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)

INTERIM RESULTS ANNOUNCEMENT
For the six months ended 30 June 2025

This announcement, for which the directors (the "**Directors**") of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.* (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading**.**

KEY FINANCIAL INDICATORS OF THE COMPANY

I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

The Company adopted the China Accounting Standards for Business Enterprises to prepare its overseas financial statements since 24 February 2020. The key financial data of the Company for the six months ended 30 June 2025 (the "Reporting Period") are as follows:

(I) Five years financial data highlights

Results

	Unaudited				
	Six months ended 30 June				
	2025	2024	2023	2022	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	390,083	408,124	522,828	271,260	399,037
Profit/(Loss) before income tax	5,622	72,187	63,433	(61,189)	66,787
Income tax expense	-	(1,843)	5,172	25,169	(1,717)
Profit/(Loss) for the period	5,662	70,344	68,605	(36,021)	65,069
Profit attributable to:					
Shareholders of the Company	5,715	70,473	68,438	(35,975)	65,485
Non-controlling interests	(93)	(129)	167	(46)	(416)
Total comprehensive income for the period	5,525	70,485	68,497	(36,727)	69,017
Total comprehensive income attributable to:					
Shareholders of the Company	5,618	70,614	68,330	(36,680)	69,433
Non-controlling interests	(93)	(129)	167	(46)	(416)
EBITDA/(Loss)	47,729	105,695	97,858	(28,081)	96,615
Basic and diluted earnings per share for profit attributable to the shareholders of the Company	RMB 0.0055	RMB 0.0680	RMB 0.0665	RMB (0.0346)	RMB 0.0628

Assets and liabilities

	Unaudited	**Audited**			
	30 June	**31 December**			
	2025	2024	2023	2022	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	2,541,453	2,586,503	2,876,688	2,976,007	2,781,172
Total liabilities	(261,015)	(281,226)	(518,124)	(722,986)	(591,582)
	2,280,438	2,305,277	2,358,564	2,253,021	2,189,590
Capital and reserves attributable to:					
Shareholders of the Company	2,279,821	2,304,567	2,357,554	2,257,102	2,192,946
Non-controlling interests	617	710	1,010	(4,081)	(3,356)
	2,280,438	2,305,277	2,358,564	2,253,021	2,189,590

(II) Key accounting data

Unit: RMB

Key accounting data	**Reporting Period (January to June 2025)**	**Corresponding period of last year**	**Change as compared with the corresponding period of last year (%)**
Revenue	390,083,112	408,123,863	-4.42
Total profit	5,622,200	72,186,951	-92.21
Net profit attributable to shareholders of the listed company	5,715,142	70,473,064	-91.89
Net profit deducting non-recurring profit or loss attributable to shareholders of the listed company	-9,491,857	43,678,080	-121.73
Net cash flows from operating activities	62,212,859	27,649,549	125.00
	As at the end of the Reporting Period (30 June 2025)	**As at the end of last year**	**Change as Compared with the end of last year (%)**
Net assets attributable to shareholders of the listed company	2,279,821,312	2,304,567,412	-1.07
Total assets	2,541,453,272	2,586,502,623	-1.74

(III) Key financial indicators

Key financial indicators	Reporting Period (January to June 2025)	Corresponding period of last year	Change as compared with the corresponding period of last year (%)
Basic earnings per share (RMB per share)	0.01	0.07	-85.71
Diluted earnings per share (RMB per share)	0.01	0.07	-85.71
Basic earnings per share after deduction of non-recurring profit or loss (RMB/share)	-0.01	0.04	-125.00
Weighted average rate of return on net assets (%)	0.25	2.99	decreased by 2.74 percentage point
Weighted average rate of return on net assets after deduction of non-recurring profit or loss (%)	-0.41	1.85	decreased by 2.26 percentage point
Proportion of R&D investment in operating revenue (%)	45.63	38.06	increased by 7.57 percentage points

Description of key accounting data and financial indicators

The financial statements in this interim report of the Company were prepared in accordance with the China Accounting Standards for Business Enterprises and related requirements issued by the Ministry of Finance of the PRC and it is unaudited. Unless otherwise specified, the currency referred to in this announcement for accounting purpose is RMB.

During the Reporting Period, the relevant financial indicators such as the total profit and net profit attributable to shareholders of the listed company decreased significantly. This was mainly due to the increase in research and development expenses during the Reporting Period as compared to de same period of the previous year, as well as recognition of corresponding compensation and liquidated damages in the same period of the previous year upon the termination of cooperation with the promotion service provider, Huizheng (Shanghai) Pharmaceuticals Technology Co., Ltd.* (輝正(上海)醫藥科技有限公司) ("Shanghai Huizheng").

The net cash flow from operating activities increased compared to the same period last year, primarily driven by higher cash receipts from sales of goods and rendering of services during the Reporting Period.

II. DIFFERENCES IN ACCOUNTING DATA BETWEEN DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

Not applicable.

III. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: RMB

Non-recurring profit or loss items	Amount	Explanations (if applicable)
Gains or losses from disposal of non-current assets, including reversal of provision for impairment of assets	203,055	
Government grants recognised in profit or loss for the current period, excluding those that are closely related to the normal business operations, and are granted in line with the national policies, regulations and standards, and have an on-going impact on the Company's profit or loss	6,850,812	
Except for the effective hedging activities related to the normal business operations, profit or loss arising from changes in fair value of financial assets and financial liabilities held, as well as those arising from disposals of financial assets and financial liabilities	8,257,294	It's mainly the interest or gains accrued from the structured deposits and wealth management.
Other non-operating income and expenses other than the above items	-103,860	
Less: Effect on minority interests (after tax)	302	
Total	**15,206,999**	

For not listed items in *Notice on Explanation of Information Disclosure of Companies Publicly Issuing Securities No.1 - Extraordinary Gai n or Loss* which defined as non-recurring gains and losses and the amount is material and items that define non-recurring gains and losses enumerated in *Notice on Explanation of Information Disclosure of Companies Publicly Issuing Securities No.1 - Extraordinary Gain or Loss* as recurring gains and losses, the reasons should be explained.

Not applicable.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2025

REVENUE

The consolidated revenue of Shahghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the "Company") and its subsidiaries (collectively as the "Group") for the six months ended 30 June 2025 amounted to approximately RMB390.08 million, compared to approximately RMB408.11 million for the same period in 2024, representing a decrease of 4%. 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.

Revenue of the Group for the six months ended 30 June 2025 mainly came from the sale of medical and diagnostics products. The main source of revenue for the six months ended 30 June 2025 was nearly the same as that for the same period in 2024.

REVENUE FROM SALE OF MEDICAL AND DIAGNOSTICS PRODUCTS

Revenue of the Group from the sale of medical and diagnostics products for the six months ended 30 June 2025 was RMB383.92 million (representing 98.42% of the main operations revenue), representing a decrease of 6% from RMB408.11 million for the same period in 2024. The contribution to the main operations revenue of ALA, LIBOd® and FuMeiDa, the major products of the Group, was 49%, 30% and 20% respectively.

The major products of the Group are ALA and FuMeiDa from its photodynamic platform and LIBOd® from its nano technical platform. During the Reporting Period, the sales and distribution of ALA and FuMeiDa were undertaken by the Group's own sales team.

COST OF SALES

For the six months ended 30 June 2025, the Group's main operations costs were RMB39.77 million (representing 100.00% of the cost of sales). For the same period in 2024, the Group's main operations costs were RMB29.40 million. The Group's cost of sales was mainly attributable to the sale of pharmaceutical and diagnostic products. The increase in cost of sales was mainly due to reduced production volumes of LIBOd® following its exclusion form the volume-based procurement during the Reporting Period, resulting in higher per-unit manufacturing costs.

For the six months ended 30 June 2025, the ratio of main operations cost to main operations revenue was 10% (2024: 7%), 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 six months ended 30 June 2025, the selling expenses of the Group were RMB181.91 million, representing an increase of 59% from RMB114.49 million for the same period in 2024. Selling expenses included marketing and academic promotion fees, salary costs, depreciation and amortization, and business entertainment and travel expenses. Details are set out in note 5(36) to the interim consolidated financial statements.

For the six months ended 30 June 2025, the general and administrative expenses of the Group were RMB20.30 million, representing a decrease of 13% from RMB23.37 million for the same period in 2024. The decrease was mainly due to a decline in salary costs during the Reporting Period as compared to the same period last year. Details are set out in note 5(37) to the interim consolidated financial statements.

RESEARCH AND DEVELOPMENT ("R&D") EXPENSES

The Group has adopted a conservative and prudent capitalization policy for R&D projects. Only expenses incurred on projects evaluated to be feasible in terms of technology with clear objectives, controllable risks and probable future economic benefits can be capitalized. Therefore, most of R&D costs of the Group were recognized as expenses as incurred. With the development of R&D projects, R&D expenses of the Group for the six months ended 30 June 2025 were RMB177.98 million, representing an increase of 15% compared with RMB154.59 million for the same period in 2024. Details are set out in note 5(38) to the interim consolidated financial statements. In addition, the total investment in R&D of the Group for the six months ended 30 June 2025 was RMB177.98 million, representing an increase of 15% compared with RMB155.33 million for the same period in 2024. Details are set out in note 5(15) to the interim consolidated financial statements.

FINANCIAL INCOME - NET

For the six months ended 30 June 2025, the financial income of the Group was approximately RMB0.39 million, compared with a financial income of approximately RMB1.68 million for the same period in 2024. The decrease in the financial income was mainly due to a decrease in interest income during the Reporting Period as compared with the corresponding period last year. Details are set out in note 5(39) to the interim consolidated financial statements.

OTHER INCOME

Other income of the Group for the six months ended 30 June 2025 was RMB8.75 million, compared with RMB21.11 million for the same period in 2024, representing a decrease of 59%. The decrease in other income was mainly due to a reduction in governmental grants recognized for the six months ended 30 June 2025 as compared with the corresponding period last year. Details are set out in note 5(41) to the interim 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 as approved by the National People's Congress on 16 March 2007. The Company and its subsidiaries Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd ("Taizhou Fudan-Zhangjiang") and Shanghai Tracing Bio-technology Co., Ltd. ("Tracing Bio-technology") were both recognized as high-tech enterprises, and their applicable tax rates were 15% for the six months ended 30 June 2025.

Fernovelty Holding was incorporated in Hong Kong in October 2016 as a subsidiary of the Group and is subject to Hong Kong profits tax at the rate of 16.5%. Effective from 1 January 2018, a two-tier profits tax rates system is implemented under which the first HKD2 million of assessable profits of corporations will be taxed at 8.25% whereas the remaining amount will be taxed at the standard rate of 16.5%. Since it did not have estimated assessable profit for the six months ended 30 June 2025 and for the six months ended 30 June 2024, Hong Kong profits tax was not provided.

As at 30 June 2025, the applicable tax rate and tax policy of the Group remained unchanged as compared with the first half of 2024.

NET PROFIT AND NET PROFIT RATE

The net profit of the Group for the six months ended 30 June 2025 was RMB5.62 million, representing a decrease of 92% compared with RMB70.34 million for the same period in 2024. The net profit rate of the Group for the six months ended 30 June 2025 was 1% (2024: 17%). The decrease in the Group's net profit rate was mainly due to the recognition of compensation and liquidated damages arising from the termination of cooperation with LIBOd® promotion service provider Shanghai Huizheng during the same period last year.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company of approximately RMB5.72 million was recorded in the unaudited interim consolidated financial statements for the six months ended 30 June 2025, compared with approximately RMB70.47 million for the same period in 2024, representing a decrease of 92%.

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 30 June 2025, the Group had cash and cash equivalents of RMB1,106,490,805 (as at 30 June 2024: RMB1,222,481,006). 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 30 June 2025, the Group had no outstanding bank borrowings (31 December 2024: nil). Therefore, the gearing ratio was not applicable (gearing ratio: 0). The gearing ratio is calculated as the total bank borrowings divided by the total equity of the Company.

The Group has adopted a conservative treasury policy for capital and financial management so 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" in "MANAGEMENT DISCUSSION AND ANALYSIS".

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

BANKING BORROWINGS

As at 30 June 2025, the Group had no outstanding bank borrowings.

FOREIGN EXCHANGE EXPOSURE

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.

CHARGE ON ASSETS

As at 30 June 2025, the Group had no charge on assets.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2025, the Group has no future plans for significant capital expenditures.

DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2025 (six months ended 30 June 2024: RMB20,731,442).

CONTINGENT LIABILITIES

As at 30 June 2025, the Directors of the Company were not aware of any material contingent liabilities.

(I) SIGNIFICANT INVESTMENTS

As at 30 June 2025, the net book value of the Group's long-term equity investments amounted to RMB253.15 million, of which the fair value of the Group's interest in Shanghai Handu Pharmaceutical Technology Co., Limited ("Shanghai Handu") amounted to approximately RMB221.74 million, representing 8.72% of the Group's total assets. An investment loss of approximately RMB2.13 million was recorded during the Reporting Period, including unrealized net loss of RMB2.26 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.

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 39.5663% equity interest in Shanghai Handu. The investment in Shanghai Handu was a long-term investment of the Group for its growth potential in its innovative 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.The Company values its R&D potential and the value of its projects under research with a view to expanding the clinical application fields of the Company's products under research, further accelerate the R&D process of new drugs in progress, and promote the listing of such products. From the perspective of the Company's development strategy, such investment will expand the of business fields and enrich product pipelines of the Company, and will improve the future marketing capacity and brand awareness of new drugs of the Company, so as to enhance the long-term profitability and comprehensive competitiveness of the Company, which are beneficial to the Company's sustainable development in medium and long term.

For further information in relation to the investment in Shanghai Handu, please refer to the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" – "ANALYSIS ON COMPANIES CONTROLLED OR INVESTED BY THE COMPANY" below.

Save and except for the investment in Shanghai Handu, during the Reporting Period, the Group did not have other significant external equities investment with a value of 5% or more of the Group's total assets.

(II) 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 17 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 30 June 2025, the fair value of the equity instruments held by the Company in TuHURA was approximately RMB5,747.

(III) MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Group did not undertake any material acquisitions or disposals of any major assets, subsidiaries, associates and joint ventures.

(IV) ANALYSIS ON COMPANIES CONTROLLED OR INVESTED BY THE COMPANY

No.	Company Name	Main Business	Registered Capital / Share Capital	Total Assets RMB0'000	Net Assets RMB0'000	Revenue RMB0'000	Operating Profit RMB0'000	Net Profit RMB0'000
1	Taizhou Fudan-Zhangjiang	Production of Hemoporfin APIs and injectables	RMB 100,000,000	58,303.47	45,547.62	9,381.22	-717.36	-723.91
2	Fernovelty Holding	Drug R&D and investment and cooperation in overseas medical projects	HKD 10,000	2,173.23	2,073.23	98.51	-135.67	-135.67
3	Tracing Bio-technology	R&D, production and sales of diagnostic reagents	RMB 74,800,000	1,340.38	1,214.22	210.77	-182.95	-182.95
4	Shanghai Handu[Note2]	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	USD 10,478,666	53,140.43	52,796.88	403.93	-559.60	-559.60
5	Changzhou BVCF Investment Management Partnership (Limited Liability Partnership)	Investment in the field of early drug R&D	RMB 201,000,000	10,082.74	9,597.97	-	41.47	41.47

Notes:

1、 The year-on-year decrease in net profit of Taizhou Fudan-Zhangjiang was mainly due to significant increased R&D expenditures during the Reporting Period;

2、 The above financial data are unaudited;

3、 The above financial data of Shanghai Handu are prepared on the basis of continuous measurement of the fair value of identifiable net assets at the date of investment.

SUBSCRIPTION OF WEALTH MANAGEMENT PRODUCTS AND STRUCTURED DEPOSIT PRODUCTS

On 2 January 2025, the Company entered into a 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 period of 89 days by using its self-owned idle funds generated from daily operation.

On 3 January 2025, the Company entered into a 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 maturity period of 87 days by using its self-owned idle funds generated from daily operation.

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

On 1 April 2025, the Company entered into a 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 period of 89 days by using its self-owned idle funds generated from daily operation.

On 2 April 2025, the Company entered into a 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 maturity period of 89 days by using its self-owned idle funds generated from daily operation.

The Company's subscription of structured deposit products by reasonable and effective use of certain portion of its temporary idle funds (including proceeds from the public issuance of A shares) is beneficial for enhancing the overall capital gain of the Group, which is consistent 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) are of the view that the above-mentioned structured deposit products agreements with Ping An Bank and Bank of China were entered into on normal commercial terms, are 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 and 2 April 2025.

All of the above structured deposit products have been redeemed at maturity and the actual returns are consistent with the expected range of returns disclosed in the announcements and there is no material deviation from the disclosure in the announcement. As at 30 June 2025, there was no outstanding structured deposit products and wealth management products held by the Company.

During the Reporting Period, the total income received by the Group by purchasing structured deposit products and wealth management products was approximately RMB8.26 million.

BUSINESS REVIEW

I. DESCRIPTION OF THE COMPANY'S INDUSTRY AND MAIN BUSINESS DURING THE REPORTING PERIOD

The Group is mainly engaged in innovative research and development, production and marketing of biomedicine. Since its establishment, with the ultimate goal to stay as an innovator and a leader in the bio- pharmaceutical industry, the Group has committed to exploring unmet needs and deficiencies of clinical and patients treatment as well as developing novel and more effective treatments/medicines, so as to realize our mission that "The More We Explore, the Healthier Human Beings Will Be".

(I) BASIC INFORMATION OF THE GROUP'S INDUSTRY

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. In recent years, a number of policies and measures have been intensively introduced at the national level to support the development of innovative drugs. The 2024 Government Work Report by the State Council proposed accelerating the development of industries such as innovative drugs, actively fostering new growth engines like bio manufacturing, and formulating future industrial development plans to open new frontiers in life sciences. In June 2024, the General Office of the State Council issued the "Key Tasks for Deepening the Reform of the Medical and Health System in 2024", highlighting the need to deepen reforms and innovations in the pharmaceutical sector, accelerate the rational application of new drugs, reform the drug review and approval system, and improve the multi-level healthcare security system. In July 2024, the State Council executive meeting reviewed and approved the "Implementation Plan for Comprehensive Support for Innovative Drug Development". The meeting underscored that the development of innovative drugs is crucial for the pharmaceutical industry and the health and well-being of the people. It called for strengthening policy support across the entire chain, coordinating the use of pricing management, medical insurance payment, commercial insurance, drug allocation and use, and investment and financing policies, optimizing review and approval mechanisms, and enhancing the assessment mechanisms for medical institutions to collectively promote breakthrough developments in innovative drugs. Meanwhile, local supporting policies for innovative drug development are also being intensively introduced. The General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the "Implementation Plan for the Comprehensive Reform Pilot in Pudong New Area (2023–2027)", allowing new biopharmaceutical products to be priced with reference to international counterparts. Beijing, Guangzhou, and Shanghai have successively issued measures to support the high-quality development of innovative pharmaceuticals, providing comprehensive support for the innovative drug industry by optimizing review and approval processes, promoting clinical application of innovative drugs, expanding payment channels, and strengthening service support.

On 1 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. With strong policy backing and technological innovation, China's pharmaceutical industry is poised for promising prospects and is expected to assume a more prominent position in the global pharmaceutical market.

2. Current situation of dermatology medicine industry in China

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-pidemiological Investigations, the prevalence rate of skin diseases among the Chinese population reaches as high as 40%-70%, ranking fourth among all diseases in terms of healthy life years lost. 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 acuminata, 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 acuminata, HPV6, HPV11, HPV16, HPV18 being the main ones. The goal of the treatment for condyloma acuminata is to remove the warts and reduce or prevent recurrence as much as possible. There are three main treatment options for condyloma acuminata, 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 birthmark ("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 and have the most promising development prospects. 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.

(II) THE MAIN BUSINESS INCOME OF THE GROUP MAINLY COMES FROM THE SALES REVENUE OF THE COMPANY'S PHARMACEUTICAL PRODUCTS. THE MAIN PRODUCTS OF THE GROUP INCLUDES:

- Dermatology Products

i) Aminolevulinic Acid Hydrochloride Topical Powder (艾拉®, ALA)

ALA, a first-in-class drug, is the first photodynamic drug for the treatment of condyloma acuminata in the world. As the first commercialization project 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 acuminata after treatment. It has solved a clinical problem of the disease, filled an international gap in the treatment of condyloma acuminata 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 latest 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 Acuminata in China (2021)" and the "Expert Consensus on Condyloma Acuminata (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 acuminata. 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.

ii) 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 Tumour Products**

i) 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.

II. DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

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 Company 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".

(I) RESEARCH STRATEGY AND REVIEW

During the Reporting Period, the Group's innovative R&D areas still focused on photodynamic drugs for skin diseases and precancerous lesions, photodynamic drugs for intraoperative visualization, antibody-drug conjugates for tumors and other drugs with patent or technological barriers.

PHOTODYNAMIC DRUGS

The Group is a world leader in the development of photodynamic drugs. The drug indications developed and under development include condyloma acuminata, port-wine birthmarks (PWB), moderate and severe acne, actinic keratosis (AK), cervical intraepithelial neoplasia (CIN), breast cancer, gliomas and bladder cancer. 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 skin 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 help 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 tumor-specific receptors with different molecular targets 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 acuminata has received favorable market responses since its launch. It has become the clinically preferred drug for the treatment of condyloma acuminata. To expand the indications of this drug is one of the key R&D projects of the Group.

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 and a phase III clinical study will be initiated as soon as possible. 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 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)".

A phase II clinical trial of aminolevulinic acid hydrochloride for external use for the treatment of moderate and severe acne has been completed and a phase III clinical study will be initiated as soon as possible. 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.

The patient enrollment of 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) was completed during the Reporting Period, with statistical results currently being analysed. 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, with statistical results currently being analysed. The Company will promptly submit the new drug application to the National Medical Products Administration ("NMPA"). 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. With reference to overseas marketed products used for the visualization of malignant tissue during surgery for adult malignant gliomas, the Company determined that the 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 first patient for 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 was enrolled in the study during the Reporting Period, which was conducted in combination with new devices. 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.

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 cancer has been accepted. 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 study 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 (ADC)

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 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 undergoing. 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 currently being analysed. The drug is intended to be used to treat TNBC, non-small cell lung cancer, ovarian cancer, colorectal cancer and other tumors.

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 toher solid tumors is undergoing phase I/II clinical studies. During the Reporting Period, the enrollment of a phase II clinical study of the drugfor the treatment of breast cancer with low human epidermal growth factor receptor 2 (HER2) expression was completed, and preliminary statistical results were obtained. The Company will promptly communicate with NMPA regarding the subsequent registrational trial plan. Meanwhile, patient enrollment for clinical studies 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 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 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 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-severely toxic dose reached 30 mg/kg, indicating a favorable safety profile.

We already have R&D capabilities in the development of biologics and small molecules and in ADC coupling. With the completion of the construction of the Group's ADC workshop in Taizhou and its successful commencement of production, ADC drugs will become one of the important product groups of the Group.

(II) INDUSTRIALIZATION OPERATION AND 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.

In terms of R&D, the Group has always adhered to its genetic engineering technical platform, photodynamic technical platform, nano technical platform and oral solid preparation 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, tumors and precancerous lesions, antibody-drug conjugates for tumors and sustained-release and controlled-release drugs for the all-round treatment of Parkinson's disease. 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. For details of major projects of the Group during the Reporting Period, please refer to "BUSINESS REVIEW" - "III. ANALYSIS OF CORE COMPETITIVENESS FOR THE REPORTING PERIOD" in "MANAGEMENT DISCUSSION AND ANALYSIS".

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 4% year on year. ALA(艾拉®), indicated for the treatment of HPV infectious diseases and proliferative diseases of the skin (mostly notably condyloma acuminata), 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 99.94% of the Group's revenue from the sale of pharmaceutical and diagnostic products. During the Reporting Period, sales revenue contributed by ALA increased by 2% compared to the same period last year, while sales revenue contributed by FuMeiDa decreased by 7% compared to the same period last year. Meanwhile, due to changes in centralized procurement policies and market competition landscape, and after prudent evaluation, the Company has decided to gradually adjust and reduce the retail price of LIBOd® according to the rules and requirements of each province for unselected products from 1 May 2025. During the Reporting Period, sales revenue contributed by LIBOd® decreased by 16% compared to the same period last year.

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. As an important production base of the Group, Taizhou Fudan-Zhangjiang is a subsidiary of the Company with an area of approximately 144 acres. It has established a number of production lines for the production of Hemoporfin APIs (active pharmaceutical ingredients) and injectables, and for the preparation for the commercialization of solid formulations and a series of ADC projects. The newly-built antibody-drug conjugate workshop in Taizhou Fudan-Zhangjiang has the capability to complete the commercial-scale and mass production of Trop2-SN38 ADC, which is currently used for a phase III clinical trial of the drug for the treatment of triple-negative breast cancer being conducted by the Group. During the Reporting Period, Her2-BB05 ADC project completed the technology transfer for commercial-scale production and the sample production for the proposed Phase III clinical study which will support subsequent clinical development. The production base of Taizhou Fudan-Zhangjiang provides a foundation for the industrialization of the Group's subsequent R&D projects. The construction and operation of the antibody-drug conjugate workshop in Taizhou Fudan-Zhangjiang has laid a solid foundation for the steady implementation of the Group's development strategy for antibody-drug conjugates.

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.

By the end of the Reporting Period, the commercialized main products of the Group are summarized as follows:

Technical Platform	Project Name	Registration Type	Indications	Launching Time
Photodynamic technology	ALA	Class 3.1 generic drug	Condyloma acuminate	2007
	FuMeiDa	Class 1.1 innovative chemical drug	Port wine stain	2017
Nano technology	LIBOd®	Class 6 generic drug	Tumors	2009
Other technology	Parecoxib Sodium for Injection	Class 4 generic drug	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, and oral solid preparation technology, 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 and the capital market. 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.

(III) Major changes in the Company's operation during the Reporting Period, as well as events that have a significant impact on the Company's operation and are expected to have a significant impact in the future

The Company's anti-cancer product Doxorubicin hydrochloride liposome injection (LIBOd®) was included in the National Centralized Drug Procurement Catalog for the first time in 2024. Under the rules of this centralized procurement round and given the shifts in the competitive landscape, the sales strategy and price of the Drug require adjustments during the implementation period (i.e., the implementation period for each productcategory in respective regions will run from the effective date of the bidding results to 31 December 2027). After prudent evaluation, the Company has decided to gradually adjust and reduce the retail price of the Drug according to the rules and requirements of each province for unselected products not less than 35% compared with the previous bidding prices from 1 May 2025. As a key product of the Company, the price adjustment of LIBOd® following its failure to be selected in the latest centralized procurement round - which may lead to sales decline amid intensified market competition - is expected to adversely affect the Company's sales revenue during the 2025 fiscal year and subsequent implementation periods. For more details, please refer to the announcement of the Company dated 30 April 2025.

III. ANALYSIS OF CORE COMPETITIVENESS FOR THE REPORTING PERIOD

(I) ANALYSIS OF CORE COMPETITIVENESS

As a pharmaceutical enterprise focusing on the R&D of new drugs, the Company has, since the establishment of the Group, 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. The Group has been seeking balanced development between "me-too drugs" and "first-in-class drugs". At present, the products of the Group that have been launched and 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 Advantages of Projects under Development during the Reporting Period

R&D Field	Technical Field	Project Name	Registration Type	Proposed Indications	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 enrollment completed under statistical analysis	International advanced level
		Aminolevulinic acid - brain gliomas (F0009)	Class 3 generic drug	Surgical visualization of brain gliomas	Confirmatory clinical trial enrollment completed under statistical analysis	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 (F0049)	Class 1 innovative new drug	Intraoperative visualization of malignant lesions in ovarian cancer surgery	Application for phase I clinical trial accepted	International advanced level
R&D Field of ADC	ADC engineering	Trop2-SN38 ADC (F0024)	Class 1 therapeutic biological products	TNBC	Phase III clinical study 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 patient 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 drug	Early Parkinson's disease	Phase II clinical study completed	International advanced level
	Drugs with patents or technical barriers	Obeticholic acid (F0019)	Class 3 generic drug	Hepatobiliary disease	Marketing application under review	International advanced level

2. Advantages of Technology Platform

Please refer to "MANAGEMENT DISCUSSION AND ANALYSIS" – "III. ANALYSIS OF CORE COMPETITIVENESS FOR THE REPORTING PERIOD"– "(III). CORE TECHNOLOGY AND R&D PROGRESS" – "1. Core technology, advance level and changes during the Reporting Period".

3. Advantages of Promotion

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

4. Advantages of Product Quality Control

The Group has formulated comprehensive production management and quality control rules and regulations which follow the cGMP standards in China with reference to the cGMP requirements and guidelines of FDA in the United States and EMA in Europe. Quality control is an important part of pharmaceutical production activities. The Group's quality management system mainly includes quality control laboratory control, data analysis and quality review, corrective and preventive measures (CAPA), etc.

In order to implement the quality control system, the Group has developed a quality document management system including standard management procedures, standard operating procedures, standard technical procedures and standard operation records, and established corresponding cGMP data management procedures, which cover both paper data and electronic data to ensure data integrity. At the same time, the Company has developed a quality risk management process and systematically applies it to all aspects of quality control. In order to ensure the stability and consistency of product quality, the Group also carries out continuous verification of its production processes. In addition, the Group's production personnel should be fully trained before assuming their posts, and each employee should be trained, assessed and proven qualified according to the post requirements.

The Group has established a series of management standards and operating regulations to standardized, routinize and institutionalize all production steps under the high standard cGMP management requirements.

5. Advantages of Management and Technical Team

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 Company maintains a stable management team with a growing proportion of younger executives. This demographic evolution enhances organizational vitality and innovation capacity, strategically informing the Company's development planning, brand caltivation, corporate culture enhancement, and product innovation initiatives. The Company's excellent management team and technical talents provide comprehensive support for the stable development and successful implementation of its projects.

(II) EVENTS THAT SERIOUSLY AFFECT THE COMPANY'S CORE COMPETITIVENESS DURING THE REPORTING PERIOD, IMPACT ANALYSIS AND COUNTERMEASURES

Not applicable.

(III) CORE TECHNOLOGY AND R&D PROGRESS

1. Core technology, advance level and changes during the Reporting Period

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 marketed 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 formed multiple technology platforms including a genetic engineering technical platform, a photodynamic technical platform, a nano technical platform and an oral solid preparation technical platform and has focused 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. 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 ADC 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 that cannot be treated or intervened, 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 projects mainly include 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 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 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. There are many technical barriers in the research and development of nano drug: 1) the structure of liposomal formulation is complex and there are few drugs launched into the market, so it is difficult to form a complete technical system; 2) lacking of high-quality excipients, the threshold and the expenses for the development of new lipids is relatively high; 3) lacking production facilities as the application technology and production process of liposomes are quite different due to the differences in design; the production facilities need to be customized; 4) the steps of liposomes preparation are complex, and there are many quality control points. It is difficult to maintain the quality consistency. 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 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.

For details on drug development progress related to the aforementioned technology platforms, please refer to the "MANAGEMENT DISCUSSION AND ANALYSIS" - "II. DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS". During the Reporting Period, the core technology of the Group has not changed.

2. R&D achievements obtained during the Reporting Period

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;

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 cancer has been accepted.

List of intellectual property rights acquired during the Reporting Period

	Newly acquired during the Reporting Period		Cumulative quantity	
	No. of applications	**No. of grant**	**No. of applications**	**No. of grant**
Invention Patents	6	12	139	63
Utility Model Patent	1	2	30	25
Design Patent	-	-	2	2
Software copyright	-	-	26	26
Others	-	-	-	-
Total	**7**	**14**	**197**	**116**

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

3. R&D investment

Unit: RMB

	Reporting Period (January to June 2025)	Corresponding period of last year	Change as compared with the corresponding period of last year (%)
Expended R&D investment	177,976,257	154,592,537	15.13
Capitalized R&D investment	-	737,612	-100
Total R&D investment	177,976,257	155,330,149	14.58
Portion of R&D investment to the operating revenue (%)	45.63	38.06	increased by 7.57 percentage point
Portion of Capitalized R&D investment (%)	-	0.47	decreased by 0.47 percentage point

4. R&D personnel

Basic information		
	For the Reporting Period	For the corresponding period of last year
Number of R & D personnel (person)	155	180
The proportion of R&D personnel in the total number of employees of the Company (%)	17.24	19.72
Total amount of salary of R&D personnel (RMB)	36,390,548	43,950,526
Average amount of salary of R & D personnel (RMB)	234,778	244,170

Education level		
Education structure	**Number (person)**	**Proportion (%)**
Doctor	4	2.58
Master	59	38.06
Bachelor	77	49.68
Below Bachelor degree	15	9.68
Total	**155**	**100.00**
Age structure		
Age range	**Number (person)**	**Proportion (%)**
50 and above	6	3.87
40-49	23	14.84
30-39	84	54.19
20-29	42	27.10
Total	**155**	**100.00**

5. 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 obtained grants and awards amounting to approximately RMB11.05 million from governments at all levels for a number of R&D and commercialization projects.

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, 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.

IV. RISK FACTORS

1. Risk in relation to 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 in relation to core technical staff loss

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.

3. Risk in relation to 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 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 products due to product quality and intellectual property issues and is unable to launch new alternative products timely.

4. Foreign exchange risk

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.

5. Risk in 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.

The Company's product LIBOd® was not selected in the tenth round of National Centralized Drug Procurement. Under the rules of this centralized procurement round and given the shifts in the competitive landscape, the sales strategy and price of the Drug require adjustments during the implementation period (i.e., from the implementation dateof the bidding results for each product category in respective regions to 31 December 2027). After prudent evaluation, the Company has decided to gradually adjust and reduce the market retail price of the Drug according to the rules and requirements of each province for unselected products by at least 35% lower than the previous bidding prices from 1 May 2025.

Due to the price adjustment and sales volume decline after non-selection in the centralized procurement, the 2025 annual sales revenue of LIBOd® is expected to decrease by more than 50% year-on-year, potentially resulting in a single-product loss for 2025. If the Company fails to continuously launch competitive new products or allocate sufficient financial and human resources to marketing efforts, its market share and competitiveness may decline, adversely impacting the Company's financial position, business operations, and operatingresults.

FUTURE PROSPECTS

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 biopharmaceutical 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 more than 20 years of technological accumulation and development, the Group has successively established a genetic engineering technical platform, a photodynamic technical platform, a nano technical platform and an oral solid preparation 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 and the capital market.

- 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 ADC drugs 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.

At the same time, we will pay close attention to new growth points 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.

COMPANY'S GOVERNANCE, ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

CHANGES IN DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND CORE TECHNICIANS

Not applicable.

PLAN FOR PROFIT DISTRIBUTION OR CONVERSION OF CAPITAL RESERVE FUND INTO SHARE CAPITAL

The interim proposed profit distribution plan or plan for the conversion of capital reserve fund into share capital for the half year

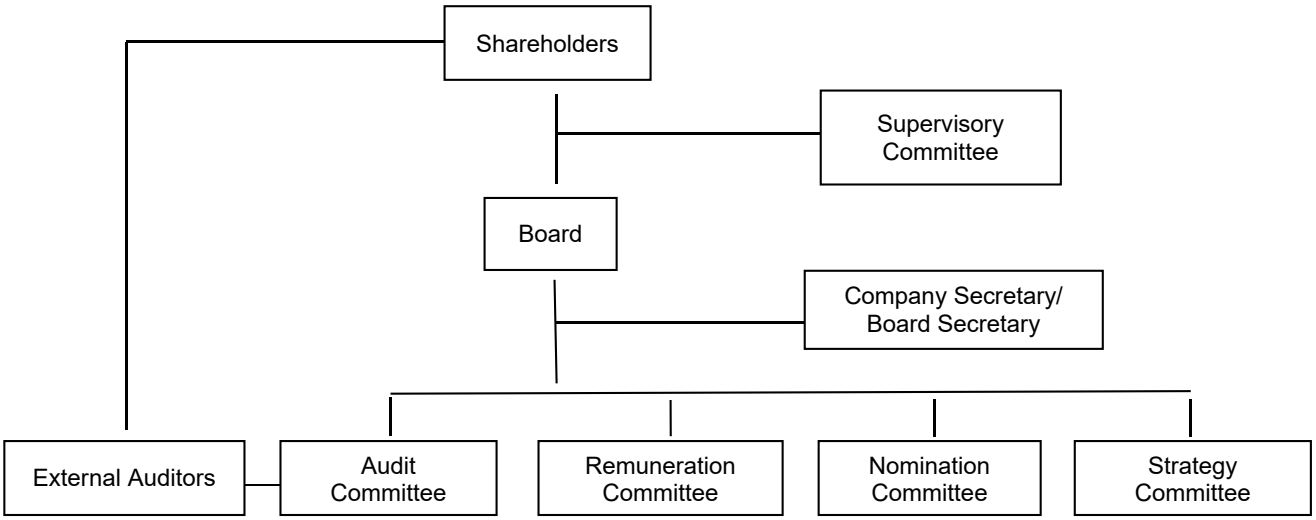
Whether to allocate or convert to increment	No
Bonus share for every 10 shares (shares)	Not applicable
Dividend for every 10 shares (yuan) (tax inclusive)	Not applicable
Conversion into share capital for every 10 shares (shares)	Not applicable
Explanation on profit distribution plan or plan for the conversion of capital reserve fund into share capital	Not applicable

EQUITY INCENTIVE PLANS, EMPLOYEE SHARE SCHEMES AND OTHER INCENTIVE SCHEMES OF THE COMPANY AND THEIR IMPACT

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

CORPORATE GOVERNANCE PRACTICE

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



The Company's corporate governance code 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 of Directors;
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） Rules of Procedure for the Supervisory Committee;
i） Regulations for Directors, Supervisors and Senior Managers in relation to Holding and Transacting the Shares of the Company;
j） Regulations for Information Disclosure;
k） Regulations for Inside Information;
l） Regulations for Internal Control Management;
m） Rules and Regulations for Related / Connected Transaction;
n） Other daily management documents of the Company.

The Audit Committee and the Board have reviewed the documents relating to corporate governance policies adopted by the Company and considered that, during the six months ended 30 June 2025, save as the deviation set out below, it had complied with the principles and code provisions set out in the Code.

The deviation from the code provisions 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). 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 two positions are still taken by one person. 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of provisions of conduct regarding securities transactions by the Directors (the "Code of Conduct") on terms no less exacting than the required standards of dealings concerning securities transactions by the Directors as set out in the Model Code for securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules. Having made specific enquiries of all the Directors, all the Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the Reporting Period.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, the Company has fully complied with Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules in relation to independent non-executive Directors.

EMPLOYEES AND SALARIES

As at 30 June 2025, the Group had a total of 899 employees, as compared to 913 employees as at 30 June 2024. Staff costs including Directors' remuneration for the six months ended 30 June 2025 were RMB101,818,230, compared with RMB117,815,229 for the same period in 2024. The salaries and benefits of employees provided by the Group are based on market situation and their own experience and qualifications, which also kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system which is reviewed annually. A wide range of benefits, including statutory social welfare plans, are also provided to employees by the Group. The Group also provides relevant induction and on-the-job trainings to the employees from time to time.

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 six months ended 30 June 2025 (including any treasury shares). During the six months ended 30 June 2025, the Company did not hold any treasury shares.

ENVIRONMENTAL INFORMATION OF LISTED COMPANIES AND THEIR MAJOR SUBSIDIARIES INCLUDED IN THE ENVIRONMENTAL INFORMATION DISCLOSURE LIST IN ACCORDANCE WITH THE LAW

Not applicable.

ACHEIEVEMENTS IN CONSOLIDATING AND EXPANDING POVERTY ALLEVIATION, TACKLING KEY PROBLEMS AND RURAL REVITALIZATION

During the Reporting Period, the Company's labor union procured agricultural products valued at RMB61,425 from farmers in impoverished mountainous areas of Rongjiang County, Guizhou Province. This initiative underscores our commitment to supporting rural revitalization and agricultural development through practical actions.

OTHER SIGNIFICANT EVENTS

I. THE PERFORMANCE OF UNDERTAKINGS

Undertakings during or carried forward to the Reporting Period by the Company's actual controller, shareholders, related parties, acquirers and the Company and other relevant parties

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 30 June 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.

II. FUNDS MISAPPROPRIATED BY CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES DURING THE REPORTING PERIOD FOR NON OPERATING CAUSES

Not applicable.

III. ILLEGAL GUARANTEE

Not applicable.

IV. AUDIT OF INTERIM REPORT

The financial information of the Group for the Reporting Period contained in this interim report has not been reviewed or audited by the auditor of the Company.

V. CHANGES AND TREATMENT OF MATTERS RELATED TO NON-STANDARD AUDIT OPINIONS IN THE ANNUAL REPORT OF THE PREVIOUS YEAR

Not applicable.

VI. ISSUES RELEVANT TO INSOLVENCY AND RESTRUCTURING

Not applicable.

VII. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group has no material litigations and arbitrations.

VIII. PUNISHMENTS AND RECTIFICATIONS OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, ACTUAL CONTROLLER BEING SUSPECTED OF VIOLATING THE LAW AND REGULATION

Not applicable.

IX. STATEMENTS ON THE INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

Not applicable.

X. SIGNIFICANT RELATED PARTY / CONNECTED TRANSACTIONS

The related party / connected transactions in relation to daily operations

Overview of events	Query index
Continuing Connected Transactions- Sales and Distribution Agreement with Shanghai Pharmaceuticals	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.

XI. DESCRIPTION OF THE PROGRESS ON THE USE OF THE RAISED PROCEEDS OVERALL USE OF THE RAISED PROCEEDS

USE OF PROCEEDS

The A Shares of the Company have been listed and commenced trading on the STAR Market of the Shanghai Stock Exchange since 19 June 2020. The total proceeds of the issue of A share are RMB1,074,000,000 and the net proceeds are RMB974,323,900 after deducting the issue fees of RMB99,676,100 of this offering. The net proceeds raised from the issue of A Shares shall be used in accordance with the plan items described in the circular of the Company dated 4 April 2019 and the announcement of the Company dated 26 April 2019. As at 31 December 2024 and at the beginning of the Reporting Period (i.e. 1 January 2025), the unutilized balance of the net proceeds was approximately RMB193,103,961.

Investment Projects	**Budget**	**Amount utilised during the Reporting Period**	**Cumulative Amount that has been utilized as at 30 June 2025**	**Remaining balance as at 30 June 2025**	**Expected timeline of utilization**
	RMB0'000	**RMB0'000**	**RMB0'000**	**RMB0'000**	
– The Registration Project of Hemoporfin in the United States [Note4]	23,000.00	794.28	6,759.88	16,240.12	31 December 2025
– 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	2,455.63	
Total	**65,000.00**	**794.28**	**84,235.89**	**18,695.75**	

***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 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. There has been a delay in the use of proceeds allocated to Registration Project of Hemoporfin in the United State due to external factors causing the registration process taking longer time than expected. As approved by the Board and the Supervisory Committee on 27 March 2023, the implementation stage of the project was extended for two years to 31 December 2025. The planned use of proceeds allocated to this project remains unchanged and is still expected to be fully utilized as R&D expenses;

OTHER INFORMATION ON USE OF PROCEEDS DURING THE REPORTING PERIOD

In order to improve the efficiency of utilization of idle proceeds, the Board and the Supervisory Committee considered and approved the "Proposal on Using Idle Proceeds for Cash Management" at the 10th meeting of the eighth session of the Board and the 9th meeting of the eighth session of the Supervisory Committee separately on 28 April 2025, pursuant to which the Company may use temporarily idle proceeds of up to RMB180 million (the "Amount") to purchase investment products with high security, good liquidity and guaranteed principal (including but not limited to structured deposits, call deposits, time deposits and large-denomination certificates of deposit, etc.) (the "Use") provided that the Use will not affect the progress of fund-raising investment projects, normal production and operation of the Company and the safety of funds is ensured. The valid period of the Use is 12 months from 20 June 2025 (the "Period"). Within the Amount and the Period, the proceeds can be used on a rolling basis. For details, please refer to the overseas regulatory announcement of the Company dated 28 April 2025. For details of cash management with idle proceeds during the Reporting Period, please refer to "MANAGEMENT DISCUSSION AND ANALYSIS".

XII. EXPLANATION OF OTHER SIGNIFICANT EVENTS

There was no significant event happened after 30 June 2025 up to the date of this announcement.

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

I. THE CHANGES IN SHARE CAPITAL

During the Reporting Period, there was no change in the total number of ordinary shares or the share capital structure of the Company.

II. PARTICULARS OF SHAREHOLDERS

(I) Total number of shareholders:

Total number of ordinary shareholders as at the end of the Reporting Period (account)	19,877
Total number of preference shareholders with restored voting rights as at the end of the Reporting Period (account)	Not applicable
Total number of preference shareholders with special voting rights as at the end of the Reporting Period (account)	Not applicable

As at the end of the Reporting Period, the Company had 19,877 Shareholders, including 19,737 A Share Shareholders and 140 registered H Share Shareholders.

(II) Top 10 shareholders and top 10 shareholders for shares in circulation (or without trade restrictions) and their shareholdings at the end of the Reporting Period

Unit: Share

Shareholdings of the top 10 Shareholders (excluding the stock borrowing for financing)								
Name of shareholder (full name)	**Change of shareholding during the Reporting Period**	**Number of shares held as at the end of the Reporting Period**	**Percentage (%)**	**Number of shares held subject to trading restriction**	**Number of restricted shares including shares lent by refinancing**	**Shares pledged, marked or frozen**		**Nature of shareholder**
						Status of shares	**Number of shares**	
HKSCC NOMINEES LIMITED Note1	-	254,827,740	24.58	-	-	Unknown	-	Overseas legal person
Shanghai Pharmaceuticals Holding Co., Ltd Note2	-	210,142,560	20.27	-	-	Nil	-	Domestic non-state-owned legal person
China New Enterprise Investment Fund II	-	156,892,912	15.14	-	-	Nil	-	Other
Yang Zong Meng	-	74,375,494	7.18	-	-	Nil	-	Overseas natural person
Wang Hai Bo	-	56,099,327	5.41	-	-	Nil	-	Domestic natural person
Zhao Da Jun	-	15,620,710	1.51	-	-	Nil	-	Domestic natural person
Li Jun	-	9,018,200	0.87	-	-	Nil	-	Domestic natural person
Su Yong	-5,771,088	6,917,109	0.67	-	-	Nil	-	Domestic natural person
Shanghai Pudong Emerging Industry Investment Co., Ltd.	-	6,562,382	0.63	-	-	Nil	-	State-owned legal person
Hong Kong Securities Clearing Company Limited Note3	+2,230,520	2,966,922	0.29	-	-	Nil	-	Overseas legal person

Particulars of shareholdings of the top ten Shareholders not subject to trading restriction (excluding the stock borrowing for financing)			
	Number of circulating shares held not subject to trading restriction	Type and number of shares	
Name of shareholder		Type	Number
HKSCC NOMINEES LIMITED Note1	254,827,740	Overseas listed foreign shares	254,827,740
Shanghai Pharmaceuticals Note2	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	74,375,494	RMB ordinary shares	74,375,494
Wang Hai Bo	56,099,327	RMB ordinary shares	56,099,327
Zhao Da Jun	15,620,710	RMB ordinary shares	15,620,710
Li Jun	9,018,200	Overseas listed foreign shares	9,018,200
Su Yong	6,917,109	RMB ordinary shares	6,917,109
Shanghai Pudong Emerging Industry Investment Co., Ltd.	6,562,382	RMB ordinary shares	6,562,382
Hong Kong Securities Clearing Company Limited Note3	2,966,922	RMB ordinary shares	2,966,922
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 acting in concert arrangements of the above shareholders	The Company is not aware whether the above Shareholders have related party relationship or acting-in-concert arrangement.		
Note on the preference shareholders with voting rights restored and number of shares held	There are no preference shareholders in the Company.		

Note:

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);
3. Hong Kong Securities Clearing Company Limited is a wholly owned subsidiary of The Stock Exchange of Hong Kong Limited, and the shares held by it are A shares (RMB ordinary shares) of the Company on behalf of clients through Shanghai-Hong Kong Stock Connect program.

(III) Interests and short positions of substantial shareholders in shares and underlying shares of the Company

So far as the Directors are aware, as at 30 June 2025, the persons other than a Director, Supervisor or chief executive of the Company who have 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), or as recorded in the register maintained under Section 336 of the SFO, or as notified to the Company and the Hong Kong 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, Supervisors 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.	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	74,375,494(L)	Beneficial owner	Personal	10.47%	7.18%
Wang Hai Bo	A Shares	56,099,327(L)	Beneficial owner	Personal	17.21%	5.41%

Note: The letter "L" stands for long position.

III. DIRECTORS, SUPERVISORS SENIOR MANAGEMENT AND TECHNICAL STAFF

(I) Changes in shareholding of existing and resigned Directors, Supervisors and Senior Management and Core Technicians during the Reporting Period

Unit: Share

Name	Position	Number of shares held at the beginning of the Reporting Period	Number of shares held at the end of the Reporting Period	Changes in the shares held during the Reporting Period	Reasons for the changes
Wang Luo Chun	Core Technicians	1,170,000	717,375	-452,625	Secondary Market Trading

(II) Equity incentives granted to Directors, Supervisors and Senior Management during the Reporting Period

Not applicable.

(III) Directors', supervisors' and chief executive's interests in shares of the Company

As at 30 June 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 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 H Shares	1,980,000 (L) 50,000 (L)	Beneficial owner	Personal	0.28% 0.02%	0.19% 0.00%
Qu Ya Nan	Supervisor	A Shares	39,000 (L)	Beneficial owner	Personal	0.01%	0.00%

Notes: The letter "L" stands for long position.

(IV) Directors' and Supervisor's securities transactions

On 26 April 2019, the Board approved "Regulations for Directors, Supervisors and Senior Managers in relation to Holding and Transacting the Shares of the Company", which came into effect when the A shares of the Company were listed and traded on the STAR Market of the Shanghai Stock Exchange (Before that, the Company implemented the "Code of transactions in the Company's securities", which was passed on 11 August 2009 by the Board). Both codes have terms no less strict than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix C3 of the Listing Rules. Directors and relevant employees shall comply with this code. A copy of the code is sent to each Director upon his appointment and thereafter, a notification not to deal in the securities of the Company until after the half-year results have been published would be sent to the Directors 60 days immediately preceding the date of the Board meeting in 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; and 30 days immediately preceding the date of the Board meeting in which the half-year results will be approved half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

Under this code, the Directors are required to notify the Chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company and, in the case of the Chairman himself, he must notify the delegated directors and receive a dated written acknowledgement before any dealing. When the relevant transactions are completed, the directors shall notify the Company within the designated period and disclose his/her interests.

Securities transactions of Supervisors, senior management and major shareholder of the Company should comply with the codes mentioned above. All the relevant employees, if any, having any price-sensitive information of the Group which is not yet disclosed should also comply with the code for the Directors.

For the six months ended 30 June 2025, all Directors, Supervisors and relevant employees have complied with the relevant requirements. No Directors, Supervisors or relevant employees has been found violating the above regulations in the previous year.

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2025
(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note	30 June 2025 Consolidated	31 December 2024 Consolidated
Current assets			
Cash at bank and on hand	5(1)	1,106,490,805	1,056,285,629
Notes receivables	5(2)	113,638,802	120,472,835
Accounts receivables	5(3)	324,772,300	349,489,457
Advances to suppliers	5(4)	6,062,132	24,750,580
Other receivables	5(5)	2,127,962	2,489,795
Inventories	5(6)	34,309,413	47,265,443
Other current assets	5(7)	6,036,681	6,024,768
Total current assets		1,593,438,095	1,606,778,507
Non-current assets			
Long-term receivables	5(8)	1,625,151	1,625,151
Investments in other equity instruments	5(9)	5,747	10,584
Long-term equity investments	5(10)	253,144,681	257,482,937
Fixed assets	5(11)	462,357,664	476,796,334
Construction in progress	5(12)	9,668,855	7,195,929
Right-of-use assets	5(13)	16,230,319	19,535,179
Intangible assets	5(14)	66,595,154	68,647,962
Development costs	5(15)	-	-
Goodwill	5(16)	-	-
Long-term prepaid expenses	5(17)	4,268,469	9,276,212
Deferred tax assets	5(18)	133,282,987	133,282,987
Other non-current assets	5(19)	836,150	5,870,841
Total non-current assets		948,015,177	979,724,116
TOTAL ASSETS		2,541,453,272	2,586,502,623

CONSOLIDATED BALANCE SHEET (CONT'D)
AS AT 30 JUNE 2025
(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	30 June 2025 Consolidated	31 December 2024 Consolidated
Current liabilities			
Accounts payables	5(21)	7,177,974	10,671,215
Contract liabilities	5(22)	3,629,670	8,340,998
Employee benefits payable	5(23)	1,605,448	18,410,777
Taxes payable	5(24)	10,453,765	7,959,140
Other payables	5(25)	200,805,837	199,384,549
Including: Dividends payable		31,097,163	-
Current portion of non-current liabilities	5(27)	5,379,786	6,098,210
Other current liabilities	5(26)	35,548	87,251
Total current liabilities		229,088,028	250,952,140
Non-current liabilities			
Lease liabilities	5(27)	11,876,816	14,427,665
Deferred income	5(28)	20,050,365	15,845,713
Total Non-current liabilities		31,927,181	30,273,378
Total liabilities		261,015,209	281,225,518
Shareholders' equity			
Paid-in capital	5(29)	103,657,210	103,657,210
Capital surplus	5(30)	1,290,286,281	1,289,553,594
Less: Treasury stock		-	-
Other comprehensive losses	5(31)	(5,644,187)	(5,547,421)
Surplus reserve	5(32)	52,150,000	52,150,000
Undistributed profits	5(33)	839,372,008	864,754,029
Total equity attributable to shareholders' of the Company		2,279,821,312	2,304,567,412
Minority interests		616,751	709,693
Total shareholders' equity		2,280,438,063	2,305,277,105
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,541,453,272	2,586,502,623

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

COMPANY BALANCE SHEET
AS AT 30 JUNE 2025
(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note	30 June 2025 Company	31 December 2024 Company
Current assets			
Cash at bank and on hand		996,245,555	943,340,387
Notes receivables	14(1)	87,331,807	91,378,668
Accounts receivables	14(2)	279,504,991	300,413,496
Advances to suppliers		5,538,420	24,182,512
Other receivables	14(3)	74,406,467	80,395,649
Inventories		20,395,259	32,709,053
Total current assets		1,463,422,499	1,472,419,765
Non-current assets			
Long-term receivables		1,625,151	1,625,151
Long-term equity investments	14(4)	719,022,652	723,360,908
Fixed assets		98,753,511	109,876,880
Construction in progress		9,668,855	4,602,571
Right-of-use assets	14(5)	16,230,319	19,535,179
Intangible assets		28,086,174	27,930,156
Long-term prepaid expenses		4,063,186	4,483,134
Deferred tax assets		122,685,866	122,685,866
Other non-current assets		605,150	4,026,958
Total non-current assets		1,000,740,864	1,018,126,803
TOTAL ASSETS		2,464,163,363	2,490,546,568

COMPANY BALANCE SHEET (CONT'D)
AS AT 30 JUNE 2025
(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	30 June 2025 Company	31 December 2024 Company
Current liabilities			
Accounts payables		3,761,544	5,342,113
Contract liabilities		3,500,438	8,213,359
Employee benefits payable		1,549,365	16,915,225
Taxes payable		8,081,935	7,778,890
Other payables		170,959,431	158,218,147
Including: Dividends payable		31,097,163	-
Current portion of non-current liabilities	14(6)	5,379,786	6,098,210
Other current liabilities		18,748	70,658
Total current liabilities		193,251,247	202,636,602
Non-current liabilities			
Lease liabilities	14(6)	11,876,816	14,427,665
Total non-current liabilities		11,876,816	14,427,665
Total liabilities		205,128,063	217,064,267
Shareholders' equity			
Paid-in capital		103,657,210	103,657,210
Capital surplus		1,373,744,526	1,373,011,839
Less: Treasury stock		-	-
Surplus reserve		52,150,000	52,150,000
Undistributed profits		729,483,564	744,663,252
Total shareholders' equity		2,259,035,300	2,273,482,301
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,464,163,363	2,490,546,568

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

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2025
(All amounts in RMB Yuan unless otherwise stated)

	Note	For the six months ended 30 June 2025 Consolidated	For the six months ended 30 June 2024 Consolidated
Revenue	5(34)	390,083,112	408,123,863
Less: Cost of sales	5(34),5(40)	(39,773,796)	(29,399,848)
Taxes and surcharges	5(35)	(3,318,517)	(2,804,503)
Selling expenses	5(36),5(40)	(181,910,272)	(114,492,701)
General and administrative expenses	5(37),5(40)	(20,302,504)	(23,374,240)
R&D expenses	5(38),5(40)	(177,976,257)	(154,592,537)
Financial income - net	5(39)	391,748	1,676,234
Including: Interest expenses		(368,996)	(270,795)
Interest income		806,175	1,983,068
Add: Other income	5(41)	8,746,290	21,113,893
Investment losses	5(42)	6,125,328	2,763,144
Including: Share of losses of associates and joint ventures		(2,131,966)	(7,491,235)
Credit impairment reverse/(losses)	5(43)	23,864,052	(35,750,682)
Asset impairment losses	5(44)	(406,179)	(1,179,920)
Gains on disposals of assets	5(45)	203,055	141,121
Operating profit		5,726,060	72,223,824
Add: Non-operating income	5(46)	30,802	296,167
Less: Non-operating expenses	5(47)	(134,662)	(333,040)
Total profit		5,622,200	72,186,951
Less: Income tax expenses	5(48)	-	(1,842,938)
Net profit		5,622,200	70,344,013
Classified by continuity of operations			
Net profit from continuing operations		5,622,200	70,344,013
Net profit from discontinued operations		-	-
Classified by ownership of the equity			
Net profit attributable to equity holders of the company		5,715,142	70,473,064
Minority interests		(92,942)	(129,051)

CONSOLIDATED INCOME STATEMENT (CONT'D)
FOR THE SIX MONTHS ENDED 30 JUNE 2025
(All amounts in RMB Yuan unless otherwise stated)

	Note	For the six months ended 30 June 2025 Consolidated	For the six months ended 30 June 2024 Consolidated
Other comprehensive income, net of tax			
Other comprehensive income that will not be reclassified to profit or loss			
Changes in the fair value of investments in other equity instruments		(4,837)	9,113
Other comprehensive income that will be reclassified to profit or loss			
Differences on translation of foreign currency financial statements		(91,929)	131,628
		(96,766)	140,741
Total comprehensive income		5,525,434	70,484,754
Attributable to the shareholders of the Company		5,618,376	70,613,805
Attributable to minority interests		(92,942)	(129,051)
		5,525,434	70,484,754
Earnings per share			
Basic earnings per share	5(49)	0.01	0.07
Diluted earnings per share	5(49)	0.01	0.07

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

COMPANY INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2025
(All amounts in RMB Yuan unless otherwise stated)

	Note	For the six months ended 30 June 2025 Company	For the six months ended 30 June 2024 Company
Revenue	14(7)	355,263,421	340,740,051
Less: Cost of sales	14(7)	(71,147,923)	(38,151,571)
Taxes and surcharges		(2,215,200)	(2,016,364)
Selling expenses		(162,256,322)	(94,043,128)
General and administrative expenses		(14,153,776)	(16,926,497)
R&D expenses		(123,748,379)	(122,993,003)
Financial income - net		4,346	1,537,797
Including: Interest expenses		(368,996)	(270,795)
Interest income		400,568	1,834,427
Add: Other income		5,140,488	2,291,590
Investment losses	14(8)	5,610,806	2,201,295
Including: Share of losses of associates and joint ventures		(2,131,966)	(7,491,235)
Credit impairment reverse/(losses)		23,661,543	(35,614,724)
Asset impairment losses		(406,179)	(1,407)
Gains on disposals of assets		203,055	141,121
Operating profit		15,955,880	37,165,160
Add: Non-operating income		2,800	27,480
Less: Non-operating expenses		(41,205)	(328,136)
Total profit		15,917,475	36,864,504
Less: Income tax expenses		-	-
Net profit		15,917,475	36,864,504
Classified by continuity of operations			
Net profit from continuing operations		15,917,475	36,864,504
Net profit from discontinued operations		-	-
Other comprehensive income, net of tax		-	-
Total comprehensive income		15,917,475	36,864,504

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

CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2025
(All amounts in RMB Yuan unless otherwise stated)

	Note	For the six months ended 30 June 2025 Consolidated	For the six months ended 30 June 2024 Consolidated
Cash flows from operating activities			
Cash received from sales of goods or rendering of services		474,393,905	432,134,075
Cash received relating to other operating activities	5(50)(a)	12,163,698	23,786,622
Sub-total of cash inflows		486,557,603	455,920,697
Cash paid for goods and services		(243,117,195)	(233,081,528)
Cash paid to and on behalf of employees		(120,522,028)	(129,094,366)
Payments of taxes and surcharges		(21,117,402)	(24,061,498)
Cash paid relating to other operating activities	5(50)(b)	(39,588,119)	(42,033,756)
Sub-total of cash outflows		(424,344,744)	(428,271,148)
Net cash flows from operating activities	5(51)(a)	62,212,859	27,649,549
Cash flows (used in)/from investing activities			
Cash received from subsidiaries	5(50)(c)	2,938,977	1,742,224
Net cash received from disposal of fixed assets		723,647	614,468
Cash received relating to other investing activities	5(50)(d)	1,486,257,294	2,019,254,379
Sub-total of cash inflows		1,489,919,918	2,021,611,071
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(20,197,403)	(8,284,403)
Cash paid relating to other investing activities	5(50)(e)	(1,478,000,000)	(2,009,000,000)
Sub-total of cash outflows		(1,498,197,403)	(2,017,284,403)
Net cash flows (used in)/from investment activities		(8,277,485)	4,326,668
Cash flows used in financing activities			
Cash payments relating to other financing activities	5(50)(f)	(3,638,269)	(5,522,836)
Sub-total of cash outflows	5(51)(b)	(3,638,269)	(5,522,836)
Net cash flows used in financing activities		(3,638,269)	(5,522,836)
Effect of foreign exchange rate changes on cash and cash equivalents		(91,929)	131,628
Net increase in cash and cash equivalents	5(51)(a)	50,205,176	26,585,009
Add: Cash and cash equivalents at the beginning of the period	5(51)(a)	1,056,285,629	1,195,895,997
Cash and cash equivalents at the end of the period	5(51)(c)	1,106,490,805	1,222,481,006

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

COMPANY CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2025
(All amounts in RMB Yuan unless otherwise stated)

	Note	For the six months ended 30 June 2025 Company	For the six months ended 30 June 2024 Company
Cash flows from/(used in) operating activities			
Cash received from sales of goods or rendering of services		412,981,371	347,700,489
Cash received relating to other operating activities		4,215,514	5,705,492
Sub-total of cash inflows		417,196,885	353,405,981
Cash paid for goods and services		(216,429,011)	(181,076,268)
Cash paid to and on behalf of employees		(99,086,183)	(106,007,563)
Payments of taxes and surcharges		(18,111,905)	(16,913,839)
Cash paid relating to other operating activities		(30,315,364)	(50,645,198)
Sub-total of cash outflows		(363,942,463)	(354,642,868)
Net cash flows from/(used in) operating activities		53,254,422	(1,236,887)
Cash flows used in investing activities			
Cash received from subsidiaries		2,938,977	1,742,224
Net cash received from disposal of fixed assets		3,738,875	24,466
Cash received relating to other investing activities		1,297,742,773	1,913,692,530
Sub-total of cash inflows		1,304,420,625	1,915,459,220
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(11,131,610)	(4,072,046)
Cash paid relating to other investing activities		(1,290,000,000)	(1,879,000,000)
Sub-total of cash outflows		(1,301,131,610)	(1,883,072,046)
Net cash flows used in investing activities		3,289,015	32,387,174
Cash flows used in financing activities			
Cash payments relating to other financing activities		(3,638,269)	(5,489,073)
Sub-total of cash outflows		(3,638,269)	(5,489,073)
Net cash flows used in financing activities		(3,638,269)	(5,489,073)
Effect of foreign exchange rate changes on cash and cash equivalents		-	-
Net increase in cash and cash equivalents		52,905,168	25,661,214
Add: Cash and cash equivalents at the beginning of the period		943,340,387	1,067,294,432
Cash and cash equivalents at the end of the period		996,245,555	1,092,955,646

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2025
(All amounts in RMB Yuan unless otherwise stated)

	Attributable to shareholders of the Company							
Item	**Paid-in capital**	**Capital surplus**	**Less: Treasury stock**	**Other comprehensive income**	**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 six months ended 30 June 2024								
Total comprehensive income								
Net profit	-	-	-	-	-	70,473,064	(129,051)	70,344,013
Other comprehensive income	-	-	-	140,741	-	-	-	140,741
Profit distribution								
Profit distribution to shareholders (Note 5(33))	-	-	-	-	-	(72,560,047)	-	(72,560,047)
Others	-	934,717	-	-	-	-	-	934,717
Balance at 30 June 2024	103,657,210	1,290,228,105	-	(5,717,628)	52,150,000	916,224,639	880,466	2,357,422,792

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)
FOR THE SIX MONTHS ENDED 30 JUNE 2025
(All amounts in RMB Yuan unless otherwise stated)

Item	Attributable to shareholders of the Company						Minority interests	Total shareholders' equity
	Paid-in capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserve	Undistributed profits		
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 six months ended 30 June 2025								
Total comprehensive income								
Net profit	-	-	-	-	-	5,715,142	(92,942)	5,622,200
Other comprehensive income	-	-	-	(96,766)	-	-	-	(96,766)
Profit distribution								
Profit distribution to shareholders (Note 5(33))	-	-	-	-	-	(31,097,163)	-	(31,097,163)
Others	-	732,687	-	-	-	-	-	732,687
Balance at 30 June 2025	103,657,210	1,290,286,281	-	(5,644,187)	52,150,000	839,372,008	616,751	2,280,438,063

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

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2025
(All amounts in RMB Yuan unless otherwise stated)

Item	Paid-in capital	Capital surplus	Less: Treasury stock	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 six months ended 30 June 2024						
Total comprehensive income						
Net profit	-	-	-	-	36,864,504	36,864,504
Profit distribution						
Profit distribution to shareholders	-	-	-	-	(72,560,047)	(72,560,047)
Others	-	934,717	-	-	-	934,717
Balance at 30 June 2024	103,657,210	1,373,686,350	-	52,150,000	814,974,909	2,344,468,469
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 six months ended 30 June 2025						
Total comprehensive income						
Net profit	-	-	-	-	15,917,475	15,917,475
Profit distribution						
Profit distribution to shareholders	-	-	-	-	(31,097,163)	(31,097,163)
Others	-	732,687	-	-	-	732,687
Balance at 30 June 2025	103,657,210	1,373,744,526	-	52,150,000	729,483,564	2,259,035,300

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

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 RMB 5,295,000.

On 20 October 2000, the registered and paid-up capital of the Company was increased from RMB 5,295,000 to RMB 53,000,000 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 RMB 53,000,000, divided into 53,000,000 RMB-denominated ordinary shares, with a par value of RMB 1.00 each.

On 20 January 2002, all shares of the Company, being 53,000,000 RMB-denominated ordinary shares with a par value of RMB 1.00 each, were subdivided into 530,000,000 RMB-denominated ordinary shares ("Domestic Shares") with a par value of RMB 0.10 each.

On 13 August 2002, the trading of the newly issued 198,000,000 foreign ordinary shares ("H Shares") of RMB 0.10 each of the Company commenced on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Therefore, the registered capital and share capital of the Company increased to RMB 71,000,000, divided into 710,000,000 shares, with a par value of RMB 0.10 each.

On 4 February 2013, the Company completed a placing of 142,000,000 H Shares at a price of HKD 1.70 each, and the registered capital and share capital of the Company increased to RMB 85,200,000 divided into 852,000,000 shares, with a par value of RMB 0.10 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 RMB 92,300,000, divided into 923,000,000 shares, with a par value of RMB 0.10 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 RMB 0.10 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 RMB 104,300,000, divided into 1,043,000,000 shares, with a par value of RMB 0.10 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.

On May 11, 2023, in accordance with the Restricted Stock incentive Plan implemented in 2021, the Company issued RMB 7,572,100 ordinary A-shares with A par value of RMB 0.1 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 RMB 103,657,210.

The main business activities of the Company and its subsidiaries (collectively referred to as the "Group") are the research, development, and sale of self-developed biopharmaceutical knowledge in China, providing contract based research, manufacturing and selling pharmaceutical and diagnostic products to customers, and providing other medical services.

1 General information (Cont'd)

Subsidiaries comprised in the consolidated financial statements as of 30 June 2025 are set out in Note 6.

These financial statements are authorised for issue by the Board of Directors of the Company on 12 August 2025.

2 Significant accounting policies and accounting estimates

The Group applies the accounting policies and accounting estimates based on its business operating characteristics, including the measurement of expected credit losses on accounts receivable (Note 2(9)), valuation of inventories (Note 2(10)), depreciation of fixed assets, amortisation of right-of-use assets and amortisation of intangible assets (Note 2(12),(14),(23)), judgments to the criteria for capitalisation of development costs (Note 2(14)), recognition and measurement of revenue (Note 2(19)), etc.

Significant judgements to determine the critical accounting policies and significant assumptions to determine the critical accounting estimates are disclosed in Note 2(25).

(1) Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standard for Business Enterprises - Basic Standard*, 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 Standard for Business Enterprises" or "CAS") and the disclosure requirements in the *Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 — General Rules on Financial Reporting* issued by the China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

Certain disclosures in the financial statements have been included to reflect the requirements under the new *Hong Kong Companies Ordinance*.

(2) Statement of compliance with the Accounting Standard for Business Enterprises

The financial statements of the Company for the six month ended 30 June 2025 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and the Company's financial position as at 30 June 2025 and of their financial performance, cash flows and other information for the six month ended 30 June 2025 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 importance of relevant financial information is comprehensively judged based on the nature and amount of the matter. Among them, the significance of the matter is 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; determine the significance of the amount 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.

2 Significant accounting policies and accounting estimates (Cont'd)

(5) Recording currency

The Company's recording currency is Renminbi (RMB). The recording currency of the Company's subsidiaries is determined based on the primary economic environment in which they operate. The financial statements are presented in RMB.

(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 in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises 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 subsidiaries' shareholders' equity and the portion of subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to the Company are recognised as minority interests, net profit attributed to minority interests and total comprehensive incomes attributed 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 shareholders 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 shareholders of the parent and net profit attributed 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 shareholders of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary.

If the accounting treatment of a transaction is inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

2 Significant accounting policies and accounting estimates (Cont'd)

(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 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 these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out 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.

(9) Financial instruments

A financial instrument refers to any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. The Group recognises a financial asset or a financial liability or an equity instrument when the Group becomes a party to the contractual provisions of financial instrument.

(a) Financial assets

(i) Classification and measurement

The financial assets of the Group are classified on initial recognition based on the business model of the Group's financial asset management and the characteristics of the financial assets' contractual cash flows: 1) financial assets at amortised cost; 2) financial assets at fair value through OCI; and 3) financial assets at fair value through profit or loss.

2 Significant accounting policies and accounting estimates (Cont'd)

(9) Financial instruments (Cont'd)

(a) Financial asset (Cont'd)

(i) Classification and measurement (Cont'd)

Financial assets are measured at fair value on initial recognition. In the case of financial assets at fair value through profit or loss, the relevant transaction costs are directly charged to profit or loss of the current period; transaction costs relating to financial assets of other categories are included in the amount initially recognised. Notes receivables and accounts receivables derived from sales of goods or rendering of services, which do not contain or consider significant financing components are recognised at the amount that the Group is entitled to collect.

Debt instruments

Debt instruments held by the Group are instruments that meet the definition of financial liabilities from the issuers' perspective and are measured by the following three ways.

Measured at amortised cost

The objective of the Group's business model for managing the financial assets is to collect contractual cash flow, and the contractual cash flow characteristics are consistent with a basic lending arrangement. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets is included in finance income using the effective interest rate method. Such financial assets mainly include cash at bank and on hand, notes receivables, accounts receivables, other receivables and long-term receivables. The debt investments with maturity within 1 year (inclusive) since the balance sheet date are presented in current portion of non-current assets; debt investments with maturity within 1 year (inclusive) when they are acquired are presented in other current assets.

Measured at fair value through OCI

The objective of the Group's business model for managing the financial assets are both collecting contractual cash flow and selling financial asset, and the contractual cash flow characteristics are consistent with a basic lending arrangement. Such financial assets are measured at fair value through OCI, except for the impairment gains or losses, foreign exchange gains and losses, and interest income calculated using the effective interest method which are recognised in profit or loss for the current period. Such financial assets are presented as financing receivables, other debt investments. The debt investments with maturity within 1 year (inclusive) since the balance sheet date are presented in current portion of non-current assets; debt investments with maturity within 1 year (inclusive) when they are acquired are presented in other current assets.

2 Significant accounting policies and accounting estimates (Cont'd)

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Classification and measurement (Cont'd)

Debt instruments (Cont'd)

Measured at fair value through profit or loss

Except for the financial assets at amortised cost and financial assets at fair value through OCI, the Group has classified the remaining financial assets as financial assets at fair value through profit or loss. In order to eliminate or significantly reduce accounting mismatch on initial recognition, the Group designates part of financial assets as financial assets at fair value through profit or loss. The assets with maturity more than 1 year and expected to be held for more than 1 year are presented in other non-current financial assets while others are presented in financial assets held for trading.

Equity instruments

Investments in equity instruments over which the Group exerts no control, joint control or significant influence, are presented as financial assets held for trading and measured at fair value through profit or loss. The assets expected to be held for more than 1 year are presented in other non-current financial assets.

In addition, the Group designates part of financial assets which are not held for trading as financial assets at fair value through OCI, presented in other equity instrument investment. The dividend income is recognised in profit or loss.

2 Significant accounting policies and accounting estimates (Cont'd)

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment

On the basis of expected credit losses (ECL), the Group recognises impairment of financial assets at amortised cost.

The measurement of expected credit loss reflects the probability-weighted amount of the present value of the difference between contractual cash flows receivable and expected cash flows. Also, the Group consider reasonable and supportable information that is available without undue cost or effort at the balance sheet date about past events, current situation and forecasts of future economic conditions as well as take default risk as the weight when measuring expected credit loss.

Regarding notes receivables and accounts receivables formed as a result of daily operations such as sales of goods and provision of labour services, regardless of whether there is a significant financing component, the Group will use the expected credit losses throughout its lifetime to measure loss reserves.

Except for the above notes receivables and accounts receivables, the Group assesses the expected credit losses at different phases respectively at each balance sheet date. At Stage 1: in the case that the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance of the financial instrument at an amount equal to 12-month expected credit losses; at Stage 2: in the case that the credit risk on that financial instrument has increased significantly since initial recognition, but a credit impairment has not occurred, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses; at Stage 3: in the case that the impairment loss has incurred since initial recognition, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses.

For financial instruments with low credit risk as at balance sheet date, the Group assumes the credit risk has not increased significantly since initial recognition, and measures the loss allowance for the financial instrument at an amount equal to 12-month expected credit losses.

For the financial instruments at Stage 1 and 2, and those with low credit risk, interest income is calculated based on gross carrying amount without deduction of impairment provision and the effective interest rate. For the financial instruments at Stage 3, interest income is calculated based on amortised cost (gross carrying amounts less the impairment provision) and the effective interest rate.

2 Significant accounting policies and accounting estimates (Cont'd)

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment (Cont'd)

Financial assets for which impairment losses are measured individually have credit risk characteristics that are significantly different from those of other financial assets in the same category. When the expected credit loss information could not be assessed at reasonable cost, the Group classifies receivables into multiple groups of receivables. The criteria of classification of groups are based on the credit risk characteristics, as follows:

Group of notes receivables 1	Bank acceptance notes
Group of notes receivables 2	Commercial acceptance notes
Group of accounts receivables	All trade receivables, the overdue date is taken as the starting point of aging
Group of other receivables 1	Amounts due from subsidiaries
Group of other receivables 2	Amounts due from related parties
Group of other receivables 3	Deposits and guarantees
Group of other receivables 4	Petty cash for employees
Group of other receivables 5	Receivables from the disposal of the equipment
Group of long-term receivables 1	Deposits and guarantees

For accounts receivable divided into portfolios and notes receivable formed from daily business activities such as selling goods and providing services, the Group refers to historical credit loss experience, combines current conditions with predictions of future economic conditions, calculates expected credit losses through default risk exposure and expected credit loss rate for the entire duration. For other receivables and long-term receivables divided into portfolios, the Group refers to historical credit loss experience, combines current conditions with predictions of future economic conditions, calculates expected credit losses based on default risk exposure and expected credit loss rate over the next 12 months or the entire duration.

The Group recognizes provision for losses or reversal of losses in profit or loss for the current period.

(iii) De-recognition

A financial asset is derecognized when one of the following conditions is met: (1) the contractual right to receive cash flows from the financial asset is terminated; (2) the financial asset is transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the party to which the financial asset is transferred; and (3) the financial asset is transferred and the Group relinquishes control of the financial asset although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

2 Significant accounting policies and accounting estimates (Cont'd)

(9) Financial instruments (Cont'd)

(a) Financial asset (Cont'd)

(iii) De-recognition (Cont'd)

On de-recognition of other equity instrument investments, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that have been recognised directly in equity, shall be transferred to retained earnings. On de-recognition of other financial assets, the difference between the carrying amount and the sum of the consideration received and the cumulative changes has been recognised in OCI, shall be recognised in profit or loss.

(b) Financial liability

Financial liabilities are classified into financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition.

The financial liabilities of the Group mainly comprise financial liabilities at amortised cost, including accounts payables, other payables and borrowings, etc. The financial liabilities are initially measured at fair value exclusive transaction costs and are subsequently measured at effective interest rate method. Financial liabilities with maturities within 1 year (inclusive) are presented in current liabilities. Financial liabilities with maturities more than 1 year but are due within 1 year (inclusive) at the balance sheet date are presented in current portion of non-current liabilities. Others are presented in non-current liabilities.

A financial liability is derecognised or partly derecognised when the current obligation is discharged or partly discharged. The difference between the carrying amount of the derecognised part of the financial liability and the consideration paid is recognised in profit or loss.

(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 when it is applicable under current conditions and there are enough available data and other information to support. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability, and should maximise the use of relevant observable inputs. When related observable inputs can't be acquired or are not feasible to be acquired, then use unobservable inputs.

2 Significant accounting policies and accounting estimates (Cont'd)

(10) Inventories

(a) Classification

Inventories include raw materials, work in progress, finished goods and turnover materials, and are stated at the lower of cost and net realisable value.

(b) Costing of inventories

Cost is determined using the weighted average method. The cost of finished goods 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 values of inventories and method for making provision for decline in the value of inventories

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts 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 to completion, estimated contract fulfilment costs and expenses necessary to make the sale and related taxes. For inventory produced and sold in the same region with the same or similar end use, the Group shall consolidate the provision for inventory impairment. 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.

(e) Amortisation method of low value consumables and packaging materials.

Turnover materials include low value consumables and packaging materials. Low value consumables are amortised into expenses based upon numbers of usage, and the packaging materials are expensed when issued.

(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.

A subsidiary is the investee 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.

2 Significant accounting policies and accounting estimates (Cont'd)

(11) Long-term equity investments (Cont'd)

(a) Determination of investment cost

For long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(b) Subsequent measurement and recognition of related profit and 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.

Investments in joint ventures and associates are accounted for using the equity method. 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.

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 amounts of the long-term equity investment together with any long-term interests that, in substance, form part of the Group's net investment in investees are 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 the changes in owner's equity of the investee 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 amounts 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 Significant accounting policies and accounting estimates (Cont'd)

(11) Long-term equity investments (Cont'd)

(c) Basis for determining existence of control, joint control and significant influence over investees

Control is the power to govern an investee, so as to obtain variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect the amount of the investor's returns.

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 their carrying amounts (Note 2(16)).

(12) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, machinery and equipment, electronic equipment, office equipment and motor vehicles.

Fixed assets are recognised when the economic benefits associated with them are very likely to flow into the Group and their costs 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.

(b) Depreciation method of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated 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.

2 Significant accounting policies and accounting estimates (Cont'd)

(12) Fixed assets (Cont'd)

(b) Depreciation method of fixed assets (Cont'd)

The estimated useful lives, the estimated residual values and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	8 to 20 years	0%-10%	4.50% to 12.50%
Machinery and equipment	3 to 10 years	0%-10%	9.00% to 33.33%
Electronic equipment and office equipment	3 to 10 years	0%-10%	9.00% to 33.33%
Motor vehicles	5 to 8 years	0%-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) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from 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.

(13) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation is charged starting from the following month. When the recoverable amount of a project under construction is lower than its carrying amount, the carrying amount is written down to the recoverable amount (Note 2 (16)).

2 Significant accounting policies and accounting estimates (Cont'd)

(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, etc., and are measured at cost.

(a) Land use rights

Land use rights are amortised on a straight-line basis over a useful life of 47-50 years. Where it is difficult to reasonably allocate the land and building purchase price between the land use right and the building, all of them shall be regarded as fixed assets.

(b) Proprietary technology

Proprietary technology is amortised on straight-line basis over the estimated useful life of 5-10 years.

(c) R&D technology

The R&D technology is generally amortised according to the estimated benefit period of 5-10 years from the time when the technology is ready for its intended use.

(d) Software

Software and is generally amortised on average over the estimated useful life of 3-10 years.

(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, with adjustment made as appropriate.

2 Significant accounting policies and accounting estimates (Cont'd)

(14) Intangible assets (Cont'd)

(f) R&D

The research and development expenses of this group mainly include expenses such as materials consumed for the implementation of research and development activities, salaries of R&D department employees, depreciation and amortization of R&D equipment and software assets, R&D testing, 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

When the recoverable amount of an intangible asset is lower than its carrying amount, the carrying amount is written down to the recoverable amount (Note 2 (16)).

(15) Long-term prepaid expenses

Long-term prepaid expenses include 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 expenditure net of accumulated amortisation.

2 Significant accounting policies and accounting estimates (Cont'd)

(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 impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. 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 a group of assets to which the asset belongs is determined. A group of assets 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 test, the carrying value of goodwill is allocated to the related asset group or groups of asset groups which are expected to benefit from the synergies of the business combination. If the 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 the subsequent periods.

(17) Employee benefits

Employee benefits refer to all forms of remuneration 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, termination benefits and other long-term employee benefits.

(a) Short-term employee benefits

Short-term employee benefits include wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs and etc. The short-term employee benefits actually occurred 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.

2 Significant accounting policies and accounting estimates (Cont'd)

(17) Employee benefits (Cont'd)

(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; and 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 belong to defined contribution plans.

Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of 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 the profit or loss for the current period or the cost of relevant assets.

(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) Profit distribution

Cash dividend is recognised as a liability in the period in which it is approved by the shareholders' meeting.

(19) Revenue

The Group evaluates the revenue contract, and identifies the individual performance obligations contained in the contract, and determines whether the individual performance obligations are performed within a certain period of time or at a certain point in time. Revenue is recognised separately for performance obligations.

When the customer obtains control of the related goods or services, the Group recognises revenue based on the amount of consideration expected to be received. The part of that the Group has obtained unconditional collection rights is recognised as accounts receivables, and the provision for loss of accounts receivables is recognised on the basis of expected credit loss (Note 2 (9)).

2 Significant accounting policies and accounting estimates (Cont'd)

(19) Revenue (Cont'd)

(a) Sales of goods

The Group recognises revenue when delivers 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 obligations to transfer goods to customers for consideration received from customers are shown as contract liabilities. The portion of the Group that has obtained unconditional payment rights is recognized as accounts receivable, while the remaining portion is recognized as contract assets. The Group presents contract assets and contract liabilities under the same contract as net amounts.

(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 concessionary revenue or revenue sharing in the future. When the right to receive relevant revenue is established, concession revenue or revenue share will be recognised.

(c) 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 financial subsidy and etc.

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 purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

2 Significant accounting policies and accounting estimates (Cont'd)

(20) Government grants (Cont'd)

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 reporting the related expenses; 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 similar government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are 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. For temporary differences arising from non merger transactions that do not affect accounting profits or taxable income (or deductible losses), and the initially recognized assets and liabilities do not result in equal taxable temporary differences and deductible temporary differences, the corresponding deferred income tax assets and deferred income tax liabilities are not recognized. At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

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.

Deferred tax liabilities are recognised for taxable 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 difference, and it is probable that the temporary difference will not reverse 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 deductible temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same taxpayer within the Group and the same taxation authority; and,
- that taxpayer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

2 Significant accounting policies and accounting estimates (Cont'd)

(23) Lease

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

The Group as the lessee

At the commencement date, the Group shall recognise the right-of-use assets and measure 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 if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lessee exercises an option to terminate the lease. Lease liabilities that are due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current liabilities.

Right-of-use assets of the Group include 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; otherwise, the asset is depreciated over the shorter of the lease term and its remaining useful life. The carrying amount of the right-of-use assets is reduced to the recoverable amount when the recoverable amount is below the carrying amount.

For short-term leases with a term of 12 months or less and leases of an individual asset (when new) of low value, the Group may, instead of recognising right-of-use assets and lease liabilities, 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.

The Group will account for a separate lease when a change occurs to the lease and the following conditions are met :(1) the change extends the scope of the lease by increasing the right to use one or more of the leased assets; (2) The increased consideration shall be equivalent to the amount of the separate price of the extended portion of the lease as adjusted for the circumstances of the contract.

When a lease change is not accounted for as a separate lease, except for contract changes that can be simplified as stipulated by the Ministry of Finance, the Group re determines the lease term on the effective date of the lease change and uses the revised discount rate to discount the revised lease payment amount and re measure the lease liability. If the lease change causes the scope to narrow or the lease term is shortened, the Group will correspondingly reduce the carrying amount of the right-of-use assets, and the relevant gains or losses from the partial or complete termination of the lease are included in the current profit and loss. If other lease changes cause the lease liability to be remeasured, the Group adjusts the carrying amount of right-of-use assets accordingly.

2 Significant accounting policies and accounting estimates (Cont'd)

(24) Segment information

The Group identifies operating segments based on the 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 revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its 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.

(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 circumstances.

(a) Critical accounting judgements

(i) Government grants

When government grants are recognised, management determines whether they relate to past expenses, future costs or assets based on the nature of the grants and their purpose intended to compensate, and applies relevant accounting policies accordingly.

Government grants relating to costs are deferred, and management determines a proper calculation method and a relevant time period to recognise each of the grants in the consolidated income statement according to the intention of the grants and nature, duration and progression of the related projects so as to match the grants with costs they are intended to compensate. The calculation method and time period are reviewed and adjusted if appropriate, at the end of each balance sheet date.

(b) Critical accounting estimates and key assumptions

The following key accounting estimates and key assumptions are at risk of significant adjustments in the carrying amount of assets and liabilities for the next accounting year:

(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.

2 Significant accounting policies and accounting estimates (Cont'd)

(25) Critical accounting estimates and judgements (Cont'd)

(b) Critical accounting estimates and key assumptions (Cont'd)

(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 aging matrix. In determining the ECL rates, the Group uses data such as internal historical credit loss experience, etc., and adjusts the historical data based on current conditions and forward-looking information.

(iii) Income tax and deferred income tax assets

The Group is subject to income taxes 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 taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred 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.

As for the deductible losses that can be carried forward in future years, the Group shall recognise the corresponding deferred income tax assets within the limit of the taxable income that can be used to deduct the deductible losses in the future period. The taxable income obtained in the future period includes the taxable income that the Group can realise through normal production and operation activities, and the taxable income that will increase when the taxable temporary difference generated in the previous period is reversed in the future period. The Group needs to use estimates and judgments when determining the time and amount of taxable income in the future period. If there is a difference between the actual situation and the estimate, it may lead to adjustments to the carrying amount of deferred income tax assets.

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") (b)	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)	13%, 6% and 3%
City maintenance and construction tax	The payment amount of VAT	5% and 7%

(a) In 2023, the Company obtained the "High-tech Enterprise Certificate" (Certificate number is GR202331000166) issued by Shanghai Science and Technology Commission, Shanghai Municipal Finance Bureau, Shanghai Municipal State Taxation Bureau and Shanghai Municipal Local Taxation Bureau. The certificate is valid for 3 years. In accordance with the relevant provisions of Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the Company's applicable enterprise income tax rate for the six months ended 30 June 2025 was 15% (for the six months ended 30 June 2024:15%).

In 2024, Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd. ("Taizhou Pharmaceutical"), a subsidiary of the Company, obtained the *Certificate of the High and New Technological Enterprise* (Certificate No. GR202432006284), with a term of validity of three years, jointly issued by Jiangsu Provincial Department of Science and Technology, Department of Finance of Jiangsu Province and STA Jiangsu Provincial Tax Service. Under Article 28 of the *Enterprise* Income *Tax Law of the People's Republic of China*, the income tax rate applicable to Taizhou Pharmaceutical for the six months ended 30 June 2025 was 15% (for the six months ended 30 June 2024:15%).

In 2022, Shanghai Tracing Bio-technology Co., Ltd. ("Tracing Bio-technology"), a subsidiary of the Company, obtained the *Certificate of the High and New Technological Enterprise* (Certificate No. GR202231000054), with a term of validity of three years, jointly issued by Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Finance Bureau, STA Shanghai Municipal Tax Service and Shanghai Local Taxation Bureau. Under Article 28 of the *Enterprise Income Tax Law of the People's Republic of China*, the income tax rate applicable to Tracing Bio-technology for the six months ended 30 June 2025 was 15% (for the six months ended 30 June 2024: 15%). Tracing Bio-technology had no taxable income for the six months ended 30 June 2025 and 2024, thus no income tax expenses were accrued.

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 HKD 2,000,000 is 8.25% while that for taxable profits in excess of HKD 2,000,000 is 16.5%. For the six months ended 30 June 2025 and 2024, Fernovelty Holding had no taxable profits, thus no HK profits tax was accrued.

(2) Tax incentives

(a) 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 Group's subsidiary XX, as an advanced manufacturing company, qualifies for an additional 5% deductible of input VAT from 1 January 2023 to 31 December 2027.

4 Subsidiaries

See Note 6 for details.

5 Notes to consolidated financial statement items

(1) Cash at bank and on hand

	30 June 2025	31 December 2024
Cash on hand	51,612	31,587
Cash at bank	1,106,439,193	1,056,254,042
Including: cash at bank and on hand overseas	21,726,563	22,177,996
	1,106,490,805	1,056,285,629

As at 30 June 2025 and 31 December 2024, no cash at bank was restricted.

(2) Notes receivables

	30 June 2025	31 December 2024
Bank acceptance notes	113,718,725	120,569,384
Less: Provision for bad debts	(79,923)	(96,549)
	113,638,802	120,472,835

(a) As at 30 June 2025, the Group had no pledged notes receivable as presented in notes receivable.

(b) For the six months ended 30 June 2025, the Group endorsed the bank acceptance and almost all the risks and rewards on the ownership of the bank acceptance have been transferred to other parties, and the carrying value of the corresponding terminated recognition bank acceptance is RMB 7,654,495 (for the six months ended 30 June 2024: RMB5,160,881).

As at 30 June 2025, the Group listed notes receivable endorsed or discounted but not yet mature as follows:

	De-recognised	Not de-recognised
Bank acceptance notes (i)	616,472	87,437

(i) For the six months ended 30 June 2025, just a tiny fraction of the bank acceptance notes were endorsed or discounted by the Group which were classified as financial assets at amortised cost.

5 Notes to consolidated financial statement items (Cont'd)

(2) Notes receivables (Cont'd)

(c) Provision for bad debts

The Group's notes receivable are generated from the sale of goods, provision of services and other daily business activities. Regardless of whether there is a significant financing component, the Group will use the expected credit losses throughout its lifetime to measure loss reserves.

The provision for doubtful accounts of other receivables is analyzed by category as follows:

	30 June 2025					31 December 2024				
	Book Balance		Bad debts		Carrying amount	Book Balance		Bad debts		Carrying amount
	Amount	%	Amount	%		Amount	%	Amount	%	
Provision of bad debts made on a collective basis(i)	113,718,725	100%	(79,923)	0.07%	113,638,802	120,569,384	100%	(96,549)	0.08%	120,472,835

(i) Provision of bad debts made on a collective basis is analyzed as follows:

Portfolio - Bank Acceptance notes:

As at 30 June 2025, the Group measured the provision for doubtful accounts on the basis of expected credit losses over the entire duration, and the relevant amount was RMB 79,923 (as at 31 December 2024: RMB 96,549), which was recognised in profit for the period at RMB 16,626 (for the six months ended 30 June 2024: RMB 66,283). The Group believes that the bank acceptance bills held in the portfolio do not have significant credit risk and will not incur significant losses as a result of bank defaults.

Portfolio - Commercial Acceptance notes:

At 30 June 2025, the Group has no commercial acceptance notes. (31 December 2024: the Group has no commercial acceptance notes.).

5 Notes to consolidated financial statement items (Cont'd)

(3) Accounts receivables

	30 June 2025	31 December 2024
Accounts receivables	327,981,458	376,535,299
Less: Provision for bad debts	(3,209,158)	(27,045,842)
	324,772,300	349,489,457

The Group's accounts receivables are generated from daily business activities such as the sales of pharmaceutical and diagnostic products, with credit periods of 7-225 days.

As at 30 June 2025 and 31 December 2024, there were no significant accounts receivables from shareholders who held more than 5% (including 5%) of the voting shares of the Company in the Group's accounts receivables.

(a) The ageing analysis of accounts receivables is as follows:

	30 June 2025	31 December 2024
Within 1 year	318,685,494	365,148,509
1 to 2 years	9,295,964	11,386,790
	327,981,458	376,535,299

(b) As at 30 June 2025, the top five accounts receivables based on the balance of the debtors are summarised and analysed as follows:

	Account Balance	Provision for bad debts	% of total balance
Total top five accounts receivables	227,259,864	(2,370,163)	69.29%

(c) Provision for bad debts

	31 December 2024	Change amount in the current period			30 June 2025
		Accrual	Reverse	Write-off	
Provision for bad debts of accounts receivables	(27,045,842)	-	23,836,684	-	(3,209,158)

For receivables, regardless of whether there is a significant financing component, the Group will use the expected credit losses throughout its lifetime to measure loss reserves.

The provision for doubtful accounts of other receivables is analyzed by category as follows:

	30 June 2025					31 December 2024				
	Book Balance		Bad debt		Carrying amount	Book Balance		Bad debt		Carrying amount
	Amount	%	Amount	%		Amount	%	Amount	%	
Provision for bad debts on a single basis(i)	-	-	-	-	-	-	-	-	-	-
Provision of bad debts made on a collective basis(ii)	327,981,458	100%	(3,209,158)	0.98%	324,772,300	376,535,299	100%	(27,045,842)	7.18%	349,489,457
	327,981,458	100%	(3,209,158)	0.98%	324,772,300	376,535,299	100%	(27,045,842)	7.18%	349,489,457

5 Notes to consolidated financial statement items (Cont'd)

(3) Accounts receivables (Cont'd)

(c) Provision for bad debts (Cont'd)

(i) As at 30 June 2025 and 31 December 2024, the Group did not make provision for bad debts for accounts receivables on an individual basis.

(ii) As at 30 June 2025, provision for bad debts made on a collective basis for accounts receivables is analysed as follows:

Group — sales receivable:

	30 June 2025		
	Book balance	Provision for bad debts	
	Amount	Lifetime expected credit loss rate	Amount
Not overdue	190,208,869	0.45%	(864,690)
Overdue within 120 days	103,707,411	0.94%	(979,318)
Overdue 121 days to 1 year	34,065,178	4.01%	(1,365,150)
	327,981,458		(3,209,158)

As at 31 December 2024, provision for bad debts made on a collective basis for accounts receivables is analysed as follows:

Group — sales receivable:

	31 December 2024		
	Book balance	Provision for bad debts	
	Amount	Lifetime expected credit loss rate	Amount
Not overdue	147,840,953	4.07%	(6,023,179)
Overdue within 120 days	105,777,012	5.10%	(5,396,468)
Overdue 121 days to 1 year	122,917,334	12.71%	(15,626,195)
	376,535,299		(27,045,842)

(d) For the six months ended 30 June 2025, no book balance of accounts receivable or provision for bad debts was actually written off.

5 Notes to consolidated financial statement items (Cont'd)

(4) Advances to suppliers

(a) The ageing of advances to suppliers is analysed as follows:

	30 June 2025		31 December 2024	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	6,000,987	98.99%	24,658,129	99.63%
1 to 2 years	61,145	1.01%	92,451	0.37%
	6,062,132	100.00%	24,750,580	100.00%

As at 30 June 2025, prepayments older than one year were RMB 61,145 (December 31 2024: RMB 92,451), mainly for raw materials and services.

(b) As at 30 June 2025, the top five advances to suppliers based on the balance of the debtors are summarised and analysed as follows:

	Amount	% of total balance
Total top five advances to suppliers	2,212,992	36.51%

(5) Other receivables

	30 June 2025	31 December 2024
Deposits receivable	1,458,041	1,408,581
Receivable for equipment	526,069	1,012,669
Petty cash for employees receivable	180,888	136,000
Guarantees receivable	20,000	323
	2,184,998	2,557,573
Less: Provision for bad debts	(57,036)	(67,778)
	2,127,962	2,489,795

The Group does not have amounts that are attributed to other parties and reported in other receivables as a result of centralised management of funds.

5 Notes to consolidated financial statement items (Cont'd)

(5) Other receivables (Cont'd)

(a) The ageing of other receivables is analysed as follows:

	30 June 2025	31 December 2024
Within 1 year	745,309	1,132,861
1 to 2 years	346,228	362,225
2 to 3 years	144,314	242,142
Above 3 years	949,147	820,345
	2,184,998	2,557,573

(b) Movements in provision for losses and changes in book balance

The provision for doubtful accounts of other receivables is analyzed by category as follows:

	30 June 2025					31 December 2024				
	Book Balance		Bad debt		Carrying amount	Book Balance		Bad debt		Carrying amount
	Amount	%	Amount	%		Amount	%	Amount	%	
Provision for bad debts on a single basis(i)	-	-	-	-	-	-	-	-	-	-
Provision of bad debts made on a collective basis(ii)	2,184,998	100%	(57,036)	2.61%	2,127,962	2,557,573	100%	(67,778)	2.65%	2,489,795
	2,184,998	100%	(57,036)	2.61%	2,127,962	2,557,573	100%	(67,778)	2.65%	2,489,795

(i) As at 30 June 2025 and 31 December 2024, the Group had no other receivables separately provided for doubtful accounts.

(ii) As at 30 June 2025, the provision for bad debts of other receivables at Stage 1 are analysed as follows:

	Book balance	12-month expected credit loss rate	Provision for bad debts
Made on a collective basis:			
Deposits and guarantees	1,478,041	3.06%	(45,186)
Receivable for equipment	526,069	1.99%	(10,454)
Petty cash for employees	180,888	0.77%	(1,396)
	2,184,998		(57,036)

As at 31 December 2024, the Group did not have other receivables at Stage 2.

As at 31 December 2024, the Group did not have other receivables at Stage 3.

5 Notes to consolidated financial statement items (Cont'd)

(5) Other receivables (Cont'd)

(b) Movements in provision for losses and changes in book balance (Cont'd)

(ii) As at 31 December 2024, the provision for bad debts of other receivables at Stage 1 are analysed as follows (Cont'd):

	Book balance	12-month expected credit loss rate	Provision for bad debts
Made on a collective basis:			
Deposits and guarantees	1,408,904	3.06%	(43,048)
Receivable for 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 did not have other receivables at Stage 2.

As at 31 December 2024, the Group did not have other receivables at Stage 3.

(c) Provision for bad debt

	31 December 2024	Accrual	Reverse	30 June 2025
Provision for bad debts of other receivables	(67,778)	-	10,742	(57,036)

(d) As at 30 June 2025, the top five other receivables based on the balance of the debtors are summarised and analysed as follows:

	Nature	Balance	Ageing	% of total amount	Provision for bad debts
Company1	Deposits receivables	572,004	Above 3 years	26.18%	(17,739)
Company1	Deposits receivables	46,958	Within 1 year	2.15%	(1,456)
Company2	Deposits receivables	345,837	1 to 2 years	15.83%	(10,725)
Company3	Receivable for equipment	176,000	Within 1 year	8.05%	(5,458)
Company4	Deposits receivables	168,768	Above 3 years	7.72%	(5,234)
Company4	Deposits receivables	3,822	Within 1 year	0.17%	(119)
Company5	Deposits receivables	108,978	Above 3 years	4.99%	(3,380)
		1,422,367		65.09%	(44,111)

(e) As at 30 June 2025 and 31 December 2024, the Group had no overdue dividends receivable.

5 Notes to consolidated financial statement items (Cont'd)

(6) Inventories

(a) The inventories are classified as follows:

	30 June 2025			31 December 2024		
	Book balance	Provision for decline in the value of inventories	Carrying amount	Book balance	Provision for decline in the value of inventories	Carrying amount
Raw materials	18,507,313	(11,405)	18,495,908	16,478,807	(460,099)	16,018,708
Work in progress	4,076,134	-	4,076,134	4,070,567	-	4,070,567
Finished goods	11,299,884	(360,066)	10,939,818	26,536,002	(111,476)	26,424,526
Turnover materials	797,553	-	797,553	751,642	-	751,642
	34,680,884	(371,471)	34,309,413	47,837,018	(571,575)	47,265,443

(b) The provision for decline in the value of inventories is analysed as follows:

	31 December 2024	Decrease in the current period			30 June 2025
		Accrual	Reverse	Resale and write-off	
Raw materials	(460,099)	(79,948)	-	528,642	(11,405)
Finished goods	(111,476)	(326,231)	-	77,641	(360,066)
	(571,575)	(406,179)	-	606,283	(371,471)

(c) The situation of the provision for decline in the value of inventories is listed as follows:

	Specific basis for determining net realisable value	Reasons for reversal or write-off of provision for decline in the value of inventories in the current year
Raw material	Estimated selling price less the estimated costs to completion and estimated costs necessary to make the sale and related taxes	Production and sales/Damaged
Work in progress	Estimated selling price less the estimated costs to completion and estimated costs necessary to make the sale and related taxes	Completion of production and sales
Finished goods	Estimated selling price less the estimated costs to completion and estimated costs necessary to make the sale and related taxes	Sales/Damaged

5 Notes to consolidated financial statement items (Cont'd)

(7) Other current assets

	30 June 2025	31 December 2024
Prepaid income tax	6,024,768	6,024,768
Input VAT to be deducted	11,913	-
	6,036,681	6,024,768

(8) Long-term receivables

	30 June 2025	31 December 2024
Receivables for deposits and guarantees	1,677,164	1,677,164
Less: Provision for bad debts	(52,013)	(52,013)
	1,625,151	1,625,151

(a) Provision for bad debts and movement for book balance

The provision for doubtful long-term receivable by category is analyzed as follows:

	30 June 2025					31 December 2024				
	Book Balance		Bad debt		Carrying amount	Book Balance		Bad debt		Carrying amount
	Amount	%	Amount	%		Amount	%	Amount	%	
Provision for bad debts on a single basis(i)	-	-	-	-	-	-	-	-	-	-
Provision of bad debts made on a collective basis(ii)	1,677,164	100%	(52,013)	3.10%	1,625,151	1,677,16.	100%	(52,013)	3.10%	1,625,151
	1,677,164	100%	(52,013)	3.10%	1,625,151	1,677,16.	100%	(52,013)	3.10%	1,625,151

(i) At 30 June 2025 and 31 December 2024, the Group had no provision for bad debts on a single basis.

(ii) As at 30 June 2025, the provision for bad debts of long-term receivables at Stage 1 are analyzed as follows:

	30 June 2025			31 December 2024		
	Book Balance	Bad debt		Book Balance	Bad debt	
	Amount	Amount	%	Amount	Amount	%
Group of Deposits and guarantees	1,677,164	(52,013)	3.10%	1,677,164	(52,013)	3.10%

5 Notes to consolidated financial statement items (Cont'd)

(8) Long-term receivables (Cont'd)

(a) Provision for bad debts and movement for book balance (Cont'd)

At 30 June 2025 and 31 December 2024, the Group did not have long-term receivables at Stage 2.

At 30 June 2025 and 31 December 2024, the Group did not have long-term receivables at Stage 3.

(iii) Provision for bad debt

	31 December 2024	Accrual	Reverse	30 June 2025
Provision for bad debts of long-term receivables	(52,013)	-	-	(52,013)

5 Notes to consolidated financial statement items (Cont'd)

(9) Investments in other equity instruments

	30 June 2025	Additional Investment	Reduction of Investment	Losses Recognized in Other Comprehensive Income for the Current Year	Others	30 June 2025	Dividend Income Recognized in the Current Year	Accumulated Losses Recognized in Other Comprehensive Income
Investments in equity instrument								
Equity of unlisted companies	10,584	-	-	(4,837)	-	5,747	-	(5,618,236)

5 Notes to consolidated financial statement items (Cont'd)

(9) Investments in other equity instruments(Cont'd)

	30 June 2025	31 December 2024
TuHURA Bioscience, Inc. ("Kintara Therapeutics, Inc.")		
–Costs	5,623,983	5,623,983
–Accumulated changes in fair value	(5,618,236)	(5,613,399)
	5,747	10,584

As at 31 December 2023, The Company held 12,592 common shares of Kintara Therapeutics, Inc. ("Kintara"). Based on the date of completion of the acquisition with the closing price on the day, the fair value of the equity instruments of Kintara held by the Company was RMB 5,623,983.

On October 18, 2024, Kintara Therapeutics, Inc. merged with TuHURA Bioscience, Inc. ("TuHURA"). The equity interest in Kintara originally held by our Group has been converted into an equity interest in TuHURA in accordance with the agreed ratio.

As at 30 June 2025, The Group holds 360 ordinary shares of TuHURA. Based on the closing price of TuHURA on the acquisition completion date, the fair value of the equity instruments held by the Group in TuHURA is RMB 5,747.

(10) Long-term equity investments

	30 June 2025	31 December 2024
Joint ventures (Note 6(2))	31,405,264	34,217,879
Associates (Note 6(2))	222,072,173	223,597,814
	253,477,437	257,815,693
Less: Provision for impairment of long-term equity investments	(332,756)	(332,756)
	253,144,681	257,482,937

5 Notes to the consolidated financial statements (Cont'd)

(10) Long-term equity investments (Cont'd)

(a) Joint ventures

		Changes in the current period									
	31 December 2024	Increase in investment	Decrease in investment	Share of net gain or loss under equity method	Adjustments in OCI	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Others	30 June 2025	Ending balance of provision for impairment
Changzhou BVCF Investment Management Partnership (Limited Liability Partnership) ("Changzhou BVCF").	34,217,879	-	-	126,362	-	-	(2,938,977)	-	-	31,405,264	-

As at 30 June 2025, the Group's subscribed capital contribution ratio is 29.85%, and the paid-up capital contribution ratio is 30.47%.

The equity related information of the joint venture of the Group refers to Note 6(2).

5 Notes to the consolidated financial statements (Cont'd)

(10) Long-term equity investments (Cont'd)

(b) Associates

		Changes in the current period									
	31 December 2024	Increase in investment	Decrease in investment	Share of net gain or loss under equity method	Adjustments in OCI	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Others	30 June 2025	Ending balance of provision for impairment
Shanghai WD Pharmaceutical Co., Ltd. ("WD Pharmaceutical")	223,265,058	-	-	(2,258,328)	-	732,687	-	-	-	221,739,417	-
Shanghai Lead Discovery Limited Company ("Lead Discovery")	-	-	-	-	-	-	-	-	-	-	(332,756)
Derma Clinic Investment Co., Ltd.("Derma")	-	-	-	-	-	-	-	-	-	-	-
	223,265,058	-	-	(2,258,328)	-	732,687	-	-	-	221,739,417	(332,756)

The equity related information of the associates of the Group refers to Note 6(2).

5 Notes to the consolidated financial statements (Cont'd)

(11) Fixed assets

	Buildings	Machinery and equipments	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 period					
Purchase	1,561,512	7,151,559	-	-	8,713,071
Transfer from Construction in progress	3,942,925	166,956	-	-	4,109,881
Decrease in the current period	-	(8,483,065)	-	-	(8,483,065)
30 June 2025	374,034,699	491,854,069	7,935,199	3,953,835	877,777,802
Accumulated depreciation					
31 December 2024	(117,027,893)	(271,006,786)	(6,349,359)	(2,257,543)	(396,641,581)
Increase in the current period	(8,173,660)	(18,603,557)	(234,023)	(157,176)	(27,168,416)
Decrease in the current period	-	8,389,859	-	-	8,389,859
30 June 2025	(125,201,553)	(281,220,484)	(6,583,382)	(2,414,719)	(415,420,138)
Carrying amount					
30 June 2025	248,833,146	210,633,585	1,351,817	1,539,116	462,357,664
31 December 2024	251,502,369	222,011,833	1,585,840	1,696,292	476,796,334

In for the six months ended 30 June 2025, the amounts of depreciation expenses were RMB 27,168,416 (for the six months ended 30 June 2024: RMB 22,746,578), of which charged to operating costs, selling expenses, administrative expenses, research and development expenses and construction in progress were RMB 5,468,108 RMB 4,862,470, RMB 954,061, RMB 15,883,777, and RMB 0 respectively (for the six months ended 30 June 2024: RMB 7,616,633, RMB 6,143,690, RMB 2,344,778, RMB 6,546,097 and RMB 95,380 respectively).

The original amount of fixed assets transferred from construction in progress was RMB 4,109,881 (for the six months ended 30 June 2024: RMB 233,799,389).

As at 30 June 2025 and 31 December 2024, the Group had no fixed assets that were temporarily idle and fixed assets that had not completed the property right certificate.

(12) Construction in progress

	30 June 2025			31 December 2024		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Shanghai office renovation	9,668,855	-	9,668,855	4,602,571	-	4,602,571
Medical device and cream factory renovation engineering	-	-	-	2,593,358	-	2,593,358
	9,668,855	-	9,668,855	7,195,929	-	7,195,929

5 Notes to the consolidated financial statements (Cont'd)

(12) Construction in progress (Cont'd)

(i) Movements in significant construction in progress projects

Project name	Budget	31 December 2024	Increase in the current year	Decrease in the current year	30 June 2025	% of budget	Project progress	Accumulated amount of borrowing cost capitalization	Sources of funds
Shanghai office renovation	16,250,000	4,602,571	5,066,284	-	9,668,855	59.50%	59.50%	-	owned capita

At 30 June 2025 and 31 December 2024, the Group had no impairment of construction in progress.

5 Notes to the consolidated financial statements (Cont'd)

(13) Right-of-use assets

	Buildings
Cost	
31 December 2024	35,350,350
Decrease in the current period	
Lease expiry	(5,574,773)
30 June 2025	29,775,577
Accumulated depreciation	
31 December 2024	(15,815,171)
Increase in the current period	
Accruals	(3,304,860)
Decrease in the current period	
Lease expiry	5,574,773
30 June 2025	(13,545,258)
Carrying amount	
30 June 2025	16,230,319
31 December 2024	19,535,179

(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 period					
Purchase	-	-	-	4,204,411	4,204,411
30 June 2025	50,403,679	8,843,164	101,776,176	17,937,304	178,960,323
Accumulated amortisation					
31 December 2024	(13,660,192)	(8,393,164)	(67,723,875)	(10,581,977)	(100,359,208)
Increase in the current period	(529,587)	-	(5,194,379)	(533,253)	(6,257,219)
30 June 2025	(14,189,779)	(8,393,164)	(72,918,254)	(11,115,230)	(106,616,427)
Provision for impairment					
31 December 2024 and 30 June 2025	-	(450,000)	(5,298,742)	-	(5,748,742)
Carrying amount					
30 June 2025	36,213,900	-	23,559,180	6,822,074	66,595,154
31 December 2024	36,743,487	-	28,753,559	3,150,916	68,647,962

5 Notes to the consolidated financial statements (Cont'd)

(14) Intangible assets (Cont'd)

For the six months ended 30 June 2025, the amortisation of intangible assets was RMB 6,257,219 (for the six months ended 30 June 2024: RMB 6,969,345).

At 30 June 2025, intangible assets formed through the Group's internal research and development as a percentage of the book value of intangible assets was 35.38% (31 December 2024: 41.89%).

(15) Research and Development Costs

The Group's for the six months ended 30 June 2025 research and development costs by nature are listed as follows:

	for the six months ended 30 June 2025		
	Research expense	Development expense	Total
Outsourcing research and development expenses	86,088,902	-	86,088,902
Payroll expense	36,390,548	-	36,390,548
Material expense	20,852,237	-	20,852,237
R&D department expenses	18,760,793	-	18,760,793
Depreciation expense	15,883,777	-	15,883,777
	177,976,257	-	177,976,257

The Group's for the six months ended 30 June 2024 research and development costs by nature are listed as follows:

	for the six months ended 30 June 2024		
	Research expense	Development expense	Total
Outsourcing research and development expenses	55,618,334	-	55,618,334
Payroll expense	43,950,526	7,143	43,957,669
R&D department expenses	19,656,393	334,227	19,990,620
Material expense	24,015,533	396,242	24,411,775
Depreciation expense	11,351,751	-	11,351,751
	154,592,537	737,612	155,330,149

5 Notes to the consolidated financial statements (Cont'd)

(16) Goodwill

	31 December 2024	Increase in the current period	Decrease in the current period	30 June 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 Biotech Co., Ltd. ("Youni"). On 30 September 2015, Youni was absorbed by Tracing Biotechnology.

(17) Long-term prepaid expenses

	31 December 2024	Increase in the current period	Decrease in the current period	30 June 2025
Chromatographic packing	4,854,812	-	(4,598,689)	256,123
Improvement to right-of-use assets	4,421,400	-	(409,054)	4,012,346
	9,276,212	-	(5,007,743)	4,268,469

(18) Deferred tax assets

Deferred assets and liabilities before any offsetting are set out as follows:

(a) Deferred tax assets

	30 June 2025		31 December 2024	
	Deductible temporary differences and losses	Deferred tax assets	Deductible temporary differences and losses	Deferred tax assets
Deductible loss	664,601,551	99,690,232	628,589,576	94,288,435
Accrued expenses	152,103,934	22,815,590	168,937,862	25,340,679
Provision for credit impairment	27,151,130	4,072,669	51,015,182	7,652,278
Lease liability	17,256,602	2,588,490	20,525,875	3,078,881
Government grants	20,050,365	3,007,555	15,845,713	2,376,857
Amortisation of intangible assets	19,313,939	2,897,091	18,668,067	2,800,210
Provision for asset impairment	4,306,057	645,908	4,506,161	675,924
	904,783,578	135,717,535	908,088,436	136,213,264
Including:				
Expected to be recovered within 1 year (inclusive)		28,314,981		37,720,447
Expected to be recovered after 1 year		107,402,554		98,492,817
		135,717,535		136,213,264

5 Notes to the consolidated financial statements (Cont'd)

(18) Deferred tax assets (Cont'd)

(b) Unoffset deferred income tax liabilities

	30 June 2025		31 December 2024	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
ROU Asset	16,230,319	2,434,548	19,535,179	2,930,277
Including:				
Expected to be recovered within 1 year (inclusive)		629,127		914,731
Expected to be recovered after 1 year		1,805,421		2,015,546
		2,434,548		2,930,277

(c) Deductible temporary differences and deductible losses that are not recognised as deferred tax assets are analysed as follows:

	30 June 2025	31 December 2024
Deductible temporary differences	12,026,158	12,276,158
Deductible losses	184,209,846	58,393,384
	196,236,004	70,669,542

(d) Deductible losses that are not recognised as deferred tax assets will be expired in following years:

	30 June 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	126,171,425	
	184,209,846	58,393,384

(e) Deferred tax assets and net deferred tax liabilities after set-off are shown as follows:

	30 June 2025		31 December 2024	
	contra amount	Balance after contra	contra amount	Balance after contra
Deferred tax assets	(2,434,548)	133,282,987	(2,930,277)	133,282,987
Deferred tax liabilities	2,434,548	-	2,930,277	-

5 Notes to the consolidated financial statements (Cont'd)

(19) Other non-current assets

	30 June 2025	31 December 2024
Advances for equipment	836,150	5,870,841

(20) Asset impairment and loss provisions

(a) Provision for asset impairment

	31 December 2024	Increase in the current period	Decrease in the current period		30 June 2025
			Reverse	Write-off	
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	406,179	-	(606,283)	371,471
Provision for impairment of long-term equity investments	332,756	-	-	-	332,756
	15,590,073	406,179	-	(606,283)	15,389,969

	31 December 2023	Increase in the current period	Decrease in the current period		31 December 2024
			Reverse	Write-off	
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 (Cont'd)

(20) Asset impairment and loss provisions (Cont'd)

(b) Provision for credit impairment

	31 December 2024	Increase in the current period	Decrease in the current period		30 June 2025
			Reverse	Write-off	
Provision for bad debts of accounts receivables	27,045,842	-	(23,836,684)	-	3,209,158
Provision for bad debts of notes receivable	96,549	79,923	(96,549)	-	79,923
Provision for bad debts of other receivables	67,778	-	(10,742)	-	57,036
Provision for bad debts of long-term receivables	52,013	-	-	-	52,013
	27,262,182	79,923	(23,943,975)	-	3,398,130

	31 December 2023	Increase in the current period	Decrease in the current period		31 December 2024
			Reverse	Write-off	
Provision for bad debts of accounts receivables	35,993,681	3,541	(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	(9,105,429)	-	27,262,182

(21) Accounts payables

	30 June 2025	31 December 2024
Accounts payables	7,177,974	10,671,215

(a) As at 30 June 2025, the amount of accounts payables with ageing above 1 year was RMB 50,040 (As at 31 December 2024: RMB 60,410).

(b) The ageing of accounts payables was analysed as follows:

	30 June 2025	31 December 2024
Within 1 year	7,127,934	10,610,805
1-2 years	-	32,588
Above 2 years	50,040	27,822
	7,177,974	10,671,215

5 Notes to the consolidated financial statements (Cont'd)

(22) Contract liabilities

	30 June 2025	31 December 2024
Advance for goods	3,629,670	8,340,998

(23) Employee benefits payable

	30 June 2025	31 December 2024
Short-term employee benefits payable (a)	994,090	17,700,299
Defined contribution plans payable (b)	611,358	710,478
Severance Benefits Payable (c)	-	-
	1,605,448	18,410,777

(a) Short-term employee benefits payable

	31 December 2024	Increase in the current period	Decrease in the current period	30 June 2025
Wages and salaries, bonus, allowances and subsidies	17,092,880	64,469,092	(81,556,760)	5,212
Staff welfare	-	850	(850)	-
Social security contributions	566,786	8,216,024	(8,227,743)	555,067
Including: Medical insurance	553,686	8,010,189	(8,021,953)	541,922
Work injury insurance	12,356	195,202	(195,157)	12,401
Maternity insurance	744	10,633	(10,633)	744
Housing funds	18,945	9,216,870	(9,217,370)	18,445
Mandatory Provident Fund	2,781	16,585	(19,366)	-
Labour union funds and employee education funds	18,907	687,581	(291,122)	415,366
	17,700,299	82,607,002	(99,313,211)	994,090

(b) Defined contribution plans payable

	31 December 2024	Increase in the current period	Decrease in the current period	30 June 2025
Basic pensions	686,633	17,346,330	(17,442,746)	590,217
Unemployment insurance	23,845	719,123	(721,827)	21,141
	710,478	18,065,453	(18,164,573)	611,358

The Group paid basic pensions and unemployment insurance to relevant institutions monthly according to the payment base and proportion which specified by the local labour and social security department, and the payment cannot be used to offset the amount that the Group should pay for employees in the future.

5 Notes to the consolidated financial statements (Cont'd)

(23) Employee benefits payable (Cont'd)

(c) Severance Benefits Payable

At 30 June 2025, the Group had no severance benefits payable. For the six months ended 30 June 2025, the Group provided other severance benefits in connection with the termination of employment amounting to RMB 1,145,775 (For the six months ended 31 December 2024: RMB 654,290).

(24) Taxes payable

	30 June 2025	31 December 2024
Unpaid VAT	9,933,066	5,491,292
Withholding of individual income tax for employees	520,699	2,467,848
	10,453,765	7,959,140

(25) Other payables

	30 June 2025	31 December 2024
Marketing and sales expenses payable	129,178,064	143,672,043
Dividends payable	31,097,163	-
Long-term assets payable	22,261,537	33,372,750
Guarantees payable	5,673,333	5,761,333
Sales commission payable	4,783,593	4,783,593
Others	7,812,147	11,794,830
	200,805,837	199,384,549

At 30 June 2025, other payables with an ageing of more than 1 year were RMB 5,290,790 (as at 31 December 2024: RMB 6,246,617). Other payables with an ageing of more than 1 year were mainly long-term assets payable and guarantees payable, because the payment point for the long-term assets payable was not reached, the amount was not settled.

(26) Other current liabilities

	30 June 2025	31 December 2024
Output VAT to be recognised	35,548	87,251

(27) Lease liabilities

	30 June 2025	31 December 2024
Lease liabilities	17,256,602	20,525,875
Less: Current portion of non-current liabilities	(5,379,786)	(6,098,210)
	11,876,816	14,427,665

(i) At 30 June 2025 and 30 June 2024, the Group had no events that were not included in the lease liabilities, but would result in potential future cash outflows.

5 Notes to the consolidated financial statements (Cont'd)

(27) Lease liabilities (Cont'd)

(ii) At 30 June 2025, the minimum lease payments needed to be paid within 1 year for the short-term lease contracts which were simplified according to the new lease standard of the Group was RMB 50,000 (31 December 2024: RMB 37,252), and is to be paid in one year.

(28) Deferred income

	30 June 2025	31 December 2024
Government grants (a)	20,050,365	15,845,713

(a) Government grants

	31 December 2024	Increase in the current period	Decrease in the current period		30 June 2025
			Recognised in other income	Recognised in non-operating income	
Government grants related to assets	15,845,713	7,484,100	(3,279,448)	-	20,050,365
Government grants related to revenue	-	3,571,364	(3,571,364)	-	-
	15,845,713	11,055,464	(6,850,812)	-	20,050,365

5 Notes to the consolidated financial statements (Cont'd)

(29) Share capital

	31 December 2024	Change in the current period					30 June 2025
		Issue new shares	Scrip issue	Transferred from reserve	Others	Subtotal	
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	Change in the current period					31 December 2024
		Issue new shares	Scrip issue	Transferred from reserve	Others	Subtotal	
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 (Cont'd)

(30) Capital surplus

	31 December 2024	Increase in the current period	Decrease in the current period	30 June 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	732,687	-	6,633,764
	1,289,553,594	732,687	-	1,290,286,281

	31 December 2023	Increase in the current period	Decrease in the current period	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 (Cont'd)

(31) Other comprehensive income

	Other comprehensive income in the balance sheet				Other comprehensive income for the six months ended 30 June 2025 income statement				
	31 December 2024	Attributable to the Company after tax	Other comprehensive income settled to retained earnings	30 June 2025	Amount before income tax	Less: other comprehensive income transferred out this period	Deduct: income tax expenses	Attributable to the Company after tax	Attributable to minority shareholders after tax
Other comprehensive income that will not be reclassified to profit or loss									
Changes in fair value of other equity instrument investments	(5,613,399)	(4,837)	-	(5,618,236)	(4,837)	-	-	(4,837)	-
Other comprehensive income that will be reclassified to profit or loss									
Differences on translation of foreign currency financial statements	65,978	(91,929)	-	(25,951)	(91,929)	-	-	(91,929)	-
	(5,547,421)	(96,766)	-	(5,644,187)	(96,766)	-	-	(96,766)	-

	Other comprehensive income in the balance sheet				Other comprehensive income for the six months ended 30 June 2024 income statement				
	31 December 2023	Attributable to the Company after tax	Other comprehensive income settled to retained earnings	30 June 2024	Amount before income tax	Less: other comprehensive income transferred out this period	Deduct: income tax expenses	Attributable to the Company after tax	Attributable to minority shareholders after tax
Other comprehensive income that will not be reclassified to profit or loss									
Changes in fair value of other equity instrument investments	(5,608,857)	9,113	-	(5,599,744)	9,113	-	-	9,113	-
Other comprehensive income that will be reclassified to profit or loss									
Differences on translation of foreign currency financial statements	(249,512)	131,628	-	(117,884)	131,628	-	-	131,628	-
	(5,858,369)	140,741	-	(5,717,628)	140,741	-	-	140,741	-

5 Notes to the consolidated financial statements (Cont'd)

(32) Surplus reserve

	31 December 2024	Increase in the current period	Decrease in the current period	30 June 2025
Statutory surplus reserve	52,150,000	-	-	52,150,000

	31 December 2023	Increase in the current period	Decrease in the current period	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 accumulated to more than50% 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. By the resolution of the Board of Directors, the Company did not withdraw the statutory surplus reserve due to the amount of accumulated statutory surplus reserve had reached 50% of the registered capital at the six months ended 30 June 2025.

(33) Undistributed profits

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Undistributed profits at the beginning of the period	864,754,029	918,311,622
Add: Net profit attributable to shareholders of the Company	5,715,142	70,473,064
Less: Dividends payable to the Company's shareholders	(31,097,163)	(72,560,047)
Undistributed profits at the end of the period	839,372,008	916,224,639

In accordance with the shareholders' meeting on 26 June 2025, the Company recommends the payment of a final dividend of RMB 0.03 per ordinary share, calculated on 1,036,572,100 issued shares, totaling RMB 31,097,163 to all shareholders for the year of 2024.

5 Notes to the consolidated financial statements (Cont'd)

(34) Revenue and cost of sales

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Main operations revenue	390,083,112	408,123,863

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Main operations cost	(39,773,796)	(29,399,848)

(a) Main operations revenue and cost

	For the six months ended 30 June 2025		For the six months ended 30 June 2024	
	Main operations revenue	Main operations cost	Main operations revenue	Main operations cost
- Sales of pharmaceutical and diagnostic products	383,924,245	(39,286,746)	408,113,244	(29,399,848)
- Income from technology transfer (Note (i))	5,585,091	-	-	-
- Income from services	573,776	(487,050)	10,619	-
	390,083,112	(39,773,796)	408,123,863	(29,399,848)

(i) On 11 March 2019, the company entered into a technology transfer agreement with Shanghai Institute of Biological Products Co., Ltd. For the six months ended 30 June 2025, the Company recognized RMB 4,600,000 in technology-transfer revenue based on the progress of contract performance.

On 1 November 2024, Fengyi Holdings entered into a technology transfer agreement with Amicure Bioscience Limited. For the six months ended 30 June 2025, the Company recognized RMB 985,091 in technology-transfer revenue based on the progress of contract performance.

(b) The Group's operating income is broken down as follows:

	For the six months ended 30 June 2025			
	Pharmaceutical products	Technology transfer	Others	Total
Main operations revenue Including: Confirmed at a certain point	383,924,245	5,585,091	573,776	390,083,112

	For the six months ended 30 June 2025			
	Pharmaceutical products	Technology transfer	Others	Total
Main operations cost Including: Confirmed at a certain point	(39,286,746)	-	(487,050)	(39,773,796)

5 Notes to the consolidated financial statements (Cont'd)

(34) Revenue and cost of sales(Cont'd)

	For the six months ended 30 June 2024			
	Pharmaceutical products	Technology transfer	Others	Total
Main operations revenue				
Including: Confirmed at a certain point	408,113,244	-	10,619	408,123,863

	For the six months ended 30 June 2024			
	Pharmaceutical products	Technology transfer	Others	Total
Main operations cost				
Including: Confirmed at a certain point	(29,399,848)	-	-	(29,399,848)

(35) Taxes and surcharges

	For the six months ended 30 June 2025	For the six months ended 30 June 2024	Payment standard
Real estate tax	1,009,364	876,876	1.2% of the 70% real estate's original cost
City maintenance and construction tax	997,208	744,875	5% or 7% of the VAT paid
Educational surcharge	945,581	744,875	5% of the VAT paid
Urban land use tax	150,544	273,309	The actual land area occupied, RMB 3-5/m²
Others	215,820	164,568	
	3,318,517	2,804,503	

(36) Selling expenses

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Marketing and academic promotion fees	105,335,121	33,277,026
Salary costs	48,074,568	51,883,700
Conference fees	7,159,815	7,370,106
Travel expenses	6,131,564	5,578,734
Business hospitality	5,126,547	5,542,516
Depreciation and amortisation	4,877,877	6,159,097
Office expenses	1,958,566	754,574
Depreciation of right-of-use assets	1,829,833	2,012,981
Rental fees	136,683	252,594
Shipping fees	98,568	109,208
Others	1,181,130	1,552,165
	181,910,272	114,492,701

5 Notes to the consolidated financial statements (Cont'd)

(37) General and administrative expenses

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Salary costs	8,816,215	10,655,652
Administrative expenses	2,619,994	3,644,733
Audit fees	2,403,195	2,478,176
Property fees	1,663,827	1,347,370
Depreciation and amortisation	1,406,540	1,418,970
Consulting fees	152,830	132,075
Others	3,239,903	3,697,264
	20,302,504	23,374,240

(38) R&D expenses

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Outsourced R&D expenses	86,088,902	55,618,334
Salary costs	36,390,548	43,950,526
Information and materials costs	20,852,237	24,015,533
R&D department expenses	18,760,793	19,656,393
Depreciation	15,883,777	11,351,751
	177,976,257	154,592,537

(39) Financial income - net

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Interest costs	-	-
Add：Interest costs on lease liabilities	368,996	270,795
Interest expenses	368,996	270,795
Less: Interest income	(806,175)	(1,983,068)
Exchange losses - net	9,248	-
Others	36,183	36,039
	(391,748)	(1,676,234)

5 Notes to the consolidated financial statements (Cont'd)

(40) Expenses by nature

The cost of sales, selling expenses, general and administrative expenses and R&D expenses in the income statements are listed as follows by nature:

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Changes in inventories of finished goods and work in progress	15,230,551	(4,856,116)
Consumed raw materials and low value consumables, etc.	18,764,646	31,688,294
Marketing and sales expenses	123,889,253	50,409,812
Employee benefit expenses	101,818,230	117,815,229
Less: Amounts capitalised in development costs	-	(7,143)
	101,818,230	117,808,086
Outsourced R&D expenses	86,088,902	55,618,334
Depreciation and amortisation	38,433,378	33,418,988
Less: Amounts capitalised in development costs	-	(182,368)
	38,433,378	33,236,620
R&D department expenses	18,760,793	19,656,393
Depreciation of right-of-use assets	3,304,860	4,348,403
Quality inspection expenses	2,282,935	3,540,266
Audit Fees	2,403,195	2,478,176
-audit services	2,250,000	2,250,000
-non-audit services	153,195	228,176
Rental (i)	1,767,289	625,416
Others	7,218,797	7,325,642
	419,962,829	321,859,326

(i) As mentioned in Note 2(23), the rental expenses of short-term leases and low-value leases are directly included in the current profit and loss, and the amount for the six months ended 30 June 2025 is RMB 1,767,289 (for the six months ended 30 June 2024: RMB 625,416).

5 Notes to the consolidated financial statements (Cont'd)

(41) Other income

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Government subsidy		
- Related to assets	3,279,448	1,158,500
- Related to revenue	3,571,364	16,200,000
Refund of handling fees for withholding and remitting personal income tax	1,895,478	3,755,393
	8,746,290	21,113,893

(42) Investment income

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Loss of long-term equity investment accounted by equity method	(2,131,966)	(7,491,235)
Financial product income	8,257,294	10,254,379
	6,125,328	2,763,144

In for the six months ended 30 June 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 30 June 2025 and 31 December 2024, the Group had no balance of wealth management products.

(43) Credit impairment (reverse)/losses

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Accounts receivables bad debt (reverse)/losses	(23,836,684)	35,787,465
Other receivables bad debt (reverse)/losses	(10,742)	12,562
Long-term receivables bad debt losses	-	1,048
Reversal for Bad debts of note receivable	(16,626)	(50,393)
	(23,864,052)	35,750,682

5 Notes to the consolidated financial statements (Cont'd)

(44) Asset impairment losses

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Impairment losses on inventories	406,179	1,179,920

(45) Gains on disposals of assets

	For the six months ended 30 June 2025	For the six months ended 30 June 2024	Amount included in for the six months ended 30 June 2025 non-recurring profit and loss
Gains on disposals of fixed assets	203,055	141,121	203,055

(46) Non-operating income

	For the six months ended 30 June 2025	For the six months ended 30 June 2024	Amount included in for the six months ended 30 June 2025 non-recurring profit and loss
Sale of scrap material and others	30,802	296,167	30,802

(47) Non-operating expenses

	For the six months ended 30 June 2025	For the six months ended 30 June 2024	Amount included in for the six months ended 30 June 2025 non-recurring profit and loss
Losses from scrap of fixed assets	59,214	163,040	59,214
Others	75,448	170,000	75,448
	134,662	333,040	134,662

5 Notes to the consolidated financial statements (Cont'd)

(48) Income tax expenses

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Current income tax	-	387,596
Deferred income tax	-	1,455,342
	-	1,842,938

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Total profit	5,622,200	72,186,951
Income tax expenses calculated at applicable tax rate	1,405,550	18,046,737
Effect of favourable tax rates	(582,572)	(7,218,661)
Deductible tax losses and temporary differences for which no deferred tax asset was recognise	18,925,714	8,011,069
Additional deduction of R&D expenses	(20,577,166)	(19,048,025)
Costs, expenses and losses not deductible for tax purposes	865,974	1,837,272
Utilisation of previously unrecognised deductible temporary differences	-	(83)
Others	(37,500)	214,629
Income tax expenses	-	1,842,938

5 Notes to the consolidated financial statements (Cont'd)

(49) Earnings per share

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the consolidated net profit attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding.

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Consolidated net profit attributable to ordinary shareholders of the Company	5,715,142	70,473,064
Weighted average number of ordinary shares outstanding	1,036,572,100	1,036,572,100
Basic earnings per share	0.01	0.07
Among them:		
— Basic earnings per share from continuing operations:	0.01	0.07
— Basic earnings per share from discontinuing operations:	-	-

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary share by the adjusted weighted average numbers of ordinary shares outstanding. For the six months ended 30 June 2025, the Company had no potential ordinary shares that were dilutive (six months ended 30 June 2024: none); consequently, diluted earnings per share equal basic earnings per share.

(50) Notes to the cash flow statement

The Group does not present cash flows on a net basis. Significant cash flow items are presented as follows:

(a) Cash received relating to other operating activities

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Government grants	11,055,464	17,957,388
Interest income	806,175	1,993,971
Deposits and guarantees	-	3,550,000
Others	302,059	285,263
	12,163,698	23,786,622

5 Notes to the consolidated financial statements (Cont'd)

(50) Notes to the cash flow statement (Cont'd)

(b) Cash paid relating to other operating activities

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Administrative expenses and data fees	20,943,589	20,761,501
Travel expenses	6,131,564	5,578,734
Business hospitality	6,448,867	6,864,836
Consulting service fees	3,771,375	3,594,857
Advertising expenses	340,062	596,198
Guarantees	50,000	-
Conference fees	677,621	1,892,363
Others	1,225,041	2,745,267
	39,588,119	42,033,756

(c) Cash received from return of investment

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Receiving Cash Dividends from a Joint Venture	2,938,977	1,742,224

(d) Cash received relating to other investing activities

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Selling wealth management products	1,486,257,294	2,019,254,379

(e) Cash paid relating to other investing activities

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Buying wealth management products and fixed deposits	1,478,000,000	2,009,000,000

5 Notes to the consolidated financial statements (Cont'd)

(50) Notes to the cash flow statement (Cont'd)

(f) Cash paid relating to other financing activities

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Payment of lease liabilities	3,638,269	5,489,073
Payment of lease garantees	-	33,763
	3,638,269	5,522,836

In for the six months ended 30 June 2025, the total lease-related cash outflow paid by the Group was RMB 5,405,558 (for the six months ended 30 June 2024: RMB 6,148,252). Except for the amount of the above-mentioned lease liabilities payment included in financing activities, the remaining cash outflows were included in operating activities.

(51) Supplementary information to the cash flow statement

(a) Supplementary information to the cash flow statement

Reconciliation from net profit to cash flows from operating activities

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Net profit	5,622,200	70,344,013
Add: Asset impairment losses	406,179	1,179,920
Credit impairment (reverse)/loss	(23,864,052)	35,750,682
Depreciation of right-of-use assets	3,304,860	4,348,403
Depreciation of fixed assets	27,168,416	22,651,198
Amortisation of intangible assets	6,257,219	6,577,458
Amortisation of long-term prepaid expenses	5,007,743	642,467
Gains on disposals of fixed assets and other long-term assets	(203,055)	(141,121)
Losses on scrapping of fixed assets	59,214	163,040
Financial expenses	368,996	270,795
Investment losses	(6,125,328)	(2,763,144)
Decrease in deferred tax assets	-	1,455,341
Decrease/(Increase) in inventories	12,549,851	(10,240,986)
Decrease /(Increase) in operating receivables	66,800,625	(7,452,688)
Decrease in operating payables	(39,344,661)	(93,977,329)
Increase/(Decrease) in deferred income	4,204,652	(1,158,500)
Net cash flows from operating activities	62,212,859	27,649,549

5 Notes to the consolidated financial statements (Cont'd)

(51) Supplementary information to the cash flow statement (Cont'd)

(a) Supplementary information to the cash flow statement (Cont'd)

Significant operating, investing and financing activities that do not involve cash receipts and payments

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Purchase of inventories by bank acceptance notes	588,111	-
Purchase of long-term assets by bank acceptance notes	7,153,822	7,040,881
Increase in right-of-use assets in the current period	-	159,662
Offset of Three party debt	-	28,331,334
	7,741,933	35,531,877

Net increase / (decrease) in cash and cash equivalents

	30 June 2025	30 June 2024
Cash at the end of the period	1,106,490,805	1,222,481,006
Less: Cash at the beginning of the period	(1,056,285,629)	(1,195,895,997)
Net increase in cash and cash equivalents	50,205,176	26,585,009

5 Notes to the consolidated financial statements (Cont'd)

(51) Supplementary information to the cash flow statement (Cont'd)

(b) Movements in liabilities arising from financing activities

	Lease Liability (including maturity within one year)
31 December 2024	20,525,875
Net cash flows from financing activities	(3,638,269)
Interest accrued during the period	368,996
Movements which doesn't involved in cash receipts and payments	-
30 June 2025	17,256,602

(c) Cash

	30 June 2025	31 Dec 2024
Cash at bank and on hand	1,106,490,805	1,056,285,629
Less: Restricted cash at bank	-	-
Cash	1,106,490,805	1,056,285,629

(52) Foreign currency items

	30 June 2025		
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand - USD	3,035,030	7.1586	21,726,563

	31 Dec 2024		
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand - USD	3,085,248	7.1884	22,177,997

6 Equity in other subjects

(1) Equity in significant subsidiaries

(a) The structure of the Group

Name	Corporate category	Principal place of business	Place of registration	Principal activities	Registered capital/information on issued equity and claims	Share proportion		Acquisition method
						Direct	Indirect	
Taizhou Pharmaceutical	Limited liability company	Taizhou Jiangsu	No. 1 Yaocheng Avenue, Taizhou City, Jiangsu Province	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.	100,000,000	100.00%	-	Set up
Tracing Bio-technology	Limited liability company	Shanghai	No. 308 Cailun Road, Shanghai	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.	74,800,000	94.92%	-	Set up
Fernovelty Holding	Limited liability company	Hong Kong	LOCKHART RD. WANCHAI,RM. 1501, 15F	Invest in overseas medical projects.	10,000(HKD)	100.00%	-	Set up

(b) Subsidiaries with significant minority interests

As at 30 June 2025 and 31 December 2024, the Group determined that there was no significant minority interest in the subsidiary, taking into account factors such as whether the subsidiary was a listed company, the proportion of its minority shareholders' equity to the Group's consolidated shareholders' equity, and the proportion of minority shareholders' profit and loss to the Group's consolidated net profit.

6 Equity in other subjects(Cont'd)

(2) Equity in joint ventures and associates

(a) Summarised basic information for material joint ventures and associates

The Group takes into account factors such as whether joint ventures and associates are listed companies, the proportion of their book value to the total consolidated assets of the Group, the proportion of long-term equity investment income accounted for by the equity method to the consolidated net profit of the Group, and determines the important joint ventures and associates as follows:

	Principal place of business	Place of registration	Principal activities	Whether strategic to the Group's activities	Share proportion	
					Direct	Indirect
Joint venture –						
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.

(b) Summarised financial information for material joint ventures

Changzhou BVCF

	30 June 2025	31 December 2024
Current assets	11,087,320	6,200,260
Non-current assets	89,740,063	104,335,568
Total assets	100,827,383	110,535,828
Current liabilities	(4,847,684)	(5,326,064)
Equity attributable to shareholders of the Company	95,979,699	105,209,764
Share of net assets by shareholding	29,247,242	32,059,857
Carrying amount of investments in joint ventures	31,405,264	34,217,879

6 Equity in other subjects (Cont'd)

(2) Equity in joint ventures and associates (Cont'd)

(b) Summarised financial information for material joint ventures (Cont'd)

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
General and administrative expenses	(1,691,945)	(1,167,600)
Financial expenses	3,969	18,257
Profits/(losses) in changes of fair value	2,982,750	(5,702,158)
Net profits/(losses)	414,675	(6,824,603)
Total comprehensive income/(losses)	414,675	(6,824,603)
Dividends received by the Group from joint ventures for the period	2,938,977	1,742,224

(c) Summarised financial information for material associates

(i) WD Pharmaceutical

	30 June 2025	31 December 2024
Current assets	42,204,185	44,373,677
Non-current assets	489,200,079	492,534,394
Total assets	531,404,264	536,908,071
Current liabilities	(3,435,485)	(5,158,228)
Total liabilities	(3,435,485)	(5,158,228)
Equity attributable to shareholders of the Company	527,968,779	531,749,843
Share of net assets by shareholding	213,088,596	214,614,237
Carrying amount of investments in associate	221,739,417	223,265,058

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Revenue	4,039,250	661,337
General and administrative expenses	(2,461,898)	(4,081,467)
R&D expenses	(7,231,808)	(10,031,463)
Net loss	(5,596,003)	(13,408,375)
Total comprehensive loss	(5,596,003)	(13,408,375)
Dividends received by the Group from associate for the period	-	-

6 Equity in other subjects (Cont'd)

(2) Equity in joint ventures and associates (Cont'd)

(d) Summarised financial information for non-material joint ventures and associates:

	Principal place of business	Place of registration	Principal activities	Whether strategic to the Group's activities	Share proportion	
					Direct	Indirect
Associate –						
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 investment.

The associate is an unlisted company and has no significant impact on the Group's financial information.

In 2012, the Company's carrying amount of investments in Lead Discovery had been fully made provision for impairment.

7 Segment information

The Group is principally engaged in research and development as well as sales of pharmaceutical products. Therefore, the Group does not distinguish between different business segments.

The Company and its subsidiaries other than Fernovelty Holding all operate in Mainland China. The Group's revenue is mainly derived from Mainland China, and it does not distinguish between 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) Significant subsidiaries

For basic and related information of significant subsidiaries, please refer to Note 6(1).

(3) Joint ventures and associates

For basic and related information of joint ventures and associates, please refer to Note 6(2).

8 Related parties and related party transactions (Cont'd)

(4) Other related parties

	Relationship with the Group
SPH	Shareholder
Shanghai Pharmaceutical Co., Ltd.	Subsidiary of SPH
Shanghai Suzuken Chinese (Shanghai) 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 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 Pharmaceutical Holdings Jilin Co., Ltd. ("SPH Keyuan Xinhai Pharmaceutical Jilin Co., Ltd.")	Subsidiary of SPH
Shanghai Pharmaceutical Holdings Shanxi Co., Ltd. ("SPH Keyuan Xinhai Pharmaceutical Shanxi Co., Ltd .")	Subsidiary of SPH
Shanghai New Asia Pharmaceutical Co., Ltd.	Subsidiary of SPH
Jiangxi Nanhua Pharmaceutical Co., Ltd.	Joint venture of SPH

(5) Related party transactions

(a) Pricing policies

The products and services sold by the Group to related parties are priced on the basis of prices sold to similar third parties.

8 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(b) Sales of goods

Related party	Related party transaction	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Shanghai Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	21,241,368	14,217,645
Shanghai Suzuken Chinese (Shanghai) Medicine Co., Ltd.	Sale of pharmaceutical products	10,897,591	(1,878,204)
Heilongjiang Keyuan Xinhai Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	6,177,853	26,045,885
Jiangxi Nanhua Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	2,668,289	413,827
Shandong Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	2,190,827	718,327
China Medical Foreign Trading Liao Ning Co., Ltd.	Sale of pharmaceutical products	2,183,419	2,876,346
Shanghai Pharmaceutical Holdings Shanxi Pharmaceutical Co., Ltd .	Sale of pharmaceutical products	1,632,926	-
SPH Ningbo Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	931,226	750,556
Shanghai Pharmaceutical Holdings Jiangsu Co., Ltd.	Sale of pharmaceutical products	927,658	341,492
Beijing Keyuan Xinhai Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	677,741	508,306
Shanghai Pharmaceutical Holdings Jilin Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	572,687	634,046
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	430,853	534,870
Shanghai Pharmaceutical Holding Zhenjiang Co., Ltd.	Sale of pharmaceutical products	299,267	297,282
SPH Changzhou Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	(341,492)	682,983
		50,490,213	46,143,361

(c) Provision of services

Related party	Related party transaction	For the six months ended 30 June 2025	For the six months ended 30 June 2024
WD Pharmaceutical	Outsourced Manufacturing	487,050	-

8 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(d) Remuneration of key management

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Remuneration of key management	3,868,210	4,185,920

(6) Receivables from and payables to related parties

(a) Accounts receivables

	30 June 2025		31 December 2024	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Shanghai Pharmaceutical Co., Ltd.	11,015,280	(60,526)	-	-
Shanghai Suzuken Chinese (Shanghai) Medicine Co., Ltd.	7,881,364	(52,176)	3,331,150	(157,142)
Heilongjiang Keyuan Xinhai Pharmaceutical Co., Ltd.	2,684,573	(20,414)	8,840,506	(436,696)
China Medical Foreign Trading Liao Ning Co., Ltd.	1,309,321	(8,693)	1,461,865	(94,027)
Shanghai Pharmaceutical Holdings Shanxi Pharmaceutical Co., Ltd .	1,036,213	(9,262)	690,079	(38,202)
Jiangxi Nanhua Pharmaceutical Co., Ltd.	955,944	(5,253)	583,524	(26,575)
Shanghai Pharmaceutical Holdings Jiangsu Co., Ltd.	807,719	(5,146)	273,361	(15,133)
Shandong Pharmaceutical Co., Ltd.	791,442	(4,349)	652,860	(29,733)
SPH Changzhou Pharmaceutical Co., Ltd.	442,715	(5,821)	794,451	(54,770)
SPH Ningbo Pharmaceutical Co., Ltd.	334,524	(1,838)	675,472	(202,336)
Shanghai Pharmaceutical Holding Zhenjiang Co., Ltd.	266,992	(4,787)	303,424	(52,144)
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd.	219,089	(1,204)	219,089	(9,978)
Beijing Keyuan Xinhai Pharmaceutical Shanxi Co., Ltd.	174,518	(1,327)	349,037	(19,322)
	27,919,694	(180,796)	18,174,818	(1,136,058)

(b) Advances to suppliers

	30 June 2025	31 December 2024
Shanghai SPH New ASIA Pharmaceutical Co., Ltd	-	19,600

8 Related parties and related party transactions (Cont'd)

(7) Benefits and interests of directors

(a) Directors and chief executive's emoluments

The emoluments in respect of each of the executive directors, supervisors and chief executives paid/payable by the Group for the six months ended 30 June 2025 are as follows:

	Fee	Basic salaries and allowances	Retirement benefit costs	Bonus	Share-based payment expenses	Emoluments in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
Executive directors							
Mr. Zhao Da Jun	-	662,420	101,510	-	-	-	763,930
Mrs. Xue Yan	-	602,420	80,640	-	-	-	683,060
Independent directors							
Mr. Wang Hong Guang	100,000	-	-	-	-	-	100,000
Mr. Lin Zhao Rong	100,000	-	-	-	-	-	100,000
Mr. Xu Pei Long	100,000	-	-	-	-	-	100,000
Supervisors							
Mr. Huang Jian	-	75,000	-	-	-	-	75,000
Mrs. Qu Ya Nan	-	152,280	58,700	-	-	-	210,980

8 Related parties and related party transactions (Cont'd)

(7) Benefits and interests of directors (Cont'd)

(a) Directors and chief executive's emoluments (Cont'd)

The emoluments in respect of each of the executive directors, supervisors and chief executives paid/payable by the Group for the six months ended 30 June 2024 are as follows:

	Fee	Basic salaries and allowances	Retirement benefit costs	Bonus	Share-based payment expenses	Emoluments in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
Executive directors							
Mr. Zhao Da Jun	-	662,100	102,530	-	-	-	764,630
Mrs. Xue Yan	-	602,100	72,720	-	-	-	674,820
Independent directors							
Mr. Wang Hong Guang	100,000	-	-	-	-	-	100,000
Mr. Lin Zhao Rong	100,000	-	-	-	-	-	100,000
Mr. Xu Pei Long	100,000	-	-	-	-	-	100,000
Supervisors							
Mr. Huang Jian	-	75,000	-	-	-	-	75,000
Mrs. Qu Ya Nan	-	152,040	49,300	-	-	-	201,340

8 Related parties and related party transactions (Cont'd)

(7) Benefits and interests of directors (Cont'd)

(a) Directors and chief executive's emoluments (Cont'd)

(i) There is no director disclaim director's salary for the six months ended 30 June 2025 (for the six months ended 30 June 2024: Nil).

(ii) The Group does not have other benefits for directors. There is no director resigned or assigned for the year ended 30 June 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 provided to third parties for making available directors' services

The Company did not pay consideration to any third parties for making available directors' services during the year (for the six months ended 30 June 2024: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings were made available in favour of directors, bodies corporate controlled by and entities connected with directors subsisted at the end of the year or at any time during the year (for the six months ended 30 June 2024: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

The Company has not entered into any material transactions, arrangements or contracts with other parties which are connected with the business of the Group in which a director of the Company has a material interest, whether directly or indirectly.

(8) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the six months ended 30 June 2025 include 2 directors (for the six months ended 30 June 2024: 2 directors), whose emoluments are reflected in Note 8(7). The emoluments paid and payable to the other 3 individuals (for the six months ended 30 June 2024: 3 individuals) for the six months are as follows:

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Salary and allowance	1,641,720	1,640,500
Social pension	124,050	122,810
Housing funds, medical insurance and other social insurance	122,320	125,160
	1,888,090	1,888,470

8 Related parties and related party transactions (Cont'd)

(8) Five highest paid individuals (Cont'd)

	Head count	
	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Emoluments bands:		
HKD 0 – HKD 1,000,000	3	3

9 Contingencies

The Group had no significant on contingency on 30 June 2025 and 31 December 2024.

10 Commitments

(1) Capital commitments

Capital expenditures contracted for by the Group but are not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

	30 June 2025	31 December 2024
Buildings, machinery and equipment	4,466,150	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 scheme 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 main business is located in the PRC and its main business is settled in RMB. Therefore, the Group had no significant foreign exchange risk.

(b) Interest rate risk

The Group's interest rate risk arises from bank 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 expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. The Group adjusts timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. For the six months ended 30 June 2025 and 2024, the Group did not enter into any interest rate swap agreements.

11 Financial instruments and risks (Cont'd)

(1) Market risk (Cont'd)

(b) Interest rate risk (Cont'd)

At 30 June 2025 and 31 December 2024, the Group had no bank borrowing and therefore had no significant interest rate risk.

(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 30 June 2025, the Group had no significant price risk.

(2) Credit risk

The Group's credit risk mainly arises from cash at bank and on hand, notes receivables, accounts receivables and other receivables. As at the balance sheet date, the carrying amount of the Group's financial assets represented its maximum credit risk exposure; there was no credit risk exposure arising from the performance of financial guarantees off the balance sheet.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at State controlled banks and other large or medium size listed banks with good reputation and high credit rating. Management does not expect that there will be almost no significant losses from non-performance by these banks.

In addition, the Group has policies to limit the credit risk exposure on accounts receivables, other receivables and notes receivables. 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 use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

As at 30 June 2025, the Group had no significant collateral or other credit enhancements held as a result of the debtor's mortgage (31 December 2024: Nil).

11 Financial instruments and risks (Cont'd)

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters 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, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	30 June 2025				
	Within 1 year	1 to 2 years	2 to5 years	Over5 years	Total
Financial liabilities -					
Accounts payables	7,177,974	-	-	-	7,177,974
Other payables	200,805,837	-	-	-	200,805,837
Lease liabilities	5,914,043	5,694,739	7,075,279	-	18,684,061
	213,897,854	5,694,739	7,075,279	-	226,667,872

	31 December 2024				
	Within 1 year	1 to 2 years	2 to5 years	Over5 years	Total
Financial liabilities -					
Accounts payables	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 categorized 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 (Cont'd)

(1) Assets measured at fair value on a recurring basis

As at 30 June 2025, continuing assets measured at fair value are shown in the three levels above as follows:

	Level 1	Level 2	Level 3	Total
Financial assets-				
Wealth management products	-	-	-	-
Investments in other equity instruments	5,747	-	-	5,747
	5,747	-	-	5,747

As at 31 December 2024, continuing assets measured at fair value are shown in the three levels above as follows:

	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 to take place as the timing specific for recognising the transfers. There is no transfer between Level 1 and Level 2 during the current year.

The fair value of financial instruments traded in an active market is determined at the quoted market price. the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and guideline publicly-traded comparable method, etc. The inputs for the valuation technique mainly include risk-free interest rate, benchmark rate, exchange rate, credit spread, liquidity premium, EBITDA multiplier, liquidity discount, etc.

The above level 3 asset changes are as follows:

	Wealth management products
1 January 2024	-
Purchase	2,009,000,000
Sell	(2,019,254,379)
Gain or loss included in profit or loss	10,254,379
30 June 2024	-
1 January 2025	-
Purchase	1,478,000,000
Sell	(1,486,257,294)
Gain or loss included in profit or loss	8,257,294
30 June 2025	-

All the gain or loss included in profit or loss is recorded in investment income.

12 Fair value estimates (Cont'd)

(2) Assets and liabilities not measured at fair value but for which the fair value is disclosed

The financial assets and liabilities measured at amortized cost of the Group mainly include cash at bank and on hand, accounts receivables and accounts payables.

There was little difference between the carrying amount and fair value of the Group's financial assets and financial liabilities which were not measured at fair value.

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 benefit 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 amounts of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Group's total capital is added by the shareholders' equity as shown in the consolidated balance sheet and the net debt. 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 30 June 2025 and 31 December 2024, the Group has no borrowing balance. Therefore, the debt ratio was not applicable.

14 Notes to the Company's financial statements

(1) Notes receivables

	30 June 2025	31 December 2024
Bank acceptance notes	87,398,725	91,444,474
Less: Provision for bad debts	(66,918)	(65,806)
	87,331,807	91,378,668

(a) As at 30 June 2025, the Company had no pledged notes receivable as presented in notes receivable

(b) At for the six months ended 30 June 2025, the Company endorsed notes, and as a result, all significant risks and rewards of ownership have been transferred to other party, leading to the derecognition of the notes with a book value of RMB 829,180 (for the six months ended 30 June 2024: RMB 1,743,489)

As at 30 June 2025, the Company's notes receivables endorsed or discounted but not yet due are as follows:

	De-recognised	Not de-recognised
Bank acceptance notes (i)	529,035	87,437

(i) In for the six months ended 30 June 2025, a partial portion of the 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 (Cont'd)

(1) Notes receivables (Cont'd)

(c) Provision for bad debts

The Company's notes receivables are generated from daily business activities such as the sales of goods and the provision of labour services. Regardless of whether there was a significant financing component, loss provisions are measured in accordance with the expected credit losses throughout the lifetime.

The provision for doubtful accounts on notes receivable is analyzed by category as follows:

	30 June 2025					31 December 2024				
	Book Balance		Bad debts		Carrying amount	Book Balance		Bad debts		Carrying amount
	Amount	%	Amount	%		Amount	%	Amount	%	
Provision of bad debts made on a collective basis(i)	87,398,725	100%	(66,918)	0.08%	87,331,807	91,444,474	100%	(65,806)	0.07%	91,378,668

(i) The analysis of notes receivable for the combined provision for doubtful accounts is as follows:

Portfolio - Bank Acceptance notes:

At 30 June 2025, the Company measured the provision for doubtful accounts based on expected credit losses over the entire duration of the company, and the relevant amount was RMB 66,918 (December 31, 2024: RMB 65,806), which was recognized in the current period's loss of RMB 1,112 (for the six months ended 30 June 2024: recognized in profit of RMB 66,283). The Company considered that the bank acceptance notes held did not have significant credit risk and would not cause credit losses due to bank defaults, so no provision for bad debt was made.

Portfolio - Commercial Acceptance notes:

At 30 June 2025, The Company held no commercial acceptance bills (December 31, 2024: nil).

(2) Accounts receivables

	30 June 2025	31 December 2024
Accounts receivables	282,645,492	327,205,910
Less: Provision for bad debts	(3,140,501)	(26,792,414)
	279,504,991	300,413,496

14 Notes to the Company's financial statements (Cont'd)

(2) Accounts receivables (Cont'd)

(a) The ageing of accounts receivables is analysed as follows:

	30 June 2025	31 December 2024
Within 1 year	273,349,528	315,819,120
1 to 2 years	9,295,964	11,386,790
	282,645,492	327,205,910

(b) As at 30 June 2025, the top five accounts receivables based on the balance of the debtors are summarised and analysed as follows:

	Balance	Amount of provision for bad debts	% of total balance
Total top five accounts receivables	181,925,697	(2,301,506)	64.37%

(c) Provision for bad debts

	31 December 2024	Change amount in the period			30 June 2025
		Accrual	Reverse	Write-off	
Provision for bad debts of accounts receivables	(26,792,414)	-	23,651,913	-	(3,140,501)

For the accounts receivables, regardless of whether there was a significant financing component, the Company calculated loss provisions in accordance with the lifetime expected credit losses.

The provision for doubtful accounts receivable by category is analyzed as follows:

	30 June 2025					31 December 2024				
	Book Balance		Bad debt		Carrying amount	Book Balance		Bad debt		Carrying amount
	Amount	%	Amount	%		Amount	%	Amount	%	
Provision for bad debts on a single basis(i)	-	-	-	-	-	-	-	-	-	-
Provision of bad debts made on a collective basis(ii)	282,645,492	100%	(3,140,501)	1.11%	279,504,991	327,205,910	100%	(26,792,414)	8.19%	300,413,496
	282,645,492	100%	(3,140,501)	1.11%	279,504,991	327,205,910	100%	(26,792,414)	8.19%	300,413,496

14 Notes to the Company's financial statements (Cont'd)

(2) Accounts receivables (Cont'd)

(c) Provision for bad debts (Cont'd)

(i) As at 30 June 2025 and 31 December 2024, the Company did not make provision for bad debts for accounts receivables on an individual basis.

(ii) As at 30 June 2025, the analysis of accounts receivables for the provision of bad debts made on a collective basis is as follows:

Group - sales receivable:

	30 June 2025		
	Book balance	Provision for bad debts	
	Amount	Lifetime expected credit loss rate	Amount
Not overdue	144,872,903	0.55%	(796,033)
Overdue within 120 days	103,707,411	0.94%	(979,318)
Overdue 121 days to 1 year	34,065,178	4.01%	(1,365,150)
	282,645,492		(3,140,501)

As at 31 December 2024, the analysis of accounts receivables for the provision of bad debts made on a collective basis is as follows:

Group - sales receivable:

	31 December 2024		
	Book balance	Provision for bad debts	
	Amount	Lifetime expected credit loss rate	Amount
Not overdue	120,420,292	4.94%	(5,947,331)
Overdue within 120 days	83,868,284	6.22%	(5,218,888)
Overdue 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 (Cont'd)

(3) Other receivables

	30 June 2025	31 December 2024
Amounts due from subsidiaries	72,624,377	78,261,661
Amounts due from related parties	23,753,000	23,753,000
Deposits receivable	1,457,041	1,403,081
Receivables from the disposal of the equipment	337,085	752,685
Petty cash for employees receivable	45,000	46,000
	98,216,503	104,216,427
Less: Provision for bad debts	(23,810,036)	(23,820,778)
	74,406,467	80,395,649

(a) The ageing of other receivables is analyzed as follows:

	30 June 2025	31 December 2024
Within 1 year	73,079,121	58,576,173
1 to 2 years	346,228	20,849,251
2 to 3 years	100,330	238,158
Above 3 years	24,690,824	24,552,845
	98,216,503	104,216,427

14 Notes to the Company's financial statements (Cont'd)

(3) Other receivables (Cont'd)

(b) Movements in provision for losses and changes in book balance

The analysis of bad debt provisions of other receivables by category is as follows:

	30 June 2025					31 December 2024				
	Book Balance		Bad debt		Carrying	Book Balance		Bad debt		Carrying
	Amount	%	Amount	%	amount	Amount	%	Amount	%	amount
Provision for bad debts on an individual basis	23,753,000	24.18%	(23,753,000)	100.00%	-	23,753,000	22.79%	(23,753,000)	100.00%	-
Provision of bad debts made on a collective basis	74,463,503	75.82%	(57,036)	0.08%	74,406,467	80,463,427	77.21%	(67,778)	0.08%	80,395,649
	98,216,503	100.00%	(23,810,036)		74,406,467	104,216,427	100.00%	(23,820,778)		80,395,649

(i) At 30 June 2025, the analysis of bad debt provisions of other receivables in Stage 1 is as follows:

	Book balance	12-month expected credit loss rate	Provision for bad debts
Made on a collective basis:			
Amounts due from subsidiaries	72,624,377	-	-
Deposits and guarantees	1,457,041	3.10%	(45,186)
Receivables from the disposal of the equipment	337,085	3.10%	(10,454)
Petty cash for employees' receivable	45,000	3.10%	(1,396)
	74,463,503		(57,036)

As at 30 June 2025 and 31 December 2024, the Company had no other receivables in Stage 2.

As at 30 June 2025, the analysis of bad debt provisions of other receivables in Stage 3 is as follows:

14 Notes to the Company's financial statements (Cont'd)

(3) Other receivables (Cont'd)

(b) Movements in provision for losses and changes in book balance (Cont'd)

	Book balance	Lifetime expected credit loss rate	Provision for bad debts
Made on an individual basis:			
Amounts due from related parties	23,753,000	100.00%	(23,753,000)

(ii) At 31 December 2024, the analysis of bad debt provisions of other receivables in Stage 1 is as follows:

	Book balance	12-month expected credit loss rate	Provision for bad debts
Made on a collective basis:			
Amounts due from subsidiaries	78,261,661	-	-
Deposits and guarantees	1,403,081	3.10%	(43,048)
Receivable from the disposal of equipment	752,685	3.10%	(23,304)
Petty cash for employees' receivable	46,000	3.10%	(1,426)
	80,463,427		(67,778)

As at 31 December 2024, the Company had no other receivables in Stage 2.

As at 31 December 2024, the analysis of bad debt provisions of other receivables in Stage 3 is as follows:

	Book balance	Lifetime expected credit loss rate	Provision for bad debts
Made on an individual basis:			
Amounts due from related parties	23,753,000	100.00%	(23,753,000)

(c) Provision for bad debts

	31 December 2024	Accrual	Reverse	30 June 2025
Provision for bad debts of other receivables	(23,820,778)	-	10,742	(23,810,036)

14 Notes to the Company's financial statements (Cont'd)

(3) Other receivables (Cont'd)

(d) As at 30 June 2025, the top five other receivables based on the balance of the debtors are summarised and analysed as follows:

	Nature	Balance	Ageing	% of total amount	Provision for bad debts
Subsidiary1	Advance payment	71,624,377	Within 1 year	72.92%	-
Related party	Borrowing	23,753,000	Above 3 years	24.18%	(23,753,000)
Subsidiary2	Technology transfer	1,000,000	Within 1 year	1.02%	-
Company1	Deposit	572,004	Above 3 years	0.58%	(17,739)
Company1	Deposit	46,958	Within 1 year	0.05%	(1,456)
Company2	Deposit	345,837	1 to 2 years	0.35%	(10,725)
		97,342,176		99.11%	(23,782,920)

(4) Long-term equity investments

	30 June 2025	31 December 2024
Subsidiaries (a)	562,425,831	562,425,831
Joint ventures (b)	31,405,264	34,217,879
Associates (c)	222,072,173	223,597,814
	815,903,268	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)
	719,022,652	723,360,908

14 Notes to the Company's financial statements (Cont'd)

(4) Long-term equity investments (Cont'd)

(a) Subsidiaries

		Changes in the current period						
	31 December 2024	Increase in investment	Decrease in investment	Provision for impairment	Others	30 June 2025	Ending balance of provision for impairment	Cash dividends declared this period
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 (Cont'd)

(4) Long-term equity investments (Cont'd)

(b) Joint ventures

	31 December 2024	Changes in the current period								30 June 2025	Ending balance of provision for impairment
		Increase in investment	Decrease in investment	Share of net loss under equity method	Adjustments in OCI	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Others		
Changzhou BVCF	34,217,879	-	-	126,362	-	-	(2,938,977)	-	-	31,405,264	-

(c) Associates

	31 December 2024	Changes in the current period								30 June 2025	Ending balance of provision for impairment
		Increase in investment	Decrease in investment	Share of net loss under equity method	Adjustments in OCI	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Others		
Lead Discovery	-	-	-	-	-	-	-	-	-	-	(332,756)
Derma	-	-	-	-	-	-	-	-	-	-	-
WD Pharmaceutical	223,265,058	-	-	(2,258,328)	-	732,687	-	-	-	221,739,417	-
	223,265,058	-	-	(2,258,328)	-	732,687	-	-	-	221,739,417	(332,756)

14 Notes to the Company's financial statements (Cont'd)

(5) Right-of-use assets

	Buildings
Cost	
31 December 2024	35,350,350
Decrease in the current period	
Lease expiry	(5,574,773)
30 June 2025	29,775,577
Accumulated depreciation	
31 December 2024	(15,815,171)
Increase in the current period	
Accrual	(3,304,860)
Decrease in the current period	
Lease expiry	5,574,773
30 June 2025	(13,545,258)
Carrying amount	
30 June 2025	16,230,319
31 December 2024	19,535,179

(6) Lease liabilities

	30 June 2025	31 December 2024
Lease liabilities	17,256,602	20,525,875
Less: Current portion of non-current liabilities	(5,379,786)	(6,098,210)
	11,876,816	14,427,665

As at 30 June 2025, the Company had no events that were not included in the lease liabilities while resulting in potential future cash outflows.

16 Notes to the Company's financial statements (Cont'd)

(7) Revenue and cost of sales

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Main operations revenue	355,263,421	340,740,051

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Main operations cost	(71,147,923)	(38,151,571)

(a) Main operations revenue and cost

	For the six months ended 30 June 2025		For the six months ended 30 June 2024	
	Main operations revenue	Main operations cost	Main operations revenue	Main operations cost
- Sales of pharmaceutical and diagnostic products	307,309,385	(28,880,613)	325,317,864	(22,740,003)
- Provision of technology service	42,354,036	(42,267,310)	15,422,187	(15,411,568)
-Technology transfer	5,600,000	-	-	-
	355,263,421	(71,147,923)	340,740,051	(38,151,571)

(b) The Company's operating income is broken down as follows:

	For the six months ended 30 June 2025			
	Pharmaceutical products	Service	Technology transfer	Total
Main operations revenue Including: Confirmed at a certain point	307,309,385	42,354,036	5,600,000	355,263,421

	For the six months ended 30 June 2025			
	Pharmaceutical products	Service	Technology transfer	Total
Main operations cost Including: Confirmed at a certain point	(28,880,613)	(42,267,310)	-	(71,147,923)

14 Notes to the Company's financial statements (Cont'd)

(7) Revenue and cost of sales (Cont'd)

(b) The Company's operating income is broken down as follows (Cont'd):

	For the six months ended 30 June 2024			
	Pharmaceutical products	Service	Technology transfer	Total
Main operations revenue				
Including: Confirmed at a certain point	325,317,864	15,422,187	-	340,740,051

	For the six months ended 30 June 2024			
	Pharmaceutical products	Service	Technology transfer	Total
Main operations revenue				
Including: Confirmed at a certain point	(22,740,003)	(15,411,568)	-	(38,151,571)

(8) Investment income

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Losses of long-term equity investment accounted by equity method	(2,131,966)	(7,491,235)
Income from wealth management products	7,742,772	9,510,795
- Interest income from entrusted loans	-	181,735
	5,610,806	2,201,295

The Company did not have any significant restrictions on repatriation of investment income.

SUPPLEMENTARY INFORMATION OF FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2025
(All amounts in RMB Yuan unless otherwise stated)

1 Statement of non-recurring profit or loss

	For the six months ended 30 June 2025	For the six months ended 30 June 2024
Profit or loss from disposals of non-current assets	203,055	141,121
Government grants recognised in profit or loss for the current period, excluding those that are closely related to the normal business operations, and are granted in line with the national policies, regulations and standards, and have an on-going impact on the Company's profit or loss	6,850,812	21,113,893
Except for the effective hedging activities related to the normal business operations, profit or loss arising from changes in fair value of financial assets and financial liabilities held, as well as those arising from disposals of financial assets and financial liabilities	8,257,294	10,254,379
Other non-operating income and expenses excluding the above items	(103,860)	(36,873)
	15,207,301	31,472,520
Effect of income tax	-	(4,655,340)
Effect of minority interests (net of tax)	(302)	(22,196)
	15,206,999	26,794,984

(1) Basis for preparation of statement of non-recurring profit or loss

Pursuant to the Explanatory Announcement No.1 2023 Version, non-recurring profit or loss refers to profit or loss arising from transactions and events that are not directly related to the Company's normal business operations, also from transactions and events that are related to the Company's normal business operations, but will interfere with the right judgement of users of the financial statements on the Company's operation performance and profitability due to their special nature and occasional occurrence.

2 Reconciliation of domestic and foreign financial statements

On 24 February 2020, according to the approval of the temporary shareholders' meeting, the Group started to use the consolidated financial statements prepared under CAS to file the annual report with the Stock Exchange of Hong Kong from the year ended 31 December 2019. Since that, the Group did not prepare the reconciliation between the financial statements prepared under CAS and IFRS.

3 Return on net assets and earnings per share

	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
	For the six months ended 30 June 2025	For the six months ended 30 June 2025	For the six months ended 30 June 2025
Net profit attributable to ordinary shareholders of the Company	0.25%	0.01	0.01
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	-0.41%	(0.01)	(0.01)

	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
	For the six months ended 30 June 2024	For the six months ended 30 June 2024	For the six months ended 30 June 2024
Net profit attributable to ordinary shareholders of the Company	2.99%	0.07	0.07
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	1.85%	0.04	0.04

AUDIT COMMITTEE

The audit committee of the Company (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. 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 unaudited interim results for the six months ended 30 June 2025 before proposing to the Board for approval.

The unaudited financial results of the Group for the Reporting Period and interim report have not been reviewed or audited by the auditor of the Company but have been reviewed by the Audit Committee of the Company, which is of the opinion that the preparation of such statements complies with the applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

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.

PUBLICATION OF INTERIM REPORT

This interim results announcement is published on the websites of the Hong Kong Stock Exchange (http://www.hkexnews.hk), Shanghai Stock Exchange (http://www.sse.com.cn) and the Company (http://www.fd-zj.com). The annual report of the Company for the six months ended 30 June 2025 containing all the information required by the Hong Kong Listing Rules will be despatched to the shareholders and made available for review on the aforesaid websites in due course.

By order of the Board
Zhao Da Jun
Chairman

As at the date on the publication of this announcement, 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)

Shanghai, the PRC

12 August 2025

* *For identification purpose only*