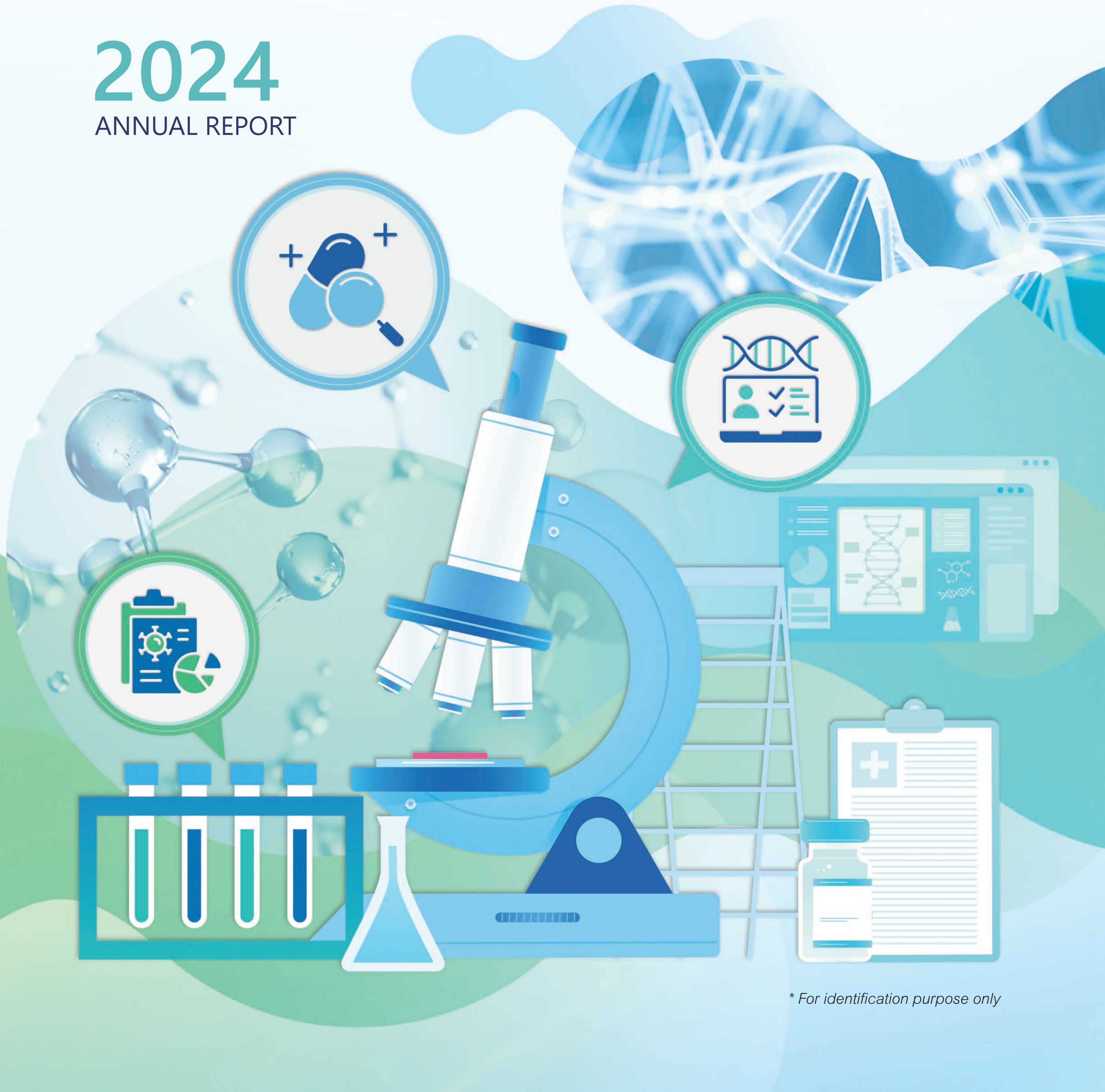
上海復旦張江生物醫藥股份有限公司

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)

2024
ANNUAL REPORT



* *For identification purpose only*

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Corporate Information

EXECUTIVE DIRECTORS

Zhao Da Jun *(Chairman)*
Xue Yan

NON-EXECUTIVE DIRECTORS

Shen Bo
Yu Xiao Yang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Wang Hong Guang
Lam Siu Wing
Xu Pei Long

SUPERVISORS

Huang Jian *(Chairman)*
Zhou Ai Guo
Qu Ya Nan

LEGAL REPRESENTATIVE

Zhao Da Jun

COMPANY SECRETARY

Xue Yan, HKICPA/FCCA/CICPA/CIA

AUTHORISED REPRESENTATIVES

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Xu Pei Long *(Chairman)*
Zhao Da Jun
Lam Siu Wing

STRATEGY COMMITTEE

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

AUDITOR

PricewaterhouseCoopers Zhong Tian LLP

LEGAL ADVISERS TO THE COMPANY

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

PRINCIPAL BANKERS

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

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AUTHORISED REPRESENTATIVE TO ACCEPT SERVICE OF PROCESS AND NOTICES

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LISTING INFORMATION

H Share
The Main Board of The Stock Exchange of
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Stock Code: 1349

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

WEBSITE

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Five Years Financial Data Highlights

RESULTS

	Year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	709,405	850,733	1,031,160	1,140,313	833,803
Profit before income tax	5,458	97,528	132,294	215,921	176,701
Profit for the year	39,434	108,450	137,272	212,381	164,259
Profit attributable to:					
Shareholders of the Company	39,734	108,627	137,997	213,296	164,663
Non-controlling interests	(300)	(177)	(725)	(915)	(403)
Total comprehensive income for the year	39,745	107,793	136,122	209,101	169,288
Total comprehensive income attributable to:					
Shareholders of the Company	40,045	107,970	136,847	210,016	169,691
Non-controlling interests	(300)	(177)	(725)	(915)	(403)
EBITDA	88,270	162,826	216,021	278,786	237,145
	RMB	RMB	RMB	RMB	RMB
Basic and diluted earnings per share for profit attributable to the shareholders of the Company	0.0383	0.1051	0.1340	0.2049	0.1663

ASSETS AND LIABILITIES

	As at 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**2,586,503**	2,876,688	2,976,007	2,781,172	2,500,701
Total liabilities	**(281,226)**	(518,124)	(722,986)	(591,582)	(492,211)
	2,305,277	2,358,564	2,253,021	2,189,590	2,008,490
Capital and reserves attributable to:					
Shareholders of the Company	**2,304,567**	2,357,554	2,257,102	2,192,946	2,010,931
Non-controlling interests	**710**	1,010	(4,081)	(3,356)	(2,441)
	2,305,277	2,358,564	2,253,021	2,189,590	2,008,490

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

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the "Company"), I present the annual report of the Company together with its subsidiaries (collectively as the "Group") for the year ended 31 December 2024 (the "Reporting Period") for shareholders' review.

DEVELOPMENT PHILOSOPHY AND OBJECTIVES

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

After 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.

RESEARCH STRATEGY, REVIEW AND PROSPECTS

During the Reporting Period, the Group's innovative R&D 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, 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.

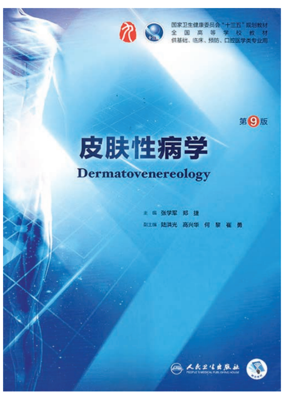
In other areas of PDT, the Group will continue to pay attention to sub-areas such as antibacterial photodynamic therapy (aPDT) and photo immunotherapy (PIT), and proactively carry out related early research. We also focus on the screening and design of photosensitizers and their topical administration 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.

Chairman's Statement

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.



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

A phase II clinical trial of aminolevulinic acid hydrochloride powder for topical use for the treatment of cervical intraepithelial neoplasia ("CIN") caused by HPV infections was completed during the Reporting Period, and a phase III clinical study will be initiated as soon as possible. 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. During the Reporting Period, the results from the phase II clinical study of the project were presented at the 18th Gynecologic Oncology Conference of the Chinese Medical Association.

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

A phase II clinical trial of aminolevulinic acid hydrochloride for external use for the treatment of actinic keratosis (AK, also known as solar keratosis and senile keratosis) was undergoing during the Reporting Period. 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 first patient for a confirmatory clinical trial of aminolevulinic acid hydrochloride powder for oral solution for the intraoperative visualization of high-grade gliomas was successfully enrolled during the Reporting Period. A 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 application for a confirmatory clinical trial of aminolevulinic acid hydrochloride granules for the visualization of non-muscular invasive bladder cancer during transurethral resection of bladder tumor was approved during the Reporting Period. With the aid of new devices, the first patient for the trial was enrolled as at the date of this report. 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 non-muscular invasive bladder cancer (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 application for a phase II clinical trial of aminolevulinic acid granules for the intraoperative visualization of breast cancer in adult breast conservative surgery was approved during the Reporting Period. Breast cancer is one of the most common malignant tumors in women with its incidence ranking first among female tumors, which seriously endangers women's physical and mental health. According to IARC data, China ranked first in the world in new cases of breast cancer in 2020, with approximately 420,000 cases. At present, the main diagnostic and treatment methods for breast cancer include surgical treatment, radiotherapy, chemotherapy, targeted therapy and immunotherapy, among which breast-conserving surgery for patients with early breast cancer has gained wide consensus. The goal of breast-conserving surgery is to completely remove the tumor while preserving the surrounding healthy tissue as much as possible. However, current technology is not yet sufficient to help surgeons determine in real time whether the tumor has been completely removed. The Company has developed this intraoperative fluorescence-guided technology to visualize the residual tumor and the resection margins, so as to guide the extent of resection in real time, with a view to helping patients in China and fulfilling the unmet medical needs in clinical practice.

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 505b(1) drug was undergoing in the United States. During the Reporting Period, the first patient of the project was enrolled. 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. Hemoporfin, as a new type of photosensitizer for the treatment of PWB, is also included in the textbook Dermatovenerology (9th edition) published by the People's Medical Publishing House.

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

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

ANTIBODY-DRUG CONJUGATES (ADCs)

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

The Group's first ADC is the Recombinant Anti-CD30 Human-mouse Chimeric Monoclonal Antibody-MCC-DM1 Injection ("CD30-DM1 ADC") for the treatment of tumors, which is actually an exploration of DM1 technology on the CD30 target in ADC projects and a combination of ADCETRIS® (CD30-MMAE) and Kadcyla® (Her2-DM1/T-DM1). As the Group's pilot project in the field of ADC R&D, the project enabled the Group to accumulate considerable experience and technical know-how for further research on ADCs. During the Reporting Period, results from a phase I clinical study of the project were presented at the 66th Annual Meeting of the American Society of Hematology (ASH). Based on considerations of market competition and the strategic decision that our Group's resources are relatively concentrated in advantageous fields and projects, this project has been put on hold.

The Group's second ADC is a 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, non-small cell lung cancer, ovarian cancer, colorectal cancer and other tumors. A phase III clinical study of the drug for the treatment of triple-negative breast cancer and a phase I clinical study of the drug for the treatment of other oncology indications are undergoing. This is a me-too drug with a linker different from that of the original drug. Available studies show that it has similar pharmacological properties and in vitro pharmacodynamics to the original drug and displays similar efficacy and a similar pharmacokinetic profile in model animals. During the Reporting Period, the first patient was enrolled in the phase III clinical study of the drug for the treatment of triple-negative breast cancer. In addition, as at the end of the Reporting Period, the enrollment of all subjects in each cohort of the phase I clinical study of the project for the treatment of other oncology indications was completed. It is expected that it will achieve the same or better clinical results compared to the original drug.

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 metastatic breast cancer and metastatic gastric cancer is undergoing a phase I clinical study for dose expansion and indication exploration. During the Reporting Period, the first patient was enrolled in a clinical study of the project for the treatment of breast cancer with low HER2 expression. In addition, during the Report Period, the enrollment of a phase I clinical study of the project for the treatment of breast cancer with high HER2 expression was completed, and its results were presented at the European Society for Medical Oncology Asia Congress 2024 (ESMO Asia 2024). The drug is composed of monoclonal antibodies targeting human epidermal growth factor receptor 2 (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 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

– The first patient in 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 was enrolled during the Reporting Period. 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.

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 Company's ADC workshop in Taizhou and its successful commencement of production, ADC drugs will become one of the important product groups of the Group.

OTHER DRUGS

Parkinson's disease, also known as paralysis agitans, is one of the most common neurodegenerative diseases, with onset of the disease occurring at the age of 50 to 60. The disease is caused by a lack of dopamine in the brain, which prevents the brain's nerve cells from properly controlling motor functions, resulting in tremor in hands and feet, slowness of movement, sleep disorders and other symptoms that affect quality of life. At present, levodopa, the mainstream drug for the treatment of early Parkinson's disease in clinical practice, comes in two types: the rapid-release formulations and the sustained-release formulations. However, none of the products has achieved the ideal effect of long-term stable release and absorption of levodopa. Fluctuating drug concentrations in blood will accelerate the course of disease and produce other adverse symptoms, making clinicians concerned about the early use of levodopa as a treatment option. The carbidopa/levodopa controlled-release tablet project (WD-1603) of the Company for the treatment of early Parkinson's disease was undergoing commercialization through scale-up research during the Reporting Period, with pre-clinical batch production, analytical method transfer/validation and finished product inspection completed. This project is classified as a National Medical Products Administration ("NMPA") Class 2 new drug in China and an FDA 505(b)(2) new drug in the United States. The project uses the UGI-Pump® technology, a patented technology platform of Shanghai Handu Pharmaceutical Technology Co., Limited ("Shanghai Handu"), an associate of the Group, to prolong the retention time of the levodopa formulation in the upper gastrointestinal tract and continuously and stably release the drug during the retention time, so as to obtain a stable drug concentration in blood, delay the progression of Parkinson's disease to a great extent and reduce adverse reactions caused by the drug. During the Reporting Period, the PCT patent of this drug was granted in China, Japan and United States.

The bioequivalence study and the confirmatory clinical trial of an obeticholic acid project for the treatment of hepatobiliary diseases (the synthesis of which is patented) have been completed, with the marketing application for the project accepted in October 2024.

The major drugs developed by the Group and their progress as at the end of the year 2024 are summarized as follows:

R&D Field	Technical Field	Main Project Name	Registration Type	Proposed Indication	Progress	Comparison with Industry Technical Level
R&D field of photodynamic drugs	Photodynamic technology	Hemoporfin (海姆泊芬) (T0004/F0026)	Class 1 innovative chemical drugs 505(b)(1)	PWB	Phase IV clinical study completed Phase II clinical study underway in the United States	Internationally leading level: new compound and new indication
		Aminolevulinic acid – CIN (F0005)	Class 2.4 improved new drugs	Cervical diseases caused by HPV infections	Phase II clinical study completed	Internationally leading level: new indication
		Aminolevulinic acid – acne (F0014)	Class 2.4 improved new drugs	Acne	Phase II clinical study completed	Internationally leading level: new indication
		Aminolevulinic acid – AK (F0037)	Class 2.2 improved new drugs	Actinic keratosis	Phase II clinical study underway	Internationally advanced level
		Aminolevulinic acid – gliomas (F0009)	Class 3 generic drugs	Surgical visualization of gliomas	Confirmatory clinical trial underway	Internationally advanced level
		Aminolevulinic acid – bladder cancer (F0044)	Class 3 generic drugs	Surgical visualization of bladder cancer	Confirmatory clinical trial underway	Internationally advanced level
		Aminolevulinic acid – breast cancer (F0045)	Class 2.4 improved new drugs	Surgical visualization of breast cancer	Application for phase II clinical trial approved	Internationally advanced level
R&D field of ADCs	ADC engineering	CD30-DM1 ADC (F0002)	Class 1 therapeutic biological products	Tumors	Phase I clinical study Completed (the development has been put on hold)	Internationally leading level: new compound
		Trop2-SN38 ADC (F0024)	Class 1 therapeutic biological products	Triple-negative breast cancer	Phase III clinical study underway	Internationally advanced level
				Tumors	Phase I clinical study underway	Internationally advanced level
		Her2-BB05 ADC (F0034)	Class 1 therapeutic biological products	Tumors	Phase I clinical study underway	Internationally advanced level
		Trop2-BB05 ADC (F0040)	Class 1 therapeutic biological products	Tumors	Phase I clinical study underway	Internationally advanced level
		DLL3-BB05 ADC (F0041)	Class 1 therapeutic biological products	Tumors	Phase I clinical study underway	Internationally leading level
R&D field of other drugs	Osmotic pump technology	Controlled-release carbidopa/levodopa Tablets (WD-1603)	Class 2.2 improved new drugs	Early Parkinson's disease	Phase II clinical study completed	Internationally advanced level
	Drugs with patent or technological barriers	Obeticholic acid (F0019)	Class 3 generic drugs	Hepatobiliary diseases/ Autoimmune diseases	Marketing application under review	Internationally advanced level

OPERATION STRATEGY, REVIEW AND PROSPECTS

The Group's operation strategy is, first and foremost, to carry out adequate academic promotion for its marketed products in China, so that the products can be used by more patients. When conditions are ripe, we will initiate the international registration (mainly in Europe and the United States) of our marketed products as soon as possible to benefit more patients, achieve greater therapeutic value and gain more commercial benefits. Secondly, China has joined the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH), which has laid a foundation for the internationalization of our research. Therefore, the mid- and long-term research projects being developed by the Group must be registered both domestically and overseas (for example, in the United States) in order to achieve the goal of internationalization in the long-term development of the Group. Finally, we need to pay close attention to the selection and development of external investment projects, in order to strike a balance between the short-term and long-term development plans of the Group and ultimately achieve the goals of corporate growth and returns to shareholders.

During the Reporting Period, the Group's revenue decreased by 17% year on year. ALA (艾拉®), indicated for the treatment of HPV infectious diseases and proliferative diseases of the skin (most notably condyloma acuminata), LIBOd®, indicated for the treatment of tumors, and FuMeiDa, indicated for the treatment of PWB, are the three major products of the Group, and together they contributed 99.78% of the Group's main operations revenue.

ALA (艾拉®), a first-in-class drug, is the first photodynamic drug for the treatment of condyloma acuminata in the world. It was launched in 2007. As the first photodynamic drug in China, ALA can selectively spread and accumulate in condyloma acuminatum cells, and, together with light waves of specific wavelengths and energy levels, kill those cells without damaging surrounding normal tissue cells. Due to the feature of this therapy, ALA is also effective in treating subclinical and latent infections. Compared with traditional therapies, the therapy of ALA combined with photodynamic technology has filled the gap of a long-term lack of effective treatment for urethral condyloma 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. During the Reporting Period, the contribution of ALA to the Group's sales revenue decreased by 13% year on year.

LIBOd® (里葆多®) for the treatment of tumors, the first generic version of Doxil in China and the first generic version of a nano drug at home and abroad, was launched in August 2009 and has since received favorable market responses and earned a reputation. The drug is a new dosage form of doxorubicin encapsulated with advanced stealth liposomal technology with passive targeting properties. It is a new generation of replacement for anthracycline drugs. In oncology, it has the advantages of enhancing efficacy and lowering the effects of cardiac toxicity, myelosuppression and hair-loss. LIBOd® is mainly used in the treatment of Kaposi's sarcoma, breast cancer, ovarian cancer and other tumors. In accordance with the requirements of relevant laws and regulations in China, doxorubicin hydrochloride liposome injection (LIBOd®) (specification: 10ml:20mg) has passed the consistency evaluation of quality and efficacy for generic chemical injections of the NMPA (the "Consistency Evaluation"). During the Reporting Period, the Company and Huizheng (Shanghai) Pharmaceuticals Technology Co., Ltd.* (輝正(上海)醫藥科技有限公司) ("Shanghai Huizheng") entered into "The Termination Agreement for the Marketing Services Agreement and its Supplementary Agreements" on 20 June 2024, pursuant to which their cooperation was terminated with effect from 31 December 2023. For more details, please refer to the announcement of the Company dated 20 June 2024. During the Reporting Period, the sales revenue contributed by the single product of LIBOd® to the Group decreased by 28% year on year.

FuMeiDa, the first photodynamic drug for the treatment of PWB in the world, is a new drug with a new drug target, a new compound and a new indication. The product was launched in 2017. After entering the human body, Hemoporfin will spread quickly to surrounding tissues and be distributed specifically to vascular endothelial cells. Under the irradiation of laser or LEDs of specific wavelengths, it will selectively damage vascular endothelium tissues that are rich in photosensitizers. The dilated and abnormal capillary network at the lesion site will be cleared by photodynamic reaction and the subsequent action of the body's coagulation system, thus achieving the therapeutic goal. There was no effective treatment for PWB before. As a second-generation photosensitizer, compared with traditional therapies, Hemoporfin has the significant advantages of a stable chemical structure, low photo toxicity, rapider metabolism, a short light-avoidance period, the even disappearance of lesions, a high cure rate, a low incidence of scar formation and a low recurrence rate. Clinicians and researchers are excited by the excellent efficacy demonstrated by the drug and its high cure rate compared to the traditional laser treatment. During the Reporting Period, FuMeiDa continued to expand new hospital sales channels, with favorable post-operative feedback from patients. During the Reporting Period, the contribution of FuMeiDa to the Group's sales revenue decreased by 4% year on year.

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

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

As an important production base of the Group, Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd* (泰州復旦張江藥業有限公司) ("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 (such as the obeticholic acid project) and a series of ADC projects. During the Reporting Period, the newly-built antibody-drug conjugate workshop in Taizhou Fudan-Zhangjiang completed the clinical sample production of Trop2-SN38 ADC (also known as "FDA018 antibody-drug conjugate for injection"), which can be used for a phase III clinical trial of the drug for the treatment of triple-negative breast cancer being conducted by the Group. Meanwhile, scale-up research and trial production for the Her2-BB05 ADC project (also known as "FDA022 antibody-drug conjugate for injection") were completed during the Reporting Period. 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.

By the end of the year 2024, the commercialized main products of the Group are summarized as follows:

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

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

In conclusion, the Company will focus on strengthening its core technology advantages, diversifying its product catalog, promoting the commercialization of its R&D achievements, and building a world-famous photodynamic brand. Based on its existing products, the Company will continue to strengthen its R&D and provide customers with more valuable and differentiated products and services. The Company will make full use of its competitive advantages accumulated over the years, such as product quality, R&D technology, experience in chemical synthesis, management and human resources, to implement the Company's expansion steadily. Leveraging our existing platforms of photodynamic technology, nano technology, genetic engineering 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.

INTELLECTUAL PROPERTY RIGHTS

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

	Newly added		Cumulative total	
	Applied	**Obtained**	**Applied**	**Obtained**
Invention patents	16	11	138	51
Utility model patents	5	0	31	25
Industrial design patents	2	0	5	3
Software copyright	0	0	26	26
Others	0	0	0	0
Total	23	11	200	105

Notes:

1. The numbers of applied patents exclude abandoned applications and expired applications;

2. The cumulative total of obtained patents excludes patents that expired during the Reporting Period;

3. The number of newly applied invention patents includes one PCT application.

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 RMB29.14 million from governments at all levels for a number of R&D and commercialization projects.

According to an announcement made by the Bureau of Industry and Information Technology of Taizhou City, Jiangsu Province, Taizhou Fudan-Zhangjiang was selected as one of the "Specialized, Refined, Differential and Innovative" (專精特新) Small and Medium-sized Enterprises in Jiangsu Province from 2023 to 2025.

ACKNOWLEDGEMENT

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

Zhao Da Jun
Chairman

Shanghai, the PRC
27 March 2025

Management Discussion and Analysis

INDUSTRY LANDSCAPE AND TRENDS

The global pharmaceutical market has been growing steadily amid the ongoing growth of the global population, the development of emerging markets, the rise in people's living standards and the ageing of society, resulting in breakthroughs in medical technologies and the emergence of new products. The statistics of IQVIA Holdings Inc. (IQVIA) showed that global pharmaceutical expenditure has been rising in recent years and is expected to exceed USD1.1 trillion in 2024. The global pharmaceutical market is expected to grow at a compound annual growth rate of 3-6% by 2026. An ageing population saw the emergence of the over-60 age group as it accounts for an increasing proportion in the population mix, with surging demand and advancement in pharmaceutical technology further driving industry development. Since 2015, China's pharmaceutical industry has entered a phase of rapid differentiation, structural upgrades and elimination of backward capacity. With the country's accelerated promotion of the systems of conditional drug listing and priority review and approval, as well as its expanding support for health insurance, Frost & Sullivan estimated that the size of China's pharmaceutical market will reach RMB2.1 trillion by 2025, and will further increase to RMB2.7 trillion by 2030, with the biopharmaceutical market expected to account for as much as 48% of the total market size. With the improvement in drug approval standards and the continuous promotion of the generic drug consistency evaluation, enterprises with independent pharmaceutical innovation capabilities and intellectual property protection will have significant advantages in future market competition. In recent years, as volume-based procurement is becoming the norm, the golden age of high gross profit margins for generic drugs has come to an end, while investment in the research and development (R&D) of innovative drugs has been surging.

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

MAJOR R&D ACHIEVEMENTS DURING THE REPORTING PERIOD

1) In March 2024, the application for a confirmatory clinical trial of aminolevulinic acid hydrochloride powder for oral solution for the intraoperative visualization of glioma (WHO grade III or IV) was approved; and the first patient was successfully enrolled in June 2024;

2) In May 2024, the results of a dose escalation study of Trop2-SN38 ADC (also known as “FDA018 antibody-drug conjugate for injection”) for the treatment of advanced solid tumors and the data from a cohort expansion phase I clinical study of the project for the treatment of triple-negative breast cancer were published on the official website of American Society of Clinical Oncology (ASCO); the first patient in a phase III clinical study of the project for the treatment of triple-negative breast cancer was successfully enrolled in August 2024;

3) In June 2024, the first patient in a clinical study of Her2-BB05 ADC (also known as “FDA022 antibody-drug conjugate for injection”) for the treatment of HER2-low breast cancer was successfully enrolled; In October 2024, the preclinical research of Her2-BB05 ADC for the treatment of advanced solid tumors was published in Journal of Medicinal Chemistry, a journal founded by the American Chemical Society; In December 2024, the research results of a phase I clinical study of Her2-BB05 ADC for the treatment of advanced solid tumors were presented at the European Society for Medical Oncology Asia Congress 2024 (ESMO Asia 2024);

4) In June 2024, the preclinical research of DLL3-BB05 ADC (also known as “FZ-AD005 antibody-drug conjugate for injection”) for the treatment of advanced solid tumors was published in Molecular Cancer Therapeutic, a journal of the American Association for Cancer Research; and the first patient in a phase I clinical study of the project was successfully enrolled in July 2024;

5) In August 2024, the research results of the project on the treatment of moderate cervical intraepithelial neoplasia (CIN2) caused by high-risk HPV infection were presented at the 18th Academic Conference on Gynecological Oncology of the Chinese Medical Association;

6) In September 2024, the research results of a phase II clinical study on the external use of aminolevulinic acid hydrochloride topical powder for the treatment of moderate to severe acne were presented at the 53rd Annual Meeting of the European Society for Dermatological Research (ESDR);

7) In September 2024, the first patient in a phase II clinical trial of Hemoporfin for injection (also known as “F0026 project”) for the treatment of PWB was successfully enrolled;

8) In October 2024, the marketing application for Obeticholic Acid Tablets for the treatment of primary biliary cholangitis was accepted;

9) In November 2024, the research results of a phase I clinical study of CD30-DM1 ADC for the treatment of relapsed/refractory CD30-positive lymphoma were presented at the 66th Annual Meeting of the American Society of Hematology (ASH).

FINANCIAL REVIEW

The following discussion and analysis of the Group's financial and operational position should be read in conjunction with and with reference to the consolidated financial statements of the Group and the related notes to the consolidated financial statements.

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

REVENUE

Revenue of the Group for the year 2024 amounted to approximately RMB709.40 million, compared to approximately RMB850.73 million for the year 2023, representing a decrease of 17%. 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 year 2024 mainly came from the sale of medical and diagnostics products. The main source of revenue for the year 2024 was nearly the same as that for the year 2023.

REVENUE FROM SALE OF MEDICAL AND DIAGNOSTICS PRODUCTS

Revenue of the Group from the sale of medical and diagnostics products for the year 2024 was RMB709.38 million (representing 99.9963% of the main operations revenue), representing a decrease of 17% from RMB850.56 million for the year 2023. The contribution to the main operations revenue of ALA, LIBOd® and FuMeiDa, the major products of the Group, was 50%, 29% and 21% 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 still undertaken by its own sales team. Meanwhile, in view of the fact that during the Reporting Period, the Company terminated the exclusive marketing services agreement for LIBOd® with Shanghai Huizheng (for more details, please refer to the announcement of the Company dated 20 June 2024), the Company timely adjusted the sales strategy of LIBOd® by screening and identifying professional contract sales organizations ("CSO") for oncology products to provide marketing and academic promotion services respectively based on the terminal sales price and market coverage in each province and municipality in order to ensure the orderly handover of marketing tasks of LIBOd®.

COST OF SALES

For the year 2024, the Group's main operations costs were RMB61.21 million (representing 100.00% of the cost of sales). For the year 2023, the Group's main operations costs were RMB70.63 million. The Group's cost of sales was mainly attributable to the sale of pharmaceutical and diagnostic products. The decrease in cost of sales was mainly due to the decline in Group's revenue during the Reporting Period.

For the year 2024, the ratio of main operations cost to main operations revenue was 9% (2023: 8%), and the overall gross profit margin of the Group's products remained stable. At the same time, the Group has always implemented strict cost control and will endeavor to enhance the gross profit margin while maintaining its current product mix.

SELLING EXPENSES & GENERAL AND ADMINISTRATIVE EXPENSES

For the year 2024, the selling expenses of the Group were RMB299.34 million, representing a decrease of 22% from RMB383.60 million for the year 2023. Selling expenses included marketing and academic promotion fees, salary costs, depreciation and amortization, and business entertainment and travel expenses. Meanwhile, the ratio of selling expenses to revenue decreased from 45% for the year 2023 to 42% for the year 2024. Details are set out in note 5(36) to the consolidated financial statements.

For the year 2024, the general and administrative expenses of the Group were RMB41.70 million, representing a decrease of 3% from RMB42.86 million for the year 2023. The decrease was mainly due to the decline in labor costs during the Reporting Period compared with the same period of the previous year. Details are set out in note 5(37) to the consolidated financial statements.

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 year 2024 were RMB314.16 million, representing an increase of 29% compared with RMB243.76 million for the year 2023. Details are set out in note 5(38) to the consolidated financial statements. In addition, the total investment in R&D of the Group in 2024 was RMB314.16 million, representing an increase of 28% compared with RMB244.70 million for the year 2023. Details are set out in note 5(15) to the consolidated financial statements.

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

Unit: RMB

Project Name	R&D investment amount	Expense amount of R&D investment	Capitalization amount of R&D investment	Ratio of R&D investment to revenue (%)	Change (%)
Research on antibody-drug conjugate projects	173,905,903	173,905,903	–	24.51	74.23
Research on Hemoporfin	13,691,893	13,691,893	–	1.93	-28.17
Research on aminolevulinic acid hydrochloride	73,319,637	73,319,637	–	10.34	23.84
Other research	53,244,709	53,244,709	–	7.51	-20.07
R&D investment during the Reporting Period	**314,162,142**	**314,162,142**	**–**	**44.29**	**28.39**

FINANCIAL INCOME – NET

For the year 2024, the financial income of the Group was approximately RMB5.03 million, compared with a financial income of approximately RMB3.70 million for the year 2023. The increase in the financial income was mainly due to a decrease in interest expenses after the Group repaid bank loans during the Reporting Period. Details are set out in note 5(39) to the consolidated financial statements.

OTHER INCOME

Other income of the Group for the year 2024 was RMB19.40 million, compared with RMB25.58 million for the year 2023, representing a decrease of 24%. The decrease in other income was mainly due to the reduction in governmental grants recognized for the year. Details are set out in note 5(41) to the consolidated financial statements.

INCOME TAX EXPENSES

Effective from 1 January 2008, Fernovelty (Hong Kong) Holding Co., Ltd ("Fernovelty Holding") is required to determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") as approved by the National People's Congress on 16 March 2007. The Company and its subsidiaries Taizhou Fudan-Zhangjiang and Tracing Bio-technology were both recognized as high-tech enterprises, and their applicable tax rates were 15% in 2024.

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% (2021: 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 years ended 31 December 2024 and 2023, Hong Kong profits tax was not provided.

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

NET PROFIT AND NET PROFIT RATE

The net profit of the Group for the year 2024 was RMB39.43 million, representing a decrease of 64% compared with RMB108.45 million for the year 2023. The net profit rate of the Group for the year 2024 was 6% (2023: 13%). The decrease in the Group's net profit rate was mainly due to the significant increase in the Group's R&D investment during the Reporting Period.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company of approximately RMB39.73 million was recorded in the consolidated financial statement for the year 2024, compared with approximately RMB108.63 million for the year 2023, representing a decrease of 63%.

SIGNIFICANT INVESTMENTS

As at 31 December 2024, the net book value of the Group's long-term equity investments amounted to RMB257.48 million, of which the fair value of the Group's interest in Shanghai Handu amounted to approximately RMB223.27 million, representing 8.63% of the Group's total assets. An investment loss of approximately RMB28.55 million was recorded during the Reporting Period, including unrealized net loss of RMB7.98 million recognized in proportion to the Group's shareholding in Shanghai Handu. The Group did not receive any dividend from Shanghai Handu during the Reporting Period. Details are set out in Notes 5(10) and 7(2) to the consolidated financial statements.

In 2021, the Company (i) subscribed for new registered capital of USD1,380,526 in Shanghai Handu at the consideration of RMB102.42 million; and (ii) acquired the equity interests corresponding to registered capital of USD2,765,490 in Shanghai Handu at a consideration of USD25,243,137. In 2021, the Company paid a total of RMB265.96 million with its own funds to complete the subscription and acquisition. Upon their completion, the Company held registered capital in Shanghai Handu in a total amount of USD4,146,016, representing 39.5663% equity interest in Shanghai Handu. The investment in Shanghai Handu was a long-term investment of the Group for its growth potential in its drug R&D capabilities.

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

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during 2024.

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 31 December 2024, the fair value of the equity instruments held by the Company in TuHURA was approximately RMB10,584.

CONTINGENT LIABILITIES

As at 31 December 2024 and 2023, the Directors were not aware of any material contingent liabilities.

CHARGE ON ASSETS

As at 31 December 2024 and 2023, the Group had no charge on assets.

BANK BORROWINGS

As at 31 December 2024, the Group had no outstanding bank borrowings.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Based on the commercialization planning for the subsequent R&D projects of the Group, the Board reviewed and approved at a meeting on 11 August 2021 the construction of the Phase II pharmaceutical production base project by Taizhou Fudan-Zhangjiang on the plot of land adjacent to its existing plant to meet the commercialization of the Group's subsequent R&D projects and expedite the application process of its existing R&D pipeline. The Phase II production base project is planned to occupy approximately 44 acres, with an estimated total gross floor area of approximately 42,000 square meters, comprising multiple production lines including an antibody-drug conjugate workshop and other auxiliary facilities. The total investment in the project was RMB600 million (including the bidding payment for land use rights of RMB12.65 million), which was financed with the Company's own funds. In 2023, in the Phase II production base project, approximately 25,000 square meters of workshop buildings have been actually completed. Among them, the antibody-drug conjugate (ADC) workshop has been constructed and started trial operation. During the reporting period, this ADC workshop was officially put into operation, laying a solid foundation for the steady progress of the Group's development strategy for ADC drugs. In the future, Taizhou Fudan-Zhangjiang plans to successively build new production workshops for photodynamic supporting medical devices and workshops for bulk pharmaceuticals, providing complete supporting support for the industrialization of the Group's photodynamic projects.

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

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2024, the Group had cash and cash equivalents of approximately RMB1,056.29 million (2023: RMB1,195.90 million). The cash held by the Group was principally denominated in RMB.

In line with other companies in the industry, the Group monitors its capital using the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including bank loans and loans from government authorities) less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt. As at 31 December 2024 and 2023, there was no outstanding bank borrowings. Therefore, the gearing ratio was not applicable (gearing ratio: 0).

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

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

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES AND SALARIES

As at 31 December 2024, the Group had a total of 925 employees, as compared to 948 employees as at 31 December 2023. Staff costs including Directors' remuneration for the year 2024 were RMB232.12 million compared with RMB238.47 million for the year 2023. The salaries and benefits of employees provided by the Group are kept at a competitive level and employees are rewarded on the basis of their performance within the general framework of the Group's salary and bonus system which is reviewed annually. A wide range of benefits, including statutory social security, are also provided to employees by the Group. The Group also arranges induction and on-the-job training to employees from time to time. There were no forfeited contributions which may be used by the Group to reduce the existing level of contributions during the year.

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

OTHER MATTERS

ISSUE OF A SHARES

In order to further broaden the Company's funding channels and enhance its core competitiveness, on 14 May 2020, the Company obtained the reply on approving the registration of the Company's initial public offering (regulatory permission [2020] no. 912) issued by the China Securities Regulatory Commission (the "CSRC"). The A shares of the Company have been listed and commenced trading on the STAR Market of the Shanghai Stock Exchange since 19 June 2020 (Stock code: 688505). The number of shares issued was 120,000,000 A shares (par value of RMB0.1 per share), and the Company's original 583,000,000 domestic shares were converted into A shares at the same time. The issue price of the A shares was RMB8.95 per share, and the A shares were issued under a special mandate granted by shareholders to the Board at an annual general meeting on 26 April 2019 and extended at an annual general meeting on 30 March 2020. The total share capital of the Company was 923,000,000 shares before the issue of A shares. After the issue, the total share capital of the Company increased to 1,043,000,000 shares, of which 703,000,000 shares were A shares and 340,000,000 shares were H Shares.

USE OF PROCEEDS

The gross proceeds from the issue of A share were RMB1,074,000,000 and the net proceeds were RMB974,323,900 after deducting issue expenses of RMB99,676,100. The net proceeds shall be used for the planned projects described in the circular of the Company dated 4 April 2019 and the announcement of the Company dated 26 April 2019. At the beginning of the Reporting Period (i.e. 1 January 2024), the unutilized balance of the net proceeds brought forward from 2023 was approximately RMB262,354,167.

The proceeds were used for the following projects:

Intended use of proceeds for investment projects	Planned use of proceeds RMB'000	Amount utilized during the year ended 31 December 2024 RMB'000	Cumulative amount utilized as at 31 December 2024 RMB'000	Remaining balance as at 31 December 2024 RMB'000	Expected timeline of utilization
– The Registration Project of Hemoporfin in the United States Note 4	23,000.00	1,524.04	5,965.60	17,034.40	*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 Note 5	–	3,632.39	32,432.39	–	
Interest on raised funds Note 6	–	2,212.87	3,043.62	2,276.00	
Total	65,000.00	7,369.30	83,441.61	19,310.40	

Notes:

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

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

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

(4) 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;

(5) During the Reporting Period, the Board considered and approved the utilization of approximately RMB58,452,613 (including interest income of approximately RMB22,128,718) of the remaining excess proceeds for the permanent replenishment of working capital. The proposal was considered and approved at the 2023 annual general meeting. The Company will fulfill its internal approval and information disclosure obligations with respect to the use of excess proceeds.

PERFORMANCE OF UNDERTAKINGS

During the application process in respect of the issue of A shares, the undertakings of the Company's shareholders, related parties, the Company and other related parties during the Reporting Period or up to the Reporting Period are listed in the section "Significant Events" of the interim report of the Company dated 25 August 2022, which includes the types, contents and duration of the undertakings. As at 31 December 2024, except for undertakings that had been fulfilled, the above undertakings had not changed, and all related parties had complied with the relevant disclosed undertakings.

CHANGES IN RESTRICTED SHARES DURING THE REPORTING PERIOD

Not applicable.

SUBSCRIPTION OF WEALTH MANAGEMENT PRODUCT AND STRUCTURED DEPOSIT PRODUCTS

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

On 3 January 2024, The Company entered into the Ping An Bank Structured Deposit Product Agreement I with Ping An Bank and agreed to subscribe for a structured deposit product with a total amount of RMB300 million with a maturity period of 86 days by using self-owned idle funds generated from its daily operation. Meanwhile, the Company entered into the Ping An Bank Structured Deposit Product Agreement II with Ping An Bank and agreed to subscribe for structured deposit products with a total amount of RMB57 million with a maturity period of 86 days by using the temporary idle proceeds from its public offering of A shares.

On 4 January 2024, the Company entered into two structured deposit product agreements with the Bank of China and agreed to subscribe for structured deposit products with a total amount of RMB180 million with maturity periods of 85 days and 84 days respectively by using the temporary idle proceeds from its public offering of A shares.

On 2 April 2024, The Company entered into the Ping An Bank Structured Deposit Product Agreement I with Ping An Bank and agreed to subscribe for a structured deposit product with a total amount of RMB300 million with a maturity period of 87 days by using self-owned idle funds generated from its daily operation. Meanwhile, the Company entered into the Ping An Bank Structured Deposit Product Agreement II with Ping An Bank and agreed to subscribe for structured deposit products with a total amount of RMB57 million with a maturity period of 87 days by using the temporary idle proceeds from its public offering of A shares.

On 3 April 2024, the Company entered into a structured deposit product agreement with the Bank of China and agreed to subscribe for structured deposit products with an amount of RMB180 million with a maturity period of 86 days by using the temporary idle proceeds from its public offering of A shares.

On 1 April 2024, 22 April 2024 and 3 June 2024, the Company entered into the SPD Bank Structured Deposit Product Agreement I, the SPD Bank Structured Deposit Product Agreement II and the SPD Bank Structured Deposit Product Agreement III respectively with the SPD Bank and agreed to subscribe for a structured deposit product with a total amount of RMB300 million with maturity periods of 86 days, 30 days and 25 days respectively by using self-owned idle funds generated from its daily operation.

On 2 July 2024, the Company entered into a structured deposit product agreement with the Bank of China and agreed to subscribe for structured deposit products with an amount of RMB180 million with a maturity period of 91 days by using the temporary idle proceeds from its public offering of A shares. Meanwhile, the Company entered into a structured deposit product agreement with the SPD Bank and agreed to subscribe for structured deposit products with an amount of RMB200 million with a maturity period of 30 days by using self-owned idle funds generated from its daily operation.

On 3 July 2024, the Company entered into a structured deposit product agreement with Ping An Bank and agreed to subscribe for structured deposit products with an amount of RMB200 million with a maturity period of 89 days by using self-owned idle funds generated from its daily operation.

On 1 August 2024, the Company entered into a structured deposit product agreement with the SPD Bank and agreed to subscribe for structured deposit products with an amount of RMB200 million with a maturity period of 58 days by using self-owned idle funds generated from its daily operation.

On 8 October 2024, the Company entered into a structured deposit product agreement with the Bank of China and agreed to subscribe for structured deposit products with an amount of RMB180 million with a maturity period of 84 days by using the temporary idle proceeds from its public offering of A shares.

On 10 October 2024, the Company entered into a structured deposit product agreement with Ping An Bank and agreed to subscribe for structured deposit products with an amount of RMB200 million with a maturity period of 82 days by using self-owned idle funds generated from its daily operation. Meanwhile, the Company entered into a structured deposit product agreement with the SPD Bank and agreed to subscribe for structured deposit products with an amount of RMB200 million with a maturity period of 77 days by using self-owned idle funds generated from its daily operation.

The Company's subscription of structured deposit products by the reasonable and effective use of some of its temporary idle funds (including the proceeds from its public offering of A shares) is beneficial for enhancing the overall capital gain of the Group, which is in line with the core objectives of the Company to safeguard its capital and ensure liquidity. It is expected that the impact of risk factors in connection with the expected return of the above-mentioned structured deposit products is low, while the Group can enjoy a higher return compared with fixed term deposits in commercial banks in the PRC. The Directors (including the independent non-executive Directors) were of the view that the above-mentioned subscription of wealth management products and structured deposit products agreements with Ping An Bank and the Bank of China were made on normal commercial terms, were fair and reasonable and in the interest of the Company and its shareholders as a whole. For more details, please refer to the announcements of the Company dated 3 January 2024, 4 January 2024, 2 April 2024, 3 April 2024, 22 April 2024, 3 June 2024, 2 July 2024, 3 July 2024, 1 August 2024, 8 October 2024 and 10 October 2024.

All the above structured deposit products were redeemed at maturity and the actual returns fell within the expected range of returns disclosed in the announcements. During the Reporting Period, the total income received by the Company through purchasing structured deposit products and wealth management products was RMB18.15 million. There was no material deviation from the disclosures in the announcements.

As at 31 December 2024, there were no outstanding wealth management products and structured deposit products held by the Company.

INCENTIVE SCHEME

To further optimize the Company's corporate governance structure, establish and improve its long-term incentive mechanism, attract and retain its management, core technical personnel and other staff, fully mobilize their enthusiasm and creativity, the Board approved on 6 April 2021 the resolutions in relation to the proposed adoption of the 2021 restricted share incentive scheme of the Company (the "Incentive Scheme") and the proposed issue and grant of new A shares under the Incentive Scheme pursuant to a specific mandate. "Restricted Share(s)" mean A share(s) to be granted to the participants (the "Participants") by the Company on such conditions and at the grant price stipulated in the Incentive Scheme, which are subject to the vesting conditions stipulated in the Incentive Scheme and can only be vested after satisfying the vesting conditions. The Incentive Scheme and the proposed issue and grant of new A shares under the Incentive Scheme pursuant to a specific mandate were approved by the shareholders at the annual general meeting, the class meeting of holders of A shares and the class meeting of holders of H shares held on 27 May 2021.

The source of all Restricted Shares under the Incentive Scheme will be new ordinary A shares to be issued by the Company to the Participants. The total number of Restricted Shares granted to the Participants under the Incentive Scheme were 38,000,000. On 22 July 2021, the Company made the first grant under the Incentive Scheme (the "First Grant"), whereby the Company granted 32,770,000 Restricted Shares and the number of Participants under the First Grant was 258. On 26 May 2022, the Company made the reserved grant under the Incentive Scheme (the "Reserved Grant"), whereby the Company granted 5,230,000 Restricted Shares and the number of Participants under the Reserved Grant was 125. As at 31 December 2022, all Restricted Shares under the Incentive Scheme had been granted. There was no Restricted Shares available to be granted under the Incentive Scheme as at 1 January 2024 and 31 December 2024. During the year, no Restricted Shares were granted, vested or exercised. All outstanding 15,723,000 Restricted Shares lapsed during the year.

The principal terms of the Incentive Scheme are summarized as follows:

a) Purpose

The purpose of the Incentive Scheme is to further perfect the Company's corporate governance structure, establish and improve the Company's long-term incentive mechanism, attract and retain the Company's management personnel, core technical personnel and other personnel, fully mobilize their enthusiasm and creativity.

b) Eligible Participants

The Participants include Directors, members of the senior management, core technical staff and other persons considered by the Board of the Company (excluding the independent non-executive Directors and Supervisors) to be required to be incentivized of the Group, in line with the purpose of implementing the Incentive Scheme. The list of Participants shall be prepared by the remuneration committee of the Company and verified by the Board of Supervisors.

c) Number of Restricted Share

As at 31 December 2024 and as at the date of this report, all Restricted Shares under the Incentive Scheme had been granted and no Restricted Shares were available for grant under the Incentive Scheme.

In the event of any capitalization of capital reserves, bonus issue, share subdivision, rights issue or share consolidation of the Company during the period from the date of announcement of the Incentive Scheme to the completion of attribution registration of Restricted Shares by the Participants, the number of Restricted Shares shall be adjusted accordingly.

d) Maximum entitlement of each Participant

The total number of the shares to be granted to any Participant in the Incentive Scheme under all share incentive schemes of the Company which are within their validity period shall not exceed 1.00% of the total share capital of the Company.

e) Period which the Restricted Shares must be taken up

The Participants who have fulfilled the attribution conditions shall pay the funds for the subscription of the Restricted Shares into the account designated by the Company according to the Company's requirements. Participants who have not paid the funds within the period stipulated by the Company shall be deemed to have waived his/her right to subscribe for the Restricted Shares.

f) Vesting Period

Subject to the attribution conditions having been fulfilled and from 12 months after the grant date, the Restricted Shares may be attributed to the Participants (for the First Grant) in three tranches and (for the Reserved Grants) in two tranches. Exercise period is not applicable to the Incentive Scheme.

Attribution arrangements of the First Grant are as follows: (1) the first tranche (attribution percentage as 30%) can be attributed from the first trading day 12 months after the First Grant to the last trading day within 24 months after the First Grant; (2) the second tranche (attribution percentage as 30%) can be attributed from the first trading day 24 months after the First Grant to the last trading day within 36 months after the First Grant; and (3) the third tranche (attribution percentage as 40%) can be attributed from the first trading day 36 months after the First Grant to the last trading day within 48 months after the First Grant.

Attribution arrangements of the Reserved Grant are as follows: (1) the first tranche (attribution percentage as 50%) can be attributed from the first trading day 12 months after the Reserved Grant to the last trading day within 24 months after the Reserved Grant; and (2) the second tranche (attribution percentage as 50%) can be attributed from the first trading day 24 months after the Reserved Grant to the last trading day within 36 months after the Reserved Grant.

Those Restricted Shares which have not been attributed during the period of their respective tranches as a result of failure to fulfil the attribution conditions are not allowed to be deferred for attribution in the next attribution period(s) and shall lapse.

The requirements of black-out for the Restricted Shares granted to the Participants under the Incentive Scheme are implemented in accordance with relevant laws, administrative regulations and regulatory documents including the Company Law of the PRC and the Securities Law of the PRC, and the Articles of Association of the Company.

g) Determination of the Grant Price

The Participants need not to pay for accepting the Grant. Following the adjustments, the price of each Restricted Share to be granted to the Participants (the "Grant Price") (including the Grant Price of the Reserved Grant) shall be RMB8.83 per share.

The dividend payable by the Company for the year ended 31 December 2020 was RMB0.05 per share (tax included) and the dividend payable by the Company for the year ended 31 December 2021 was RMB0.07 per share (tax included).Pursuant to Article 2 of Chapter 10 of the Incentive Scheme, if there is any dividend payment or other events between the announcement date of the Incentive Scheme and the completion of the registration of the vesting of the Restricted Shares by the Participants, the Grant Price shall be adjusted accordingly. The adjusted Grant Price was adjusted from RMB8.95 per share to RMB8.83 per share. The Grant Price adopts the independent pricing method. The purpose of determining the Grant Price by the independent pricing method is to promote the development of the Company, safeguard the rights and interests of its shareholders, and provide mechanism and talent guarantee for the long-term and stable development of the Company. The proceeds obtained by the Company from the Incentive Scheme shall be applied towards the replenishment of the Group's liquidity.

h) Remaining life of the Incentive Scheme

The Incentive Scheme has become effective upon the grant date of the First Grant (i.e. 22 July 2021), and shall be valid until the date on which all Restricted Shares have been attributed or lapsed, such period shall not exceed 48 months (i.e. 22 July 2025).

According to the relevant provisions of the Incentive Scheme and the Performance Assessment Management Measures of the Company, the Company's performance indicator of R&D target for 2021-2023 met performance assessment Target A. However, since the Company's cumulative revenue from 2021 to 2023 was less than RMB3.64 billion, which was lower than the company-level performance assessment Target C, the vesting conditions of the third vesting period of the First Grant and those of the second vesting period of the Reserved Grant were not met. Therefore, on 28 March 2024, the Company held the fifth meeting of the eighth session of the Board and the fourth meeting of the eighth session of Supervisory Committee, at which the "Resolution in relation to the Cancellation of Part of the Restricted Shares Granted but not yet Vested under the Incentive Scheme" was considered and approved, pursuant to which all Restricted Shares under the Incentive Scheme (i.e. 15,723,000 Restricted Shares) shall not be vested and shall be cancelled. As such, the Incentive Scheme ceased to be effective on 28 March 2024.

On 27 April 2023, the Board and the Supervisory Committee considered and approved a resolution on the adjustment to the grant price of Incentive Scheme, the cancellation of part of the Restricted Shares granted but not yet vested under the Incentive Scheme and the vesting of shares of the first vesting period of the First Grant at the 21st (extraordinary) meeting of the seventh session of the Board and the 20th (extraordinary) meeting of the seventh session of the Supervisory Committee. On 12 May 2023, the Company completed the registration for shares of the first vesting period of the First Grant under the Incentive Scheme and issued 7,572,100 A shares.

The number of Restrictive Shares which was available to be granted under the Incentive Scheme as at 1 January 2024 and 31 December 2024 were 0 A shares and 0 A shares, representing 0.00% and 0.00% of the total number of A shares in issue on 1 January 2024 and 31 December 2024, respectively. The number of shares which are available to be issued upon the exercise of granted Restricted Shares as at 1 January 2024 and 31 December 2024 were 15,723,000 A shares and 0 A shares, representing 2.21% and 0.00% of the total number of A shares in issue on 1 January 2024 and 31 December 2024, respectively. The service provider sub-limit under the Incentive Scheme was not applicable.

The closing price of the Company's A shares as quoted on the Shanghai Stock Exchange on 21 July 2021, the last trading day before the date of the First Grant, was RMB16.73 per A share and the closing price of its A shares as quoted on the Shanghai Stock Exchange on 25 May 2022, the last trading day before the date of the Reserved Grant, was RMB9.34 per A share. The closing price of the Company's A shares as quoted on the Shanghai Stock Exchange on 11 May 2023, the last trading date before the vesting of the restricted shares, was RMB9.35.

The allocation of the Restricted Shares granted under the Incentive Scheme is set out in the table below:

Participant	Categories	Grant date	Grant price (RMB)	Attribution period	Number of Restricted Shares as at 1 January 2024	Number of Restricted Shares granted during the Reporting Period	Actual Attributed during the Reporting Period	Lapsed during the Reporting Period (Note 3)	Canceled during the Reporting Period	Number of Restricted Shares as at 31 December 2024
1. Directors and Chief Executives										
Wang Hai Bo	Former Executive Director, General Manager (retired on 30 May 2023)	22 Jul 2021	8.83	*(Note 1)*	400,000	–	–	400,000	–	–
Su Yong	Former Executive Director, Deputy General Manager (retired on 30 May 2023)	22 Jul 2021	8.83	*(Note 1)*	480,000	–	–	480,000	–	–
Zhao Da Jun	Executive Director, General Manager	22 Jul 2021	8.83	*(Note 1)*	480,000	–	–	480,000	–	–
Li Jun	Deputy General Manager	22 Jul 2021	8.83	*(Note 1)*	440,000	–	–	440,000	–	–
Yang Xiao Lin	Deputy General Manager (retired on 30 May 2023)	22 Jul 2021	8.83	*(Note 1)*	480,000	–	–	480,000	–	–
Gan Yi Min	Deputy General Manager (retired on 30 May 2023)	22 Jul 2021	8.83	*(Note 1)*	480,000	–	–	480,000	–	–
Xue Yan	Executive Director, Deputy General Manager, Company Secretary	22 Jul 2021	8.83	*(Note 1)*	440,000	–	–	440,000	–	–
Subtotal					**3,200,000**	**-**	**-**	**3,200,000**	**-**	**-**
2. Others										
251 Participants	Employees of the Group	22 Jul 2021	8.83	*(Note 1)*	9,908,000	–	–	9,908,000	–	–
125 Participants	Employees of the Group	26 May 2022	8.83	*(Note 2)*	2,615,000	–	–	2,615,000	–	–
Subtotal					**12,523,000**	**-**	**-**	**12,523,000**	**-**	**-**
Total					**15,723,000**	**-**	**-**	**15,723,000**	**-**	**-**

Note 1: The attribution arrangements of the First Grant made on 22 July 2021 are as follows:

Tranche	Attribution Period	Attribution Percentage
First tranche	From the first trading day 12 months after the First Grant to the last trading day within 24 months after the First Grant	30%
Second tranche	From the first trading day 24 months after the First Grant to the last trading day within 36 months after the First Grant	30%
Third tranche	From the first trading day 36 months after the First Grant to the last trading day within 48 months after the First Grant	40%

Note 2: The attribution arrangements of these Reserved Grant made on 26 May 2022 are as follows:

Tranche	Attribution Period	Attribution Percentage
First tranche	From the first trading day 12 months after the First Grant to the last trading day within 24 months after the First Grant	50%
Second tranche	From the first trading day 24 months after the First Grant to the last trading day within 36 months after the First Grant	50%

Note 3: During the Reporting Period, 15,723,000 Restricted Shares lapsed due to company-level performance assessment targets not being met.

The performance assessment targets under the Incentive Scheme in relation to the First Grant are set out below:

Tranche	Performance Assessment Target A Company attribution factor 100%	Performance Assessment Target B Company attribution factor 80%	Performance Assessment Target C Company attribution factor 60%
First tranche	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021, the revenue will not be less than RMB1.04 billion; 2. Research and development goals: In 2021, no less than 4 drug clinical trials and drug registration applications have been declared and accepted.	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021, the revenue will not be less than RMB1 billion; 2. Research and development goals: In 2021, no less than 4 drug clinical trials and drug registration applications have been declared and accepted.	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021, the revenue will not be less than RMB1 billion; 2. Research and development goals: In 2021, no less than 3 drug clinical trials and drug registration applications have been declared and accepted.
Second tranche	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB2.39 billion; 2. Research and development goals: In 2021 and 2022, no less than 9 drug clinical trials and drug registration applications have been declared and accepted.	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB2.25 billion; 2. Research and development goals: In 2021 and 2022, no less than 8 drug clinical trials and drug registration applications have been declared and accepted.	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB2.2 billion; 2. Research and development goals: In 2021 and 2022, no less than 7 drug clinical trials and drug registration applications have been declared and accepted.
Third tranche	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB4.15 billion; 2. Research and development goals: In 2021 to 2023, no less than 14 drug clinical trials and drug registration applications have been declared and accepted.	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB3.81 billion; 2. Research and development goals: In 2021 to 2023, no less than 12 drug clinical trials and drug registration applications have been declared and accepted.	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB3.64 billion; 2. Research and development goals: In 2021 to 2023, no less than 11 drug clinical trials and drug registration applications have been declared and accepted.

The performance assessment targets under the Incentive Scheme in relation to the Reserved Grant under the Incentive Scheme are set out below:

Tranche	Performance Assessment Target A Company attribution factor 100%	Performance Assessment Target B Company attribution factor 80%	Performance Assessment Target C Company attribution factor 60%
First tranche	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB2.39 billion; 2. Research and development goals: In 2021 and 2022, no less than 9 drug clinical trials and drug registration applications have been declared and accepted.	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB2.25 billion; 2. Research and development goals: In 2021 and 2022, no less than 8 drug clinical trials and drug registration applications have been declared and accepted.	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB2.2 billion; 2. Research and development goals: In 2021 and 2022, no less than 7 drug clinical trials and drug registration applications have been declared and accepted.
Second tranche	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB4.15 billion; 2. Research and development goals: In 2021 to 2023, no less than 14 drug clinical trials and drug registration applications have been declared and accepted.	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB3.81 billion; 2. Research and development goals: In 2021 to 2023, no less than 12 drug clinical trials and drug registration applications have been declared and accepted.	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB3.64 billion; 2. Research and development goals: In 2021 to 2023, no less than 11 drug clinical trials and drug registration applications have been declared and accepted.

For more details, please refer to the Company's announcements dated 6 April 2021 and 22 July 2021, the supplementary circular dated 7 May 2021, the overseas regulatory announcements dated 26 May 2022, 27 April 2023, 12 May 2023 and 28 March 2024 and the next day disclosure report dated 12 May 2023.

Report of the Directors

The Board is pleased to present the report of the directors for the year 2024 and the audited consolidated financial statements of the Group for the year ended 31 December 2024.

ACTIVITIES REVIEW

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

In terms of R&D, the Group has always adhered to its genetic engineering technical platform, photodynamic technical platform, 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 appropriately and 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.

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 17% 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 99.78% of the Group's revenue from the sale of pharmaceutical and diagnostic products. LIBOd® (里葆多®) for the treatment of tumors, the first generic version of Doxil® in China and the first generic version of a nano drug at home and abroad, was launched in August 2009 and has since received favorable market responses and earned a reputation. On 29 October 2018, the Company and Shanghai Huizheng entered into a marketing services agreement for doxorubicin liposomes (LIBOd®), pursuant to which Shanghai Huizheng would provide exclusive marketing services for LIBOd® of the Company in the PRC beginning from 1 November 2018. During the Reporting Period, the Company and Shanghai Huizheng entered into "The Termination Agreement for the Marketing Services Agreement and its Supplementary Agreements" on 20 June 2024 (which came into effect from 31 December 2023). For more details, please refer to the announcement of the Company dated 20 June 2024. During the Reporting Period, the sales revenue contributed by the single product of LIBOd® to the Group decreased by 28% year on year.

The Group operated a single business segment in 2024 and 2023 and hence no segment information is presented.

THE GROUP'S REVENUE IN 2024 WAS MAINLY DERIVED FROM THE SALE OF PHARMACEUTICAL PRODUCTS

– Dermatology Products

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

ALA, a first-in-class drug, is the first photodynamic drug for the treatment of condyloma 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.

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

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

– Anti Tumor Products

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

LIBOd®, indicated for the treatment of tumors, was the first generic version of Doxil in China. The drug is a new dosage form of doxorubicin encapsulated with advanced stealth liposomal technology with passive targeting properties. 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. According to the data from MENET (www.menet.com.cn), the sales of doxorubicin hydrochloride liposome injection in urban public medical institutions in China was approximately RMB2.6 billion in 2018, and exceeded RMB3.6 billion in 2023, with cumulative sales growth of 38.46% over a six-year period.

ANALYSIS OF THE GROUP'S BUSINESS MODEL IN 2024

1. Profit model

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

2. Procurement model

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

3. Production model

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

4. Sales and marketing model

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

5. *Management model*

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

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

ANALYSIS OF THE GROUP'S MAJOR PRODUCT RELATED INDUSTRIES IN 2024

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. 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. During the 2024 Two Sessions, the National Development and Reform Commission released the "Report on the Implementation of the 2023 National Economic and Social Development Plan and the Draft 2024 National Economic and Social Development Plan", emphasizing the active cultivation of emerging and future industries and comprehensive support for the development of innovative drugs across the entire industrial chain. 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 "Implementation Plan"). 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. The Implementation Plan fully reflects the nation's determination to advance open innovation across the entire industrial chain of innovative drugs, and the ecosystem for innovative drug development is expected to be comprehensively improved. 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. Driven by policy support and technological innovation, China's pharmaceutical industry has a promising future and is expected to occupy a more significant position in the global pharmaceutical market.

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

At present, the incidence of skin diseases is increasing, and the factors causing such diseases are escalating. Dermatosis is a common and frequently occurring disease in medicine, which is characterized by a wide range of patients, a large number of syndromes and a long treatment time. In recent years, the number of patients with skin diseases has been continuously increasing, and the age of patients has been getting younger. For patients of skin diseases, the recurring nature of such diseases, delayed treatment and high cumulative treatment costs, are great obstacles to their recovery. According to WHO data, the number of people suffering from skin diseases in the world is about 420 million, of which there are about 150 million patients with skin diseases in China. According to data released by the National Health Commission, the total number of skin disease consultations in hospitals in China in 2021 was about 9.26 million, representing an increase of 2.67 million compared with 2013. With the rising health awareness and consumption power of Chinese residents, the demand for extensive skin disease treatment and care is growing. According to Frost & Sullivan data, the market size of extensive skin disease treatment and care in China increased from RMB300.4 billion to RMB471.8 billion from 2017 to 2021, with a CAGR of 11.95%. It is expected that the sale of dermatological drugs in China will maintain a certain scale of growth in the future.

– *The treatment of condyloma acuminata*

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 birthmarks ("PWB")*

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

3. *The 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 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.

– *The 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.

4. Basic characteristics of the industry and main technical thresholds

The pharmaceutical industry is characterized by weak cyclicality, high investment, high risk, high technological barriers, and strict regulation. With China's economy continuing to grow, the standard of living of the people continuously improving, the issue of population aging becoming increasingly prominent, and the demand for healthcare continuously increasing, coupled with the deepening reform of the healthcare system, the pharmaceutical industry has achieved rapid development in recent years. The strengthening of industry regulation and the application of innovative technology are guiding the pharmaceutical industry towards sustained, standardized, and healthy development, to some extent raising the entry barriers of the pharmaceutical industry, prompting pharmaceutical companies to meet higher standards in compliance and quality, driving the restructuring of the competitive landscape of the pharmaceutical industry, and promoting orderly competition and survival of the fittest. At the same time, the development environment and competitive situation of the domestic pharmaceutical industry remain complex, with major adjustments expected in pharmaceutical research and development, medical security policies, and the normalization and institutionalization of centralized drug procurement. The biopharmaceutical industry faces severe homogeneous competition, and the costs of research and development, labor, production, and other expenses are rising rapidly. The entire pharmaceutical industry is also facing huge challenges. According to IQVIA data, the global pharmaceutical market is expected to grow at a compound annual growth rate of 3-6% from 2023 to 2027, reaching approximately USD1.9 trillion in total size. With steady economic development, increased national healthcare investment, and rising public health awareness of China in recent years, the Chinese pharmaceutical market is also continuously growing. According to a report by Frost & Sullivan, from 2016 to 2020, the overall compound annual growth rate of China's pharmaceutical market reached 3.70%, with the total market size reaching approximately USD221.4 billion in 2020, and it is expected to reach USD349.8 billion by 2025, and could reach USD457.4 billion by 2030.

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

1. Photodynamic technology

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

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

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

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

2. *Nano drug production technology*

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

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

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

1) Demand for medicines driven by an ageing population

In China, with the ageing of its population and its residents' rising awareness of healthcare, the pharmaceutical manufacturing industry has been developing rapidly. According to data from the National Bureau of Statistics[1], the ageing trend of China's population is obvious and accelerating, as the number of people aged 65 and above increased from 170 million to 220 million between 2018 and 2023, with the share of that age group in the total population increasing from 11.90% to 15.48%. The elderly population has a higher demand for medicines as they are more prone to illness and subject to multiple diseases. The increasingly severe ageing of the population will directly lead to a substantial increase in the demand for medicines in China.

2) Gradual rise in income and medical affordability

As China's economy continues to grow at a fast pace, Chinese residents' ability to pay for healthcare has been improving, along with an increase in both per capita disposable income and healthcare expenditure. According to data from the National Bureau of Statistics, China's total national health expenditure reached RMB9,057.58 billion in 2023, accounting for 6.71% of the country's GDP, and its per capita health expenditure was RMB6,425, an increase of RMB381 over the previous year. As Chinese residents' ability to pay for healthcare rises, the consumption of medicines in China is also expected to increase further. In addition, as the country continues to increase its investment in healthcare and expand the catalogs of drugs covered by national medical insurance, the consumption of biopharmaceutical products will continue to rise.

3) Industrial policy

In March 2023, the Center for Drug Evaluation of the National Medical Products Administration issued the "Technical Guiding Principles on the Applicability of Single-Arm Clinical Trials in Support of Antitumor Drugs' Marketing Applications", with the aim of clarifying the current scientific understanding of the applicability of single-arm clinical trials in support of antitumor drugs' marketing applications, and providing guidance for enterprises to better assess the appropriateness of launching single-arm clinical trials as pivotal clinical studies after completing early studies, thereby providing a channel for accelerating the marketing of antitumor drugs that meet relevant conditions so as to more quickly address the unmet clinical needs of relevant patients. This will provide a channel for expediting the marketing of anticancer drugs that meet the relevant criteria, so as to expedite the resolution of the unmet clinical needs of the patients concerned.

1 Source: the official website of National Bureau of Statistics (www.stats.gov.cn)

In order to meet the new requirements of the new stage of high-quality development, the National Health Commission and six other departments jointly issued the "Key Tasks for Deepening the Reform of the Medical and Healthcare System in the Second Half of 2023" (the "Tasks"), which specifies six key tasks, including promoting the expansion of high-quality healthcare resources and the balanced distribution of regional healthcare resources, facilitating the orderly integration of multilevel healthcare protection, and promoting the reform and innovative development of the pharmaceutical sector. The Tasks focus on promoting the reform and innovative development of the pharmaceutical sector, supporting the innovative R&D of pharmaceutical products, launching the centralized and volume-based procurement of pharmaceutical products and medical consumables on a regular basis, and strengthening the security of supply and quality supervision of pharmaceutical products. The release of the "Tasks" clarified the key tasks and work arrangements for deepening the healthcare reform in the second half of 2023, which will further promote the synergistic development and governance of healthcare, medical care and medicines, and push forward the high-quality development of China's pharmaceutical and healthcare industries.

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

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

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

1. *R&D Innovation and Technological Strengths*

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

2. *Technology Platform Strengths*

Since its establishment, the Company has always adhered to the R&D philosophy that based on the premise of identifying the clinical deficiencies and unmet needs, the decisive factor in initiation and evaluation of new R&D projects is whether a project demonstrates unique clinical therapeutic effects. In addition, the Company also selects 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 a genetic engineering technical platform, a photodynamic technical platform, a nano technical platform and an oral solid preparation technical platform and has focused appropriately and strategically on two technical fields, namely photodynamic drugs and antibody-drug conjugates, so as to form R&D features with competitive advantages. The Company's core technologies are obtained by independent R&D.

(1) 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.

(2) 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. In the future, the Company will 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 gene drugs as soon as possible.

(3) Nano Technical Platform

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

(4) Oral Solid Preparation Technical Platform

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

3. Strength in Industry Promotion

The Group continues to regard academic promotion as its primary marketing method. 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 also exploring the use of the ample physician resources on the platform to develop new sales models to solve some common problems in the current marketing environment and some common difficulties encountered by patients in actual consultations.

4. Strength in 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 Company'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. Strength provided by Our Management and Technical Teams

The Group's advanced business philosophy and incentive system have attracted many technical talents to join the Company, thus forming a mature R&D technical team, which is the cornerstone of the Group's core technology platform. After the management reshuffle in May 2023, the Company's management tends to be young, which helps enhance the Company's vitality and innovation capabilities and further drives the formulation of the Company's development strategy, brand-building, the fostering of corporate culture and product innovation. The Company's excellent management team and technical talents provide comprehensive support for the stable development and successful implementation of its projects.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total	
	Sales	**Purchases**
Largest customer	31.78%	
Total of the five largest customers	54.95%	
Largest supplier		7.73%
Total of the five largest suppliers		28.42%

Note: The above statistics of purchases from suppliers cover the suppliers of the Group's purchases of goods, and the proportion of the total purchases for the year is the Group's total purchases of goods.

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

PRINCIPAL RISKS AND UNCERTAINTIES

(I) Core competitiveness risks

1. Risk of new drug development

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

2. Risk of loss of core technical personnel

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

(II) Operation risks

1. Risk of relatively limited product types

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

(III) Risk or loss in significant decline in performance

During the Reporting Period, the Group actively advanced its R&D projects, resulting in an increase of approximately RMB70 million in R&D expenses (including clinical trials, research materials, and outsourced R&D costs) compared to the same period last year, which led to a decline in the net profit attributable to shareholders of the listed company. The growth in R&D expenses was primarily due to the continuous expansion of the Group's product pipeline and the accelerated progress of existing clinical projects. The Group is primarily engaged in the innovative R&D, production, and marketing of biopharmaceuticals. As an R&D-driven enterprise, the Company has actively developed a product pipeline covering multiple therapeutic areas and will continue to increase its R&D investment in preclinical research, clinical trials, and pre-market preparation for new drugs. It will also optimize its R&D pipeline, strategically focus on high-potential areas, and accelerate its commercialization capabilities and processes. The continuous increase in R&D investment may have a certain impact on the Company's related financial indicators. During the Reporting Period, there were no significant adverse changes in the Company's main operations or core competitiveness.

(IV) Financial risks

1. Foreign exchange 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.

(V) Industry risks

1. Risk of drug price reduction

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

According to the "Notice on the Announcement of the Selection Results of the National Drug Centralized Procurement (GY-YD2024-2)" (the "Selection Notice") issued by the National Drug Centralized Procurement Office, one of the Company's main products, doxorubicin hydrochloride liposome injection (brand name: LIBOd®), was not selected in this round of national drug centralized procurement. The Selection Notice stipulates that the procurement results will take effect from April 2025, at which time the sales price of LIBOd® may be adjusted, and the Company's sales strategy may change. The Company will continue to monitor the bidding processes in various provinces and municipalities, sort out and optimize its marketing network and the structure of its customer groups, study the medical insurance policies of each province, and make corresponding adjustments in light of actual circumstances.

RESULTS

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of comprehensive income and related explanatory notes to the consolidated financial statements.

An analysis on the Company's annual results of 2024 using financial key performance indicators is set out in the section headed "Management Discussion and Analysis" of the annual report.

DIVIDENDS

Dividend Policy

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

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

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

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

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

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

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

Dividend Distribution

The resolution in relation to the distribution of a final dividend of RMB0.03 per share (tax inclusive) for the year ended 31 December 2024 was considered and approved at the meeting of the Board held on 27 March 2025. Based on the current total issued share capital of the Company, being 1,036,572,100 Ordinary Shares, the total final dividend to be paid is RMB31,097,163 (tax inclusive) (of which the A Share capital is 710,572,100 representing dividend to be paid of approximately RMB21,317,163, and the H Share capital is 326,000,000 representing dividend to be paid of approximately RMB9,780,000). If the final dividend distribution plan is approved by the shareholders by way of an ordinary resolution at the 2024 annual general meeting, the total dividend paid and proposed to be paid for the year ended 31 December 2024 would be RMB0.05 per share (tax inclusive), which comprises the interim dividend (which has been paid in October 2024) for the six months ended 30 June 2024 of RMB0.02 per share (tax inclusive) and the proposed final dividend for the year ended 31 December 2024 of RMB0.03 per share (tax inclusive).

If there is a change in the total share capital of the Company during the period from the date of shareholders' approval of the final dividend distribution plan to the record date for profit distribution, the Company intends to keep the amount of cash dividend per share unchanged, and will announce the adjustment to the total amount of profit distribution accordingly. If the above final dividend distribution plan is approved by the shareholders by way of an ordinary resolution at the 2024 annual general meeting to be held on Thursday, 26 June 2025, the final dividend of H shares is expected to be distributed on or before Monday, 25 August 2025 to all shareholders whose names appear on the register of the Company on Thursday, 17 July 2025. To determine the identity of the shareholders entitled to receive the final dividend, the register of holders of H Shares of the Company will be closed from Saturday, 12 July 2025 to Thursday, 17 July 2025 (both days inclusive) during which no transfer of H Shares will be registered. In order to qualify for entitlement to the proposed final dividend, all transfers of H Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 11 July 2025. Final dividend for holders of H Shares will be denominated and declared in RMB, and paid in Hong Kong dollars. Final dividend for holders of A Shares will be denominated and declared in RMB, and paid in RMB. Relevant income tax will be withheld and paid by China Securities Depository and Clearing Corporation Limited on behalf of holders of A Share (if applicable). For details, please refer to the relevant dividend distribution announcement in relation to A Shares. The exchange rate shall be determined by the average selling price of the relevant currency published by the People's Bank of China one calendar week prior to the date of the dividend declaration. In case of any change to the expected payment date or the period during which the register of holders of H Shares will be closed, further announcement(s) will be published by the Company in due course in respect of such changes.

In accordance with the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations, which came into effect on 1 January 2008, and the Notice on Issues Relating to the Withholding and Payment of Enterprise Income Tax on Dividends Distributed by Chinese Resident Enterprises to Holders of H Shares Who Are Overseas Non-resident Enterprises (Guo Shui Huan [2008] No. 897) issued by the State Taxation Administration on 6 November 2008, when the Company distributes dividends to non-resident enterprise shareholders listed on its register of members of H shares, it is obliged to withhold and pay enterprise income tax on behalf of them, with a tax rate of 10%. Any shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other agents or trustees, and other organizations and bodies, are deemed to be held by non-resident enterprise shareholders, and therefore the Company will withhold and pay enterprise income tax on behalf of them at a rate of 10%.

Pursuant to the Notice on Issues Concerning the Levy of Individual Income Tax after the Repeal of Guo Shui Fa [1993] Document No. 045 (Guo Shui Han [2011] No.348) issued by the State Taxation Administration on 28 June 2011 and the Letter on Tax Arrangements for Dividends Paid to Hong Kong Residents by Mainland Companies issued by The Stock Exchange of Hong Kong Limited on 4 July 2011, domestic non-foreign invested enterprises which have issued shares in Hong Kong may generally withhold individual income tax at a rate of 10% when distributing dividends to their individual shareholders. The Company will withhold and pay individual income tax at a rate of 10% when distributing dividends to individual holders of its H shares. If otherwise provided by tax regulations, relevant tax agreements or notices, it will be handled in accordance with relevant regulations and tax collection and administration requirements.

For investors on the Hong Kong Stock Exchange (including enterprises and individuals) investing in the A shares of the Company listed on the Shanghai Stock Exchange (the "Investors of Northbound Trading"), their final dividends will be distributed in RMB by the Company through CSDC Shanghai Branch to the account of the nominees holding such shares. The Company will withhold and pay income tax at a rate of 10% on behalf of those investors and file withholding tax returns with the competent tax authorities. For Investors of Northbound Trading who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authorities of the Company for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the difference between the amount of tax levied and the amount of tax payable at the tax rate under such tax treaty will be refunded.

The record date, the ex-entitlement date and the date of distribution of final dividend and other arrangements for the Investors of Northbound Trading are the same as those for holders of the Company's A Shares.

For investors on the Shanghai Stock Exchange and the Shenzhen Stock Exchange (including enterprises and individuals) investing in the H Shares of the Company listed on the Hong Kong Stock Exchange (the "Investors of Southbound Trading"), CSDC Shanghai Branch and CSDC Shenzhen Branch, as the nominee holders of H Shares for the Investors of Southbound Trading, will receive the final dividends distributed by the Company and distribute the final dividends to the relevant Investors of Southbound Trading through its depository and clearing system.

The cash dividends for the investors of H Shares of Southbound Trading will be paid in RMB. Pursuant to the relevant requirements under the "Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect" (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Shui [2014] No. 81), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at a rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors.

The record date, the ex-entitlement date and the date of distribution of final dividend and other arrangements for the Investors of Southbound Trading are the same as those for holders of the Company's H Shares.

The Company shall not be liable for any claims arising from any delay in, or inaccurate determination of the status of the shareholders or any disputes over the mechanism of withholding and payment.

The Company's dividend distribution plan in recent three years:

Unit: RMB

Year	Amount of dividend per share (tax included)	Amount of cash dividends (tax included)	Net profit attributable to holders of ordinary shares of listed company in consolidated statements of the year of distribution	Percentage of net profit attributable to holders of ordinary shares of listed company in consolidated statements
2024	0.05 Note	51,828,605	39,733,896	130.44%
2023	0.07	72,560,047	108,627,368	66.80%
2022	0.07	72,560,047	137,997,098	52.58%

Note: If the final dividend distribution plan is approved by the shareholders by way of an ordinary resolution at the 2024 annual general meeting, the total dividend paid and proposed to be paid for the year ended 31 December 2024 would be RMB0.05 per share (tax inclusive), which comprises the interim dividend (which has been paid in October 2024) for the six months ended 30 June 2024 of RMB0.02 per share (tax inclusive) and the proposed final dividend for the year ended 31 December 2024 of RMB0.03 per share (tax inclusive).

SHARE CAPITAL

Details of changes in the Company's share capital during the year are set out in note 5(29) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the distributable reserve of the Company amounted to RMB864.75 million (as at 31 December 2023: RMB918.31 million).

PROPERTY, PLANT AND EQUIPMENT

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

KEY EMPLOYEES

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

EMPLOYEE RETIREMENT BENEFIT SCHEME

Details of the employee retirement benefit scheme of the Group are set out in note 5(23) to the consolidated financial statements.

STAFF QUARTERS

During the year, the Group did not provided staff quarters to its employee. Details of the housing provident fund provided to employee are set out in note 5(23) to the consolidated financial statements.

DIRECTORS AND SUPERVISORS

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

Executive Directors

Zhao Da Jun *(Chairman)*
Xue Yan

Non-executive Directors

Shen Bo
Yu Xiao Yang

Independent Non-executive Directors

Wang Hong Guang
Lam Siu Wing
Xu Pei Long

Supervisors

Huang Jian *(Chairman)*
Zhou Ai Guo
Qu Ya Nan

CORPORATE GOVERNANCE

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

1) Corporate Governance Report;

2) Report of the Supervisory Committee;

3) Report of the Audit Committee;

4) Report of the Remuneration Committee;

5) Report of the Nomination Committee;

6) Report of the Strategy Committee;

7) Report of the Independent Non-executive Directors;

8) Environmental, Social and Governance Report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

PROFILES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

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

Details of the Directors, Supervisors and 5 highest paid individuals are set out in note 9(8) to the consolidated financial statements.

As at 31 December 2024, details of the senior management of the Group are set out as follows:

	Number	
	Year 2024	Year 2023
Executive Directors	**2**	2
Non-directors	**4**	5
	6	7

Their emoluments fell within the following bands:

	Number	
	Year 2024	Year 2023
Emoluments band (HKD)		
1,000,001 –1,500,000	**3**	4
1,500,001 –2,000,000	**3**	2
2,000,001 –2,500,000	**–**	1
2,500,001 –3,000,000	**–**	–
3,000,001 –3,500,000	**–**	–
3,500,001 –4,000,000	**–**	–
	6	7

The emoluments of the Directors, Supervisors and senior management include wages, bonuses, subsidies and all other labor costs paid by the Company on their behalf, including social insurance. Details of the emoluments of the key management personnel are set out in note 9(5)(e) to the consolidated financial statements.

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

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

DETAILS OF OPTIONS GRANTED BY THE COMPANY

As at 31 December 2024, the Company did not have any share scheme under chapter 17 of the Listing Rules in force.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

PERMITTED INDEMNITY CLAUSES

During the Reporting Period, the Company took out "Directors' and Officers' Liability and Corporate Indemnity Insurance" for the Directors, Supervisors and senior management. The insurance covers the liabilities related to the dual listing of H shares and A Shares (on the STAR Market), providing proper protection for the Directors, Supervisors and senior management of the Group in their daily performance of their duties as well as for the Company's risk control.

MANAGEMENT CONTRACTS

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

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

As at 31 December 2024, the interests (if any) of the Directors, Supervisors and chief executive of the Company and their respective associates in the shares or debentures (including interests in shares and/or short positions) of the Company and its associated corporations, (a) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"); or (b) as recorded in the register maintained by the Company under Section 352 of the SFO; or (c) as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

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

Notes: "L" stands for long position.

SUBSTANTIAL SHAREHOLDERS

To the best of the Directors' knowledge, as at 31 December 2024, the persons other than a Director, Supervisor or chief executive of the Company who had interests and/or short positions in the shares or underlying shares of the Company subject to disclosure under Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register maintained under Section 336 of the SFO, or as notified to the Company and the Stock Exchange were as follows (the interests in shares and/or short positions, if any, disclosed herein are in addition to those disclosed in respect of the Directors, 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. Note 2	A Shares	139,578,560 (L)	Interest of controlled corporation	Corporate	19.64%	20.27%
	H Shares	70,564,000 (L)			21.65%	
Shanghai Pharmaceuticals	A Shares	139,578,560 (L)	Beneficial owner	Corporate	19.64%	20.27%
	H Shares	70,564,000 (L)			21.65%	
China New Enterprise Investment Fund II	A Shares	156,892,912 (L)	Beneficial owner	Corporate	22.08%	15.14%
Yang Zong Meng	A Shares	74,375,494 (L)	Beneficial owner	Personal	10.47%	7.18%
Wang Hai Bo	A Shares	56,099,327 (L)	Beneficial owner	Personal	7.89%	5.41%

Notes:

1. "L" stands for long position;
2. Shanghai Industrial Investment (Holdings) Co., Ltd. was the controlling shareholder of Shanghai Pharmaceuticals. Under the SFO, Shanghai Industrial Investment (Holdings) Co., Ltd. was deemed to be interested in the same number of shares held by Shanghai Pharmaceuticals.

TOP 10 SHAREHOLDERS AS AT THE END OF THE REPORTING PERIOD

Name of shareholder	Change of shareholding during the Reporting Period	Number of shares held as at the end of the period	Percentage (%)	Number of trade-restricted shares held	Shares pledged or frozen		Nature of shareholders
					Status of shares	Number of shares	
HKSCC NOMINEES LIMITED Note	33,840	254,827,740	24.58	–	Unknown	0	Overseas legal person
Shanghai Pharmaceuticals Note	–	210,142,560	20.27	–	Nil	0	Domestic non-state- owned legal person
China New Enterprise Investment Fund II	–	156,892,912	15.14	–	Nil	0	Other
Yang Zong Meng	-5,624,506	74,375,494	7.18	–	Nil	0	Overseas natural person
Wang Hai Bo	-1,787,103	56,099,327	5.41	–	Nil	0	Domestic natural person
Zhao Da Jun	–	15,620,710	1.51	–	Nil	0	Domestic natural person
Su Yong	-5,989,663	12,688,197	1.22	–	Nil	0	Domestic natural person
Li Jun	–	9,018,200	0.87	–	Nil	0	Domestic natural person
Shanghai Pudong Emerging Industry Investment Co., Ltd.	+6,562,382	6,562,382	0.63	–	Nil	0	State-owned legal person
Wu Zhi Ming	+759,835	2,662,973	0.26	–	Nil	0	Domestic natural person

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

Name of shareholder	Number of shares without trade restrictions	Type and number of shares: Type	Number
HKSCC NOMINEES LIMITED Note	254,827,740	Overseas listed foreign shares	254,827,740
Shanghai Pharmaceuticals Note	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
Su Yong	12,688,197	RMB ordinary shares	12,688,197
Li Jun	9,018,200	RMB ordinary shares	9,018,200
Shanghai Pudong Emerging Industry Investment Co., Ltd.	6,562,382	RMB ordinary shares	6,562,382
Wu Zhi Ming	2,662,973	RMB ordinary shares	2,662,973
Note on the connected relations or concerned actions of the above shareholders	The Company was not aware of whether other shareholders had connected relations or concerned actions.		
Note on preferred shareholders with voting rights restored and number of shares held	Not applicable.		

Note: Shares held by HKSCC NOMINEES LIMITED are held on behalf of its clients and the number of shares it held as shown in the table above excluded the 70,564,000 H Shares held by Shanghai Pharmaceuticals. As the relevant rules of the Hong Kong Stock Exchange do not require customers to declare whether the shares they hold are pledged or frozen, HKSCC NOMINEES LIMITED was unable to compile statistics on or provide the number of shares that had been pledged or frozen.

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

Not applicable.

Changes in trade-restricted shares

Not applicable.

REQUIRED STANDARDS FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2024.

PRE-EMPTIVE RIGHTS

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

TAX DEDUCTION

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

CONNECTED TRANSACTIONS

For the year ended 31 December 2024, the continuing connected transactions of the Group are set out as follows:

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

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

In 2024, the total sales of products to Shanghai Pharmaceuticals amounted to RMB87.51 million, which did not exceed the annual cap approved at the relevant extraordinary general meeting.

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

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

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

(3) on normal commercial terms or better; and

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

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

(1) had not been approved by the Board;

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

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

(4) had exceeded the approved annual cap.

AUDIT COMMITTEE

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

The Audit Committee reviews the accounting principles and practices adopted by the Group as well as the internal controls to check whether they comply with the Listing Rules, and reviews issues regarding auditing, internal controls, risk management and financial reporting. The Audit Committee reviewed the Group's annual results and financial statements for the year ended 31 December 2024 before proposing to the Board for approval.

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

AUDITOR

As at 31 December 2024, there was no change in the appointment of auditors of the Company in the past three years. The financial statements of the Company for the year ended 31 December 2024 were audited by PricewaterhouseCoopers Zhong Tian LLP in accordance with the China Accounting Standards for Business Enterprises.

As approved at the 2023 annual general meeting of the Company held on 27 June 2024, the Company reappointed PricewaterhouseCoopers Zhong Tian LLP as its domestic and overseas auditor responsible for its domestic and overseas audits and domestic internal control audits. For more details, please refer to the announcement of the Company dated 27 June 2024.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

By Order of the Board
Zhao Da Jun
Chairman

Shanghai, the PRC
27 March 2025

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

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

Report of the Supervisory Committee

To Shareholders:

The supervisory committee of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the "Supervisory Committee") performed its duties during the Reporting Period in strict accordance with the requirements of the Company Law, the Securities Law, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange STAR Market, the Hong Kong Listing Rules, the Articles of Association, the Rules of Procedure for the Supervisory Committee and other relevant laws and regulations. The Supervisory Committee abided by the principle of good faith, conscientiously performed its supervisory duties from the perspective of safeguarding the interests of the Company and the rights and interests of all shareholders, closely followed the Company's business decisions, production and operation through attending Board meetings and shareholders' general meetings, and put forward opinions and suggestions on relevant matters. It actively analyzed the financial position of the Company in accordance with the law, timely communicated and inquired with relevant departments or personnel of the Company on problems found, and put forward specific requirements and suggestions It supervised the due diligence of the Directors, general manager and other senior management of the Company, and safeguarded the interests of the Company and the legitimate rights and interests of all shareholders.

Compliant operation of the Company: During the Reporting Period, the Supervisory Committee actively participated in the Company's general meetings of shareholders and attended Board meetings as non-voting delegates. It supervised the convening and conducting of shareholders' general meetings and Board meetings, their voting procedures, resolutions proposed at them, the Board's implementation of resolutions approved at shareholders' general meetings, and the performance of duties by the Company's Directors and senior management. The Supervisory Committee concluded that the Company operated in compliance with the law, the Board functioned in a standardized manner, management decisions were scientifically sound and reasonable, and resolutions approved at shareholders' general meetings were diligently implemented; and that the Directors and senior management of the Company conscientiously performed their duties without abusing their authority, harming the interests of the Company, or infringing upon the rights and interests of the Company's shareholders and employees.

Financial position of the Company: During the Reporting Period, the Supervisory Committee carefully inspected the Company's current financial system, processes, and financial position. The Supervisory Committee concluded that the Company maintained a robust financial system, adhered to standardized financial management, enjoyed a healthy financial condition, and effectively exercised accounting supervision. There were no instances of illegal appropriation of Company assets or loss of capital. The Company's financial report accurately, truthfully, and comprehensively reflected its financial position, operational results, and cash flows.

Related-party/connected transactions of the Company: During the Reporting Period, the related-party/connected transactions of the Company fulfilled the decision-making procedures in accordance with relevant mechanisms, the procedures were legal and effective, the transaction prices were reasonable, and there was no damage to the interests of the Company or shareholders.

Use of proceeds: During the Reporting Period, the Supervisory Committee supervised and reviewed the use of the Company's proceeds. The Supervisory Committee concluded that the deposit and use of the Company's proceeds in 2024 complied with the relevant regulations of the China Securities Regulatory Commission (CSRC) and the Shanghai Stock Exchange regarding the deposit and use of proceeds by listed companies, as well as the provisions of the Company's Proceeds Management System. There were no violations in the deposit or use of the proceeds. During the Reporting Period, the Company utilized the remaining balance of the over-subscription proceeds from its A-share offering to permanently replenish working capital and employed temporarily idle proceeds for cash management. These actions were carried out in accordance with the necessary deliberation procedures and information disclosure obligations as required by relevant laws and regulations. The use of the Company's proceeds was consistent with disclosed information, and no violations were identified.

Implementation of internal control: During the Reporting Period, the Supervisory Committee supervised the implementation of the Company's internal control. The Supervisory Committee concluded that the Company maintained effective internal control in all material aspects in accordance with the requirements of the enterprise internal control standard system and relevant regulations, and that the Company's internal control system operated effectively. During the Reporting Period, there were no significant deficiencies in internal control over financial reporting or non-financial reporting.

Implementation of equity incentive schemes: During the Reporting Period, the Supervisory Committee reviewed matters related to vesting under the "2021 Restricted Share Incentive Scheme" of the Company. The Supervisory Committee concluded that, during the Reporting Period, the decision-making procedures of the Board regarding matters related to the equity incentive scheme complied with the provisions of relevant laws and regulations and were lawful and valid.

The Supervisory Committee concluded that the resolutions passed in all Board meetings held in 2024 were made with the aim of safeguarding the Group's interests. No insider dealings, actions prejudicial to the Group's interests, or loss of the Group's assets were identified. The audit reports issued by PricewaterhouseCoopers Zhong Tian LLP were truthful and objective. The Group's financial statements accurately reflected the Group's financial position.

The Supervisory Committee expresses its satisfaction with the Group's work and progress during the year 2024. In 2025, the Supervisory Committee will continue to strictly enforce all relevant regulations, adhering to a responsible attitude toward all shareholders. It will faithfully and diligently perform its duties, strengthen its own learning and oversight efforts, and promote the improvement of the corporate governance structure as well as the standardized operation of management. The Supervisory Committee is committed to safeguarding the legitimate rights and interests of the Company and its shareholders, ensuring the Company's regulated operation, and effectively enhancing governance standards to fulfill its functions.

SUPERVISORY COMMITTEE

Mr. Huang Jian *(Chairman)*
Mr. Zhou Ai Guo
Ms. Qu Ya Nan

Shanghai, the PRC
27 March 2025

Report of the Audit Committee

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

The Audit Committee assists the Directors in discharging their duties through independent review and supervision of financial reporting, and through the Group's effective internal control and appointment of external auditors. The Audit Committee reviews issues concerning the accounting principles and practices adopted by the Group, including the study of audit functions, financial reporting, risk management and internal control, participation in the formulation of the corporate governance policy of the Group, and participation in overseeing disclosure compliance in the Corporate Governance Report of the Group, etc. If necessary, the Audit Committee will also invite external auditors, the general manager and senior management to attend its meetings. The Rules of Procedure for the Audit Committee passed by the Board specifically laid down the terms of reference of the Audit Committee and elaborated on its role and the authority delegated to it by the Board.

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

The Audit Committee held four meetings in 2024.

The major agenda for the Audit Committee within the meetings in 2024 includes:

1) Review the financial reports for the year ended 31 December 2023, the three months ended 31 March 2024, the six months ended 30 June 2024, and the nine months ended 30 September 2024;

2) Reviewed the report regarding the performance of the Audit Committee in 2023;

3) Review and confirm the connected/related-party transactions conducted by the Group in 2023;

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

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

6) Review and approve the audit fees for 2024.

The performance of the Audit Committee in 2024 is as follows:

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

During the audit for the year 2024, the Audit Committee actively performed its duties. Before the external auditors conducted the onsite audit, the Audit Committee communicated, analyzed and evaluated with the accountant and the Company's management, listened to the report of the Company's management on the operation, finance, internal control, etc., and fully communicated and reached an agreement with them on the annual audit work content, audit plan and their respective concerns. During the audit process, the Audit Committee fully discussed and communicated with the external auditors on the audit methods and problems in the audit, and found no significant matters in the audit. After the auditor finished the annual audit, the audit opinion was carefully considered by the Audit Committee. The auditor of the Company was qualified to engage in securities and futures business, abided by the standards of independence, objectivity and fairness, and issued relevant audit opinions in a factual manner. The report issued truly reflected the financial position and operating results of the Company.

(2) Reviewing the Company's financial reports and expressing opinions thereon

During the Reporting Period, the Audit Committee carefully reviewed the financial report of the Company, and considered that the financial report of the Company was true, complete and accurate, and there was no relevant fraudulent or misleading information or material misstatement, and the Company also did not have significant accounting error adjustments, significant accounting policy and estimate changes, matters involving significant accounting judgments, and matters that would result in a non-standard unqualified auditor's report.

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

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

(4) Supervision and evaluation of the development of the Company's internal control system and other related work

During the Reporting Period, the Audit Committee effectively performed its duty as a professional committee and actively promoted risk identification and the development of the Group's internal control system. During the Reporting Period, the Audit Committee carefully reviewed the Company's internal audit work plan and the implementation of the work on a quarterly basis, and confirmed that the internal audit organization of the Company performed its work strictly in accordance with the audit plan, and that the internal audit work of the Company was carried out effectively and no significant problems were found in the internal audit work.

In 2024, the Audit Committee diligently and faithfully fulfilled its duties, actively participated in corporate governance, and ensured that the audit work was conducted in a standardized and rule-based manner. It played a positive role in promoting the development of the Company's internal control system and improving the Company's audit practices. In 2025, the Audit Committee will continue to exercise its functions of review and supervision, strengthen communication with the Company's management, internal and external audit institutions, and the Company's legal advisors, earnestly fulfill its responsibilities within its mandate, ensure effective oversight of management, and safeguard the legitimate rights and interests of the Company and its investors.

On 27 March 2025, the Audit Committee held a meeting and, together with the Company's external auditors, reviewed the consolidated financial statements for the year 2024, including the accounting standards and practices adopted by the Group. Based on the results of this review and after discussions with management and the auditors, the Audit Committee endorsed the accounting treatments adopted by the Company and made every effort to ensure that the financial information disclosed in the consolidated financial statements complied with the relevant requirements of applicable accounting standards and the Listing Rules. Accordingly, the Audit Committee recommended that the Board approve the public release of the consolidated financial statements for the year ended 31 December 2024.

AUDIT COMMITTEE

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

Shanghai, the PRC
27 March 2025

Report of the Remuneration Committee

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

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

The duties of the Remuneration Committee are: to make recommendations to the Board on the Company's remuneration policy and structure for all Directors, Supervisors and senior management and on the establishment of a formal and transparent procedure for developing such a remuneration policy; to formulate the remuneration management policy and remuneration packages of individual executive Directors and senior management and make recommendations to the Board; such remuneration packages include benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment), and make recommendations to the Board on the remuneration of independent non-executive Directors and Supervisors; in formulating the remuneration policies and standards, the Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, Supervisors and senior management, employment conditions of other positions in the Group and desirability of performance-based remuneration; to review and approve the remuneration packages of the management with reference to corporate goals and objectives resolved by the Board from time to time; to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms or that such compensation is otherwise fair and not excessive for the Company; to review and approve compensation arrangements relating to dismissal or removal of Directors and Supervisors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms or that any compensation payment is otherwise reasonable and appropriate; to ensure that no Director or Supervisor or any of their associates is involved in deciding his/her own remuneration; to research the share incentive plan of the Company and put forward proposals; and other relevant requirements of the scope of work of the Remuneration Committee as set out in other domestic and overseas listing rules as amended from time to time.

The Remuneration Committee held one meeting in 2024.

A summary of the work performed by the Remuneration Committee in 2024 is as follows:

1) Reviewed the report regarding the performance of the Remuneration Committee in 2023;

2) Reviewed the remuneration of Directors and senior management in 2023;

3) Formulated the remuneration plan for Directors and senior management for 2024; and

4) Considered and reviewed relevant proposals regarding the implementation of the Incentive Scheme of the Company.

In 2024, the Remuneration Committee reviewed the remuneration of Directors and senior management in 2023, as well as the remuneration plan for Directors and senior management for 2024. The remuneration of Directors and senior management in 2024 was aligned with the prevailing economic environment, the geographic location and the industry in which the Company operates and the Company's size, and was formulated with reference to remuneration standards of the industry. In 2024, the Remuneration Committee effectively fulfilled its responsibilities. In 2025, the Remuneration Committee will continue to perform its duties by establishing a transparent remuneration policy for the overall remuneration framework of the Company's Directors and senior management, studying performance evaluation criteria for Directors and senior management, and making recommendations to the Board.

REMUNERATION COMMITTEE

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

Shanghai, the PRC
27 March 2025

Report of the Nomination Committee

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

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

The duties of the Nomination Committee are: with due regard for the benefits of diversity in Board members, to identify individuals who are suitably qualified to become Board members and to select or to make recommendations to the Board on the selection of individuals nominated for directorships; to take into account a wide range of diversity factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and service term when selecting candidates for directorships; to review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board (including Board diversity) to complement the Company's corporate strategy; to report to the Board the composition of the Board members and monitor the implementation of the policy on Board diversity; to make disclosure of a summary of the policy on Board diversity in the Corporate Governance Report annually, including any measurable objectives that it has set for implementing the policy, and progress on achieving those objectives; to identify individuals suitably qualified to become Directors and to select or make recommendations to the Board on the selection of individuals nominated for directorships; to examine the qualifications of the nominated independent non-executive director candidates for appointment and to form a clear opinion on such examination; to assess the independence of independent non-executive Directors; to make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular the chairman of the Board and the chief executive, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, as appropriate; to formulate criteria and procedures for the selection of directors and senior management, to select and review the selection of directors and senior management and their qualifications for appointment, and to make recommendations to the Board; other authority delegated to the Nomination Committee by the Board and matters assigned by the Board; and other relevant requirements of the scope of work of the Nomination Committee as set out in other domestic and overseas listing rules as amended from time to time.

The Nomination Committee held one meeting in 2024.

A summary of the work performed by the Nomination Committee in 2024 is as follows:

1) Reviewed the report regarding the performance of the Nomination Committee in 2023; and

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

In 2024, the Nomination Committee reviewed the composition of the Board members and the implementation of the Board diversity policy, effectively fulfilling its responsibilities. In 2025, the Nomination Committee will continue to perform its duties, giving full consideration to the benefits of Board member diversity. It will report on the composition of the Board members and monitor the implementation of the policy on Board diversity, and other matters.

NOMINATION COMMITTEE

Mr. Xu Pei Long *(Chairman)*
Mr. Zhao Da Jun
Mr. Lam Siu Wing

Shanghai, the PRC
27 March 2025

Report of the Strategy Committee

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

The Rules of Procedure for the Strategy Committee clearly defined the scope of the Strategy Committee, giving detailed account of its role and the power of the board to delegate it to the Committee. The Strategy Committee has sufficient resources to carry out its duties. The Strategy Committee shall be responsible to the board of directors, and its minutes shall be circulated to the directors.

The duties of the Strategy Committee are: to study corporate development strategies and mid- to long-term development plans of the Company, make recommendations and submit to the Board for consideration and approval, and to conduct assessment and monitor the implementation thereof; to study the proposal for increases or reductions of the Company's registered capital, issuance of corporate bonds, merger, division and dissolution, make recommendations and submit to the Board for consideration and approval; to study material business restructuring, external acquisition, merger and disposal of assets of the Company and make recommendations and submit to the Board for consideration and approval; to study the expansion into new markets and businesses of the Company, make recommendations and submit to the Board for consideration and approval; to study the plans on investments, financing and capital operations and other programs of the Company that are subject to the approval of the Board, make recommendations and submit to the Board for consideration and approval; to study the material organizational restructuring and adjustment proposals of the Company, make recommendations and submit to the Board for consideration and approval; to instruct and oversee the implementation of relevant resolutions of the Board; and other authority delegated to it by the Board.

The Strategy Committee held one meeting in 2024.

A summary of the work performed by the Strategy Committee in 2024 is as follows:

1) Reviewed the report regarding the performance of the Strategic Committee in 2023;

2) Reviewed proposals related to the 2024 annual business development plan and R&D strategy and prospects.

In 2024, the Strategy Committee performed its duties by monitoring and evaluating the Company's development strategies and proposing revisions as needed. It also studied matters related to the Company's investment and financing, external acquisitions, and asset management, providing relevant recommendations and reporting to the Board in a timely manner. In 2025, the Strategy Committee will continue to fulfill its responsibilities by supporting the Board in formulating the Company's development strategy and business strategy. Furthermore, it will research and provide recommendations on the Company's mid- to long-term development strategies and major investment and financing decisions.

STRATEGY COMMITTEE

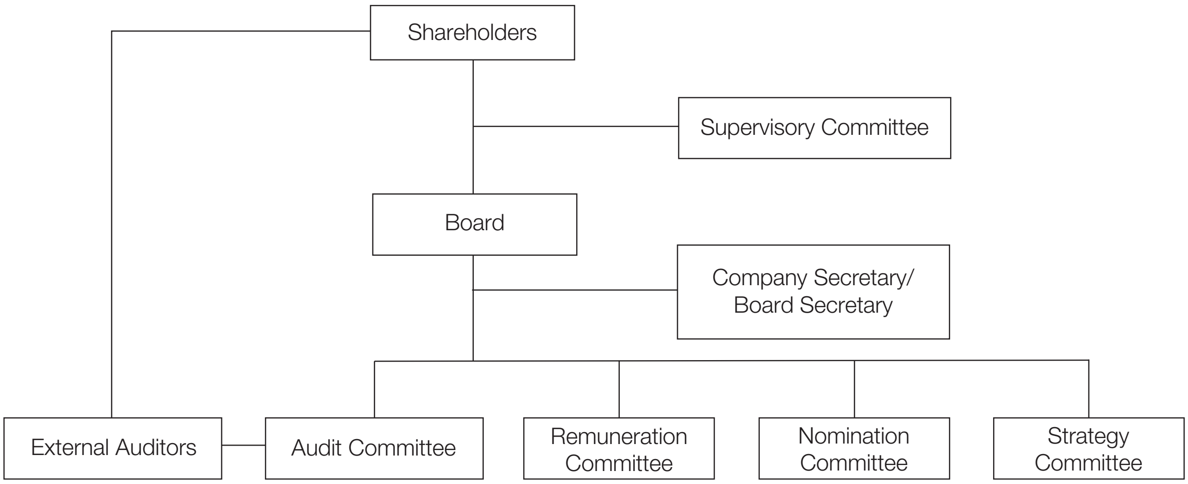
Mr. Zhao Da Jun *(Chairman)*
Mr. Wang Hong Guang
Mr. Xu Pei Long

Shanghai, the PRC
27 March 2025

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance structure is as follows:



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

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

j) System for Information Disclosure;

k) Administrative System for Insider Information;

l) Administrative System for Internal Control;

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

n) Other daily management documents of the Company.

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

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

Code provision C.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhao Da Jun holds the positions of the chairman and the general manager (chief executive). 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.

BOARD

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

Directors

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

Director	Date of initial appointment	Date of most recent re-appointment/ appointment	Term
Executive Directors			
Zhao Da Jun *(Chairman)*	20 January 2002	30 May 2023	Three years
Xue Yan	30 May 2023	30 May 2023	Three years
Non-executive Directors			
Shen Bo	29 June 2012	30 May 2023	Three years
Yu Xiao Yang	30 May 2013	30 May 2023	Three years
Independent non-executive Directors			
Wang Hong Guang	30 May 2023	30 May 2023	Three years
Lam Siu Wing	30 May 2023	30 May 2023	Three years
Xu Pei Long	30 May 2023	30 May 2023	Three years

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

Powers of the Board

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

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

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

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

4) to formulate annual budget plans and final budget plans of the Company;

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

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

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

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

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

10) to appoint or dismiss the general manager; to decide to appoint or dismiss the Company's deputy general managers, chief financial officer, the Board secretary and other senior management as nominated by the general manager, and to determine their remuneration and disciplinary matters in relation to them;

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

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

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

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

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

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

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

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

Powers of the Management

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

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

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

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

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

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

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

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

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

Chairman and the General Manager

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

Board Diversity

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

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

As at the date of this report, the Board comprises seven Directors. Two of them are female and two of them are residing in Hong Kong. Three of them are independent non-executive Directors and are able to provide critical review and control of the management process. One of the independent non-executive Directors, Mr. Lam Siu Wing, has appropriate professional qualifications and accounting or related financial management expertise. The Company recognizes the need to ensure a certain number of female members in order to maintain Board diversity. During the Reporting Period and as at the date of this report, the Board comprised two female Board members, in which case the Board considers the gender diversity requirement has been met. While conscious efforts are being made by the Company to fulfil its Board diversity policy, all appointments are ultimately made on the basis of merit taking into account available and suitable candidates. To sum up, the composition of the Board is diversified in terms of gender, nationality, professional background and skills.

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

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

Board Meetings

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

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

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

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

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

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

The Board held a meeting once a quarter in 2024, with a total of four meetings convened, all of which were held with on-site and online communication. The attendance of individual Directors at Board meetings in 2024 is set out in the table below:

Member of the Board	Required number of attendance for the year	Attendance in person	Attendance by teleconference	Attendance by proxy	Absence	Attendance rate [Note]
Executive Directors						
Zhao Da Jun *(Chairman)*	4	4	0	0	0	100%
Xue Yan	4	4	0	0	0	100%
Non-executive Directors						
Shen Bo	4	4	2	0	0	100%
Yu Xiao Yang	4	4	3	0	0	100%
Independent non-executive Directors						
Wang Hong Guang	4	4	2	0	0	100%
Lam Siu Wing	4	4	0	0	0	100%
Xu Pei Long	4	4	2	0	0	100%

Note: Attendance by proxy is not counted for the calculation of attendance rate.

The table below sets out the date and major agenda of Board meetings in 2024:

Date of Board meetings	Major agenda
Regular Board meetings	
28 March 2024	Reviewed the report in relation to the work of the general manager in of 2023; Reviewed financial analysis report of 2023; Reviewed the annual report of 2023; Reviewed the 2023 audited financial statements and the results announcement prepared in accordance with the China Accounting Standards for Business Enterprises according to the Hong Kong Listing Rules; Reviewed the (work) report of the Directors of 2023; Reviewed the profit distribution plan of 2023; Considered the re-appointment of domestic and foreign auditors in 2024; Reviewed the remuneration for Directors, Supervisors and senior management in 2023 and the relevant proposal for 2024; Review the internal control review report of 2023; Reviewed the connected transactions conducted in 2023; Reviewed the corporate governance report; Reviewed the environmental, social and governance report of 2023 and updates to environmental key performance indicators in 2024; Reviewed the special report on the deposit and actual use of proceed in 2023; Reviewed the use of remaining of the over subscription proceeds from the issue of A Shares for the permanent replenishment of working capital; Reviewed the proposal for the general meeting of shareholders to authorise the Board of Directors to deal with matters relating to the issue of shares to specific parties under a simplified procedure; Reviewed the amendments to the Articles of Association. and other rules; Reviewed the proposal on the 2024 annual action plan for Quality Improvement, Efficiency Enhancement, and Return Enhancement; Reviewed the proposal on the provision for asset impairment; Reviewed the appointment of a securities affairs representative; Reviewed the proposal for convening the annual general meeting of 2023; Reviewed the independence assessment of independent Directors.
29 April 2024	Reviewed the first quarterly results of 2024; Reviewed the implementation of the plan for the first quarter of 2024; Reviewed the use of temporarily idle raised funds for cash management.

Date of Board meetings	Major agenda
12 August 2024	Reviewed the interim report and interim results of 2024; Reviewed of the report on the actual use of proceeds for the half year of 2024; Reviewed the plan for the interim of 2024; Reviewed the 2024 interim profit distribution plan; Review the half-yearly evaluation report on the 2024 annual action plan for Quality Improvement, Efficiency Enhancement, and Return Enhancement.
25 October 2024	Reviewed the third quarterly results of 2024; Reviewed the plan for the third quarter of 2024.

Directors' Training

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

Members of the Board	Attendance/Number of training sessions	Attendance rate
Executive Directors		
Zhao Da Jun *(Chairman)*	4/4	100%
Xue Yan	9/9	100%
Non-executive Directors		
Shen Bo	3/3	100%
Yu Xiao Yang	3/3	100%
Independent Non-executive Directors		
Wang Hong Guang	9/9	100%
Lam Siu Wing	9/9	100%
Xu Pei Long	9/9	100%

The Company keep training records to help the Directors keep track of the training sessions they have attended.

The attendance records above do not include any external professional or industry training in which the Directors participated on their own accord.

Directors' and Supervisors' Interests

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

The Group did not enter into any contract, transaction or arrangement of significance in which the Group's Directors or Supervisors had a material interests, whether directly or indirectly, at any time in 2024.

Directors' and Supervisors' Service Contracts

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

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

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

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

SUPERVISORY COMMITTEE

Currently, the Supervisory Committee comprises one external Supervisor, one Shareholder Representative Supervisor, and one Employee Representative Supervisor, of which a chairman was elected and appointed. Personal particulars of the Supervisors are set out in the section headed "Profiles of Directors, Supervisors and Senior management" in this report. Members of the Supervisory Committee and their appointments are as follows:

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

The Supervisory Committee held four meetings during 2024. The following table shows the details of each Supervisor's attendance in person at the meetings during 2024:

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

The Supervisory Committee takes the view that the financial statements presented by the Company give a true and fair view of the state of affairs, operating performance and cash flows of the Group.

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

On 26 April 2019, the Board approved the Administrative System for Directors, Supervisors and Senior Management in relation to Holding and Trading the Shares of the Company (which was later revised on 25 March 2021), which came into effect on 19 June 2020, the date when the A Shares of the Company were listed and traded on the STAR Market of the Shanghai Stock Exchange. The above-mentioned administrative system has terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix C3 to the Listing Rules. The Directors and relevant employees shall comply with this code. A copy of the code is sent to each Director upon his/her appointment and thereafter, a notification will be sent to the Directors 30 days before the date of the Board meeting at which the quarterly and half-year results will be approved or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results, and 60 days before the date of the Board meeting at which the annual results will be approved or, if shorter, the period from the end of the relevant financial year up to the publication date of the results, to remind them not to deal in the securities of the Company before the publication of the results.

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

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

All Directors, Supervisors, senior management, major shareholders and relevant employees confirmed that they had complied with the required standard set out in Appendix C1 to the Listing Rules or other relevant applicable requirements in 2024. No Director, Supervisor, senior management or relevant employee was found to have violated the above provisions in the previous year.

RISK MANAGEMENT AND INTERNAL CONTROL

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

In February 2011, the Company established the Internal Audit and Control Department of the Company, which is now the Risk Management and Internal Audit and Control Department (the "RMIACD"), to enhance its internal control system and guarantee the effectiveness of the Group in respect of financial, operational, compliance and risk management. The RMIACD reports key points in risk identification to the Audit Committee on a quarterly basis and elaborates on corresponding measures and subsequent improvements. During the Reporting Period, the RMIACD made four reviews in the Audit Committee meetings focusing on risk management, risk identification and the effectiveness of internal control and the Audit Committee summarized and reported the results to the Board. Furthermore, the RMIACD discussed risk management and internal control systems with the Audit Committee and reviewed the effectiveness of the risk management and internal control systems. In addition, during the Report Period, the RMIACD was continually working on risk management and internal control, organizing and coordinating with each department on risks identification, analysis, assessment, alert and treatment as well as renewing the risks list in order to help the RMIACD perform more effective risk identification and internal control for forming a risk management culture of active and steady operation.

The RMIACD conducted a review of the Group's risk management and internal control efforts for the year 2024, and the RMIACD concluded that there were no significant deficiencies and material weaknesses in financial reporting-related internal control, and no significant deficiencies and material weaknesses in non-financial reporting-related internal control were identified. The Audit Committee and the Board reviewed the effectiveness of the risk management and internal control systems of the Group during the year 2024 and the Board considers the current risk management and internal control systems of the Group are effective and adequate. In addition, the auditor also issued an internal control audit report that concluded that the Group maintained, in all material respects, effective financial reporting-related internal control as of 31 December 2024, in accordance with the "Basic Standard for Enterprise Internal Control" and related regulations. The Company will further enhance the Group's risk management and internal control systems pursuant to the requirements of the Listing Rules on internal control, to ensure that the Group's financial, operational, compliance and risk management are under effective control during the process of its continuing development, and to protect the interests of shareholders.

DAILY SUPERVISION OF INFORMATION DISCLOSURE

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

ADMINISTRATION OF INSIDER INFORMATION

The Company has formulated the Administrative System for Insider Information and other relevant systems to minimize the number of persons with knowledge of insider information, strengthen the confidentiality of insider information, and improve the registration and management of persons with knowledge of insider information. The Directors, Supervisors, senior management and other relevant personnel of the Company strictly abide by the obligation of confidentiality during the preparation of regular reports, interim announcements and the planning of major events.

CORPORATE GOVERNANCE MEASURES TO MANAGE POTENTIAL CONFLICTS OF INTERESTS

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

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

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

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

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

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

AUDIT COMMITTEE

The Board established the Audit Committee and formulated the Rules of Procedure for the Audit Committee with specific terms of reference for the Audit Committee as a guideline for the Audit Committee in dealing with various matters. The updated Rules of Procedure for the Audit Committee were passed by the Board on 28 March 2024. The Audit Committee is responsible for reviewing the financial report, internal control and corporate governance issues and making relevant recommendations to the Board. The Audit Committee is comprised of two independent non-executive Directors (Mr. Lam Siu Wing and Mr. Wang Hong Guang) and one non-executive Director (Mr. Shen Bo), appointed by the Board. Mr. Lam Siu Wing, an independent non-executive Director, was appointed as the chairman of the Audit Committee. Mr. Lam Siu Wing is a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and Chartered Accountants Australia and New Zealand (CAANZ, formerly the Institute of Chartered Accountants of Australia (ICAA)). He was a partner of both PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in Hong Kong. Mr. Wang Hong Guang is currently an executive director and a professor of Peking University's China Center for Strategic Studies, the director of Chinese People's Life Safety Institute of West China Hospital in Sichuan University (also known as Huaxi Hospital or The International Hospital of Sichuan Province), a professor of Tianjin University and China Pharmaceutical University. Mr. Shen Bo holds a master's degree in accounting and is a certified public accountant in the PRC(CICPA). He is currently an executive director, the president and the chief financial officer of Shanghai Pharmaceuticals. All of them have extensive experience in accounting, the industry, and financial management.

The Audit Committee held four meetings in 2024. Senior management and external auditors were invited to attend each meeting. In 2024, the Audit Committee reviewed the results of external auditors' reports, the accounting standards and practices adopted by the Group, risk management, internal control and compliance with the Listing Rules and reviewed issues regarding auditing, internal control, risk management and financial reporting. The Group's 2024 quarterly and interim results and its 2023 annual results were discussed at meetings of the Audit Committee before being proposed to the Board for approval. The Audit Committee discussed the appointment of external auditors and the audit fees, and made proposals to the Board in respect of such matters.

Attendance of meetings of the Audit Committee in 2024:

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

Connected transactions

During the Reporting Period, the Audit Committee reviewed the connected transactions conducted by the Company. For the year ended 31 December 2024, the connected transactions complied with relevant rules and regulations and were approved by Board meetings or shareholders' general meetings (if applicable).

External auditors

As approved by the annual general meeting of the Company held on 27 June 2024, the Company continued to appoint PricewaterhouseCoopers Zhong Tian LLP as the domestic and overseas auditors of the Group for the year 2024.

The consolidated financial statements for the year ended 31 December 2024 has been audited by PricewaterhouseCoopers Zhong Tian LLP in accordance with the China Accounting Standards for Business Enterprises.

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

Auditors	**Audit fees and non-audit fees in 2024**	Audit fees and non-audit fees in 2023
PricewaterhouseCoopers Zhong Tian LLP	**RMB4,508,000**	RMB4,508,000
PricewaterhouseCoopers Business Consulting (Shanghai) Co. Limited	**RMB127,358**	RMB135,849
Other auditors	**RMB140,445**	RMB206,389

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

	Fees in 2024	Fees in 2023
Audit fee		
Annual statutory audit	RMB4,500,000	RMB4,500,000
Other audits	RMB140,445	RMB206,389
Non-audit fee		
Environmental, Social and Governance ("ESG") Report	RMB127,358	RMB135,849
Vote counting services at annual general meetings and extraordinary general meetings	RMB8,000	RMB8,000

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

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

REMUNERATION COMMITTEE

The Board established the Remuneration Committee and formulated the Rules of Procedure for the Remuneration Committee with specific terms of reference for the Remuneration Committee. The updated Rules of Procedure for the Remuneration Committee were passed by the Board on 28 March 2024. The Remuneration Committee is responsible for formulating the Group's remuneration policy, recommending and approving the remuneration of all the Directors and senior executives, including the annual allocation of share options under the Company's share option scheme (if feasible). The Remuneration Committee reviews the existing remuneration policy annually, and makes proposals to the Board for changes to the remuneration policy and system. If necessary, it will also refer to the opinions of external human resources advisers in respect of human resources management and remuneration policies. After each meeting, the Remuneration Committee reports to the Board.

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

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

The Remuneration Committee held one meeting during 2024 (on 28 March 2024), the attendance of which was as follows:

Members of the Remuneration Committee	**Attendance in person/ Number of meetings**	**Attendance rate**
Wang Hong Guang *(chairman)*	1/1	100%
Lam Siu Wing	1/1	100%
Xu Pei Long	1/1	100%

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

Remuneration Policy for Executive Directors

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

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

Basic salary

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

Discretionary bonus

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

Statutory benefits

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

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

Remuneration of Non-executive Directors

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

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

NOMINATION COMMITTEE

The Board established the Nomination Committee and formulated the Rules of Procedure for the Nomination Committee with specific terms of reference for the Nomination Committee. The updated Rules of Procedure for the Remuneration Committee were passed by the Board on 28 March 2024. Pursuant to Code Provision B.3.1 under Appendix C1 to the Listing Rules, the Nomination Committee is responsible for reviewing the benefits of diversity in Board members, identifying individuals who are suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; taking into account a wide range of diversity factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and service term when selecting candidates for directorships. Meanwhile, the Nomination Committee is responsible for reviewing the structure, size and composition of the Board (including the skills, knowledge, experience and diversity) at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; monitoring the implementation of the Board diversity policy; assessing the independence of independent non-executive Directors; making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular the chairman of the Board and the chief executive, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, as appropriate; researching the standard, procedure and method of selection of Directors, chief executive and other members of the senior management of the Company and putting forward proposals to the Board; other authority delegated to the Nomination Committee by the Board and matters assigned by the Board.

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

The Nomination Committee held one meeting during 2024 (on 28 March 2024), the attendance of which was as follows:

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

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

STRATEGY COMMITTEE

The Board established the Strategy Committee and formulated the Rules of Procedure for the Strategy Committee with specific terms of reference for the Strategy Committee. The updated Rules of Procedure for the Strategy Committee were passed by the Board on 28 March 2024. The Strategy Committee is responsible for studying corporate development strategies and mid- to long-term development plans of the Company, making recommendations and submitting to the Board for consideration and approval, and conducting assessment and monitoring the implementation thereof; studying the proposal for increases or reductions of the Company's registered capital, issuance of corporate bonds, merger, division and dissolution, making recommendations and submitting to the Board for consideration and approval; studying material business restructuring, external acquisition, merger and disposal of assets of the Company and making recommendations and submitting to the Board for consideration and approval; studying the expansion into new markets and businesses of the Company, making recommendations and submitting to the Board for consideration and approval; studying the plans on investments, financing and capital operations and other programs of the Company that are subject to the approval of the Board, making recommendations and submitting to the Board for consideration and approval; studying the material organizational restructuring and adjustment proposals of the Company, making recommendations and submitting to the Board for consideration and approval; instructing and overseeing the implementation of relevant resolutions of the Board.

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

The Strategy Committee held one meeting during 2024 (on 28 March 2024), the attendance of which was as follows:

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

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

COMPANY SECRETARY

The primary responsibility of the company secretary of the Company is to ensure good information flows between Board members and between investors and the Company. In addition, the company secretary should be responsible for compliance with the Board's policies and procedures as well as all applicable regulations. During the year 2024, the company secretary complied with Rule 3.29 of the Listing Rules by completing no less than 15 hours of training provided by professional institutions.

ARTICLES OF ASSOCIATION

In accordance with the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Securities Law of the People's Republic of China (《中華人民共和國證券法》), the Guidelines for the Articles of Association of Listed Companies (《上市公司章程指引》), the Administrative Measures for the Independent Directors of Listed Companies (《上市公司獨立董事管理辦法》) and the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange STAR Market (《上海證券交易所科創板股票上市規則》) and other relevant laws, regulations and guidelines as well as the Core Shareholder Protection Standards as set out in Appendix A1 to the Listing Rules which came into force on 1 January 2022, and taking into account the cooperate governance practices and implementation of the latest regulatory requirements in relation to paperless regime and the electronic dissemination of corporate communications by listed issuers with effect from 31 December 2023, the relevant amendments to the Articles of Association of the Company were considered and approved at the general meeting held on 27 June 2024. Other than the above, there was no other change in the Articles of Association during the Reporting Period. The Articles of Association can be accessed on the website of the Company and the website of the Stock Exchange. For further details of the amendments to the Articles of Association, please refer to the circular of the Company dated 29 April 2024.

RIGHTS OF INVESTORS

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

(1) The shareholders singly or jointly holding more than 10% of the shares of the Company with voting rights at the extraordinary general meeting or class meetings to be held shall have the right to propose in writing to the Board the convening of the extraordinary shareholders' general meeting or the class meeting. The Board shall, in accordance with the provisions in laws, administrative rules and these Articles, provide feedback in writing on the approval or disapproval within 10 days from the receipt of such proposal;

(2) Where the Board disapproves the convening of the extraordinary shareholders' general meeting or the class meeting or fails to provide feedback within 10 days from the receipt of the said proposal, the shareholders which singly or jointly hold more than 10% of the shares of the Company shall have the right to propose in writing the convening of the extraordinary shareholders' general or the class meeting to the board of Supervisors and shall raise their request in writing to the board of Supervisors;

(3) Where the board of Supervisors fails to send the said notice within the prescribed time limit, it shall be deemed that they failed to preside over the shareholders' general meeting and shareholders which singly or jointly hold more than 10% of the Company's shares for more than 90 consecutive days may convene and preside the meeting independently. All reasonable expenses incurred in connection with a meeting convened by any shareholders themselves by reason of the failure of the Board to convene a meeting pursuant to a requisition shall be borne by the Company and shall be set off against sums owed by the Company to the Directors in default.

When the Company convenes a shareholders' general meeting, shareholders severally or jointly holding 3% or more of the shares of the Company, may put forward interim proposals and submit them in writing to the Board prior to the date of the shareholders' general meeting; the Board shall, within two days after receipt of such proposals, notify other shareholders, and ensure that the contents of the interim proposals are announced ten (10) business days prior to the date of shareholders' general meeting. The contents of the interim proposals shall be within the scope of the functions and powers of the shareholders' general meeting, and contain clear issues and specific matters for resolutions.

The Company is committed to fair disclosure and comprehensive and thorough reporting. The Chairman of the Board is ultimately responsible for ensuring that there is effective communication with investors and that the Board understands the views of shareholders. The Chairman therefore makes himself available to meet shareholders for this purpose. On a day-to-day basis the Board's primary contact with shareholders is through the Company Secretary at ir@fd-zj.com. In addition, the Company Secretary may respond to the various enquiries of shareholders, and provide relevant information.

PUBLIC FLOAT OF THE COMPANY

Based on information that is publicly available to the Company and to the best of the Directors' knowledge as at the latest practicable date prior to the issue of this annual report, the Directors believe that the Company has at all times during the Reporting Period and from the end of Reporting Period to the date of this report, maintained the relevant applicable minimum percentage of listed securities as prescribed by Rule 8.08(1)(a) of the Listing Rules.

RELATIONSHIP WITH INVESTORS

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

WORK FORCE DIVERSITY

As at 31 December 2024, the gender ratio of the Group's workforce (including senior management) was approximately 1:2 (male: female staff members). The Group recognizes the importance of gender diversity and endeavors to promote gender diversity at all levels of the Group (including the Board). While there has not been any plans or measurable objectives set for gender diversity in workforce, in order to further promote gender diversity within the Group, the Company takes into account gender diversity in the recruitment of middle to senior management and provides training as well as long-term career development opportunities for its female staff members, hence it is expected that there will be a pipeline of female senior management and potential successors to the Board.

SHAREHOLDERS' COMMUNICATION POLICY

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

Shareholders' Meetings

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

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

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

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

Results Briefings & Investor Survey

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

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

Company's Website and Official WeChat Account of the Company

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

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

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

Corporate Communications

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

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

1. Actionable Corporate Communications

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

2. Others

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

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

COMMUNICATION WITH THE COMPANY

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

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

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

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

At the annual general meeting, each issue should be raised individually by way of resolution and voted on by way of poll. The Company's PRC lawyers are required to attend the meeting, witness the meeting and the poll results, and issue a legal opinion.

In 2024, the Company has held an annual general meeting, details of which is as follow:

Time	10:00 a.m., 27 June 2024
Location	Conference room, ground floor, PARKYARD HOTEL, No. 699 Bibo Road, Pudong New Area, Shanghai the PRC
Nature	Shareholders' annual general meeting
Way of voting	Poll
Major issues	To consider and approve the (work) report of the Board for the year ended 31 December 2023; To consider and approve the (work) report of the Supervisory Committee for the year ended 31 December 2023; To consider and approve the annual report and its summary of the Company for the year ended 31 December 2023 for A Shares; and the audited financial statements and the auditors' report for the year ended 31 December 2023 for H Shares; To consider and approve the financial analysis report for the year ended 31 December 2023; To consider and approve the proposed profit distribution plan and the final dividend distribution plan for 2023, and to authorize the Board to distribute such final dividends to Shareholders; To consider and authorize the Board to determine the 2024 interim profit distribution plan of the Company; To consider and approve the appointment of auditors (domestic and overseas) and domestic internal control auditor, and authorize the Board to fix their remuneration for 2024; To consider and approve the remuneration of the Directors and Supervisors for 2023 and their proposed remuneration for 2024; To consider and approve the utilization of the remaining balance of the over-subscription proceeds from the issue of A Shares for the permanent replenishment of working capital; To consider and approve the amendments to the Articles of Association; To consider and approve the amendments to the Rules of Procedure for General Meetings; To consider and approve the amendments to the Rules of Procedure for the Board; To consider and approve the amendments to the Rules of Procedure for the Supervisory Committee; To consider and approve the granting to the Board a general mandate to issue A Shares.

The attendance of individual Directors at general meetings (including class meetings) during the year 2024 is set out in the table below:

Members of the Board	Attendance in person/ Number of meetings	Attendance rate
Executive Directors		
Zhao Da Jun *(Chairman)*	1/1	100%
Xue Yan	1/1	100%
Non-executive Directors		
Shen Bo	1/1	100%
Yu Xiao Yang	1/1	100%
Independent non-executive Directors		
Wang Hong Guang	1/1	100%
Lam Siu Wing	1/1	100%
Xu Pei Long	1/1	100%

The dates for the 2024 annual results, the 2025 interim results and the 2024 annual general meeting are as follows:

Item	Proposed time
Announcement of 2024 results	27 March 2025
Annual general meeting	26 June 2025
Announcement of 2025 interim results	Around 18 August 2025

SOCIAL RESPONSIBILITY

Environment and Society

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

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

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

Social public welfare

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

Charitable Activities: The Group has cooperated with Beijing Huakang Public Welfare Foundation since April 2020 to carry out a public welfare assistance program, "For Their Tomorrow Patient Assistance Program", which aims to help low-income patients to obtain more sustainable and effective medical treatment, so as to alleviate patients' financial burdens and improve their quality of life. During the Reporting Period, the Group successively donated medicines worth over RMB16 million.

Promoting the Medical Industry: In order to implement the strategy of Healthy China and fulfill the social responsibility of pharmaceutical enterprises, the Group supports the development of a system for the prevention and treatment of major diseases through special donations. Since September 2022, in order to promote the establishment of a standardized photodynamic therapy alliance, the Group has cooperated with the China Medical and Healthcare Development Foundation under the National Health Commission to carry out the project of "Research on the Photodynamic Clinical Application of Hemoporfin", and donated RMB500,000 to the Foundation during the Reporting Period. Meanwhile, in order to promote academic activities and scientific research in the field of triple-negative breast cancer, the Group donated RMB150,000 to Beijing Aipu Cancer Patient Care Foundation during the Reporting Period, aiming to constantly inject innovative momentum into China's medical and healthcare industry by supporting key medical technology research and major disease research.

Caring for the well-being of the elderly: To promote the traditional virtues of respecting and caring for the elderly and to provide substantial support and care to the senior community thus enhancing their quality of life, during the Reporting Period, the Group donated RMB200,000 to the Shanghai Long-term Wish Public Welfare Foundation. This donation supported initiatives such as the "99 Zebra Science Outreach Project" (online health knowledge dissemination) and the "Silver Age Action" (offline community volunteer activities). As of the end of the Reporting Period, the online initiatives engaged over 5,000 participants, while the offline activities covered more than 50 streets and over 200 community committees in Shanghai, attracting a total of more than 6,000 elderly participants, thereby promoting social integration and strengthening intergenerational bonding.

Targeted agricultural support and assistance: During the Reporting Period, the Company's labor union procured agricultural products valued at RMB122,250 from economically disadvantaged farmers in Dayu Village, Malu Town, Shanghai, and 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.

Public welfare donations: The Group makes active response to the call of community welfare organizations. In December 2024, the Group donated RMB50,000 to the People's Government of Zhangjiang Town, Pudong New Area, Shanghai. The funds were allocated to specific projects including support for people with disabilities, healthcare, poverty alleviation, Red Cross care, support for military personnel and their families, charitable assistance, and elderly care, thereby aiding poverty alleviation and promoting community development.

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

By order of the Board
Xue Yan
Company Secretary

Shanghai, the PRC
27 March 2025

Profiles of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Zhao Da Jun, born in 1970, aged 55, was appointed as an executive Director in January 2002 and the chairman of the Board, the general manager and an authorized representative of the Company in May 2023. He is concurrently the chairman of the board of directors of Shanghai Tracing Bio-technology Co., Ltd.* (上海溯源生物技術有限公司) and an executive director of Taizhou Fudan-Zhangjiang. He is a co-founder of the Company. He was a teaching assistant at the Law School of Fudan University from August 1995 to October 1996. He was awarded the National Education Committee on Technology Advancement Grade II Award (國家教委科技進步二等獎) in 1997. He graduated from Fudan University with a bachelor's degree in biology in July 1992, a master's degree in biology in July 1995, and from University of Hong Kong with a master's degree in business administration in November 2001.

Xue Yan, born in 1981, aged 44, was appointed as an executive Director in May 2023. She is also a deputy general manager, the company secretary, the chief financial officer and an authorized representative of the Company. She is also a director of Fernovelty and a supervisor of Shanghai Handu. She is a senior accountant, a member of the Hong Kong Institute of Certified Public Accountants (HKICPA), a fellow of the Association of Chartered Certified Accountants (ACCA), and a member of the Chinese Institute of Certified Public Accountants (CICPA). She is qualified as an international certified internal auditor. She served in the assurance department of PricewaterhouseCoopers Zhong Tian LLP from 2004 to 2010. She graduated from the Shanghai University of Finance & Economics with a bachelor's degree in international accounting in July 2004 and obtained a master's degree in business administration from the University of Hong Kong in November 2018.

Non-executive Directors

Shen Bo, born in 1973, aged 52, was appointed as a non-executive Director in June 2012. He is a member of the Chinese Institute of Certified Public Accountants. He is an executive director, the president and the chief financial officer of Shanghai Pharmaceuticals Holding Co., Ltd., and holds directorships in certain subsidiaries of Shanghai Pharmaceuticals. Mr. Shen Bo is currently a non-executive director of Tianda Pharmaceuticals Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 00455). His previous positions included the deputy manager of the finance department of Shanghai Jinling Co., Ltd., the chief financial officer of Shanghai Industrial Pharmaceutical Investment Co., Ltd., and the general manager of the finance department of Shanghai Pharmaceutical (Group) Co., Ltd. He graduated from the Chinese University of Hong Kong with a master's degree in accounting in December 2007.

Yu Xiao Yang, born in 1956, aged 69, was appointed as a non-executive Director in May 2013. She has over 20 years of banking and investment experience. She was a founding partner of China New Enterprise Investment and was a founder and managing partner of Victoria Capital Limited, a corporate finance advisory firm, in 1998. She was among the first mainland Chinese to embark on a professional career with major international financial institutions. She served at Paris Bank in Geneva, Dresdner Bank in Frankfurt, London and New York from 1980 to 1985, and Salomon Brothers from 1987 to 1991, working in the areas of mergers and acquisitions and corporate finance. She graduated from International Management Institute (Geneva), predecessor of International Institute for Management Development, with a master's degree in business administration in May 1982.

Independent non-executive Directors

Wang Hong Guang, born in 1962, aged 63, was appointed as an independent non-executive Director on 30 May 2023. He is currently the director of Chinese People's Life Safety Institute of West China Hospital in Sichuan University (also known as Huaxi Hospital or The International Hospital of Sichuan Province) and a professor of Tianjin University and China Pharmaceutical University. He previously served as an associate professor and a professor at China Agricultural University, a deputy director of the Department of Rural and Social Development of the Ministry of Science and Technology, a director of China National Center for Biotechnology Development of the Ministry of Science and Technology, a researcher of Chinese Academy of Science and Technology for Development, an executive director and a professor of Peking University's China Center for Strategic Studies. He has long been engaged in research on technology and economic strategy, and has conducted in-depth research on domestic and international biotechnology development and industrial policy. He has published 23 books including China's Bioeconomy and more than 110 papers. He graduated from Gansu Agricultural University in 1982 with a bachelor's degree in agriculture, graduated from China Agricultural University in 1986 with a master's degree in agriculture and received a doctorate's degree in agriculture in 1989. He was appointed as an independent non-executive director of CSPC Pharmaceutical Group Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 01093)) on 27 January 2021.

Lam Siu Wing, born in 1960, aged 65, was appointed as an independent non-executive Director on 30 May 2023. He is a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and Chartered Accountants Australia and New Zealand (CAANZ, formerly the Institute of Chartered Accountants of Australia (ICAA)). Mr. Lam has extensive experience in accounting, auditing, and business consulting. He was a partner of both PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in Hong Kong from 2004 to 2020. In March 1985, he graduated from Macquarie University in Australia with a bachelor's degree in economics majoring in accounting. In October 1989, he graduated from The University of New South Wales in Australia with a master's degree in commerce majoring in finance. He has been appointed as an independent non-executive director of Greatpower Nickel And Cobalt Materials Co., Ltd. since 23 June 2022, an independent non-executive director of Suzhou Basecare Medical Corporation Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 2170)) since 13 July 2023, an independent non-executive director of Xi'an Kingfar Property Services Co., Ltd. (a company listed on the Main Board of the Stock Exchange (Stock Code: 1354)) since 23 May 2024, and an independent non-executive director of Bluestar Adisseo Company (a company listed on the Shanghai Stock Exchange (stock code: 600299)) since 19 September 2024.

Xu Pei Long, born in 1977, aged 48, was appointed as an independent non-executive Director on 30 May 2023. He is a national first-class lawyer and currently a senior partner of MHP Law Firm, an adjunct professor of East China University of Political Science and Law. He also holds social positions as a civil administration expert of the Supreme People's Procuratorate, an arbitrator of the Shanghai Arbitration Commission, an arbitrator of the Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Centre), etc. He previously served as a director and vice president of the 11th Shanghai Bar Association, a partner of Shanghai CHAOHUA Law Firm. He has conducted in-depth research and has extensive experience in the fields of corporate governance, equity dispute resolution, corporate investment and financing, mergers and acquisitions, etc. He has participated in the editing of a number of books, including Corporate Litigation Lawyer Practice. He graduated from East China University of Political Science and Law in July 2002 with a Bachelor of Laws degree. He was appointed as an independent non-executive director of Fujian Ruineng Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 603933)) on 30 December 2019 and resigned on 13 October 2023.

SUPERVISORS

Huang Jian, born in 1970, aged 55, has been appointed as an external Supervisor since 9 June 2017. He is a professor and doctoral supervisor in the Biochemistry and Molecular Cytology Department of School of Medicine of Shanghai Jiao Tong University and an evaluator of the National Natural Science Foundation of China. He conducted his postdoctoral research in the Shanghai Institute of Biochemistry and Cell Biology of the Chinese Academy of Sciences and the Karolinska Institute in Sweden. He has worked on molecular oncology for a long time and takes charge of multiple national and provincial research projects as a chief researcher. He has published more than 40 papers in domestic and foreign journals. He graduated from Fudan University with a Bachelor of Science degree in 1992, a Master of Science degree in 1995 and a Doctor of Science degree in 1999.

Zhou Ai Guo, born in 1969, aged 56, was appointed as a shareholder representative Supervisor in May 2023. He was previously a securities analyst at the Shanghai Representative Office of ABN AMRO Securities & Trust Company Limited, the secretary to the Board and the manager of the financing and investment department of the Company, and a director and deputy general manager of Shanghai Tellgen Life Science Company Limited, a company listed on the Shenzhen Stock Exchange (stock code: 300642). He graduated from Beijing Jiao tong University with a bachelor's degree in engineering in July 1992 and graduated from the University of Hong Kong with a master's degree in business administration in 2001.

Qu Ya Nan, born in 1986, aged 39, was appointed as an employee representative Supervisor on 29 May 2023. She obtained a bachelor's degree in management from Zhengzhou University in July 2008 and a master's degree in management from the Shanghai University of Finance and Economics in July 2011. Since July 2015, she has been engaged in risk management, internal audit, internal control and other related daily management in the Company. She is the manager of the risk management and internal audit and control department of the Company.

SENIOR MANAGEMENT

Li Jun, born in 1968, aged 57, is a deputy general manager of the Company and a co-founder of the Company. He was responsible for several research projects of the National Natural Science Foundation of China, and published several papers. He is a certified pharmacist. He was a teaching assistant and lecturer at Fudan University from August 1993 to November 1996, during which period he also served as a deputy chief technology officer of Zhejiang Shenghua Biok Biology Co. Ltd. and was involved in the research and manufacture of three new drugs. He graduated from Fudan University with a master's degree in biology in July 1993. Mr. Li Jun has not held any directorships in listed public companies in the past three years.

Qin Lei, born in 1974, aged 51, is a deputy general manager of the Company. He obtained a bachelor's degree in basic Chinese medicine from Shanghai University of Traditional Chinese Medicine in June 1997. He used to be a resident in Longhua Hospital Shanghai University of Traditional Chinese Medicine and an assistant researcher in Shanghai University of Traditional Chinese Medicine from July 1997 to August 2001. He worked in marketing and product sales for Hong Kong Life Sciences and Technologies Group Limited, Shanghai Lei Yun Shang Pharmaceutical Co., Ltd. and Zhejiang Kang Lai Te Pharmaceutical Co., Ltd. from September 2001 to May 2006. He has worked as the product manager, the marketing manager and the marketing director of the Company since June 2006. He is currently a deputy general manager of the marketing center of the Company. Mr. Qin Lei has not held any directorships in listed public companies in the past three years.

Yu Dai Qing, born in 1973, aged 52, is a deputy general manager of the Company. She graduated from Shandong University with a bachelor's degree in chemistry in July 1995 and a master's degree in analytical chemistry in July 1998. Since 2001, she has successively engaged in the quality research and analysis of new drug development, the quality control of pharmaceutical manufacturing, the establishment of quality management systems and the daily operation management relating to pharmaceutical manufacturing in the Company. She was an employee representative Supervisor. She served as the quality director of the Company from November 2016 to July 2023. Ms. Yu Dai Qing has not held any directorships in listed public companies in the past three years.

Chen Yu, born in 1974, aged 51, is a deputy general manager of the Company and the general manager of Taizhou Fudan-Zhangjiang (a subsidiary of the Company). He obtained a bachelor's degree in English pharmacy from Shenyang Pharmaceutical University in June 1998 and a master's degree in pharmaceutical engineering from Tianjin University in February 2008. He has extensive experience in pharmaceutical production management, quality assurance and GMP certification matters. He worked as a production supervisor, international certification specialist, international certification supervisor and compliance manager of Xian-Janssen Pharmaceutical Ltd. from April 1999 to July 2011. He worked as a quality director of Zhejiang Jiuzhou Pharmaceutical Co., Ltd. from July 2011 to April 2014. He was the deputy general manager of Taizhou Fudan-Zhangjiang from April 2014 to May 2023. Mr. Chen Yu has not held any directorships in listed public companies in the past three years.

COMPANY SECRETARY

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

Environmental, Social and Governance Report

ABOUT THE ESG REPORT

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. hereby issues the 2024 Environmental, Social and Governance Report (the "ESG Report") of the Group, to demonstrate the Group's philosophy and practice for sustainable development and social responsibility to its stakeholders in both environmental and social areas.

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

Reporting Scope

The ESG report covers our main businesses for the period from 1 January 2024 to 31 December 2024 (the "Reporting Period"). The key performance indicators ("KPIs") disclosed in the report cover Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. ("Shanghai FDZJ"), Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd. ("Taizhou FDZJ") and Shanghai Tracing Bio-technology Co., Ltd. ("Shanghai Tracing") for the Reporting Period.

There is no significant adjustment to the reporting scope as compared to the 2023 ESG Report included in the 2023 Annual Report of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.

Reference and Principles

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

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

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

➢ **Balance:** Information provided in this ESG reports is unbiased and comprehensive for the readers to make decisions or judgment;

➢ **Consistency:** The statistical methods and KPIs are in consistency with those of the previous years.

IMPROVE RESPONSIBLE GOVERNANCE

Governance Framework

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

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

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

Stakeholders Engagement

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

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

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

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

Materiality Assessment

Recognizing that identifying, assessing and actively responding to material ESG issues is crucial to the Group's ESG performance, we have been conducting materiality assessment since 2020. Every year, we review and discuss the results of materiality assessment based on feedback from internal and external stakeholders and the Group's business operation environment. In 2024, to further enhance the Group's sustainable development management and performance, we reassessed the Group's material ESG issues for the first time based on the principle of "double materiality". We comprehensively analyzed the impact of ESG issues on the Group's business, finance as well as on the external environment and society, and guided the Group's ESG work accordingly:

1. Identify the issues

- We identified ESG issues relevant to the Group by fully considering the Group's strategic priorities, actual business and industrial characteristics, and following the *Environmental, Social and Governance Reporting Guide, the Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies - Sustainability Report (Trial)*, and other regulatory requirements as well as market trends.

2. Assess the issues

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

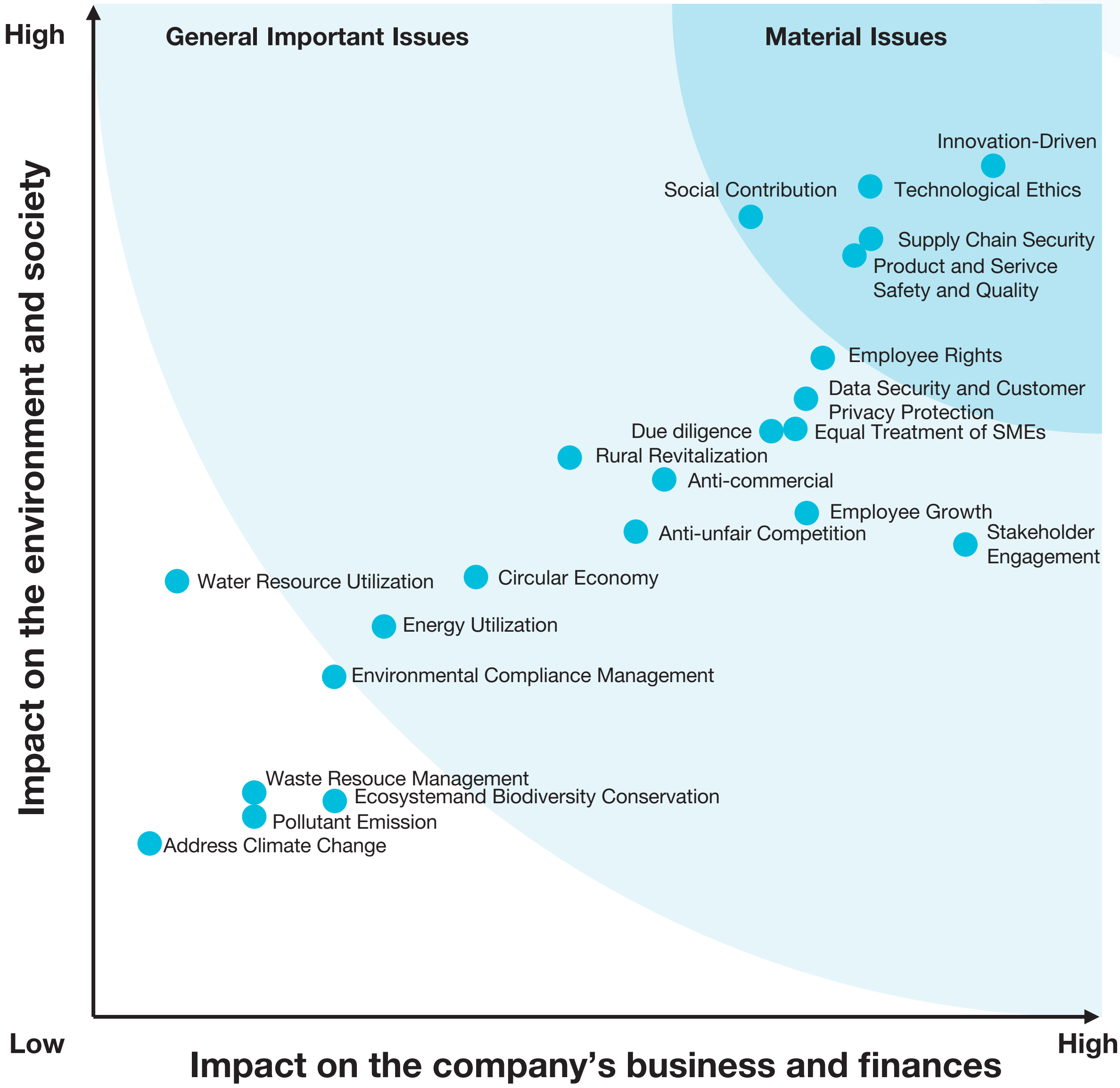
3. Confirm the issues

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

Based on the results of double materiality assessment in 2024, we identified a total of 1 issues with financial materiality and 5 issues with impact materiality.

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

The Group's matrix of material issues for 2024 is set out below:



Double Materiality Assessment Results

Sustainability Risk Management

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

ENSURE COMPLIANCE OPERATION

Building a Clean Enterprise

The Group strictly complies with laws and regulations relating to anti-corruption, anti-extortion, anti-fraud and anti-money laundering, including but not limited to these on anti-commercial bribery, such as the *Criminal Law of the People's Republic of China*, the *Anti-money Laundering Law of the People's Republic of China*, and the *Anti-Unfair Competition Law of the People's Republic of China*, etc. The Group continuously strengthens internal control and supervision mechanism, upholds integrity operation, and strictly conforms to rules of fair competition. According to *Employee Handbook and Regulations on Anti-Commercial Bribery*, the Group requires the employees to be honest and self-disciplined, comply with laws/regulations and the Group's management regulations on honesty and self-discipline, follow principles of "law-abiding, honest, fair, scientific" etc., resolutely refuse to accept commercial bribery, offer bribery and commit other improper business practices. During the Reporting Period, the Group did not have any legal cases regarding corrupt practices or anti-unfair competition penalties.

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

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

We actively carry out relevant training and learning activities to strengthen employees' compliance awareness and risk identification ability. Every year, we conduct training for board members and employees on anti-corruption and business ethics to ensure compliance operations. The Group's HR department makes arrangements for new employees to study regulations on anti-commercial bribery before induction, records the training and requires each new employee to sign on the record. The Risk Management and Internal Audit and Control Department actively participated in various compliance training sessions provided by external professional organizations. With the introduction of key rectification documents in the pharmaceutical field and the emergence of new regulatory requirements in 2024, we arranged compliance training for relevant departments of the Group in August 2024. The training covered the compliance management with respect to academic conferences and lecture expenses, pharmaceutical representative visit and pharmaceutical contract sales outsourcing (CSO), and interactions with healthcare professionals (HCP). We also required that these compliance requirements be earnestly implemented in daily business practices. In addition, in December 2024, we arranged for relevant departments of the Group to study the statistics and analysis of enforcement cases of antitrust and anti-unfair competition in the pharmaceutical field, interpretation of key points and hot issues of antitrust compliance, and suggestions on antitrust compliance, so as to effectively prevent relevant risks and ensure compliance operation in our actual work.

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

Protecting Consumer Rights and Interests

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

- Any department or personnel informed of customers' complaints should forward them to Sales Department and Quality Management Department;

- Quality Management Department takes charge of organising investigation on the complaints, making and approving relevant corrective and preventive action plans if necessary, assisting Sales Department to reply to customers and reporting to competent authorities of medical products administration if necessary;

- Sales Department assists Quality Management Department to investigate complaints, provides and implements sales measures, communicates with customers and answers the complaints;

- Customers can file complaints by oral, telephone, mail, fax, visiting or in other forms;

- We regularly review and analyse the trend of product complaints in product quality review.

We pay great attention to medical safety of patients and monitoring and reporting of adverse drug reactions. We have established the company's pharmacovigilance system and carried out pharmacovigilance activities in accordance with the national *Quality Management Standards for Pharmacovigilance*, the *Announcement on Direct Reporting of Adverse Reactions by Drug Marketing Authorization Holders* and other laws and regulations. The specific procedures include:

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

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

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

Safeguarding Information Security

Regarding the information of stakeholders such as partners, subjects and patients as confidential, the Group has established a comprehensive information security and privacy protection management system to fully safeguard information security. During the Reporting Period, there were no information security or privacy leakage incidents in the Group.

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

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

We have established a comprehensive document and record management system in accordance with the Good Manufacturing Practice (GMP) regulations. We have formulated a document management protocol, which specifies the types, retention period, retention location, retention media, archiving and borrowing, and destruction of documents and records. We carry out document management strictly in accordance with the protocol. In addition, we have set up an archive room managed by designated personnel. Only authorized personnel are allowed to access relevant records, and each access to document and record is documented to fully protect the privacy security of stakeholders such as partners, subjects and patients.

Advertising Labelling Compliance

We manage labelling and advertising by laws to protect consumers' rights and maintain brand reputation. We conform to the requirements of the *Advertising Law of the People's Republic of China*, the *Drug Administration Law of the People's Republic of China*, the *Interim Measures for the Administration of Censorship of Advertisements on Drugs, Medical Devices, Dietary Supplements and Formula Foods for Special Medical Purposes, Good Manufacturing Practices (2010 revision)* and other laws and regulations. The Group formulated *Design and Change of Packing Materials* to manage design and change of packaging materials used for new products or additional existing products to make the product package conform to characteristics of products, demand of market, technical conditions and provisions of national laws and regulations. Design draft of label, manual and package should include product specifications, packaging specifications, size requirements, material requirements, appearance requirements, packaging safety requirements and other specific contents which are reviewed and approved by Marketing Department, Manufacturing Department, Logistics Department, Quality Management Department and quality authorised personnel.

Intellectual Property Protection

Intellectual property management is indispensable to the production and operation activities of pharmaceutical enterprises. The Group has made active and sustained efforts to protect the intellectual properties associated with innovative drugs and scientific achievements against any form of infringement.

We abide by the *Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Copyright Law of the People's Republic of China*, the *Enterprise Intellectual Property Management Standards* and other laws and regulations. We have established a full-process intellectual property management system following the management principle of "implementing intellectual property management throughout production and operation activities" to avoid infringement, protect self-owned intellectual properties and stimulate innovation practices in all aspects of research and development, procurement, production and sales, and set long-term and short-term work objectives regarding intellectual property to promote sustainable development. Through the implementation of the *Intellectual Property Management Manual*, the *Intellectual Property Document Control Procedures* and relevant documents, we have clearly defined the responsibilities of each department and conducted regular inspection, analysis and evaluation of intellectual property management to improve our intellectual property management system on a continuous basis. During the Reporting Period, the Group applied for 16 new invention patents (including 1 PCT application). As of the end of the Reporting Period, the Group has applied for 138 invention patents (including 2 PCT application) and obtained the authorisation of 51 invention patents.

IMPLEMENT QUALITY MANAGEMENT

Full-Cycle Product Quality Control

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

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

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

Material and Product Inspection

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

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

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

Quality Risk Control

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

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

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

➢ **Production and release management:** The Manufacturing Department ensures that the production is carried out in accordance with the product prescription and production process approved by the state, and that the production equipment, production operation, production and packaging environment meet the process requirements; stores the products under appropriate conditions after the production; carries out pharmacovigilance activities, gradually improve the pharmacovigilance system in daily work, and reports safety incidents in clinical trials to drug regulatory authorities in accordance with relevant laws and regulations; prevents any possible adverse drug reactions/incidents during the use of our drugs; collects, processes and reports post-marketing adverse drug reactions; timely transmits safety information related to drugs to regulatory authorities, patients, medical staff and the public to protect the rights and interests of patients; In addition, the Quality Management Department takes samples at key control points during production to test intermediate products or finished products; product release is decided by quality authorised personnel;

➢ **Return and recall:** Customers or distributors may file complaints or request returns if they discover product quality issues during use or sales; the Group recalls the products in time if they find risks lying in products delivered to customers. During the Reporting Period, there was no product recall in the Group for safety and health reasons.

Upgrade of the online air quality monitoring system of the LIBOd liposome filling line

To further ensure the aseptic quality during the production process of LIBOd, we upgraded the online air quality monitoring system of the aseptic filling line in the water needle workshop at our Shanghai production base in 2024 based on detailed research. The upgrade included optimizing the location of the sampling points, upgrading the sampling method to uninterrupted sampling, increasing background monitoring points for filling, and enhancing the monitoring of system redundancy. The new system has now been put into use with good operational effectiveness, ensuring the product quality and the user safety.

Innovative Technical Platform

Governance

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

The Group's management serves as the decision-making body for R&D and innovation, responsible for setting the Group's R&D strategic direction, defining the long-term goals and short-term execution of each project in the pipeline, and reviewing major decisions at all stages from research to industrialization. To effectively advance R&D progress, management holds regular project review meetings every two weeks. During these meetings, relevant R&D execution departments report on R&D progress and results, including but not limited to patent oversight, project initiation and preclinical research progress, clinical phase updates of domestic and international projects, production line construction and operational status. This ensures that management remains informed of R&D developments and can adjust the focus of R&D activities in a timely manner.

To ensure the effective operation of our R&D and innovation governance framework, the Group has established several departments, including the R&D Management Office, the Intellectual Property Department, the ADC Small Molecule Drug R&D Department, the Biotechnology Drug R&D Department, the Chemical Drug R&D Department, and the Clinical Medical Center. Through centralized management, these departments collaborate in a timely and efficient manner to fulfill their functions, ensuring that our R&D activities align with the Group's strategic planning and market demands, and providing robust support for the Group's drug R&D and innovation endeavors.

Strategy

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

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

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

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

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

- **Oral solid preparation technology platform:** Despite successfully industrializing several drugs after years of research and development, our company still faces lengthy project cycles and gaps between product launches. In recent years, considering our long-term strategic development, we have established an oral solid dosage form technology platform and are developing multiple new and generic drugs with unique clinical therapeutic value to shorten our product development cycles. Small-molecule targeted drugs and specialized oral formulations are currently high-focus areas in new drug research. Among our ongoing projects are several new and generic drugs with distinctive clinical therapeutic value. The oral solid dosage form technology will serve as one of the foundational platforms for our company's long-term development. Our group aims to develop new drugs to assist patients whose clinical needs are not yet fully met.

Risk Management

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

Metrics and Targets

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

Complying with Technology Ethics

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

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

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

Proper Supply Chain Management

Supplier Management System Construction

Supplier management is one of the most important parts of quality management for pharmaceutical enterprises. Stability, safety and effectiveness of product are directly influenced by the selection of suppliers. The Group formulated Supplier Management Policy to regulate the operational procedures of evaluation and approval for material suppliers, and clarify the suppliers' qualification, selection principle, quality evaluation methods, evaluation standard, and approval procedure for material suppliers. In the procedure of selecting suppliers, the Group requires the suppliers should have relevant qualification certificates and be able to guarantee uniform source and controllable quality. Priority is given to suppliers passing GMP examinations and suppliers with good reputations. As of the end of the Reporting Period, the Group had 837 suppliers. The number of suppliers by geographical region is shown as below:

Region	Number
Shanghai	297
Jiangsu	167
Guangdong	106
Zhejiang	66
Beijing	37
Others	164

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

Supply Chain Risk Assessment

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

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

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

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

In 2024, during an on-site audit of a production material supplier, we noticed that the supplier had an imperfect quality management system in the supervision of starting materials and their management in the production and inspection processes. In particular, there were deficiencies in testing, production and laboratory data management that needed to be improved. We communicated with the supplier and put forward rectification requirements: Regular on-site audits must be conducted on units entrusted for inspections; arbitrary alterations in production and inspection records are not allowed and any modifications must be made in accordance with the document management requirements, with signatures and dates noted after modification; the quantity of materials in the production records must be consistent with the quantity listed in the material list. After receiving the rectification requirements, the supplier promptly completed the rectification and provided feedback to the Group to avoid any negative impact on the Group's subsequent production and delivery.

Supply Chain Environmental and Social Risk Management

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

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

Equal Treatment of SMEs

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

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

PROTECT GREEN ECOLOGY

In accordance with the *Energy Conservation Law of the People's Republic of China, Environmental Protection Law of the People's Republic of China, Atmospheric Pollution Prevention and Control Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, Water Pollution Prevention and Control Law of the People's Republic of China* and other relevant laws and regulations, we attach great importance to environmental protection and have established a sound management system and set up a leadership team for environmental protection management to comprehensively manage environmental affairs. The Group did not commit any environmental-related violations during the past three years.

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

The Group has set five-year environmental targets in respect of emissions, waste, energy and water resources with 2020 as the base year, and achieved these five-year environmental targets ahead of schedule in 2022. In order to continuously improve the Group's environmental management and performance, and further implement the concept of green development, the Group has updated the aforementioned environmental target with 2023 as the base year, so as to continuously fulfil its environmental responsibilities.

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

Proper Emissions Management

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

Our pollutant discharges consist primarily of effluents, air emissions, greenhouse gases and solid waste. In accordance with national standards, local standards and biopharmaceutical discharge standards, the Group invites qualified institutions to monitor effluents and air emissions. We have prepared and completed the filing of the *Emergency Plan for Environmental Emergencies*, which is regularly updated and reviewed. In the Reporting Period, the Group did not commit violations related to emissions.

Effluents and Air Emissions

Industrial effluents and domestic sewage from drug development and production consist of most of the wastewater in the Group. *Environmental Pollution Prevention Regulations* and *Standard Operation Regulation of Effluent Comprehensive Treatment Equipment* are developed to strictly control effluent emissions and comprehensively treat the effluents. Sewage is discharged into the municipal sewer system after being treated and reaching the discharge standards. In accordance with the *Discharge Standard of Pollutants for Bio-pharmaceutical Industry*, the Group adopts primary treatment to effluents which cannot be directly discharged and accepts irregular monitoring by relevant authorities.

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

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

Types of Emissions	**2024**	2023	2022
Wastewater (tonne)	**51,617.60**	52,586.40	47,586.60
COD (kg)	**2,106.00**	850.79	900.32

Notes:

1. During the Reporting Period, the Phase II of Taizhou FDZJ production base was completed, and the production line of antibody-drug conjugate (ADC) was formally put into operation. So the amount of wastewater increased compared with the prior Reporting Period.

Wastes

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

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

We entrust institutions which have local hazardous waste disposal permit to treat hazardous wastes. General solid waste is treated by companies with appropriate qualifications, and domestic waste is transported and treated by the local municipal environmental sanitation department.

In addition, we have incorporated the concept of circular economy into our production and operation. Through measures such as recycling wastes and promoting waste sorting, we strive to reduce solid waste. During the Reporting Period, we recycled a total of 3.36 tonnes of waste cartons.

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

Wastes	**2024**	2023	2022
Hazardous Waste Emissions in Total (tonne)	**153.98**	166.39	176.07
Intensity (tonne/million RMB of revenue)	**0.22**	0.23	0.17
Non-hazardous Waste Emissions in Total (tonne)	**52.20**	49.80	38.96
Intensity (tonne/million RMB of revenue)	**0.07**	0.07	0.04

Notes:

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

Resources Conservation

Resources used by the Group are principally electricity, steam, water and natural gas. The Group has developed *Management Procedure of Energy and Resources* to use energy/resource effectively and reasonably, improve usage efficiency, reduce waste and implement the principles of "saving energy, reducing consumption, reducing pollution, and improving efficiency".

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

The Group seasonally adjusts the high electricity consumption equipment such as air conditioner in clean plant to reduce load. After energy-conservation reconstruction, warm water generated in heat source of water equipment, such as heat exchange of cooling water in distilled water machine and pure steam generator, is used as boiler makeup water. This could recycle boiler water, reduce cooling water discharge, not only save water, but also cut down boiler heat consumption, saving energy and reducing emissions. Meanwhile, we actively promote the use of green energy. Shanghai Fudan-Zhangjiang purchased 969.00 MWh of green power during the Reporting Period. Taizhou Fudan-Zhangjiang installed solar photovoltaic grid-connected power generation facilities on the roof of the factory. In 2024, the photovoltaic power generation reached 184.38 MWh. These measures reduced greenhouse gas emissions by 618.90 tonnes in total.

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

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

Resource Consumption	2024	2023	2022
Diesel (MWh)	**0.00**	0.13	0.17
Gasoline (MWh)	**12.03**	15.30	58.05
Natural Gas (MWh)	**0.00**	1,393.23	3,492.87
Total Direct Energy (MWh)	**12.03**	1,408.66	3,551.09
Electricity (MWh)	**11,326.48**	12,774.10	11,274.60
Steam(MWh)	**9,827.44**	6,221.47	/
Total Indirect Energy (MWh)	**21,153.92**	18,995.57	11,274.60
Total Energy Consumption (MWh)	**21,165.95**	20,404.23	14,825.69
Intensity (MWh/Million RMB of Revenue)	**29.84**	28.69	14.38
Total Water Consumption (tonne)	**175,412.85**	135,340.00	91,671.40
Intensity (tonne/Million RMB of Revenue)	**247.27**	190.30	88.90
Packaging Materials in Total (tonne)	**49.04**	52.19	48.44

Notes:

1. Total energy consumption is calculated based on the amount of electricity and steam purchased and the consumption of natural gas, diesel and gasoline considering the default parameter values to fossil fuel as shown in Table 2.1 Default values of fossil fuel-related parameters of the *Accounting Methods and Reporting Guide for Greenhouse Gas Emissions from Chemical Industry Enterprises*, table 2.4 Enthalpy of saturated steam of the *Accounting Methods and Reporting Guide for Greenhouse Gas Emissions from Other Sectors of Industry* issued by the National Development and Reform Commission (NDRC), and the fuel density from *Workbook of Energy Statistics* issued by the Energy Department of the National Bureau of Statistics of China.

2. In 2023, Taizhou Fudan-Zhangjiang introduced industrial steam from the park to replace the original natural gas. The Group has no longer used natural gas since the Reporting Period.

3. The Group's products are complex and diverse, so it is difficult to accurately measure the total weight of the products. Therefore, this report does not disclose the KPI A2.5 packaging material used for finished products per unit of production. We will disclose this KPI in the future.

4. The Group's water consumption is mainly from production and domestic water. With tap water as water source, water demands for daily operation can be satisfied.

5. During the Reporting Period, at the Taizhou FDZJ Phase II production base, the production capacity of the antibody-drug conjugate (ADC)-related product line is gradually increasing. So the consumption and intensity of water increased compared with the prior Reporting Period.

6. As the Group's production activities only involve the development and production of drugs and the Group does not use other environmental and natural resources, A3 The environmental and natural resources and A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them are inapplicable and therefore not disclosed in this report.

Address Climate Change

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

Governance

The Group's ESG working group actively identifies the climate related risks and opportunities faced by the Group, formulates desirable response measures and regularly reports to senior management and the Board of Directors. The Board of Directors reviews the responses to climate related risks and opportunities at least once a year and oversees the implementation and disclosure of related issues.

Strategy

During the Reporting Period, we identified and assessed major climate-related risks and opportunities with reference to the climate disclosure guidelines of the Hong Kong Stock Exchange, the Shanghai Stock Exchange and the IFRS. The specific steps included:

- Based on international mainstream databases for climate risks and opportunities, we conducted extensive industry research and preliminarily identified climate-related risks and opportunities in light of the Group's current operating performance, strategic planning, and global climate regulation updates.

- We invited the Group's management and department representatives to assess the short-, medium- and long-term impacts of climate-related risks and opportunities in terms of severity and probability, and prioritize them based on management opinions and external expert recommendations to identify major climate-related risks and opportunities.

- We conducted climate scenario analysis from two dimensions, i.e. high emission and low emission, and assessed the impacts of climate-related risks and opportunities on the Group's operations and value chain, taking into account publicly available climate scenario models and data.

- We assessed the Group's climate resilience and the effectiveness of climate responses based on the results of the scenario analysis and the Group's climate response strategy.

Notes:

1. Considering the Group's business planning, targets and strategies for energy conservation and emission reduction, as well as climate-related policies of the countries or regions where we operate, we defined the short, medium and long term as 2025, 2030 and 2050, respectively.

2. The impact of risks/opportunities is quantified according to the importance of the risk/opportunity × the probability of occurrence, which is categorized as low, medium and high based on the risk/opportunity threshold.

The major climate-related risks and opportunities identified by the Group through the above process are set out below:

Climate risks/opportunities		Business and financial impact	Time horizon	Impact on value chain	Response measures
Physical risk	Rising mean temperatures	Pharmaceutical production, storage and transportation have high requirements for temperature. The increase in mean temperatures will lead to a greater demand for air conditioners, refrigerators and other equipment, resulting in increased energy consumption and higher production and operating costs.	Medium/ long term	Operation	We have formulated the *Management Procedure of Energy and Resources*, and established a comprehensive energy-saving performance management system. We actively reduce energy consumption through measures such as introducing high-efficiency equipment and retrofitting existing equipment for energy conservation. For specific energy-saving measures, please refer to the Resources Conservation section.
	Extreme weather such as typhoons and floods	The increasing frequency and severity of extreme weather will damage our plants, equipment and facilities, resulting in lower asset values and higher insurance expenses. In addition, extreme weather can cause disruption to operation and supply chain, resulting in lower revenue.	Short/ medium term	Upstream Operation	We have formulated emergency procedures and protective measures for extreme weather such as typhoons, floods and heavy rains to minimize the risk of operational disruption and reduce asset losses.

Climate risks/opportunities		Business and financial impact	Time horizon	Impact on value chain	Response measures
Transition risk	Rising raw material costs	Climate change may affect the production and supply stability of raw materials, resulting in higher raw material prices and higher production costs.	Short/ medium/ long term	Upstream Operation	We continue to focus on the supply of key raw materials, strengthen communication with suppliers, and promote an alternative supplier system to diversify the sources of raw materials, thereby enhancing the stability of raw material supply.
Climate-related opportunities	Use of low-carbon energy	Promoting the use of low-carbon energy such as photovoltaic, will help reduce carbon emissions, decrease dependence on fossil energy and lower the cost of potential carbon emissions.	Short/ medium/ long term	Operation	Based on the actual situation, we have installed solar photovoltaic grid-connected power generation facilities on the factory roof of Taizhou Fudan-Zhangjiang. The photovoltaic power generation reached 184.38 MWh in 2024.
	Improving production and operation efficiency	Improving energy efficiency in production, storage and transportation will help reduce energy use, lower operating costs and reduce carbon emissions.	Short/ medium/ long term	Upstream Operation Downstream	We have formulated the Management Procedure of Energy and Resources, and established a comprehensive energy-saving performance management system. We actively reduce energy consumption through measures such as introducing high-efficiency equipment and retrofitting existing equipment for energy conservation. For specific energy-saving measures, please refer to the Resources Conservation section.

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

Risk Management

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

Indicators and Targets

Energy indirect greenhouse gas emissions (scope II) mainly resulted from electricity and steam consumption of production equipment and in workplaces of the Group. Direct greenhouse gas emissions (scope I) resulted from gasoline and diesel used by vehicles and small number of fire extinguishers. The Group has set the targets of "gradually reducing Greenhouse Gas (GHG) emissions and reducing GHG emissions intensity by 3% by 2025" and "gradually reducing energy consumption and reducing the intensity of energy consumption by 3% by 2025".

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

Greenhouse gas	**2024**	2023	2022
Direct Greenhouse Gas Emissions (Scope I) (tCO_2e)	**2.94**	282.34	712.60
Energy Indirect Greenhouse Gas Emissions (Scope II, market base) (tCO_2e)	**9,350.55**	9,650.97	/
Energy Indirect Greenhouse Gas Emissions (Scope II, location base) (tCO_2e)	**9,870.52**	9,748.77	7931.68
Total Greenhouse Gas Emissions (market base) (tCO_2e)	**9,353.49**	9,933.31	/
Total Greenhouse Gas Emissions (location base) (tCO_2e)	**9,873.46**	10,031.11	8644.28
Intensity (market base) (tCO_2e/million RMB of revenue)	**13.18**	13.97	/
Intensity (location base) (tCO_2e/million RMB of revenue)	**13.92**	14.10	8.38

Notes:

1. Greenhouse gas emissions are presented in CO2e, accounting method and conversion factors come from the *Accounting Methods and Reporting Guide for Greenhouse Gas Emissions from Chemical Industry Enterprises, Accounting Methods and Reporting Guide for Greenhouse Gas Emissions from Other Sectors of Industry* and *Average Carbon Dioxide Emission Factors of China's Regional Power Grids in 2011 and 2012* issued by the NDRC, the 2021 and the 2022 average national grid emission factors issued by the Ministry of Ecology and Environment.

CREATE A HAPPY WORKPLACE

Protection of Employees' Rights and Interests

We strictly comply with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and relevant laws and regulations. The lawful rights and interests of the Group's employees are actively protected through a series of employee management policies such as the *Labour Management Policy*, the *Employee Compensation Management Policy*, the *Department Manager Assessment and Management Regulations*, and the *Policy for Team Building*. During the Reporting Period, we updated our management policies such as the *Employee Handbook V2024 and the Working Hours and Attendance Management System*, and established new management policies such as the *Recruitment Management Policy*, the *Probation Management Regulations* and the *Internship Management Policy*, to further improve the Group's employee protection system.

Recruitment and Dismissal

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

As of the end of the Reporting Period, the Group had a total of 925 employees, of which 921 were full-time employees and 4 were part-time employees. The total workforce by gender, age group and geographical region at the end of the Reporting Period, and the employee turnover rate during the Reporting Period are shown as below:

Indicator	**Indicator Dimension**	**Detail**	**2024**	2023
Employee Structure	Gender	Male	**325**	358
		Female	**600**	590
	Age Group	<30	**312**	302
		30-49	**579**	606
		≥50	**34**	40
	Region	Shanghai	**788**	807
		Taizhou	**137**	141
Employee Turnover Rate	Gender	Male	**20%**	10%
		Female	**21%**	11%
	Age Group	<30	**19%**	13%
		30-49	**20%**	8%
		≥50	**26%**	30%
	Region	Shanghai	**20%**	11%
		Taizhou	**23%**	7%

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

Compensation and Promotion

We implement classified remuneration system. The remuneration levels are determined according to position responsibilities and ability requirements. The remuneration system consists of standard salary, subsidy, benefit, performance distribution and award.

In accordance with national regulations, we contribute to various public funds for each employee, including a public pension fund, a public housing fund, a medical insurance fund, an unemployment insurance fund, labour union expenditure, as well as holiday benefits.

We adopt a diversified assessment approach. For senior management at the deputy chief executive level and above, their annual work plans and evaluations are determined by the Board of Directors. According to the *Annual Work Plan and Budget* (approval version), department managers and deputy managers submit their *Annual Work Summary and Self-Assessment*, which is evaluated by the deputy chief executive in conjunction with the completion of the plans, and then assessed by the Company. Employee performance assessment is generally conducted at the end of the year and consists of employee self-assessment, supervisor appraisal, and company appraisal. Employee self-assessment is mainly conducted in the form of an individual annual summary. Supervisor appraisal and company appraisal are mainly conducted by the department manager based on the employee's work performance, work attitude, work ability, workload and suitability for an objective assessment. Feedbacks from relevant departments are also considered to make a comprehensive assessment. The individual annual summary of employees, the assessment opinions of department managers, and the annual comprehensive appraisal of employees are all filed as part of the employee's personal files. These documents serve as important references for future salary adjustment, promotion, position adjustment, and training.

Working Hours and Holidays

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

Labor Standards

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

Equality and Inclusiveness

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

Development and Training

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

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

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

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

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

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

In 2024, various departments of the Group organized a number of special trainings for job functions, including hands-on training on professional skills, professional knowledge training, quality document management capability training, and professional platform operation training. The comprehensive abilities of individuals and team collaboration have been significantly enhanced. The training methods were flexible and diverse, including offline on-site practice, video recording, and lectures from professional instructors. We also cooperated with well-known pharmaceutical platforms to strongly support employee training programs.

During the Reporting Period, the Group organised a total of 19,936.5 hours of training. The percentage of employees trained and the average training hours completed per employee by gender, employee grade and employee function are shown as below:

Indicator Dimension	Detail	The Percentage of Employees Trained	The Average Training Hours Completed per Employee
Gender	Male	34.0%	20.0
	Female	66.0%	21.7
Employee Grade	Senior management	0.6%	19.5
	Middle management	3.5%	18.4
	Junior employees	95.9%	21.2
Administration personnel	R&D	15.0%	14.5
	Marketing	58.3%	21.9
	Manufacturing	22.5%	28.2
	Administration personnel	4.1%	16.4

Note:

1. Percentage of Employees Trained = the number of employees trained in the specified category during the Reporting Period/the total number of employees trained *100

2. Average Training Hours per Employee = total hours of training for that category of employees during the Reporting Period/number of employees for that category

Diverse Employee Activities

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

- Annual meeting: We clarify the company's strategic goals, add speeches by senior executives, listen to employees, and provide opportunities for individuals and departments to showcase achievements through annual meeting.

- Management meeting: We hold management meeting every six months to summarize and affirm the work of departments and employees for the year. Based on the company's annual strategic priorities, we provide management suggestions for future work and develop annual work plans.

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

- Employee care: We provide donations and assistance to employees who have difficulties due to illness, delivering love and mildness. In addition, we organized a photography activity on Women's Day in 2024, allowing female employees to feel the company's humanistic care and experience work-life balance on this special day. We also adopted a more ceremonial way to celebrate special occasions for employees, such as welcome ceremonies for new hires, congratulatory letters for probation completion, congratulatory letters for promotion, and anniversary celebrations for years of service.

- Employee experience: To enable new employees to quickly adapt to the new environment, we organize special trainings, workshops and experience camps. Special training and workshops are designed to help employees gradually gain an understanding of the company's current situation and future development. In 2024, over 23 new employees participated in these activities, which were mainly conducted in the form of visual presentation. The content included learning about the company's organizational structure, internal and external information, and management systems. Additionally, there were self-introduction, highlight moments, elements of success, trust relationships, future action plans and other sessions in these activities to facilitate cross-departmental communication. At the same time, according to work needs, we organized "Our Future Work Reading Club" and Teachers' Day themed activities. Employees freely expressed their views in the book club, which were compiled into the *Fudan Zhangjiang Reading Notes*. In the Teachers' Day themed activities, employees expressed their gratitude to their supervisors and colleagues who had helped them at work. This fostered the harmonious relationship among employees.

Safeguarding Employees' Safety and Health

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

Guaranteeing Occupational Health

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

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

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

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

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

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

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

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

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

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

In 2024, to comprehensively test the reliability and authenticity of the Group's emergency response plans and to strengthen our safety system, we conducted a series of emergency drills, including but not limited to leakage emergency drills, fire fighting drills, evacuation and escape drills, and emergency drills for limited space operations.

Safety Culture Construction

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

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

In addition, we also organize safety-themed trainings from time to time. In 2024, Shanghai Fudan-Zhangjiang organized a series of training sessions with respect to hazard identification, occupational health and safety, operation of fire-fighting facilities, and publicity of the Production Safety Law.

CONTRIBUTE TO A BETTER SOCIETY

At the same time of creating value for shareholders and creating wealth for customers, the Group actively devotes itself to public services, pays attention to vulnerable groups and poverty-stricken people, fulfils social responsibilities, and promotes harmonious development of community, company and regional economy. The Group established *Management Regulations of Charity and Public Benefit Activities* to regulate community investment activities.

Charitable Activities	We have cooperated with Beijing Huakang Public Welfare Foundation since April 2020 to carry out a public welfare assistance program, “For Their Tomorrow Patient Assistance Program”, which aims to help low-income patients to obtain more sustainable and effective medical treatment, so as to alleviate patients’ financial burdens and improve their quality of life. During the Reporting Period, the Group successively donated medicines worth over RMB16 million.
Promoting Medical Industry	In order to implement the strategy of Healthy China and fulfill the social responsibility of pharmaceutical enterprises, the Group supports the establishment of the system for the prevention and treatment of major diseases through special donations. Since September 2022, in order to promote the establishment of a standardized photodynamic therapy alliance, the Group has cooperated with the China Medical and Healthcare Development Foundation under the National Health Commission to carry out the project of “Hemoporfin Photodynamic Clinical Application Research”, and donated RMB500,000 to the Foundation during the Reporting Period. Meanwhile, in order to promote academic activities and scientific research in the field of triple-negative breast cancer, the Group donated RMB150,000 to Beijing Aipu Cancer Patient Care Foundation during the Reporting Period, aiming to constantly inject innovative momentum into China’s medical and healthcare industry by supporting key medical technology tackle and major disease research.
Support for Elderly Well-being	To promote the traditional virtues of respecting and caring for the elderly and to provide substantial support and care to the senior community thus enhancing their quality of life during the Reporting Period the Group donated RMB200,000 to the Shanghai Long-term Wish Public Welfare Foundation. This donation supported initiatives such as the “99 Zebra Science Outreach Project” (online health knowledge dissemination) and the “Silver Age Action” (offline community volunteer activities). As of the end of the Reporting Period, the online initiatives had engaged over 5,000 participants, while the offline activities covered more than 50 streets and over 200 community committees in Shanghai, attracting a total of more than 6,000 elderly participants, thereby promoting social integration and strengthening intergenerational bonding.
Targeted Agricultural Support and Assistance	During the Reporting Period, the Company’s labor union procured agricultural products valued at RMB 122,250 from economically disadvantaged farmers in Dayu Village, Malu Town, Shanghai, and 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.
Public Welfare Donations	The Group makes active response to the call of community welfare organizations. In December 2024, the Group donated RMB50,000 to the People’s Government of Zhangjiang Town, Pudong New Area, Shanghai. The funds were allocated to specific projects including support for people with disabilities, healthcare, poverty alleviation, Red Cross care, support for military personnel and their families, charitable assistance, and elderly care, thereby aiding poverty alleviation and promoting community development.

Auditor's Report

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

OPINION

What we have audited

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

- the consolidated and company balance sheets as at 31 December 2024;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended; and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of the Company and its subsidiaries (the "Group") as at 31 December 2024, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs").

BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing ("CASs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

KEY AUDIT MATTERS

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

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

KEY AUDIT MATTERS (continued)

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition Please refer to Note 2(19), Note 5(34) Fudan-Zhangjiang Group 's revenue presented in the consolidated financial statements for the year ended 31 December 2024 is RMB709.40 million, mainly including revenue from sales of pharmaceuticals and diagnostic products of RMB709.38 million. For sales of products, Fudan Zhangjiang Group and its subsidiaries recognise revenue at the amount of the consideration which they expect to be entitled to receive after pharmaceuticals and diagnostic products have been delivered to the specified carrier at the time of confirming the acceptance or transfer of control in accordance with the provisions of contracts. We noted this matter because the amount of the revenue which is a key performance indicator of the Company is large and revenue recognition has significant impacts on the financial statements. Moreover, as the timing of revenue recognition varies with the Group's products, we need to employ a lot of audit resources to perform relevant audit procedures. Therefore, we identify revenue recognition as a key audit matter.	We gained an understanding of Fudan Zhangjiang Group's internal controls related to revenue recognition, including sales pricing management, customer credit management, sales order review, sales outbound review, sales revenue recognition, sales billing management, review of billing and outbound order, accounting for revenue and cost and others, and evaluated and tested the effectiveness of the design and operation of relevant internal controls; We conducted interviews with management, inspected the sales contracts of different types of products related to the revenue on a sampling basis, reviewed the terms of these contracts, and assessed whether the timing of revenue recognition for each product and service complies with the Accounting Standards for Business Enterprises; We checked the supporting documents for revenue recognition on a sampling basis, including sales contracts and orders, outbound orders, logistics receipts, invoices and payment bills;

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

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	We performed confirmation procedures on a sampling basis on the balance of accounts receivable as at 31 December 2024; We checked the supporting documents such as the outbound orders or the logistics receipts for the revenue recognised around the balance sheet date to assess whether the revenue was recognised in the correct accounting period. Based on the audit work we have performed, we believe that the recognition of the Company's sales revenue is consistent with your company's accounting policies.

OTHER INFORMATION

Management of the Company is responsible for the other information. The other information comprises all of the information included in 2024 annual report of the Company other than the financial statements and our auditor's report thereon.

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

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

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS (CONT'D)

In preparing these financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CASs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In performing the audit in accordance with auditing standards, we use professional judgement and maintain professional scepticism. Also, we perform the following:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures to address those risks and obtain audit evidence that is sufficient and appropriate to form the basis of an audit opinion. The risk of failing to detect a material misstatement due to fraud is higher than the risk of failing to detect a material misstatement due to error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or override of internal controls.

- Understand internal control relevant to the audit in order to design audit procedures that are appropriate.

- Evaluating the appropriateness of management's selection of accounting policies and the reasonableness of accounting estimates and related disclosures.

- To draw conclusions about the appropriateness of management's use of the going concern assumption. At the same time, based on the audit evidence obtained, we conclude whether a material uncertainty exists regarding the matters or circumstances that may cast significant doubt on your ability to continue as a going concern. If we conclude that a material uncertainty exists, auditing standards require us to draw the attention of users of the statements to the relevant disclosures in the financial statements in our audit report; if the disclosures are not adequate, we should express an unqualified opinion. Our conclusions are based on the information available as at the date of the audit report. However, future events or circumstances may cause your company not to be a going concern.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

- Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers Zhong Tian LLP	Signing CPA	Keane Zhou (Engagement Partner)
Shanghai, the People's Republic of China March 27 2025	Signing CPA	Linjie Zhou

Consolidated Balance Sheet

As at 31 December 2024
(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note	31 December 2024 Consolidated	31 December 2023 Consolidated
Current assets			
Cash at bank and on hand	5(1)	1,056,285,629	1,195,895,997
Notes receivables	5(2)	120,472,835	174,262,319
Accounts receivables	5(3)	349,489,457	446,223,107
Advances to suppliers	5(4)	24,750,580	4,330,980
Other receivables	5(5)	2,489,795	3,539,328
Inventories	5(6)	47,265,443	43,651,360
Other current assets	5(7)	6,024,768	1,521,795
Total current assets		1,606,778,507	1,869,424,886
Non-current assets			
Long-term receivables	5(8)	1,625,151	958,502
Investments in other equity instruments	5(9)	10,584	15,126
Long-term equity investments	5(10)	257,482,937	287,518,193
Fixed assets	5(11)	476,796,334	228,496,043
Construction in progress	5(12)	7,195,929	229,962,812
Right-of-use assets	5(13)	19,535,179	16,870,559
Intangible assets	5(14)	68,647,962	86,350,098
Development costs	5(15)	–	–
Goodwill	5(16)	–	–
Long-term prepaid expenses	5(17)	9,276,212	11,323,048
Deferred tax assets	5(18)	133,282,987	100,873,445
Other non-current assets	5(19)	5,870,841	44,894,795
Total non-current assets		979,724,116	1,007,262,621
TOTAL ASSETS		2,586,502,623	2,876,687,507

Consolidated Balance Sheet

As at 31 December 2024

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31 December 2024 Consolidated	31 December 2023 Consolidated
Current liabilities			
Accounts payables	5(21)	10,671,215	8,054,847
Contract liabilities	5(22)	8,340,998	260,736
Employee benefits payable	5(23)	18,410,777	25,084,497
Taxes payable	5(24)	7,959,140	12,200,227
Other payables	5(25)	199,384,549	453,055,613
Including: Dividends payable		–	–
Current portion of non-current liabilities	5(27)	6,098,210	6,329,026
Other current liabilities	5(26)	87,251	33,896
Total current liabilities		250,952,140	505,018,842
Non-current liabilities			
Lease liabilities	5(27)	14,427,665	10,952,722
Deferred income	5(28)	15,845,713	2,152,575
Total Non-current liabilities		30,273,378	13,105,297
Total liabilities		281,225,518	518,124,139
Shareholders' equity			
Paid-in capital	5(29)	103,657,210	103,657,210
Capital surplus	5(30)	1,289,553,594	1,289,293,388
Less: Treasury stock		–	–
Other comprehensive losses	5(31)	(5,547,421)	(5,858,369)
Surplus reserve	5(32)	52,150,000	52,150,000
Undistributed profits	5(33)	864,754,029	918,311,622
Total equity attributable to shareholders' of the Company		2,304,567,412	2,357,553,851
Minority interests		709,693	1,009,517
Total shareholders' equity		2,305,277,105	2,358,563,368
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,586,502,623	2,876,687,507

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

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

Company Balance Sheet

As at 31 December 2024
(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note	31 December 2024 Company	31 December 2023 Company
Current assets			
Cash at bank and on hand		**943,340,387**	1,067,294,432
Notes receivables	16(1)	**91,378,668**	139,728,373
Accounts receivables	16(2)	**300,413,496**	392,842,543
Advances to suppliers		**24,182,512**	4,365,190
Other receivables	16(3)	**80,395,649**	125,240,027
Inventories		**32,709,053**	29,993,697
Other current assets		**–**	481,748
Total current assets		**1,472,419,765**	1,759,946,010
Non-current assets			
Long-term receivables		**1,625,151**	958,502
Long-term equity investments	16(4)	**723,360,908**	776,119,164
Fixed assets		**109,876,880**	122,060,655
Construction in progress		**4,602,571**	91,679
Right-of-use assets	16(5)	**19,535,179**	16,870,559
Intangible assets		**27,930,156**	41,281,707
Long-term prepaid expenses		**4,483,134**	5,544,361
Deferred tax assets		**122,685,866**	101,792,523
Other non-current assets		**4,026,958**	5,198,793
Total non-current assets		**1,018,126,803**	1,069,917,943
TOTAL ASSETS		**2,490,546,568**	2,829,863,953

Company Balance Sheet

As at 31 December 2024
(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31 December 2024 Company	31 December 2023 Company
Current liabilities			
Accounts payables		**5,342,113**	4,352,301
Contract liabilities		**8,213,359**	133,097
Employee benefits payable		**16,915,225**	22,161,404
Taxes payable		**7,778,890**	11,355,321
Other payables		**158,218,147**	394,918,659
Including: Dividends payable		**–**	–
Current portion of non-current liabilities	16(6)	**6,098,210**	6,329,026
Other current liabilities		**70,658**	17,303
Total current liabilities		**202,636,602**	439,267,111
Non-current liabilities			
Lease liabilities	16(6)	**14,427,665**	10,952,722
Deferred income		**–**	414,825
Total non-current liabilities		**14,427,665**	11,367,547
Total liabilities		**217,064,267**	450,634,658
Shareholders' equity			
Paid-in capital		**103,657,210**	103,657,210
Capital surplus		**1,373,011,839**	1,372,751,633
Less: Treasury stock		**–**	–
Surplus reserve		**52,150,000**	52,150,000
Undistributed profits		**744,663,252**	850,670,452
Total shareholders' equity		**2,273,482,301**	2,379,229,295
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,490,546,568**	2,829,863,953

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

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

Consolidated Income Statements

For the year ended 31 December 2024
(All amounts in RMB Yuan unless otherwise stated)

	Note	2024 Consolidated	2023 Consolidated
Revenue	5(34)	709,404,966	850,733,212
Less: Cost of sales	5(34), 5(40)	(61,212,355)	(70,628,161)
Taxes and surcharges	5(35)	(7,439,079)	(5,390,405)
Selling expenses	5(36), 5(40)	(299,343,371)	(383,590,748)
General and administrative expenses	5(37), 5(40)	(41,700,643)	(42,860,643)
R&D expenses	5(38), 5(40)	(314,162,142)	(243,762,975)
Financial income – net	5(39)	5,034,580	3,703,638
Including: Interest expenses		(591,615)	(3,066,246)
Interest income		5,548,805	7,972,431
Add: Other income	5(41)	19,397,448	25,580,068
Investment losses	5(42)	(10,406,606)	(4,345,839)
Including: Share of losses of associates and joint ventures		(28,553,238)	(23,539,527)
Credit impairment losses/(reverse)	5(43)	8,970,758	(24,196,054)
Asset impairment losses	5(44)	(6,179,616)	(8,447,773)
Gains on disposals of assets	5(45)	29,905	295,346
Operating profit		2,393,845	97,089,666
Add: Non-operating income	5(46)	4,502,178	1,295,472
Less: Non-operating expenses	5(47)	(1,438,093)	(857,075)
Total profit		5,457,930	97,528,063
Less: Income tax expenses	5(48)	33,976,142	10,921,795
Net profit		39,434,072	108,449,858
Classified by continuity of operations			
Net profit from continuing operations		39,434,072	108,449,858
Net profit from discontinued operations		–	–
Classified by ownership of the equity			
Net profit attributable to equity holders of the company		39,733,896	108,627,368
Minority interests		(299,824)	(177,510)

	Note	2024 Consolidated	2023 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		(4,542)	(589,115)
Other comprehensive income that will be reclassified to profit or loss			
Differences on translation of foreign currency financial statements		315,490	(68,233)
		310,948	(657,348)
Total comprehensive income		39,745,020	107,792,510
Attributable to the shareholders of the Company		40,044,844	107,970,020
Attributable to minority interests		(299,824)	(177,510)
		39,745,020	107,792,510
Earnings per share			
Basic earnings per share(RMB Yuan)	5(49)	0.04	0.11
Diluted earnings per share(RMB Yuan)	5(49)	0.04	0.11

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

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

Company Income Statements

For the year ended 31 December 2024
(All amounts in RMB Yuan unless otherwise stated)

	Note	2024 Company	2023 Company
Revenue	16(7)	603,663,418	711,195,143
Less: Cost of sales	16(7)	(88,103,234)	(58,896,655)
Taxes and surcharges		(3,775,225)	(3,544,978)
Selling expenses		(252,561,301)	(329,669,536)
General and administrative expenses		(28,475,097)	(30,358,096)
R&D expenses		(248,370,666)	(235,062,631)
Financial income – net		3,874,090	3,040,559
Including: Interest expenses		(591,615)	(3,065,915)
Interest income		4,370,942	7,291,719
Add: Other income		6,805,458	21,497,449
Investment losses	16(8)	(11,624,585)	(3,447,349)
Including: Share of losses of associates and joint ventures		(28,553,238)	(23,539,527)
Credit impairment reverse/(losses)		9,005,042	4,311,079
Asset impairment losses		(27,116,329)	(33,700,569)
Gains on disposals of assets		153,776	215,700
Operating (loss)/profit		(36,524,653)	45,580,116
Add: Non-operating income		3,726,290	1,241,580
Less: Non-operating expenses		(810,691)	(725,542)
Total (loss)/profit		(33,609,054)	46,096,154
Less: Income tax expenses		20,893,343	13,462,508
Net (loss)/profit		(12,715,711)	59,558,662
Classified by continuity of operations			
Net (loss)/profit from continuing operations		(12,715,711)	59,558,662
Net profit from discontinued operations		–	–
Other comprehensive income, net of tax		–	–
Total comprehensive income		(12,715,711)	59,558,662

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

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

Consolidated Cash Flow Statements

For the year ended 31 December 2024
(All amounts in RMB Yuan unless otherwise stated)

	Note	2024 Consolidated	2023 Consolidated
Cash flows (used in)/from operating activities			
Cash received from sales of goods or rendering of services		853,049,148	903,764,411
Cash received relating to other operating activities	5(50)(a)	44,476,525	31,269,962
Sub-total of cash inflows		897,525,673	935,034,373
Cash paid for goods and services		(499,842,895)	(517,148,526)
Cash paid to and on behalf of employees		(239,967,246)	(243,408,026)
Payments of taxes and surcharges		(49,209,099)	(33,532,299)
Cash paid relating to other operating activities	5(50)(b)	(125,019,067)	(69,930,072)
Sub-total of cash outflows		(914,038,307)	(864,018,923)
Net cash flows (used in)/from operating activities	5(51)(a)	(16,512,634)	71,015,450
Cash flows used in investing activities			
Cash received from return of investment	5(50)(c)	1,742,224	–
Net cash received from disposal of fixed assets		640,667	678,186
Cash received relating to other investing activities	5(50)(d)	3,910,146,632	3,961,912,977
Sub-total of cash inflows		3,912,529,523	3,962,591,163
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(42,669,424)	(98,967,688)
Cash paid relating to other investing activities	5(50)(e)	(3,892,000,000)	(3,909,000,000)
Sub-total of cash outflows		(3,934,669,424)	(4,007,967,688)
Net cash flows used in investment activities		(22,139,901)	(45,376,525)

Consolidated Cash Flow Statements

For the year ended 31 December 2024
(All amounts in RMB Yuan unless otherwise stated)

	Note	2024 Consolidated	2023 Consolidated
Cash flows (from)/used in financing activities			
Cash received from investment		–	66,861,643
Sub-total of cash inflows		–	66,861,643
Cash payments for distribution of dividends, profits or interest expenses		(93,291,489)	(76,151,923)
Cash repayments of amounts borrowed		–	(100,000,000)
Cash payments relating to other financing activities	5(50)(f)	(7,981,835)	(9,687,079)
Sub-total of cash outflows	5(51)(b)	(101,273,324)	(185,839,002)
Net cash flows used in financing activities		(101,273,324)	(118,977,359)
Effect of foreign exchange rate changes on cash and cash equivalents		315,491	(68,233)
Net decrease in cash and cash equivalents	5(51)(a)	(139,610,368)	(93,406,667)
Add: Cash and cash equivalents at the beginning of the year	5(51)(a)	1,195,895,997	1,289,302,664
Cash and cash equivalents at the end of the year	5(51)(c)	1,056,285,629	1,195,895,997

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

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

Company Cash Flow Statements

For the year ended 31 December 2024
(All amounts in RMB Yuan unless otherwise stated)

	Note	2024 Company	2023 Company
Cash flows (used in)/from operating activities			
Cash received from sales of goods or rendering of services		672,490,544	759,565,569
Cash received relating to other operating activities		13,826,370	27,690,442
Sub-total of cash inflows		686,316,914	787,256,011
Cash paid for goods and services		(451,827,507)	(499,463,531)
Cash paid to and on behalf of employees		(197,996,080)	(198,953,844)
Payments of taxes and surcharges		(30,947,941)	(29,403,804)
Cash paid relating to other operating activities		(54,515,442)	(49,012,673)
Sub-total of cash outflows		(735,286,970)	(776,833,852)
Net cash flows (used in)/from operating activities		(48,970,056)	10,422,159
Cash flows from/(used in) investing activities			
Cash received from return of investment		1,742,224	–
Net cash received from disposal of fixed assets		290,816	664,022
Cash received relating to other investing activities		3,640,928,653	3,835,211,468
Sub-total of cash inflows		3,642,961,693	3,835,875,490
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(17,672,358)	(27,213,573)
Cash paid to acquire investments		–	(67,833,750)
Cash paid relating to other investing activities		(3,599,000,000)	(3,753,200,000)
Sub-total of cash outflows		(3,616,672,358)	(3,848,247,323)
Net cash flows from/(used in) investing activities		26,289,335	(12,371,833)

Company Cash Flow Statements

For the year ended 31 December 2024
(All amounts in RMB Yuan unless otherwise stated)

	Note	2024 Company	2023 Company
Cash flows used in financing activities			
Cash received from investing		–	66,861,643
Sub-total of cash inflows		–	66,861,643
Cash payments for distribution of dividends, profits or interest expenses		(93,291,489)	(76,151,923)
Cash payments to repay borrowings		–	(100,000,000)
Cash payments relating to other financing activities		(7,981,835)	(9,234,751)
Sub-total of cash outflows		(101,273,324)	(185,386,674)
Net cash flows used in financing activities		(101,273,324)	(118,525,031)
Effect of foreign exchange rate changes on cash and cash equivalents		–	–
Net decrease in cash and cash equivalents		(123,954,045)	(120,474,705)
Add: Cash and cash equivalents at the beginning of the year		1,067,294,432	1,187,769,137
Cash and cash equivalents at the end of the year		943,340,387	1,067,294,432

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

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

Consolidated Statements of Changes in Equity

For the year ended 31 December 2024
(All amounts in RMB Yuan unless otherwise stated)

Item	Attributable to shareholders of the Company Paid-in capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserve	Undistributed profits	Minority interests	Total shareholders' equity
Balance at 1 January 2023	102,900,000	1,225,008,937	–	(5,201,021)	52,150,000	882,244,301	(4,080,862)	2,253,021,355
Movements for the year ended 31 December 2023								
Total comprehensive income								
Net profit	–	–	–	–	–	108,627,368	(177,510)	108,449,858
Other comprehensive income	–	–	–	(657,348)	–	–	–	(657,348)
Capital contribution and withdrawal by shareholders								
Capital contribution by shareholders	757,210	66,104,433	–	–	–	–	–	66,861,643
Amount of share-based payment included in shareholders' equity (Note 5(30), 6)	–	(1,842,812)	–	–	–	–	–	(1,842,812)
Profit distribution								
Profit distribution to shareholders (Note 5(33))	–	–	–	–	–	(72,560,047)	–	(72,560,047)
Others	–	22,830	–	–	–	–	5,267,889	5,290,719
Balance at 31 December 2023	103,657,210	1,289,293,388	–	(5,858,369)	52,150,000	918,311,622	1,009,517	2,358,563,368

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

Legal representative: Zhao Dajun

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Consolidated Statements of Changes in Equity

For the year ended 31 December 2024
(All amounts in RMB Yuan unless otherwise stated)

Item	Attributable to shareholders of the Company 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 year ended 31 December 2024								
Total comprehensive income								
Net profit	-	-	-	-	-	39,733,896	(299,824)	39,434,072
Other comprehensive income	-	-	-	310,948	-	-	-	310,948
Profit distribution								
Profit distribution to shareholders (Note 5(33))	-	-	-	-	-	(93,291,489)	-	(93,291,489)
Others	-	260,206	-	-	-	-	-	260,206
Balance at 31 December 2024	103,657,210	1,289,553,594	-	(5,547,421)	52,150,000	864,754,029	709,693	2,305,277,105

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

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

Company Statements of Changes in Equity

For the year ended 31 December 2024
(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 2023	102,900,000	1,303,199,293	–	52,150,000	863,671,837	2,321,921,130
Movements for the year ended 31 December 2023						
Total comprehensive income						
Net profit	–	–	–	–	59,558,662	59,558,662
Capital contribution by shareholders						
Capital contribution by shareholders	757,210	66,104,433	–	–	–	66,861,643
Amount of share-based payments included in shareholders' equity	–	(1,842,812)	–	–	–	(1,842,812)
Profit distribution						
Profit distribution to shareholders	–	–	–	–	(72,560,047)	(72,560,047)
Others	–	5,290,719	–	–	–	5,290,719
Balance at 31 December 2023	103,657,210	1,372,751,633	–	52,150,000	850,670,452	2,379,229,295
Balance at 1 January 2024	**103,657,210**	**1,372,751,633**	**–**	**52,150,000**	**850,670,452**	**2,379,229,295**
Movements for the year ended 31 December 2024						
Total comprehensive income						
Net profit	**–**	**–**	**–**	**–**	**(12,715,711)**	**(12,715,711)**
Profit distribution						
Profit distribution to shareholders	**–**	**–**	**–**	**–**	**(93,291,489)**	**(93,291,489)**
Others	**–**	**260,206**	**–**	**–**	**–**	**260,206**
Balance at 31 December 2024	**103,657,210**	**1,373,011,839**	**–**	**52,150,000**	**744,663,252**	**2,273,482,301**

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

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

1 GENERAL INFORMATION

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the "Company") was established in the People's Republic of China ("PRC") on 11 November 1996 with initial registered capital and paid-in capital of RMB5,295,000.

On 20 October 2000, the registered and paid-up capital of the Company was increased from RMB5,295,000 to RMB53,000,000 after successive capital increases and shareholding changes.

On 8 November 2000, the Company was transformed into a joint stock company with limited liability. The registered capital and share capital of the Company were RMB53,000,000, divided into 53,000,000 RMB-denominated ordinary shares, with a par value of RMB1.00 each.

On 20 January 2002, all shares of the Company, being 53,000,000 RMB-denominated ordinary shares with a par value of RMB1.00 each, were subdivided into 530,000,000 RMB-denominated ordinary shares ("Domestic Shares") with a par value of RMB0.10 each.

On 13 August 2002, the trading of the newly issued 198,000,000 foreign ordinary shares ("H Shares") of RMB0.10 each of the Company commenced on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), among which, 180,000,000 H shares were newly issued and 18,000,000 H shares were converted from Domestic Shares. Therefore, the registered capital and share capital of the Company increased to RMB71,000,000, divided into 710,000,000 shares, with a par value of RMB0.10 each.

On 4 February 2013, the Company completed a placing of 142,000,000 H Shares at a price of HKD1.70 each, and the registered capital and share capital of the Company increased to RMB85,200,000, divided into 852,000,000 shares, with a par value of RMB0.10 each.

On 29 June 2012, the Company adopted a restricted share scheme. Pursuant to the scheme, the Company granted a total of 71,000,000 Domestic Shares as restricted shares on 24 June 2013 and 21 October 2013. Upon completion of the grants, the registered capital and share capital of the Company increased to RMB92,300,000, divided into 923,000,000 shares, with a par value of RMB0.10 each.

On 16 December 2013, the Company transferred its H Shares listing from GEM to the Main Board of the Stock Exchange.

On 12 June 2020, the Company completed a placing of 120,000,000 RMB-denominated ordinary A shares with a par value of RMB0.10 each and was listed on the STAR market of Shanghai Stock Exchange on 19 June 2020. After the completion of the issuance, the Company's registered capital and share capital increased to RMB104,300,000, divided into 1,043,000,000 shares, with a par value of RMB0.10 each.

On 7 June 2022, the Company completed the cancellation procedures of the repurchased 14,000,000 H Shares at the Hong Kong Central Securities Registration Co., Ltd., and the share capital of the Company decreased from 1,043,000,000 shares to 1,029,000,000 shares.

1 GENERAL INFORMATION (continued)

On May 11, 2023, in accordance with the Restricted Stock incentive Plan implemented in 2021, the Company issued RMB7,572,100 ordinary A-shares with a par value of RMB0.1 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 RMB103,657,210.

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.

Subsidiaries comprised in the consolidated financial statements as of 31 December 2024 are set out in Note 7.

These financial statements are authorised for issue by the Board of Directors of the Company on 27 March 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(26).

(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, which came into effect on March 3, 2014.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

The financial statements of the Company for year ended 31 December 2024 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 31 December 2024 and of their financial performance, cash flows and other information for the year then ended.

(3) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

(4) Determination and selection for significance

Based on the industry situation and operation characteristics of the group, the 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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(6) Preparation of consolidated financial statements (continued)

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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(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.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(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 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(9) Financial instruments (continued)

(a) Financial assets (continued)

(i) Classification and measurement (continued)

Debt instruments *(continued)*

Measured at fair value through 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.

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 (continued)

(9) Financial instruments (continued)

(a) Financial assets (continued)

(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 (continued)

(9) Financial instruments (continued)

(a) Financial assets (continued)

(ii) Impairment (continued)

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	Others
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.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(9) Financial instruments (continued)

(a) Financial assets (continued)

(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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(9) Financial instruments (continued)

(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(10) Inventories (continued)

(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(11) Long-term equity investments (continued)

(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 (continued)

(11) Long-term equity investments (continued)

(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.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(12) Fixed assets (continued)

(b) Depreciation method of fixed assets

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(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)).

(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 amortised on straight-line basis 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 is amortised on straight-line basis over the estimated useful life of 3-10 years.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(14) Intangible assets (continued)

(e) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(14) Intangible assets (continued)

(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(16) Impairment of long-term assets (continued)

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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(17) Employee benefits (continued)

(c) Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss for the current period at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses for a restructuring that involves the payment of termination benefits.

(18) 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)).

(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.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(19) Revenue (continued)

(b) Technology transfer

The revenue from technology transfer is recognised when the contract execution clause is completed and control related to the technology is transferred.

Under the terms of the technology transfer contract, after the purchaser successfully commercialises the transferred technology, the Group can collect additional 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(20) Government grants (continued)

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 (continued)

(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.

For a lease modification that is not accounted for as a separate lease, the Group redetermines the lease term at the effective date of the lease modification, and remeasures the lease liability by discounting the revised lease payments using a revised discount rate, except the changes in contract are accounted for by applying the practical expedient according to the relevant regulations of the Ministry of Finance. For a lease modification which decreases the scope of the lease or shortens the lease term, the Group decreases the carrying amount of the right-of-use asset, and recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. For other lease modifications which lead to the remeasurement of lease liabilities, the Group correspondingly adjusts the carrying amounts of the right-of-use assets.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(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) Share-based payments

Share-based payments are divided into equity-settled and cash-settled payments. The restricted share plan executed by the Group is accounted for as equity-settled share-based payments.

The equity-settled share-based payments in exchange for employee services are measured at the fair value of the equity instruments granted to the employees. Where the equity-settled share-based payments are exercisable immediately after the grant is completed, the payments shall be recognised in profit or loss for the current period at the fair value of the equity instruments at the grant date, with capital surplus increased accordingly; where the equity-settled share-based payments are exercisable after the service in the vesting period is completed or specified performance conditions are met, the service obtained in the current period shall be recognised in profit or loss for the current period at the fair value of the equity instruments at the grant date based on the best estimate on the quantity of exercisable equity instruments made by the Group in accordance with the latest changes in the number of exercisable employees, satisfaction of specified performance conditions and subsequent information at each balance sheet date within the vesting period.

Where the equity-settled share-based payments cannot be exercised in the end, the Group's cost or expenses shall not be recognised unless that the payments are exercisable under the market conditions or non-exercisable conditions. In this regard, whether the market conditions or non-exercisable conditions are satisfied or not, the payments are deemed to be exercisable only when the non-market conditions among all of the exercisable conditions are satisfied.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(25) Share-based payments (continued)

When modifying the terms of share-based payments plan, if the modification increases the fair value of equity instruments granted, the Group recognises incremental services received based on the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. If the Group modifies the exercisable conditions in a way that is beneficial to the employees, the Group shall conduct accounting according to the revised exercisable conditions; if the Group modifies the exercisable conditions in a way that is not beneficial to the employees, it will not be taken into account in the accounting, unless cancelling part or all of the equity instruments granted. If the Group cancels equity instruments granted, they shall be accounted for as accelerated exercise at the date of cancellation, and the Group shall include immediately the amount that otherwise would have been recognised over the remainder of the vesting period into profit and loss for the current period. Meanwhile the capital surplus shall be recognised.

(26) 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.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(26) Critical accounting estimates and judgements (continued)

(b) Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(i) Useful life of fixed assets

Management of the Group determines the estimated useful lives of fixed assets. This estimate is based on experience with the actual useful lives of fixed assets of similar nature and function. This estimate may change significantly due to technological innovation or competitors taking action against severe industry cycles.

Management will increase the depreciation rate for assets with shorter useful lives than previously estimated, or give up and write off technically obsolete assets, or sell non-essential assets.

(ii) Measurement of ECL

The Group calculates ECL based on the exposure at default and the ECL rates. The determination of the ECL rates is based on the probability of default and the loss given default or the 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 taxes and defer taxes

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.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(26) Critical accounting estimates and judgements (continued)

(b) Critical accounting estimates and key assumptions (continued)

(iii) Income taxes and defer taxes (continued)

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.

(27) Significant changes in accounting policies

The Ministry of Finance issued the Interpretation No. 17 of Accounting Standards for Business Enterprises (Interpretation No. 17) and the Interpretation No. 18 of Accounting Standards for Business Enterprises (Interpretation No. 18) in 2023 and 2024 respectively. The Interpretation No. 17 and Interpretation No. 18 have been adopted for preparing the financial statements for the year ended 31 December 2024, and have no significant impacts on the financial statements of the Group and the Company.

3 TAXATION

(1) The main categories and rates of taxes applicable to the Group are set out below:

Category	Taxation basis	Tax rate
Enterprise income tax (a)	Taxable income	15% and 16.5%
Value-added tax ("VAT")	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible 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 2024 is 15%(2023:15%).

In 2021, 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. GR202132007432), 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. 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 year ended 31 December 2024 was 15% (2023: 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 year 2024 was 15% (2023: 15%). Tracing Bio-technology had no taxable income for the year ended 31 December 2024 and 2023, thus no income tax expenses were accrued.

3 TAXATION

(1) The main categories and rates of taxes applicable to the Group are set out below: (continued)

(a) (continued)

Fernovelty (Hong Kong) Holding Co., Limited ("Fernovelty Holding"), a subsidiary of the Company, is a limited liability company incorporated in Hong Kong. From 1 January 2018, Hong Kong adopted the two-tiered profits tax rates regime, where applicable tax rate for taxable profits within HKD2,000,000 is 8.25% while that for taxable profits in excess of HKD2,000,000 is 16.5%. For the year ended 31 December 2024 and 2023, Fernovelty Holding had no taxable profits, thus no HK profits tax was accrued.

(b) Pursuant to the 'Announcement on the Policy of Value added Tax Deduction for Advanced Manufacturing Enterprises' (Cai Shui [2023] No.43) jointly issued by the Ministry of Finance and the State Taxation Administration, the Group's subsidiary Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd. ("Taizhou Pharmaceutical"), 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 7 for details.

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS

(1) Cash at bank and on hand

	31 December 2024	31 December 2023
Cash on hand	**31,587**	16,803
Cash at bank	**1,056,254,042**	1,195,879,194
Including: cash at bank and on hand overseas	**22,177,996**	21,140,199
	1,056,285,629	1,195,895,997

As at 31 December 2024 and 31 December 2023, no cash at bank was restricted.

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(2) Notes receivables

	31 December 2024	31 December 2023
Bank acceptance notes	120,569,384	174,115,330
Commercial acceptance notes	–	263,665
Less: Provision for bad debts	(96,549)	(116,676)
	120,472,835	174,262,319

(a) As at 31 December 2024, the Group had no pledged notes receivable as presented in notes receivable.

(b) In 2024, 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 RMB64,123,805 (2023: RMB54,283,688).

As at 31 December 2024, the Group listed notes receivable endorsed or discounted but not yet mature as follows:

	De-recognised	Not de-recognised
Bank acceptance notes (i)	2,640,083	100,000

(i) For the year ended 31 December 2024, just a partial portion 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 (continued)

(2) Notes receivables (continued)

(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:

	31 December 2024					31 December 2023				
	Book Balance		Bad debts		Carrying	Book Balance		Bad debts		Carrying
	Amount	%	Amount	%	amount	Amount	%	Amount	%	amount
Provision of bad debts made on a collective basis(i)	120,569,384	100%	(96,549)	0.08%	120,472,835	174,378,995	100%	(116,676)	0.07%	174,262,319

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

Group – Bank Acceptance notes:

As at 31 December 2024, the Group measured the provision for doubtful accounts on the basis of expected credit losses over the entire duration, and the relevant amount was RMB96,549 (as at 31 December 2023: RMB116,628), which was recognised in profit and loss for the period with RMB20,127 (2023: RMB116,628). 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.

Group – Commercial Acceptance notes:

As at 31 December 2024, the Group has no commercial acceptance notes. (31 December 2023: the Group measured provision for bad debts of commercial acceptance notes within this group based on the lifetime ECL, which amounted to RMB48 recognised in profit or loss.)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(3) Accounts receivables

	31 December 2024	31 December 2023
Accounts receivables	376,535,299	482,216,788
Less: Provision for bad debts	(27,045,842)	(35,993,681)
	349,489,457	446,223,107

The Group's accounts receivables are generated from daily business activities such as the sales of pharmaceutical and diagnostic products, with credit periods of 30-120 days.

As at 31 December 2024 and 31 December 2023, 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:

	31 December 2024	31 December 2023
Within 1 year	365,148,509	476,025,167
1 to 2 years	11,386,790	6,191,621
	376,535,299	482,216,788

(b) As at 31 December 2024, 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	255,430,288	(18,478,168)	67.84%

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(3) Accounts receivables (continued)

(c) Provision for bad debts

	31 December 2023	Change amount in the current year Accrual	Reverse	Write-off	31 December 2024
Provision for bad debts of accounts receivables	(35,993,681)	(3,541)	8,951,380	–	(27,045,842)

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:

	31 December 2024					31 December 2023				
	Book Balance		Bad debt		Carrying	Book Balance		Bad debt		Carrying
	Amount	%	Amount	%	amount	Amount	%	Amount	%	amount
Provision for bad debts on an individual basis(i)	-	-	-	-	-	-	-	-	-	-
Provision of bad debts made on a collective basis(i)	376,535,299	100%	(27,045,842)	7.18%	349,489,457	482,216,788	100%	(35,993,681)	7.46%	446,223,107
	376,535,299	100%	(27,045,842)	7.18%	349,489,457	482,216,788	100%	(35,993,681)	7.46%	446,223,107

(i) As at 31 December 2024 and 31 December 2023, the Group did not make provision for bad debts for accounts receivables on an individual basis.

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(3) Accounts receivables (continued)

(c) Provision for bad debts (continued)

(ii) 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)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(3) Accounts receivables (continued)

(c) Provision for bad debts (continued)

(ii) (continued)

At 31 December 2023, provision for bad debts made on a collective basis for accounts receivables is analysed as follows:

Group – sales receivable:

	31 December 2023		
	Book balance	Provision for bad debts	
	Amount	Lifetime expected credit loss rate	Amount
Not overdue	165,952,062	1.71%	(2,839,649)
Overdue within 120 days	113,108,180	4.98%	(5,628,392)
Overdue 121 days to 1 year	196,964,925	10.83%	(21,334,019)
Overdue 1 to 2 years	6,191,621	100.00%	(6,191,621)
	482,216,788		(35,993,681)

(d) No provision for bad debts was written off in 2024.

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(4) Advances to suppliers

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

	31 December 2024		31 December 2023	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	24,658,129	99.63%	3,970,311	91.67%
Above 1 year	92,451	0.37%	360,669	8.33%
	24,750,580	100.00%	4,330,980	100.00%

As at December 31, 2024, prepayments older than one year were RMB92,451 (December 31, 2023: RMB360,669), mainly for raw materials.

(b) As at 31 December 2024, 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	9,813,967	39.65%

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(5) Other receivables

	31 December 2024	31 December 2023
Deposits receivable	1,408,581	2,200,248
Receivable from the sale of machinery	1,012,669	1,182,619
Petty cash for employees receivable	136,000	248,140
Guarantees receivable	323	228
	2,557,573	3,631,235
Less: Provision for bad debts	(67,778)	(91,907)
	2,489,795	3,539,328

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.

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

	31 December 2024	31 December 2023
Within 1 year	1,132,861	1,296,283
1 to 2 years	362,225	152,142
2 to 3 years	242,142	864,846
Above 3 years	820,345	1,317,964
	2,557,573	3,631,235

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(5) Other receivables (continued)

(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:

	31 December 2024					31 December 2023				
	Book Balance		Bad debt		Carrying	Book Balance		Bad debt		Carrying
	Amount	%	Amount	%	amount	Amount	%	Amount	%	amount
Provision for bad debts on an individual basis(i)	-	-	-	-	-	-	-	-	-	-
Provision of bad debts made on a collective basis(ii)	2,557,573	100%	(67,778)	2.65%	2,489,795	3,631,235	100%	(91,907)	2.53%	3,539,328
	2,557,573	100%	(67,778)	2.65%	2,489,795	3,631,235	100%	(91,907)	2.53%	3,539,328

(i) As at 31 December 2024 and 31 December 2023, the Group had no other receivables separately provided for doubtful accounts.

(ii) As at 31 December 2024, 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	1,408,904	3.06%	(43,048)
Receivable from the sale of machinery	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.

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(5) Other receivables (continued)

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

(ii) (continued)

As at 31 December 2023, 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	2,200,476	3.10%	(68,065)
Receivable from the sale of machinery	1,182,619	1.54%	(18,255)
Petty cash for employees	248,140	2.25%	(5,587)
	3,631,235		(91,907)

As at 31 December 2023, the Group did not have other receivables at Stage 2.

As at 31 December 2023, the Group did not have other receivables at Stage 3.

(c) Provision for bad debt

	31 December 2023	Accrual	Reverse	**31 December 2024**
Provision for bad debts of other receivables	(91,907)	–	24,129	**(67,778)**

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(5) Other receivables (continued)

(d) As at 31 December 2024, 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	572,004	Above 3 years	22.37%	(17,739)
Company2	Deposits	345,837	Within 1 year, 2 to 3 years	13.52%	(10,725)
Company3	Receivable from the sale of machinery	182,400	Within 1 year	7.13%	(5,657)
Company4	Receivable from the sale of machinery	176,000	Within 1 year	6.88%	–
Company5	Deposits	169,488	Above 3 years	6.63%	(5,256)
		1,445,729		56.53%	(39,377)

(e) As at 31 December 2024 and 31 December 2023, the Group had no overdue dividends receivable.

(6) Inventories

(a) The inventories are classified as follows:

	31 December 2024			31 December 2023		
	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	16,478,807	(460,099)	16,018,708	17,860,280	(11,665)	17,848,615
Work in progress	4,070,567	–	4,070,567	4,473,021	(43,068)	4,429,953
Finished goods	26,536,002	(111,476)	26,424,526	20,754,996	(662,517)	20,092,479
Turnover materials	751,642	–	751,642	1,280,313	–	1,280,313
	47,837,018	(571,575)	47,265,443	44,368,610	(717,250)	43,651,360

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(6) Inventories (continued)

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

	31 December 2023	Accrual	Decrease in the current year: Reverse	Decrease in the current year: Resale and write-off	**31 December 2024**
Raw materials	(11,665)	(458,744)	–	10,310	**(460,099)**
Work in progress	(43,068)	–	–	43,068	**–**
Finished goods	(662,517)	(1,786,287)	–	2,337,328	**(111,476)**
	(717,250)	(2,245,031)	–	2,390,706	**(571,575)**

(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 (continued)

(7) Other current assets

	31 December 2024	31 December 2023
Prepaid income tax	6,024,768	481,748
Input VAT to be deducted	–	1,040,047
	6,024,768	1,521,795

(8) Long-term receivables

	31 December 2024	31 December 2023
Receivables for deposits and guarantees	1,677,164	989,178
Less: Provision for bad debts	(52,013)	(30,676)
	1,625,151	958,502

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

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

	31 December 2024					31 December 2023				
	Book Balance		Bad debt		Carrying	Book Balance		Bad debt		Carrying
	Amount	%	Amount	%	amount	Amount	%	Amount	%	amount
Provision for bad debts on an individual basis(i)	-	-	-	-	-	-	-	-	-	-
Provision of bad debts made on a collective basis(ii)	1,677,164	100%	(52,013)	3.10%	1,625,151	989,178	100%	(30,676)	3.10%	958,502
	1,677,164	100%	(52,013)	3.10%	1,625,151	989,178	100%	(30,676)	3.10%	958,502

(i) At 31 December 2024 and 31 December 2023, the Group had no provision for bad debts on a single basis.

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(8) Long-term receivables (continued)

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

(ii) As at 31 December 2024, the provision for bad debts of long-term receivables at Stage 1 are analyzed as follows:

	31 December 2024				31 December 2023			
	Book Balance		Bad debt		Book Balance		Bad debt	
	Amount	Amount	%	Amount	Amount	%	Amount	%
Group of Deposits and guarantees	1,677,164	(52,013)	3.10%	989,178	(30,676)	3.10%	–	–

As at 31 December 2024, the Group did not have long-term receivables at Stage 2.

As at 31 December 2024, the Group did not have long-term receivables at Stage 3.

(iii) Provision for bad debt

	31 December 2023	Accrual	Reverse	31 December 2024
Provision for bad debts of long-term receivables	(30,676)	(34,581)	13,244	(52,013)

(9) Investments in other equity instruments

	31 December 2023	Additional Investment	Reduction of Investment	Losses Recognized in Other Comprehensive Income for the Current Year	Others	31 December 2024	Dividend Income Recognized in the Current Year	Accumulated Losses Recognized in Other Comprehensive Income
Investments in equity instrument								
Equity of unlisted companies	15,126	-	-	(4,542)	–	10,584	–	(5,613,399)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(9) Investments in other equity instruments (continued)

	31 December 2024	31 December 2023
Tuhura Bioscience, Inc. (known as "Kintara Therapeutics, Inc.")		
– Costs	5,623,983	5,623,983
– Accumulated changes in fair value	(5,613,399)	(5,608,857)
	10,584	15,126

As at 31 December 2023, The Company held 12,592 common shares of Kintara Therapeutics, Inc. ("Kintata"). 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 RMB5,623,983.

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 31 December 2024, 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 RMB10,584.

(10) Long-term equity investments

	31 December 2024	31 December 2023
Joint ventures (Note 7(2))	34,217,879	56,538,459
Associates (Note 7(2))	223,597,814	231,312,490
	257,815,693	287,850,949
Less: Provision for impairment of long-term equity investments	(332,756)	(332,756)
	257,482,937	287,518,193

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(10) Long-term equity investments (continued)

(a) Joint ventures

	31 December 2023	Changes in the current year: 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	31 December 2024	Ending balance of provision for impairment
Changzhou BVCF Investment Management Partnership (Limited Liability Partnership) ("Changzhou BVCF").	56,538,459	–	–	(20,578,356)	–	–	(1,742,224)	–	–	34,217,879	–

As at 31 December 2024, 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 7(2).

(b) Associates

	31 December 2023	Changes in the current year: 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	31 December 2024	Ending balance of provision for impairment
Shanghai WD Pharmaceutical Co., Ltd. ("WD Pharmaceutical")	230,979,734	–	–	(7,974,882)	–	260,206	–	–	–	223,265,058	–
Shanghai Lead Discovery Limited Company ("Lead Discovery")	–	–	–	–	–	–	–	–	–	–	(332,756)
Derma Clinic Investment Co., Ltd. ("Derma")	–	–	–	–	–	–	–	–	–	–	–
	230,979,734	–	–	(7,974,882)	–	260,206	–	–	–	223,265,058	(332,756)

The equity related information of the associates of the Group refers to Note 7(2).

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(11) Fixed assets

	Buildings	Machinery and equipments	Electronic equipment and office equipment	Motor vehicles	Total
Cost					
31 December 2023	199,223,836	375,950,835	9,104,708	3,953,835	588,233,214
Increase in the current year					
Purchases	1,330,825	65,528,389	181,416	–	67,040,630
Transfers from construction in progress	167,975,601	65,823,788	–	–	233,799,389
Decrease in the current year	–	(14,284,393)	(1,350,925)	–	(15,635,318)
31 December 2024	368,530,262	493,018,619	7,935,199	3,953,835	873,437,915
Accumulated depreciation					
31 December 2023	(103,483,424)	(247,047,319)	(6,905,757)	(1,922,786)	(359,359,286)
Increase in the current year	(13,544,469)	(37,877,521)	(750,949)	(334,757)	(52,507,696)
Decrease in the current year	–	13,918,054	1,307,347	–	15,225,401
31 December 2024	(117,027,893)	(271,006,786)	(6,349,359)	(2,257,543)	(396,641,581)
Provision for impairment					
31 December 2023	–	(366,340)	(11,545)	–	(377,885)
Decrease in the current year	–	366,340	11,545	–	377,885
31 December 2024	–	–	–	–	–
Carrying amount					
31 December 2024	251,502,369	222,011,833	1,585,840	1,696,292	476,796,334
31 December 2023	95,740,412	128,537,177	2,187,405	2,031,049	228,496,043

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(11) Fixed assets (continued)

In 2024, the amounts of depreciation expenses were RMB52,507,696 (2023: RMB45,346,846), of which charged to operating costs, capitalised development expenditure, selling expenses, administrative expenses, research and development expenses and construction in progress were RMB10,244,363, RMB0, RMB11,496,660, RMB1,843,153, RMB28,923,520 and RMB0 respectively (2023: RMB11,607,105, RMB2,800, RMB13,016,103, RMB2,050,585, RMB18,231,151 and RMB439,102).

The original amount of fixed assets transferred from construction in progress was RMB233,799,389 (2023: RMB704,652).

As at 31 December 2024 and 31 December 2023, 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

	31 December 2024			31 December 2023		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Office improvements	4,602,571	–	4,602,571	–	–	–
Medical device and cream factory renovation engineering	2,593,358	–	2,593,358	–	–	–
Taizhou Pharmaceutical production plant construction project – Phase 2	–	–	–	229,871,133	–	229,871,133
Other	–	–	–	91,679	–	91,679
	7,195,929	–	7,195,929	229,962,812	–	229,962,812

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(12) Construction in progress (continued)

(i) Movements in significant construction in progress projects

Project name	Budget	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024	% of budget	Project progress	Accumulated amount of borrowing cost capitalization	Sources of funds
Taizhou Pharmaceutical production plant construction project – Phase 2								–	
– ADC workshop production line	120,857,331	118,861,821	1,995,510	(120,857,331)	–	100%	100%	–	owned capital
– Taizhou Phase II plant main project	112,388,674	111,009,312	1,379,362	(112,388,674)	–	100%	100%	–	owned capital
Office improvements	16,250,000	–	4,602,571	–	4,602,571	28.32%	28%	–	owned capital
	249,496,005	229,871,133	7,977,443	(233,246,005)	4,602,571			–	

As at 31 December 2024 and 31 December 2023, the Group had no impairment of construction in progress.

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(13) Right-of-use assets

	Buildings
Cost	
31 December 2023	36,680,001
Increase in the current year	
New lease contracts	10,585,584
Decrease in the current year	
Lease expiry	(11,915,235)
31 December 2024	35,350,350
Accumulated depreciation	
31 December 2023	(19,809,442)
Increase in the current year	
Accruals	(7,920,964)
Decrease in the current year	
Lease expiry	11,915,235
31 December 2024	(15,815,171)
Carrying amount	
31 December 2024	19,535,179
31 December 2023	16,870,559

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(14) Intangible assets

	Land use rights	Proprietary technology	R&D technology	Software	Total
Cost					
31 December 2023	50,403,679	8,843,164	101,587,498	13,827,893	174,662,234
Increase in the current year					
Purchase	–	–	188,678	–	188,678
Decrease in the current year	–	–	–	(95,000)	(95,000)
31 December 2024	50,403,679	8,843,164	101,776,176	13,732,893	174,755,912
Accumulated amortisation					
31 December 2023	(12,593,056)	(8,393,164)	(56,092,617)	(9,419,142)	(86,497,979)
Increase in the current year	(1,067,136)	–	(11,631,258)	(1,162,835)	(13,861,229)
31 December 2024	(13,660,192)	(8,393,164)	(67,723,875)	(10,581,977)	(100,359,208)
Provision for impairment					
31 December 2023	–	(450,000)	(1,364,157)	–	(1,814,157)
Increase in the current year	–	–	(3,934,585)	–	(3,934,585)
31 December 2024	–	(450,000)	(5,298,742)	–	(5,748,742)
Carrying amount					
31 December 2024	36,743,487	–	28,753,559	3,150,916	68,647,962
31 December 2023	37,810,623	–	44,130,724	4,408,751	86,350,098

In 2024, the amortisation of intangible assets was RMB13,861,229 (2023: RMB7,252,742).

As at 31 December 2024, intangible assets formed through the Group's internal research and development as a percentage of the book value of intangible assets was 41.89% (31 December 2023: 51.11%).

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(15) Research and Development Costs

The Group's 2024 research and development costs by nature are listed as follows:

	2024		
	Research expense	**Development expense**	**Total**
Outsourcing research and development expenses	**122,046,365**	**–**	**122,046,365**
Payroll expense	**79,102,121**	**–**	**79,102,121**
Material expense	**44,646,813**	**–**	**44,646,813**
R&D department expenses	**39,443,323**	**–**	**39,443,323**
Depreciation expense	**28,923,520**	**–**	**28,923,520**
	314,162,142	**–**	**314,162,142**

The Group's 2023 research and development costs by nature are listed as follows:

	2023		
	Research expense	Development expense	Total
Outsourcing research and development expenses	94,014,517	250,855	94,265,372
Payroll expense	75,383,005	555,887	75,938,892
R&D department expenses	29,376,150	127,839	29,503,989
Material expense	27,535,587	–	27,535,587
Depreciation expense	18,231,151	2,800	18,233,951
Share-based payments expenses	(777,435)	–	(777,435)
	243,762,975	937,381	244,700,356

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(16) Goodwill

	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
Goodwill-cost	8,937,000	–	–	**8,937,000**
Less: Provision for impairment	(8,937,000)	–	–	**(8,937,000)**
	–	–	–	**–**

Goodwill was from the Group's 2015 premium purchase of equity in Shanghai Youni Bio-tech Co., Ltd. ("Youni"). On 30 September 2015, Youni was absorbed by Tracing Bio-technology.

(17) Long-term prepaid expenses

	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
Chromatographic packing	5,851,517	9,030,685	(10,027,390)	**4,854,812**
Improvement to right-of-use assets	5,471,531	–	(1,050,131)	**4,421,400**
	11,323,048	9,030,685	(11,077,521)	**9,276,212**

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(18) Deferred tax assets

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

(a) Deferred tax assets

	31 December 2024		31 December 2023	
	Deductible temporary differences and losses	Deferred tax assets	Deductible temporary differences and losses	Deferred tax assets
Accrued expenses	168,937,862	25,340,679	386,454,496	57,968,174
Deductible loss	628,589,576	94,288,435	207,049,196	31,057,380
Provision for credit impairment	51,015,182	7,652,278	59,985,940	8,997,891
Lease liability	20,525,875	3,078,881	17,281,748	2,592,262
Amortisation of intangible assets	18,668,067	2,800,210	16,133,822	2,420,073
Government grants	15,845,713	2,376,857	1,737,750	260,663
Provision for asset impairment	4,506,161	675,924	717,250	107,588
	908,088,436	136,213,264	689,360,202	103,404,031
Including:				
Expected to be recovered within 1 year (inclusive)		37,720,447		71,710,778
Expected to be recovered after 1 year		98,492,817		31,693,253
		136,213,264		103,404,031

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(18) Deferred tax assets (continued)

(b) Unoffset deferred income tax liabilities

	31 December 2024		31 December 2023	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
ROU Asset	19,535,179	2,930,277	16,870,559	2,530,586
Including:				
Expected to be recovered within 1 year (inclusive)		914,731		1,039,083
Expected to be recovered after 1 year		2,015,546		1,491,503
		2,930,277		2,530,586

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

	31 December 2024	31 December 2023
Deductible temporary differences	12,276,158	13,330,930
Deductible losses	58,393,384	55,863,258
	70,669,542	69,194,188

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(18) Deferred tax assets (continued)

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

	31 December 2024	31 December 2023
2024	–	1,254,614
2025	–	–
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	739,724
2031	8,423,141	8,423,466
2032	3,749,577	3,749,577
2033	4,489,726	10,354,188
2034	9,650,160	–
	58,393,384	55,863,258

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

	31 December 2024		31 December 2023	
	contra amount	Balance after contra	contra amount	Balance after contra
Deferred tax assets	(2,930,277)	133,282,987	(2,530,586)	100,873,445
Deferred tax liabilities	2,930,277	–	2,530,586	–

(19) Other non-current assets

	31 December 2024	31 December 2023
Advances for equipment	5,870,841	44,894,795

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(20) Asset impairment and loss provisions

(a) Provision for asset impairment

	31 December 2023	Increase in the current year	Decrease in the current year		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**

	31 December 2022	Increase in the current year	Decrease in the current year		31 December 2023
			Reverse	Write-off	
Provision for impairment of goodwill	8,937,000	–	–	–	8,937,000
Provision for impairment of intangible assets	1,814,157	5,000,000	–	(5,000,000)	1,814,157
Provision for decline in the value of inventories	3,247,315	3,447,773	–	(5,977,838)	717,250
Provision for impairment of fixed assets	1,898,709	–	–	(1,520,824)	377,885
Provision for impairment of long-term equity investments	332,756	–	–	–	332,756
	16,229,937	8,447,773	–	(12,498,662)	12,179,048

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(20) Asset impairment and loss provisions (continued)

(b) Provision for credit impairment

	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	3,451	(8,951,380)	–	27,045,842
Provision for Bad debts of notes receivable	116,676	96,549	(116,676)	–	96,549
Provision for bad debts of other receivables	91,907	–	(24,129)	–	67,778
Provision for bad debts of long-term receivables	30,676	34,581	(13,244)	–	52,013
	36,232,940	134,671	(9,105,429)	–	27,262,182

	31 December 2022	Increase in the current period	Decrease in the current period		31 December 2023
			Reverse	Write-off	
Provision for bad debts of accounts receivables	12,365,732	23,899,549	–	(271,600)	35,993,681
Provision for Bad debts of notes receivable	–	116,676	–	–	116,676
Provision for bad debts of other receivables	–	149,153	–	(57,246)	91,907
Provision for bad debts of long-term receivables	–	30,676	–	–	30,676
	12,365,732	24,196,054	–	(328,846)	36,232,940

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(21) Accounts payables

	31 December 2024	31 December 2023
Accounts payables	10,671,215	8,054,847

(a) As at 31 December 2024, the amount of accounts payables with ageing above 1 year was RMB60,410 (As at 31 December 2023: RMB393,416).

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

	31 December 2024	31 December 2023
Within 1 year	10,610,805	7,661,431
1-2 years	32,588	196,170
Above 2 years	27,822	197,246
	10,671,215	8,054,847

(22) Contract liabilities

	31 December 2024	31 December 2023
Advance for goods	8,340,998	260,736

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(23) Employee benefits payable

	31 December 2024	31 December 2023
Short-term employee benefits payable (a)	17,700,299	24,375,314
Defined contribution plans payable (b)	710,478	709,183
Severance Benefits Payable (c)	–	–
	18,410,777	25,084,497

(a) Short-term employee benefits payable

	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
Wages and salaries, bonus, allowances and subsidies	23,785,625	160,717,959	(167,410,704)	17,092,880
Staff welfare	–	1,550	(1,550)	–
Social security contributions	566,025	15,584,113	(15,583,352)	566,786
Including: Medical insurance	552,938	15,196,115	(15,195,367)	553,686
Work injury insurance	12,343	348,818	(348,805)	12,356
Maternity insurance	744	39,180	(39,180)	744
Housing funds	13,493	18,932,031	(18,926,579)	18,945
Mandatory Provident Fund	–	9,736	(6,955)	2,781
Labour union funds and employee education funds	10,171	1,332,743	(1,324,007)	18,907
	24,375,314	196,578,132	(203,253,147)	17,700,299

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(23) Employee benefits payable (continued)

(b) Defined contribution plans payable

	31 December 2023	Increase in the current year	Decrease in the current year	**31 December 2024**
Basic pensions	685,376	34,178,837	(34,177,580)	**686,633**
Unemployment insurance	23,807	1,358,252	(1,358,214)	**23,845**
	709,183	35,537,089	(35,535,794)	**710,478**

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.

(c) Severance Benefits Payable

As of December 31, 2024, the Group had no severance benefits payable. During the year 2024, the Group provided other severance benefits in connection with the termination of employment amounting to RMB1,026,377 (2023: RMB2,147,431).

(24) Taxes payable

	31 December 2024	31 December 2023
Unpaid VAT	**5,491,292**	6,988,917
Withholding of individual income tax for employees	**2,467,848**	3,597,472
Enterprise income tax payable	**–**	1,613,838
	7,959,140	12,200,227

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(25) Other payables

	31 December 2024	31 December 2023
Marketing and sales expenses payable	143,672,043	334,185,365
Long-term assets payable	33,372,750	47,165,016
Guarantees payable	5,761,333	50,209,969
Sales commission payable	4,783,593	4,783,592
Others	11,794,830	16,711,671
	199,384,549	453,055,613

As at 31 December 2024, other payables with an ageing of more than 1 year were RMB6,246,617 (as at 31 December 2023: RMB59,320,221). 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

	31 December 2024	31 December 2023
Output VAT to be recognised	87,251	33,896

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(27) Lease liabilities

	31 December 2024	31 December 2023
Lease liabilities	20,525,875	17,281,748
Less: Current portion of non-current liabilities	(6,098,210)	(6,329,026)
	14,427,665	10,952,722

(i) As at 31 December 2024, the Group had no events that were not included in the lease liabilities, but would result in potential future cash outflows.

(ii) As at 31 December 2024, 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 RMB37,252 (31 December 2023: RMB160,474).

(28) Deferred income

	31 December 2024	31 December 2023
Government grants (a)	15,845,713	2,152,575

(a) Government grants

	31 December 2023	Increase in the current year	Decrease in the current year		31 December 2024
			Recognised in other income	Recognised in non-operating income	
Government grants related to assets	1,737,750	23,700,000	(9,592,037)	–	15,845,713
Government grants related to revenue	414,825	9,390,586	(9,805,411)	–	–
	2,152,575	33,090,586	(19,397,448)	–	15,845,713

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(29) Share capital

	31 December 2023	Change in the current year: Issue new shares	Scrip issue	Transferred from reserve	Others	Subtotal	31 December 2024
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 2022	Change in the current year: Issue new shares	Scrip issue	Transferred from reserve	Others	Subtotal	31 December 2023
Listed tradable shares – Foreign shares listed overseas	32,600,000	–	–	–	–	–	32,600,000
Listed tradable shares – Domestic listed RMB-denominated ordinary A shares	70,300,000	757,210	–	–	–	757,210	71,057,210
Total share capital	102,900,000	757,210	–	–	–	757,210	103,657,210

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(30) Capital surplus

	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
Share premium	1,212,832,894	–	–	1,212,832,894
Share-based payments (Note 6)	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

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Share premium	1,151,996,350	66,104,433	(5,267,889)	1,212,832,894
Share-based payments (Note 6)	72,662,435	–	(1,842,812)	70,819,623
Other capital surplus – Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	350,152	5,290,719	–	5,640,871
	1,225,008,937	71,395,152	(7,110,701)	1,289,293,388

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(31) Other comprehensive income

	Other comprehensive income in the balance sheet				Other comprehensive income for the year ended 31 December 2024 income statement				
	31 December 2023	Attributable to the Company after tax	Other comprehensive income settled to retained earnings	31 December 2024	Amount before income tax	Less: other comprehensive income transferred out this year	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)	(4,542)	-	(5,613,399)	(4,542)	-	-	(4,542)	-
Other comprehensive income that will be reclassified to profit or loss									
Differences on translation of foreign currency financial statements	(249,512)	315,490	-	65,978	315,490	-	-	315,490	-
	(5,858,369)	310,948	-	(5,547,421)	310,948	-	-	310,948	-

	Other comprehensive income in the balance sheet				Other comprehensive income for the year ended 31 December 2023 income statement				
	31 December 2022	Attributable to the Company after tax	Other comprehensive income settled to retained earnings	31 December 2023	Amount before income tax	Less: other comprehensive income transferred out this year	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	(5,019,742)	(589,115)	-	(5,608,857)	(589,115)	-	-	(589,115)	-
Other comprehensive income that will be reclassified to profit or loss									
Differences on translation of foreign currency financial statements	(181,279)	(68,233)	-	(249,512)	(68,233)	-	-	(68,233)	-
	(5,201,021)	(657,348)	-	(5,858,369)	(657,348)	-	-	(657,348)	-

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(32) Surplus reserve

	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
Statutory surplus reserve	**52,150,000**	**–**	**–**	**52,150,000**

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
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 than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. 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 end of 2024.

(33) Undistributed profits

	2024	2023
Undistributed profits at the beginning of the year	**918,311,622**	882,244,301
Add: Net profit attributable to shareholders of the Company	**39,733,896**	108,627,368
Less: Dividends payable to the Company's shareholders	**(93,291,489)**	(72,560,047)
Undistributed profits at the end of the year	**864,754,029**	918,311,622

In accordance with the shareholders' meeting on 27 June 2024, the Company recommends the payment of a final dividend of RMB0.07 per ordinary share, calculated on 1,036,572,100 issued shares, totaling RMB72,560,047 to all shareholders for the year of 2023. The Company recommends the payment of a semi-final dividend of RMB0.02 per ordinary share, calculated on 1,036,572,100 issued shares, totaling RMB20,731,442 to all shareholders for the first half of the year of 2024.

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(34) Revenue and cost of sales

	2024	2023
Main operations revenue	709,404,966	850,733,212

	2024	2023
Main operations cost	(61,212,355)	(70,628,161)

(a) Main operations revenue and cost

	2024		2023	
	Main operations revenue	Main operations cost	Main operations revenue	Main operations cost
– Sales of pharmaceutical and diagnostic products	709,378,418	(61,212,355)	850,563,696	(70,519,210)
– Income from services	26,548	–	169,516	(108,951)
	709,404,966	(61,212,355)	850,733,212	(70,628,161)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(34) Revenue and cost of sales (continued)

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

	2024			
	Pharmaceutical products	Diagnostic reagent	Others	Total
Main operations revenue				
Including: Confirmed at a certain point	708,316,410	1,062,008	26,548	709,404,966

	2024			
	Pharmaceutical products	Diagnostic reagent	Others	Total
Main operations revenue				
Including: Confirmed at a certain point	(60,577,518)	(634,837)	–	(61,212,355)

	2023			
	Pharmaceutical products	Diagnostic reagent	Others	Total
Main operations revenue				
Including: Confirmed at a certain point	849,088,545	1,475,151	169,516	850,733,212

	2023			
	Pharmaceutical products	Diagnostic reagent	Others	Total
Main operations cost				
Including: Confirmed at a certain point	(70,287,105)	(232,105)	(108,951)	(70,628,161)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(35) Taxes and surcharges

	2024	2023	Payment standard
Real estate tax	3,029,799	1,749,224	1.2% of the 70% real estate's original cost
City maintenance and construction tax	1,752,428	1,271,709	5% or 7% of the VAT paid
Educational surcharge	1,639,916	1,313,330	5% of the VAT paid
Urban land use tax	669,381	546,617	The actual land area occupied, RMB3-5/m2
Others	347,555	509,525	
	7,439,079	5,390,405	

(36) Selling expenses

	2024	2023
Marketing and academic promotion fees	146,313,677	223,074,672
Salary costs	107,494,376	111,409,696
Travel expenses	11,868,842	11,498,460
Depreciation and amortisation	11,496,660	13,046,917
Business hospitality	10,476,626	10,905,538
Depreciation of right-of-use assets	3,959,774	4,029,065
Conference fees	3,064,247	5,562,054
Office expenses	1,829,917	2,041,382
Rental fees	578,011	403,320
Shipping fees	185,365	266,785
Others	2,075,876	1,352,859
	299,343,371	383,590,748

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(37) General and administrative expenses

	2024	2023
Salary costs	19,421,082	22,374,238
Administrative expenses	5,047,548	4,887,860
Audit fees	4,840,332	4,792,314
Depreciation and amortisation	2,819,579	3,419,202
Property fees	1,316,606	1,217,474
Consulting fees	132,075	1,128,784
Share-based payments expenses	–	(209,264)
Others	8,123,421	5,250,035
	41,700,643	42,860,643

(38) R&D expenses

	2024	2023
Outsourced R&D expenses	122,046,365	94,014,517
Salary costs	79,102,121	75,383,005
Information and materials costs	44,646,813	27,535,587
R&D department expenses	39,443,323	29,376,150
Depreciation	28,923,520	18,231,151
Share-based payments expenses	–	(777,435)
	314,162,142	243,762,975

(39) Financial income – net

	2024	2023
Interest costs	–	(2,251,160)
Add: Interest costs on lease liabilities	(591,615)	(815,086)
Interest expenses	(591,615)	(3,066,246)
Less: Interest income	5,548,805	7,972,431
Exchange gain/(losses) – net	150,099	(1,079,297)
Others	(72,709)	(123,250)
	5,034,580	3,703,638

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(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:

	2024	2023
Changes in inventories of finished goods and work in progress	(7,758,948)	(154,882)
Consumed raw materials and low value consumables, etc.	59,235,785	55,423,547
Marketing and sales expenses	166,864,364	247,605,074
Share-based payments expenses	–	(1,842,812)
Employee benefit expenses	232,115,221	238,468,191
Less: Amounts capitalised in development costs	–	(3,597,759)
	232,115,221	234,870,432
Outsourced R&D expenses	122,046,365	94,014,517
Depreciation and amortisation	85,367,410	67,528,032
Less: Amounts capitalised in development costs	(3,147,584)	(5,295,807)
	82,219,826	62,232,225
R&D department expenses	39,443,323	29,376,150
Quality inspection expenses	7,971,731	6,200,854
Audit Fees	4,840,332	4,860,238
– audit services	4,696,483	4,716,389
– non-audit services	143,849	143,849
Rental (i)	2,007,014	815,162
Others	7,433,498	7,442,022
	716,418,511	740,842,527

(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 year ended 31 December 2024 is RMB2,007,014 (2023: RMB815,162).

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(41) Other income

	2024	2023
Government subsidy		
– Related to assets	9,592,037	2,317,000
– Related to revenue	9,500,114	20,638,461
Refund of handling fees for withholding and remitting personal income tax	305,297	2,624,607
	19,397,448	25,580,068

(42) Investment losses

	2024	2023
Loss of long-term equity investment accounted by equity method	28,553,238	23,539,527
Income from wealth management products	(18,146,632)	(19,193,688)
	10,406,606	4,345,839

In 2024 and 2023, the bank wealth management products purchased by the Group were measured at fair value and their changes were included in the current profit and loss. As at 31 December 2024 and 31 December 2023, the Group had no balance of wealth management products.

(43) Credit impairment reverse/(losses)

	2024	2023
Accounts receivables bad debt reverse/(losses)	8,947,839	(23,899,549)
Other receivables bad debt reverse/(losses)	24,129	(149,153)
Long-term receivables bad debt losses	(21,337)	(30,676)
Bad debts of note receivable	20,127	(116,676)
	8,970,758	(24,196,054)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(44) Asset impairment losses

	2024	2023
Impairment losses on intangible assets	3,934,585	5,000,000
Impairment losses on inventories	2,245,031	3,447,773
	6,179,616	8,447,773

(45) Gains on disposals of assets

	2024	2023	Amount included in 2024 non-recurring profit and loss
Gains on disposals of fixed assets	29,905	295,346	29,905

(46) Non-operating income

	2024	2023	Amount included in 2024 non-recurring profit and loss
Sale of scrap material and others	4,502,178	1,295,472	4,502,178

(47) Non-operating expenses

	2024	2023	Amount included in 2024 non-recurring profit and loss
Donation	900,000	–	900,000
Others	538,093	857,075	538,093
	1,438,093	857,075	1,438,093

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(48) Income tax expenses

	2024	2023
Current income tax	(1,566,600)	4,047,970
Deferred income tax	(32,409,542)	(14,969,765)
	(33,976,142)	(10,921,795)

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:

	2024	2023
Total profit	5,457,930	97,528,063
Income tax expenses calculated at applicable tax rate	1,364,483	24,382,016
Effect of favourable tax rates	(535,001)	(9,711,893)
Deductible tax losses and temporary differences for which no deferred tax asset was recognise	1,364,516	1,585,541
Additional deduction of R&D expenses	(40,147,687)	(32,557,302)
Costs, expenses and losses not deductible for tax purposes	5,485,740	4,614,123
Utilisation of previously unrecognised deductible losses and deductible temporary differences	(118,722)	(1,099,017)
Reversing of previously recognised temporary differences	–	1,475,410
Others	(1,389,471)	389,327
Income tax expenses	(33,976,142)	(10,921,795)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(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.

	2024	2023
Consolidated net profit attributable to ordinary shareholders of the Company	39,733,896	108,627,368
Weighted average number of ordinary shares outstanding	1,036,572,100	1,034,048,067
Basic earnings per share	0.04	0.11
Among them:		
– Basic earnings per share from continuing operations:	0.04	0.11
– 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.

	2024	2023
Consolidated net profit attributable to ordinary shareholders of the Company	39,733,896	108,627,368
Weighted average number of ordinary shares outstanding	1,036,572,100	1,034,048,067
Add: Weighted average number increased due to the issue of restricted shares	–	122,394
The adjusted weighted average of the Company's outstanding common shares	1,036,572,100	1,034,170,461
Diluted earnings per share	0.04	0.11
Among them:		
– Basic earnings per share from continuing operations:	0.04	0.11
– Basic earnings per share from discontinuing operations:	–	–

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(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

	2024	2023
Government grants	29,144,056	23,197,893
Interest income	5,548,805	7,573,767
Deposits and guarantees	4,550,000	–
Refund of pre-paid income tax	4,421,486	–
Others	812,178	498,302
	44,476,525	31,269,962

(b) Cash paid relating to other operating activities

	2024	2023
Deposits and guarantees	48,799,036	5,305,676
Administrative expenses and data fees	41,015,386	29,376,150
Travel expenses	11,868,842	11,898,460
Business hospitality	11,798,946	10,905,538
Consulting service fees	4,516,910	7,308,005
Advertising expenses	1,499,036	1,306,342
Others	5,520,911	3,829,901
	125,019,067	69,930,072

(c) Cash received from return of investment

	2024	2023
Receiving Cash Dividends from a Joint Venture	1,742,224	–

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(50) Notes to the cash flow statement (continued)

(d) Cash received relating to other investing activities

	2024	2023
Selling wealth management products	3,910,146,632	3,961,912,977

(e) Cash paid relating to other investing activities

	2024	2023
Buying wealth management products and fixed deposits	3,892,000,000	3,909,000,000

(f) Cash paid relating to other financing activities

	2024	2023
Payment of lease liabilities	7,933,072	9,375,004
Payment of lease deposit	48,763	312,075
	7,981,835	9,687,079

In 2024, the total lease-related cash outflow paid by the Group was RMB9,940,086 (2023: RMB10,190,166). Except for the amount of the above-mentioned lease liabilities payment included in financing activities, the remaining cash outflows were included in operating activities.

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(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

	2024	2023
Net profit	39,434,072	108,449,858
Add: Asset impairment losses	6,179,616	8,447,773
Credit impairment (reverse)/loss	(8,970,758)	24,196,054
Depreciation of right-of-use assets	7,920,964	8,033,162
Depreciation of fixed assets	52,507,696	44,904,944
Amortisation of intangible assets	13,774,242	6,989,734
Amortisation of long-term prepaid expenses	8,016,924	2,304,385
Gains on disposals of fixed assets and other long-term assets	(29,905)	(295,346)
Losses on scrapping of fixed assets	487,683	776,479
Financial expenses	591,615	2,667,582
Investment losses	10,406,606	4,345,839
Increase in deferred tax assets	(32,409,542)	(14,969,765)
Increase in inventories	(5,859,114)	(6,572,373)
Share-based payments expenses reversed	–	(1,842,812)
Reverse/(Increase) in operating receivables	114,049,609	(10,474,830)
Decrease in operating payables	(236,305,480)	(74,054,860)
Increase/(Decrease) in deferred income	13,693,138	(31,890,374)
Net cash flows (used in)/from operating activities	(16,512,634)	71,015,450

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

	2024	2023
Purchase of inventories by bank acceptance notes	1,769,558	5,091,103
Purchase of long-term assets by bank acceptance notes	20,816,405	60,643,424
Increase in right-of-use assets in the current period	10,585,584	2,425,257
Debt offset	78,274,109	–
	111,445,656	68,159,784

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(51) Supplementary information to the cash flow statement (continued)

(a) Supplementary information to the cash flow statement (continued)

Net increase/(decrease) in cash and cash equivalents

	2024	2023
Cash at the end of the year	**1,056,285,629**	1,195,895,997
Less: Cash at the beginning of the year	**(1,195,895,997)**	(1,289,302,664)
Net decrease in cash and cash equivalents	**(139,610,368)**	(93,406,667)

(b) Movements in liabilities arising from financing activities

	Lease Liability (including maturity within one year)
31 December 2023	17,281,748
Net cash flows from financing activities	(7,933,072)
Interest accrued during the year	591,615
Movements which doesn’t involved in cash receipts and payments	10,585,584
31 December 2024	20,525,875

(c) Cash

	31 December 2024	31 December 2023
Cash at bank and on hand	**1,056,285,629**	1,195,895,997
Less: Restricted cash at bank	**–**	–
Cash	**1,056,285,629**	1,195,895,997

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(52) Foreign currency items

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

	31 December 2023		
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand – USD	2,984,766	7.0827	21,140,202

6 SHARE-BASED PAYMENTS

(1) Equity-settled share-based payments

Restricted shares (Type 2) scheme

(a) Abstract

Pursuant to the relevant motions including the ''Motion Regarding the Company's 2021 Restricted Share Incentive Plan (Draft)" and its Summary" adopted at the First Class A Shareholders' Meeting of 2021 and the First Class H Shareholders' Meeting of 2021 held on May 27, 2021 and the ''Motion Regarding the Adjustment of the List of Incentive Recipients, Number of Grants and Grant Price for the First Grant of Restricted Shares to the Incentive Recipients" and ''Motion Regarding the Adjustment of the 2021 Restricted Stock Incentive Plan List of Incentive Recipients for the First Grant, Number of Grants and Grant Price", 'Proposal on the First Grant of Restricted Shares to Incentive Recipients' and other relevant proposals, the Company implemented the Restricted Stock Incentive Plan to the incentive recipients by granting a total of 32,770,000 shares of Class II Restricted Shares to the incentive recipients. The grant price was RMB8.90 per share and the total number of incentive recipients was 258.

Under this incentive plan proposal, the number of interests vesting to the incentive recipients in each of the three years from the date of the initial grant is 30%, 30%, and 40% of the total number of interests granted, and the vesting of each interest is subject to the fulfillment of the corresponding vesting conditions.

6 SHARE-BASED PAYMENT (continued)

(1) Equity-settled share-based payments (continued)

Restricted shares (Type 2) scheme (continued)

(a) Abstract (continued)

Pursuant to the proposal of Granting reserved restricted shares to incentive objects approved at the 15th (Interim) meeting of the seventh Board of Directors and the 15th (Interim) meeting of the seventh Board of Supervisors held on 26th May 2022, the Company granted 5.23 million reserved restricted shares to 125 incentive objects at the incentive price of RMB 8.90/share.

The above incentive plan will evaluate the performance of the company and the individual target of the incentive. Within 2 years from the date of the first grant of the incentive object, the annual amount of vested interests shall account for 50% of the total amount of vested interests, 50%, and the premise of each vested interest is to meet the corresponding vesting conditions.

(b) Movements of restricted shares for the year 2024

	2024	2023
No. of restricted shares issued at the beginning of the year	–	24,574,000
No. of restricted shares granted for the year	–	–
No. of restricted shares exercised for the year	–	(7,572,100)
No. of restricted shares expired for the year	–	(17,001,900)
No. of restricted shares issued at the end of the year	–	–

Equity-settled share-based payments expenses are listed below:

	2024	2023
Cost of sales	–	24,262
R&D expenses	–	(777,435)
General and administrative expenses	–	(209,264)
Selling expenses	–	(880,375)
	–	(1,842,812)

(c) As of December 31, 2023, due to the Company's performance failing to meet the vesting conditions, among the remaining portion of the Type 2 restricted stock and granted for the first time, the residual portion during the waiting period has lapsed.

7 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.	35,271,750	100.00%	-	Set up

(b) Subsidiaries with significant minority interests

As at 31 December 2024 and 31 December 2023, 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.

7 EQUITY IN OTHER SUBJECTS (continued)

(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.

7 EQUITY IN OTHER SUBJECTS (continued)

(2) Equity in joint ventures and associates (continued)

(b) Summarised financial information for material joint ventures

Changzhou BVCF

	31 December 2024	31 December 2023
Current assets	**6,200,260**	13,193,192
Non-current assets	**104,335,568**	170,391,217
Total assets	**110,535,828**	183,584,409
Current liabilities	**(5,326,064)**	(5,125,941)
Equity attributable to shareholders of the Company	**105,209,764**	178,458,468
Share of net assets by shareholding	**32,059,857**	54,380,437
Carrying amount of investments in joint ventures	**34,217,879**	56,538,459

	2024	2023
General and administrative expenses	**(3,888,210)**	(4,219,996)
Financial expenses	**25,561**	190,183
Losses from fair value changes	**(63,836,426)**	(25,636,159)
Net loss	**(67,672,178)**	(29,665,972)
Total comprehensive income	**(67,672,178)**	(29,665,972)
Dividends received by the Group from joint ventures for the year	**1,742,224**	–

7 EQUITY IN OTHER SUBJECTS (continued)

(2) Equity in joint ventures and associates (continued)

(c) Summarised financial information for material associates

(i) WD Pharmaceutical

	31 December 2024	31 December 2023
Current assets	44,373,677	64,921,799
Non-current assets	492,534,394	492,611,145
Total assets	536,908,071	557,532,944
Current liabilities	(5,158,228)	(7,320,618)
Non-current liabilities	–	(84,741)
Total liabilities	(5,158,228)	(7,405,359)
Equity attributable to shareholders of the Company	531,749,843	550,127,585
Share of net assets by shareholding	214,614,237	222,031,493
Carrying amount of investments in associate	223,265,058	230,979,734

	2024	2023
Revenue	3,095,300	–
General and administrative expenses	(7,693,630)	(10,185,055)
R&D expenses	(13,525,816)	(25,504,706)
Net loss	(19,022,416)	(32,696,761)
Total comprehensive loss	(19,022,416)	(32,696,761)
Dividends received by the Group from associate for the year	–	–

7 EQUITY IN OTHER SUBJECTS (continued)

(2) Equity in joint ventures and associates (continued)

(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.

8 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.

9 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 7(1).

(3) Joint ventures and associates

For basic and related information of joint ventures and associates, please refer to Note 7(2).

(4) Other related parties

	Relationship with the Group
SPH	Shareholder
Shanghai Pharmaceutical Co., Ltd.	Subsidiary of SPH
Shanghai Suzuken Chinese Medicine Co., Ltd.	Subsidiary of SPH
Heilongjiang Keyuan Xinhai Pharmaceutical Co., Ltd.	Subsidiary of SPH
China Medical Foreign Trading Liao Ning Co., Ltd.	Subsidiary of SPH
SPH Keyuan Xinhai Pharmaceutical Shaanxi Co., Ltd.	Subsidiary of SPH
Shanghai Pharmaceutical Holding Zhenjiang Co., Ltd.	Subsidiary of SPH
SPH Changzhou Pharmaceutical Co., Ltd.	Subsidiary of SPH
Shandong Pharmaceutical Co., Ltd.	Subsidiary of SPH
SPH Ningbo Pharmaceutical Co., Ltd.	Subsidiary of SPH
Shanghai Pharmaceutical Holdings Jiangsu Co., Ltd.	Subsidiary of SPH
Beijing Keyuan Xinhai Pharmaceutical Co., Ltd.	Subsidiary of SPH
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd.	Subsidiary of SPH
Shanghai New Asia Pharmaceutical Co., Ltd. (“New Asia Pharmaceutical”)	Subsidiary of SPH
Shanghai Pharmaceutical Group (Benxi) North Pharmaceutical Co., Ltd.	Subsidiary of SPH
Shanghai Pharmaceutical Holding Jilin Co., Ltd. (“SPH Keyuan Xinhai Pharmaceutical Jilin Co., Ltd.”)	Subsidiary of SPH
Shanghai Pharmaceutical Keyuanxin Hainei Mongolia Medical Company Co.	Subsidiary of SPH
Jiangxi Nanhua Pharmaceutical Co., Ltd.	Joint venture of SPH

9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(5) Related party transactions

(a) Pricing policies

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

(b) Sales of goods

Related party	Related party transaction	2024	2023
Heilongjiang Keyuan Xinhai Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	34,628,900	28,169,051
Shanghai Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	29,348,911	23,454,628
Shanghai Suzuken Chinese Medicine Co., Ltd.	Sale of pharmaceutical products	4,186,226	627,862
China Medical Foreign Trading Liao Ning Co., Ltd.	Sale of pharmaceutical products	3,526,466	1,666,233
Shandong Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	2,476,038	622,195
Jiangxi Nanhua Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	1,776,503	585,978
Shanghai Pharmaceutical Holding Zhenjiang Co., Ltd.	Sale of pharmaceutical products	1,247,574	2,462,868
SPH Keyuan Xinhai Pharmaceutical Jilin Co., Ltd.	Sale of pharmaceutical products	1,227,186	1,472,623
Beijing Keyuan Xinhai Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	1,186,047	697,102
SPH Ningbo Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	1,128,479	793,462
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	987,266	1,962,401
SPH Changzhou Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	981,788	729,676
Shanghai Pharmaceutical Holdings Jiangsu Co., Ltd.	Sale of pharmaceutical products	527,747	1,254,564
Shanghai Pharmaceutical Keyuanxin Hainei Mongolia Medical Company Co.	Sale of pharmaceutical products	–	726,645
SPH Keyuan Xinhai Pharmaceutical Shaanxi Co., Ltd.	Sale of pharmaceutical products	(903,911)	9,378,105
		82,325,220	74,603,393

9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(5) Related party transactions (continued)

(c) Provision of services

Related party	Related party transaction	2024	2023
WD Pharmaceutical	Manufacturing consignment	–	148,279

(d) Purchase of goods and acceptance of service

Related party	Related party transaction	2024	2023
New Asia Pharmaceutical	Testing fee	19,811	46,415
Shanghai Pharmaceutical Group (Benxi) North Pharmaceutical Co., Ltd.	Outsourced R&D	–	366,509
		19,811	412,924

(e) Remuneration of key management

	2024	2023
Remuneration of key management	8,981,000	11,530,430

9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(6) Receivables from and payables to related parties

(a) Accounts receivables

	31 December 2024		31 December 2023	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Heilongjiang Keyuan Xinhai Pharmaceutical Co., Ltd.	8,840,506	(436,696)	6,748,004	(190,560)
Shanghai Suzuken Chinese Medicine Co., Ltd.	3,331,150	(157,142)	10,259,323	(5,389,490)
China Medical Foreign Trading Liao Ning Co., Ltd.	1,461,865	(94,027)	5,348,759	(2,451,465)
SPH Changzhou Pharmaceutical Co., Ltd.	794,451	(54,770)	499,830	(32,593)
SPH Keyuan Xinhai Pharmaceutical Shaanxi Co., Ltd.	690,079	(38,202)	5,465,164	(410,169)
SPH Ningbo Pharmaceutical Co., Ltd.	675,472	(202,336)	83,631	(1,804)
Shandong Pharmaceutical Co., Ltd.	652,860	(29,733)	25,110	(542)
Jiangxi Nanhua Pharmaceutical Co., Ltd.	583,524	(26,575)	–	–
Beijing Keyuan Xinhai Pharmaceutical Shanxi Co., Ltd.	349,037	(19,322)	261,640	(17,061)
Shanghai Pharmaceutical Holding Zhenjiang Co., Ltd.	303,424	(52,144)	1,323,491	(86,303)
Shanghai Pharmaceutical Holdings Jiangsu Co., Ltd.	273,361	(15,133)	247,098	(14,365)
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd.	219,089	(9,978)	243,432	(5,250)
Shanghai Pharmaceutical Co., Ltd.	–	–	3,579,966	(77,206)
	18,174,818	(1,136,058)	34,085,448	(8,676,808)

(b) Contract liabilities

	31 December 2024	31 December 2023
Shanghai SPH New ASIA Pharmaceutical Co., Ltd	19,600	16,800

9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(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 year ended 31 December 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	-	1,544,580	203,890	-	-	-	1,748,470
Mrs. Xue Yan	-	1,404,580	150,620	-	-	-	1,555,200
Independent directors							
Mr. Wang Hong Guang	200,000	-	-	-	–	-	200,000
Mr. Lin Zhao Rong	200,000	-	-	-	–	-	200,000
Mr. Xu Pei Long	200,000	-	-	-	–	-	200,000
Supervisors							
Mr. Huang Jian	-	150,000	-	-	–	-	150,000
Mrs. Qu Ya Nan	-	343,700	107,920	-	–	-	451,620

9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(7) Benefits and interests of directors (continued)

(a) Directors and chief executive's emoluments (continued)

The emoluments in respect of each of the executive directors, supervisors and chief executives paid/payable by the Group for the year ended 31 December 2023 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. Wang Hai Bo	–	640,000	–	–	–	–	640,000
Mr. Su Yong	–	475,000	57,540	–	–	–	532,540
Mr. Zhao Da Jun	–	1,693,330	189,540	–	–	–	1,882,870
Mrs. Xue Yan	–	1,091,670	85,320	–	–	–	1,176,990
Independent directors							
Mr. Zhou Zhong Hui	83,310	–	–	–	–	–	83,310
Mr. Lam Yiu Kin	83,310	–	–	–	–	–	83,310
Mr. Xu Qing	83,310	–	–	–	–	–	83,310
Mr. Yang Chun Bao	83,310	–	–	–	–	–	83,310
Mr. Wang Hong Guang	116,670	–	–	–	–	–	116,670
Mr. Lin Zhao Rong	116,670	–	–	–	–	–	116,670
Mr. Xu Pei Long	116,670	–	–	–	–	–	116,670
Supervisors							
Mr. Liu Xiao Long	–	62,500	–	–	–	–	62,500
Mr. Huang Jian	–	150,000	–	–	–	–	150,000
Mrs. Qu Ya Nan	–	273,360	50,140	–	–	–	323,500
Mrs. Yu Dai Qing	–	225,000	57,540	–	–	–	282,540
Mr. Wang Luo Chun	–	225,000	57,540	–	–	–	282,540

9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(7) Benefits and interests of directors (continued)

(a) Directors and chief executive's emoluments (continued)

(i) There is no director disclaim director's salary.(2023: nil)

(ii) The Group does not have other benefits for directors. There is no director resigned or assigned for the year ended 31 December 2024.

(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 (2023: 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 (2023: 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.

9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(8) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2024 include 2 directors (2023: 2 directors), whose emoluments are reflected in Note 9(7). The emoluments paid and payable to the other 3 individuals (2023: 3 individuals) for the year are as follows:

	2024	2023
Salary and allowance	3,426,960	4,380,830
Housing funds, medical insurance and other social insurance	247,150	242,150
Retirement benefit costs	246,860	233,110
Bonus	183,350	–
	4,104,320	4,856,090

	Head count	
	2024	2023
Emoluments bands:		
HKD1,000,000 to HKD1,500,000	2	–
HKD1,500,000 to HKD2,000,000	1	3
	3	3

10 CONTINGENCIES

The Group had no significant on contingency on 31 December 2024 and 31 December 2023.

11 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:

	31 December 2024	31 December 2023
Buildings, machinery and equipment	4,042,102	19,655,372

12 SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

(1) Description of profit distribution

	Amount
Proposed dividend distribution	31,097,163

By the resolution of the Broad of Directors on 27 March 2025, the BoD Board proposed that the Company to distributed a dividends at the price of RMB0.03 per to all shareholders, which is still waiting for the consideration and approval by the general meeting of shareholders of the Company and has not been recognised as a liability in the financial statements. At 30 June 2024, the Company has paid dividend to all shareholders totaled RMB20,731,442.

13 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 year ended 31 December 2024 and 2023, the Group did not enter into any interest rate swap agreements.

As at 31 December 2024 and 2023, 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.

The Group had no significant price risk at 31 December 2024 and 31 December 2023.

13 FINANCIAL INSTRUMENTS AND RISKS (continued)

(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 31 December 2024, the Group had no significant collateral or other credit enhancements held as a result of the debtor's mortgage (31 December 2023: Nil).

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department at headquarter level. The Group's finance department at headquarter monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs; continuously monitors whether the covenant terms in borrowing agreements are complied; maintains sufficient headroom on the Group's committed undrawn banking facilities from different financial institutions by taking into account such financing conditions as interest rates, borrowing terms, credit enhancements, and different types of supplier finance arrangements, so as to meet the short-term and long-term liquidity requirements.

13 FINANCIAL INSTRUMENTS AND RISKS (continued)

(3) Liquidity risk (continued)

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

	31 December 2024				
	Within 1 year	**1 to 2 years**	**2 to 5 years**	**Over 5 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**

	31 December 2023				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities –					
Accounts payables	8,054,847	–	–	–	8,054,847
Other payables	453,055,613	–	–	–	453,055,613
Lease liabilities	7,086,946	3,018,756	6,188,284	3,094,142	19,388,128
	468,197,406	3,018,756	6,188,284	3,094,142	480,498,588

14 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.

14 FAIR VALUE ESTIMATES (continued)

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

As at December 31, 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

As at December 31, 2023, continuing assets measured at fair value are shown in the three levels above as follows:

	Level 1	Level 2	Level 3	Total
Financial asset – Wealth management products	–	–	–	–
Investments in other equity Instruments	15,126	–	–	15,126
	15,126	–	–	15,126

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.

14 FAIR VALUE ESTIMATES (continued)

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

The above level 3 asset changes are as follows:

	Wealth management products
1 January 2023	–
Purchase	3,909,000,000
Sell	(3,928,193,688)
Gain or loss included in profit or loss	19,193,688
31 December 2023	–
Purchase	**3,892,000,000**
Sell	**(3,910,146,632)**
Gain or loss included in profit or loss	**18,146,632**
31 December 2024	**–**

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

(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.

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

15 CAPITAL MANAGEMENT (continued)

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 31 December 2024 and 31 December 2023, the Group has no borrowing balance. Therefore, the debt ratio was not applicable.

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Notes receivables

	31 December 2024	31 December 2023
Bank acceptance notes	91,444,474	139,581,384
Commercial acceptance notes	–	263,665
Less: Provision for bad debts	(65,806)	(116,676)
	91,378,668	139,728,373

(a) As at 31 December 2024, the Company had no pledged notes receivable as presented in notes receivable

(b) At December 31, 2024, 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 RMB7,593,481 (2023: RMB52,960,729)

As at 31 December 2024, the Company's notes receivables endorsed or discounted but not yet due are as follows:

	De-recognised	Not de-recognised
Bank acceptance notes (i)	2,640,083	100,000

(i) In 2024, a partial portion of the bank acceptance notes were endorsed or discounted by the Company which were classified as financial assets at amortised cost.

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(1) Notes receivables (continued)

(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:

	31 December 2024					31 December 2023				
	Book Balance		Bad debts		Carrying	Book Balance		Bad debts		Carrying
	Amount	%	Amount	%	amount	Amount	%	Amount	%	amount
Provision of bad debts made on a collective basis(i)	91,444,474	100%	(65,806)	0.07%	91,378,668	139,845,049	100%	(116,676)	0.08%	139,728,373

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

Group – Bank Acceptance notes:

At December 31, 2024, 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 RMB65,806 (December 31, 2023: RMB116,628), which was recognized in the current period's profit and loss of RMB50,870 (Year 2023: RMB116,628). As at 31 December 2024 and 31 December 2023, 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.

Group – Commercial Acceptance notes:

As at 31 December 2024, the Group has no commercial acceptance notes. (31 December 2023: the Group measured provision for bad debts of commercial acceptance notes within this group based on the lifetime ECL, which amounted to RMB48 recognised in profit or loss.

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(2) Accounts receivables

	31 December 2024	31 December 2023
Accounts receivables	**327,205,910**	428,586,337
Less: Provision for bad debts	**(26,792,414)**	(35,743,794)
	300,413,496	392,842,543

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

	31 December 2024	31 December 2023
Within 1 year	**315,819,120**	422,394,716
1 to 2 years	**11,386,790**	6,191,621
	327,205,910	428,586,337

(b) As at 31 December 2024, 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	206,432,597	(18,224,740)	63.09%

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(2) Accounts receivables (continued)

(c) Provision for bad debts

	31 December 2023	Change amount in the period			31 December 2024
		Accrual	Reverse	Write-off	
Provision for bad debts of accounts receivables	(35,743,794)	–	8,951,380	–	**(26,792,414)**

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:

	31 December 2024					31 December 2023				
	Book Balance		Bad debt		Carrying	Book Balance		Bad debt		Carrying
	Amount	%	Amount	%	amount	Amount	%	Amount	%	amount
Provision of bad debts made on an individual basis(i)	-	-	-	-	-	-	-	-	-	-
Provision of bad debts made on a collective basis(ii)	327,205,910	100%	(26,792,414)	8.19%	300,413,496	428,586,337	100%	(35,743,794)	8.34%	392,842,543
	327,205,910	100%	(26,792,414)	8.19%	300,413,496	428,586,337	100%	(35,743,794)	8.34%	392,842,543

(i) As at 31 December 2024 and 31 December 2023, the Company did not make provision for bad debts for accounts receivables on an individual basis.

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(2) Accounts receivables (continued)

(c) Provision for bad debts (continued)

(ii) 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)**

As at 31 December 2023, the analysis of accounts receivables for the provision of bad debts made on a collective basis is as follows:

Group – sales receivable:

	31 December 2023		
	Book balance	Provision for bad debts	
	Amount	Lifetime expected credit loss rate	Amount
Not overdue	112,321,611	2.31%	(2,589,762)
Overdue within 120 days	113,108,180	4.98%	(5,628,392)
Overdue 121 days to 1 year	196,964,925	10.83%	(21,334,019)
Overdue 1 to 2 years	6,191,621	100.00%	(6,191,621)
	428,586,337		(35,743,794)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(3) Other receivables

	31 December 2024	31 December 2023
Amounts due from subsidiaries	78,261,661	122,368,411
Amounts due from related parties	23,753,000	23,753,000
Deposits receivable	1,403,081	2,194,748
Receivable from the sale of machinery	752,685	588,635
Petty cash for employees receivable	46,000	180,140
	104,216,427	149,084,934
Less: Provision for bad debts	(23,820,778)	(23,844,907)
	80,395,649	125,240,027

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

	31 December 2024	31 December 2023
Within 1 year	58,576,173	120,264,169
1 to 2 years	20,849,251	2,935,455
2 to 3 years	238,158	824,846
Above 3 years	24,552,845	25,060,464
	104,216,427	149,084,934

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(3) Other receivables (continued)

(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:

	31 December 2024					31 December 2023				
	Book Balance		Bad debt		Carrying	Book Balance		Bad debt		Carrying
	Amount	%	Amount	%	amount	Amount	%	Amount	%	amount
Provision for bad debts on an individual basis(i)	23,753,000	22.79%	(23,753,000)	100.00%	-	23,753,000	15.93%	(23,753,000)	100.00%	-
Provision of bad debts made on a collective basis(ii)	80,463,427	77.21%	(67,778)	0.08%	80,395,649	125,331,934	84.07%	(91,907)	0.07%	125,240,027
	104,216,427	100.00%	(23,820,778)		80,395,649	149,084,934	100.00%	(23,844,907)		125,240,027

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(3) Other receivables (continued)

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

(i) As 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 sale of machinery	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 and 31 December 2023, 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)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(3) Other receivables (continued)

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

(ii) As at 31 December 2023, 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	122,368,411	–	–
Deposits and guarantees	2,194,748	3.10%	(68,065)
Receivable from the sale of machinery	588,635	3.10%	(18,255)
Petty cash for employees receivable	180,140	3.10%	(5,587)
	125,331,934		(91,907)

As at 31 December 2023 and 31 December 2022, the Company had no other receivables in Stage 2.

As at 31 December 2023, 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)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(3) Other receivables (continued)

(c) Provision for bad debts

	31 December 2023	Accrual	Reverse	31 December 2024
Provision for bad debts of other receivables	(23,844,907)	–	24,129	(23,820,778)

(d) As at 31 December 2024, 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	Entrusted Loan	78,261,661	Within 1 year, 2 to 3 years	75.10%	–
Related party	Borrowing	23,753,000	Above 3 years	22.79%	(23,753,000)
Company1	Deposit	572,004	Above 3 years	0.55%	(17,739)
Company2	Deposit	345,838	Within 1 year, 2 to 3 years	0.33%	(10,725)
Company3	Receivable from the sale of machinery	182,400	Within 1 year	0.18%	(5,657)
		103,114,903		98.95%	(23,787,121)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(4) Long-term equity investments

	31 December 2024	31 December 2023
Subsidiaries (a)	**562,425,831**	562,425,831
Joint ventures (b)	**34,217,879**	56,538,459
Associates (c)	**223,597,814**	231,312,490
	820,241,524	850,276,780
Less: Provision for impairment of long-term equity investments		
– Subsidiaries	**(96,547,860)**	(73,824,860)
– Associates	**(332,756)**	(332,756)
	(96,880,616)	(74,157,616)
	723,360,908	776,119,164

(a) Subsidiaries

	31 December 2023	Changes in the current year: Increase in investment	Decrease in investment	Provision for impairment	Others	31 December 2024	Ending balance of provision for impairment	Cash dividends declared this year
Taizhou Pharmaceutical	444,381,021	–	–	–	–	**444,381,021**	–	–
Tracing Bio-technology	22,723,000	–	–	(22,723,000)	–	**-**	(82,773,060)	–
Fernovelty Holding	21,496,950	–	–	–	–	**21,496,950**	(13,774,800)	–
	488,600,971	–	–	(22,723,000)	–	**465,877,971**	(96,547,860)	–

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(4) Long-term equity investments (continued)

(b) Joint ventures

		Changes in the current year									
	31 December 2023	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	31 December 2024	Beginning/ Ending balance of provision for impairment
Changzhou BVCF	56,538,459	–	–	(20,578,356)	–	–	(1,742,224)	–	–	34,217,879	–

(c) Associates

		Changes in the current year									
	31 December 2023	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	31 December 2024	Beginning/ Ending balance of provision for impairment
Lead Discovery	–	–	–	–	–	–	–	–	–	-	(332,756)
Derma	–	–	–	–	–	–	–	–	–	-	–
WD Pharmaceutical	230,979,734	–	–	(7,974,882)	–	260,206	–	–	–	223,265,058	–
	230,979,734	–	–	(7,974,882)	–	260,206	–	–	–	223,265,058	(332,756)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(5) Right-of-use assets

	Buildings
Cost	
31 December 2023	36,680,001
Increase in the current year	
New lease contracts	10,585,584
Decrease in the current period	
Lease expiry	(11,915,235)
31 December 2024	35,350,350
Accumulated depreciation	
31 December 2023	(19,809,442)
Increase in the current year	
Accrual	(7,920,964)
Decrease in the current period	
Lease expiry	11,915,235
31 December 2024	(15,815,171)
Carrying amount	
31 December 2024	19,535,179
31 December 2023	16,870,559

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(6) Lease liabilities

	31 December 2024	31 December 2023
Lease liabilities	20,525,875	17,281,748
Less: Current portion of non-current liabilities	(6,098,210)	(6,329,026)
	14,427,665	10,952,722

As at 31 December 2024, the Company had no events that were not included in the lease liabilities while resulting in potential future cash outflows.

(7) Revenue and cost of sales

	2024	2023
Main operations revenue	602,129,567	711,193,122
Other operations revenue	1,533,851	2,021
	603,663,418	711,195,143

	2024	2023
Main operations cost	(86,832,522)	(58,894,634)
Other operations cost	(1,270,712)	(2,021)
	(88,103,234)	(58,896,655)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(7) Revenue and cost of sales (continued)

(a) Main operations revenue and cost

	2024		2023	
	Main operations revenue	Main operations cost	Main operations revenue	Main operations cost
– Sales of pharmaceutical and diagnostic products	558,078,329	(42,807,833)	692,136,951	(39,859,702)
– Provision of technology service	44,051,238	(44,024,689)	19,056,171	(19,034,932)
	602,129,567	(86,832,522)	711,193,122	(58,894,634)

(b) Other operations revenue and cost

	2024		2023	
	Other operations revenue	Other operations cost	Other operations revenue	Other operations cost
– Sales of raw material	1,528,827	(1,265,688)	–	–
– Provision of service	5,024	(5,024)	2,021	(2,021)
	1,533,851	(1,270,712)	2,021	(2,021)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(7) Revenue and cost of sales (continued)

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

	2024		
	Pharmaceutical products	Others	Total
Main operations revenue			
Including: Confirmed at a certain point	558,078,329	44,051,238	602,129,567
Other operations cost	–	1,533,851	1,533,851
	558,078,329	45,585,089	603,663,418

	2024		
	Pharmaceutical products	Others	Total
Main operations cost			
Including: Confirmed at a certain point	(42,807,833)	(44,024,689)	(86,832,522)
Other operations revenue	–	(1,270,712)	(1,270,712)
	(42,807,833)	(45,295,401)	(88,103,234)

	2023		
	Pharmaceutical products	Others	Total
Main operations revenue			
Including: Confirmed at a certain point	692,136,951	19,056,171	711,193,122
Other operations revenue	–	2,021	2,021
	692,136,951	19,058,192	711,195,143

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(7) Revenue and cost of sales (continued)

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

	2023		
	Pharmaceutical products	Others	Total
Main operations cost			
Including: Confirmed at a certain point	(39,859,702)	(19,034,932)	(58,894,634)
Other operations revenue	–	(2,021)	(2,021)
	(39,859,702)	(19,036,953)	(58,896,655)

(8) Investment losses

	2024	2023
Losses of long-term equity investment accounted by equity method	**28,553,238**	23,539,527
Income from wealth management products	**(16,746,918)**	(18,658,756)
Interest income from entrusted loans	**(181,735)**	(1,433,422)
	11,624,585	3,447,349

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

Supplementary Information Of Financial Statements

For the year ended 31 December 2024
All amounts in RMB Yuan unless otherwise stated)

1 STATEMENT OF NON-RECURRING PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2024

	2024	2023
Profit or loss from disposals of non-current assets	**29,905**	295,346
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	**19,397,448**	25,580,068
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	**18,146,632**	19,193,688
Other non-operating income and expenses excluding the above items	**3,064,085**	438,397
	40,638,070	45,507,499
Effect of income tax	**(6,025,655)**	(6,747,097)
Effect of minority interests (net of tax)	**(23,727)**	(26,765)
	34,588,688	38,733,637

(1) Basis for preparation of statement of non-recurring profit or loss for the year ended 31 December 2024

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 CASs 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 CASs 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**
	2024	**2024**	**2024**
Net profit attributable to ordinary shareholders of the Company	**1.70%**	**0.04**	**0.04**
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	**0.22%**	**0.01**	**0.01**

	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
	2023	2023	2023
Net profit attributable to ordinary shareholders of the Company	4.69%	0.11	0.11
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	3.04%	0.07	0.07