result of centralised fund management.

(a) The ageing of other receivables is analysed as follows:

	31 December 2025	31 December 2024
Within 1 year	**930,400**	1,132,861
1 to 2 years	**15,323**	362,225
2 to 3 years	**33,763**	242,142
Over 3 years	**573,037**	820,345
	1,552,523	2,557,573

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(5) Other receivables (continued)

(b) Movements in provision for losses and their gross carrying amounts

The provision for bad debts of other receivables is analysed by category as follows:

	31 December 2025					31 December 2024				
	Gross carrying amount		Provision for bad debts			Gross carrying amount		Provision for bad debts		
	Amount	% of total balance	Amount	Provision ratio	Carrying amount	Amount	% of total balance	Amount	Provision ratio	Carrying amount
Provision for bad debts on an individual basis (i)	-	-	-	-	-	-	-	-	-	-
Provision for bad debts on a collective basis (ii)	1,552,523	100%	(13,316)	0.86%	1,539,207	2,557,573	100%	(67,778)	2.65%	2,489,795
	1,552,523	100%	(13,316)	0.86%	1,539,207	2,557,573	100%	(67,778)	2.65%	2,489,795

(i) As at 31 December 2025 and 31 December 2024, the Group had no other receivables for which the related provision for bad debts was provided on an individual basis.

(ii) As at 31 December 2025, other receivables for which the related provision for bad debts was provided on a collective basis are all within Stage 1, which are analysed as follows:

	Gross carrying amount	12-month ECL rates	Provision for bad debts
On a collective basis:			
Deposits and guarantees	1,242,215	0.59%	(7,347)
Receivables from disposals of equipment	243,669	2.34%	(5,700)
Petty cash for employees	55,000	0.49%	(269)
Others	11,639	0.00%	–
	1,552,523		(13,316)

As at 31 December 2025, the Group had no other receivables in Stage 2.

As at 31 December 2025, the Group had no other receivables in Stage 3.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(5) Other receivables (continued)

(b) Movements in provision for losses and their gross carrying amounts (continued)

(ii) (continued)

As at 31 December 2024, other receivables for which the related provision for bad debts was provided on a collective basis are all within Stage 1, which are analysed as follows:

	Gross carrying amount	12-month ECL rates	Provision for bad debts
On a collective basis:			
Deposits and guarantees	1,408,904	3.06%	(43,048)
Receivables from disposals of equipment	1,012,669	2.30%	(23,304)
Petty cash for employees	136,000	1.05%	(1,426)
	2,557,573		(67,778)

As at 31 December 2024, the Group had no other receivables in Stage 2.

As at 31 December 2024, the Group had no other receivables in Stage 3.

(c) Provision for bad debts

	31 December 2024	Current year provision	Current year reversal	**31 December 2025**
Provision for bad debts of other receivables	(67,778)		54,462	**(13,316)**

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(5) Other receivables (continued)

(d) As at 31 December 2025, the five largest other receivables aggregated by debtors are analysed as follows:

	Nature	Balance	Ageing	% of total balance	Provision for bad debts
Shaoxing Meituan Technology Co., Ltd.	Deposits	500,000	Within 1 year	32.21%	(2,994)
Shanghai Jinfu Technology Co., Ltd.	Deposits	403,325	Within 1 year, over 3 years	25.98%	(2,415)
Shanghai Boyuan Medical Technology Co., Ltd.	Deposits	108,978	Over 3 years	7.02%	(653)
Shanghai Yiyuan Network Technology Co., Ltd.	Deposits	100,000	Over 3 years	6.44%	(599)
Siping City Central People's Hospital	Receivables from disposals of equipment	75,000	Within 1 year	4.83%	(449)
		1,187,303		76.48%	(7,110)

(e) As at 31 December 2025 and 31 December 2024, the Group had no overdue dividends receivable.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(6) Inventories

(a) Inventories are summarised by category as follows:

	31 December 2025			31 December 2024		
	Gross carrying amount	Provision for decline in the value of inventories	Carrying amount	Gross carrying amount	Provision for decline in the value of inventories	Carrying amount
Raw materials	14,218,068	(3,457)	14,214,611	16,478,807	(460,099)	16,018,708
Work in progress	2,302,999	–	2,302,999	4,070,567	–	4,070,567
Goods in stock	16,121,411	(26,812)	16,094,599	26,536,002	(111,476)	26,424,526
Materials that can be used for multiple times but not recognised as fixed assets	600,954	–	600,954	751,642	–	751,642
	33,243,432	(30,269)	33,213,163	47,837,018	(571,575)	47,265,443

(b) Provision for decline in the value of inventories is analysed as follows:

	31 December 2024	Increase in the current year	Decrease in the current year: Reversal	Decrease in the current year: Charge-off and write-off	31 December 2025
Raw materials	(460,099)	(840,757)	–	1,297,399	(3,457)
Goods in stock	(111,476)	(680,599)	–	765,263	(26,812)
	(571,575)	(1,521,356)	–	2,062,662	(30,269)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(6) Inventories (continued)

(c) Provision for decline in the value of inventories is as follows:

	Specific basis for determination of net realisable value	Reason for reversal or written-off of provision for decline in the value of inventories
Raw materials	Estimated selling price less the estimated costs to completion, estimated selling and distribution expenses and related taxes	Production and sales/Scrapping
Work in progress	Estimated selling price less the estimated costs to completion, estimated selling and distribution expenses and related taxes	Production and sales
Goods in stock	Estimated selling price less the estimated selling and distribution expenses and related taxes	Sales/Scrapping

(7) Other current assets

	31 December 2025	31 December 2024
Input VAT to be deducted	937,712	–
Prepaid income tax	–	6,024,768
	937,712	6,024,768

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(8) Long-term receivables

	31 December 2025	31 December 2024
Deposits and guarantees receivable	**1,677,164**	1,677,164
Less: Provision for bad debts	**(10,043)**	(52,013)
	1,667,121	1,625,151

(a) Movements in provision for losses and their gross carrying amounts

The provision for bad debts of long-term accounts receivable is analysed by category as follows:

	31 December 2025					31 December 2024				
	Gross carrying amount		Provision for bad debts			Gross carrying amount		Provision for bad debts		
	Amount	% of total balance	Amount	Provision ratio	Carrying amount	Amount	% of total balance	Amount	Provision ratio	Carrying amount
Provision for bad debts on an individual basis (i)	-	-	-	-	-	-	-	-	-	-
Provision for bad debts on a collective basis (ii)	1,677,164	100%	(10,043)	0.60%	1,667,121	1,677,164	100%	(52,013)	3.10%	1,625,151
	1,677,164	100%	(10,043)	0.60%	1,667,121	1,677,164	100%	(52,013)	3.10%	1,625,151

(i) As at 31 December 2025 and 31 December 2024, the Group had no long-term receivables for which the related provision for bad debts was provided on an individual basis.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(8) Long-term receivables (continued)

(a) Movements in provision for losses and their gross carrying amounts (continued)

(ii) As at 31 December 2025, for long-term receivables in Stage 1, the provision for bad debts is analysed below:

	31 December 2025			31 December 2024		
	Gross carrying amount	Loss provision		Gross carrying amount	Loss provision	
	Amount	Amount	Provision ratio	Amount	Amount	Provision ratio
Group of deposits and guarantees	**1,677,164**	**(10,043)**	**0.60%**	1,677,164	(52,013)	3.10%

As at 31 December 2025 and 31 December 2024, the Group had no long-term receivables in Stage 2.

As at 31 December 2025 and 31 December 2024, the Group had no long-term receivables in Stage 3.

(iii) Provision for bad debts

	31 December 2024	Increase in the current year	Reversal in the current year	31 December 2025
Provision for bad debts of long-term receivables	(52,013)	–	41,970	**(10,043)**

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(9) Investments in other equity instruments

	31 December 2024	Increase in investments	Decrease in investments	Amount recognized in other comprehensive loss in the current year	Others	31 December 2025	Dividend income recognised in the current year	Accumulated amount recognised in other comprehensive loss
Investments in equity instruments								
Equity of listed companies	10,584	-	-	(8,669)	-	1,915	-	(5,622,068)

	31 December 2025	31 December 2024
TuHURA Bioscience, Inc. (formerly known as "Kintara Therapeutics, Inc.")		
– Costs	5,623,983	5,623,983
– Accumulated changes in fair value	(5,622,068)	(5,613,399)
	1,915	10,584

On 31 December 2023, the Group held 12,592 ordinary shares of Kintara Therapeutics, Inc. ("Kintara"). Based on the closing price of Kintara on the acquisition completion date, the fair value of the equity instruments held by the Group in Kintara was RMB5,623,983.

On 18 October 2024, Kintara Therapeutics, Inc. merged with TuHURA Bioscience, Inc. ("TuHURA"). The equity interest in Kintara originally held by the Group has been converted into an equity interest in TuHURA in accordance with the agreed ratio.

On 31 December 2025, the Group held 360 ordinary shares of TuHURA. Based on the closing price of TuHURA on 31 December 2025, the fair value of the equity instruments held by the Group in TuHURA was RMB1,915.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(10) Long-term equity investments

	31 December 2025	31 December 2024
Joint ventures (Note 6(2))	**26,991,809**	34,217,879
Associates (Note 6(2))	**202,408,542**	223,597,814
	229,400,351	257,815,693
Less: Provision for impairment of long-term equity investments	**(332,756)**	(332,756)
	229,067,595	257,482,937

(a) Joint ventures

		Changes in the current year									Provision for impairment
	31 December 2024	Increase in investments	Decrease in investments	Share of net profit/(loss) under equity method	Share of other comprehensive income	Share of other changes in equity	Cash dividends or profit distributions declared	Provision for impairment	Others	31 December 2025	Opening balance/ Ending balance
Changzhou BVCF Investment Management Partnership (Limited Liability Partnership) ("Changzhou BVCF")	34,217,879	-	-	(3,142,017)	-	-	(4,084,053)	-	-	**26,991,809**	-

As at 31 December 2025, the Group's subscribed capital contribution ratio was 29.85%, and the paid-up capital contribution ratio was 30.47%.

Please refer to Note 6(2) for related information of interests in joint ventures of the Group.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(10) Long-term equity investments (continued)

(b) Associates

		Movements for the current period									Provision for impairment
	31 December 2024	Increase in investments	Decrease in investments	Share of net profit/(loss) under equity method	Share of other comprehensive income	Share of other changes in equity	Cash dividends or profit distributions declared	Provision Provision for impairment	Others	31 December 2025	Opening balance/ Ending balance
Shanghai WD Pharmaceutical Co., Ltd. ("WD Pharmaceutical")	223,265,058	-	-	(21,953,430)	-	764,158	-	-	-	202,075,786	-
Shanghai Lead Discovery Limited Company ("Lead Discovery")	-	-	-	-	-	-	-	-	-	-	(332,756)
Derma Clinic Investment Co., Ltd. ("Derma")	-	-	-	-	-	-	-	-	-	-	-
	223,265,058	-	-	(21,953,430)	-	764,158	-	-	-	202,075,786	(332,756)

Please refer to Note 6(2) for related information of interests in associates of the Group.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(11) Fixed assets

	Buildings	Machinery and equipment	Electronic equipment and office equipment	Motor vehicles	Total
Cost					
31 December 2024	368,530,262	493,018,619	7,935,199	3,953,835	873,437,915
Increase in the current year					
Purchases	1,470,947	12,362,971	145,044	–	13,978,962
Transfers from construction in progress	26,733,198	157,522	–	–	26,890,720
Decrease in the current year	–	(17,506,446)	(40,944)	–	(17,547,390)
31 December 2025	396,734,407	488,032,666	8,039,299	3,953,835	896,760,207
Accumulated depreciation					
31 December 2024	(117,027,893)	(271,006,786)	(6,349,359)	(2,257,543)	(396,641,581)
Increase in the current year	(16,402,602)	(36,744,298)	(465,212)	(298,096)	(53,910,208)
Decrease in the current year	–	17,031,238	40,944	–	17,072,182
31 December 2025	(133,430,495)	(290,719,846)	(6,773,627)	(2,555,639)	(433,479,607)
Carrying amount					
31 December 2025	263,303,912	197,312,820	1,265,672	1,398,196	463,280,600
31 December 2024	251,502,369	222,011,833	1,585,840	1,696,292	476,796,334

In 2025, depreciation charged to fixed assets amounted to RMB53,910,208 (2024: RMB52,507,696), of which RMB11,318,684, RMB7,647,527, RMB1,914,819 and RMB33,029,178 (2024: RMB10,244,363, RMB11,496,660, RMB1,843,153 and RMB28,923,520) were charged to cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses respectively.

The cost of fixed assets transferred from construction in progress amounted to RMB26,890,720 (2024: RMB233,799,389).

As at 31 December 2025 and 31 December 2024, the Group had no temporarily idle fixed assets and fixed assets with pending certificates of ownership.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(12) Construction in progress

	31 December 2025			31 December 2024		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Medical devices and cream workshop reconstruction project	–	–	–	2,593,358	–	2,593,358
Shanghai office building decoration	–	–	–	4,602,571	–	4,602,571
Others	188,065	–	188,065	–	–	–
	188,065	–	188,065	7,195,929	–	7,195,929

(i) Movements in significant construction in progress projects

	Budget	31 December 2024	Increase in the current year	Decrease in the current year	31 December 2025	% of budget	Project progress	Accumulated amount of borrowing cost capitalisation	Sources of funds
	–							–	Self-owned funds
Medical devices and cream workshop reconstruction project	4,109,881	2,593,358	1,516,523	(4,109,881)	-	100%	100%	–	Self-owned funds
Shanghai office building decoration	22,257,154	4,602,571	17,654,583	(22,257,154)	-	100%	100%	–	Self-owned funds
	26,367,035	7,195,929	19,171,106	(26,367,035)	-			–	

As at 31 December 2025 and 31 December 2024, the Group had no impaired construction in progress.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(13) Right-of-use assets

	Buildings
Cost	
31 December 2024	35,350,350
Increase in the current year	
New lease contracts	312,110
Decrease in the current year	
Lease expiry	(8,942,906)
31 December 2025	26,719,554
Accumulated depreciation	
31 December 2024	(15,815,171)
Increase in the current year	
Provision	(6,061,154)
Decrease in the current year	
Lease expiry	8,942,906
31 December 2025	(12,933,419)
Carrying amount	
31 December 2025	13,786,135
31 December 2024	19,535,179

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(14) Intangible assets

	Land use rights	Proprietary technology	R&D technology	Software	Total
Cost					
31 December 2024	50,403,679	8,843,164	101,776,176	13,732,893	174,755,912
Increase in the current year					
Purchases	–	–	–	5,023,784	5,023,784
31 December 2025	50,403,679	8,843,164	101,776,176	18,756,677	179,779,696
Accumulated amortisation					
31 December 2024	(13,660,192)	(8,393,164)	(67,723,875)	(10,581,977)	(100,359,208)
Increase in the current year	(1,059,175)	–	(10,388,757)	(1,356,555)	(12,804,487)
31 December 2025	(14,719,367)	(8,393,164)	(78,112,632)	(11,938,532)	(113,163,695)
Provision for impairment					
31 December 2024 and 31 December 2025	–	(450,000)	(5,298,742)	–	(5,748,742)
Carrying amount					
31 December 2025	35,684,312	–	18,364,802	6,818,145	60,867,259
31 December 2024	36,743,487	–	28,753,559	3,150,916	68,647,962

In 2025, the amortisation of intangible assets amounted to RMB12,804,487 (2024: RMB13,861,229).

As at 31 December 2025, the intangible assets internally developed by the Group accounted for 30.17% (31 December 2024: 41.89%) of the carrying amount of intangible assets.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(15) Goodwill

	31 December 2024	Increase in the current year	Decrease in the current year	**31 December 2025**
Goodwill – cost	8,937,000	–	–	**8,937,000**
Less: Provision for impairment	(8,937,000)	–	–	**(8,937,000)**
	–	–	–	**–**

Goodwill was from the Group's 2015 premium purchase of equity in Shanghai Youni Bio-tech Co., Ltd. ("Youni"). On 30 September 2015, Youni was absorbed by Tracing Biotechnology.

(16) Long-term prepaid expenses

	31 December 2024	Increase in the current year	Decrease in the current year	**31 December 2025**
Improvements to right-of-use assets	4,421,400	–	(812,971)	**3,608,429**
Chromatographic packing	4,854,812	1,005,157	(5,062,941)	**797,028**
	9,276,212	1,005,157	(5,875,912)	**4,405,457**

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(17) Deferred tax assets

Deferred tax assets and deferred tax liabilities before any offsetting are set out as follows:

(a) Deferred tax assets before any offsetting

	31 December 2025		31 December 2024	
	Deductible temporary differences and deductible losses	**Deferred tax assets**	Deductible temporary differences and deductible losses	Deferred tax assets
Accrued expenses	**157,512,845**	**23,626,928**	168,937,862	25,340,679
Deductible losses	**647,688,802**	**97,153,318**	628,589,576	94,288,435
Provision for credit impairment	**27,067,382**	**4,060,107**	51,015,182	7,652,278
Lease liabilities	**14,691,899**	**2,203,785**	20,525,875	3,078,881
Amortisation of intangible assets	**19,959,811**	**2,993,971**	18,668,067	2,800,210
Government grants	**18,971,999**	**2,845,800**	15,845,713	2,376,857
Provision for asset impairment	**3,964,855**	**594,728**	4,506,161	675,924
	889,857,593	**133,478,637**	908,088,436	136,213,264
Including:				
Expected to be recovered within one year (inclusive)		**29,189,104**		37,720,447
Expected to be recovered after one year		**104,289,533**		98,492,817
		133,478,637		136,213,264

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(17) Deferred tax assets (continued)

(b) Deferred tax liabilities before any offsetting

	31 December 2025		31 December 2024	
	Taxable temporary differences	**Deferred tax liabilities**	Taxable temporary differences	Deferred tax liabilities
Right-of-use assets	**13,786,135**	**2,067,920**	19,535,179	2,930,277
Including:				
Expected to be recovered within one year (inclusive)		**914,732**		914,731
Expected to be recovered after one year		**1,153,188**		2,015,546
		2,067,920		2,930,277

(c) Deductible temporary differences and deductible losses that are not recognised as deferred tax assets are analysed as follows:

	31 December 2025	31 December 2024
Deductible losses	**467,918,216**	58,393,384
Deductible temporary differences	**31,031,951**	12,276,158
	498,950,167	70,669,542

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(17) Deferred tax assets (continued)

(d) Deductible losses that are not recognised as deferred tax assets will expire in the following years:

	31 December 2025	31 December 2024
2026	**402,028**	402,028
2027	**10,802,118**	10,802,118
2028	**12,084,885**	12,084,885
2029	**8,052,658**	8,052,658
2030	**739,091**	739,091
2031	**8,423,141**	8,423,141
2032	**3,749,577**	3,749,577
2033	**4,489,726**	4,489,726
2034	**9,295,197**	9,650,160
2035	**409,879,795**	–
	467,918,216	58,393,384

(e) The net balances of deferred tax assets and deferred tax liabilities after offsetting are as follows:

	31 December 2025		31 December 2024	
	Offsetting amount	**Balance after offsetting**	Offsetting amount	Balance after offsetting
Deferred tax assets	**(2,067,920)**	**131,410,717**	(2,930,277)	133,282,987
Deferred tax liabilities	**2,067,920**	**–**	2,930,277	–

(18) Other non-current assets

	31 December 2025	31 December 2024
Advances for equipment	**455,447**	5,870,841

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(19) Provision for asset impairment and losses

(a) Provision for asset impairment

	31 December 2024	Increase in the current year	Decrease in the current year: Reversal	Decrease in the current year: Charge-off and write-off	31 December 2025
Provision for impairment of goodwill	8,937,000	–	–	–	**8,937,000**
Provision for impairment of intangible assets	5,748,742	–	–	–	**5,748,742**
Provision for decline in the value of inventories	571,575	1,521,356	–	(2,062,662)	**30,269**
Provision for impairment of long-term equity investments	332,756	–	–	–	**332,756**
	15,590,073	1,521,356	–	(2,062,662)	**15,048,767**

	31 December 2023	Increase in the current year	Decrease in the current year: Reversal	Decrease in the current year: Charge-off and write-off	31 December 2024
Provision for impairment of goodwill	8,937,000	–	–	–	8,937,000
Provision for impairment of intangible assets	1,814,157	3,934,585	–	–	5,748,742
Provision for decline in the value of inventories	717,250	2,245,031	–	(2,390,706)	571,575
Provision for impairment of fixed assets	377,885	–	–	(377,885)	–
Provision for impairment of long-term equity investments	332,756	–	–	–	332,756
	12,179,048	6,179,616	–	(2,768,591)	15,590,073

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(19) Provision for asset impairment and losses (continued)

(b) Provision for credit impairment

	31 December 2024	Increase in the current year	Decrease in the current year: Reversal	Decrease in the current year: Charge-off and write-off	31 December 2025
Provision for bad debts of accounts receivable	27,045,842	–	(23,808,299)	–	**3,237,543**
Provision for bad debts of notes receivable	96,549	–	(43,069)	–	**53,480**
Provision for bad debts of other receivables	67,778	–	(54,462)	–	**13,316**
Provision for bad debts of long-term receivables	52,013	–	(41,970)	–	**10,043**
	27,262,182	–	(23,947,800)	–	**3,314,382**

	31 December 2023	Increase in the current year	Decrease in the current year: Reversal	Decrease in the current year: Charge-off and write-off	31 December 2024
Provision for bad debts of accounts receivable	35,993,681	3,451	(8,951,380)	–	27,045,842
Provision for bad debts of notes receivable	116,676	96,549	(116,676)	–	96,549
Provision for bad debts of other receivables	91,907	–	(24,129)	–	67,778
Provision for bad debts of long-term receivables	30,676	34,581	(13,244)	–	52,013
	36,232,940	134,671	(9,101,888)	–	27,262,182

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(20) Accounts payable

	31 December 2025	31 December 2024
Accounts payable	**6,067,211**	10,671,215

(a) As at 31 December 2025, accounts payable with ageing over one year were RMB50,041 (31 December 2024: RMB60,410).

(b) The ageing analysis of accounts payable according to date recorded is as follows:

	31 December 2025	31 December 2024
Within 1 year	**6,017,170**	10,610,805
1 to 2 years	**–**	32,588
Over 2 years	**50,041**	27,822
	6,067,211	10,671,215

(21) Contract liabilities

	31 December 2025	31 December 2024
Advances for goods	**5,407,189**	8,340,998

(22) Employee benefits payable

	31 December 2025	31 December 2024
Short-term employee benefits payable (a)	**21,347,077**	17,700,299
Defined contribution plans payable (b)	**1,332,362**	710,478
Termination benefits payable (c)	**–**	–
	22,679,439	18,410,777

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(22) Employee benefits payable (continued)

(a) Short-term employee benefits

	31 December 2024	Increase in the current year	Decrease in the current year	31 December 2025
Wages and salaries, bonus, allowances and subsidies	17,092,880	160,779,276	(157,221,312)	**20,650,844**
Staff welfare	–	1,050	(1,050)	**–**
Social security contributions	566,786	16,361,949	(16,323,760)	**604,975**
Including: Medical insurance	553,686	15,916,891	(15,878,511)	**592,066**
Work injury insurance	12,356	427,737	(427,184)	**12,909**
Maternity insurance	744	17,321	(18,065)	**–**
Housing funds	18,945	19,129,614	(19,074,031)	**74,528**
Mandatory provident fund	2,781	32,517	(32,595)	**2,703**
Labour union funds and employee education funds	18,907	1,287,136	(1,292,016)	**14,027**
	17,700,299	197,591,542	(193,944,764)	**21,347,077**

(b) Defined contribution plans

	31 December 2024	Increase in the current year	Decrease in the current year	31 December 2025
Basic pensions	686,633	36,361,259	(35,750,122)	**1,297,770**
Unemployment insurance	23,845	1,436,049	(1,425,302)	**34,592**
	710,478	37,797,308	(37,175,424)	**1,332,362**

Monthly payments of premiums on the basic pensions and unemployment insurance are calculated according to the bases and percentage prescribed by local authorities of Ministry of Human Resource and Social Security, and such payments cannot be used to offset the amounts that the Group should pay for employees in future periods.

(c) Termination benefits payable

As at 31 December 2025, the Group had no termination benefits payable. In 2025, termination benefits paid by the Group for termination of the employment relationship were RMB2,100,727 (2024: RMB1,026,377).

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(23) Taxes payable

	31 December 2025	31 December 2024
Unpaid VAT	**7,150,809**	5,491,292
Withholding individual income tax	**2,744,628**	2,467,848
	9,895,437	7,959,140

(24) Other payables

	31 December 2025	31 December 2024
Sales expenses payable and accrued	**141,519,055**	143,672,043
Long-term assets payable	**30,368,177**	33,372,750
Guarantees payable	**4,411,333**	5,761,333
Others	**19,578,659**	16,578,423
	195,877,224	199,384,549

As at 31 December 2025, other payables with ageing over one year were RMB12,019,576 (31 December 2024: RMB6,246,617). Other payables with ageing of more than 1 year were mainly long-term assets payable. As the payment point for the long-term assets payable was not reached, the amount was not settled.

(25) Other current liabilities

	31 December 2025	31 December 2024
Output VAT to be recognised	**343,827**	87,251

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(26) Lease liabilities

	31 December 2025	31 December 2024
Lease liabilities	**14,691,899**	20,525,875
Less: Non-current liabilities to be settled within one year	**(5,350,976)**	(6,098,210)
	9,340,923	14,427,665

(a) As at 31 December 2025, future cash outflows to which the Group was potentially exposed that were not included in the lease liabilities comprised the following:

(i) As at 31 December 2025, the future minimum lease payments of short-term leases adopting the practical expedient were RMB157,809 (31 December 2024: 37,252), which should be paid within one year.

(27) Deferred income

	31 December 2025	31 December 2024
Government grants	**18,971,999**	15,845,713

(a) Government grants

	31 December 2024	Increase in the current year	Decrease in the current year		31 December 2025
			Other income	Non-operating income	
Assets related project	15,845,713	7,484,100	(4,357,814)	–	**18,971,999**
Income related project	–	7,403,831	(7,403,831)	–	**–**
	15,845,713	14,887,931	(11,761,645)	–	**18,971,999**

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(28) Share capital

	31 December 2024	Changes in the current year					31 December 2025
		Issue new shares	Scrip issue	Transferred from reserve	Others	Sub-total	
Listed tradable shares – Foreign shares listed overseas	32,600,000	–	–	–	–	–	32,600,000
Listed tradable shares – Domestic listed RMB-denominated ordinary A shares	71,057,210	–	–	–	–	–	71,057,210
Total share capital	103,657,210	–	–	–	–	–	103,657,210

	31 December 2023	Changes in the current year					31 December 2024
		Issue new shares	Scrip issue	Transferred from reserve	Others	Sub-total	
Listed tradable shares – Foreign shares listed overseas	32,600,000	–	–	–	–	–	32,600,000
Listed tradable shares – Domestic listed RMB-denominated ordinary A shares	71,057,210	–	–	–	–	–	71,057,210
Total share capital	103,657,210	–	–	–	–	–	103,657,210

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(29) Capital surplus

	31 December 2024	Increase in the current year	Decrease in the current year	31 December 2025
Share premium	1,212,832,894	–	–	1,212,832,894
Share-based payments	70,819,623	–	–	70,819,623
Other capital surplus –				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	5,901,077	764,158	–	6,665,235
	1,289,553,594	764,158	–	1,290,317,752

	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
Share premium	1,212,832,894	–	–	1,212,832,894
Share-based payments	70,819,623	–	–	70,819,623
Other capital surplus –				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	5,640,871	260,206	–	5,901,077
	1,289,293,388	260,206	–	1,289,553,594

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(30) Other comprehensive income

	Other comprehensive loss in the balance sheet				Other comprehensive loss in the income statement for the year ended 31 December 2025				
	31 December 2024	Attributable to the parent company after tax	Other comprehensive loss transferred to retained earnings	31 December 2025	Amount before income tax	Less: Other comprehensive loss transferred out this year	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax
Other comprehensive loss items which will not be reclassified to profit or loss									
Changes in fair value of investments in other equity instruments	(5,613,399)	(8,669)	-	(5,622,068)	(8,669)	-	-	(8,669)	
Other comprehensive income/(loss) items which will be reclassified to profit or loss									
Differences on translation of foreign currency financial statements	65,978	(492,338)	-	(426,360)	(492,338)	-	-	(492,338)	
	(5,547,421)	(501,007)	-	(6,048,428)	(501,007)	-	-	(501,007)	

	Other comprehensive loss in the balance sheet				Other comprehensive loss in the income statement for the year ended 31 December 2024				
	31 December 2023	Attributable to the parent company after tax	Other comprehensive loss transferred to retained earnings	31 December 2024	Amount before income tax	Less: Other comprehensive loss transferred out this year	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax
Other comprehensive loss items which will not be reclassified to profit or loss									
Changes in fair value of investments in other equity instruments	(5,608,857)	(4,542)	-	(5,613,399)	(4,542)	-	-	(4,542)	-
Other comprehensive income/(loss) items which will be reclassified to profit or loss									
Differences on translation of foreign currency financial statements	(249,512)	315,490	-	65,978	315,490	-	-	315,490	-
	(5,858,369)	310,948	-	(5,547,421)	310,948	-	-	310,948	-

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(31) Surplus reserve

	31 December 2024	Increase in the current year	Decrease in the current year	31 December 2025
Statutory surplus reserve	**52,150,000**	**–**	**–**	**52,150,000**

	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
Statutory surplus reserve	52,150,000	–	–	52,150,000

In accordance with the *Company Law of the People's Republic of China and the Company's Articles of Association*, the Company should appropriate 10% of net profit (after making up for prior years' losses) for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulates to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. The Company ceased appropriation as the surplus reserve had accumulated to 50% of the registered capital at the year end.

(32) Undistributed profits

	2025	2024
Undistributed profits at the beginning of the year	**864,754,029**	918,311,622
Add: Net (loss)/profit attributable to shareholders of the parent company for the current year	**(157,439,498)**	39,733,896
Less: Dividends payable to the Company's ordinary shareholders	**(31,097,163)**	(93,291,489)
Undistributed profits at the end of the year	**676,217,368**	864,754,029

In accordance with the resolution at the Shareholders' meeting dated 26 June 2025, the Company distributed cash dividends to all shareholders for the year 2024 at RMB0.03 per share, amounting to RMB31,097,163 calculated by 1,036,572,100 issued shares.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(33) Revenue and cost of sales

	2025	2024
Revenue from main operations	**685,797,316**	709,404,966

	2025	2024
Cost of sales from main operations	**(69,311,447)**	(61,212,355)

(a) Revenue and cost of sales from main operations

	2025		2024	
	Revenue from main operations	**Cost of sales from main operations**	Revenue from main operations	Cost of sales from main operations
– Sales of pharmaceutical and diagnostic products	**679,245,475**	**(68,415,331)**	709,378,418	(61,212,355)
– Revenue from technology transfer (Note (i))	**5,567,230**	**–**	–	–
– Revenue from services	**984,611**	**(896,116)**	26,548	–
	685,797,316	**(69,311,447)**	709,404,966	(61,212,355)

(i) In 2025, the Company recognised revenue from the technology transfer of RMB5,567,230 (2024: none) based on the progress of contract performance.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(33) Revenue and cost of sales (continued)

(b) The Group's revenue and cost of sales are disaggregated as follows:

	2025			
	Pharmaceutical products	**Technology transfer**	**Services**	**Total**
Revenue from main operations				
Including: Recognised at a point in time	**679,245,475**	**5,567,230**	**984,611**	**685,797,316**

	2025			
	Pharmaceutical products	**Technology transfer**	**Services**	**Total**
Cost of sales from main operations				
Including: Recognised at a point in time	**(68,415,331)**	**–**	**(896,116)**	**(69,311,447)**

	2024			
	Pharmaceutical products	Diagnostic reagents	Services	Total
Revenue from main operations				
Including: Recognised at a point in time	708,316,410	1,062,008	26,548	709,404,966

	2024			
	Pharmaceutical products	Diagnostic reagents	Services	Total
Cost of sales from main operations				
Including: Recognised at a point in time	(60,577,518)	(634,837)	–	(61,212,355)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(34) Taxes and surcharges

	2025	2024
Property tax	**2,674,938**	3,029,799
City maintenance and construction tax	**2,201,950**	1,752,428
Educational surcharge	**2,086,882**	1,639,916
Land use tax	**423,853**	669,381
Others	**392,066**	347,555
	7,779,689	7,439,079

(35) Selling and distribution expenses

	2025	2024
Marketing and academic promotion fees	**230,155,826**	146,313,677
Payroll expenses	**122,775,177**	107,494,376
Travelling expenses	**12,148,438**	11,868,842
Business entertainment expenses	**8,317,177**	10,476,626
Depreciation and amortisation expenses	**7,647,527**	11,496,660
Depreciation of right-of-use assets	**3,676,077**	3,959,774
Conference fees	**4,489,724**	3,064,247
Office expenses	**2,484,851**	1,829,917
Rental fees	**437,102**	578,011
Transportation expenses	**209,741**	185,365
Others	**2,767,193**	2,075,876
	395,108,833	299,343,371

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(36) General and administrative expenses

	2025	2024
Payroll expenses	**17,843,366**	19,421,082
Audit fees	**4,328,302**	4,500,000
Administrative expenses	**4,634,943**	5,047,548
Depreciation and amortisation expenses	**2,990,318**	2,819,579
Property fees	**1,465,823**	1,316,606
Others	**9,170,047**	8,595,828
	40,432,799	41,700,643

(37) Research and development expenses

	2025	2024
Outsourced R&D expenses	**172,261,198**	122,046,365
Payroll expenses	**76,586,416**	79,102,121
Material expenses	**39,564,314**	44,646,813
R&D department expenses	**36,498,164**	39,443,323
Depreciation expenses	**33,029,179**	28,923,520
	357,939,271	314,162,142

(38) Financial income – net

	2025	2024
Interest expenses	**–**	–
Add: Interest costs on lease liabilities	**(662,894)**	(591,615)
Interest expenses	**(662,894)**	(591,615)
Less: Interest income	**2,809,500**	5,548,805
Exchange gains – net	**117,484**	150,099
Others	**(72,474)**	(72,709)
	2,191,616	5,034,580

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(39) Expenses by nature

The cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses in the income statement are listed as follows by nature:

	2025	2024
Changes in inventories of finished goods and work in progress	**11,416,896**	(7,758,948)
Consumed raw materials and low value consumables, etc.	**42,904,527**	59,235,785
Marketing and sales expenses	**254,372,841**	166,864,364
Employee benefits	**237,489,577**	232,115,221
Less: Capitalised amount	**–**	–
	237,489,577	232,115,221
Outsourced R&D expenses	**172,261,198**	122,046,365
Depreciation and amortisation expenses	**78,651,761**	85,367,410
Less: Capitalised amount	**–**	(3,147,584)
	78,651,761	82,219,826
R&D department expenses	**36,498,164**	39,443,323
Testing fees	**6,577,860**	7,971,731
Audit fees	**4,701,418**	4,840,332
– Audit services	**4,574,060**	4,696,483
– Non-audit services	**127,358**	143,849
Rental (Note (i))	**3,068,510**	2,007,014
Others	**14,849,598**	7,433,498
	862,792,350	716,418,511

(i) As disclosed in Note 2(23), the lease payments of short-term leases and low value leases are directly recognised in profit or loss for the current period. In 2025, the amount was RMB3,068,510 (2024: RMB2,007,014).

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(40) Other income

	2025	2024
Government grants		
– Asset related	**4,357,814**	9,592,037
– Income related	**7,403,831**	9,500,114
Refund of service fees for withholding individual income tax and value added tax deduction	**2,618,527**	305,297
	14,380,172	19,397,448

(41) Investment losses

	2025	2024
Losses on long-term equity investments under equity method	**25,095,447**	28,553,238
Income from wealth management products	**(15,249,202)**	(18,146,632)
	9,846,245	10,406,606

In 2025 and 2024, the bank wealth management products purchased by the Group were measured at fair value and their changes were included in the current profit and loss. As at 31 December 2025 and 31 December 2024, the Group had no balance of wealth management products.

(42) Reversal of credit impairment losses

	2025	2024
Reversal of losses on bad debts of accounts receivable	**23,808,299**	8,947,839
Reversal of losses on bad debts of other receivables	**54,462**	24,129
Reversal of/(Losses on) bad debts of long-term receivables	**41,970**	(21,337)
Reversal of losses on bad debts of notes receivable	**43,069**	20,127
	23,947,800	8,970,758

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(43) Asset impairment losses

	2025	2024
Decline in the value of inventories	**1,521,356**	2,245,031
Impairment of intangible assets	**–**	3,934,585
	1,521,356	6,179,616

(44) Gains on disposals of assets

	2025	2024	Amount recognised in non-recurring profit or loss in 2025
Gains on disposals of fixed assets	**220,506**	29,905	**220,506**

(45) Non-operating income

	2025	2024	Amount recognised in non-recurring profit or loss in 2025
Income from waste and others	**230,406**	4,502,178	**230,406**

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(46) Non-operating expenses

	2025	2024	Amount recognised in non-recurring profit or loss in 2025
Donations	**325,448**	900,000	**325,448**
Others	**354,036**	538,093	**354,036**
	679,484	1,438,093	**679,484**

(47) Income tax expenses

	2025	2024
Current income tax calculated based on tax laws and related regulations	**–**	(1,566,600)
Deferred income tax	**1,872,270**	(32,409,542)
	1,872,270	(33,976,142)

The reconciliation from income tax calculated based on the applicable tax rates and total (loss)/profit presented in the consolidated income statement to the income tax expenses is set out as below:

	2025	2024
Total (loss)/profit	**(155,851,308)**	5,457,930
Income tax calculated at applicable tax rates	**(38,962,827)**	1,364,483
Effect of tax preferences	**15,550,531**	(535,001)
Deductible losses and deductible temporary differences for which no deferred tax asset was recognised	**62,354,968**	1,364,516
Additional deduction of R&D expenses	**(42,815,542)**	(40,147,687)
Costs, expenses and losses not deductible for tax purposes	**5,322,665**	5,485,740
Utilisation of deductible tax losses and deductible temporary differences for which no deferred tax asset was recognised in prior periods	**–**	(118,722)
Others	**422,475**	(1,389,471)
Income tax expenses	**1,872,270**	(33,976,142)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(48) Earnings per share

(a) Basic earnings per share

Basic earnings per share are calculated by dividing consolidated net (loss)/profit attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding:

	2025	2024
Consolidated net (loss)/profit attributable to ordinary shareholders of the parent company	**(157,439,498)**	39,733,896
Weighted average number of outstanding ordinary shares	**1,036,572,100**	1,036,572,100
Basic earnings per share	**(0.15)**	0.04
Including:		
– Basic earnings per share from continuing operations:	**(0.15)**	0.04
– Basic earnings per share for discontinuing operations:	**–**	–

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing consolidated net (loss)/profit attributable to ordinary shareholders of the parent company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares in 2025 (2024: Nil), diluted earnings per share were equal to basic earnings per share.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(49) Notes to the cash flow statement

The Group does not present cash flows on a net basis and the significant cash flow items are set out below:

(a) Cash received relating to other operating activities

	2025	2024
Government grants	**14,887,931**	29,144,056
Interest income	**2,809,500**	5,548,805
Deposits and guarantees	**180,581**	4,550,000
Refund of pre-paid income tax	**–**	4,421,486
Others	**569,150**	812,178
	18,447,162	44,476,525

(b) Cash paid relating to other operating activities

	2025	2024
Administrative expenses and data fees	**37,786,318**	41,015,386
Travelling expenses	**12,148,438**	11,868,842
Business entertainment expenses	**8,872,902**	11,798,946
Consulting service fees	**5,179,825**	4,516,910
Deposits and guarantees	**1,350,000**	48,799,036
Advertising expenses	**810,899**	1,499,036
Others	**3,682,728**	5,520,911
	69,831,110	125,019,067

(c) Cash received from disposals of investments

	2025	2024
Cash dividends received from joint ventures	**4,084,053**	1,742,224

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(49) Notes to the cash flow statement (continued)

(d) Cash received relating to other investing activities

	2025	2024
Sales of wealth management products	**3,300,249,202**	3,910,146,632

(e) Cash paid relating to other investing activities

	2025	2024
Purchase of wealth management products	**3,285,000,000**	3,892,000,000

(f) Cash paid relating to other financing activities

	2025	2024
Repayments of lease liabilities	**6,808,980**	7,933,072
Payment of lease deposits	**–**	48,763
	6,808,980	7,981,835

In 2025, total cash outflows for leases paid by the Group amounted to RMB9,877,490 (2024: RMB9,940,086) which is classified as cash paid relating to financing activities for repayments of lease liabilities and operating activities for the remainder.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(50) Supplementary information to the cash flow statement

(a) Supplementary information to the cash flow statement

Reconciliation from net (loss)/profit to cash flows from operating activities

	2025	2024
Net (loss)/profit	**(157,723,578)**	39,434,072
Add: Asset impairment losses	**1,521,356**	6,179,616
Reversal of credit impairment	**(23,947,800)**	(8,970,758)
Depreciation of right-of-use assets	**6,061,154**	7,920,964
Depreciation of fixed assets	**53,910,208**	52,507,696
Amortisation of intangible assets	**12,804,487**	13,774,242
Amortisation of long-term prepaid expenses	**5,875,912**	8,016,924
Gains on disposals of fixed assets	**(220,506)**	(29,905)
Losses on scrapping of fixed assets	**353,595**	487,683
Financial expenses	**662,894**	591,615
Investment losses	**9,846,245**	10,406,606
Decrease/(Increase) in deferred tax assets	**1,872,270**	(32,409,542)
Decrease/(Increase) in inventories	**12,530,924**	(5,859,114)
Decrease in operating receivables	**213,269,622**	114,049,609
Increase/(Decrease) in operating payables	**1,455,186**	(236,305,480)
Increase in deferred income	**3,126,286**	13,693,138
Net cash flows from/(used in) operating activities	**141,398,255**	(16,512,634)

Significant operating, investing and financing activities that do not involve cash receipts and payments

	2025	2024
Purchase of inventories by bank acceptance notes	**11,177,874**	1,769,558
Purchase of long-term assets by bank acceptance notes	**7,893,919**	20,816,405
Increase in right-of-use assets in the current period	**312,110**	10,585,584
Credit and debt offsetting	**–**	78,274,109
	19,383,903	111,445,656

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(50) Supplementary information to the cash flow statement (continued)

(a) Supplementary information to the cash flow statement (continued)

Net increase/(decrease) in cash

	2025	2024
Cash at the end of the year	**1,147,079,542**	1,056,285,629
Less: Cash at the beginning of the year	**(1,056,285,629)**	(1,195,895,997)
Net increase/(decrease) in cash	**90,793,913**	(139,610,368)

(b) Changes in liabilities from financing activities

	Lease liabilities (including those to be settled within one year)
31 December 2024	20,525,875
Cash outflows from financing activities	(6,808,980)
Interest accrued in the current year	662,894
Movements that do not involve cash receipts and payments	312,110
31 December 2025	14,691,899

(c) Cash

	31 December 2025	31 December 2024
Cash at bank and on hand	**1,147,079,542**	1,056,285,629
Less: Restricted cash at bank	**–**	–
Cash	**1,147,079,542**	1,056,285,629

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(51) Monetary items denominated in foreign currencies

	31 December 2025		
	Foreign currency balance	**Translation exchange rate**	**RMB balance**
Cash at bank and on hand – USD	**2,896,775**	**7.0288**	**20,360,850**

	31 December 2024		
	Foreign currency balance	Translation exchange rate	RMB balance
Cash at bank and on hand – USD	3,085,248	7.1884	22,177,997

6 EQUITY IN OTHER ENTITIES

(1) Equity in subsidiaries

(a) Structure of the Group

Subsidiaries	Corporate category	Principal place of business	Place of incorporation	Nature of business	Registered capital/ issued share capital and debt securities	Shareholding (%)		Acquisition method
						Direct	Indirect	
Taizhou Pharmaceutical	Limited liability company	Taizhou, China	Taizhou, China	Production of freeze-dried powder injections and APIs; research and development of pharmaceuticals and medical devices, technology development, technology transfer, technology consulting and technology promotion services, sales of Class II medical devices.	RMB 100,000,000	100.00%	-	Newly established
Tracing Bio-technology	Limited liability company	Shanghai, China	Shanghai, China	Research and development of medical diagnostic products (except human stem cells, genetic diagnosis and therapeutic technology development and application) and related technical services, sales of daily necessities and Class II clinical laboratory analysis instruments and software.	RMB 74,800,000	94.92%	-	Newly established
Fernovelty Holding	Limited liability company	Hong Kong, China	Hong Kong, China	Investment in overseas medical projects	HKD 10,000	100%	-	Newly established

(b) Subsidiaries with significant minority interests

As at 31 December 2025 and 31 December 2024, the Group confirmed that there were no subsidiaries with significant minority interests by taking into account factors such as whether the subsidiaries are listed companies, the proportion of their minority interests to the Group's consolidated shareholders' equity, and the proportion of profit or loss attributable to minority shareholders to the Group's consolidated net profit.

6 EQUITY IN OTHER ENTITIES (continued)

(2) Equity in joint ventures and associates

(a) Basic information for significant joint ventures and associates

The Group determines the significant joint ventures and associates by taking into account factors such as whether the joint ventures and associates are listed companies, the proportion of their carrying amounts to the Group's consolidated total assets, and the proportion of the investment income from long-term equity investments under equity method to the Group's consolidated net profit, as set out below:

	Principal place of business	Place of incorporation	Nature of business	Whether strategic to the Group's activities	Shareholding (%)	
					Direct	Indirect
Joint ventures –						
Changzhou BVCF	Changzhou	Changzhou	Healthcare investment	No	30.47%	–
Associates –						
WD Pharmaceutical	Shanghai	Shanghai	Research and experimental development	No	40.36%	–

The Group uses the equity method to account for the above equity investments.

6 EQUITY IN OTHER SUBJECTS (continued)

(2) Equity in joint ventures and associates (continued)

(b) Summarised financial information for significant joint ventures

Changzhou BVCF

	31 December 2025	31 December 2024
Current assets	**4,195,651**	6,200,260
Non-current assets	**83,500,544**	104,335,568
Total assets	**87,696,195**	110,535,828
Current liabilities	**(6,199,988)**	(5,326,064)
Equity attributable to shareholders of the Company	**81,496,207**	105,209,764
Share of net assets by shareholding	**24,833,787**	32,059,857
Carrying amount of investments in joint ventures	**26,991,809**	34,217,879

	2025	2024
General and administrative expenses	**(3,500,326)**	(3,888,210)
Financial expenses	**3,862**	25,561
Gains or losses on changes in fair value	**(9,542,730)**	(63,836,426)
Net loss	**(10,311,053)**	(67,672,178)
Total comprehensive income	**(10,311,053)**	(67,672,178)
Dividends received from joint ventures by the Group	**4,084,053**	1,742,224

6 EQUITY IN OTHER ENTITIES (continued)

(2) Equity in joint ventures and associates (continued)

(c) Summarised financial information for significant associates

WD Pharmaceutical

	31 December 2025	31 December 2024
Current assets	**33,899,328**	44,373,677
Non-current assets	**454,832,628**	492,534,394
Total assets	**488,731,956**	536,908,071
Current liabilities	**(7,014,575)**	(5,158,228)
Total liabilities	**(7,014,575)**	(5,158,228)
Equity attributable to shareholders of the Company	**481,717,381**	531,749,843
Share of net assets based on shareholding	**194,421,135**	214,614,237
Carrying amount of investments in associates	**202,075,786**	223,265,058

	2025	2024
Revenue	**4,039,250**	3,095,300
General and administrative expenses	**(5,055,615)**	(7,693,630)
Research and development expenses	**(13,033,537)**	(13,525,816)
Asset impairment losses	**(37,492,548)**	–
Net loss	**(51,926,001)**	(19,022,416)
Total comprehensive income	**(51,926,001)**	(19,022,416)
Dividends received from associates by the Group	**–**	–

6 EQUITY IN OTHER ENTITIES (continued)

(2) Equity in joint ventures and associates (continued)

(d) Summarised financial information for immaterial joint ventures and associates

	Principal place of business	Place of incorporation	Nature of business	Whether strategic to the Group's activities	Shareholding (%)	
					Direct	Indirect
Associates –						
Derma	Shanghai	Shanghai	Medical investment management	No	20%	–
Lead Discovery	Shanghai	Shanghai	Efficient screening of new drugs in China, development of "me-too" and natural medicine technology	No	35%	–

The Group uses the equity method to account for the above equity investments.

The associates are not listed companies and have no significant impact on the Group's financial information.

In 2012, the Company made provision for impairment in full against the carrying amount of investments in Lead Discovery.

7 SEGMENT INFORMATION

The Group is principally engaged in research, development and sales of pharmaceutical products. Therefore, the Group does not distinguish different business segments.

The Company and its subsidiaries other than Fernovelty Holding all operate in the Chinese mainland. The Group's revenue is mainly derived from the Chinese mainland, and it does not distinguish different regional segments.

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) The parent company

The Company has no parent company or ultimate controlling party.

(2) Subsidiaries

The general information and other related information of subsidiaries is set out in Note 6(1).

(3) Joint ventures and associates

The general information and other related information of joint ventures and associates is set out in Note 6(2).

(4) Other related parties

	Relationship with the Group
SPH	Shareholder
Shanghai Pharmaceutical Co., Ltd.	Subsidiary of SPH
Shanghai Suzuken Chinese Medicine Co., Ltd.	Subsidiary of SPH
Heilongjiang Keyuan Xinhai Pharmaceutical Co., Ltd.	Subsidiary of SPH
China Medical Foreign Trading Liao Ning Co., Ltd.	Subsidiary of SPH
Shanghai Pharmaceutical (Shaanxi) Co., Ltd. (formerly "SPH Keyuan Xinhai Pharmaceutical Shaanxi Co., Ltd.")	Subsidiary of SPH
Shanghai Pharmaceutical Holding Zhenjiang Co., Ltd.	Subsidiary of SPH
SPH Changzhou Pharmaceutical Co., Ltd.	Subsidiary of SPH
Shandong Pharmaceutical Co., Ltd.	Subsidiary of SPH
SPH Ningbo Pharmaceutical Co., Ltd.	Subsidiary of SPH
Shanghai Pharmaceutical Holdings Jiangsu Co., Ltd.	Subsidiary of SPH
Beijing Keyuan Xinhai Pharmaceutical Co., Ltd.	Subsidiary of SPH
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd.	Subsidiary of SPH
Shanghai New Asia Pharmaceutical Co., Ltd.	Subsidiary of SPH
SPH Xinte Large Pharmacy Co., Ltd.	Subsidiary of SPH
Shanghai Pharmaceutical Holding Jilin Co., Ltd. (formerly "SPH Keyuan Xinhai Pharmaceutical Jilin Co., Ltd.")	Subsidiary of SPH
Shanghai Pharmaceutical Holding (Henan) Co., Ltd.	Subsidiary of SPH
SPH International Supply Chain Co., Ltd.	Subsidiary of SPH
Jiangxi Nanhua Pharmaceutical Co., Ltd.	Joint venture of SPH

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(5) Related party transactions

(a) Pricing policies

The products and service sold/purchased by the Group to/from related parties are priced on the basis of prices sold to similar third parties.

(b) Sales of goods

Related party	Content of related party transaction	2025	2024
Shanghai Pharmaceutical Co., Ltd.	Sales of pharmaceutical products	**31,297,591**	29,348,911
Shanghai Suzuken Chinese Medicine Co., Ltd.	Sales of pharmaceutical products	**17,349,938**	4,186,226
Jiangxi Nanhua Pharmaceutical Co., Ltd.	Sales of pharmaceutical products	**7,943,472**	1,776,503
Heilongjiang Keyuan Xinhai Pharmaceutical Co., Ltd.	Sales of pharmaceutical products	**6,177,853**	34,628,900
Shandong Pharmaceutical Co., Ltd.	Sales of pharmaceutical products	**4,503,142**	2,476,038
China Medical Foreign Trading Liao Ning Co., Ltd.	Sales of pharmaceutical products	**3,018,009**	3,526,466
Shanghai Pharmaceutical Holdings Jiangsu Co., Ltd.	Sales of pharmaceutical products	**2,587,128**	527,747
SPH Ningbo Pharmaceutical Co., Ltd.	Sales of pharmaceutical products	**2,484,086**	1,128,479
Shanghai Pharmaceutical (Shaanxi) Co., Ltd.	Sales of pharmaceutical products	**1,781,236**	(903,911)
SPH Xinte Large Pharmacy Co., Ltd.	Sales of pharmaceutical products	**1,305,769**	–
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd.	Sales of pharmaceutical products	**999,356**	987,266
Shanghai Pharmaceutical Holding Jilin Co., Ltd.	Sales of pharmaceutical products	**925,232**	1,227,186
Beijing Keyuan Xinhai Pharmaceutical Co., Ltd.	Sales of pharmaceutical products	**631,845**	1,186,047
Shanghai Pharmaceutical Holding Zhenjiang Co., Ltd.	Sales of pharmaceutical products	**434,213**	1,247,574
Shanghai Pharmaceutical Holding (Henan) Co., Ltd.	Sales of pharmaceutical products	**78,333**	–
SPH Changzhou Pharmaceutical Co., Ltd.	Sales of pharmaceutical products	**(152,620)**	981,788
		81,364,583	82,325,220

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(5) Related party transactions (continued)

(c) Rendering of services

Related party	Content of related party transaction	2025	2024
WD Pharmaceutical	Manufacturing consignment	896,116	–

(d) Purchase of goods and acceptance of service

Related party	Content of related party transaction	2025	2024
SPH International Supply Chain Co., Ltd.	Procurement of medical products	2,004,425	–
Shanghai New Asia Pharmaceutical Co., Ltd.	Testing fees	29,057	19,811
		2,033,482	19,811

(e) Remuneration of key management

	2025	2024
Remuneration of key management	8,300,700	8,981,000

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(6) Balances with related parties

(a) Accounts receivable

	31 December 2025		31 December 2024	
	Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Jiangxi Nanhua Pharmaceutical Co., Ltd.	2,008,198	(25,022)	583,524	(26,575)
Shanghai Suzuken Chinese Medicine Co., Ltd.	1,374,841	(17,130)	3,331,150	(157,142)
Heilongjiang Keyuan Xinhai Pharmaceutical Co., Ltd.	1,342,286	(35,182)	8,840,506	(436,696)
Shandong Pharmaceutical Co., Ltd.	1,079,730	(13,453)	652,860	(29,733)
SPH Ningbo Pharmaceutical Co., Ltd.	634,300	(7,903)	675,472	(202,336)
SPH Xinte Large Pharmacy Co., Ltd.	621,576	(7,745)	–	–
China Medical Foreign Trading Liao Ning Co., Ltd.	526,740	(6,563)	1,461,865	(94,027)
Shanghai Pharmaceutical Holdings Jiangsu Co., Ltd.	314,560	(3,919)	273,361	(15,133)
Shanghai Pharmaceutical (Shaanxi) Co., Ltd.	297,701	(5,415)	690,079	(38,202)
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd.	219,089	(2,730)	219,089	(9,978)
SPH Changzhou Pharmaceutical Co., Ltd.	194,538	(2,632)	794,451	(54,770)
Shanghai Pharmaceutical Holding (Henan) Co., Ltd.	88,517	(1,103)	–	–
Beijing Keyuan Xinhai Pharmaceutical Co., Ltd.	–	–	349,037	(19,322)
Shanghai Pharmaceutical Holding Zhenjiang Co., Ltd.	–	–	303,424	(52,144)
	8,702,076	(128,797)	18,174,818	(1,136,058)

(b) Advances to suppliers

	31 December 2025	31 December 2024
Shanghai New Asia Pharmaceutical Co., Ltd.	–	19,600

(c) Accounts payable

	31 December 2025	31 December 2024
SPH International Supply Chain Co., Ltd.	377,500	–

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(7) Benefits and interests of directors

(a) Remuneration of directors and CEO

Remuneration of directors, supervisors and CEO for the year ended 31 December 2025 is as follows:

	Directors' expenses	Salaries and subsidies	Pension plan contributions	Bonus	Share-based payment expenses	Remuneration for other services in connection with the management of the Company or subsidiaries	Total
Executive directors							
Mr. Zhao Dajun	–	1,456,920	204,060	–	–	–	1,660,980
Mrs. Xue Yan	–	1,324,920	162,150	–	–	–	1,487,070
Employee directors							
Mrs. Qu Yanan (appointed from 26 November 2025)	–	75,380	11,020	–	–	–	86,400
Independent directors							
Mr. Wang Hongguang	200,000	–	–	–	–	–	200,000
Mr. Lin Zhaorong	200,000	–	–	–	–	–	200,000
Mr. Xu Peilong	200,000	–	–	–	–	–	200,000
						–	
Supervisors							
Mr. Huang Jian (resigned from 26 November 2025)	–	137,500	–	–	–	–	137,500
Mrs. Qu Yanan (resigned from 26 November 2025)	–	279,340	113,790	–	–	–	393,130

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(7) Benefits and interests of directors (continued)

(a) Remuneration of directors and CEO (continued)

Remuneration of directors, supervisors and CEO for the year ended 31 December 2024 is as follows:

	Directors' expenses	Salaries and subsidies	Pension plan contributions	Bonus	Share-based payment expenses	Remuneration for other services in connection with the management of the Company or subsidiaries	Total
Executive directors							
Mr. Zhao Dajun	–	1,544,580	203,890	–	–	–	1,748,470
Mrs. Xue Yan	–	1,404,580	150,620	–	–	–	1,555,200
Independent directors							
Mr. Wang Hongguang	200,000	–	–	–	–	–	200,000
Mr. Lin Zhaorong	200,000	–	–	–	–	–	200,000
Mr. Xu Peilong	200,000	–	–	–	–	–	200,000
Supervisors							
Mr. Huang Jian	–	150,000	–	–	–	–	150,000
Mrs. Qu Yanan	–	343,700	107,920	–	–	–	451,620

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(7) Benefits and interests of directors (continued)

(a) Remuneration of directors and CEO (continued)

(i) In 2025, no directors waived any remuneration (2024: Nil).

(ii) The Group does not have other benefits for directors. Mrs. Qu Yanan was appointed as a director on 26 November 2025.

(b) Directors' retirement benefits

There are no retirement benefits for the directors. The Group only contributes to state-sponsored retirement schemes for the directors in PRC.

(c) Directors' termination benefits

There are no directors' termination benefits for the directors.

(d) Consideration paid to third parties in return for director services

In 2025, the Company paid no consideration to any third parties in return for director services (2024: Nil).

(e) Information about loans, quasi-loans and other transactions in favour of directors, controlled bodies corporate by and connected entities with such directors

In 2025, the Company provided no loans, quasi-loans and other transactions to the directors, controlled bodies corporate by and connected entities with such directors (2024: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

The Company did not sign with other parties any important transactions, arrangements or contracts related to the Group's business within which the directors of the Company directly or indirectly have substantial interests.

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(8) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group for 2025 included 2 directors (2024: 2 directors) whose remunerations were reflected in Note 8(7). The remunerations payable to the remaining 3 (2024: 3) individuals during the year were as follows:

	2025	2024
Bonus	**2,599,950**	183,350
Basic salary, housing subsidy and other subsidies	**2,139,800**	3,426,960
Pension plan contributions	**224,990**	246,860
Housing funds, medical insurances and other social insurances	**217,740**	247,150
	5,182,480	4,104,320

	Head count	
	2025	2024
Remuneration range:		
HKD 1,000,000 to HKD 1,500,000	**–**	2
HKD 1,500,000 to HKD 2,000,000	**2**	1
HKD 2,000,000 to HKD 2,500,000	**1**	–
	3	3

9 CONTINGENCIES

As at 31 December 2025 and 31 December 2024, the Group had no significant contingencies that need to be disclosed.

10 COMMITMENTS

(1) Capital commitments

Capital expenditures contracted for but not yet necessary to be recognised in the balance sheet

	31 December 2025	31 December 2024
Buildings, machinery and equipment	**440,500**	4,042,102

11 FINANCIAL INSTRUMENTS AND RISKS

The Group's activities expose it to a variety of financial risks: market risk (primarily including foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in the Chinese mainland and a majority of the transactions are denominated in RMB. Accordingly, the Group is not exposed to significant foreign currency risk.

(b) Interest rate risk

The Group's interest rate risk arises from borrowings. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions.

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest costs with respect to the Group's outstanding floating rate borrowings, and therefore could have an adverse effect on the Group's financial performance. The Group makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. During 2025 and 2024, the Group did not enter into any interest rate swap agreements.

As at 31 December 2025 and 31 December 2024, the Group had no bank borrowings. Therefore, the Group was not exposed to interest rate risk.

11 FINANCIAL INSTRUMENTS AND RISKS (continued)

(1) Market risk (continued)

(c) Other price risk

The Group's other price risk arises mainly from various investments in equity instruments with a risk of changes in the prices of the equity instruments.

As at 31 December 2025 and 31 December 2024, the Group had no significant price risk.

(2) Credit risk

Credit risk of the Group mainly arises from cash at bank and on hand, notes receivable, accounts receivable and other receivables. As at the balance sheet date, the carrying amount of the Group's financial assets represented the maximum exposure of the Group; and there were no credit risk exposures off the balance sheet that need to be paid for fulfilment of financial guarantee obligations or loan commitments.

The Group expects that there is no significant credit risk associated with cash at bank and on hand since they are deposited at state-owned banks and other large or medium size listed banks with good reputation and high credit rating, and there will be no significant losses from non-performance by these banks.

In addition, the Group has policies to limit the credit exposure on accounts receivable, other receivables and notes receivable. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will chase settlement by using written payment reminders, or shorten/cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

As at 31 December 2025, the Group had no significant collateral and other credit enhancements held as securities from debtors (31 December 2024: Nil).

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department at headquarters level. The Group's finance department at headquarter monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs; continuously monitors whether the covenant terms in borrowing agreements are complied with; maintains sufficient headroom on the Group's committed undrawn banking facilities from different financial institutions by taking into account such financing conditions as interest rates, borrowing terms and credit enhancements, so as to meet the short-term and long-term liquidity requirements.

11 FINANCIAL INSTRUMENTS AND RISKS (continued)

(3) Liquidity risk (continued)

As at the balance sheet date, the undiscounted contractual cash flows of the Group's financial liabilities, analysed by their maturity dates, are as below:

	31 December 2025				
	Within 1 year	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
Financial liabilities –					
Accounts payable	**6,067,211**	**–**	**–**	**–**	**6,067,211**
Other payables	**195,877,224**	**–**	**–**	**–**	**195,877,224**
Lease liabilities	**5,798,775**	**4,869,781**	**5,156,904**	**–**	**15,825,460**
	207,743,210	**4,869,781**	**5,156,904**	**–**	**217,769,895**

	31 December 2024				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities –					
Accounts payable	10,671,215	–	–	–	10,671,215
Other payables	199,384,549	–	–	–	199,384,549
Lease liabilities	6,729,513	5,694,739	8,891,267	1,031,381	22,346,900
	216,785,277	5,694,739	8,891,267	1,031,381	232,402,664

12 FAIR VALUE ESTIMATES

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

12 FAIR VALUE ESTIMATES (continued)

(1) Assets measured at fair value on a recurring basis

As at 31 December 2025, the assets measured at fair value on a recurring basis are analysed by the abovementioned three levels as below:

	Level 1	Level 2	Level 3	Total
Financial assets –				
Wealth management products	–	–	–	–
Investments in other equity instruments	1,915	–	–	1,915
	1,915	–	–	1,915

As at 31 December 2024, the assets measured at fair value on a recurring basis are analysed by the abovementioned three levels as below:

	Level 1	Level 2	Level 3	Total
Financial assets –				
Wealth management products	–	–	–	–
Investments in other equity instruments	10,584	–	–	10,584
	10,584	–	–	10,584

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There is no transfer between Level 1 and Level 2 for the current year.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation techniques. The valuation models used mainly comprise discounted cash flow model and guideline publicly-traded comparable method. The inputs for the valuation technique mainly include risk-free interest rate, benchmark rate, exchange rate, credit spread, liquidity premium, EBITDA multiplier and liquidity discount.

12 FAIR VALUE ESTIMATES (continued)

(1) Assets measured at fair value on a recurring basis (continued)

The changes in Level 3 assets are analysed below:

	Wealth management products
31 December 2023	–
Purchases	3,892,000,000
Disposals	(3,910,146,632)
Gains or losses recognised in profit or loss	18,146,632
31 December 2024	–
Purchases	**3,285,000,000**
Disposals	**(3,300,249,202)**
Gains or losses recognised in profit or loss	**15,249,202**
31 December 2025	**–**

Gains or losses recognised in profit or loss are recognised in investment income in the income statement.

(2) Assets and liabilities not measured at fair value but for which their fair values are disclosed

Financial assets and financial liabilities measured at amortised cost mainly include notes receivable, accounts receivable, other receivables, long-term receivables, payables and lease liabilities.

The carrying amounts of the financial assets and financial liabilities not measured at fair value reasonably approximate their fair values.

13 CAPITAL MANAGEMENT

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

13 CAPITAL MANAGEMENT (continued)

The Group's total capital is calculated as "shareholders' equity" and net debt as shown in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of debt ratio as other company in this industry. This ratio is calculated with net debt divided by the total capital, while the net debt equals borrowings after netting off cash at bank and on hand. As at 31 December 2025 and 31 December 2024, the Group had no net debt. Therefore, the debt ratio was not applicable.

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Notes receivable

	31 December 2025	31 December 2024
Bank acceptance notes	**70,213,274**	91,444,474
Less: Provision for bad debts	**(47,403)**	(65,806)
	70,165,871	91,378,668

(a) As at 31 December 2025, the Company had no pledged notes receivable presented in notes receivable.

(b) In 2025, the bank acceptance notes were endorsed by the Company and substantially all the risks and rewards of ownership were transferred to other parties. Accordingly, the carrying amount of the bank acceptance notes derecognised was RMB 9,866,477 (2024: RMB 7,593,481).

As at 31 December 2025, notes receivable endorsed or discounted prior to their maturities are as follows:

	Derecognised	Not derecognised
Bank acceptance notes (i)	**5,187,249**	**–**

(i) In 2025, only a very few bank acceptance notes were endorsed or discounted by the Company, which were classified as financial assets at amortised cost.

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(1) Notes receivable (continued)

(c) Provision for bad debts

For notes receivable collected from ordinary operating activities such as sales of goods and rendering of services, the Company recognises provision for the lifetime ECL regardless of whether there is any significant financing component.

The provision for bad debts of notes receivable is analysed by category as follows:

	31 December 2025					31 December 2024				
	Gross carrying amount		Provision for bad debts			Gross carrying amount		Provision for bad debts		
	Amount	% of total balance	Amount	Provision ratio	Carrying amount	Amount	% of total balance	Amount	Provision ratio	Carrying amount
Provision for bad debts on a collective basis (i)	70,213,274	100%	(47,403)	0.07%	70,165,871	91,444,474	100%	(65,806)	0.07%	91,378,668

(i) Provision for bad debts made on a collective basis for notes receivable is analysed as follows:

Group – Bank acceptance notes:

As at 31 December 2025, the Company measured the provision for bad debts based on the lifetime ECL. The provision for bad debts was RMB 47,403 (31 December 2024: RMB 65,806), and the amount of RMB 18,403 (2024: RMB 50,870) was recognised in the profit for the current period. The Company considered that there was no significant credit risk associated with its bank acceptance notes within this group and did not expect that there would be any significant losses from non-performance by these banks.

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(2) Accounts receivable

	31 December 2025	31 December 2024
Accounts receivable	**180,800,469**	327,205,910
Less: Provision for bad debts	**(2,997,750)**	(26,792,414)
	177,802,719	300,413,496

The Company's accounts receivable primarily arise from the sales of pharmaceuticals and diagnostic products, with credit terms ranging from 30 to 120 days.

(a) The ageing analysis of accounts receivable according to date recorded is as follows:

	31 December 2025	31 December 2024
Within 1 year	**177,632,014**	315,819,120
1 to 2 years	**3,168,455**	11,386,790
	180,800,469	327,205,910

(b) As at 31 December 2025, the five largest accounts receivable aggregated by debtors are summarised and analysed as follows:

	Balance	Provision for bad debts	% of total balance
Total amount of the five largest accounts receivable	**130,125,783**	**(1,935,826)**	**71.97%**

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(2) Accounts receivable (continued)

(c) Provision for bad debts

	31 December 2024	Movements for the current year			31 December 2025
		Provision	Reversal	Write-off	
Provision for bad debts of accounts receivable	(26,792,414)		23,794,664		**(2,997,750)**

For accounts receivable, the Company recognises the loss provision based on the lifetime ECL regardless of whether there is any significant financing component.

The provision for bad debts of accounts receivable is analysed by category as follows:

	31 December 2025					31 December 2024				
	Gross carrying amount		Provision for bad debts			Gross carrying amount		Provision for bad debts		
	Amount	% of total balance	Amount	Provision ratio	Carrying amount	Amount	% of total balance	Amount	Provision ratio	Carrying amount
Provision for bad debts on an individual basis (i)	-	-	-	-	-	-	-	-	-	-
Provision for bad debts on a collective basis (ii)	180,800,469	100%	(2,997,750)	1.66%	177,802,719	327,205,910	100%	(26,792,414)	8.19%	300,413,496
	180,800,469	100%	(2,997,750)	1.66%	177,802,719	327,205,910	100%	(26,792,414)	8.19%	300,413,496

(i) As at 31 December 2025 and 31 December 2024, the Company had no accounts receivable for which the related provision for bad debts was made on an individual basis..

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(2) Accounts receivables (continued)

(c) Provision for bad debts (continued)

(ii) As at 31 December 2025, provision for bad debts made on a collective basis for accounts receivable is analysed as follows:

Group – Sales receivable:

	31 December 2025		
	Gross carrying amount	Provision for bad debts	
	Amount	Lifetime ECL rates	Amount
Not overdue	109,292,559	1.33%	(1,452,701)
Overdue within 120 days	51,931,242	1.60%	(831,850)
Overdue for 121 days to 1 year	19,553,322	3.53%	(689,853)
Overdue for 1 to 2 years	23,346	100.00%	(23,346)
	180,800,469		(2,997,750)

As at 31 December 2024, provision for bad debts made on a collective basis for accounts receivable is analysed as follows:

Group – Sales receivable:

	31 December 2024		
	Gross carrying amount	Provision for bad debts	
	Amount	Lifetime ECL rates	Amount
Not overdue	120,420,292	4.94%	(5,947,331)
Overdue within 120 days	83,868,284	6.22%	(5,218,888)
Overdue for 121 days to 1 year	122,917,334	12.71%	(15,626,195)
	327,205,910		(26,792,414)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(3) Other receivables

	31 December 2025	31 December 2024
Receivables from subsidiaries	**122,010,493**	78,261,661
Deposits receivable	**1,227,001**	1,403,081
Receivables from disposals of equipment	**239,685**	752,685
Petty cash for employees	**45,000**	46,000
Receivables from related parties	**–**	23,753,000
Others	**11,639**	–
	123,533,818	104,216,427
Less: Provision for bad debts	**(9,051)**	(23,820,778)
	123,524,767	80,395,649

(a) The ageing of other receivables is analysed as follows:

	31 December 2025	31 December 2024
Within 1 year	**78,282,341**	58,576,173
1 to 2 years	**44,649,661**	20,849,251
2 to 3 years	**33,763**	238,158
Over 3 years	**568,053**	24,552,845
	123,533,818	104,216,427

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(3) Other receivables (continued)

(b) Movements in provision for losses and their gross carrying amounts

The provision for bad debts of other receivables is analysed by category as follows:

	31 December 2025					31 December 2024				
	Gross carrying amount		Provision for bad debts			Gross carrying amount		Provision for bad debts		
	Amount	% of total balance	Amount	Provision ratio	Carrying amount	Amount	% of total balance	Amount	Provision ratio	Carrying amount
Provision for bad debts on an individual basis	-	-	-	-	-	23,753,000	22.79%	(23,753,000)	100.00%	-
Provision for bad debts on a collective basis	123,533,818	100.00%	(9,051)	0.01%	123,524,767	80,463,427	77.21%	(67,778)	0.08%	80,395,649
	123,533,818	100.00%	(9,051)		123,524,767	104,216,427	100.00%	(23,820,778)		80,395,649

(i) As at 31 December 2025, for other receivables in Stage 1, the related provision for bad debts is analysed below:

	Gross carrying amount	12-month ECL rates	Provision for bad debts
On a collective basis:			
Receivables from subsidiaries	122,010,493	–	–
Deposits and guarantees	1,227,001	0.60%	(7,346)
Receivables from disposals of equipment	239,685	0.60%	(1,436)
Petty cash for employees	45,000	0.60%	(269)
Others	11,639	–	–
	123,533,818		(9,051)

As at 31 December 2025 and 31 December 2024, the Company did not have other receivables in Stage 2.

As at 31 December 2025, the Company did not have other receivables in Stage 3.

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(3) Other receivables (continued)

(b) Movements in provision for losses and their gross carrying amounts (continued)

(ii) As at 31 December 2024, for other receivables in Stage 1, the related provision for bad debts is analysed below:

	Gross carrying amount	12-month ECL rates	Provision for bad debts
On a collective basis:			
Receivables from subsidiaries	78,261,661	–	–
Deposits and guarantees	1,403,081	3.10%	(43,048)
Receivables from disposals of equipment	752,685	3.10%	(23,304)
Petty cash for employees	46,000	3.10%	(1,426)
	80,463,427		(67,778)

As at 31 December 2024 and 31 December 2023, the Company did not have other receivables in Stage 2.

As at 31 December 2024, the provision for bad debts for other receivables in Stage 3 is analysed below:

	Gross carrying amount	Lifetime ECL rates	Provision for bad debts
On an individual basis:			
Receivables from related parties	23,753,000	100.00%	(23,753,000)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(3) Other receivables (continued)

(c) Provision for bad debts

	31 December 2024	Reversal in the current year	Write-off in the current year	31 December 2025
Provision for bad debts of other receivables	(23,820,778)	58,727	23,753,000	**(23,762,051)**

For the year ended 31 December 2025, the amount of other receivables actually written off was RMB 23,753,000, and the according provision for bad debts was RMB 23,753,000. The analysis of significant other receivables is as follows:

	Nature of other receivables	Write-off amount	Reason for write-off	Write-off procedure	Related party transaction or not
Derma	Borrowings	23,753,000	Not recovered for over five years	Approved by the General Manager's Office	Yes
		23,753,000			

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(3) Other receivables (continued)

(d) As at 31 December 2025, the five largest other receivables aggregated by debtors are analysed as follows:

	Nature	Balance	Ageing	% of total amount	Provision for bad debts
Taizhou Pharmaceutical	Advances	121,010,493	Within 1 year, 1 to 2 years	97.96%	–
Fernovelty Holding	Technology transfer fees	1,000,000	Within 1 year	0.81%	–
Shaoxing Meituan Technology Co., Ltd.	Deposits	500,000	Within 1 year	0.40%	(2,994)
Shanghai Jinfu Technology Co., Ltd.	Deposits	403,325	Within 1 year, over 3 years	0.33%	(2,415)
Shanghai Boyuan Medical Technology Co., Ltd.	Deposits	108,978	Over 3 years	0.09%	(653)
		123,022,796		99.59%	(6,062)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(4) Long-term equity investments

	31 December 2025	31 December 2024
Subsidiaries (a)	**562,425,831**	562,425,831
Joint ventures (b)	**26,991,809**	34,217,879
Associates (c)	**202,408,542**	223,597,814
	791,826,182	820,241,524
Less: Provision for impairment of long-term equity investments		
– Subsidiaries	**(96,547,860)**	(96,547,860)
– Associates	**(332,756)**	(332,756)
	(96,880,616)	(96,880,616)
	694,945,566	723,360,908

(a) Subsidiaries

		Changes in the current year						
	31 December 2024	Increase in investment	Decrease in investment	Provision for impairment	Others	31 December 2025	Balance of provision for impairment at the end of the year	Cash dividends declared this year
Taizhou Pharmaceutical	444,381,021	–	–	–	–	**444,381,021**	–	–
Tracing Bio-technology	–	–	–	–	–	**–**	(82,773,060)	–
Fernovelty Holding	21,496,950	–	–	–	–	**21,496,950**	(13,774,800)	–
	465,877,971	–	–	–	–	**465,877,971**	(96,547,860)	–

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(4) Long-term equity investments (continued)

(b) Joint ventures

		Changes in the current year									Provision for impairment
	31 December 2024	Increase in investments	Decrease in investments	Share of net profit/(loss) under equity method	Share of other comprehensive income	Share of other changes in equity	Cash dividends or profit distributions declared	Provision for impairment	Others	31 December 2025	Opening balance/Ending balance
Changzhou BVCF	34,217,879	-	-	(3,142,017)	-	-	(4,084,053)	-	-	26,991,809	-

(c) Associates

		Changes in the current period									Provision for impairment
	31 December 2024	Increase in investments	Decrease in investments	Share of net profit/ (loss) under equity method	Share of other comprehensive income	Share of other changes in equity	Cash dividends or profit distributions declared	Reversal of provision for impairment	Others	31 December 2025	Opening balance/Ending balance
Lead Discovery	-	-	-	-	-	-	-	-	-	-	(332,756)
Derma	-	-	-	-	-	-	-	-	-	-	-
WD Pharmaceutical	223,265,058	-	-	(21,953,430)	-	764,158	-	-	-	202,075,786	-
	223,265,058	-	-	(21,953,430)	-	764,158	-	-	-	202,075,786	(332,756)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(5) Right-of-use assets

	Buildings
Cost	
31 December 2024	35,350,350
Increase in the current year	
New lease contracts	312,110
Decrease in the current period	
Lease expiry	(8,942,906)
31 December 2025	26,719,554
Accumulated amortisation	
31 December 2024	(15,815,171)
Increase in the current year	
Provision	(6,061,154)
Decrease in the current period	
Lease expiry	8,942,906
31 December 2025	(12,933,419)
Carrying amount	
31 December 2025	13,786,135
31 December 2024	19,535,179

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(6) Lease liabilities

	31 December 2025	31 December 2024
Lease liabilities	**14,691,899**	20,525,875
Less: Non-current liabilities to be settled within one year	**(5,350,976)**	(6,098,210)
	9,340,923	14,427,665

(7) Revenue and cost of sales

	2025	2024
Revenue from main operations	**660,637,495**	602,129,567
Revenue from other operations	**3,242**	1,533,851
	660,640,737	603,663,418

	2025	2024
Cost of sales from main operations	**(141,372,070)**	(86,832,522)
Cost of sales from other operations	**(3,242)**	(1,270,712)
	(141,375,312)	(88,103,234)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(7) Revenue and cost of sales (continued)

(a) Revenue and cost of sales from main operations

	2025		2024	
	Revenue from main operations	**Cost of sales from main operations**	Revenue from main operations	Cost of sales from main operations
– Sales of pharmaceutical and diagnostic products	**566,366,276**	**(52,789,346)**	558,078,329	(42,807,833)
– Rendering of technical services	**88,671,219**	**(88,582,724)**	44,051,238	(44,024,689)
– Technology transfer	**5,600,000**	**–**	–	–
	660,637,495	**(141,372,070)**	602,129,567	(86,832,522)

(b) Revenue and cost of sales from other operations

	2025		2024	
	Revenue from other operations	**Cost of sales from other operations**	Revenue from other operations	Cost of sales from other operations
Technical service expenses	**3,242**	**(3,242)**	5,024	(5,024)
Revenue from sales of raw materials	**–**	**–**	1,528,827	(1,265,688)
	3,242	**(3,242)**	1,533,851	(1,270,712)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(7) Revenue and cost of sales (continued)

(c) The Company's revenue and cost of sales are disaggregated as follows:

	2025		
	Pharmaceutical products	Others	Total
Revenue from main operations			
Including: Recognised at a point in time	566,366,276	94,271,219	660,637,495
Revenue from other operations	–	3,242	3,242
	566,366,276	94,274,461	660,640,737

	2025		
	Pharmaceutical products	Others	Total
Cost of sales from main operations			
Including: Recognised at a point in time	(52,789,346)	(88,582,724)	(141,372,070)
Costs of sales from other operations	–	(3,242)	(3,242)
	(52,789,346)	(88,585,966)	(141,375,312)

	2024		
	Pharmaceutical products	Others	Total
Revenue from main operations			
Including: Recognised at a point in time	558,078,329	44,051,238	602,129,567
Revenue from other operations	–	1,533,851	1,533,851
	558,078,329	45,585,089	603,663,418

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(7) Revenue and cost of sales (continued)

(c) The Company's revenue and cost of sales are disaggregated as follows: (continued)

	2024		
	Pharmaceutical products	Others	Total
Cost of sales from main operations			
Including: Recognised at a point in time	(42,807,833)	(44,024,689)	(86,832,522)
Cost of sales from other operations	–	(1,270,712)	(1,270,712)
	(42,807,833)	(45,295,401)	(88,103,234)

(8) Investment losses

	2025	2024
Losses on long-term equity investments under equity method	**25,095,447**	28,553,238
Income from wealth management products	**(14,403,136)**	(16,746,918)
Interest income of entrusted loans	**–**	(181,735)
	10,692,311	11,624,585

Supplementary Information To The Financial Statements

For the year ended 31 December 2025
All amounts in RMB Yuan unless otherwise stated)

1 STATEMENT OF NON-RECURRING PROFIT OR LOSS

	2025	2024
Profit or loss from disposals of non-current assets	**220,506**	29,905
Government grants recognised in profit or loss for the current period except for those which are closely related to ordinary business operations, compliant with government policies and regulations, enjoyed in accordance with established criteria and have a lasting impact on the Company's profit or loss.	**11,761,645**	19,397,448
Gains or losses arising from changes in fair value of and disposal of financial assets and financial liabilities held by the Company except for the effective hedging business related to ordinary business operations.	**15,249,202**	18,146,632
Other non-operating income and expenses other than the above-mentioned items	**(449,078)**	3,064,085
	26,782,275	40,638,070
Affected amount of income tax	**–**	(6,025,654)
Effect of minority interests (net of tax)	**3,077**	(23,727)
	26,785,352	34,588,689

(1) Basis for preparation of statement of non-recurring profit or loss

Pursuant to the *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Securities to the Public – Non-recurring Profit or Loss [2023]*, non-recurring profit or loss refers to profit or loss arising from transactions and events that are not directly relevant to the Company's normal course of business, or that are relevant to normal course of business, but are extraordinary and not expected to recur frequently that would have an influence on users of the financial statements making correct economic decisions on the financial performance and profitability of an enterprise.

2 RECONCILIATION STATEMENT OF DOMESTIC AND FOREIGN FINANCIAL STATEMENTS

On 24 February 2020, with the approval of the Company's extraordinary general meeting, the Group will use the consolidated financial statements prepared in accordance with China's accounting standards for business enterprises as information disclosure in the stock exchange of Hong Kong since 2019. Therefore, the Group does not need to prepare the reconciliation statement of domestic and foreign financial statements in the current year.

3 RETURN ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average return on net assets (%) 2025	**Earnings per share**	
		Basic earnings per share 2025	**Diluted earnings per share 2025**
Net loss attributable to ordinary shareholders of the Company	**(7.12%)**	**(0.15)**	**(0.15)**
Net loss attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	**(8.33%)**	**(0.18)**	**(0.18)**

	Weighted average return on net assets (%) 2024	Earnings per share	
		Basic earnings per share 2024	Diluted earnings per share 2024
Net profit attributable to ordinary shareholders of the Company	1.70%	0.04	0.04
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	0.22%	0.01	0.01