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上海復旦張江生物醫藥股份有限公司

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

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

(Stock code:1349)

INTERIM RESULTS ANNOUNCEMENT

For the six months ended 30 June 2026

This announcement is published pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) to provide information including the unaudited consolidated interim results of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2026 (the “**Reporting Period**”). The directors of the Company (the “**Directors**”) jointly and severally accept full responsibility for the contents of this announcement. Having made all reasonable enquiries, the Directors confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

KEY FINANCIAL INDICATORS OF THE COMPANY

The Company adopted the China Accounting Standards for Business Enterprises to prepare its overseas financial statements since 24 February 2020. The key financial data of the Company for the six months ended 30 June 2026 (the “Reporting Period”) are as follows:

I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Five years financial data highlights

Results

Unaudited

Six months ended 30 June

	2026	2025	2024	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	372,225	390,083	408,124	522,828	271,260
Profit/(Loss) before income tax	36,780	5,622	72,187	63,433	(61,189)
Income tax expense	-	-	(1,843)	5,172	25,169
Profit/(Loss) for the period	36,780	5,622	70,344	68,605	(36,021)
Profit attributable to:					
Shareholders of the Company	36,895	5,715	70,473	68,438	(35,975)
Non-controlling interests	(115)	(93)	(129)	167	(46)
Total comprehensive income for the period	36,189	5,525	70,485	68,497	(36,727)
Total comprehensive income attributable to:					
Shareholders of the Company	36,304	5,618	70,614	68,330	(36,680)
Non-controlling interests	(115)	(93)	(129)	167	(46)
EBITDA/(Loss)	74,491	47,729	105,695	97,858	(28,081)
Basic and diluted earnings/(losses) per share for profit attributable to the shareholders of the Company	RMB 0.0355	RMB 0.0055	RMB 0.0680	RMB 0.0665	RMB (0.0346)

Assets and liabilities

	Unaudited 30 June 2026 RMB'000	2025 RMB'000	Audited 31 December 2024 RMB'000	2023 RMB'000	2022 RMB'000
Total assets	2,413,394	2,390,654	2,586,503	2,876,688	2,976,007
Total liabilities	(260,403)	(273,934)	(281,226)	(518,124)	(722,986)
	2,152,991	2,116,720	2,305,277	2,358,564	2,253,021

Capital and reserves

attributable to:

Shareholders of the

Company

Non-controlling

interests

	2,152,680	2,116,294	2,304,567	2,357,554	2,257,102
	311	426	710	1,010	(4,081)
	2,152,991	2,116,720	2,305,277	2,358,564	2,253,021

(II) Key accounting data

Unit: RMB

Key accounting data	Reporting Period (January to June 2026)	Corresponding period of last year	Change as compared with the corresponding period of last year (%)
Revenue	372,225,274	390,083,112	-4.58
Total profit	36,780,123	5,622,200	554.19
Net profit attributable to shareholders of the listed company	36,894,990	5,715,142	545.57
Net profit deducting non-recurring profit or loss attributable to shareholders of the listed company	21,698,602	-9,491,857	Not applicable
Net cash flows from operating activities	82,626,689	62,212,859	32.81
	As at the end of the Reporting Period (30 June 2026)	As at the end of last year	Change as Compared with the end of last year (%)
Net assets attributable to shareholders of the listed company	2,152,679,810	2,116,293,902	1.72
Total assets	2,413,394,112	2,390,653,740	0.95

(III) Key financial indicators

Key financial indicators	Reporting Period (January to June 2026)	Corresponding period of last year	Change as compared with the corresponding period of last year (%)
Basic earnings per share (RMB per share)	0.04	0.01	300.00
Diluted earnings per share (RMB per share)	0.04	0.01	300.00
Basic earnings per share after deduction of non-recurring profit or loss (RMB/share)	0.02	-0.01	Not applicable
Weighted average rate of return on net assets (%)	1.73	0.25	increased by 1.48 percentage point
Weighted average rate of return on net assets after deduction of non-recurring profit or loss (%)	1.02	-0.41	increased by 1.43 percentage point
Proportion of R&D investment in revenue (%)	36.01	45.63	decreased by 9.62 percentage points

Description of key accounting data and financial indicators

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

During the Reporting Period, the Company's total profit, net profit attributable to shareholders of the listed company, net profit deducting non-recurring profit or loss attributable to shareholders of the listed company, basic earnings per share and diluted earnings per share increased significantly as compared with the same period of last year, mainly due to the decrease in research and development expenses by approximately RMB44 million during the Reporting Period as compared with the same period last year.

The increase in net cash flows from operating activities as compared with the same period of last year was mainly due to the decrease in cash paid for goods and services as compared with the same period of last year.

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

Not applicable.

III. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: RMB

Non-recurring profit or loss items	Amount	Explanations (if applicable)
Gains or losses from disposal of non-current assets, including reversal of provision for impairment of assets	9,446	
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	7,866,840	
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	7,449,726	It's mainly the interest or gains accrued from the structured deposits and wealth management.
Other non-operating income and expenses other than the above items	(128,575)	
Less: Effect on minority interests (after tax)	1,049	
Total	15,196,388	

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

Not applicable.

IV. FOR ITEMS WITH EQUITY INCENTIVE PLANS OR EMPLOYEE SHAREHOLDING SCHEMES, DISCLOSURE OF NET PROFIT AFTER DEDUCTING THE EFFECT OF SHARE-BASED PAYMENTS MAY BE PROVIDED ON A VOLUNTARY BASIS

Not applicable.

V. NOTES TO FINANCIAL MEASURES NOT PREPARED UNDER THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

Not applicable.

SHANGHAI FUDAN-ZHANGJIANG BIO-PHARMACEUTICAL CO., LTD.

**CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note	30 June 2026 Consolidated	31 December 2025 Consolidated
Current assets			
Cash at bank and on hand	5(1)	1,223,004,106	1,147,079,542
Notes receivable	5(2)	96,308,791	96,419,794
Accounts receivable	5(3)	189,193,754	201,335,024
Advances to suppliers		2,029,246	4,998,987
Other receivables		1,018,859	1,539,207
Inventories	5(4)	28,190,005	33,213,163
Other current assets		43,006	937,712
Total current assets		1,539,787,767	1,485,523,429
Non-current assets			
Long-term receivables		1,667,121	1,667,121
Investments in other equity instruments	5(5)	11,268	1,915
Long-term equity investments	5(6)	224,963,397	229,067,595
Fixed assets	5(7)	441,886,947	463,280,600
Construction in progress		592,520	188,065
Right-of-use assets	5(8)	11,240,095	13,786,135
Intangible assets	5(9)	54,402,252	60,867,259
Goodwill	5(10)	-	-
Long-term prepaid expenses	5(11)	6,276,188	4,405,457
Deferred tax assets	5(12)	131,410,717	131,410,717
Other non-current assets		1,155,840	455,447
Total non-current assets		873,606,345	905,130,311
TOTAL ASSETS		2,413,394,112	2,390,653,740

SHANGHAI FUDAN-ZHANGJIANG BIO-PHARMACEUTICAL CO., LTD.

CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2026

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	30 June 2026 Consolidated	31 December 2025 Consolidated
Current liabilities			
Accounts payable	5(14)	12,301,382	6,067,211
Contract liabilities	5(15)	4,678,988	5,407,189
Employee benefits payable	5(16)	12,081,901	22,679,439
Taxes payable	5(17)	12,330,860	9,895,437
Other payables	5(18)	188,852,945	195,877,224
Including: Dividends payable		-	-
Non-current liabilities to be settled within one year	5(19)	5,444,068	5,350,976
Other current liabilities		276,515	343,827
Total current liabilities		235,966,659	245,621,303
Non-current liabilities			
Lease liabilities	5(19)	6,543,264	9,340,923
Deferred income	5(20)	17,893,633	18,971,999
Total non-current liabilities		24,436,897	28,312,922
Total liabilities		260,403,556	273,934,225
Shareholders' equity			
Share capital	5(21)	103,657,210	103,657,210
Capital surplus	5(22)	1,290,400,004	1,290,317,752
Less: Treasury shares		-	-
Other comprehensive loss	5(23)	(6,639,762)	(6,048,428)
Surplus reserve		52,150,000	52,150,000
Undistributed profits	5(24)	713,112,358	676,217,368
Total equity attributable to shareholders of the Company		2,152,679,810	2,116,293,902
Minority interests		310,746	425,613
Total shareholders' equity		2,152,990,556	2,116,719,515
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,413,394,112	2,390,653,740

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

SHANGHAI FUDAN-ZHANGJIANG BIO-PHARMACEUTICAL CO., LTD.**COMPANY BALANCE SHEET****AS AT 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note	30 June 2026 Company	31 December 2025 Company
Current assets			
Cash at bank and on hand		1,122,159,797	1,021,375,409
Notes receivable	14(1)	70,615,925	70,165,871
Accounts receivable	14(2)	155,215,556	177,802,719
Advances to suppliers		1,249,615	4,668,710
Other receivables	14(3)	97,935,588	123,524,767
Inventories		16,353,011	17,120,640
Total current assets		1,463,529,492	1,414,658,116
Non-current assets			
Long-term receivables		1,667,121	1,667,121
Long-term equity investments	14(4)	690,841,368	694,945,566
Fixed assets		105,355,593	113,642,284
Construction in progress		249,606	-
Right-of-use assets	14(5)	11,240,095	13,786,135
Intangible assets		20,290,675	24,567,104
Long-term prepaid expenses		3,570,235	4,094,675
Deferred tax assets		120,494,857	120,494,857
Other non-current assets		266,700	208,500
Total non-current assets		953,976,250	973,406,242
TOTAL ASSETS		2,417,505,742	2,388,064,358

SHANGHAI FUDAN-ZHANGJIANG BIO-PHARMACEUTICAL CO., LTD.

COMPANY BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2026

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	30 June 2026 Company	31 December 2025 Company
Current liabilities			
Accounts payable		3,226,906	3,930,544
Contract liabilities		4,551,861	5,280,062
Employee benefits payable		11,997,768	21,048,480
Taxes payable		10,338,617	9,803,972
Other payables		163,739,269	161,762,819
Including: Dividends payable		-	-
Non-current liabilities to be settled within one year	14(6)	5,444,068	5,350,976
Other current liabilities		259,989	327,301
Total current liabilities		199,558,478	207,504,154
Non-current liabilities			
Lease liabilities	14(6)	6,543,264	9,340,923
Total non-current liabilities		6,543,264	9,340,923
Total liabilities		206,101,742	216,845,077
Shareholders' equity			
Share capital		103,657,210	103,657,210
Capital surplus		1,373,858,249	1,373,775,997
Less: Treasury shares		-	-
Surplus reserve		52,150,000	52,150,000
Undistributed profits		681,738,541	641,636,074
Total shareholders' equity		2,211,404,000	2,171,219,281
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,417,505,742	2,388,064,358

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

SHANGHAI FUDAN-ZHANGJIANG BIO-PHARMACEUTICAL CO., LTD.

**CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

	Note	For the six months ended 30 June 2026 Consolidated	For the six months ended 30 June 2025 Consolidated
Revenue	5(25)	372,225,274	390,083,112
Less: Cost of sales	5(25), 5(31)	(31,157,945)	(39,773,796)
Taxes and surcharges	5(26)	(4,204,268)	(3,318,517)
Selling and distribution expenses	5(27), 5(31)	(160,576,078)	(181,910,272)
General and administrative expenses	5(28), 5(31)	(18,545,292)	(20,302,504)
Research and development expenses	5(29), 5(31)	(134,027,944)	(177,976,257)
Financial income - net	5(30)	409,004	391,748
Including: Interest expenses		(246,840)	(368,996)
Interest income		695,659	806,175
Add: Other income	5(32)	8,494,482	8,746,290
Investment income	5(33)	3,263,276	6,125,328
Including: Share of loss of associates and joint ventures		(4,186,450)	(2,131,966)
Reversal of credit impairment losses	5(34)	1,259,261	23,864,052
Asset impairment losses	5(35)	(240,518)	(406,179)
Gains on disposals of assets		9,446	203,055
Operating profit		36,908,698	5,726,060
Add: Non-operating income	5(36)	18,638	30,802
Less: Non-operating expenses	5(37)	(147,213)	(134,662)
Total profit		36,780,123	5,622,200
Less: Income tax expenses	5(38)	-	-
Net profit		36,780,123	5,622,200
Classified by continuity of operations			
Net profit from continuing operations		36,780,123	5,622,200
Net profit from discontinued operations		-	-
Classified by ownership of the equity			
Net profit attributable to shareholders of the Company		36,894,990	5,715,142
Minority interests loss		(114,867)	(92,942)

SHANGHAI FUDAN-ZHANGJIANG BIO-PHARMACEUTICAL CO., LTD.

CONSOLIDATED INCOME STATEMENT (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2026

(All amounts in RMB Yuan unless otherwise stated)

	Note	For the six months ended 30 June 2026 Consolidated	For the six months ended 30 June 2025 Consolidated
Other comprehensive income, net of tax			
Other comprehensive income items which will not be reclassified to profit or loss			
Changes in fair value of investments in other equity instruments		9,353	(4,837)
Other comprehensive income items which will be reclassified to profit or loss			
Differences on translation of foreign currency financial statements		(600,687)	(91,929)
		<u>(591,334)</u>	<u>(96,766)</u>
Total comprehensive income		<u>36,188,789</u>	<u>5,525,434</u>
Attributable to shareholders of the Company		36,303,656	5,618,376
Attributable to minority interests		<u>(114,867)</u>	<u>(92,942)</u>
		<u>36,188,789</u>	<u>5,525,434</u>
Earnings per share			
Basic earnings per share (RMB Yuan)	5(39)	0.04	0.01
Diluted earnings per share (RMB Yuan)	5(39)	<u>0.04</u>	<u>0.01</u>

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

SHANGHAI FUDAN-ZHANGJIANG BIO-PHARMACEUTICAL CO., LTD.

**COMPANY INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

	Note	For the six months ended 30 June 2026 Company	For the six months ended 30 June 2025 Company
Revenue	14(7)	333,353,600	355,263,421
Less: Cost of sales	14(7)	(46,952,830)	(71,147,923)
Taxes and surcharges		(2,605,357)	(2,215,200)
Selling and distribution expenses		(140,020,852)	(162,256,322)
General and administrative expenses		(14,267,310)	(14,153,776)
Research and development expenses		(99,093,114)	(123,748,379)
Financial (expense)/income - net		(5,182)	4,346
Including: Interest expenses		(246,840)	(368,996)
Interest income		266,724	400,568
Add: Other income		5,900,537	5,140,488
Investment income	14(8)	2,940,057	5,610,806
Including: Share of loss of associates and joint ventures		(4,186,450)	(2,131,966)
Reversal of credit impairment losses		1,129,884	23,661,543
Asset impairment losses		(236,486)	(406,179)
Gains on disposals of assets		442	203,055
Operating profit		40,143,389	15,955,880
Add: Non-operating income		1,895	2,800
Less: Non-operating expenses		(42,817)	(41,205)
Total profit		40,102,467	15,917,475
Less: Income tax expenses		-	-
Net profit		40,102,467	15,917,475
Classified by continuity of operations			
Net profit from continuing operations		40,102,467	15,917,475
Net profit from discontinued operations		-	-
Other comprehensive income, net of tax		-	-
Total comprehensive income		40,102,467	15,917,475

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

SHANGHAI FUDAN-ZHANGJIANG BIO-PHARMACEUTICAL CO., LTD.

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

	Note	For the six months ended 30 June 2026 Consolidated	For the six months ended 30 June 2025 Consolidated
Cash flows from operating activities			
Cash received from sales of products or rendering of services		419,474,694	474,393,905
Cash received relating to other operating activities	5(40)(a)	8,637,646	12,163,698
Sub-total of cash inflows		<u>428,112,340</u>	<u>486,557,603</u>
Cash paid for goods and services		(168,894,477)	(243,117,195)
Cash paid to and on behalf of employees		(126,701,473)	(120,522,028)
Payments of taxes and surcharges		(24,662,928)	(21,117,402)
Cash paid relating to other operating activities	5(40)(b)	(25,226,773)	(39,588,119)
Sub-total of cash outflows		<u>(345,485,651)</u>	<u>(424,344,744)</u>
Net cash flows from operating activities	5(41)(a)	<u>82,626,689</u>	<u>62,212,859</u>
Cash flows used in investing activities			
Cash received from disposals of investments	5(40)(c)	-	2,938,977
Net cash received from disposals of fixed assets		51,174	723,647
Cash received relating to other investing activities	5(40)(d)	1,847,449,726	1,486,257,294
Sub-total of cash inflows		<u>1,847,500,900</u>	<u>1,489,919,918</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(10,650,933)	(20,197,403)
Cash paid relating to other investing activities	5(40)(e)	(1,840,000,000)	(1,478,000,000)
Sub-total of cash outflows		<u>(1,850,650,933)</u>	<u>(1,498,197,403)</u>
Net cash flows used in investing activities		<u>(3,150,033)</u>	<u>(8,277,485)</u>
Cash flows used in financing activities			
Cash paid relating to other financing activities	5(40)(f)	(2,951,407)	(3,638,269)
Sub-total of cash outflows	5(41)(b)	<u>(2,951,407)</u>	<u>(3,638,269)</u>
Net cash flows used in financing activities		<u>(2,951,407)</u>	<u>(3,638,269)</u>
Effect of foreign exchange rate changes on cash			
		<u>(600,685)</u>	<u>(91,929)</u>
Net increase in cash	5(41)(a)	<u>75,924,564</u>	<u>50,205,176</u>
Add: Cash at the beginning of the period	5(41)(a)	1,147,079,542	1,056,285,629
Cash at the end of the period	5(41)(c)	<u>1,223,004,106</u>	<u>1,106,490,805</u>

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

SHANGHAI FUDAN-ZHANGJIANG BIO-PHARMACEUTICAL CO., LTD.

**COMPANY CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

	Note	For the six months ended 30 June 2026 Company	For the six months ended 30 June 2025 Company
Cash flows from operating activities			
Cash received from sales of products or rendering of services		389,394,542	412,981,371
Cash received relating to other operating activities		6,675,389	4,215,514
Sub-total of cash inflows		396,069,931	417,196,885
Cash paid for goods and services		(156,570,386)	(216,429,011)
Cash paid to and on behalf of employees		(107,849,755)	(99,086,183)
Payments of taxes and surcharges		(22,846,908)	(18,111,905)
Cash paid relating to other operating activities		(8,423,784)	(30,315,364)
Sub-total of cash outflows		(295,690,833)	(363,942,463)
Net cash flows from operating activities		100,379,098	53,254,422
Cash flows from investing activities			
Cash received from disposals of investments		-	2,938,977
Net cash received from disposals of fixed assets		42,170	3,738,875
Cash received relating to other investing activities		1,757,126,507	1,297,742,773
Sub-total of cash inflows		1,757,168,677	1,304,420,625
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(3,811,980)	(11,131,610)
Cash paid relating to other investing activities		(1,750,000,000)	(1,290,000,000)
Sub-total of cash outflows		(1,753,811,980)	(1,301,131,610)
Net cash flows from investing activities		3,356,697	3,289,015
Cash flows used in financing activities			
Cash paid relating to other financing activities		(2,951,407)	(3,638,269)
Sub-total of cash outflows		(2,951,407)	(3,638,269)
Net cash flows used in financing activities		(2,951,407)	(3,638,269)
Effect of foreign exchange rate changes on cash		-	-
Net increase in cash		100,784,388	52,905,168
Add: Cash at the beginning of the period		1,021,375,409	943,340,387
Cash at the end of the period		1,122,159,797	996,245,555

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

SHANGHAI FUDAN-ZHANGJIANG BIO-PHARMACEUTICAL CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

Item	Share capital	Attributable to shareholders of the Company				Undistributed profits	Minority interests	Total shareholders' equity
		Capital surplus	Less: Treasury shares	Other comprehensive loss	Surplus reserve			
Balance at 1 January 2025	103,657,210	1,289,553,594	-	(5,547,421)	52,150,000	864,754,029	709,693	2,305,277,105
Movements for the six months ended 30 June 2025								
Total comprehensive income								
Net profit	-	-	-	-	-	5,715,142	(92,942)	5,622,200
Other comprehensive loss	-	-	-	(96,766)	-	-	-	(96,766)
Profit distribution								
Distribution to shareholders (Note 5(24))	-	-	-	-	-	(31,097,163)	-	(31,097,163)
Others	-	732,687	-	-	-	-	-	732,687
Balance at 30 June 2025	<u>103,657,210</u>	<u>1,290,286,281</u>	<u>-</u>	<u>(5,644,187)</u>	<u>52,150,000</u>	<u>839,372,008</u>	<u>616,751</u>	<u>2,280,438,063</u>

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

SHANGHAI FUDAN-ZHANGJIANG BIO-PHARMACEUTICAL CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2026

(All amounts in RMB Yuan unless otherwise stated)

Item	Attributable to shareholders of the Company					Undistributed profits	Minority interests	Total shareholders' equity
	Share capital	Capital surplus	Less: Treasury shares	Other comprehensive loss	Surplus reserve			
Balance at 1 January 2026	103,657,210	1,290,317,752	-	(6,048,428)	52,150,000	676,217,368	425,613	2,116,719,515
Movements for the six months ended 30 June 2026								
Total comprehensive income								
Net profit	-	-	-	-	-	36,894,990	(114,867)	36,780,123
Other comprehensive loss	-	-	-	(591,334)	-	-	-	(591,334)
Profit distribution								
Distribution to shareholders (Note 5(24))	-	-	-	-	-	-	-	-
Others	-	82,252	-	-	-	-	-	82,252
Balance at 30 June 2026	103,657,210	1,290,400,004	-	(6,639,762)	52,150,000	713,112,358	310,746	2,152,990,556

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

SHANGHAI FUDAN-ZHANGJIANG BIO-PHARMACEUTICAL CO., LTD.

**COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

Item	Share capital	Capital surplus	Less: Treasury shares	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 1 January 2025	103,657,210	1,373,011,839	-	52,150,000	744,663,252	2,273,482,301
Movements for the six months ended 30 June 2025						
Total comprehensive income						
Net profit	-	-	-	-	15,917,475	15,917,475
Profit distribution						
Distribution to shareholders	-	-	-	-	(31,097,163)	(31,097,163)
Others	-	732,687	-	-	-	732,687
Balance at 30 June 2025	103,657,210	1,373,744,526	-	52,150,000	729,483,564	2,259,035,300
Balance at 1 January 2026	103,657,210	1,373,775,997	-	52,150,000	641,636,074	2,171,219,281
Movements for the six months ended 30 June 2026						
Total comprehensive income						
Net profit	-	-	-	-	40,102,467	40,102,467
Profit distribution						
Distribution to shareholders	-	-	-	-	-	-
Others	-	82,252	-	-	-	82,252
Balance at 30 June 2026	103,657,210	1,373,858,249	-	52,150,000	681,738,541	2,211,404,000

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

SHANGHAI FUDAN-ZHANGJIANG BIO-PHARMACEUTICAL CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2026

(All amounts in RMB Yuan unless otherwise stated)

1 General information

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the “Company”) was established in the People’s Republic of China (“PRC”) on 11 November 1996 with initial registered capital and paid-in capital of RMB 5,295,000.

On 20 October 2000, the registered and paid-up capital of the Company was increased from RMB 5,295,000 to RMB 53,000,000 after successive capital increases and shareholding changes.

On 8 November 2000, the Company was transformed into a joint stock company with limited liability. The registered capital and share capital of the Company were RMB 53,000,000, divided into 53,000,000 RMB-denominated ordinary shares, with a par value of RMB 1.00 each.

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

On 13 August 2002, the trading of the newly issued 198,000,000 foreign ordinary shares (“H Shares”) of RMB 0.10 each of the Company commenced on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), among which, 180,000,000 H shares were newly issued and 18,000,000 H shares were converted from Domestic Shares. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB 71,000,000, divided into 710,000,000 shares, with a par value of RMB 0.10 each.

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

On 29 June 2012, the Company adopted a restricted share scheme. Pursuant to the scheme, the Company granted a total of 71,000,000 Domestic Shares as restricted shares on 24 June 2013 and 21 October 2013. Upon completion of the grants, the registered capital and share capital of the Company increased to RMB 92,300,000, divided into 923,000,000 shares, with a par value of RMB 0.10 each.

On 16 December 2013, the Company transferred its H Shares listing from GEM to the Main Board of the Stock Exchange.

On 12 June 2020, the Company completed a placing of 120,000,000 RMB-denominated ordinary A shares with a par value of RMB 0.10 each and was listed on the STAR market of Shanghai Stock Exchange on 19 June 2020. After the completion of the issuance, the Company’s registered capital and share capital increased to RMB 104,300,000, divided into 1,043,000,000 shares, with a par value of RMB 0.10 each.

On 7 June 2022, the Company completed the cancellation procedures of the repurchased 14,000,000 H Shares at the Hong Kong Central Securities Registration Co., Ltd., and the share capital of the Company decreased from 1,043,000,000 shares to 1,029,000,000 shares.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

1 General information (Continued)

On 11 May 2023, in accordance with the restricted stock incentive plan implemented in 2021, the Company issued 7,572,100 RMB-denominated ordinary A shares with a par value of RMB 0.10 per share to 205 incentive subjects who met the vesting conditions, after which the registered capital and share capital of the Company were changed to RMB 103,657,210.

The main business activities of the Company and its subsidiaries (collectively referred to as “the Group”) include the research, development, and sales of self-developed biopharmaceutical knowledge in China, provision of contract-based research, manufacturing and sales of pharmaceutical products to customers, and provision of other medical services.

Please refer to Note 6(1) for main subsidiaries included into consolidation scope as at 30 June 2026.

The financial statements were authorised for issue by the Board of Directors of the Company on 14 August 2026.

2 Summary of significant accounting policies and accounting estimates

The Group determines specific accounting policies and estimates based on the features of its production and operation, which mainly comprise the measurement of expected credit losses (“ECL”) on receivables (Note 2(9)), valuation of inventories (Note 2(10)), depreciation of fixed assets and amortisation of intangible assets and right-of-use assets (Note 2(12), (13), (22)), criteria for capitalisation of development expenditures (Note 2(13)), recognition and measurement of revenue (Note 2(18)), etc.

Please refer to Note 2(24) for the Group’s critical judgements, critical accounting estimates and key assumptions used in determining significant accounting policies.

(1) Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standard for Business Enterprises - Basic Standard*, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as “the Accounting Standards for Business Enterprises” or “CASs”); and are also prepared in accordance with the *Public Information Disclosure and Compilation Rules for Public Offering of Securities No. 15-General Provisions for Financial Reporting* issued by China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

Certain related matters in the financial statements have been disclosed in accordance with the requirements of the *Hong Kong Companies Ordinance*.

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

The financial statements of the Company for the six month ended 30 June 2026 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the Group’s and the Company’s financial position as at 30 June 2026 and their financial performance, cash flows and other information for the six month ended 30 June 2026 then ended.

SHANGHAI FUDAN-ZHANGJIANG BIO-PHARMACEUTICAL CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Continued)

(3) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

(4) Determination and selection for significance

Based on the industry situation and operation characteristics of the Group, the significance of relevant financial information is comprehensively judged based on the nature and amount of the matter. Among them, the significance of the matter is comprehensively determined by the nature of the matter such as whether the matter belongs to daily activities, whether it significantly affects the financial condition, operating results, and cash flows; the significance of the amount is comprehensively determined based on its proportion to key financial indicators such as total assets, total liabilities, total owner's equity, total operating revenue, and net profit related to the matter.

Item	Significance criteria
	The joint venture or associate is a listed company, or its carrying amount accounts is more than 5% of the consolidated total assets or more than
Significant joint ventures or associates	RMB 20,000,000.

(5) Recording currency

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

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted to align with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving entities not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

2 Summary of 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 shareholders' equity of subsidiaries as at the balance sheet date, net profit/loss and comprehensive income of subsidiaries for the period then ended not attributable to the Company are recognised as minority interests, net profit or loss attributable to minority interests and total comprehensive income attributable to minority interests, and presented separately in the consolidated financial statements under shareholders' equity, net profits and total comprehensive income, respectively. When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess is allocated against the balance of minority interests. Unrealised profits and losses resulting from the sales of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses resulting from the sales of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and net profit attributable to minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sales of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and net profit attributable to minority interests in accordance with the allocation proportion of the parent in the subsidiary. When a subsidiary is disposed of and the control is lost, the aforesaid profits and losses will be realised. Accordingly, the Group will adjust the profit or loss for the current period for disposing of the subsidiary.

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

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into recording currency using the spot exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into recording currency using the spot exchange rates on the balance sheet date. Exchange differences arising from foreign currency translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings made specifically for acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Continued)

(8) Foreign currency translation (Continued)

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented in other comprehensive income. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(9) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset, a financial liability or an equity instrument is recognised when the Group becomes a party to the contractual provisions of the instrument.

(a) Financial assets

(i) Classification and measurement

Based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, financial assets are classified as: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

At initial recognition, the financial assets are measured at fair value. Transaction costs that are incremental and directly attributable to the acquisition of the financial assets are included in the initially recognised amounts, except for the financial assets at fair value through profit or loss, the related transaction costs of which are expensed in profit or loss for the current period. Accounts receivable or notes receivable arising from sales of products or rendering of services (which have not contained or considered any significant financing components) are initially recognised at the consideration that is entitled to be received by the Group as expected.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(i) Classification and measurement (Continued)

Debt instruments

The debt instruments held by the Group refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following three categories:

Measured at amortised cost:

The objective of the Group's business model is to hold the financial assets to collect the contractual cash flows, and the contractual cash flow characteristics are consistent with a basic lending arrangement, which gives rise on specified dates to the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The interest income of such financial assets is recognised using the effective interest rate method. Such financial assets mainly comprise cash at bank and on hand, notes receivable, accounts receivable, other receivables, and long-term receivables. The Group's debt investments that are due within one year (inclusive) as from the balance sheet date and long-term receivables are presented as non-current assets to be recovered within one year. Debt investments with maturities of no more than one year (inclusive) at the time of acquisition are presented as other current assets.

Measured at fair value through other comprehensive income:

The objective of the Group's business model is to hold the financial assets for both collection of the contractual cash flows and selling such financial assets, and the contractual cash flow characteristics are consistent with a basic lending arrangement. Such financial assets are measured at fair value through other comprehensive income, except for the impairment gains or losses, foreign exchange gains and losses, and interest income calculated using the effective interest rate method which are recognised in profit or loss for the current period. Such financial assets mainly include financing receivables and other debt investments. The Group's other debt investments that are due within one year (inclusive) as from the balance sheet date are presented as non-current assets to be recovered within one year. Other debt investments with maturities of no more than one year (inclusive) at the time of acquisition are presented as other current assets.

Measured at fair value through profit or loss:

Debt instruments held by the Group that do not meet the criteria for amortised cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. At initial recognition, the Group designates a portion of financial assets as financial assets at fair value through profit or loss in order to eliminate or significantly reduce any accounting mismatch. Financial assets that are due over one year as from the balance sheet date and are expected to be held over one year are presented as other non-current financial assets. Others are presented as financial assets held for trading.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(i) Classification and measurement (Continued)

Equity instruments

Investments in equity instruments, over which the Group has no control, joint control or significant influence, are measured at fair value through profit or loss under financial assets held for trading. Investments in equity instruments expected to be held over one year as from the balance sheet date are presented as other non-current financial assets.

In addition, at initial recognition, a portion of certain investments in equity instruments not held for trading are designated as financial assets at fair value through other comprehensive income under investments in other equity instruments. The relevant dividend income of such financial assets is recognised in profit or loss for the current period.

(ii) Impairment

The Group recognises loss provision based on the expected credit losses ("ECLs") for financial assets at amortised cost.

Giving consideration to reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available without undue cost or effort at the balance sheet date, weighted by the probability of default, the Group recognises the ECL as the probability-weighted amount of the present value of the difference between the contractual cash flows receivable and the cash flows expected to be collected.

For notes receivable and accounts receivable arising from sales of goods and rendering of services in the ordinary course of operating activities, the Group recognises the lifetime ECL regardless of whether a significant financing component exists.

At each balance sheet date, the ECL of financial instruments other than aforesaid notes receivable and accounts receivable is measured based on different stages. A 12-month ECL is recognised for financial instruments in Stage 1 which have not had a significant increase in credit risk since initial recognition; a lifetime ECL is recognised for financial instruments in Stage 2 which have had a significant increase in credit risk since initial recognition but are not deemed to be credit-impaired; and a lifetime ECL is recognised for financial instruments in Stage 3 that are credit-impaired.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) Impairment (Continued)

For those financial instruments with a low credit risk as at the balance sheet date, the Group assumes that there is no significant increase in credit risk since initial recognition. The Group treats them as financial instruments in Stage 1 and recognises a 12-month ECL.

For those financial instruments in Stages 1 and 2, the interest income is calculated by applying the effective interest rate to the gross carrying amount (before net of any ECL provision). For the financial instruments in Stage 3, the interest income is calculated by applying the effective interest rate to the amortised cost (net of ECL provision).

The credit risk characteristics of various financial assets with the ECL calculated individually are significantly different from those of other financial assets in that category. In cases where the ECL of an individually assessed financial asset cannot be evaluated with reasonable cost, the Group categorises the receivables into different groups based on their shared risk characteristics, and calculates the ECL for each group respectively. The basis for the determination of group and the method of provision are as follows:

Group 1 of notes receivable	Bank acceptance notes
Group 2 of notes receivable	Commercial acceptance notes
	For all trade receivables, the overdue date is
Group of accounts receivable	taken as the starting point of ageing
Group 1 of other receivables	Receivables from subsidiaries
Group 2 of other receivables	Receivables from related parties
Group 3 of other receivables	Deposits and guarantees
Group 4 of other receivables	Petty cash for employees
Group 5 of other receivables	Receivables from disposals of equipment
Group 6 of other receivables	Others
Group 1 of long-term receivables	Deposits and guarantees

For accounts receivable and notes receivable arising from the sales of goods and rendering of services in the ordinary course of operating activities which are categorised into different groups for collective assessment, the Group calculates the ECL with reference to historical credit loss experience, current conditions and forecasts of future economic conditions, and based on the exposure at default and the lifetime ECL rates. For other receivables and long-term receivables that are categorised into different groups, the Group calculates the ECL with reference to historical credit loss experience, current conditions and forecasts of future economic conditions, and based on the exposure at default and the 12-month or lifetime ECL rates.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(iii) Derecognition

A financial asset is derecognised when one of the following criteria is met: (i) the contractual rights to receive cash flows from the financial asset have expired, (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, or (iii) the financial asset has been transferred to the transferee and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

When an investment in equity instrument measured at fair value through other comprehensive income is derecognised, the difference between the carrying amount and the consideration received as well as any cumulative changes in fair value that were previously recognised directly in other comprehensive income is recognised in retained earnings. For other financial assets when they are derecognised, the difference between the carrying amount and the consideration received as well as any cumulative changes in fair value that were previously recognised directly in other comprehensive income is recognised in profit or loss for the current period.

(b) Financial liabilities

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

Financial liabilities of the Group mainly comprise financial liabilities at amortised cost, including accounts payable and other payables. Such financial liabilities are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest rate method. Financial liabilities with maturity of less than one year (inclusive) are presented as current liabilities, and those with maturity of longer than one year but due within one year (inclusive) as from the balance sheet date are presented as non-current liabilities to be settled within one year. Others are presented as non-current liabilities.

When the underlying present obligation of a financial liability is fully or partly discharged, the portion of the financial liability which corresponds to the discharged present obligation is derecognised. The difference between the carrying amount of the derecognised portion of the financial liability and the consideration paid is recognised in profit or loss for the current period.

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. In the valuation, the Group adopts the valuation technique which is applicable to the current situation and supportable by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered by market participants in relevant transactions of assets or liabilities, and gives priority to the use of relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Continued)

(10) Inventories

(a) Classification

Inventories include raw materials, work in progress, goods in stock and materials that can be used for multiple times but not recognised as fixed assets, and are measured at the lower of cost and net realisable value.

(b) Costing of inventories

Cost is determined using the weighted average method. The cost of goods in stock and work in progress comprise raw materials, direct labour and systematically allocated production overhead based on the normal production capacity.

(c) Basis for determining net realisable value of inventories and method for making provision for inventories

Provision for decline in the value of inventories is determined as the excess amount of the carrying amount of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of completion, the estimated costs of contract performance, the estimated selling and distribution expenses and related taxes. The Group makes the provision for decline in the value of inventories that are produced and marketed in the same geographical area and have similar purposes or end uses on an aggregate basis. Among them, for pharmaceutical products, the Group makes provisions for inventory impairment based on factors such as inventory age, storage status, historical sales discounts, and expected future sales.

(d) The Group adopts the perpetual inventory system as its stock-taking policy.

(e) Amortisation method for low value consumables and packaging materials

Materials that can be used for multiple times but not recognised as fixed assets include low value consumables and packaging materials. Low value consumables are amortised as expenses based upon usage. Packaging materials are expensed when issued.

(11) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances. An associate is the investee over which the Group has significant influence on its financial and operating policy decisions.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements. Investments in joint ventures and associates are accounted for using the equity method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Continued)

(11) Long-term equity investments (Continued)

(a) Determination of investment cost

For long-term equity investment acquired from business combinations involving entities not under common control, the cost of the combination is the investment cost of the long-term equity investment.

For the long-term equity investment obtained by means other than business combination, the long-term equity investment obtained by paying cash shall be regarded as the initial investment cost according to the purchase price actually paid; for the long-term equity investment obtained by issuing equity securities, it shall be recognised as the initial investment cost according to the fair value of issuing equity securities.

(b) Subsequent measurement and recognition of related profit or loss

Long-term equity investments accounted for using the cost method are measured at initial investment cost. Cash dividends or profit distributions declared by the investees are recognised as investment income in profit or loss.

Where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at that cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

Under the equity method of accounting, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group does not recognise further losses when the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the Group's net investment in the investee is reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognising the investment losses and the provisions at the amount it expects to undertake. The Group's share of changes in the investee's owners' equity other than those arising from the net profit or loss, other comprehensive income and profit distribution is recognised in capital surplus with a corresponding adjustment to the carrying amount of the long-term equity investment. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investee.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Continued)

(11) Long-term equity investments (Continued)

(b) Subsequent measurement and recognition of related profit or loss (Continued)

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.

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

Control is the power over the investee to enjoy variable returns by participating in related activities of the investee and the ability to affect the return amount by executing the power over the investee.

Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below the carrying amounts (Note 2(15)).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Continued)

(12) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

Fixed assets shall be recognised as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss for the period in which they are incurred.

(b) Depreciation method of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets, net of their estimated net residual values, over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Building	8 to 20 years	0% to 10%	4.50% to 12.50%
Machinery and equipment	3 to 10 years	0% to 10%	9.00% to 33.33%
Electronic equipment and office equipment	3 to 10 years	0% to 10%	9.00% to 33.33%
Motor vehicles	5 to 8 years	0% to 10%	11.25% to 20.00%

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

(c) When the recoverable amount of a fixed asset is lower than its carrying amount, the carrying amount is written down to the recoverable amount (Note 2(15)).

(d) Disposals of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Continued)

(13) Intangible assets

Intangible assets include land use rights, proprietary technologies, R&D technology (capitalised development costs of the Group's internal R&D projects) and software, and are measured at cost.

(a) Land use rights

Land use rights are amortised on the straight-line basis over their approved use period of 47 to 50 years. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

(b) Proprietary technologies

Proprietary technologies are amortised on the straight-line basis over their estimated useful lives of 5 years.

(c) R&D technology

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

(d) Software

Software is amortised on the straight-line basis over its estimated useful life of 3 to 10 years.

(e) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end and its useful life and amortisation method are adjusted as appropriate.

(f) Research and development

The research and development expenses of the Group mainly include expenses such as materials consumed for the implementation of research and development activities, salaries of R&D department employees, depreciation and amortisation of R&D equipment and software assets, R&D testing, and R&D technical service fees.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset, and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Continued)

(13) Intangible assets (Continued)

(f) Research and development (Continued)

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

(g) Impairment of intangible assets

The carrying amount of intangible assets are reduced to the recoverable amounts when the recoverable amounts are below the carrying amounts (Note 2(15)).

(14) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to right-of-use assets, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual costs less accumulated amortisation.

(15) Impairment of long-term assets

Fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. Intangible assets that are not yet available for their intended use are tested for impairment at least annually, irrespective of whether there is any indication of impairment. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for asset impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the higher of the fair value less the cost of disposal and the present value of the future cash flows expected to be derived from it. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of an asset group to which the asset belongs is determined. An asset group is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the impairment test, the carrying amount of goodwill is allocated to the related asset group or group of asset groups which are expected to benefit from the synergies of the business combination. If the impairment result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset group or group of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in any subsequent periods.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Continued)

(16) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits and termination benefits.

(a) Short-term employee benefits

Short-term employee benefits include wages and salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, labour union funds and employee education funds. The short-term employee benefits actually incurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly include the premiums or contributions on basic pensions and unemployment insurance, both of which are under the defined contribution plans.

Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of the Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to profit or loss for the current period or the cost of relevant assets.

(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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Continued)

(17) Dividends distribution

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

(18) Revenue

The Group assesses the contract to identify individual performance obligations in the contract, and determines whether each individual performance obligation is satisfied over a period of time or at a point in time. Then, the revenue is recognised respectively when each individual performance obligation is satisfied.

The Group recognises revenue at the amount of the consideration which the Group expects to be entitled to receive when the customer obtains control over relevant goods or services. The part of that the Group has obtained unconditional collection rights is recognised as accounts receivable, and the provision for loss of accounts receivable is recognised on the basis of expected credit loss (Note 2(9)).

(a) Sales of goods

The Group recognises revenue when delivering the pharmaceutical products to the carrier designated by the customer, or after the customer's acceptance or after control transfer to customer. The credit period granted to customers by the Group is determined based on the characteristics of customers' credit risk, which is consistent with industry practice and there is no significant financing component. The Group's obligation to transfer goods to customers according to consideration received is presented as contract liabilities. The amount with unconditional collection right obtained is recognised as accounts receivable, and the rest is recognised as contract assets. Contract assets and contract liabilities under the same contract are presented on a net basis.

(b) Grant of intellectual property license

The Group assesses, at the commencement date of the contract, whether granting an intellectual property license constitutes a distinct performance obligation. If the intellectual property license granted to the customer constitutes a distinct performance obligation and satisfies the following three conditions, the related revenue is recognized over time: (1) the contract requires, or the customer can reasonably expect, the Group to undertake activities that significantly affect the intellectual property; (2) such activities have a beneficial or adverse impact on the customer; (3) such activities do not result in the transfer of any goods to the customer. Otherwise, revenue is recognized at a point in time, that is, when the intellectual property license is transferred to the licensee and the licensee is able to use and benefit from it.

(c) Technology transfer

The revenue from technology transfer is recognised when the contract execution clause is completed and control related to the technology is transferred.

Under the terms of the technology transfer contract, after the purchaser successfully commercialises the transferred technology, the Group can collect additional variable consideration in the form of revenue sharing in the future. The Group determines the best estimate of variable consideration by using the expected value method or the most likely amount method, and recognises revenue related to the variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Continued)

(18) Revenue (Continued)

(d) Cooperative development, technical services and labour services

Revenue from the provision of cooperative development, technical services and labour services is recognised during the period of service provision. The Group will recognise the incremental costs incurred in obtaining labour contracts as contract acquisition costs. Contract acquisition costs with an amortisation period of no more than one year are charged to profit or loss of the current period when occurred.

(19) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return and financial subsidy.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of obtaining long-term assets through purchase, construction or other means. Government grants related to income refer to those which are not related to assets.

Government grants related to assets are either deducted against the carrying amount of the assets, or recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted against related costs, expenses or losses in the subsequent periods in which those costs, expenses or losses are recognised. Government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs, expenses or losses directly in current period. The Group applies the presentation method consistently to the same types of government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit and are otherwise recorded in non-operating income or expenses.

(20) 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.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Continued)

(21) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction (other than a business combination) which affects neither accounting profit nor taxable profit (or deductible loss) and does not give rise to equal taxable and deductible temporary differences. At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary differences, and it is probable that the temporary differences will not be reversed in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and deferred tax liabilities are offset when:

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

(22) Leases

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

The Group as the lessee

At the lease commencement date, the Group recognises the right-of-use asset and measures the lease liability at the present value of the lease payments that are not paid at that date. Lease payments include fixed payments, the exercise price of a purchase option or termination penalty if the lessee is reasonably certain to exercise that option. Lease liabilities that are due within one year (inclusive) as from the balance sheet date are presented as non-current liabilities to be settled within one year.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Continued)

(22) Leases (Continued)

Right-of-use assets of the Group comprise leased buildings. Right-of-use assets are measured initially at cost which comprises the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date and any initial direct costs, less any lease incentives received. If there is reasonable certainty that the Group will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated over its remaining useful life and otherwise, depreciated over the shorter of the lease term and its remaining useful life. The carrying amount of the right-of-use asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount.

For short-term leases with a term of 12 months or less and leases of a low value individual asset (when new), the Group chooses to include the lease payments in the cost of the underlying assets or in the profit or loss for the current period on a straight-line basis over the lease term, instead of recognising right-of-use assets and lease liabilities.

The Group accounts for a lease modification as a separate lease if both: (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the contract.

For a lease modification that is not accounted for as a separate lease, the Group shall redetermine the lease term at the effective date of the lease modification, and remeasure the lease liability by discounting the revised lease payments using a revised discount rate. For a lease modification which decreases the scope of the lease or shortens the lease term, the Group decreases the carrying amount of the right-of-use asset, and recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. For other lease modifications which lead to the remeasurement of lease liabilities, the Group correspondingly adjusts the carrying amount of the right-of-use asset.

(23) Segment information

The Group identifies operating segments based on its internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenue and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about allocation of resources to the segment and to assess the component's performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Continued)

(24) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the relevant circumstances.

(a) Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(i) Useful life of fixed assets

Management of the Group determines the estimated useful lives of fixed assets. This estimate is based on experience with the actual useful lives of fixed assets of similar nature and function. This estimate may change significantly due to technological innovation or competitors taking action against severe industry cycles.

Management will increase the depreciation rate for assets with shorter useful lives than previously estimated, or give up and write off technically obsolete assets, or sell non-essential assets.

(ii) Measurement of ECL

The Group calculates ECL based on the exposure at default and the ECL rates. The determination of the ECL rates is based on the probability of default and the loss given default or the ageing matrix. In determining the ECL rates, the Group uses data such as internal historical credit loss experience, and adjusts the historical data based on current conditions and forward-looking information.

(iii) Accounting estimates for impairment of long-term assets

When the Group conducts an impairment test on long-term assets showing signs of impairment, if the test results indicate that the recoverable amount of the relevant asset is lower than its carrying value, an impairment provision is recognized for the difference and included in asset impairment losses. The recoverable amount is the higher of the asset's fair value less costs of disposal and the present value of its estimated future cash flows. The calculation of these amounts requires the application of accounting estimates (see Notes 5(6), 5(7), and 5(9)).

When the Group uses the present value of estimated future cash flows to determine the recoverable amount, due to uncertainties in the economic environment of the relevant regions, the assumptions used in the present value calculation—such as revenue growth rates, gross profit margins, and pre-tax discount rates—are also subject to uncertainty.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Continued)

(24) Critical accounting estimates and judgements (Continued)

(a) Critical accounting estimates and key assumptions (Continued)

(iv) Income taxes and deferred tax assets

The Group is subject to enterprise income tax in numerous jurisdictions. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income tax expenses. Where the final tax outcomes of these matters are different from the amounts that were initially recorded, such differences will impact the income tax expenses and deferred income tax provisions in the period in which the tax determination is made.

As mentioned in Note 3(1), the Company and some subsidiaries are high-tech enterprises. The validity period of the high-tech enterprise qualification is three years, after which it is necessary to resubmit the application for high-tech enterprise certification to the relevant government department. Based on the historical experience of the re-identification of high-tech enterprises after the expiration of the previous years and the actual situation, the Company and those subsidiaries believe that they can continue to obtain the high-tech enterprise identification in the coming years, and then calculate the tax rate at a preferential tax rate of 15% of the corresponding deferred income tax. If in the future the Company and those subsidiaries fail to obtain re-certification after the expiration of the high-tech enterprise qualification, the income tax will be calculated at the statutory tax rate of 25%, which will affect the confirmed deferred income tax assets, deferred income tax liabilities and income tax expenses.

A deferred tax asset is recognised for the carryforward of unused deductible losses to the extent that it is probable that future taxable profits will be available against which the deductible losses can be utilised. Future taxable profits include taxable profits that can be achieved through normal operations and the increase in taxable profits due to the reversal of taxable temporary differences arising from previous period in future period. The Group needs to apply estimates and judgements in determining the timing and amount of future taxable profits. If there is any difference between the actual and the estimates, adjustment would be made to the carrying amount of deferred tax assets.

(25) Significant changes in accounting policies

In 2025, the Ministry of Finance released the *Q&A on Implementation of Accounting Standards for Business Enterprises* ("Implementation Q&A"). The accounting policies consistently adopted by the Group are consistent with the principles set out in the aforementioned Implementation Q&A, and the Implementation Q&A has no significant impacts on the financial statements of the Group and the Company.

In addition, the Ministry of Finance issued the *No. 19 of the Accounting Standards for Business Enterprises* ("Interpretation No. 19") in December 2025, effective from 1 January 2026. The Group and the Company expect that the implementation of the Interpretation No. 19 has no significant impacts on the financial statements of the Group and the Company.

SHANGHAI FUDAN-ZHANGJIANG BIO-PHARMACEUTICAL CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2026

(All amounts in RMB Yuan unless otherwise stated)

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	Taxable income	15% and 16.5%
(a)		
Value-added tax ("VAT")	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible input VAT of the current period)	13%, 6% and 3%
City maintenance and construction tax	The payment amount of VAT	5% and 7%

- (a) In 2023, the Company obtained the *High-tech Enterprise Certificate* (No. GR202331000166) issued by the Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Bureau of Finance, Shanghai Municipal Tax Service, State Taxation Administration and Shanghai Municipal Local Taxation Bureau, which is valid for 3 years. Pursuant to Article 28 of the *Enterprise Income Tax Law of the People's Republic of China*, the applicable enterprise income tax rate for the six months ended 30 June 2026 was 15% (for the six months ended 30 June 2025:15%).

In 2024, Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd. ("Taizhou Pharmaceutical"), a subsidiary of the Company, obtained the *High-tech Enterprise Certificate* (No. GR202432006284) jointly issued by Jiangsu Provincial Department of Science and Technology, Department of Finance of Jiangsu Province and Jiangsu Provincial Tax Service, State Taxation Administration, which is valid for 3 years. Pursuant to Article 28 of the *Enterprise Income Tax Law of the People's Republic of China*, the applicable enterprise income tax rate for the six months ended 30 June 2026 was 15% (for the six months ended 30 June 2025:15%).

In 2022, Shanghai Tracing Bio-technology Co., Ltd. ("Tracing Bio-technology"), a subsidiary of the Company, obtained the *High-tech Enterprise Certificate* (No. GR202231000054) jointly issued by the Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Bureau of Finance, Shanghai Municipal Tax Service, State Taxation Administration and Shanghai Municipal Local Taxation Bureau, which is valid for 3 years. In 2025, Tracing Bio-technology obtained again the *High-tech Enterprise Certificate* (No. GR202531000010), which is valid for 3 years. Pursuant to Article 28 of the *Enterprise Income Tax Law of the People's Republic of China*, the applicable enterprise income tax rate for Tracing Bio-technology for the six months ended 30 June 2026 was 15% (for the six months ended 30 June 2025:15%). Tracing Bio-technology had no taxable income for the six months ended 30 June 2026 and 2025, thus making no provision for income tax expenses.

Fernovelty (Hong Kong) Holding Co., Limited ("Fernovelty Holding"), a subsidiary of the Company, is a limited liability company incorporated in Hong Kong. From 1 January 2018, Hong Kong adopted the two-tiered profits tax rates regime, where applicable tax rate for taxable profits within HKD 2,000,000 is 8.25% while that for taxable profits in excess of HKD 2,000,000 is 16.5%. For the six months ended 30 June 2026 and 2025, Fernovelty Holding had no taxable profits, thus making no provision for HK profits tax.

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3 Taxation (Continued)

(2) Tax preference

(b) Pursuant to the *Announcement on the Policy of Value added Tax Deduction for Advanced Manufacturing Enterprises* (Cai Shui [2023] No. 43) jointly issued by the Ministry of Finance and the State Taxation Administration, the Company and Taizhou Pharmaceutical, as advanced manufacturing companies, qualify for an additional 5% deduction of input VAT from 1 January 2023 to 31 December 2027.

4 Subsidiaries

Please refer to Note 6(1) for details.

SHANGHAI FUDAN-ZHANGJIANG BIO-PHARMACEUTICAL CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	30 June 2026	31 December 2025
Cash on hand	74,273	17,178
Cash at bank	1,222,929,833	1,147,062,364
Including: Cash at bank and on hand overseas	19,753,747	20,360,850
	<u>1,223,004,106</u>	<u>1,147,079,542</u>

As at 30 June 2026 and 31 December 2025, no cash at bank was restricted.

(2) Notes receivable

	30 June 2026	31 December 2025
Bank acceptance notes	96,359,357	96,473,274
Less: Provision for bad debts	(50,566)	(53,480)
	<u>96,308,791</u>	<u>96,419,794</u>

(a) As at 30 June 2026, the Group had no pledged notes receivable presented in notes receivable.

(b) For the six months ended 30 June 2026, the bank acceptance notes were endorsed by the Group and substantially all the risks and rewards of ownership were transferred to other parties. Accordingly, the carrying amount of the bank acceptance notes derecognised was RMB 4,270,657 (for the six months ended 30 June 2025: RMB 7,654,495).

As at 30 June 2026, notes receivable endorsed or discounted prior to their maturities are as follows:

	Derecognised	Not derecognised
Bank acceptance notes (i)	<u>168,498</u>	-

(i) For the six months ended 30 June 2026, just an insignificant portion of the bank acceptance notes was endorsed by the Group. These endorsed notes were classified as financial assets at amortised cost.

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5 Notes to the consolidated financial statements (Continued)

(2) Notes receivable (Continued)

(c) Provision for bad debts

For notes receivable collected from ordinary operating activities such as sales of goods and rendering of services, the Group recognises provision for the lifetime ECL regardless of whether there is any significant financing component.

The provision for bad debts of notes receivable is analysed by category as follows:

	30 June 2026					31 December 2025				
	Gross carrying amount		Provision for bad debts			Gross carrying amount		Provision for bad debts		
	Amount	% of total balance	Amount	Provision ratio	Carrying amount	Amount	% of total balance	Amount	Provision ratio	Carrying amount
Provision for bad debts on a collective basis (ii)	96,359,357	100%	(50,566)	0.05%	96,308,791	96,473,274	100%	(53,480)	0.06%	96,419,794

(i) Provision for bad debts made on a collective basis for notes receivable is analysed as follows:

Group - Bank acceptance notes:

As at 30 June 2026, the Group measured the provision for bad debts based on the lifetime ECL. The provision for bad debts was RMB 50,566 (31 December 2025: RMB 53,480), and the amount of RMB 2,914 (for the six months ended 30 June 2025: RMB 16,626) was recognised in the profit for the current period. The Group considered that there was no significant credit risk associated with its bank acceptance notes within this group and did not expect that there would be any significant losses from non-performance by these banks.

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5 Notes to the consolidated financial statements (Continued)

(3) Accounts receivable

	30 June 2026	31 December 2025
Accounts receivable	191,175,358	204,572,567
Less: Provision for bad debts	<u>(1,981,604)</u>	<u>(3,237,543)</u>
	<u>189,193,754</u>	<u>201,335,024</u>

The Group's accounts receivable are generated from business activities such as the sales of pharmaceutical products, with credit periods of 30 to 120 days.

As at 30 June 2026 and 31 December 2025, there were no significant accounts receivable from shareholders who held more than 5% (inclusive) of the voting shares of the Company in the Group's accounts receivable.

(a) The ageing analysis of accounts receivable according to date recorded is as follows:

	30 June 2026	31 December 2025
Within 1 year	190,376,616	201,404,112
1 to 2 years	<u>798,742</u>	<u>3,168,455</u>
	<u>191,175,358</u>	<u>204,572,567</u>

(b) As at 30 June 2026, the five largest accounts receivable aggregated by debtors are summarised and analysed as follows:

	Balance	Provision for bad debts	% of total balance
Total amount of the five largest accounts receivable	<u>150,581,295</u>	<u>(1,536,735)</u>	<u>78.77%</u>

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5 Notes to the consolidated financial statements (Continued)

(3) Accounts receivable (Continued)

(c) Provision for bad debts

	31 December 2025	Movements for the current period			30 June 2026
		Provision	Reversal	Write-off	
Provision for bad debts of accounts receivable	(3,237,543)	-	1,255,939	-	(1,981,604)

For accounts receivable, the Group recognises the loss provision based on the lifetime ECL regardless of whether there is any significant financing component.

The provision for bad debts of accounts receivable is analysed by category as follows:

	30 June 2026					31 December 2025				
	Gross carrying amount		Provision for bad debts			Gross carrying amount		Provision for bad debts		
	Amount	% of total balance	Amount	Provision ratio	Carrying amount	Amount	% of total balance	Amount	Provision ratio	Carrying amount
Provision for bad debts on an individual basis (i)	-	-	-	-	-	-	-	-	-	-
Provision for bad debts on a collective basis (ii)	191,175,358	100%	(1,981,604)	1.04%	189,193,754	204,572,567	100%	(3,237,543)	1.58%	201,335,024
	191,175,358	100%	(1,981,604)	1.04%	189,193,754	204,572,567	100%	(3,237,543)	1.58%	201,335,024

(i) As at 30 June 2026 and 31 December 2025, the Group had no accounts receivable for which the related provision for bad debts was made on an individual basis.

(ii) As at 30 June 2026, provision for bad debts made on a collective basis for accounts receivable is analysed as follows:

Group - Sales receivable:

	30 June 2026		
	Gross carrying amount	Provision for bad debts	
	Amount	Lifetime ECL rates	Amount
Not overdue	131,376,904	0.70%	(923,768)
Overdue within 120 days	53,320,519	1.44%	(767,989)
Overdue for 121 days to 1 year	6,477,935	4.47%	(289,847)
	191,175,358		(1,981,604)

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5 Notes to the consolidated financial statements (Continued)

(3) Accounts receivable (Continued)

(c) Provision for bad debts (Continued)

(ii) As at 31 December 2025, provision for bad debts made on a collective basis for accounts receivable is analysed as follows:

Group - Sales receivable:

	31 December 2025		
	Gross carrying amount	Provision for bad debts	
	Amount	Lifetime ECL rates	Amount
Not overdue	119,927,279	1.25%	(1,502,234)
Overdue within 120 days	65,068,620	1.57%	(1,022,110)
Overdue for 121 days to 1 year	19,553,322	3.53%	(689,853)
Overdue for 1 to 2 years	23,346	100.00%	(23,346)
	<u>204,572,567</u>		<u>(3,237,543)</u>

(iii) The Group's ECL rates of accounts receivable as at 30 June 2026 decreased compared with that as at 31 December 2025, primarily due to the Group's strengthened collection efforts and enhanced credit term management in the current period.

(d) For the six months ended 30 June 2026, no accounts receivable were actually written off and no provision for bad debts was made.

(4) Inventories

(a) Inventories are summarised by category as follows:

	30 June 2026			31 December 2025		
	Gross carrying amount	Provision for decline in the value of inventories	Carrying amount	Gross carrying amount	Provision for decline in the value of inventories	Carrying amount
Raw materials	13,694,309	(236,085)	13,458,224	14,218,068	(3,457)	14,214,611
Work in progress	5,459,053	-	5,459,053	2,302,999	-	2,302,999
Goods in stock	8,952,862	-	8,952,862	16,121,411	(26,812)	16,094,599
Materials that can be used for multiple times but not recognised as fixed assets	319,866	-	319,866	600,954	-	600,954
	<u>28,426,090</u>	<u>(236,085)</u>	<u>28,190,005</u>	<u>33,243,432</u>	<u>(30,269)</u>	<u>33,213,163</u>

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5 Notes to the consolidated financial statements (Continued)

(4) Inventories (Continued)

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

	31 December 2025	Increase in the current period	Decrease in the current period Reversal	Charge-off and write-off	30 June 2026
Raw materials	(3,457)	(233,001)	-	373	(236,085)
Goods in stock	(26,812)	(7,517)	-	34,329	-
	<u>(30,269)</u>	<u>(240,518)</u>	<u>-</u>	<u>34,702</u>	<u>(236,085)</u>

(c) Provision for decline in the value of inventories is as follows:

	Specific basis for determination of net realisable value	Reason for reversal or written-off of provision for decline in the value of inventories
Raw materials	Estimated selling price less the estimated costs to completion, estimated selling and distribution expenses and related taxes	Production and sales/Scrapping
Work in progress	Estimated selling price less the estimated costs to completion, estimated selling and distribution expenses and related taxes	Production and sales
Goods in stock	Estimated selling price less the estimated selling and distribution expenses and related taxes	Sales/Scrapping

(5) Investments in other equity instruments

	31 December 2025	Increase in investments	Decrease in investments	Amount recognized in other comprehensive loss in the current period	Others	30 June 2026	Dividend income recognised in the current period	Accumulated amount recognised in other comprehensive loss
Investments in equity instruments Equity of listed companies	1,915	-	-	9,353	-	11,268	-	(5,612,715)

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5 Notes to the consolidated financial statements (Continued)

(5) Investments in other equity instruments (Continued)

30 June 2026 31 December 2025

TuHURA Bioscience, Inc. (formerly known as
"Kintara Therapeutics, Inc.")

- Costs	5,623,983	5,623,983
- Accumulated changes in fair value	(5,612,715)	(5,622,068)
	<u>11,268</u>	<u>1,915</u>

On 31 December 2023, the Group held 12,592 ordinary shares of Kintara Therapeutics, Inc. ("Kintara"). Based on the closing price of Kintara on the acquisition completion date, the fair value of the equity instruments held by the Group in Kintara was RMB 5,623,983.

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

As at 30 June 2026, the Group held 707 ordinary shares of TuHURA. Based on the closing price of TuHURA on 30 June 2026, the fair value of the equity instruments held by the Group in TuHURA was RMB 11,268.

(6) Long-term equity investments

30 June 2026 31 December 2025

Joint ventures (Note 6(2))	26,519,649	26,991,809
Associates (Note 6(2))	198,776,504	202,408,542
	<u>225,296,153</u>	<u>229,400,351</u>
Less: Provision for impairment of long-term equity investments	(332,756)	(332,756)
	<u>224,963,397</u>	<u>229,067,595</u>

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5 Notes to the consolidated financial statements (Continued)

(6) Long-term equity investments (Continued)

(a) Joint ventures

	31 December 2025	Changes in the current period								30 June 2026	Provision for impairment
		Increase in investments	Decrease in investments	Share of net profit/(loss) under equity method	Share of other comprehensive loss	Share of other changes in equity	Cash dividends or profit distributions declared	Provision for impairment	Others		Opening balance/ Ending balance
Changzhou BVCF Investment Management Partnership (Limited Liability Partnership) ("Changzhou BVCF")	26,991,809	-	-	(472,160)	-	-	-	-	-	26,519,649	-

As at 30 June 2026, the Group's subscribed capital contribution ratio was 29.85%, and the paid-up capital contribution ratio was 30.47%.

Please refer to Note 6(2) for related information of interests in joint ventures of the Group.

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5 Notes to the consolidated financial statements (Continued)

(6) Long-term equity investments (Continued)

(b) Associates

		Movements for the current period									Provision for impairment
	31 December 2025	Increase in investments	Decrease in investments	Share of net profit/(loss) under equity method	Share of other comprehensive loss	Share of other changes in equity	Cash dividends or profit distributions declared	Provision for impairment	Others	30 June 2026	Opening balance/ Ending balance
Shanghai WD Pharmaceutical Co., Ltd. ("WD Pharmaceutical")	202,075,786	-	-	(3,714,290)	-	82,252	-	-	-	198,443,748	-
Shanghai Lead Discovery Limited Company ("Lead Discovery")	-	-	-	-	-	-	-	-	-	-	(332,756)
Derma Clinic Investment Co., Ltd.("Derma")	-	-	-	-	-	-	-	-	-	-	-
	202,075,786	-	-	(3,714,290)	-	82,252	-	-	-	198,443,748	(332,756)

Please refer to Note 6(2) for related information of interests in associates of the Group.

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5 Notes to the consolidated financial statements (Continued)

(7) Fixed assets

	Buildings	Machinery and equipment	Electronic equipment and office equipment	Motor vehicles	Total
Cost					
31 December 2025	396,734,407	488,032,666	8,039,299	3,953,835	896,760,207
Increase in the current period					
Purchases	-	4,530,016	326,071	-	4,856,087
Transfers from construction in progress	133,028	-	-	-	133,028
Others	311,429	-	-	-	311,429
Decrease in the current period	-	(7,092,095)	-	-	(7,092,095)
30 June 2026	<u>397,178,864</u>	<u>485,470,587</u>	<u>8,365,370</u>	<u>3,953,835</u>	<u>894,968,656</u>
Accumulated depreciation					
31 December 2025	(133,430,495)	(290,719,846)	(6,773,627)	(2,555,639)	(433,479,607)
Increase in the current period	(8,856,027)	(17,329,881)	(262,491)	(110,735)	(26,559,134)
Decrease in the current period	-	6,957,032	-	-	6,957,032
30 June 2026	<u>(142,286,522)</u>	<u>(301,092,695)</u>	<u>(7,036,118)</u>	<u>(2,666,374)</u>	<u>(453,081,709)</u>
Carrying amount					
30 June 2026	<u>254,892,342</u>	<u>184,377,892</u>	<u>1,329,252</u>	<u>1,287,461</u>	<u>441,886,947</u>
31 December 2025	<u>263,303,912</u>	<u>197,312,820</u>	<u>1,265,672</u>	<u>1,398,196</u>	<u>463,280,600</u>

For the six months ended 30 June 2026, depreciation charged to fixed assets amounted to RMB 26,559,134 (for the six months ended 30 June 2025: RMB 27,168,416), of which RMB 4,210,848, RMB 4,039,148, RMB 1,498,528 and RMB 16,810,610 (for the six months ended 30 June 2025: RMB 5,468,108, RMB 4,862,470, RMB 954,061 and RMB 15,883,777) were charged to cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses respectively.

The cost of fixed assets transferred from construction in progress amounted to RMB 133,028 (for the six months ended 30 June 2025: RMB 4,109,881).

As at 30 June 2026 and 31 December 2025, the Group had no temporarily idle fixed assets and fixed assets with pending certificates of ownership.

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5 Notes to the consolidated financial statements (Continued)

(8) Right-of-use assets

	Buildings
Cost	
31 December 2025 and 30 June 2026	<u>26,719,554</u>
Accumulated depreciation	
31 December 2025	(12,933,419)
Increase in the current period	
Provision	<u>(2,546,040)</u>
30 June 2026	<u>(15,479,459)</u>
Carrying amount	
30 June 2026	<u>11,240,095</u>
31 December 2025	<u>13,786,135</u>

(9) Intangible assets

	Land use rights	Proprietary technology	R&D technology	Software	Total
Cost					
31 December 2025 and 30 June 2026	<u>50,403,679</u>	<u>8,843,164</u>	<u>101,776,176</u>	<u>18,756,677</u>	<u>179,779,696</u>
Accumulated amortisation					
31 December 2025	(14,719,367)	(8,393,164)	(78,112,632)	(11,938,532)	(113,163,695)
Increase in the current period	<u>(529,587)</u>	<u>-</u>	<u>(5,194,379)</u>	<u>(741,041)</u>	<u>(6,465,007)</u>
30 June 2026	<u>(15,248,954)</u>	<u>(8,393,164)</u>	<u>(83,307,011)</u>	<u>(12,679,573)</u>	<u>(119,628,702)</u>
Provision for impairment					
31 December 2025 and 30 June 2026	<u>-</u>	<u>(450,000)</u>	<u>(5,298,742)</u>	<u>-</u>	<u>(5,748,742)</u>
Carrying amount					
30 June 2026	<u>35,154,725</u>	<u>-</u>	<u>13,170,423</u>	<u>6,077,104</u>	<u>54,402,252</u>
31 December 2025	<u>35,684,312</u>	<u>-</u>	<u>18,364,802</u>	<u>6,818,145</u>	<u>60,867,259</u>

For the six months ended 30 June 2026, the amortisation of intangible assets amounted to RMB 6,465,007 (for the six months ended 30 June 2025: RMB 6,257,219).

As at 30 June 2026, the intangible assets internally developed by the Group accounted for 24.21% (31 December 2025: 30.17%) of the carrying amount of intangible assets.

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5 Notes to the consolidated financial statements (Continued)

(10) Goodwill

	31 December 2025	Increase in the current period	Decrease in the current period	30 June 2026
Goodwill - cost	8,937,000	-	-	8,937,000
Less: Provision for impairment	(8,937,000)	-	-	(8,937,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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.

(11) Long-term prepaid expenses

	31 December 2025	Increase in the current period	Decrease in the current period	30 June 2026
Improvements to right-of- use assets	3,608,429	-	(393,647)	3,214,782
Chromatographic packing	797,028	3,764,591	(1,500,213)	3,061,406
	<u>4,405,457</u>	<u>3,764,591</u>	<u>(1,893,860)</u>	<u>6,276,188</u>

(12) Deferred tax assets

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

(a) Deferred tax assets before any offsetting

	30 June 2026		31 December 2025	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Accrued expenses	156,141,321	23,421,198	157,512,845	23,626,928
Deductible losses	650,704,795	97,605,717	647,688,802	97,153,318
Provision for credit impairment	25,808,121	3,871,218	27,067,382	4,060,107
Lease liabilities	11,987,332	1,798,100	14,691,899	2,203,785
Amortisation of intangible assets	20,605,684	3,090,852	19,959,811	2,993,971
Government grants	17,893,633	2,684,045	18,971,999	2,845,800
Provision for asset impairment	4,170,671	625,601	3,964,855	594,728
	<u>887,311,557</u>	<u>133,096,731</u>	<u>889,857,593</u>	<u>133,478,637</u>
Including:				
Expected to be recovered within one year (inclusive)		28,726,470		29,189,104
Expected to be recovered after one year		<u>104,370,261</u>		<u>104,289,533</u>
		<u>133,096,731</u>		<u>133,478,637</u>

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5 Notes to the consolidated financial statements (Continued)

(12) Deferred tax assets (Continued)

(b) Deferred tax liabilities before any offsetting

	30 June 2026		31 December 2025	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Right-of-use assets	11,240,095	1,686,014	13,786,135	2,067,920
Including:				
Expected to be recovered within one year (inclusive)		763,812		914,732
Expected to be recovered after one year		922,202		1,153,188
		<u>1,686,014</u>		<u>2,067,920</u>

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

	30 June 2026	31 December 2025
Deductible losses	482,020,365	467,918,216
Deductible temporary differences	<u>30,625,384</u>	<u>31,031,951</u>
	<u>512,645,749</u>	<u>498,950,167</u>

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

	30 June 2026	31 December 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	739,091
2031	8,423,141	8,423,141
2032	3,749,577	3,749,577
2033	4,489,726	4,489,726
2034	9,295,197	9,295,197
2035	357,463,218	409,879,795
2036	66,518,726	-
	<u>482,020,365</u>	<u>467,918,216</u>

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5 Notes to the consolidated financial statements (Continued)

(12) Deferred tax assets (Continued)

(e) The net balances of deferred tax assets and deferred tax liabilities after offsetting are as follows:

	30 June 2026		31 December 2025	
	Offsetting amount	Balance after offsetting	Offsetting amount	Balance after offsetting
Deferred tax assets	(1,686,014)	131,410,717	(2,067,920)	131,410,717
Deferred tax liabilities	1,686,014	-	2,067,920	-

(13) Provision for asset impairment and losses

(a) Provision for asset impairment

	31 December 2025	Increase in the current period	Decrease in the current period		30 June 2026
			Reversal	Charge-off and write-off	
Provision for impairment of goodwill	8,937,000	-	-	-	8,937,000
Provision for impairment of intangible assets	5,748,742	-	-	-	5,748,742
Provision for decline in the value of inventories	30,269	240,518	-	(34,702)	236,085
Provision for impairment of long-term equity investments	332,756	-	-	-	332,756
	<u>15,048,767</u>	<u>240,518</u>	<u>-</u>	<u>(34,702)</u>	<u>15,254,583</u>

	31 December 2024	Increase in the current year	Decrease in the current year		31 December 2025
			Reversal	Charge-off and write-off	
Provision for impairment of goodwill	8,937,000	-	-	-	8,937,000
Provision for impairment of intangible assets	5,748,742	-	-	-	5,748,742
Provision for decline in the value of inventories	571,575	1,521,356	-	(2,062,662)	30,269
Provision for impairment of long-term equity investments	332,756	-	-	-	332,756
	<u>15,590,073</u>	<u>1,521,356</u>	<u>-</u>	<u>(2,062,662)</u>	<u>15,048,767</u>

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5 Notes to the consolidated financial statements (Continued)

(13) Provision for asset impairment and losses (Continued)

(b) Provision for credit impairment

	31 December 2025	Increase in the current period	Decrease in the current period		
			Reversal	Charge-off and write-off	30 June 2026
Provision for bad debts of accounts receivable	3,237,543	-	(1,255,939)	-	1,981,604
Provision for bad debts of notes receivable	53,480	-	(2,914)	-	50,566
Provision for bad debts of other receivables	13,316	-	(408)	-	12,908
Provision for bad debts of long-term receivables	10,043	-	-	-	10,043
	<u>3,314,382</u>	<u>-</u>	<u>(1,259,261)</u>	<u>-</u>	<u>2,055,121</u>

	31 December 2024	Increase in the current year	Decrease in the current year		
			Reversal	Charge-off and write-off	31 December 2025
Provision for bad debts of accounts receivable	27,045,842	-	(23,808,299)	-	3,237,543
Provision for bad debts of notes receivable	96,549	-	(43,069)	-	53,480
Provision for bad debts of other receivables	67,778	-	(54,462)	-	13,316
Provision for bad debts of long-term receivables	52,013	-	(41,970)	-	10,043
	<u>27,262,182</u>	<u>-</u>	<u>(23,947,800)</u>	<u>-</u>	<u>3,314,382</u>

(14) Accounts payable

	30 June 2026	31 December 2025
Accounts payable	<u>12,301,382</u>	<u>6,067,211</u>

(a) As at 30 June 2026, accounts payable with ageing over one year were RMB 190,733 (31 December 2025: RMB 50,041).

(b) The ageing analysis of accounts payable according to date recorded is as follows:

	30 June 2026	31 December 2025
Within 1 year	12,110,649	6,017,170
1 to 2 years	140,692	-
Over 2 years	50,041	50,041
	<u>12,301,382</u>	<u>6,067,211</u>

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5 Notes to the consolidated financial statements (Continued)

(15) Contract liabilities

	30 June 2026	31 December 2025
Advances for goods	4,678,988	5,407,189

(16) Employee benefits payable

	30 June 2026	31 December 2025
Short-term employee benefits payable (a)	11,031,259	21,347,077
Defined contribution plans payable (b)	1,050,642	1,332,362
Termination benefits payable (c)	-	-
	12,081,901	22,679,439

(a) Short-term employee benefits

	31 December 2025	Increase in the current period	Decrease in the current period	30 June 2026
Wages and salaries, bonus, allowances and subsidies	20,650,844	77,129,249	(87,757,251)	10,022,842
Staff welfare	-	200	(200)	-
Social security contributions	604,975	8,107,558	(8,104,502)	608,031
Including: Medical insurance	592,066	7,871,372	(7,868,515)	594,923
Work injury insurance	12,909	235,266	(235,067)	13,108
Maternity insurance	-	920	(920)	-
Housing funds	74,528	9,190,185	(9,236,146)	28,567
Mandatory provident fund	2,703	7,889	(9,292)	1,300
Labour union funds and employee education funds	14,027	585,771	(229,279)	370,519
	21,347,077	95,020,852	(105,336,670)	11,031,259

(b) Defined contribution plans

	31 December 2025	Increase in the current period	Decrease in the current period	30 June 2026
Basic pensions	1,297,770	17,285,696	(17,565,797)	1,017,669
Unemployment insurance	34,592	709,110	(710,729)	32,973
	1,332,362	17,994,806	(18,276,526)	1,050,642

Monthly payments of premiums on the basic pensions and unemployment insurance are calculated according to the bases and percentage prescribed by local authorities of Ministry of Human Resource and Social Security, and such payments cannot be used to offset the amounts that the Group should pay for employees in future periods.

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5 Notes to the consolidated financial statements (Continued)

(16) Employee benefits payable (Continued)

(c) Termination benefits payable

As at 30 June 2026, the Group had no termination benefits payable. For the six months ended 30 June 2026, termination benefits paid by the Group for termination of the employment relationship were RMB 910,521 (for the six months ended 31 December 2025: RMB 1,145,775).

(17) Taxes payable

	30 June 2026	31 December 2025
Unpaid VAT	11,763,988	7,150,809
Withholding individual income tax	566,872	2,744,628
	<u>12,330,860</u>	<u>9,895,437</u>

(18) Other payables

	30 June 2026	31 December 2025
Sales expenses payable and accrued	153,967,896	141,519,055
Long-term assets payable	19,344,897	30,368,177
Guarantees payable	4,668,333	4,411,333
Others	10,871,819	19,578,659
	<u>188,852,945</u>	<u>195,877,224</u>

As at 30 June 2026, other payables with ageing over one year were RMB 13,961,195 (31 December 2025: RMB 12,019,576). Other payables with ageing of more than 1 year were mainly long-term assets payable. As the payment point for the long-term assets payable was not reached, the amount was not settled.

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5 Notes to the consolidated financial statements (Continued)

(19) Lease liabilities

	30 June 2026	31 December 2025
Lease liabilities	11,987,332	14,691,899
Less: Non-current liabilities to be settled within one year	(5,444,068)	(5,350,976)
	<u>6,543,264</u>	<u>9,340,923</u>

(a) As at 30 June 2026, future cash outflows to which the Group was potentially exposed that were not included in the lease liabilities comprised the following:

(i) As at 30 June 2026, the future minimum lease payments of short-term leases adopting the practical expedient were RMB 483,151 (31 December 2025: 157,809), which should be paid within one year.

(20) Deferred income

	30 June 2026	31 December 2025
Government grants	<u>17,893,633</u>	<u>18,971,999</u>

(a) Government grants

	31 December 2025	Increase in the current period	Decrease in the current period		30 June 2026
			Other income	Non-operating income	
Assets related project	18,971,999	-	(1,078,366)	-	17,893,633
Income related project	-	6,788,474	(6,788,474)	-	-
	<u>18,971,999</u>	<u>6,788,474</u>	<u>(7,866,840)</u>	<u>-</u>	<u>17,893,633</u>

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5 Notes to the consolidated financial statements (Continued)

(21) Share capital

	31 December 2025	Changes in the current period					30 June 2026
		Issue new shares	Scrip issue	Transferred from reserve	Others	Sub-total	
Listed tradable shares - Foreign shares listed overseas	32,600,000	-	-	-	-	-	32,600,000
Listed tradable shares - Domestic listed RMB-denominated ordinary A shares	71,057,210	-	-	-	-	-	71,057,210
Total share capital	103,657,210	-	-	-	-	-	103,657,210

	31 December 2024	Changes in the current year					31 December 2025
		Issue new shares	Scrip issue	Transferred from reserve	Others	Sub-total	
Listed tradable shares - Foreign shares listed overseas	32,600,000	-	-	-	-	-	32,600,000
Listed tradable shares - Domestic listed RMB-denominated ordinary A shares	71,057,210	-	-	-	-	-	71,057,210
Total share capital	103,657,210	-	-	-	-	-	103,657,210

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5 Notes to the consolidated financial statements (Continued)

(22) Capital surplus

	31 December 2025	Increase in the current period	Decrease in the current period	30 June 2026
Share premium	1,212,832,894	-	-	1,212,832,894
Share-based payments	70,819,623	-	-	70,819,623
Other capital surplus - Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	6,665,235	82,252	-	6,747,487
	<u>1,290,317,752</u>	<u>82,252</u>	<u>-</u>	<u>1,290,400,004</u>
	31 December 2024	Increase in the current year	Decrease in the current year	31 December 2025
Share premium	1,212,832,894	-	-	1,212,832,894
Share-based payments	70,819,623	-	-	70,819,623
Other capital surplus - Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	5,901,077	764,158	-	6,665,235
	<u>1,289,553,594</u>	<u>764,158</u>	<u>-</u>	<u>1,290,317,752</u>

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5 Notes to the consolidated financial statements (Continued)

(23) Other comprehensive loss

	Other comprehensive loss in the balance sheet				Other comprehensive loss in the income statement for the six months ended 30 June 2026				
	31 December 2025	Attributable to the parent company after tax	Other comprehensive loss transferred to retained earnings	30 June 2026	Amount before income tax	Less: Other comprehensive loss transferred out this period	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax
Other comprehensive loss items which will not be reclassified to profit or loss									
Changes in fair value of investments in other equity instruments	(5,622,068)	9,353	-	(5,612,715)	9,353	—	-	9,353	-
Other comprehensive income/(loss) items which will be reclassified to profit or loss									
Differences on translation of foreign currency financial statements	(426,360)	(600,687)	—	(1,027,047)	(600,687)	-	-	(600,687)	-
	<u>(6,048,428)</u>	<u>(591,334)</u>	<u>-</u>	<u>(6,639,762)</u>	<u>(591,334)</u>	<u>-</u>	<u>-</u>	<u>(591,334)</u>	<u>-</u>
	Other comprehensive loss in the balance sheet				Other comprehensive loss in the income statement for the six months ended 30 June 2025				
	31 December 2024	Attributable to the parent company after tax	Other comprehensive loss transferred to retained earnings	30 June 2025	Amount before income tax	Less: Other comprehensive loss transferred out this period	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax
Other comprehensive loss items which will not be reclassified to profit or loss									
Changes in fair value of investments in other equity instruments	(5,613,399)	(4,837)	-	(5,618,236)	(4,837)	—	-	(4,837)	-
Other comprehensive income/(loss) items which will be reclassified to profit or loss									
Differences on translation of foreign currency financial statements	65,978	(91,929)	—	(25,951)	(91,929)	-	-	(91,929)	-
	<u>(5,547,421)</u>	<u>(96,766)</u>	<u>-</u>	<u>(5,644,187)</u>	<u>(96,766)</u>	<u>-</u>	<u>-</u>	<u>(96,766)</u>	<u>-</u>

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5 Notes to the consolidated financial statements (Continued)

(24) Undistributed profits

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Undistributed profits at the beginning of the year	676,217,368	864,754,029
Add: Net profit attributable to shareholders of the parent company for the current period	36,894,990	5,715,142
Less: Dividends payable to the Company's ordinary shareholders	-	(31,097,163)
Undistributed profits at the end of the year	<u>713,112,358</u>	<u>839,372,008</u>

(25) Revenue and cost of sales

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Revenue from main operations	<u>372,225,274</u>	<u>390,083,112</u>
	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Cost of sales from main operations	<u>(31,157,945)</u>	<u>(39,773,796)</u>

(a) Revenue and cost of sales from main operations

	For the six months ended 30 June 2026		For the six months ended 30 June 2025	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
- Sales of pharmaceutical and diagnostic products	326,475,286	(30,481,082)	383,924,245	(39,286,746)
- Revenue from license out (Note (i))	45,000,000	-	-	-
- Revenue from services	749,988	(676,863)	573,776	(487,050)
- Revenue from technology transfer (Note (i))	-	-	5,585,091	-
	<u>372,225,274</u>	<u>(31,157,945)</u>	<u>390,083,112</u>	<u>(39,773,796)</u>

- (i) For the six months ended 30 June 2026, the Company recognised revenue from the license out of RMB 45,000,000 (for the six months ended 30 June 2025 revenue from the technology transfer: RMB 5,585,091) based on the progress of contract performance.

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5 Notes to the consolidated financial statements (Continued)

(25) Revenue and cost of sales (Continued)

(b) The Group's revenue and cost of sales are disaggregated as follows:

	For the six months ended 30 June 2026			
	Pharmaceutical products	License out	Services	Total
Revenue from main operations Including: Recognised at a point in time	326,475,286	45,000,000	749,988	372,225,274

	For the six months ended 30 June 2026			
	Pharmaceutical products	License out	Services	Total
Cost of sales from main operations Including: Recognised at a point in time	(30,481,082)	-	(676,863)	(31,157,945)

	For the six months ended 30 June 2025			
	Pharmaceutical products	Technology transfer	Services	Total
Revenue from main operations Including: Recognised at a point in time	383,924,245	5,585,091	573,776	390,083,112

	For the six months ended 30 June 2025			
	Pharmaceutical products	Technology transfer	Services	Total
Cost of sales from main operations Including: Recognised at a point in time	(39,286,746)	-	(487,050)	(39,773,796)

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5 Notes to the consolidated financial statements (Continued)**(26) Taxes and surcharges**

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Property tax	1,713,327	1,009,364
City maintenance and construction tax	1,027,291	997,208
Educational surcharge	1,022,945	945,581
Others	440,705	366,364
	<u>4,204,268</u>	<u>3,318,517</u>

(27) Selling and distribution expenses

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Marketing and academic promotion fees	84,536,907	105,335,121
Payroll expenses	60,741,565	48,074,568
Conference fees	4,670,776	7,159,815
Depreciation and amortisation expenses	4,043,689	4,877,877
Business entertainment expenses	3,075,425	5,126,547
Depreciation of right-of-use assets	1,742,380	1,829,833
Travelling expenses	85,167	6,131,564
Others	1,680,169	3,374,947
	<u>160,576,078</u>	<u>181,910,272</u>

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5 Notes to the consolidated financial statements (Continued)

(28) General and administrative expenses

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Payroll expenses	7,899,844	8,816,215
Administrative expenses	2,920,991	2,619,994
Audit fees	2,124,623	2,403,195
Depreciation and amortisation expenses	2,100,849	1,406,540
Property fees	693,239	1,663,827
Others	2,805,746	3,392,733
	<u>18,545,292</u>	<u>20,302,504</u>

(29) Research and development expenses

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Outsourced R&D expenses	51,446,822	86,088,902
Payroll expenses	33,614,569	36,390,548
Material expenses	19,220,971	20,852,237
Depreciation expenses	16,810,610	15,883,777
R&D department expenses	12,934,972	18,760,793
	<u>134,027,944</u>	<u>177,976,257</u>

(30) Financial income - net

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Interest expenses	-	-
Add: Interest costs on lease liabilities	246,840	368,996
Interest expenses	246,840	368,996
Less: Interest income	(695,659)	(806,175)
Exchange losses - net	6,373	9,248
Others	33,442	36,183
	<u>(409,004)</u>	<u>(391,748)</u>

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5 Notes to the consolidated financial statements (Continued)

(31) Expenses by nature

The cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses in the income statement are listed as follows by nature:

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Changes in inventories of finished goods and work in progress	3,978,166	15,230,551
Consumed raw materials and low value consumables, etc.	23,884,284	18,764,646
Marketing and sales expenses	91,122,160	123,889,253
Employee benefits	113,926,179	101,818,230
Less: Capitalised amount	-	-
	113,926,179	101,818,230
Outsourced R&D expenses	51,446,822	86,088,902
Depreciation and amortisation expenses	37,464,041	41,738,238
Less: Capitalised amount	-	-
	37,464,041	41,738,238
R&D department expenses	12,934,971	18,760,793
Audit fees	2,124,623	2,403,195
- Audit services	2,063,302	2,250,000
- Non-audit services	61,321	153,195
Rental (Note (i))	900,894	1,767,289
Others	6,525,118	9,501,732
	344,307,259	419,962,829

- (i) As disclosed in Note 2(22), the lease payments of short-term leases and low value leases are directly recognised in profit or loss for the current period. For the six months ended 30 June 2026, the amount was RMB 900,894 (for the six months ended 30 June 2025: RMB 1,767,289).

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NOTES TO THE FINANCIAL STATEMENTS
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5 Notes to the consolidated financial statements (Continued)

(32) Other income

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Government grants		
- Asset related	1,078,366	3,279,448
- Income related	6,788,474	3,571,364
Others	627,642	1,895,478
	<u>8,494,482</u>	<u>8,746,290</u>

(33) Investment losses

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Losses on long-term equity investments under equity method	(4,186,450)	(2,131,966)
Income from wealth management products	7,449,726	8,257,294
	<u>3,263,276</u>	<u>6,125,328</u>

For the six months ended 30 June 2026 and 2025, the bank wealth management products purchased by the Group were measured at fair value and their changes were included in the current profit and loss. As at 30 June 2026 and 31 December 2025, the Group had no balance of wealth management products.

(34) Reversal of credit impairment losses

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Reversal of losses on bad debts of accounts receivable	(1,255,939)	(23,836,684)
Reversal of losses on bad debts of other receivables	(408)	(10,742)
Reversal of losses on bad debts of notes receivable	(2,914)	(16,626)
	<u>(1,259,261)</u>	<u>(23,864,052)</u>

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5 Notes to the consolidated financial statements (Continued)

(35) Asset impairment losses

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Decline in the value of inventories	240,518	406,179

(36) Non-operating income

	For the six months ended 30 June 2026	For the six months ended 30 June 2025	Amount recognised in non-recurring profit or loss for the six months ended 30 June 2026
Income from waste and others	18,638	30,802	18,638

(37) Non-operating expenses

	For the six months ended 30 June 2026	For the six months ended 30 June 2025	Amount recognised in non-recurring profit or loss for the six months ended 30 June 2026
Losses on scrapping of fixed assets	126,213	59,214	126,213
Others	21,000	75,448	21,000
	147,213	134,662	147,213

(38) Income tax expenses

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Current income tax calculated based on tax laws and related regulations	-	-
Deferred income tax	-	-
	-	-

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated income statement to the income tax expenses is set out as below:

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5 Notes to the consolidated financial statements (Continued)

(38) Income tax expenses (Continued)

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Total profit	36,780,123	5,622,200
Income tax calculated at applicable tax rates	9,195,031	1,405,550
Effect of tax preferences	(3,677,651)	(582,572)
Deductible losses and deductible temporary differences for which no deferred tax asset was recognised	9,954,325	18,925,714
Additional deduction of R&D expenses	(16,086,889)	(20,577,166)
Costs, expenses and losses not deductible for tax purposes	656,665	865,974
Utilisation of deductible tax losses and deductible temporary differences for which no deferred tax asset was recognised in prior periods	-	-
Others	(41,481)	(37,500)
Income tax expenses	-	-

(39) Earnings per share

(a) Basic earnings per share

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

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Consolidated net profit attributable to ordinary shareholders of the parent company	36,894,990	5,715,142
Weighted average number of outstanding ordinary shares	1,036,572,100	1,036,572,100
Basic earnings per share	0.04	0.01
Including:		
- Basic earnings per share from continuing operations:	0.04	0.01
- Basic earnings per share for discontinuing operations:	-	-

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the six months ended 30 June 2026 (for the six months ended 30 June 2025: Nil), diluted earnings per share were equal to basic earnings per share.

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5 Notes to the consolidated financial statements (Continued)**(40) Notes to the cash flow statement**

The Group does not present cash flows on a net basis and the significant cash flow items are set out below:

(a) Cash received relating to other operating activities

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Government grants	6,788,474	11,055,464
Interest income	695,659	806,175
Others	1,153,513	302,059
	<u>8,637,646</u>	<u>12,163,698</u>

(b) Cash paid relating to other operating activities

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Administrative expenses and data fees	14,029,256	20,943,589
Business entertainment expenses	3,548,124	6,448,867
Consulting service fees	3,025,753	3,771,375
Conference fees	813,200	677,621
Advertising expenses	639,549	340,062
Travelling expenses	85,167	6,131,564
Others	3,085,724	1,275,041
	<u>25,226,773</u>	<u>39,588,119</u>

(c) Cash received from disposals of investments

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Cash dividends received from joint ventures	-	2,938,977

(d) Cash received relating to other investing activities

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Sales of wealth management products	<u>1,847,449,726</u>	<u>1,486,257,294</u>

(e) Cash paid relating to other investing activities

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Purchase of wealth management products	<u>1,840,000,000</u>	<u>1,478,000,000</u>

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5 Notes to the consolidated financial statements (Continued)

(40) Notes to the cash flow statement (Continued)

(f) Cash paid relating to other financing activities

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Repayments of lease liabilities	2,951,407	3,638,269

For the six months ended 30 June 2026, total cash outflows for leases paid by the Group amounted to RMB 3,852,301 (for the six months ended 30 June 2025: RMB 5,405,558) which is classified as cash paid relating to financing activities for repayments of lease liabilities and operating activities for the remainder.

(41) Supplementary information to the cash flow statement

(a) Supplementary information to the cash flow statement

Reconciliation from net profit to cash flows from operating activities

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Net profit	36,780,123	5,622,200
Add: Asset impairment losses	240,518	406,179
Reversal of credit impairment	(1,259,261)	(23,864,052)
Depreciation of right-of-use assets	2,546,040	3,304,860
Depreciation of fixed assets	26,559,134	27,168,416
Amortisation of intangible assets	6,465,007	6,257,219
Amortisation of long-term prepaid expenses	1,893,860	5,007,743
Gains on disposals of fixed assets	(9,446)	(203,055)
Losses on scrapping of fixed assets	126,213	59,214
Financial expenses	246,840	368,996
Investment profit	(3,263,276)	(6,125,328)
Decrease in inventories	4,782,640	12,549,851
Decrease in operating receivables	13,594,002	66,800,625
Decrease in operating payables	(4,997,339)	(39,344,661)
(Decrease)/Increase in deferred income	(1,078,366)	4,204,652
Net cash flows from operating activities	82,626,689	62,212,859

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

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5 Notes to the consolidated financial statements (Continued)

(41) Supplementary information to the cash flow statement (Continued)

(a) Supplementary information to the cash flow statement (Continued)

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Purchase of inventories by bank acceptance notes	-	588,111
Purchase of long-term assets by bank acceptance notes	4,270,657	7,153,822
	<u>4,270,657</u>	<u>7,741,933</u>

Net increase in cash

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Cash at the end of the year	1,223,004,106	1,106,490,805
Less: Cash at the beginning of the year	(1,147,079,542)	(1,056,285,629)
Net increase in cash	<u>75,924,564</u>	<u>50,205,176</u>

(b) Changes in liabilities from financing activities

	Lease liabilities (including those to be settled within one year)
31 December 2025	14,691,899
Cash outflows from financing activities	(2,951,407)
Interest accrued in the current period	246,840
Movements that do not involve cash receipts and payments	-
30 June 2026	<u>11,987,332</u>

(c) Cash

	30 June 2026	31 December 2025
Cash at bank and on hand	1,223,004,106	1,147,079,542
Less: Restricted cash at bank	-	-
Cash	<u>1,223,004,106</u>	<u>1,147,079,542</u>

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5 Notes to the consolidated financial statements (Continued)

(42) Monetary items denominated in foreign currencies

	30 June 2026		
	Foreign currency balance	Translation exchange rate	RMB balance
Cash at bank and on hand - USD	2,900,314	6.8109	<u>19,753,747</u>
	31 December 2025		
	Foreign currency balance	Translation exchange rate	RMB balance
Cash at bank and on hand - USD	2,896,775	7.0288	<u>20,360,850</u>

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6 Equity in other entities

(1) Equity in subsidiaries

(a) Structure of the Group

Subsidiaries	Corporate category	Principal place of business	Place of incorporation	Nature of business	Registered capital/issued share capital and debt securities	Shareholding (%) Direct Indirect	Acquisition method
Taizhou Pharmaceutical	Limited liability company	Taizhou, China	Taizhou, China	Production of freeze-dried powder injections and APIs; research and development of pharmaceuticals and medical devices, technology development, technology transfer, technology consulting and technology promotion services, sales of Class II medical devices.	RMB 100,000,000	100.00%	- Newly established
Tracing Bio-technology	Limited liability company	Shanghai, China	Shanghai, China	Research and development of medical diagnostic products (except human stem cells, genetic diagnosis and therapeutic technology development and application) and related technical services, sales of daily necessities and Class II clinical laboratory analysis instruments and software.	RMB 74,800,000	94.92%	- Newly established
Fernovelty Holding	Limited liability company	Hong Kong, China	Hong Kong, China	Investment in overseas medical projects	HKD 10,000	100%	- Newly established

(b) Subsidiaries with significant minority interests

As at 30 June 2026 and 31 December 2025, the Group confirmed that there were no subsidiaries with significant minority interests by taking into account factors such as whether the subsidiaries are listed companies, the proportion of their minority interests to the Group's consolidated shareholders' equity, and the proportion of profit or loss attributable to minority shareholders to the Group's consolidated net profit.

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6 Equity in other entities (Continued)

(2) Equity in joint ventures and associates

(a) Basic information for significant joint ventures and associates

The Group determines the significant joint ventures and associates by taking into account factors such as whether the joint ventures and associates are listed companies, the proportion of their carrying amounts to the Group's consolidated total assets, and the proportion of the investment income from long-term equity investments under equity method to the Group's consolidated net profit, as set out below:

	Principal place of business	Place of incorporation	Nature of business	Whether strategic to the Group's activities	Shareholding (%)	
					Direct	Indirect
Joint ventures -						
Changzhou BVCF	Changzhou	Changzhou	Healthcare investment	No	30.47%	-
Associates -						
WD Pharmaceutical	Shanghai	Shanghai	Research and experimental development	No	40.36%	-

The Group uses the equity method to account for the above equity investments.

(b) Summarised financial information for significant joint ventures

Changzhou BVCF

	30 June 2026	31 December 2025
Current assets	4,181,671	4,195,651
Non-current assets	83,500,544	83,500,544
Total assets	87,682,215	87,696,195
Current liabilities	(7,735,480)	(6,199,988)
Equity attributable to shareholders of the Company	79,946,735	81,496,207
Share of net assets by shareholding	24,361,627	24,833,787
Carrying amount of investments in joint ventures	26,519,649	26,991,809
	For the six months ended 30 June 2026	For the six months ended 30 June 2025
General and administrative expenses	(1,550,000)	(1,691,945)
Gains on changes in fair value	-	2,982,750
Net (loss)/income	(1,549,472)	414,675
Total comprehensive loss	(1,549,472)	414,675
Dividends received from joint ventures by the Group	-	2,938,977

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6 Equity in other entities (Continued)**(2) Equity in joint ventures and associates (Continued)****(c) Summarised financial information for significant associates****WD Pharmaceutical**

	30 June 2026	31 December 2025
Current assets	26,406,772	33,899,328
Non-current assets	453,130,003	454,832,628
Total assets	479,536,775	488,731,956
Current liabilities	(6,819,369)	(7,014,575)
Total liabilities	(6,819,369)	(7,014,575)
Equity attributable to shareholders of the Company	472,717,406	481,717,381
Share of net assets based on shareholding	190,789,091	194,421,135
Carrying amount of investments in associates	198,443,748	202,075,786
	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Revenue	-	4,039,250
General and administrative expenses	(1,702,379)	(2,461,898)
Research and development expenses	(7,501,081)	(7,231,808)
Net loss	(9,203,791)	(5,596,003)
Total comprehensive income	(9,203,791)	(5,596,003)

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6 Equity in other entities (Continued)

(2) Equity in joint ventures and associates (Continued)

(d) Summarised financial information for immaterial joint ventures and associates

	Principal place of business	Place of incorporation	Nature of business	Whether strategic to the Group's activities	Shareholding (%)	
					Direct	Indirect
Associates -						
Derma	Shanghai	Shanghai	Medical investment management Efficient screening of new drugs in China, development of "me-too" and natural medicine technology	No	20%	-
Lead Discovery	Shanghai	Shanghai		No	35%	-

The Group uses the equity method to account for the above equity investments.

The associates are not listed companies and have no significant impact on the Group's financial information.

In 2012, the Company made provision for impairment in full against the carrying amount of investments in Lead Discovery.

7 Segment information

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

The Company and its subsidiaries other than Fernovelty Holding all operate in the Chinese mainland. The Group's revenue is mainly derived from the Chinese mainland, and it does not distinguish different regional segments.

8 Related parties and related party transactions

(1) The parent company

The Company has no parent company or ultimate controlling party.

(2) Subsidiaries

The general information and other related information of subsidiaries is set out in Note 6(1).

(3) Joint ventures and associates

The general information and other related information of joint ventures and associates is set out in Note 6(2).

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8 Related parties and related party transactions (Continued)

(4) Other related parties

Relationship with the Group

SPH	Shareholder
Shanghai Pharmaceutical Co., Ltd.	Subsidiary of SPH
Shanghai Suzuken Chinese Medicine Co., Ltd.	Subsidiary of SPH
Heilongjiang Keyuan Xinhai Pharmaceutical Co., Ltd.	Subsidiary of SPH
China Medical Foreign Trading Liao Ning Co., Ltd.	Subsidiary of SPH
Shanghai Pharmaceutical (Shaanxi) Co., Ltd.	Subsidiary of SPH
Shanghai Pharmaceutical Holding Zhenjiang Co., Ltd.	Subsidiary of SPH
SPH Changzhou Pharmaceutical Co., Ltd.	Subsidiary of SPH
Shandong Pharmaceutical Co., Ltd.	Subsidiary of SPH
SPH Ningbo Pharmaceutical Co., Ltd.	Subsidiary of SPH
Shanghai Pharmaceutical Holdings Jiangsu Co., Ltd.	Subsidiary of SPH
Beijing Keyuan Xinhai Pharmaceutical Co., Ltd.	Subsidiary of SPH
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd.	Subsidiary of SPH
Shanghai New Asia Pharmaceutical Co., Ltd.	Subsidiary of SPH
SPH Xinte Large Pharmacy Co., Ltd.	Subsidiary of SPH
Shanghai Pharmaceutical Holding Jilin Co., Ltd.	Subsidiary of SPH
Shanghai Pharmaceutical Holding (Henan) Co., Ltd.	Subsidiary of SPH
SPH International Supply Chain Co., Ltd.	Subsidiary of SPH
Jiangxi Nanhua Pharmaceutical Co., Ltd.	Joint venture of SPH

(5) Related party transactions

(a) Pricing policies

The products and service sold/purchased by the Group to/from related parties are priced on the basis of prices sold to similar third parties.

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8 Related parties and related party transactions (Continued)

(5) Related party transactions (Continued)

(b) Sales of goods

Related party	Content of related party transaction	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Shanghai Pharmaceutical Co., Ltd.	Sales of pharmaceutical products	12,968,784	21,241,368
Jiangxi Nanhua Pharmaceutical Co., Ltd.	Sales of pharmaceutical products	3,273,084	2,668,289
Shanghai Pharmaceutical Holdings Jiangsu Co., Ltd.	Sales of pharmaceutical products	2,805,959	927,658
Shanghai Suzuken Chinese Medicine Co., Ltd.	Sales of pharmaceutical products	2,749,165	10,897,591
SPH Xinte Large Pharmacy Co., Ltd.	Sales of pharmaceutical products	2,162,090	-
Shandong Pharmaceutical Co., Ltd.	Sales of pharmaceutical products	1,701,350	2,190,827
SPH Ningbo Pharmaceutical Co., Ltd.	Sales of pharmaceutical products	1,499,814	931,226
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd.	Sales of pharmaceutical products	1,147,762	430,853
China Medical Foreign Trading Liao Ning Co., Ltd.	Sales of pharmaceutical products	681,865	2,183,419
Heilongjiang Keyuan Xinhai Pharmaceutical Co., Ltd.	Sales of pharmaceutical products	521,276	6,177,853
Shanghai Pharmaceutical Holding (Henan) Co., Ltd.	Sales of pharmaceutical products	470,001	-
SPH Changzhou Pharmaceutical Co., Ltd.	Sales of pharmaceutical products	414,240	(341,492)
Shanghai Pharmaceutical Holding Jilin Co., Ltd.	Sales of pharmaceutical products	238,301	572,687
Shanghai Pharmaceutical Holding Zhenjiang Co., Ltd.	Sales of pharmaceutical products	94,333	299,267
Beijing Keyuan Xinhai Pharmaceutical Co., Ltd.	Sales of pharmaceutical products	-	677,741
Shanghai Pharmaceutical (Shaanxi) Co., Ltd.	Sales of pharmaceutical products	(22,204)	1,632,926
		<u>30,705,820</u>	<u>50,490,213</u>

(c) Rendering of services

Related party	Content of related party transaction	For the six months ended 30 June 2026	For the six months ended 30 June 2025
WD Pharmaceutical	Manufacturing consignment	<u>676,862</u>	<u>487,050</u>

(d) Purchase of goods and acceptance of service

Related party	Content of related party transaction	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Shanghai New Asia Pharmaceutical Co., Ltd.	Testing fees	<u>15,849</u>	<u>-</u>

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8 Related parties and related party transactions (Continued)

(5) Related party transactions (Continued)

(e) Remuneration of key management

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Remuneration of key management	3,798,410	3,868,210

(6) Balances with related parties

(a) Accounts receivable

	30 June 2026		31 December 2025	
	Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Shanghai Pharmaceutical Co., Ltd.	2,463,748	(19,351)	-	-
Jiangxi Nanhua Pharmaceutical Co., Ltd.	1,803,804	(14,167)	2,008,198	(25,022)
Shanghai Pharmaceutical Holdings Jiangsu Co., Ltd.	1,365,624	(12,066)	314,560	(3,919)
SPH Xinte Large Pharmacy Co., Ltd.	1,108,116	(12,526)	621,576	(7,745)
Shandong Pharmaceutical Co., Ltd.	678,410	(5,328)	1,079,730	(13,453)
Shanghai Suzuken Chinese Medicine Co., Ltd.	655,371	(7,297)	1,374,841	(17,130)
SPH Ningbo Pharmaceutical Co., Ltd.	501,952	(3,942)	634,300	(7,903)
China Medical Foreign Trading Liao Ning Co., Ltd.	482,845	(5,004)	526,740	(6,563)
Heilongjiang Keyuan Xinhai Pharmaceutical Co., Ltd.	402,686	(4,089)	1,342,286	(35,182)
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd.	392,947	(3,086)	219,089	(2,730)
SPH Changzhou Pharmaceutical Co., Ltd.	299,429	(3,385)	194,538	(2,632)
Shanghai Pharmaceutical Holding (Henan) Co., Ltd.	88,517	(695)	88,517	(1,103)
Shanghai Pharmaceutical (Shaanxi) Co., Ltd.	16,135	(3,317)	297,701	(5,415)
	<u>10,259,584</u>	<u>(94,253)</u>	<u>8,702,076</u>	<u>(128,797)</u>

(b) Accounts payable

	30 June 2026	31 December 2025
SPH International Supply Chain Co., Ltd.	-	377,500

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8 Related parties and related party transactions (Continued)

(7) Benefits and interests of directors

(a) Remuneration of directors and CEO

Remuneration of directors, supervisors and CEO for the six months ended 30 June 2026 is as follows:

	Directors' expenses	Salaries and subsidies	Pension plan contributions	Bonus	Share-based payment expenses	Remuneration for other services in connection with the management of the Company or subsidiaries	Total
Executive directors							
Mr. Zhao Dajun	-	669,980	102,550	-	-	-	772,530
Mrs. Xue Yan	-	609,780	81,270	-	-	-	691,050
Employee directors							
Mrs. Qu Yanan	-	168,180	66,110	-	-	-	234,290
Independent directors							
Mr. Wang							
Hongguang	100,000	-	-	-	-	-	100,000
Mr. Lin Zhaorong	100,000	-	-	-	-	-	100,000
Mr. Xu Peilong	100,000	-	-	-	-	-	100,000

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8 Related parties and related party transactions (Continued)

(7) Benefits and interests of directors (Continued)

(a) Remuneration of directors and CEO (Continued)

Remuneration of directors, supervisors and CEO for the six months ended 30 June 2025 is as follows:

	Directors' expenses	Salaries and subsidies	Pension plan contributions	Bonus	Share-based payment expenses	Remuneration for other services in connection with the management of the Company or subsidiaries	Total
Executive directors							
Mr. Zhao Dajun	-	662,420	101,510	-	-	-	763,930
Mrs. Xue Yan	-	602,420	80,640	-	-	-	683,060
Independent directors							
Mr. Wang Hongguang	100,000	-	-	-	-	-	100,000
Mr. Lin Zhaorong	100,000	-	-	-	-	-	100,000
Mr. Xu Peilong	100,000	-	-	-	-	-	100,000
Supervisors							
Mr. Huang Jian	-	75,000	-	-	-	-	75,000
Mrs. Qu Yanan	-	152,280	58,700	-	-	-	210,980

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8 Related parties and related party transactions (Continued)

(7) Benefits and interests of directors (Continued)

(a) Remuneration of directors and CEO (Continued)

(i) For the six months ended 30 June 2026, no directors waived any remuneration (for the six months ended 30 June 2025: Nil).

(ii) The Group does not have other benefits for directors. There is no director resigned or assigned for the year ended 30 June 2026.

(b) Directors' retirement benefits

There are no retirement benefits for the directors. The Group only contributes to state-sponsored retirement schemes for the directors in PRC.

(c) Directors' termination benefits

There are no directors' termination benefits for the directors.

(d) Consideration paid to third parties in return for director services

For the six months ended 30 June 2026, the Company paid no consideration to any third parties in return for director services (for the six months ended 30 June 2025: Nil).

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

For the six months ended 30 June 2026, the Company provided no loans, quasi-loans and other transactions to the directors, controlled bodies corporate by and connected entities with such directors (for the six months ended 30 June 2025: Nil).

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

The Company did not sign with other parties any important transactions, arrangements or contracts related to the Group's business within which the directors of the Company directly or indirectly have substantial interests.

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8 Related parties and related party transactions (Continued)**(8) Five highest paid individuals**

The five individuals whose remunerations were the highest in the Group for the six months ended 30 June 2026 included 2 directors (for the six months ended 30 June 2025: 2 directors) whose remunerations were reflected in Note 8(7). The remunerations payable to the remaining 3 (for the six months ended 30 June 2025: 3) individuals during the year were as follows:

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Basic salary, housing subsidy and other subsidies	1,534,110	1,641,720
Pension plan contributions	125,330	124,050
Housing funds, medical insurances and other social insurances	124,120	122,320
	<u>1,783,560</u>	<u>1,888,090</u>

	Head count	
	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Remuneration range: HKD 0 to HKD 1,000,000	<u>3</u>	<u>3</u>

9 Contingencies

As at 30 June 2026 and 31 December 2025, the Group had no significant contingencies that need to be disclosed.

10 Commitments**(1) Capital commitments**

Capital expenditures contracted for but not yet necessary to be recognised in the balance sheet

	30 June 2026	31 December 2025
Buildings, machinery and equipment	<u>1,402,800</u>	<u>440,500</u>

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11 Financial instruments and risks

The Group's activities expose it to a variety of financial risks: market risk (primarily including foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in the Chinese mainland and a majority of the transactions are denominated in RMB. Accordingly, the Group is not exposed to significant foreign currency risk.

(b) Interest rate risk

The Group's interest rate risk arises from borrowings. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions.

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest costs with respect to the Group's outstanding floating rate borrowings, and therefore could have an adverse effect on the Group's financial performance. The Group makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. For the six months ended 30 June 2026 and 2025, the Group did not enter into any interest rate swap agreements.

As at 30 June 2026 and 31 December 2025, the Group had no bank borrowings. Therefore, the Group was not exposed to interest rate risk.

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11 Financial instruments and risks (Continued)

(1) Market risk (Continued)

(c) Other price risk

The Group's other price risk arises mainly from various investments in equity instruments with a risk of changes in the prices of the equity instruments.

As at 30 June 2026 and 31 December 2025, the Group had no significant price risk.

(2) Credit risk

Credit risk of the Group mainly arises from cash at bank and on hand, notes receivable, accounts receivable and other receivables. As at the balance sheet date, the carrying amount of the Group's financial assets represented the maximum exposure of the Group; and there were no credit risk exposures off the balance sheet that need to be paid for fulfilment of financial guarantee obligations or loan commitments.

The Group expects that there is no significant credit risk associated with cash at bank and on hand since they are deposited at state-owned banks and other large or medium size listed banks with good reputation and high credit rating, and there will be no significant losses from non-performance by these banks.

In addition, the Group has policies to limit the credit exposure on accounts receivable, other receivables and notes receivable. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will chase settlement by using written payment reminders, or shorten/cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

As at 30 June 2026, the Group had no significant collateral and other credit enhancements held as securities from debtors (31 December 2025: Nil).

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department at headquarters level. The Group's finance department at headquarter monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs; continuously monitors whether the covenant terms in borrowing agreements are complied with; maintains sufficient headroom on the Group's committed undrawn banking facilities from different financial institutions by taking into account such financing conditions as interest rates, borrowing terms and credit enhancements, so as to meet the short-term and long-term liquidity requirements.

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11 Financial instruments and risks (Continued)

(3) Liquidity risk (Continued)

As at the balance sheet date, the undiscounted contractual cash flows of the Group's financial liabilities, analysed by their maturity dates, are as below:

		30 June 2026				
		Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities -						
Accounts payable	12,301,382	-	-	-	-	12,301,382
Other payables	188,852,945	-	-	-	-	188,852,945
Lease liabilities	5,798,775	2,949,756	4,125,523	-	-	12,874,054
	<u>206,953,102</u>	<u>2,949,756</u>	<u>4,125,523</u>	<u>-</u>	<u>-</u>	<u>214,028,381</u>

		31 December 2025				
		Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities -						
Accounts payable	6,067,211	-	-	-	-	6,067,211
Other payables	195,877,224	-	-	-	-	195,877,224
Lease liabilities	5,798,775	4,869,781	5,156,904	-	-	15,825,460
	<u>207,743,210</u>	<u>4,869,781</u>	<u>5,156,904</u>	<u>-</u>	<u>-</u>	<u>217,769,895</u>

12 Fair value estimates

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

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(All amounts in RMB Yuan unless otherwise stated)

12 Fair value estimates (Continued)**(1) Assets measured at fair value on a recurring basis**

As at 30 June 2026, the assets measured at fair value on a recurring basis are analysed by the abovementioned three levels as below:

	Level 1	Level 2	Level 3	Total
Financial assets -				
Wealth management products	-	-	-	-
Investments in other equity instruments	11,268	-	-	11,268
	<u>11,268</u>	<u>-</u>	<u>-</u>	<u>11,268</u>

As at 31 December 2025, the assets measured at fair value on a recurring basis are analysed by the abovementioned three levels as below:

	Level 1	Level 2	Level 3	Total
Financial assets -				
Wealth management products	-	-	-	-
Investments in other equity instruments	1,915	-	-	1,915
	<u>1,915</u>	<u>-</u>	<u>-</u>	<u>1,915</u>

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There is no transfer between Level 1 and Level 2 for the current period.

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

The changes in Level 3 assets are analysed below:

	Wealth management products
1 January 2025	-
Purchases	1,478,000,000
Disposals	(1,486,257,294)
Gains or losses recognised in profit or loss	8,257,294
30 June 2025	<u>-</u>
1 January 2026	-
Purchases	1,840,000,000
Disposals	(1,847,449,726)
Gains or losses recognised in profit or loss	7,449,726
30 June 2026	<u>-</u>

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(All amounts in RMB Yuan unless otherwise stated)

12 Fair value estimates (Continued)

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

Gains or losses recognised in profit or loss are recognised in investment income in the income statement.

(2) Assets and liabilities not measured at fair value but for which their fair values are disclosed

Financial assets and financial liabilities measured at amortised cost mainly include notes receivable, accounts receivable, other receivables, long-term receivables, payables and lease liabilities.

The carrying amounts of the financial assets and financial liabilities not measured at fair value reasonably approximate their fair values.

13 Capital management

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group's total capital is calculated as "shareholders' equity" and net debt as shown in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of debt ratio as other company in this industry. This ratio is calculated with net debt divided by the total capital, while the net debt equals borrowings after netting off cash at bank and on hand. As at 30 June 2026 and 31 December 2025, the Group had no net debt. Therefore, the debt ratio was not applicable.

SHANGHAI FUDAN-ZHANGJIANG BIO-PHARMACEUTICAL CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

14 Notes to the Company's financial statements

(1) Notes receivable

	30 June 2026	31 December 2025
Bank acceptance notes	70,656,221	70,213,274
Less: Provision for bad debts	(40,296)	(47,403)
	<u>70,615,925</u>	<u>70,165,871</u>

(a) As at 30 June 2026, the Company had no pledged notes receivable presented in notes receivable.

(b) For the six months ended 30 June 2026, the bank acceptance notes were endorsed by the Company and substantially all the risks and rewards of ownership were transferred to other parties. Accordingly, the carrying amount of the bank acceptance notes derecognised was RMB 210,657 (for the six months ended 30 June 2026: RMB 829,180).

As at 30 June 2026, notes receivable endorsed or discounted prior to their maturities are as follows:

	Derecognised	Not derecognised
Bank acceptance notes (i)	<u>168,498</u>	-

(i) For the six months ended 30 June 2026, only a very few bank acceptance notes were endorsed or discounted by the Company, which were classified as financial assets at amortised cost.

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(All amounts in RMB Yuan unless otherwise stated)

14 Notes to the Company's financial statements (Continued)

(1) Notes receivable (Continued)

(c) Provision for bad debts

For notes receivable collected from ordinary operating activities such as sales of goods and rendering of services, the Company recognises provision for the lifetime ECL regardless of whether there is any significant financing component.

The provision for bad debts of notes receivable is analysed by category as follows:

	30 June 2026					31 December 2025				
	Gross carrying amount		Provision for bad debts			Gross carrying amount		Provision for bad debts		
	Amount	% of total balance	Amount	Provision ratio	Carrying amount	Amount	% of total balance	Amount	Provision ratio	Carrying amount
Provision for bad debts on a collective basis (i)	70,656,221	100%	(40,296)	0.06%	70,615,925	70,213,274	100%	(47,403)	0.07%	70,165,871

- (i) Provision for bad debts made on a collective basis for notes receivable is analysed as follows:

Group - Bank acceptance notes:

As at 30 June 2026, the Company measured the provision for bad debts based on the lifetime ECL. The provision for bad debts was RMB 40,296 (31 December 2025: RMB 47,403), and the amount of RMB 7,107 (for the six months ended 30 June 2025: RMB 1,112) was recognised in the profit for the current period. The Company considered that there was no significant credit risk associated with its bank acceptance notes within this group and did not expect that there would be any significant losses from non-performance by these banks.

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14 Notes to the Company's financial statements (Continued)

(2) Accounts receivable

	30 June 2026	31 December 2025
Accounts receivable	157,091,298	180,800,469
Less: Provision for bad debts	(1,875,742)	(2,997,750)
	<u>155,215,556</u>	<u>177,802,719</u>

The Company's accounts receivable primarily arise from the sales of pharmaceuticals products, with credit terms ranging from 30 to 120 days.

(a) The ageing analysis of accounts receivable according to date recorded is as follows:

	30 June 2026	31 December 2025
Within 1 year	156,292,556	177,632,014
1 to 2 years	798,742	3,168,455
	<u>157,091,298</u>	<u>180,800,469</u>

(b) As at 30 June 2026, the five largest accounts receivable aggregated by debtors are summarised and analysed as follows:

	Balance	Provision for bad debts	% of total balance
Total amount of the five largest accounts receivable	<u>116,797,235</u>	<u>(1,430,873)</u>	<u>74.35%</u>

(c) Provision for bad debts

	31 December 2025	Movements for the current period			30 June 2026
		Provision	Reversal	Write-off	
Provision for bad debts of accounts receivable	(2,997,750)	-	1,122,008	-	(1,875,742)

For accounts receivable, the Company recognises the loss provision based on the lifetime ECL regardless of whether there is any significant financing component.

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(All amounts in RMB Yuan unless otherwise stated)

14 Notes to the Company's financial statements (Continued)

(2) Accounts receivable (Continued)

(c) Provision for bad debts (Continued)

The provision for bad debts of accounts receivable is analysed by category as follows:

	30 June 2026					31 December 2025				
	Gross carrying amount		Provision for bad debts			Gross carrying amount		Provision for bad debts		
	Amount	% of total balance	Amount	Provision ratio	Carrying amount	Amount	% of total balance	Amount	Provision ratio	Carrying amount
Provision for bad debts on an individual basis (i)	-	-	-	-	-	-	-	-	-	-
Provision for bad debts on a collective basis (ii)	157,091,298	100%	(1,875,742)	1.19%	155,215,556	180,800,469	100%	(2,997,750)	1.66%	177,802,719
	157,091,298	100%	(1,875,742)	1.19%	155,215,556	180,800,469	100%	(2,997,750)	1.66%	177,802,719

(i) As at 30 June 2026 and 31 December 2025, the Company had no accounts receivable for which the related provision for bad debts was made on an individual basis..

(ii) As at 30 June 2026, provision for bad debts made on a collective basis for accounts receivable is analysed as follows:

Group - Sales receivable:

	30 June 2026		
	Gross carrying amount	Provision for bad debts	
	Amount	Lifetime ECL rates	Amount
Not overdue	97,292,844	0.84%	(817,906)
Overdue within 120 days	53,320,519	1.44%	(767,989)
Overdue for 121 days to 1 year	6,477,935	4.47%	(289,847)
	157,091,298		(1,875,742)

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(All amounts in RMB Yuan unless otherwise stated)

14 Notes to the Company's financial statements (Continued)

(2) Accounts receivable (Continued)

(c) Provision for bad debts (Continued)

(ii) As at 31 December 2025, provision for bad debts made on a collective basis for accounts receivable is analysed as follows:

Group - Sales receivable:

	31 December 2025		
	Gross carrying amount	Provision for bad debts	
	Amount	Lifetime ECL rates	Amount
Not overdue	109,292,559	1.33%	(1,452,701)
Overdue within 120 days	51,931,242	1.60%	(831,850)
Overdue for 121 days to 1 year	19,553,322	3.53%	(689,853)
Overdue for 1 to 2 years	23,346	100.00%	(23,346)
	<u>180,800,469</u>		<u>(2,997,750)</u>

(3) Other receivables

	30 June 2026	31 December 2025
Receivables from subsidiaries	96,956,087	122,010,493
Deposits receivable	720,768	1,227,001
Receivables from disposals of equipment	222,015	239,685
Petty cash for employees	45,000	45,000
Others	-	11,639
	<u>97,943,870</u>	<u>123,533,818</u>
Less: Provision for bad debts	(8,282)	(9,051)
	<u>97,935,588</u>	<u>123,524,767</u>

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

	30 June 2026	31 December 2025
Within 1 year	87,759,858	78,282,341
1 to 2 years	10,022,012	44,649,661
2 to 3 years	15,000	33,763
Over 3 years	147,000	568,053
	<u>97,943,870</u>	<u>123,533,818</u>

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14 Notes to the Company's financial statements (Continued)

(3) Other receivables (Continued)

(b) Movements in provision for losses and their gross carrying amounts

The provision for bad debts of other receivables is analysed by category as follows:

	30 June 2026					31 December 2025				
	Gross carrying amount		Provision for bad debts		Carrying amount	Gross carrying amount		Provision for bad debts		Carrying amount
	Amount	% of total balance	Amount	Provision ratio		Amount	% of total balance	Amount	Provision ratio	
Provision for bad debts on an individual basis	-	-	-	-	-	-	-	-	-	-
Provision for bad debts on a collective basis	97,943,870	100.00%	(8,282)	0.01%	97,935,588	123,533,818	100.00%	(9,051)	0.01%	123,524,767
	97,943,870	100.00%	(8,282)		97,935,588	123,533,818	100.00%	(9,051)		123,524,767

- (i) As at 30 June 2026, for other receivables in Stage 1, the related provision for bad debts is analysed below:

	Gross carrying amount	12-month ECL rates	Provision for bad debts
On a collective basis:			
Receivables from subsidiaries	96,956,087	-	-
Deposits and guarantees	720,768	0.93%	(6,684)
Receivables from disposals of equipment	222,015	0.60%	(1,329)
Petty cash for employees	45,000	0.60%	(269)
	97,943,870		(8,282)

As at 30 June 2026 and 31 December 2025, the Company did not have other receivables in Stage 2.

As at 30 June 2026, the Company did not have other receivables in Stage 3.

- (ii) As at 31 December 2025, for other receivables in Stage 1, the related provision for bad debts is analysed below:

	Gross carrying amount	12-month ECL rates	Provision for bad debts
On a collective basis:			
Receivables from subsidiaries	122,010,493	-	-
Deposits and guarantees	1,227,001	0.60%	(7,346)
Receivables from disposals of equipment	239,685	0.60%	(1,436)
Petty cash for employees	45,000	0.60%	(269)
Others	11,639	-	-
	123,533,818		(9,051)

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14 Notes to the Company's financial statements (Continued)

(3) Other receivables (Continued)

(b) Movements in provision for losses and their gross carrying amounts (Continued)

(ii) As at 30 June 2026 and 31 December 2025, the Company did not have other receivables in Stage 2.

As at 31 December 2025, the Company did not have other receivables in Stage 3.

(c) Provision for bad debts

	31 December 2025	Reversal in the current period	Write-off in the current period	30 June 2026
Provision for bad debts of other receivables	(9,051)	769	-	(8,282)

(d) As at 30 June 2026, the five largest other receivables aggregated by debtors are analysed as follows:

	Nature	Balance	Ageing	% of total balance	Provision for bad debts
Taizhou Pharmaceutical	Advances	95,874,291	Within 1 year, 1 to 2 years	97.89%	-
Fernovelty Holding Shaoxing Meituan Technology Co., Ltd.	Technology transfer fees	1,000,000	Within 1 year	1.02%	-
Shanghai Yiyuan Network Technology Co., Ltd.	Deposits	500,000	Within 1 year	0.51%	(2,994)
Tracing Bio- technology	Deposits	100,000	Over 3 years	0.10%	(599)
	Technology service fees	81,796	Within 1 year	0.08%	-
		<u>97,556,087</u>		<u>99.60%</u>	<u>(3,593)</u>

(4) Long-term equity investments

	30 June 2026	31 December 2025
Subsidiaries (a)	562,425,831	562,425,831
Joint ventures	26,519,649	26,991,809
Associates	<u>198,776,504</u>	<u>202,408,542</u>
	<u>787,721,984</u>	<u>791,826,182</u>
Less: Provision for impairment of long-term equity investments		
- Subsidiaries	(96,547,860)	(96,547,860)
- Associates	<u>(332,756)</u>	<u>(332,756)</u>
	<u>(96,880,616)</u>	<u>(96,880,616)</u>
	<u>690,841,368</u>	<u>694,945,566</u>

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14 Notes to the Company's financial statements (Continued)

(4) Long-term equity investments (Continued)

(a) Subsidiaries

		Changes in the current period						Balance of	Cash
		31 December	Increase in	Decrease in	Provision for	Others	30 June 2026	provision for	dividends
		2025	investments	investments	impairment			impairment at	declared this
								the end of the	period
								current period	
Taizhou									
Pharmaceutical	444,381,021	-	-	-	-	-	444,381,021	-	-
Tracing Bio-									
technology	82,773,060	-	-	-	-	-	82,773,060	(82,773,060)	-
Fernovelty Holding	35,271,750	-	-	-	-	-	35,271,750	(13,774,800)	-
	562,425,831	-	-	-	-	-	562,425,831	(96,547,860)	-

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14 Notes to the Company's financial statements (Continued)

(5) Right-of-use assets

	Buildings
Cost	
31 December 2025 and 30 June 2026	<u>26,719,554</u>
Accumulated amortisation	
31 December 2025	(12,933,419)
Increase in the current period	
Provision	<u>(2,546,040)</u>
30 June 2026	<u>(15,479,459)</u>
Carrying amount	
30 June 2026	<u>11,240,095</u>
31 December 2025	<u>13,786,135</u>

(6) Lease liabilities

	30 June 2026	31 December 2025
Lease liabilities	11,987,332	14,691,899
Less: Non-current liabilities to be settled within one year	<u>(5,444,068)</u>	<u>(5,350,976)</u>
	<u>6,543,264</u>	<u>9,340,923</u>

(7) Revenue and cost of sales

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Revenue from main operations	332,551,118	355,263,421
Revenue from other operations	802,482	-
	<u>333,353,600</u>	<u>355,263,421</u>
	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Cost of sales from main operations	(46,256,536)	(71,147,923)
Cost of sales from other operations	(696,294)	-
	<u>(46,952,830)</u>	<u>(71,147,923)</u>

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14 Notes to the Company's financial statements (Continued)

(7) Revenue and cost of sales (Continued)

(a) Revenue and cost of sales from main operations

	For the six months ended 30 June 2026		For the six months ended 30 June 2025	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
- Sales of pharmaceutical and diagnostic products	258,585,819	(17,364,362)	307,309,385	(28,880,613)
- Revenue from license out	45,000,000	-	-	-
- Revenue from services	28,965,299	(28,892,174)	42,354,036	(42,267,310)
- Revenue from technology transfer	-	-	5,600,000	-
	<u>332,551,118</u>	<u>(46,256,536)</u>	<u>355,263,421</u>	<u>(71,147,923)</u>

(b) Revenue and cost of sales from other operations

	For the six months ended 30 June 2026		For the six months ended 30 June 2025	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Revenue from sales of raw materials	747,436	(696,294)	-	-
Rental income	55,046	-	-	-
	<u>802,482</u>	<u>(696,294)</u>	<u>-</u>	<u>-</u>

(c) The Company's revenue and cost of sales are disaggregated as follows:

	For the six months ended 30 June 2026		
	Pharmaceutical products	Others	Total
Revenue from main operations Including: Recognised at a point in time	258,585,819	73,965,299	332,551,118
Revenue from other operations	-	802,482	802,482
	<u>258,585,819</u>	<u>74,767,781</u>	<u>333,353,600</u>

	For the six months ended 30 June 2026		
	Pharmaceutical products	Others	Total
Cost of sales from main operations Including: Recognised at a point in time	(17,364,362)	(28,892,174)	(46,256,536)
Cost of sales from other operations	-	(696,294)	(696,294)
	<u>(17,364,362)</u>	<u>(29,588,468)</u>	<u>(46,952,830)</u>

SHANGHAI FUDAN-ZHANGJIANG BIO-PHARMACEUTICAL CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
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14 Notes to the Company's financial statements (Continued)

(7) Revenue and cost of sales (Continued)

(c) The Company's revenue and cost of sales are disaggregated as follows: (Continued)

	For the six months ended 30 June 2025		
	Pharmaceutical products	Others	Total
Revenue from main operations			
Including: Recognised at a point in time	307,309,385	47,954,036	355,263,421

	For the six months ended 30 June 2025		
	Pharmaceutical products	Others	Total
Cost of sales from main operations			
Including: Recognised at a point in time	(28,880,613)	(42,267,310)	(71,147,923)

(8) Investment gains

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Losses on long-term equity investments under equity method	(4,186,450)	(2,131,966)
Income from wealth management products	7,126,507	7,742,772
	2,940,057	5,610,806

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**SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

1 Statement of Non-recurring Profit or Loss

	For the six months ended 30 June 2026	For the six months ended 30 June 2025
Profit or loss from disposals of non-current assets	9,446	203,055
Government grants recognised in profit or loss for the current period except for those which are closely related to ordinary business operations, compliant with government policies and regulations, enjoyed in accordance with established criteria and have a lasting impact on the Company's profit or loss.	7,866,840	6,850,812
Gains or losses arising from changes in fair value of and disposal of financial assets and financial liabilities held by the Company except for the effective hedging business related to ordinary business operations.	7,449,726	8,257,294
Other non-operating income and expenses other than the above-mentioned items	(128,575)	(103,860)
	<u>15,197,437</u>	<u>15,207,301</u>
Affected amount of income tax	-	-
Effect of minority interests (net of tax)	(1,049)	(302)
	<u>15,196,388</u>	<u>15,206,999</u>

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

Pursuant to the *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Securities to the Public - Non-recurring Profit or Loss [2023]*, non-recurring profit or loss refers to profit or loss arising from transactions and events that are not directly relevant to the Company's normal course of business, or that are relevant to normal course of business, but are extraordinary and not expected to recur frequently that would have an influence on users of the financial statements making correct economic decisions on the financial performance and profitability of an enterprise.

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**SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2026**

(All amounts in RMB Yuan unless otherwise stated)

2 Reconciliation Statement of Domestic and Foreign Financial Statements

On 24 February 2020, with the approval of the Company's extraordinary general meeting, the Group will use the consolidated financial statements prepared in accordance with China's accounting standards for business enterprises as information disclosure in the stock exchange of Hong Kong since 2019. Therefore, the Group does not need to prepare the reconciliation statement of domestic and foreign financial statements in the current period.

3 Return on Net Assets and Earnings Per Share

	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
		For the six months ended 30 June 2026	For the six months ended 30 June 2026
Net profit attributable to ordinary shareholders of the Company	1.73%	0.04	0.04
Net profit attributable to ordinary shareholders of the Company after deducting non- recurring profit or loss	1.02%	0.02	0.02
	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
		For the six months ended 30 June 2025	For the six months ended 30 June 2025
Net profit attributable to ordinary shareholders of the Company	0.25%	0.01	0.01
Net loss attributable to ordinary shareholders of the Company after deducting non- recurring profit or loss	(0.41%)	(0.01)	(0.01)

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2026

REVENUE

The consolidated revenue of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the “Company”) and its subsidiaries (collectively as the “Group”) for the six months ended 30 June 2026 amounted to approximately RMB372.23 million, compared to approximately RMB390.08 million for the same period in 2025, representing a decrease of 5%. All revenue was derived from the Group's main operations. The Group’s main operations revenue was mainly derived from the sales revenue of its three major products.

Revenue of the Group for the six months ended 30 June 2026 mainly came from the sales of medical products. The main source of revenue for the six months ended 30 June 2026 was nearly the same as that for the same period in 2025.

REVENUE FROM SALE OF MEDICAL PRODUCTS

Revenue of the Group from the sale of medical products for the six months ended 30 June 2026 was RMB326.48 million (representing 87.71% of the main operations revenue), representing a decrease of 15% from RMB383.92 million for the same period in 2025. The contribution to the main operations revenue of ALA, LIBOd® and FuMeiDa, the major products of the Group, was 52%, 18% and 18% respectively.

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

ROYALTY INCOME

During the Reporting Period, the Company entered into a Technology License Agreement with Fosun Yaohong (Jiangsu) Pharmaceutical Technology Co., Ltd. (“Fosun Yaohong”) during the Reporting Period in respect of the Company's self-developed Trop2-directed antibody-drug conjugate Trop2-SN38 ADC for the treatment of triple-negative breast cancer (also known as “FDA018 antibody-drug conjugate for injection”). Pursuant to the “Technology License Agreement”, the Company received a non-refundable, non-revocable and non-offsettable one-time upfront payment of RMB45.00 million from Fosun Yaohong. Such payment has been recognised as revenue in accordance with the relevant provisions of the China Accounting Standards for Business Enterprises.

COST OF SALES

For the six months ended 30 June 2026, the Group's main operations costs were RMB31.16 million (representing 100% of the cost of sales). For the same period in 2025, the Group's main operations costs were RMB39.77 million. The Group's cost of sales was mainly attributable to the sale of pharmaceutical products. The decrease in cost of sales was mainly due to reduced sales volumes of LIBOd[®] resulting from changes in the market competition landscape, which led to a decrease in cost of sales during the Reporting Period.

For the six months ended 30 June 2026, the ratio of main operations cost to main operations revenue was 8% (2025: 10%), and the overall gross profit margin of the Group's products remained stable. At the same time, the Group has always implemented strict cost control and will endeavor to enhance the gross profit margin while maintaining its current product mix.

SELLING EXPENSES & GENERAL AND ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2026, the selling expenses of the Group were RMB160.58 million, representing a decrease of 12% from RMB181.91 million for the same period in 2025. Selling expenses included marketing and academic promotion fees, payroll expenses, conference fees, depreciation and amortisation expenses, business entertainment expenses, depreciation of right-of-use assets and travel expenses. Details are set out in note 5(27) to the interim consolidated financial statements.

For the six months ended 30 June 2026, the general and administrative expenses of the Group were RMB18.55 million, representing a decrease of 9% from RMB20.30 million for the same period in 2025. The decrease was mainly due to a decline in labour costs during the Reporting Period as compared to the same period last year. Details are set out in note 5(28) to the interim consolidated financial statements.

RESEARCH AND DEVELOPMENT ("R&D") EXPENSES

The Group has adopted a conservative and prudent capitalization policy for R&D projects. Only expenses incurred on projects evaluated to be feasible in terms of technology with clear objectives, controllable risks and probable future economic benefits can be capitalized. Therefore, most of R&D costs of the Group were recognized as expenses as incurred. With the development of R&D projects, R&D expenses of the Group for the six months ended 30 June 2026 were RMB134.03 million, representing a decrease of 25% compared with RMB177.98 million for the same period in 2025. Details are set out in note 5(29) to the interim consolidated financial statements. In addition, the total investment in R&D of the Group for the six months ended 30 June 2026 was RMB134.03 million, representing a decrease of 25% compared with RMB177.98 million for the same period in 2025. Details are set out in note 5(29) to the interim consolidated financial statements.

FINANCIAL INCOME - NET

For the six months ended 30 June 2026, the financial income of the Group was approximately RMB0.41 million, remained largely flat as compared with approximately RMB0.39 million for the same period in 2025. Details are set out in note 5(30) to the interim consolidated financial statements.

INCOME TAX EXPENSES

Effective from 1 January 2008, except for Fernovelty (Hong Kong) Holding Co., Ltd (“Fernovelty Holding”), the Group have been required to determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of the People’s Republic of China as approved by the National People’s Congress on 16 March 2007. The Company and its subsidiaries Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd (“Taizhou Fudan-Zhangjiang”) and Shanghai Tracing Bio-technology Co., Ltd. (“Tracing Bio-technology”) were all recognized as high-tech enterprises, and their applicable tax rates were 15% for the six months ended 30 June 2026.

Fernovelty Holding was incorporated in Hong Kong in October 2016 as a subsidiary of the Group and is subject to Hong Kong profits tax at the rate of 16.5%. Effective from 1 January 2018, a two-tier profits tax rates system is implemented under which the first HKD2 million of assessable profits of corporations will be taxed at 8.25% whereas the remaining amount will be taxed at the standard rate of 16.5%. Since it did not have estimated assessable profit for the six months ended 30 June 2026 and for the six months ended 30 June 2025, Hong Kong profits tax was not provided.

As at 30 June 2026, the applicable tax rate and tax policy of the Group remained unchanged as compared with the first half of 2025.

NET PROFIT AND NET PROFIT MARGIN

The net profit of the Group for the six months ended 30 June 2026 was RMB36.78 million, representing an increase of 554% compared with RMB5.62 million for the same period in 2025. The net profit margin of the Group for the six months ended 30 June 2026 was 10% (2025: 1%). The increase in the Group's net profit margin was mainly due to the decrease in research and development expenses by approximately RMB44 million during the Reporting Period as compared with the same period last year.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company of approximately RMB36.90 million was recorded in the unaudited interim consolidated financial statements for the six months ended 30 June 2026, compared with approximately RMB5.72 million for the same period in 2025, representing an increase of 546%.

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.

As at 30 June 2026, the Group had cash and cash equivalents of RMB1,223,004,106 (as at 30 June 2025: RMB1,106,490,805). The cash held by the Group was principally denominated in RMB.

In line with other companies in the industry, the Group monitors its capital using the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including bank loans and loans from government authorities) less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt. As at 30 June 2026, the Group had no outstanding bank borrowings (31 December 2025: nil). Therefore, the gearing ratio was not applicable (gearing ratio: 0). The gearing ratio is calculated as the total bank borrowings divided by the total equity of the Company.

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

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

BANKING BORROWINGS

As at 30 June 2026, the Group had no bank borrowings.

FOREIGN EXCHANGE EXPOSURE

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

CHARGE ON ASSETS

As at 30 June 2026, the Group had no charge on assets.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Based on the commercialization planning for the subsequent R&D projects of the Group, the Board reviewed and approved at a meeting on 11 August 2021 the construction of the Phase II pharmaceutical production base project by Taizhou Fudan-Zhangjiang on the plot of land adjacent to its existing plant to meet the commercialization of the Group's subsequent R&D projects and expedite the application process of its existing R&D pipeline. The Phase II production base project is planned to occupy approximately 44 acres, with an estimated total gross floor area of approximately 42,000 square meters, comprising multiple production lines including an antibody-drug conjugate workshop and other auxiliary facilities. The total investment in the project was RMB600 million (including the bidding payment for land use rights of RMB12.65 million), which was financed with the Company's own funds. In 2023, in the Phase II production base project, approximately 25,000 square meters of workshop buildings have been actually completed. In 2024, the ADC workshop was officially put into operation, laying a solid foundation for the steady progress of the Group's development strategy for ADCs. In 2025, new production workshops for photodynamic supporting medical devices were gradually constructed. During the Reporting Period, new ingredient production workshops and ancillary facilities were gradually initiated. In the future, Taizhou Fudan-Zhangjiang will plan and add corresponding production lines in due course based on the progress of the Group's R&D projects, providing complete supporting support for the industrialization of the Group's subsequent projects. All of the above future plans will be financed by internal resources of the Group.

Saved as disclosed above, as at 30 June 2026, the Group has no future plans for significant capital expenditures.

DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2026 (six months ended 30 June 2025: Nil).

CONTINGENT LIABILITIES

As at 30 June 2026, the Directors of the Company were not aware of any material contingent liabilities.

(I) SIGNIFICANT INVESTMENTS

As at 30 June 2026, the net book value of the Group's long-term equity investments amounted to RMB224.96 million, of which the fair value of the Group's interest in Shanghai Handu Pharmaceutical Technology Co., Limited ("Shanghai Handu") amounted to approximately RMB198.44 million, representing 8.22% of the Group's total assets. An investment loss of approximately RMB4.19 million was recorded during the Reporting Period, including unrealized net loss of RMB3.71 million recognized in proportion to the Group's shareholding in Shanghai Handu. The Group did not receive any dividend from Shanghai Handu during the Reporting Period.

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

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

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

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

(II) FINANCIAL ASSETS MEASURED AT FAIR VALUE

In 2017, Fernovelty Holding, a subsidiary of the Company, entered into a subscription agreement with Adgero Biopharmaceuticals Holdings, Inc (“Adgero”) to subscribe for 400,000 ordinary shares of Adgero. On 9 June 2020, Adgero entered into a reorganization and merger agreement with DelMar Pharmaceuticals, Inc (NASDAQ: DPML, “DelMar”) and a wholly owned subsidiary of DelMar. Adgero would become a wholly-owned subsidiary of DelMar after the merger. Upon completion of the reorganization in August 2020, the new company applied to change its name to “Kintara Therapeutics, Inc” (NASDAQ: KTRA, “Kintara”). On 18 October 2024, Kintara entered into a merger agreement with TuHURA Biosciences, Inc. (NASDAQ: HURA, “TuHURA”) and the equity in Kintara held by the Group would be converted into the equity of TuHURA in accordance with an agreed percentage. As at the end of the Reporting Period, the Group held 707 ordinary shares of TuHURA. Based on the closing price of the shares of TuHURA on 30 June 2026, the fair value of the equity instruments held by the Company in TuHURA was approximately RMB11,268.

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

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

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

No.	Company Name	Main Business	Registered Capital / Share Capital	Total Assets RMB0'000	Net Assets RMB0'000	Revenue RMB0'000	Operating Profit RMB0'000	Net Profit RMB0'000
1	Taizhou Fudan-Zhangjiang ^{Note1}	Production of Hemoporfin APIs and injectables	RMB 100,000,000	53,293.93	38,316.85	8,115.34	-113.09	-123.32
2	Fernovelty Holding ^{Note2}	Drug R&D and investment and cooperation in overseas medical projects	HKD 10,000	1,976.50	1,881.10	-	2.41	2.41
3	Tracing Bio-technology	R&D, production and sales of medical devices	RMB 74,800,000	685.34	611.88	-	-230.54	-229.07
4	Shanghai Handu ^{Note3}	Development of world-leading new drug products with independent intellectual property rights and global patents that meet urgent clinical needs and combine with medical devices	USD 10,478,666	47,953.68	47,271.74	-	-920.38	-920.38
5	Changzhou BVCF Investment Management Partnership (Limited Liability Partnership) ^{Note4}	Investment in the field of early drug R&D	RMB 201,000,000	8,768.22	7,994.67	-	-154.95	-154.95

Notes:

- 1、 The net loss of Taizhou Fudan-Zhangjiang reduced as compared with the same period last year was mainly due to the decreased R&D expenditures during the Reporting Period;
- 2、 The net profit of Fernovelty Holding turned from loss to profit as compared with the same period last year was mainly due to the overseas R&D expenses incurred in the same period last year;
- 3、 The above financial data of Shanghai Handu are prepared on the basis of continuous measurement of the fair value of identifiable net assets at the date of investment. The decrease in its net profit as compared with the same period last year was mainly due to the recognition of one-off technology development income in the same period last year;
- 4、 The net profit of changzhou BVCF Investment Management Partnership (Limited Liability Partnership) turned from profit to loss as compared with the same period last year was mainly due to the investment income arising from the disposal of shares in the same period last year, whereas no such income was recognised in the Reporting Period.

SUBSCRIPTION OF WEALTH MANAGEMENT PRODUCTS AND STRUCTURED DEPOSIT PRODUCTS

On 4 January 2026, the Company entered into a SPD Bank Structured Deposit Product Agreement with the SPD Bank and agreed to subscribe for a structured deposit product with an amount of RMB210 million with maturity period of 87 days by using its self-owned idle funds generated from daily operation.

On 6 January 2026, the Company entered into a Bank of China Structured Deposit Product Agreement with Bank of China and agreed to subscribe for structured deposit product with an amount of RMB150 million with maturity period of 84 days by using its temporary idle proceeds from the public issuance of A shares.

On 7 January 2026, the Company entered into a Ping An Bank Structured Deposit Product Agreement with Ping An Bank and agreed to subscribe for a structured deposit product with an amount of RMB270 million with maturity period of 83 days by using its self-owned idle funds generated from daily operation.

On 7 January 2026, the Group entered into the China Merchants Bank Structured Deposit Product Agreement I and the China Merchants Bank Structured Deposit Product Agreement II with the China Merchants Bank and agreed to subscribe for structured deposit products with a total amount of RMB110 million with maturity periods of 83 days by using self-owned idle funds generated from its daily operation.

On 2 April 2026, the Company entered into a Ping An Bank Structured Deposit Product Agreement with Ping An Bank and agreed to subscribe for a structured deposit product with an amount of RMB300 million with maturity period of 89 days by using its self-owned idle funds generated from daily operation.

On 2 April 2026, the Company entered into a Bank of China Structured Deposit Product Agreement with Bank of China and agreed to subscribe for structured deposit product with an amount of RMB150 million with maturity period of 89 days by using its temporary idle proceeds from the public issuance of A shares.

On 3 April 2026, the Company entered into a SPD Bank Structured Deposit Product Agreement with the SPD Bank and agreed to subscribe for a structured deposit product with an amount of RMB210 million with maturity period of 87 days by using its self-owned idle funds generated from daily operation.

The Company's subscription of structured deposit products by reasonable and effective use of certain portion of its temporary idle funds (including proceeds from the public issuance of A shares) is beneficial for enhancing the overall capital gain of the Group, which is consistent with the core objectives of the Company to safeguard its capital and ensure liquidity. It is expected that the impact of risk factors in connection with the expected return of the above-mentioned structured deposit products is low, while the Group can enjoy a higher return compared with fixed term deposits in commercial banks in the PRC. The Directors (including the independent non-executive Directors) are of the view that the above-mentioned structured deposit products agreements were entered into on normal commercial terms, are fair and reasonable and in the interest of the Company and its shareholders as a whole. For more details, please refer to the announcements of the Company dated 4 January 2026, 6 January 2026, 7 January 2026, 2 April 2026 and 7 April 2026.

All of the above structured deposit products have been redeemed at maturity and the actual returns are consistent with the expected range of returns disclosed in the announcements and there is no material deviation from the disclosure in the announcement. As at 30 June 2026, there was no outstanding structured deposit products and wealth management products held by the Company.

During the Reporting Period, the total income received by the Group by purchasing structured deposit products and wealth management products was approximately RMB7.45 million.

BUSINESS REVIEW

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

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

(I) BASIC INFORMATION OF THE GROUP'S INDUSTRY

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

The pharmaceutical industry is a vital component of China's national economy and a strategic emerging sector that impacts national welfare, economic development, and national security. According to data from the National Bureau of Statistics¹, in the first quarter of 2026, the value-added industrial output of the pharmaceutical manufacturing industry above designated size increased by 7.0% year-on-year, with the production side maintaining expansion. However, due to factors such as drug pricing policies and market competition, the industry's revenue and profits still faced periodical pressure. At the same time, the relevant industry systems and regulations continue to be improved. In January 2026, the State Council revised the Implementing Regulations of the Drug Administration Law of the People's Republic of China, and the revised Regulations took effect on 15 May 2026. This revision primarily focused on improving the national drug innovation system, supporting clinical value-oriented drug research, development and innovation, encouraging the research and development of new drugs, and supporting the clinical promotion and application of new drugs. In March 2026, the State Council's 2026 Government Work Report listed biomedicine as an emerging pillar industry, and continued to propose multiple objectives, including improving the long-term mechanism for basic medical insurance participation, optimising measures for centralized drug procurement, and introducing a catalogue of innovative drugs for commercial health insurance. These initiatives reflect the high importance China attaches to the development of the pharmaceutical industry and the building of a Healthy China, injecting strong momentum into the innovative upgrading and sustainable development of the pharmaceutical industry.

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

2. Current situation of dermatology medicine industry in China

At present, the incidence of skin diseases is increasing, and the factors causing such diseases are escalating. Dermatitis 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 the research report on the Dermatological Drug Market (2024) published by MENET, the sales revenue of dermatological drugs in China's public medical institutions in 2024 amounted to approximately RMB15.02 billion, representing a year-on-year increase of 7.67% and a steady growth over the past three years. The growth rate of dermatological drugs in public medical institutions in 2024 (7.67%) outpaced the growth rate of the overall chemical drug market (-2.99%). This significant gap in growth rates indicates that despite the overall slowdown in drug sales growth in the market, dermatological drugs continue to demonstrate strong market demand. Further more, the Expert Consensus on the Methodology of Dermato-epidemiological Investigations published in 2020 noted that the prevalence rate of skin diseases among the Chinese population reaches as high as 40% to 70%, and the resulting healthy life loss ranks fourth among all diseases. From infants to the elderly, skin diseases such as eczema, acne, urticaria, psoriasis and skin tumours impose varying degrees of disease burden across the entire lifespan.

- *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 birthmark ("PWB")*

PWB is a common congenital malformation of dilated superficial dermal capillaries. The visible manifestation of this disorder is usually relatively flat patches composed of expanded capillaries that rarely swell up. The lesions tend to become darker and thicker with time and rarely fade away during the patient's life. PWB may occur in any part of the body, but is more common in the face and neck, accounting for 75%-80% of the total number of cases. The incidence of PWB among newborns is as high as 0.3%-0.5%². 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.

² Jacobs AH, Walton RG. The incidence of birthmarks in the neonate. *Pediatrics*. 1976 Aug; 58(2):218-22. PMID: 951136.

3. Current situation of China's antineoplastic drug industry

Malignant tumors are one of the most serious diseases threatening human health and social development. Among all diseases, malignant tumors have the second highest mortality rate after cardiovascular and cerebrovascular diseases. According to the research report on the Anti-tumour Drug Market (2024) published by MENET, the latest global cancer burden data for 2022 released by the International Agency for Research on Cancer (IARC) of the World Health Organization in February 2024 showed that: in 2022, there were 20.0 million new cancer cases and 9.7 million cancer deaths globally. In 2020, breast cancer surpassed lung cancer for the first time to become the most common cancer globally (with 2.26 million new cases of breast cancer and 2.20 million new cases of lung cancer). However, the latest data indicate that lung cancer has reclaimed its position as the most common cancer globally (with 2.48 million new cases of lung cancer and 2.31 million new cases of breast cancer). China recorded approximately 4.82 million new cancer cases, accounting for 24% of the global total, and approximately 2.57 million cancer deaths, accounting for 26.7% of the global total.

- *Current situation of anthracycline antineoplastic drug industry*

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

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

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

- Dermatology Products

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

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

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

ii) Hemoporphin 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, Hemoporphin 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, Hemoporphin 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. Hemoporphin, as a new type of photosensitizer for the treatment of port-wine birthmarks, is also included in the textbook Dermatovenerology (9th edition) published by the People's Medical Publishing House.

- Anti Tumour Products

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

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

II. DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

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

(I) RESEARCH STRATEGY AND REVIEW

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

PHOTODYNAMIC DRUGS

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

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

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

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

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

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

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

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

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

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

The drug marketing application of aminolevulinic acid hydrochloride powder for oral solution for the intraoperative visualization of high-grade gliomas was accepted in January 2026, and the technical review and registration inspection are currently progressing in an orderly manner. 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. 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 patient enrollment for the confirmatory clinical trial of aminolevulinic acid hydrochloride granules for the visualization of non-muscular invasive bladder cancer (NMIBC) during transurethral resection of bladder tumor was completed during the Reporting Period. The data collection, statistical analysis and preparations for the marketing registration application are currently progressing steadily. Bladder cancer is a malignant tumor with a high recurrence. According to whether the tumor has invaded the bladder's muscular wall, it can be divided into NMIBC and muscular invasive bladder cancer (MIBC). According to public data, NMIBC accounts for approximately 75% of all bladder cancer cases. Transurethral resection of bladder tumor (TURBT) is currently the preferred surgical treatment for NMIBC, with the goal of completely removing the tumor. In clinical practice, incomplete tumor resection during TURBT is one of the major causes of recurrence of NMIBC. Therefore, the Company intends to develop this intraoperative fluorescence-guided technology to improve the detection rate of NMIBC during TURBT, so as to help surgeons remove tumor tissue more completely, thus reducing recurrence in patients.

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

Hemoporphin 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 0.3-0.5%. 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 Hemoporphin as a 505(b)(1) drug is undergoing in the United States. In July 2026, the pivotal design and the latest progress of the phase II clinical trial of Hemoporphin for injection (brand name: FuMeiDa, 复美达®) for the U.S. registration project were shared in the form of poster and oral presentation at the 2026 Innovation Academy organised by the American Academy of Dermatology (AAD). According to the long-term follow-up data from 216 treated patients at a single centre in China, the 7-year recurrence rate was 1.4%, demonstrating notable long-term efficacy stability. 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, Hemoporphin will change the lives of patients around the world and lay the foundation for the innovative development model the Group has always adhered to.

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

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

ANTIBODY-DRUG CONJUGATES (ADC)

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

During the Reporting Period, the follow-up and data collection of phase III clinical trial of Trop2-directed antibody-drug conjugate ("Trop2-SN38 ADC", also known as "FDA018 antibody-drug conjugate for injection") for the treatment of triple-negative breast cancer ("TNBC") progressed in an orderly manner as planned. In accordance with the requirements of the Measures for the Administration of Drug Registration and other relevant laws and regulations, the Company has concurrently commenced the preparation of marketing application dossiers and will submit the marketing application as soon as possible. Meanwhile, the data collection and statistical analysis of phase I clinical trial of the drug for the treatment of other tumors are continuously under follow-up.

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

- The Her2-directed antibody-drug conjugate (“Her2-BB05 ADC”, also known as “FDA022 antibody-drug conjugate for injection”) for the treatment of breast cancer, gastric cancer and other solid tumors is undergoing phase I/II clinical studies. Meanwhile, patient enrollment for clinical studies investigating other indications of this drug is progressing smoothly. The results of a phase I clinical study of the project for the treatment of breast cancer with high HER2 expression were presented at the European Society for Medical Oncology Asia Congress 2024 (ESMO Asia 2024). The preliminary efficacy and safety results of the phase II clinical trial of this project for the indication of breast cancer with low HER2 expression were presented at ESMO Asia 2025. The drug is composed of monoclonal antibodies targeting HER2 coupled with BB05. The drug can kill tumor cells by binding to and endocytosing HER2-expressing tumor cells and then releasing small-molecule cytotoxic drugs (topoisomerase I inhibitors) in lysosomes in a targeted manner through protease cleavage. The drug is intended for the treatment of advanced solid tumors with HER2-positive expression, such as breast cancer, gastric cancer, lung cancer and colorectal cancer;
- A phase I clinical study for dose expansion and indication exploration of Trop2-directed antibody-drug conjugate (“Trop2-BB05 ADC”, also known as “FZ-AD004 antibody-drug conjugate for injection”) for the treatment of solid tumors such as lung cancer and breast cancer is undergoing. The results from the dose-escalation phase of the phase I clinical trial of the drug for the treatment of advanced solid tumours (mainly non-small cell lung cancer) were published on the official website of the American Society of Clinical Oncology (ASCO) in May 2026. The drug is composed of monoclonal antibodies targeting the human trophoblast cell surface glycoprotein antigen (“TROP-2”) coupled with BB05. TROP-2 is expressed at different levels in normal human tissues, but its expression level is significantly increased in various carcinomas, such as breast cancer, lung cancer, and gastric cancer. The drug can kill tumor cells by binding to and endocytosing high TROP-2-expressing tumor cells and then releasing small-molecule cytotoxic drugs (topoisomerase I inhibitors) in lysosomes in a targeted manner through protease cleavage. The drug is intended for the treatment of advanced solid tumors including but not limited to lung cancer, breast cancer, gastric cancer, esophageal cancer, colorectal cancer, urothelial cancer, bladder cancer and endometrial cancer; and
- A phase I clinical trial of DLL3-directed antibody-drug conjugate (“DLL3-BB05 ADC”, also known as “FZ-AD005 antibody-drug conjugate for injection”) for the treatment of small cell lung cancer and other solid tumors is undergoing. The clinical development of the drug is progressing smoothly. The Company has initiated exploratory studies for dose expansion and additional indications at the potentially recommended dose. The drug can kill tumor cells by binding to and endocytosing DLL3-positive tumor cells and then releasing small-molecule cytotoxic drugs (topoisomerase I inhibitors) in lysosomes in a targeted manner through protease cleavage. The drug is intended for the treatment of advanced solid tumors including but not limited to small cell lung cancer, large cell neuroendocrine carcinoma and prostate cancer. The Company is also actively exploring the potential use of this drug for the treatment of gliomas. The preclinical research of the drug was published in a journal of the American Association for Cancer Research (American Association for Cancer Research, AACR). The study results demonstrated that the drug exhibited potent antitumor activity in animal models with an effective dose of 1.5 mg/kg, and was stable in blood circulation in the body. Meanwhile, no interstitial pneumonia was observed in the repeat-dose study in cynomolgus monkeys, and the highest non-severely toxic dose reached 30 mg/kg, indicating a favorable safety profile.

We already have R&D capabilities in the development of monoclonal antibodies, small molecules and in ADC coupling. With the completion of the construction of the Group’s ADC workshop in Taizhou Fudan-Zhangjiang, a subsidiary of the Company, and its successful commencement of production, ADC drugs will become one of the important product groups of the Group.

ANTIBODY PHOTOABSORBER CONJUGATES (APCs)

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

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

(II) OPERATING STRATEGY AND REVIEW

During the Reporting Period, there were no significant changes in the industrialisation operating model of the Group, its three major products, its business model and other major matters.

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 sale of pharmaceutical products decreased by 15% year on year. ALA(艾拉[®]), indicated for the treatment of HPV infectious diseases and proliferative diseases of the skin (mostly notably condyloma acuminata), FuMeiDa, indicated for the treatment of port-wine birthmarks, and LIBOd[®], indicated for the treatment of tumors, are the three major products of the Group, and together they contributed 87.71% of the Group's revenue from the sale of pharmaceutical products. LIBOd[®] (里葆多[®]) for the treatment of tumors, the first generic version of Doxil[®] in China and the first generic version of a nano drug at home and abroad, was launched in August 2009 and has since received favorable market responses and earned a reputation. In 2024, doxorubicin hydrochloride liposome injection was included in the centralized procurement for the first time, and LIBOd[®] was not selected. Pursuant to the rules of this Centralized Procurement round and the changes in the competitive landscape, after prudent evaluation, the Company has correspondingly adjusted the sales strategy for this product, including but not limited to the gradual reduction of the market retail price from 1 May 2025. For more details, please refer to the announcement of the Company dated 30 April 2025. Consequently, the sales and profit margin of LIBOd[®] have decreased accordingly.

On April 2026, the Company entered into a Technology License Agreement (the “Agreement”) with Fosun Yaohong. Pursuant to the Agreement, the Company granted to Fosun Yaohong the rights of the Company's self-developed Trop2-directed antibody-drug conjugate Trop2-SN38 ADC for the treatment of triple-negative breast cancer (also known as “FDA018 antibody-drug conjugate for injection”, hereinafter referred to as the “Licensed Product”), authorising Fosun Yaohong to develop, register and commercialise the relevant intellectual property rights within certain overseas markets (including certain regions in the Latin America, Middle East and North Africa). Fosun Yaohong is a subsidiary of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (a company listed both on the Main Board of the Shanghai Stock Exchange (Stock Code: 600196) and the Main Board of the Hong Kong Stock Exchange (Stock Code: 2196)).

The financial terms under the Agreement include an upfront payment, milestone payments for research and development, and sales royalties. During the Reporting Period, the Company received a non-refundable, non-revocable and non-offsettable one-time upfront payment of RMB45.00 million from Fosun Yaohong. Such payment has been recognised as revenue in accordance with the relevant provisions of the China Accounting Standards for Business Enterprises. Subject to the satisfaction of the conditions set out in the Agreement, the Company will also be entitled to receive a research and development milestone payment of USD0.50 million (equivalent to RMB) and sales royalties at corresponding rates based on the sales volume of the Licensed Product.

In accordance with the relevant regulations of Articles of Association, this matter did not reach the disclosure threshold for temporary announcements, and the Company has completed the internal approval procedures required for the signing of the above Agreement. The milestone payments and sales royalties under the Agreement are conditional upon the satisfaction of certain criteria, and the final payment amounts remain subject to uncertainties. In the course of performance of the Agreement, given 1) the long cycle, multiple stages and high uncertainty inherent in new drug research and development, and 2) the impact of competitive landscape and market demand on products after market launch, the Agreement may not be performed as scheduled or in full, and there is significant uncertainty with respect to the relevant operating returns.

The production lines of the Group's existing products for sale all passed the GMP certification of the National Medical Products Administration ("NMPA"). Our objective is to establish product lines which meet international standards so that our marketed products can be sold globally. Meanwhile, as an important production base of the Group, Taizhou Fudan-Zhangjiang has established a number of production lines which are respectively used for the manufacture of Hemoporphin raw materials and injections, as well as for the industrialization preparation of solid preparations and ADC projects. Among these, the completion and operation of the ADC workshop have laid a solid foundation for the steady advancement of the Group's development strategy for ADC drugs, enabling the full-chain production capability encompassing production process validation, trial sample production for subsequent phases and commercial-scale manufacturing.

As at the end of the Reporting Period, the Company continued to promote the refined management of its marketing system, focusing its academic promotion resources on core markets and key products, and consistently enhancing the efficiency of its marketing operations. In the future, as the Company's R&D projects are gradually commercialized, the Company will continuously strengthen the competitiveness of its own sales team, build a diversified sales model, and expand the scope of its access to hospitals and departments, so as to deal with the impact of the general environment on sales.

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

Technical Platform	Project Name	Registration Type	Indications	Launching Time
Photodynamic technology	ALA	Class 3.1 generic drug	Condyloma acuminata	2007
	FuMeiDa	Class 1.1 innovative chemical drug	Port wine stain	2017
Nano technology	LIBOd®	Class 6 generic drug	Tumors	2009
Other technology	Parecoxib Sodium for Injection	Class 4 generic drug	Postoperative analgesics	2021

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

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

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

Not applicable.

III. ANALYSIS OF CORE COMPETITIVENESS FOR THE REPORTING PERIOD

(I) ANALYSIS OF CORE COMPETITIVENESS

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

1. R&D Innovation Advantages of Projects under Development during the Reporting Period

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

2. Advantages of Technology Platform

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

3. Advantages of Promotion

The Group continues to regard academic promotion as its primary marketing method and has used a variety of online platform channels to form a mature network service system of online academic exchanges among clinical doctors, sharing of medical cases, standardized practice videos, and a Q&A interactive platform between doctors and patients, etc. Meanwhile, the Company is also leveraging this platform to connect patients and physicians, developing new sales models to solve some common difficulties encountered by patients in actual consultations. In addition, the Company actively participates in various academic conferences both domestically and internationally to showcase clinical trial data and research findings in the form of posters or oral presentations, and continues to deepen academic exchanges with authoritative experts and medical institutions at all levels domestically and overseas.

4. Advantages of Product Quality Control

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

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

5. Advantages of Management and Technical Team

The Company’s management team possesses extensive years of experience in the biopharmaceutical industry and has a profound understanding of industry development. It is capable of formulating development strategies that align with the Company’s actual circumstances based on the Company’s specific conditions, industry development trends and market demands, and has played a key role in the Company’s development strategy, brand building, cultural cohesion, product innovation and marketing. In terms of technical talents, since its establishment, the Company has placed great emphasis on the cultivation and reserve of talents, and has continuously introduced outstanding management talents

and technical R&D personnel, attracting talents to join the Company through sound mechanisms and an excellent corporate culture. The Company's outstanding management team and technical talents provide comprehensive assurance for the stable development of the Company.

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

Not applicable.

(III) CORE TECHNOLOGY AND R&D PROGRESS

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

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

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

(1) Genetic Engineering Technical Platform

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

(2) Photodynamic Technical Platform

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

(3) Nano Technical Platform

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

Under this technical platform, LIBOd® for the treatment of tumors was launched to market in August 2009.

(4) Oral Solid Preparation Technical Platform

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

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

2. R&D achievements obtained during the Reporting Period

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

In April 2026, the first patient in a phase I clinical trial of FZ-P001 Sodium for Injection indicated as an adjunct developed by the Company for intraoperative identification of malignant lesions of cancer has been successfully enrolled.

In May 2026, the results from the dose-escalation phase of the phase I clinical trial of Trop2-directed antibody-drug conjugate (“Trop2-BB05 ADC”, also known as “FZ-AD004 antibody-drug conjugate for injection”) developed by the Company for the treatment of advanced solid tumours (mainly non-small cell lung cancer) were published on the official website of the American Society of Clinical Oncology (ASCO).

In July 2026, the pivotal design and the latest progress of the phase II clinical trial of Hemoporfin for injection (brand name: FuMeiDa, 复美达®) independently developed by the Company for the U.S. registration project were shared in the form of poster and oral presentation at the 2026 Innovation Academy organised by the American Academy of Dermatology (AAD).

List of intellectual property rights acquired during the Reporting Period

	Newly acquired during the Reporting Period		Cumulative quantity	
	No. of applications	No. of grant	No. of applications	No. of grant
Invention Patents	5	7	139	75
Utility Model Patent	2	-	33	25
Design Patent	-	-	2	2
Software copyright	-	-	26	26
Others	-	-	-	-
Total	7	7	201	128

Notes:

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

3. R&D investment

Unit: RMB

	Reporting Period (January to June 2026)	Corresponding period of last year	Change as compared with the corresponding period of last year (%)
Expended R&D investment	134,027,944	177,976,257	-24.69
Capitalized R&D investment	-	-	-
Total R&D investment	134,027,944	177,976,257	-24.69
Portion of R&D investment to the revenue (%)	36.01	45.63	decreased by 9.62 percentage point
Portion of Capitalized R&D investment (%)	-	-	-

4. R&D personnel

Basic information		
	For the Reporting Period	For the corresponding period of last year
Number of R&D personnel (person)	142	155
The proportion of R&D personnel in the total number of employees of the Company (%)	17.05	17.24
Total amount of salary of R&D personnel (RMB)	33,614,569	36,390,548
Average amount of salary of R&D personnel (RMB)	236,722	234,778

Education level		
Education structure	Number (person)	Proportion (%)
Doctor	6	4.22
Master	55	38.73
Bachelor	70	49.30
Below Bachelor degree	11	7.75
Total	142	100.00
Age structure		
Age range	Number (person)	Proportion (%)
50 and above	6	4.22
40-49	28	19.72
30-39	76	53.52
20-29	32	22.54
Total	142	100.00

5. Grants and Awards

The Group continuously improves its capabilities in the R&D and industrializations of new drugs in accordance with China's industrial policy. During the Reporting Period, the Group obtained grants and awards amounting to approximately RMB6.79 million from governments at all levels for a number of R&D and commercialization projects.

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

According to the announcement of the Department of Industry and Information Technology of Jiangsu Province, Taizhou Fudan-Zhangjiang was successfully selected into the list of Jiangsu Specialized, Refinement, Differential and Innovation (專精特新) Small and Medium-sized Enterprises, with the designation valid from December 2023 to December 2026.

IV. RISK FACTORS

1. Risk in relation to new drug development

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

2. Risk in relation to core technical staff loss

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

3. Risk in relation to relatively limited product types

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

4. Foreign exchange risk

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

5. Risk in drug price reduction

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

The Company's product LIBOd[®] was not selected in the tenth round of National Centralized Drug Procurement. Under the rules of this centralized procurement round and given the shifts in the competitive landscape, the sales strategy and price of the Drug require adjustments during the implementation period (i.e., from the implementation date of the bidding results for each product category in respective regions to 31 December 2027). After prudent evaluation, the Company has decided to reduce the market retail price of the Drug according to the rules and requirements of each province for unselected products from 1 May 2025. If the Company fails to continuously launch competitive new products or allocate sufficient financial and human resources to marketing efforts, its market share and competitiveness may decline, adversely impacting the Company's financial position, business operations, and operating results.

FUTURE PROSPECTS

DEVELOPMENT PHILOSOPHY AND OBJECTIVES

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

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

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

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

COMPANY'S GOVERNANCE, ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

CHANGES IN DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND CORE TECHNICIANS

- 1、 After considered and approved at the 15th meeting of the eighth session of the Board of Directors held on 30 March 2026, the Company has completed the nomination process for candidates for Directors of the ninth session of the Board of Directors. For more details, please refer to the Company's announcement dated 30 March 2026.
- 2、 The Company held the 2025 Annual General Meeting on 28 May 2026, electing the ninth session of the Board of Directors. Together with an employee Director elected at the Company's employee representative meeting held on 28 May 2026, they formed the ninth session of the Board of Directors of the Company. On the same day, the Company held the first (temporary) meeting of the ninth session of the Board of Directors, elected the chairman of the Board of Directors, special committee members of the Board of Directors and appointed senior management personnel of the Company. Among them, Ms. Xue Yan was appointed as the general manager of the Company. For more details, please refer to the Company's announcements dated 28 May 2026.
- 3、 Mr. Qin Lei, who was the deputy general manager of the Company, has submitted his resignation due to personal reasons and no longer holds any position in the Company. For more details, please refer to the Company's overseas regulatory announcement dated 13 May 2026.
- 4、 Mr. Liu Ke Zhen, who was the core technician of the Company, has submitted his resignation due to personal reasons and no longer holds any position in the Company. For more details, please refer to the Company's overseas regulatory announcement dated 28 May 2026.

For the biographic details of the ninth session of Directors, please refer to Appendix III to the circular of the Company dated 29 April 2026. Save for the above, there is no other update in the information of Directors required to be disclosed under Rule 13.51B(1) of the Listing Rules.

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

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

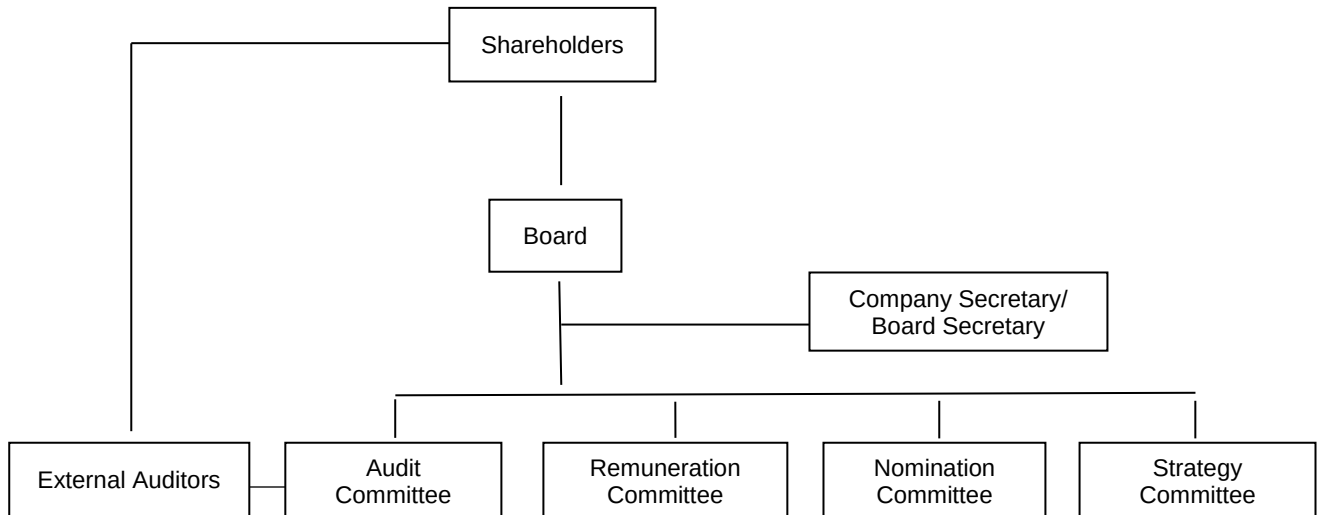
Whether to allocate or convert to increment	No
Bonus share for every 10 shares (shares)	Not applicable
Dividend for every 10 shares (yuan) (tax inclusive)	Not applicable
Conversion into share capital for every 10 shares (shares)	Not applicable
Explanation on profit distribution plan or plan for the conversion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

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

During the six months ended 30 June 2026, the Company had no valid and subsisting incentive plans, employees share schemes or other incentive schemes.

CORPORATE GOVERNANCE PRACTICE

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



The Company’s corporate governance code includes but is not limited to the following documents:

- a) Articles of Association;
- b) Rules of Procedure for the general meeting;
- c) Rules of Procedure for the Board of Directors;
- d) Rules of Procedure for the Audit Committee;
- e) Rules of Procedure for the Remuneration Committee;
- f) Rules of Procedure for the Nomination Committee;
- g) Rules of Procedure for the Strategy Committee;
- h) Regulations for Directors and Senior Managers in relation to Holding and Transacting the Shares of the Company;
- i) Regulations for Information Disclosure;
- j) Regulations for Inside Information and persons with knowledge of Inside Information;
- k) Regulations for Internal Control Management;
- l) Rules and Regulations for Related/ Connected Transaction;
- m) Other daily management documents of the Company.

The Audit Committee and the Board have reviewed the documents relating to corporate governance policies adopted by the Company and considered that, during the six months ended 30 June 2026, save as the deviation set out below, it had complied with the principles and code provisions set out in the Code.

The deviation from the code provisions as set out in the Code are as follows:

Code provision C.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the period from 1 January 2026 to 28 May 2026, Mr. Zhao Da Jun held the positions of the chairman and the general manager (chief executive). The Articles of Association has clearly defined the duties of the chairman and the general manager (chief executive), who are responsible for managing the operation of the Board and managing the daily operation of the Company respectively. 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 Company has arranged for Mr. Zhao Da Jun to continue to serve as both the chairman of the Board and the general manager (chief executive) in the interest 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 during such period.

On 28 May 2026, Ms. Xue Yan was appointed as the general manager (chief executive) and, since then, the Company has fully complied with the requirement under the Code provision C.2.1 of the Code.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMPLOYEES AND SALARIES

As at 30 June 2026, the Group had a total of 833 employees, as compared to 899 employees as at 30 June 2025. Staff costs including Directors' remuneration for the six months ended 30 June 2026 were RMB113,926,179, compared with RMB101,818,230 for the same period in 2025. The salaries and benefits of employees provided by the Group kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system which is reviewed annually. A wide range of benefits, including statutory social welfare plans, are also provided to employees by the Group. The Group also arranges induction and on-the-job training to employees from time to time.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2026 (including any treasury shares). During the six months ended 30 June 2026, the Company did not hold any treasury shares.

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

Not applicable.

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

During the Reporting Period, the Company's labor union procured agricultural products valued at RMB51,375 from farmers in impoverished mountainous areas of Rongjiang County, Guizhou Province. This initiative underscores our commitment to supporting rural revitalization and agricultural development through practical actions.

OTHER SIGNIFICANT EVENTS

I. THE PERFORMANCE OF UNDERTAKINGS

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

During the application process in respect of the issue of A shares, the undertakings of the Company's shareholders, related parties, the Company and other related parties during the Reporting Period or up to the Reporting Period are listed in the section "Significant Events" of the interim report of the Company dated 25 August 2022, which includes the types, contents and duration of the undertakings. As at 30 June 2026, except for undertakings that had been fulfilled, the above undertakings had not changed, and all related parties had complied with the relevant disclosed undertakings.

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

Not applicable.

III. ILLEGAL GUARANTEE

Not applicable.

IV. AUDIT OF INTERIM REPORT

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

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

Not applicable.

VI. ISSUES RELEVANT TO INSOLVENCY AND RESTRUCTURING

Not applicable.

VII. MATERIAL LITIGATION AND ARBITRATION

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

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

Not applicable.

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

Not applicable.

X. SIGNIFICANT RELATED PARTY / CONNECTED TRANSACTIONS

The related party / connected transactions in relation to daily operations

Overview of events	Query index
Continuing Connected Transactions- Sales and Distribution Agreement with Shanghai Pharmaceuticals Holding Co., Ltd. (“Shanghai Pharmaceuticals”)	For more details, please refer to the announcement of the Company dated 30 March 2023 and the circular of the Company dated 12 May 2023.

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

USE OF PROCEEDS

The A Shares of the Company have been listed and commenced trading on the STAR Market of the Shanghai Stock Exchange since 19 June 2020. The total proceeds of the issue of A share are RMB1,074,000,000 and the net proceeds are RMB974,323,900 after deducting the issue fees of RMB99,676,100 of this offering. The net proceeds raised from the issue of A Shares shall be used in accordance with the plan items described in the circular of the Company dated 4 April 2019 and the announcement of the Company dated 26 April 2019. As at 31 December 2025 and at the beginning of the Reporting Period (i.e. 1 January 2026), the unutilized balance of the net proceeds was approximately RMB179,927,232.

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

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

Investment Projects	Planned use of proceeds	Amount utilised during the Reporting Period	Cumulative Amount that has been utilized as at 30 June 2026	Remaining balance as at 30 June 2026	Expected timeline of utilization
	RMB0'000	RMB0'000	RMB0'000	RMB0'000	
–The Registration Project of Hemoporfin in the United States ^{Note4}	7,444.64	-	7,444.64	-	N/A
–The Innovative Research and Sustainable Development Project in Photodynamic Drugs ^{Note4}	15,555.36	1,094.78	1,245.16	14,310.20	31 December 2027
–The Innovative Research and Sustainable Development Project in Relation to Biological Medicine	24,000.00	-	24,000.00	-	N/A
–The Project in Relation to Acquisition of Minor Equity Interests in Taizhou Fudan-Zhangjiang	18,000.00	-	18,000.00	-	N/A
Over-raised funds	-	-	32,432.39	-	
Interest on raised funds	-	-	3,043.62	2,707.61	
Total	65,000.00	1,094.78	86,165.81	17,017.81	

Notes:

1. The total net proceeds from the issue of A shares of the Company in excess of the investment budgets of the investment projects will be used to finance the development of the Company's main operations in accordance with relevant requirements of the CSRC and the Shanghai Stock Exchange and subject to the approval of the Board and the shareholders' meeting. The Company will disclose relevant updates in due course;
2. The amount that had been utilized included the amount used after the listing for replacing the self-owned fund of the Company previously invested in such projects during the Reporting Period;
3. The Company confirms that the use of proceeds from the issue of A shares conforms to the disclosure of the supplementary circular of the Company dated 4 April 2019, and that the Company will use the proceeds from the issue of A shares in strict accordance with the relevant regulations;
4. Due to external environmental factors, the "Registration Project of Hemoporfin in the United States" was changed to the "Innovative Research and Sustainable Development Project in Photodynamic Drugs". In addition to transferring the remaining balance of the original project to the new project, the deadline for the availability of the new project was also adjusted to 31 December 2027, commencing from the date of approval by the Company's extraordinary general meeting.

OTHER INFORMATION ON USE OF PROCEEDS DURING THE REPORTING PERIOD

In order to improve the efficiency of utilization of idle proceeds, the Board considered and approved the “Proposal on Using Idle Proceeds for Cash Management” at the 16th meeting of the eighth session of the Board on 29 April 2026, pursuant to which the Company may use temporarily idle proceeds of up to RMB180 million (the “Amount”) to purchase investment products with high security, good liquidity and guaranteed principal (including but not limited to structured deposits, call deposits, time deposits and large-denomination certificates of deposit, etc.) (the “Use”) provided that the Use will not affect the progress of fund-raising investment projects, normal production and operation of the Company and the safety of funds is ensured. The valid period of the Use is 12 months from 20 June 2026 (the “Period”). Within the Amount and the Period, the proceeds can be used on a rolling basis. For details, please refer to the overseas regulatory announcement of the Company dated 29 April 2026. For details of cash management with idle proceeds during the Reporting Period, please refer to “MANAGEMENT DISCUSSION AND ANALYSIS”.

XII. EXPLANATION OF OTHER SIGNIFICANT EVENTS

There was no significant event happened after 30 June 2026 up to the date of this announcement.

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

I. THE CHANGES IN SHARE CAPITAL

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

II. PARTICULARS OF SHAREHOLDERS

(I) Total number of shareholders:

Total number of ordinary shareholders as at the end of the Reporting Period (account)	20,997
Total number of preference shareholders with restored voting rights as at the end of the Reporting Period (account)	Not applicable
Total number of preference shareholders with special voting rights as at the end of the Reporting Period (account)	Not applicable

As at the end of the Reporting Period, the Company had 20,997 Shareholders, including 20,864 A Share Shareholders and 133 registered H Share Shareholders.

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

Unit: Share

Shareholdings of the top 10 Shareholders (excluding the stock borrowing for financing)								
Name of shareholder (full name)	Change of shareholding during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to trading restriction	Number of restricted shares including shares lent by refinancing	Shares pledged, marked or frozen		Nature of shareholder
						Status of shares	Number of shares	
HKSCC NOMINEES LIMITED ^{Note1}	-	254,831,440	24.58	-	-	Unknown	-	Overseas legal person
Shanghai Pharmaceuticals Holding Co., Ltd ^{Note2}	-	210,142,560	20.27	-	-	-	-	Domestic non-state-owned legal person
China New Enterprise Investment Fund II	-	156,892,912	15.14	-	-	-	-	Other
Yang Zong Meng	-9,713,199	53,644,052	5.18	-	-	-	-	Overseas natural person
Wang Hai Bo	-10,365,721	41,362,884	3.99	-	-	-	-	Domestic natural person
Zhao Da Jun	-	15,620,710	1.51	-	-	-	-	Domestic natural person
Li Jun	-	9,018,200	0.87	-	-	-	-	Domestic natural person
Shanghai Pudong Emerging Industry Investment Co., Ltd.	-	6,562,382	0.63	-	-	-	-	State-owned legal person
Wu Zhi Ming	-28,100	2,538,517	0.24	-	-	-	-	Domestic natural person
Xue Yan	-	2,030,000	0.20	-	-	-	-	Domestic natural person

Particulars of shareholdings of the top ten Shareholders not subject to trading restriction (excluding the stock borrowing for financing)			
Name of shareholder	Number of circulating shares held not subject to trading restriction	Type and number of shares	
		Type	Number
HKSCC NOMINEES LIMITED ^{Note1}	254,831,440	Overseas listed foreign shares	254,831,440
Shanghai Pharmaceuticals ^{Note2}	210,142,560	Overseas listed foreign shares	70,564,000
		RMB ordinary shares	139,578,560
China New Enterprise Investment Fund II	156,892,912	RMB ordinary shares	156,892,912
Yang Zong Meng	53,644,052	RMB ordinary shares	53,644,052
Wang Hai Bo	41,362,884	RMB ordinary shares	41,362,884
Zhao Da Jun	15,620,710	RMB ordinary shares	15,620,710
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	2,538,517	RMB ordinary shares	2,538,517
Xue Yan	2,030,000	Overseas listed foreign shares	50,000
		RMB ordinary shares	1,980,000
Description of special account for repurchase among the top ten Shareholders	Not applicable.		
Explanations on the entrusting voting right, entrusted voting right and waive of voting right of the above Shareholders	Not applicable.		
Note on the connected relations or acting in concert arrangements of the above shareholders	The Company is not aware whether the above Shareholders have related party relationship or acting-in-concert arrangement.		
Note on the preference shareholders with voting rights restored and number of shares held	There are no preference shareholders in the Company.		

Notes:

1. Shares held by HKSCC NOMINEES LIMITED is a wholly owned subsidiary of the Hong Kong Stock Exchange, and the shares held by it are H shares (overseas listed foreign shares) of the Company on behalf of clients and the number of Shares it holds as shown in the table above excludes the 70,564,000 H Shares held by Shanghai Pharmaceuticals. As the relevant rules of the Hong Kong Stock Exchange do not require clients to report whether the shares that they hold are pledged or frozen, HKSCC NOMINEES LIMITED is unable to provide statistics on the number of shares that have been pledged or frozen;
2. Shanghai Pharmaceuticals is the largest shareholder of the Company, holding a total of 210,142,560 shares of the Company, of which 139,578,560 are A shares (RMB ordinary shares) and 70,564,000 are H shares (overseas listed foreign shares).

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

So far as the Directors are aware, as at 30 June 2026, the persons other than a Director or chief executive of the Company who had interests and/or short positions in the shares or underlying shares of the Company subject to disclosure under Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register maintained under Section 336 of the SFO, or as notified to the Company and the Hong Kong Stock Exchange were as follows (the interests in shares and/or short positions, if any, disclosed herein are in addition to those disclosed in respect of the Directors 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. ^{Note2}	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	53,644,052(L)	Beneficial owner	Personal	7.55%	5.18%
Wang Hai Bo	A Shares	41,362,884(L)	Beneficial owner	Personal	5.82%	3.99%

Note:

1. The letter “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.

III. DIRECTORS, SENIOR MANAGEMENT AND TECHNICAL STAFF

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

Not applicable.

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

Not applicable.

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

As at 30 June 2026, 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 Hong Kong 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix C3 of the Rules Governing the Listing of Securities on The Listing Rules were as follows:

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

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

(IV) Directors' and Supervisor's securities transactions

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

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

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

All Directors, senior management, major shareholders and relevant employees confirmed that they had complied with the required standard set out in Appendix C3 to the Listing Rules or other relevant applicable requirements for the six months ended 30 June 2026. No Director, senior management or relevant employee was found to have violated the above provisions in the previous year.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) is responsible for reviewing the financial reporting, internal controls and corporate governance issues and making relevant recommendations to the Board. The members of the ninth session of the Audit Committee were elected and re-elected on the 2025 Annual General Meeting on 28 May 2026. The Audit Committee comprises three independent non-executive Directors, namely, Mr. Lam Siu Wing, Mr. Wang Hong Guang and Mr. Xu Pei Long. Mr. Lam Siu Wing was appointed as the chairman of the Audit Committee. Mr. Lam Siu Wing possesses professional accounting qualifications and extensive experience in financial compliance and management. The composition of the Audit Committee meets the requirements under Rule 3.21 of Listing Rules.

The Audit Committee reviews the accounting principles and practices adopted by the Group as well as the internal controls to check whether they comply with the Listing Rules, and reviews issues regarding auditing, internal controls, risk management and financial reporting. The Audit Committee reviewed the Group’s unaudited interim results for the six months ended 30 June 2026 before proposing to the Board for approval.

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

PUBLICATION OF INTERIM REPORT

This interim results announcement is published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>), Shanghai Stock Exchange (<http://www.sse.com.cn>) and the Company (<http://www.fdzj.com>). The interim report of the Company for the six months ended 30 June 2026 containing all the information required by the Hong Kong Listing Rules will be despatched to the shareholders and made available for review on the aforesaid websites in due course.

By order of the Board
Zhao Da Jun
Chairman

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

Mr. Zhao Da Jun (Executive Director)

Ms. Xue Yan (Executive Director)

Mr. Zhong Tao (Non-executive Director)

Ms. Yu Xiao Yang (Non-executive Director)

Mr. Wang Hong Guang (Independent Non-executive Director)

Mr. Lam Siu Wing (Independent Non-executive Director)

Mr. Xu Pei Long (Independent Non-executive Director)

Ms. Qu Ya Nan (Employee Director)

Shanghai, the PRC

14 August 2026

** For identification purpose only*