SINO BIOPHARMACEUTICAL LIMITED

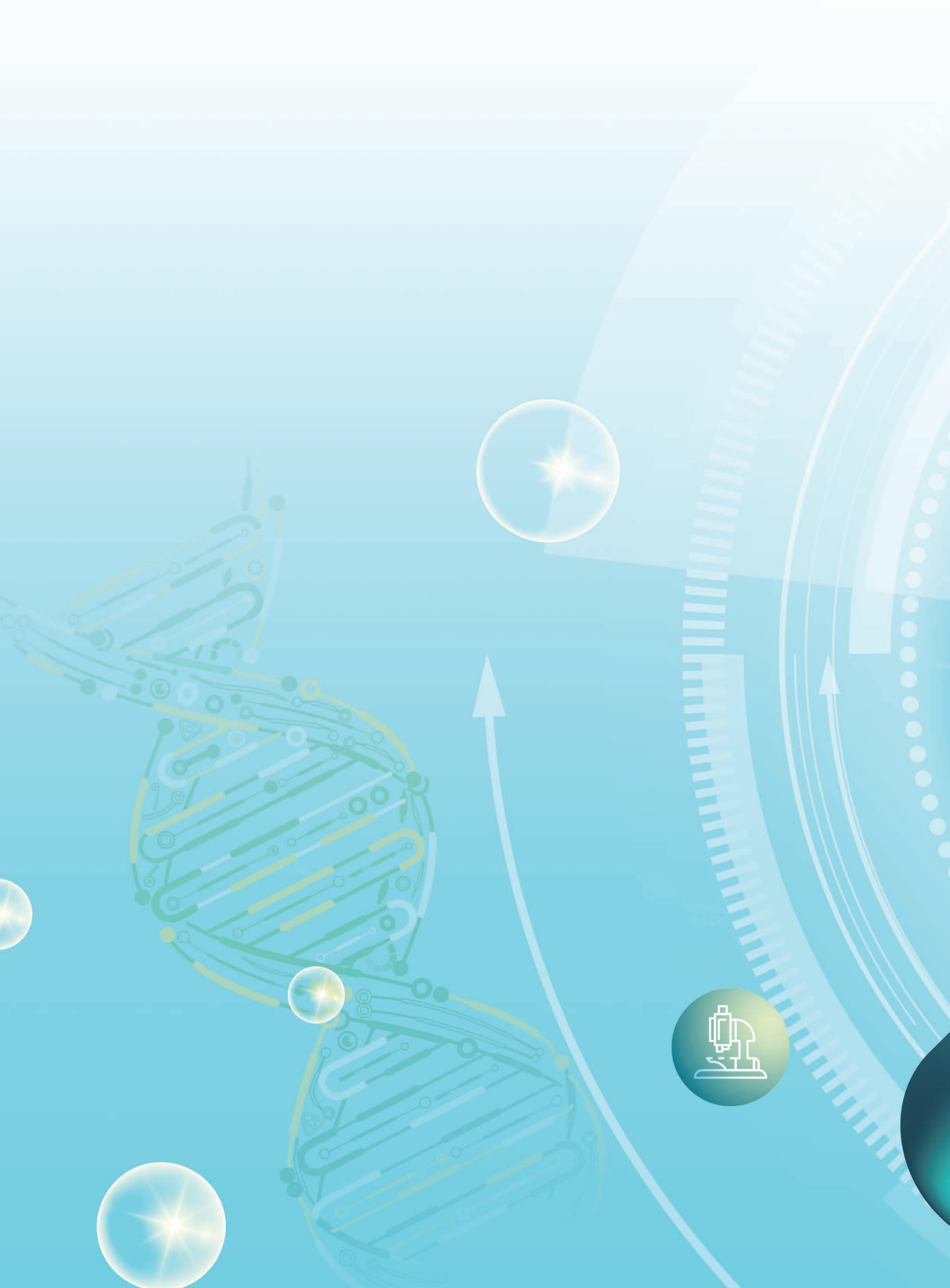
中國生物製藥有限公司

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 1177)

Annual Report

2024



Contents

Corporate Profile

Principal products

Oncology medicines:

- Focus V (Anlotinib Hydrochloride Capsules),
- Annike (Penpulimab Injection),
- Yilishu (Efbemalenograstim alfa Injection),
- Andewei (Benmelstobart Injection),
- Anboni (Unecritinib Fumarate Capsules),
- Anluoqing (Envonalkib Citrate Capsules),
- Anfangning (Garsorasib Tablets),
- Anbeisi (Bevacizumab Injection),
- Delituo (Rituximab Injection),
- Saituo (Trastuzumab for Injection),
- Paletan (Pertuzumab Injection)

Respiratory medicines:

- Tianqing suchang (Budesonide Suspension for Inhalation),
- Tianyun (Colistimethate Sodium for Injection)

Liver disease medicines:

- Tianqing ganmei (Magnesium Isoglycyrrhizinate Injection),
- Runzhong (Entecavir Dispersible Tablets)

Surgery/analgesia medicines:

- Zepolas (Flurbiprofen Cataplasms),
- Kailitong (Limaprost Tablets),
- Anhengji (Recombinant Human Coagulation Factor VIII for Injection)

Corporate Profile

Sino Biopharmaceutical Limited (the "Company" or "Sino Biopharm", together with its subsidiaries, the "Group") is a leading, innovative R&D-driven pharmaceutical conglomerate in China. It prides itself on a fully-integrated industrial chain, covering various R&D platforms, intelligent production operations and a formidable sales system. Its products including biopharmaceutical and chemical medicines enjoy an advantageous position in a host of therapeutic areas, such as oncology, liver diseases, respiratory diseases and surgery/analgesia.

The Company was listed on the Hong Kong Stock Exchange in 2000 and included in 2013 as a constituent stock of MSCI Global Standard Indices – MSCI China Index, Hang Seng Index in 2018, and Hang Seng Connect Biotech 50 Index and Hang Seng China (Hong Kong-listed) 25 Index in 2020. It has been six years in a row among the "Top 50 Global Pharmaceutical Enterprises" named by the US authoritative magazine Pharm Exec and was for three consecutive years among the "Asia's Fab 50 Companies" named by Forbes Asia.

The subsidiaries of Sino Biopharm are located in Beijing, Shanghai, Nanjing, Lianyungang and multiple manufacturing sites. Since its inception, the Company has continued to boast outstanding achievements and robust growth. Its core member companies Chia Tai Tianqing Pharmaceutical Group Co. Ltd. and Beijing Tide Pharmaceutical Co. Ltd. have been among the "Top 100 Chinese Pharmaceutical Industry Enterprises" for years.

Sino Biopharm will continue to deliver its mission of "Science for a Healthier World" and focus on developing innovative therapies for patients. It is committed to becoming a world-leading pharmaceutical company.

The medicines which have received Good Manufacturing Practice ("GMP") certifications issued by the National Medical Products Administration of the PRC are in the following dosage forms: large volume injections, small volume injections, PVC-free soft bags for intravenous injections, capsules, tablets, powdered medicines and granulated medicines. The Group also received the GMP certification for health food in capsules from the Department of Health of Jiangsu Province.

The Group's principal subsidiaries include: Chia Tai Tianqing Pharmaceutical Group Co. Ltd. ("CT Tianqing"), Beijing Tide Pharmaceutical Co. Ltd. ("Beijing Tide"), Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. ("NJCTT"), Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd. ("Jiangsu CT Fenghai"), Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd. ("Jiangsu CT Qingjiang") and invoX Pharma Limited ("invoX"). NJCTT, Jiangsu CT Qingjiang and Jiangsu CT Fenghai have been designated "Engineering Technological Research Centre for treating tumors and cardio-cerebral phytochemistry medicines of Jiangsu Province", "Engineering Technological Research Centre for orthopedic medicines" and "Engineering Technological Research Centre for parenteral nutritious medicines" by the Science and Technology Committee of Jiangsu Province, respectively.

Named by the Ministry of Human Resources and Social Security of the PRC as a "Postdoctoral Research and Development Institute", the research center of CT Tianqing is also the only "New Hepatitis Medicine Research Center" in the country.

Beijing Tide obtained the renewed GMP certification for foreign pharmaceutical company from the Public Welfare and Health Ministry of Japan in December 2012. Japanese pharmaceutical enterprises can assign the manufacturing of aseptic pharmaceutical products (products that are under research and products already launched to the domestic market within Japan) to Beijing Tide for export to Japan.

Corporate Profile

2010 Mar

Constituent stock of Hang Seng Composite Industry Index

The Company was selected as a constituent stock of Hang Seng Composite Industry Index – Consumer Goods and Hang Seng Composite SmallCap Index with effect from 8 March 2010.

2011 Sep

First certificate of new edition GMP

In September 2011, CT Tianqing received the first certificate of new edition GMP (Certificate No. CN20110001) issued by the State Food and Drug Administration of the PRC for its small volume (injection) dosage.

2013 May

Constituent of the MSCI Global Standard Indices' MSCI China Index

The Company became a constituent of the MSCI Global Standard Indices' MSCI China Index with effect from the close of trading on 31 May 2013.

2016, 2017 and 2018

Asia Fab 50 Companies

The Company was included in Forbes Asia's "Asia Fab 50 Companies" for three consecutive years in 2016, 2017 and 2018.

Corporate Profile

2018 Sep

Constituent stock of the Hang Seng Index

The Company was selected as a constituent stock of the Hang Seng Index with effect from 10 September 2018.

2020 Mar

Hang Seng Connect Biotech 50 Index

The Company was selected as a constituent stock of Hang Seng Connect Biotech 50 Index on 23 March 2020.

2019 to 2024

Top 50 Companies for six consecutive years from 2019 to 2024

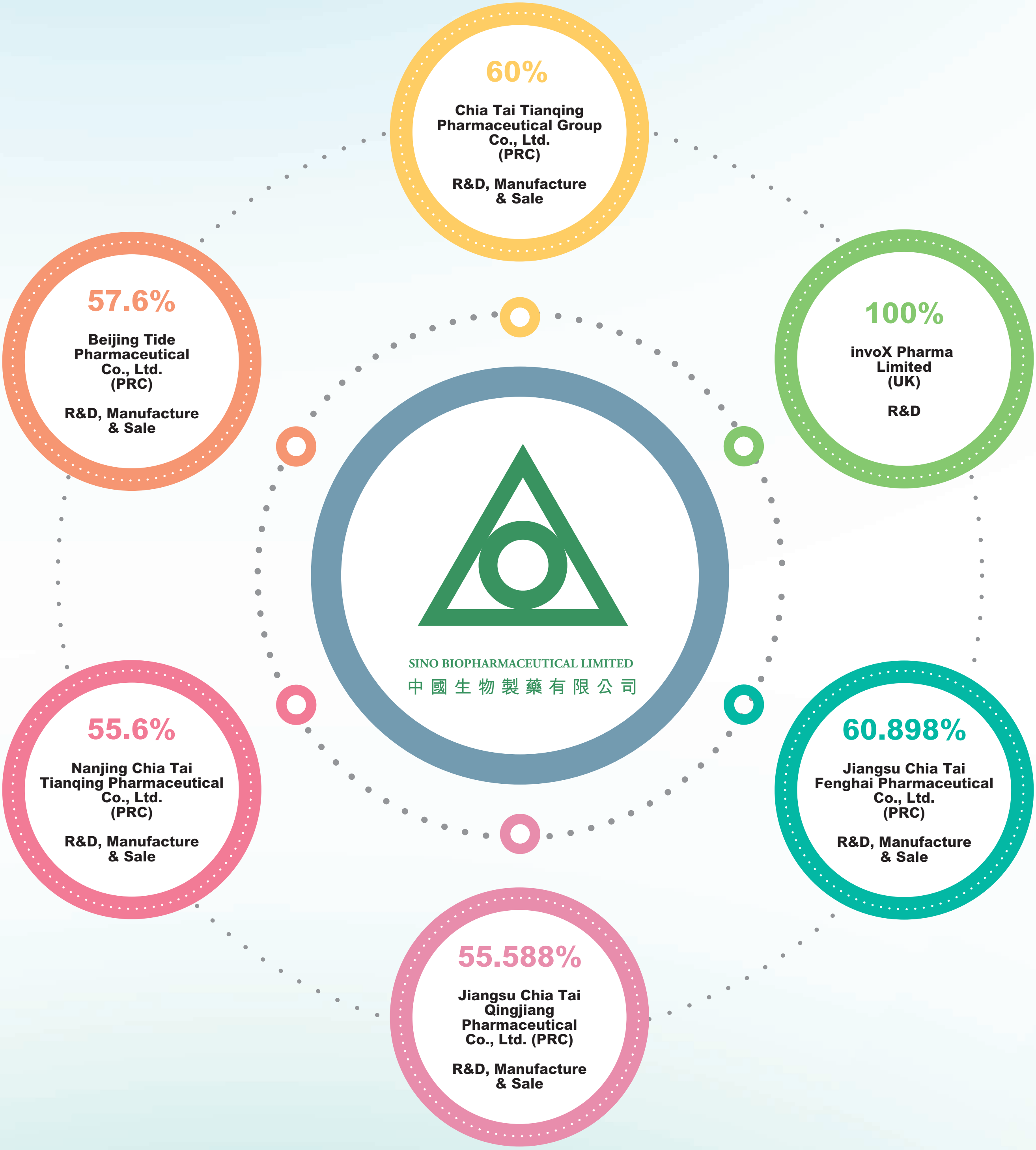
The Company was included in American Magazine Pharm Exec's Top 50 Companies for six consecutive years from 2019 to 2024.

The Group's website: http://www.sinobiopharm.com

Corporate Profile

PRINCIPAL SUBSIDIARIES OF THE GROUP

Fig 1.1



Financial Summary

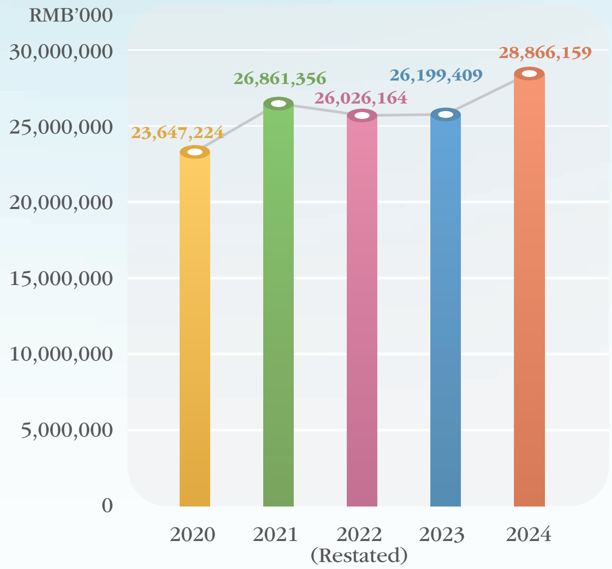
A summary of the published results and assets, liabilities, net assets and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

	2024 RMB'000	2023 RMB'000	2022 RMB'000 (Restated)	2021 RMB'000	2020 RMB'000
CONTINUING OPERATIONS					
REVENUE	**28,866,159**	26,199,409	26,026,164	26,861,356	23,647,224
Cost of sales	**(5,336,218)**	(4,989,877)	(4,487,616)	(5,332,095)	(5,182,320)
Gross profit	**23,529,941**	21,209,532	21,538,548	21,529,261	18,464,904
Other income	**1,207,037**	756,097	493,718	644,956	599,202
Other (losses)/gains, net	**(1,184,526)**	(142,816)	(258,733)	251,694	469,054
Selling and distribution costs	**(10,077,966)**	(9,193,351)	(9,809,372)	(10,518,393)	(8,972,635)
Administrative expenses	**(2,081,510)**	(1,873,284)	(1,899,408)	(2,185,234)	(2,655,926)
Other expenses	**(6,201,656)**	(4,703,660)	(4,463,322)	(4,633,841)	(2,758,957)
Including: Research and development costs	***(5,089,203)***	*(4,402,973)*	*(4,164,498)*	*(3,677,259)*	*(2,626,709)*
Finance income	***499,564***	*378,335*	*195,908*	*162,057*	*194,003*
Finance costs	***(295,117)***	*(495,237)*	*(429,494)*	*(308,617)*	*(323,368)*
Net finance income/(costs)	**204,447**	(116,902)	(233,586)	(146,560)	(129,365)
Share of profits and losses of associates and joint ventures	**(118,299)**	(525,710)	(152,976)	13,630,790	(3,233)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**5,277,468**	5,409,906	5,214,869	18,572,673	5,013,044
Income tax expenses	**(492,918)**	(797,267)	(696,716)	(1,957,880)	(672,377)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**4,784,550**	4,612,639	4,518,153	16,614,793	4,340,667
DISCONTINUED OPERATIONS					
Profit for the year from discontinued operations	**1,580,132**	484,759	484,465	–	–
PROFIT FOR THE YEAR	**6,364,682**	5,097,398	5,002,618	16,614,793	4,340,667
Attributable to:					
Owners of the parent	**3,499,834**	2,331,939	2,543,570	14,608,412	2,771,086
Non-controlling interests	**2,864,848**	2,765,459	2,459,048	2,006,381	1,569,581
	6,364,682	5,097,398	5,002,618	16,614,793	4,340,667
TOTAL ASSETS	**65,408,069**	63,604,819	64,064,284	60,543,337	47,210,438
TOTAL LIABILITIES	**(22,633,999)**	(25,434,866)	(26,120,736)	(22,814,314)	(24,790,880)
NET ASSETS	**42,774,070**	38,169,953	37,943,548	37,729,023	22,419,558
NON-CONTROLLING INTERESTS	**(10,813,281)**	(7,695,484)	(8,196,513)	(7,437,907)	(5,672,398)

Financial Summary

REVENUE

Fig.1.2



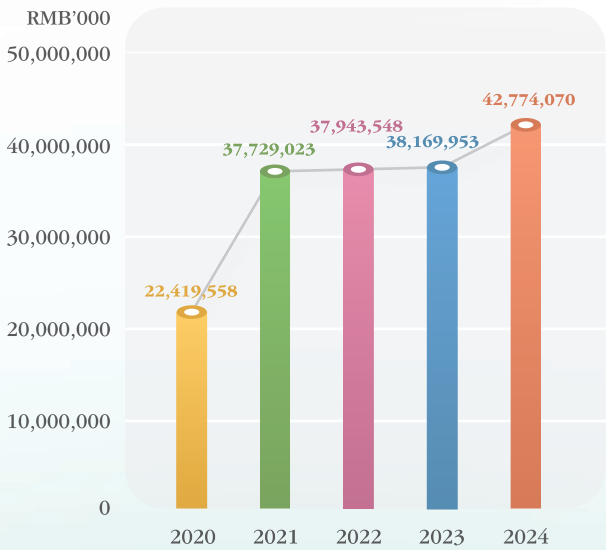
GROWTH OF OPERATING PROFIT*

Fig.1.3

* Operating profit = gross profit – selling and distribution costs – administrative expenses – research and development costs

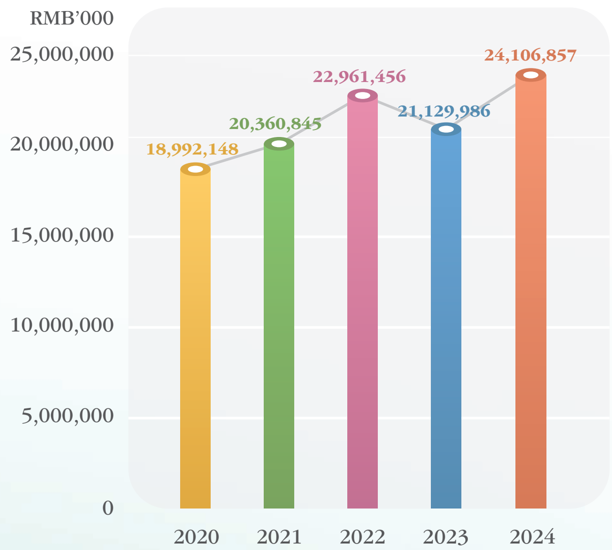
NET ASSETS VALUE

Fig.1.4



FUND RESERVE*

Fig.1.5



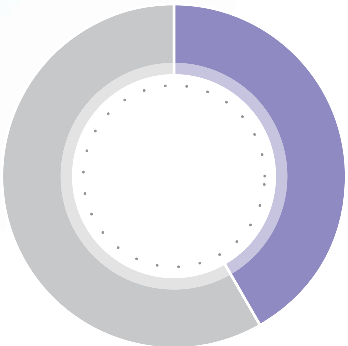
* Including current and non-current bank deposit and wealth management products

Financial Summary

INNOVATIVE PRODUCTS

Innovative products include innovative drugs and biosimilars.

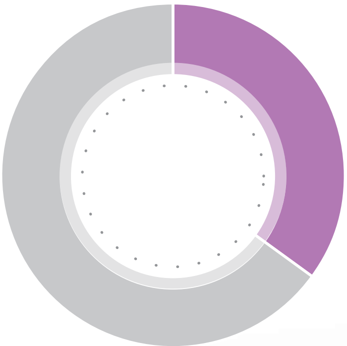
Fig.1.6



Total revenue:
RMB **12.06** billion,
represented **41.8**%

NEW PRODUCTS

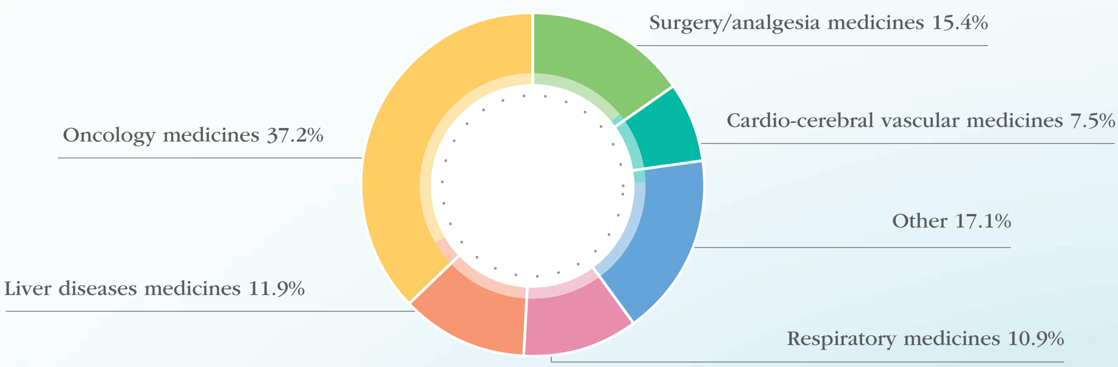
Products launched within five years.



Total revenue:
RMB **10.09** billion,
represented **35.0**%

REVENUE BY THERAPEUTIC CATEGORIES (2024)

Fig.1.7



Chairwoman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to report the results of the Group for the year ended 31 December 2024.

Industry Overview

2024 was a pivotal year for the transformation and development of China's pharmaceutical industry, with opportunities and challenges coexisting. Driven by the country's continued efforts to deepen the reform of the pharmaceutical and healthcare system, the barriers restricting innovation have been gradually removed, the pharmaceutical industry has accelerated its transformation and upgrading, and the new quality productive forces have grown rapidly. Benefiting from significant achievements in innovative R&D, new therapies and technologies have continued to emerge. However, the industry is still in a critical period of transition from old to new momentum, so the overall recovery of the pharmaceutical manufacturing industry is relatively weak. According to data from the National Bureau of Statistics of China, the total operating revenue of China's above-scale pharmaceutical manufacturing industry was RMB2,529.85 billion, the same as last year, while total profit decreased by 1.1% year-on-year to RMB342.07 billion.

As the pharmaceutical sector continues to deepen its anti-corruption work, the industry ecosystem has been systematically purified, laying a solid foundation for the high-quality and sustainable development of the industry. In May 2024, 14 ministries and commissions, including the National Health Commission, jointly published the "Key Work Points for Correcting Unhealthy Tendency in the Field of Purchase and Sale of Medicinal Products and Medical Treatment Services in 2024", which coordinated the centralized rectification of corruption issues in the country's pharmaceutical industry and improved the long-term regulatory system to ensure the healthy development of the industry. In October 2024, the State Administration for Market Regulation issued the "Compliance Guidelines for Healthcare Companies to Prevent Commercial Bribery Risks (Draft for Public Comment)". As the industry's first national compliance guideline, the document clearly defines the commercial bribery risk in nine key scenarios, including academic visits and exchanges, reception, clinical trials, and retail sales, with the aim of guiding companies to operate in accordance with the law, maintain fair market competition, and promote the long-term and healthy development of the industry.

The government also stepped up efforts to launch policies that encourage pharmaceutical innovation, guiding the industry to shift from following or imitating innovation to original innovation. In February 2024, the National Healthcare Security Administration issued the "Notice on Establishing an Initial Price Formation Mechanism for Newly Launched Chemical Drugs to Encourage High-Quality Innovation (Draft for Public Comment)", which gives more pricing freedom to high-quality innovative drugs, advocates return on investment commensurate with risk, and promotes the positive cyclical development of innovation. In July 2024, the State Council reviewed and approved the "the Whole Chain Support for Innovative Drug Development Implementation Plan", emphasizing the need to strengthen policy support for the entire chain, including R&D, approval, hospital admission, payment, investment and financing, and jointly promote breakthroughs in the development of innovative drugs.

While vigorously encouraging innovation and optimizing the industry ecosystem, the government has also continued to deepen the reform of the pharmaceutical and healthcare system, improving the quality and expanding the scope of Volume-based Procurement ("VBP") to effectively raise the level of healthcare security. Since 2018, the National Healthcare Security Administration has organized 10 batches of VBP and purchased 435 drugs in total. It has also conducted seven rounds of adjustments to the National Reimbursement Drug List ("NRDL") and negotiated the inclusion of 530 new drugs, which has greatly promoted the quality enhancement and upgrading of the pharmaceutical industry. In 2024, the tenth batch of VBP products accounted for only 1% of the Group's total revenue, and the related risks have basically been removed. In addition, Anboni (Unecritinib Fumarate Capsules) and Anluoqing (Envonalkib Citrate Capsules), two category 1 innovative drugs independently developed by the Group, were newly included in the NRDL and are expected to benefit more patients.

Chairwoman's Statement

BUSINESS REVIEW

During the reporting period, the Group had a total of six innovative products approved for marketing by the National Medical Products Administration of China ("NMPA"), namely Andewei (Benmelstobart Injection), Anboni (Unecritinib Fumarate Capsules), Anluoqing (Envonalkib Citrate Capsules), Anfangning (Garsorasib Tablet), Paletan (Pertuzumab Injection) and Beilelin (Liraglutide Injection), four of which are national category 1 innovative drugs, making Sino Biopharm the company with the highest number of category 1 innovative drugs approved in 2024. During the year, the Group's revenue from innovative products reached RMB12,059.92 million, a year-on-year increase of 21.9%. In addition to innovative products, the Group has 28 generic drugs approved for marketing by the NMPA. The overall revenue of generic drugs achieved positive growth in 2024. New products are an important driver of the Group's revenue growth. In 2024, the Group's revenue from new products launched within five years reached RMB10,090.84 million, representing a year-on-year increase of 25.4%.

Oncology

– Focus V (Anlotinib Hydrochloride Capsules) is a new type of small molecule multi-target tyrosine kinase inhibitor. It has been approved for seven indications: first-line small cell lung cancer, third-line non-small cell lung cancer, third-line small cell lung cancer, soft tissue sarcoma, medullary thyroid cancer, differentiated thyroid cancer and second and third line endometrial cancer. The marketing applications of three new indications have been submitted to the Center for Drug Evaluation of the China National Medical Products Administration ("CDE"), including anlotinib in combination with benmelstobart for first-line advanced unresectable or metastatic renal cell carcinoma, anlotinib in combination with chemotherapy for first-line advanced unresectable or metastatic soft tissue sarcoma, and anlotinib in combination with penpulimab for first-line advanced hepatocellular carcinoma. In addition, three pivotal clinical trials for new indications have shown positive results. The Group will submit new marketing applications to the CDE for these indications in the near future, including: benmelstobart with or without anlotinib for the consolidation therapy of locally advanced/unresectable (stage III) non-small cell lung cancer that has not progressed after concurrent/sequential chemoradiotherapy, anlotinib in combination with benmelstobart for advanced acinar soft tissue sarcoma, and benmelstobart in combination with chemotherapy followed by sequential combination with anlotinib for first-line advanced squamous non-small cell lung cancer. In addition, anlotinib is in Phase III clinical studies for a number of new indications, including first-line non-squamous non-small cell lung cancer and first-line colorectal cancer. It is expected that marketing applications will be submitted gradually in the next few years.

– Yilishu (Efbemalenograstim alfa Injection) is a third-generation long-acting granulocyte colony stimulating factor (G-CSF) used to prevent and treat neutropenia in cancer patients after chemotherapy. Efbemalenograstim alfa has completed three global multi-center, randomized, and controlled pivotal Phase III clinical trials, and has been compared with the commonly used short-acting and long-acting G-CSF drugs in clinical practice, proving its efficacy and safety. Efbemalenograstim alfa forms a dimer through the Fc fusion protein, without PEG modification, which better avoids the immune response caused by PEG. It has the notable advantages of high stability and low immunogenicity, allowing early administration and therefore better patient compliance. In December 2023, Efbemalenograstim alfa was successfully included in the NRDL, and its sales volume accelerated in 2024, becoming an important contributor to the Group's revenue growth.

– Andewei (Benmelstobart Injection) is a humanized PD-L1 monoclonal antibody that was approved by the NMPA in April 2024 for use in combination with anlotinib, carboplatin, and etoposide in the first-line treatment of extensive-stage small cell lung cancer. In November 2024 it was approved by the NMPA in combination with anlotinib to treat recurrent or metastatic endometrial cancer that has failed prior systemic anti-tumour therapy and is not eligible for curative surgery or curative radiotherapy, that is non-microsatellite instability-high (non-MSI-H) or non-deficient mismatch repair (non-dMMR). A Phase III clinical study (ETER701) showed that the median progression-free survival (mPFS) of benmelstobart in combination with anlotinib and chemotherapy for the first-line treatment of extensive-stage small cell lung cancer was 6.9 months and the median overall survival (mOS) was 19.3 months, both of which were the highest in the history of registrational trials. The results of the study have been published in the authoritative international medical journal "Nature Medicine". At present, the Group is accelerating the clinical development of the combination of benmelstobart and anlotinib. Among them, the marketing application has been submitted to the CDE for the indication of first-line renal cell carcinoma, and the marketing applications of consolidation therapy after chemoradiotherapy for non-small cell lung cancer, alveolar soft tissue sarcoma, first-line squamous non-small cell lung cancer and other indications will be submitted to the CDE in the near future. In the next few years, the Group will continue to expand the indication coverage and explore the clinical value of this combination.

– Anboni (Unecritinib Fumarate Capsules) is a small molecule inhibitor of tyrosine kinase ROS1/ALK/c-Met, which was approved by the NMPA in April 2024 for the treatment of ROS1-positive locally advanced or metastatic non-small cell lung cancer. It is the first domestically produced targeted drug approved for the treatment of ROS1-positive non-small cell lung cancer. The pivotal Phase II clinical data showed that the efficacy of Unecritinib in the treatment of ROS1-positive non-small cell lung cancer has overcome the existing treatment bottleneck. Patients achieved deep and long-lasting responses regardless of the presence of brain metastases, with good safety and tolerability. It has the advantages of high efficacy and low toxicity. Unecritinib was successfully included in the NRDL in 2024.

– Anluoqing (Envonalkib Citrate Capsules) is a novel ALK inhibitor, which was approved by the NMPA in June 2024 for the treatment of patients with ALK-positive locally advanced or metastatic non-small cell lung cancer who have not been treated with ALK inhibitors. Phase III clinical data showed that compared with crizotinib, envonalkib can significantly extend progression-free survival in previously untreated patients with ALK-positive non-small cell lung cancer, and can significantly delay disease progression in patients with brain metastases or reduce the risk of brain metastases progression. Envonalkib was successfully included in the NRDL in 2024.

– Anfangning (Garsorasib Tablets) is a novel and highly effective KRAS G12C inhibitor that was approved for marketing by the NMPA in November 2024 for the treatment of advanced non-small cell lung cancer with KRAS G12C mutation that has received at least one systemic treatment. The pivotal Phase II clinical data showed that garsorasib achieved an objective response rate (ORR) of 52.0%, mPFS of 9.1 months, and mOS of 14.1 months in the treatment of KRAS G12C mutant non-small cell lung cancer. It is currently the targeted drug with the longest OS among KRAS G12C inhibitors marketed worldwide. In June 2024, two indications of garsorasib were granted Breakthrough Therapy Designation by the CDE, namely: 1) for the treatment of locally advanced or metastatic pancreatic ductal adenocarcinoma with KRAS G12C mutation that has failed first-line treatment; and 2) in combination with cetuximab for the treatment of KRAS G12C mutation-positive and surgically unresectable locally advanced or metastatic colorectal cancer. The Group has initiated a Phase II single-arm registrational clinical trial of garsorasib for the treatment of KRAS G12C mutation-positive locally advanced or metastatic pancreatic cancer. The Group will further explore the multi-indication potential of garsorasib, which is expected to become another blockbuster product in the oncology field.

Chairwoman's Statement

- Anbeisi (Bevacizumab Injection), Delituo (Rituximab Injection), Saituo (Trastuzumab for Injection), and Paletan (Pertuzumab Injection) were approved for marketing by the NMPA in February 2023, May 2023, July 2023, and December 2024, respectively. Anbeisi (Bevacizumab Injection) is approved for the treatment of metastatic colorectal cancer, recurrent glioblastoma, and advanced, metastatic or recurrent non-small cell lung cancer. Delituo (Rituximab Injection) is approved for treating non-Hodgkin's lymphoma (follicular lymphoma, CD20-positive diffuse large B-cell lymphoma, and chronic lymphocytic leukemia). Saituo (Trastuzumab for Injection) is approved for the treatment of HER2-positive early breast cancer, metastatic breast cancer and metastatic gastric cancer. Paletan (Pertuzumab Injection) is approved for the treatment of HER2-positive early breast cancer and metastatic breast cancer. The rapid increase in the volume of these biosimilars in 2024 has accelerated the Group's revenue growth.

- Regarding the R&D pipeline, as at the end of the reporting period, the Group had a total of 36 innovative oncology drug candidates in the clinical development stage or beyond, of which 3 were at the marketing application stage, 8 were in Phase III clinical trials or pivotal clinical trials, 11 were in Phase II clinical trials, and 14 were in Phase I clinical trials. In addition, the Group had 14 biosimilars or generic oncology drug candidates in the clinical development stage or beyond, including 6 at the marketing application stage, 2 in pivotal clinical trials, 1 in Phase I clinical trials, and 5 in bioequivalence ("BE") trials. The Group expects 6 innovative drugs and 8 biosimilars or generic drugs in the oncology field to be approved for marketing in the next three years (2025-2027).

- TQB3616 (CDK2/4/6 inhibitor) submitted a marketing application to the CDE in July 2024 for the treatment of HR-positive, HER2-negative locally advanced or metastatic breast cancer in combination with fulvestrant. TQB3616 is a novel CDK2/4/6 inhibitor. Research results show that compared with abemaciclib, the inhibitory effect of TQB3616 on CDK2 and CDK4 is further enhanced, and its enhanced inhibitory activity may help overcome the current drug resistance problem of CDK4/6 inhibitor. At the annual meeting of the Chinese Society of Clinical Oncology (CSCO) in 2024, the Group announced (in the form of oral presentations) the latest data of Phase III study of TQB3616 combined with fulvestrant for HR-positive and HER2-negative advanced breast cancer previously treated with endocrine therapy: ORR was 40.21%, mPFS was 16.62 months, and mOS had not been reached. In addition to the approved indications, the Group is also actively advancing the Phase III clinical trials of TQB3616 for first-line treatment and postoperative adjuvant treatment of HR-positive and HER2-negative breast cancer, and expects to gradually submit marketing applications over the next two years. Based on the excellent clinical data of TQB3616 and its coverage of multi-line patients in first-line, second-line and adjuvant treatment of breast cancer, the Group is confident that TQB3616 will become another blockbuster product in the field of oncology.

- TQ05105 (JAK/ROCK inhibitor) submitted a marketing application to the CDE in July 2024 for the treatment of moderate and high-risk myelofibrosis. It is the fastest developing JAK/ROCK inhibitor in the world. At the annual meeting of the American Society of Hematology (ASH) in 2024, the Group announced the results of three studies on TQ05105 in the form of oral presentations, including a Phase Ib clinical study in patients with myelofibrosis who were refractory or relapsed or intolerant to ruxolitinib, a Phase Ib/IIa clinical study in patients with glucocorticoid-refractory or -dependent chronic graft-versus-host disease, and a Phase I clinical study in patients with hemophagocytic lymphohistiocytosis. The Group is accelerating the advancement of several clinical trials of TQ05105 to fully realize its clinical value.

– LM-108 (CCR8 monoclonal antibody) is an ADCC-enhanced CCR8 humanized monoclonal antibody. It is currently undergoing a Phase II registrational clinical trial in China, combining with PD-1 monoclonal antibody for the treatment of patients with unresectable or metastatic advanced MSI-H/dMMR solid tumors who have previously failed anti-PD-1/PD-L1 therapy. Its development progress ranks first among the same target projects in China and among the top three in the world. LM-108 is a promising tumor immunotherapy that can specifically eliminate tumor-infiltrating regulatory T cells (Treg) and enhance the immune killing effect on tumor cells without affecting peripheral Treg. As shown by the data from early explorations and clinical studies, LM-108 demonstrates good safety and efficacy in the treatment of gastric cancer, pancreatic cancer, lung cancer, breast cancer and other solid tumors, and is expected to provide better treatment options for patients with advanced tumors.

– M701 (CD3/EpCAM bispecific antibody) is the first independently developed CD3/EpCAM bispecific antibody to enter clinical trials in China. It is currently undergoing Phase III clinical trials in China and is intended to be developed for the treatment of malignant pleural effusion and malignant ascites caused by tumors. M701 targets both the tumor cell target EpCAM and the immune T cell activation target CD3, and bridges tumor cells and immune T cells through dual-target binding, thereby inducing T cells to kill tumor cells. Malignant pleural effusion and ascites is a common complication in patients with advanced cancer, but there is currently a lack of effective standard treatment options in clinical practice, and puncture drainage combined with local pleural or peritoneal infusion of drugs is still the primary treatment. Compared with the current primary clinical treatments, M701 has better safety and efficacy, and is expected to become the first standard treatment for malignant pleural effusion and ascites in China.

– FS222 (CD137 agonist/PD-L1 inhibitor) is a novel tetravalent bispecific antibody currently in Phase I clinical trials as a single agent for the treatment of patients with advanced solid tumors. The Group announced the latest research results of the Phase I clinical trials of FS222 in the form of an oral report at the 2024 annual meeting of the American Society of Clinical Oncology (ASCO). The results of the study showed that FS222 exhibited strong anti-tumor activity in a variety of tumor types. Responses were observed in cutaneous melanoma, ovarian cancer, non-small cell lung cancer, mucosal melanoma, triple-negative breast cancer, mesothelioma, and MSS colorectal cancer. Notably, in patients with metastatic/advanced cutaneous melanoma who had previously received PD-1 antibody treatment, the ORR was 47.4%, and the disease control rate (DCR) was 68.4%. The Group will accelerate the clinical development of FS222 and continue to utilize the Group's proprietary antibody platform to develop more innovative drugs.

Liver Diseases

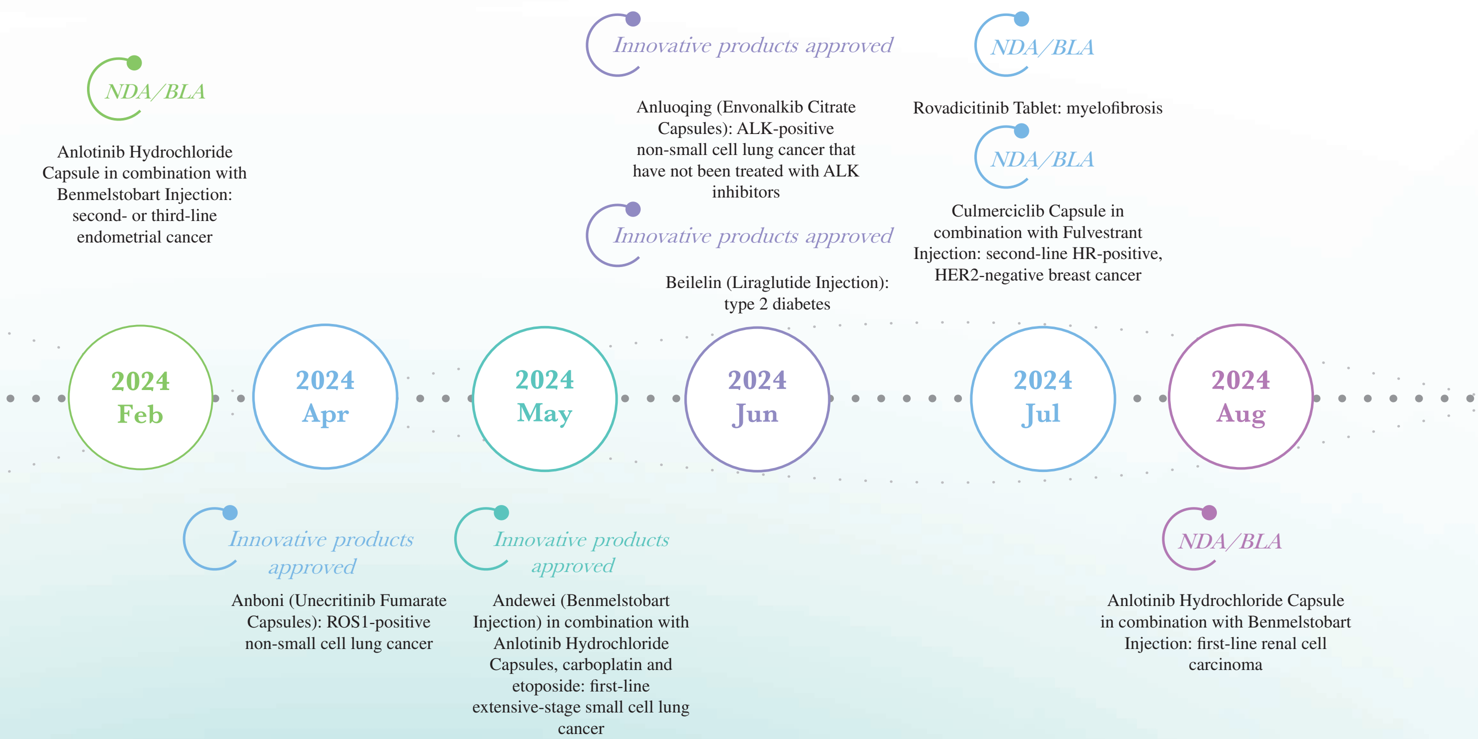
– Tianqing Ganmei (Magnesium Isoglycyrrhizinate Injection) is the fourth-generation of glycyrrhizic acid preparation that has been approved for three indications: chronic viral hepatitis, acute drug-induced liver injury, and improvement of liver dysfunction. Magnesium isoglycyrrhizinate is the world's first 99.9% purified alpha-glycyrrhizic acid. It has the advantages of strong liver targeting, excellent anti-inflammatory effects, and good safety. It has been recommended by the "Chinese Guideline for Diagnosis and Management of Drug-Induced Liver Injury (2023 Version)", the "Guideline for the Diagnosis and Treatment of Primary Liver Cancer (2024 Edition)", and other authoritative guidelines. It also has many studies presented at the annual meeting of the Asia Pacific Association for the Study of the Liver (APASL), the European Association for the Study of the Liver (EASL), and other internationally renowned academic conferences. The Group made efforts to strengthen the academic promotion, expanding doctor coverage and gaining

Chairwoman's Statement

recognition from experts through academic conferences at all levels, while vigorously exploring new patients to expand into new markets, and actively promoting retrospective research to provide more academic evidence for its clinical use.

– Regarding the R&D pipeline, as at the end of the reporting period, the Group had a total of 7 innovative liver diseases drug candidates in the clinical development stage or beyond, of which 1 was in Phase III clinical trials, and 6 were in Phase II clinical trials. In addition, the Group had 7 biosimilars or generic liver diseases drug candidates in the clinical development stage or beyond, including 3 at the marketing application stage, 2 in pivotal clinical trials, 1 in Phase I clinical trials, and 1 in BE trials. The Group expects 1 innovative drug and 5 biosimilars or generic drugs in the field of liver diseases to be approved for marketing in the next three years (2025-2027).

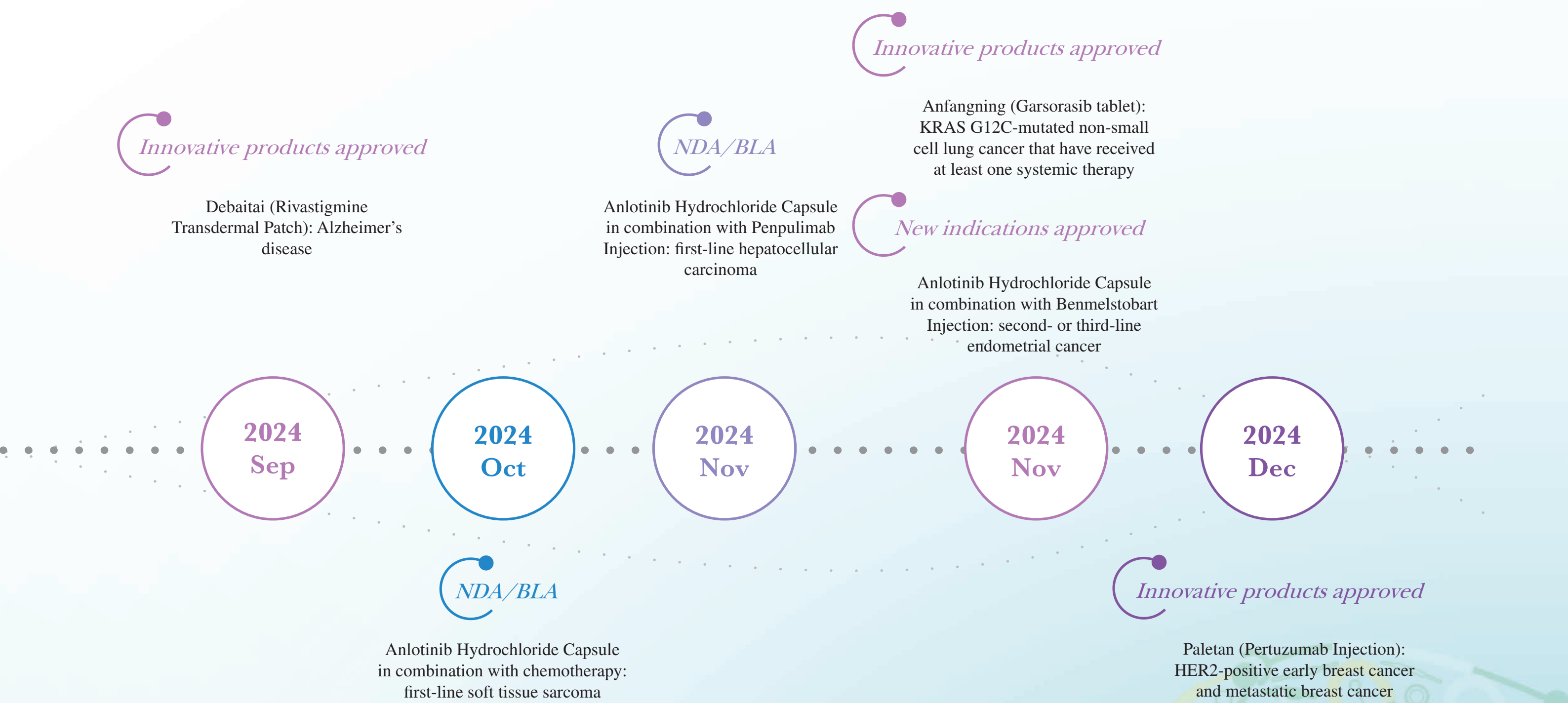
– Lanifibranor (pan-PPAR agonist) is an orally available small molecule drug that is currently undergoing Phase III clinical trials worldwide for the treatment of metabolic dysfunction-associated steatohepatitis (MASH). In a randomized, double-blind, placebo-controlled Phase IIb study in patients with MASH stage F1 to F3, Lanifibranor demonstrated excellent efficacy and good safety. The study met the primary endpoint and key secondary endpoint, and the results have been published in the authoritative international journal "New England Journal of Medicine" (NEJM). Lanifibranor regulates anti-fibrosis and anti-inflammatory pathways in vivo by activating three subtypes, PPARα, PPARβ/δ and PPARγ. Compared with single/dual subtype agonists, Lanifibranor targets all three subtypes, and its moderate and balanced pan-PPAR binding properties make the drug well tolerated. In July 2023, Lanifibranor was granted Breakthrough Therapy Designation by the CDE. Lanifibranor is China's first MASH drug to enter Phase III clinical trials and is expected to fill the gap in China's MASH market.



– TQA2225 (recombinant human FGF21-Fc fusion protein) is a fully human long-acting FGF21 fusion protein for the treatment of MASH. Phase II clinical trials are currently underway in China and all subjects have been enrolled. Compared with other similar targeted drugs, TQA2225 adopts pure natural human FGF21 as the active form, which reduces potential immunogenicity and has a good safety profile. Clinical studies have shown that FGF21 signal transduction can reverse many features of the pathogenesis of MASH and has the potential to reverse fibrosis, reduce liver fat, and improve blood sugar control. TQA2225 is the fastest-developing product among drugs with the same target in China, and is expected to become the first FGF21 fusion protein to be marketed in China.

Respiratory

– Tianqing Suchang (Budesonide Suspension for Inhalation) is China's first budesonide nebulized generic drug approved for marketing, breaking the long-term monopoly of branded drugs in the domestic market, and offering an effective, safe and economical high-end product for patients with chronic airway inflammation in China. The product has been included in the national VBP. The Group has taken a series of proactive management measures in a timely manner, including strengthening downstream channels, expanding market coverage and conducting secondary development in markets outside the scope of the VBP, enabling its sales to achieve steady growth in 2024.



– Tianyun (Colistimethate Sodium for Injection) is a first-to-market generic drug launched in 2021. It is China's first colistimethate sodium for injection approved for marketing, and was successfully included in the NRDL in 2023. Colistimethate sodium is one of the most widely used and evidence-based polymyxins in the world and has been recommended by the "Multi-Disciplinary Expert Consensus on the Optimal Clinical Use of the Polymyxins in China (2021)", "International Consensus Guidelines for the Optimal Use of the Polymyxins (2019)" and many other authoritative guidelines at home and abroad. At present, only two products with the same generic name have been approved in China. The Group continued to expand its market coverage through active academic promotion, and Tianyun's sales grew rapidly in 2024.

– Regarding the R&D pipeline, as at the end of the reporting period, the Group had a total of 11 innovative respiratory drug candidates in the clinical development stage or beyond, of which 2 were in Phase III clinical trials, 5 were in Phase II clinical trials, and 4 were in Phase I clinical trials. In addition, the Group has 13 biosimilars or generic respiratory drug candidates in the clinical development stage or beyond, including 6 at the marketing application stage, 2 in pivotal clinical trials, 1 in Phase I clinical trials, and 4 in BE trials. The Group expects 2 innovative drugs and 8 biosimilars or generic respiratory drugs to be approved for marketing in the next three years (2025-2027).

– TQC2731 (TSLP monoclonal antibody) is a humanized monoclonal antibody targeting TSLP, currently undergoing Phase III clinical trials in China. Its indications include severe asthma, chronic rhinosinusitis with nasal polyps and chronic obstructive pulmonary disease. It is the most rapidly developed domestically produced TSLP monoclonal antibody. Studies have shown that TSLP monoclonal antibody is not only effective in the treatment of eosinophilic asthma, but also shows significant efficacy in people with low eosinophilic phenotypes, so it can cover a wider range of patients with severe asthma. Currently, no TSLP monoclonal antibody has been approved for marketing in China. The Group will vigorously promote the clinical development of TQC2731 to address the unmet clinical needs.

– TDI01 (ROCK2 inhibitor) is a novel targeted and highly selective ROCK2 inhibitor currently in Phase II clinical development, and its indications include idiopathic pulmonary fibrosis and graft-versus-host disease. By highly selective inhibition of the ROCK2 signaling pathway, TDI01 can inhibit the progression of fibrosis, has anti-inflammatory and immunomodulatory effects, and has good therapeutic potential in the fields of pulmonary fibrosis and liver fibrosis. The Phase II clinical trial of TDI01 is nearing completion and the Phase III registrational clinical trial is expected to start in 2025. The Group believes that TDI01 has the potential to become a blockbuster drug and will vigorously promote its clinical development and continue to explore its applications in other fibrosis and related fields.

– TQC3721 (PDE3/4 inhibitor) is a dual PDE3/4 inhibitor that has completed Phase II clinical trials in China for the treatment of moderate to severe chronic obstructive pulmonary disease. PDE3 mainly acts on bronchial smooth muscle. PDE4 is mainly expressed in various inflammatory cells. TQC3721 can reduce off-target effects through dual-target inhibition and combines the dual activities of bronchiectasis and anti-inflammation in one compound. At present, no drug with the same target has been approved for marketing in China. TQC3721 is the fastest-developing domestic PDE3/4 dual inhibitor in China.

– TCR1672 (P2X3R antagonist) is a second-generation highly selective P2X3 receptor antagonist. It is currently undergoing Phase Ib/II clinical trials in China for the treatment of refractory chronic cough. In 2021, TCR1672 submitted an investigational new drug (IND) application to the FDA and obtained IND approval. Preclinical studies have shown that, compared with the first-generation P2X3 receptor antagonist, TCR1672 is more effective in vivo and in vitro, has better selectivity for P2X3 and P2X2/3, and is expected to have less clinical taste interference. Currently, there are no drugs targeting P2X3 on the market in China, and TCR1672 is expected to become one of the first three P2X3 receptor antagonists approved in China.

– TQH2722 (IL-4Rα monoclonal antibody) is a humanized monoclonal antibody that targets IL-4Rα. It is currently undergoing Phase III clinical trials in China. The proposed indications for development include atopic dermatitis, chronic rhinosinusitis with or without nasal polyps and seasonal allergic rhinitis. TQH2722 can lead to double blockade of IL-4 and IL-13 signals, inhibiting type 2 inflammatory pathways, thereby achieving control on type 2 inflammatory diseases, such as atopic dermatitis, asthma, and chronic sinusitis.

Surgery/Analgesia

– Zepolas (Flurbiprofen Cataplasms) is the first domestically produced cataplasms approved for marketing in China, ranking first in the market share of topical analgesia for many years. It is recommended by many guidelines, including the "Expert Consensus on Diagnosis and Treatment of Chronic Musculoskeletal Pain" and "Chinese Guidelines for the Treatment of Chronic Pain Disorders with Non-Opioid Analgesics". The Group focuses on the development of high-potential areas, further expanding its market coverage and gradually increasing its production capacity to meet the booming market demand. Sales of flurbiprofen cataplasms have maintained a growth trend in recent years and achieved breakthrough growth in 2024. The second-generation flurbiprofen patch developed by the Group is expected to be approved for marketing in 2025. By upgrading the dosage form, the product can significantly improve the transdermal absorption of the drug and enhance the adhesiveness of the plaster, thereby improving patient compliance. The Group will vigorously promote the professional marketing of this product and continue to expand the coverage of non-hospital retail channels.

– Regarding the R&D pipeline, as at the end of the reporting period, the Group had a total of 6 innovative surgical/analgesic drug candidates in the clinical development stage or beyond, of which 2 were at the marketing application stage, 1 was in Phase III clinical trials, 2 were in Phase II clinical trials, and 1 was in Phase I clinical trials. In addition, the Group had 8 biosimilars or generic surgical/analgesic drug candidates in the clinical development stage or beyond, including 6 at the marketing application stage, and 2 in pivotal clinical trials. The Group expects 4 innovative drugs and 8 biosimilars or generic drugs in the surgery/analgesic field to be approved for marketing in the next three years (2025-2027).

- PL-5 (Antimicrobial Peptide) submitted a marketing application to the CDE in December 2024. It is the first innovative antimicrobial peptide applied for marketing in China. PL-5 is used as a topical broad-spectrum anti-infective drug, intended to treat superficial secondary wound infection caused by staphylococcus aureus, staphylococcus epidermidis, pseudomonas aeruginosa, staphylococcus haemolyticus, acinetobacter baumannii, etc., including burn wound infection and physical injury wound infection. PL-5 is the first newly designed non-antibiotic antibacterial drug. It has a broad antibacterial spectrum, is less susceptible to resistance, and is highly effective in sterilization. It has good efficacy against local open wound infections, especially against drug-resistant strains. It has a good safety profile, with no entry to the blood circulatory system.

- TRD205 (AT2R inhibitor) is a highly selective inhibitor targeting AT2R. As a "first-in-class" drug candidate, it has been approved for clinical trials in China and the United States. It is currently undergoing Phase II clinical trials in China. Indications to be developed include chronic postoperative neuralgia and peripheral neuropathic pain. TRD205 accurately inhibits AT2R and blocks the pain sensitization signaling pathway, showing breakthrough potential in the areas of peripheral neuropathic pain and postoperative pain. Preclinical and early clinical data show that TRD205 can significantly reduce pain scores and has excellent safety (adverse reaction rate <15%), which is expected to solve the pain points of limited efficacy and high risk of addiction of traditional analgesics. At present, no other drugs with the same target have entered clinical trials worldwide. With its original mechanism and multi-indication layout, TRD205 may become the first innovative therapy to rewrite the paradigm of neuralgia treatment and seize the leading opportunity in the over US$10 billion pain treatment market.

- TRD303 (Ropivacaine sustained-release solution) is an innovative preparation that acts on sodium ion channels. It is currently undergoing Phase II clinical trials in China for postoperative long-acting analgesia (abdominal surgery, hip replacement surgery, etc.). TRD303 is administered topically by applying the drug to the wound site. After the wound is sutured, the drug can be slowly released. TRD303 has the characteristics of long-acting sustained release. After the drug comes into contact with body fluids, the drug will undergo a phase change to form a drug reservoir. This mechanism can not only effectively increase the concentration of the drug, but also achieve a sustained and slow release of the drug within 72 hours. The results of preclinical studies have shown TRD303 maintains its efficacy for a longer period and has a better safety profile than the short-acting postoperative analgesics currently used in clinical practice. In addition, TRD303's innovative topical drug delivery method can reduce the technical requirements for invasive drug delivery, reduce the irritation caused by invasive drug delivery, and avoid the risk of systemic toxicity caused by accidental injection into the blood vessel.

Awards

- On 21 March 2024, the 9th Annual Meeting of Medical Scientists was held in Beijing. The Group's subsidiary, Beijing Tide, won the honor of "'Driving Force Behind the Industry's Progress' – Top 10 Pharmaceutical Public Welfare Enterprises in 2023".

- On 28 March 2024, the 2024 PMC Pharmaceutical Investment, Financing and Trading Conference and the 2nd PharmCube TOP15 List Release Conference were held in Shanghai, and the Group was selected as one of the "Top 15 Chinese Innovative Drug Listed Companies Leading in Value".

- On 25 June 2024, the 2024 China Medical and Health. Industry Symbiosis Conference ("MHIS") was held in Huzhou, Zhejiang Province, and the Group ranked second in the "2023 Top 100 Chinese Chemical Pharmaceutical Enterprises List".

- On 30 June 2024, the China ESG Release event, jointly organized by China Media Group's Financial and Economic Program Center, the State-owned Assets Supervision and Administration Commission of the State Council, the All-China Federation of Industry and Commerce, and the Economic Research Think Tank of the Chinese Academy of Social Sciences, was held in Beijing. The Group was listed among "China's Top 100 ESG Listed Companies".

- On 16 July 2024, the S&P Global Sustainable Seminar and the "Sustainability Yearbook 2024 (China Edition)" Launch Ceremony were held in Beijing, and the Group was included in the "Sustainability Yearbook 2024 (China Edition)".

- On 10 August 2024, the 17th Health Industry (International) Ecology Conference -2024 CPEO was held in Boao, Hainan, and the Group ranked fourth in the "2024 Top 100 Companies in Pharmaceutical Industry Comprehensive Competitiveness Index".

- On 7 September 2024, the 41st China Pharmaceutical Industry Information Annual Conference was held in Chengdu, Sichuan. The Group's subsidiaries CT Tianqing and Beijing Tide were selected for inclusion in the "2023 Top 100 Companies in Chinese Pharmaceutical Industry List", and both were named among the "Best Industrial Enterprises in China for Pharmaceutical R&D Product Lines".

- On 11 September 2024, Healthcare Executive released the "Top 100 Chinese Pharmaceutical Innovative Enterprises" list, and the Group ranked third, up one place from last year.

- On 26 September 2024, Forbes China released its "2024 ESG Inspirational Cases" list, and the Group was selected as one of the 10 most representative ESG inspirational cases.

- On 13 November 2024, the 16th China Healthcare Summit of Entrepreneurs, Scientists and Investors was held in Chengdu, Sichuan, and the Group ranked third among the "Top 100 Chinese Pharmaceutical Innovative Enterprises" and was selected as one of the "Top 20 Chinese Pharmaceutical Listed Companies in ESG Competitiveness" and the "Top 10 Low-Carbon Pioneers among Chinese Pharmaceutical Listed Companies in Addressing Climate Change". Anlotinib Hydrochloride Capsules (trade name: Focus V), a category 1 innovative drug independently developed by the Group, was selected as one of the "2015-2030 Top 20 Blockbuster New Drugs in China".

- On 14 December 2024, the 4th China Biochemical Pharmaceutical Industry High-quality Development Conference was held in Beijing. Benmelstobart Injection (trade name: Andewei), a category 1 innovative drug independently developed by the Group, was recognized as an "Excellent Brand in Biochemical and Biopharmaceutical Products" for 2024.

- On 16 December 2024, the Ministry of Industry and Information Technology of the People's Republic of China announced the 2024 Green Manufacturing List, and NJCTT, a subsidiary of the Group, was selected as a "National Green Factory".

Chairwoman's Statement

FINANCIAL REVIEW

During the year, the Group recorded revenue of approximately RMB28,866.16 million, an increase of approximately 10.2% over last year (2023: RMB26,199.41 million). Gross profit was approximately RMB23,529.94 million, an increase of approximately 10.9% over last year (2023: approximately RMB21,209.53 million). The gross profit of the modernised Chinese medicines and chemical medicines segment was approximately RMB23,450.00 million, an increase of approximately 11.0% over last year (2023: approximately RMB21,124.85 million). The gross profit of other segments totaled approximately RMB79.94 million, a decrease of approximately 5.6% over last year (2023: approximately RMB84.68 million).

Profit attributable to the owners of the parent was approximately RMB3,499.83 million, an increase of approximately 50.1% over last year. Basic earnings per share attributable to the owners of the parent were approximately RMB19.13 cents, an increase of approximately 51.9% over last year. The significant increase in profit attributable to the owners of the parent was mainly driven by the notable growth in revenue and the gain on disposal of subsidiaries during the year. Excluding the profit attributable to the owners of the parent from the discontinued operations, the share of profits and losses of associates and joint ventures (net of related tax and non-controlling interests), one-off adjustments for the impairment and fair value changes of certain assets and liabilities (net of related tax and non-controlling interests), fair value losses/(gains) of current equity investments (net of related tax and non-controlling interests), share-based payments (net of related tax and non-controlling interests), effective interest expenses and exchange (gain)/loss of the convertible bond debt component, adjusted non-HKFRS profit attributable to the owners of the parent was approximately RMB3,456.96 million, an increase of approximately 33.5% over last year.

The Group's liquidity remains strong. With cash and bank balances classified under current assets of approximately RMB9,569.58 million, bank deposit classified under non-current assets of approximately RMB9,365.81 million, and the wealth management products of approximately RMB5,171.47 million in aggregate, the Group's total fund reserve was approximately RMB24,106.86 million at the year end.

PROSPECTS

In the global pharmaceutical industry structure, the Chinese pharmaceutical market has occupied a key position due to its huge volume, stable and increasing market demand, and strong innovation drivers. Its role in the global pharmaceutical development process has become increasingly prominent, and its influence on the global pharmaceutical industry is growing.

As a strategic industry closely linked to the national economy and people's livelihood, the pharmaceutical industry receives key support from national policies and incentives. In January 2025, the National Healthcare Security Administration announced that it would release the first edition of the Category C of NRDL within a year. As a supplement to the current Category A and B of NRDL, the Category C focuses on drugs that are not yet covered by medical insurance because they are beyond the "basic insurance coverage", but are highly innovative, have significant clinical value, and can greatly benefit patients. At the same time, the National Healthcare Security Administration will introduce incentives to facilitate the inclusion of Category C drugs within the coverage scope of affordable commercial health insurance, so as to realize the effective connection between the Category C and the basic medical insurance directory. This series of policies is expected to broaden the pricing flexibility of innovative drugs, improve their accessibility, and create a wider market prospect for such drugs.

The Group has closely followed national, social and industry development trends and continuously optimized its development strategy. Guided by the four main strategies of "organizational integration, comprehensive innovation, globalization, and digitalization", the Group has actively advanced its organizational structure, comprehensively improved its operational efficiency, focused on its four core therapeutic areas of oncology, liver diseases, respiratory and surgery/analgesia, and accelerated global deployment with innovation-driven development.

Committed to its vision "to be a leading global pharmaceutical company through delivering innovative therapies for patients", the Group has built an innovative development model driven by its dual engines of internal R&D and external business development. Over the years, the Group has adhered to comprehensive innovation, stepped up its R&D investment, and continued to strengthen its internal R&D capabilities. It has now built a comprehensive pipeline and product portfolio. At the same time, the Group has actively carried out business development and strategic cooperation, striving to become the best partner for global pharmaceutical and biotechnology enterprises. In April 2024, the Group entered into a strategic partnership with Boehringer Ingelheim to introduce its innovative cancer therapies to the Mainland China market. At present, the Group has entered the harvest period of its innovative development. It is expected that by 2027, the number of innovative products launched to the market will exceed 30, with revenue from innovative products accounting for over 55% of total revenue. This will further strengthen the Group's dominant position in the four main therapeutic areas and provide strong impetus for long-term sustainable growth.

The Group has comprehensively advanced its digitalization strategy with artificial intelligence (AI) as the core driving force. Currently, the Group has taken the lead in locally deploying cutting-edge AI models including DeepSeek and ChatGPT, deeply integrating these technologies to optimize key business scenarios such as cross-departmental collaboration, talent management, and supply chain management, thereby significantly improving operational efficiency. At the same time, through strategic investment and cooperation, the Group has partnered with emerging companies such as Insilico Medicine and XtalPi to explore the vast potential of AI in the fields of target screening, molecular design, and indication expansion, so as to drive a leap in R&D efficiency and quality. Going forward, the Group will continue to empower innovation and development with AI and use health technology to enrich more lives.

In addition to its foothold in China, the Group is also looking to the global market to accelerate innovation and development through its dual-pronged globalization strategy. Through this strategy, the Group will bring global pharmaceutical innovations to China and adapt them for practical use to benefit Chinese patients, while also expanding its presence in international markets to target unmet clinical needs worldwide. Looking ahead to 2025, the Group will continue to focus on innovation, step up the pace of globalization, drive rapid business growth and steady performance improvement, and contribute to the development of the global pharmaceutical industry.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to our shareholders for their trust, support and understanding, as well as to all our staff for their dedication and diligence.

CONTINUING OPERATIONS

The Group continues to focus on developing specialized medicines where its strengths lie so as to build up its brand in specialist therapeutic areas. The major therapeutic areas of the Group include oncology medicines, liver diseases medicines, respiratory medicines, surgery/analgesia medicines, cardiocerebral vascular medicines and others.

ONCOLOGY MEDICINES

For the year ended 31 December 2024, the sales of oncology medicines amounted to approximately RMB10,733.63 million, representing approximately 37.2% of the Group's revenue, an increase of approximately 22.0% over last year.

LIVER DISEASES MEDICINES

For the year ended 31 December 2024, the sales of liver diseases medicines amounted to approximately RMB3,437.95 million, representing approximately 11.9% of the Group's revenue, a decrease of approximately 10.1% over last year.

RESPIRATORY MEDICINES

For the year ended 31 December 2024, the sales of respiratory medicines and services amounted to approximately RMB3,151.71 million, representing approximately 10.9% of the Group's revenue, an increase of approximately 6.2% over last year.

SURGERY/ANALGESIA MEDICINES

For the year ended 31 December 2024, the sales of surgery/analgesia medicines amounted to approximately RMB4,458.17 million, representing approximately 15.4% of the Group's revenue, an increase of approximately 18.9% over last year.

CARDIO-CEREBRAL VASCULAR MEDICINES

For the year ended 31 December 2024, the sales of cardio-cerebral vascular medicines amounted to approximately RMB2,169.22 million, representing approximately 7.5% of the Group's revenue, a decrease of approximately 21.0% over last year.

OTHERS

For the year ended 31 December 2024, the sales of others amounted to approximately RMB4,915.48 million, representing approximately 17.1% of the Group' revenue, an increase of approximately 19.6% over last year.

DISCONTINUED OPERATIONS

With the disposal of the entire equity interests held by the Group in Shanghai Chia Tai Tongyong Pharmaceutical Co., Ltd. ("CT Tongyong"), Suzhou Tianqing Xingwei Medicines Co., Ltd., Lianyungang Chia Tai Tianqing Medicines Co., Ltd. and Zhejiang Tianqing Zhongwei Medicines Co., Ltd. completed in 2023, and upon the resolutions by the board of directors (the "Board") of the Company to adopt a plan to dispose the equity interest in CP Pharmaceutical Qingdao Co., Ltd. ("CP Qingdao") in December 2023 (collectively referred to as the "Target Companies"), in accordance with Hong Kong Financial Reporting Standard 5, the Target Companies has been re-classified as discontinued operations and CP Qingdao's underlying assets and liabilities have been re-classified as "Assets of a disposal group classified as held for sale" and "Liabilities directly associated with the assets classified as held for sale" as at 31 December 2023. The disposal of CP Qingdao was completed in March 2024 at a consideration of RMB1,819.72 million, resulting in a pre-tax gain of RMB1,709.60 million. Upon the completion of the disposal, the interest of the Group in CP Qingdao decreased from 93% to 26%.

In 2024, the Target Companies earned profit of approximately RMB1,580.13 million, as compared with the profit of approximately RMB484.76 million for 2023, and was included in discontinued operations.

Details of the disposal has been set out in note 13 to the financial statements in this report.

ADJUSTED NON-HKFRS PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT

Additional information is provided below to reconcile profit attributable to the owners of the parent and adjusted non-HKFRS profit attributable to the owners of the parent. The reconciling items principally adjust for the impact of discontinued operations, share of profits and losses of associates and joint ventures (net of related tax and non-controlling interests), one-off adjustments for the impairment and fair value changes of certain assets and liabilities (net of related tax and non-controlling interests), fair value gains of current equity investments (net of related tax and non-controlling interests), share-based payments (net of related tax and non-controlling interests) and effective interest expenses and exchange (gain)/loss of the convertible bond debt component. Adjusted non-HKFRS profit attributable to the owners of the parent for the year increased by approximately 33.5% over last year.

Management Discussion and Analysis

	For the year ended 31 December		
	2024	2023	Change
	RMB'000	RMB'000	%
Profit attributable to the owners of the parent	**3,499,834**	2,331,939	+50.1%
Profit attributable to the owners of the parent from discontinued operations	**(1,579,717)**	(440,599)	
Share of profits and losses of associates and joint ventures (net of related tax and non-controlling interests)	**108,281**	479,075	
One-off adjustments for the impairment and fair value changes of certain assets and liabilities (net of related tax and non-controlling interests)*	**1,390,431**	100,974	
Fair value losses/(gains) of current equity investments, net (net of related tax and non-controlling interests)	**2,217**	(62,198)	
Share-based payments (net of related tax and non-controlling interests)	**36,705**	15,382	
Loss on extinguishment of partial convertible bond	**–**	120,603	
Fair value gain of convertible bond embedded derivative component	**–**	(161)	
Convertible bond debt component of:			
– Effective interest expenses	**357**	10,427	
– Exchange (gain)/loss	**(1,145)**	80,326	
– Fair value gains of derivative financial instruments in relation to foreign currency forward contracts	**–**	(46,985)	
Adjusted non-HKFRS profit attributable to the owners of the parent	**3,456,963**	2,588,783	+33.5%

* *Mainly due to the one-off impairment losses and fair value losses of various non-current investments held by invoX*

Basic earnings per share			
Adjusted non-HKFRS profit attributable to the owners of the parent used in the basic earnings per share calculation	**3,456,963**	2,588,783	+33.5%
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (Shares)	**18,293,510,734**	18,529,064,920	
Basic earnings per share, based on adjusted non-HKFRS profit attributable to the owner of the parent (RMB cents)	**18.90**	13.97	+35.3%

To supplement the consolidated results of the Group prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), adjusted non-HKFRS profit attributable to the owners of the parent is presented in this report as an additional non-HKFRS financial measure to provide supplementary information for better assessment of the performance of the Group's core operations by excluding impacts of certain non-cash items and the contribution of associates and joint ventures. Adjusted non-HKFRS profit attributable to the owners of the parent is to be considered in addition to, and not as a substitute for, measures of the Group's financial performance prepared in accordance with HKFRS.

INVESTMENT IN ASSOCIATES AND JOINT VENTURES

As at 31 December 2024, the Group had no major investment in associates and joint ventures. As at 31 December 2023, the Group's major investment in associates and joint ventures was the 15.03% equity interest held in Sinovac Life Sciences Co., Ltd. ("SINOVAC LS"), a company mainly engaged in the R&D, production and sales of human vaccines. During the year under review, the Group continued to optimize its business structure by further focusing on key therapeutic areas (four core therapeutic strengths: oncology, liver diseases, respiratory and surgery/analgesia), ceased allocating additional resources and manpower to non-core businesses (including vaccine business) and no longer intended to continue its engagement in the management decisions of SINOVAC LS. Substantive amendments were made to the articles of association of SINOVAC LS, and the board seat held by the Group at the board of directors of SINOVAC LS was changed to a board observer. Although the equity interest held by the Group in SINOVAC LS remains unchanged, the Group no longer had significant influence over SINOVAC LS operationally, legally, or financially. Consequently, the Group's equity investment in SINOVAC LS has been changed from investment in an associate to non-current equity investment designated at fair value through other comprehensive income. This resulted in a loss on deemed disposal of an associate of approximately RMB578.83 million recorded in other losses, net.

The profits and losses of associates and joint ventures attributable to the Group for the year was losses of approximately RMB118.30 million. After deducting related taxes credit and non-controlling interests, the actual net losses of associates and joint ventures totaled approximately RMB108.28 million.

SIGNIFICANT INVESTMENT

As stated in the section headed "Investment in associates and joint ventures" above, the 15.03% equity interest in SINOVAC LS held by the Group was accounted for as financial assets at fair value through other comprehensive income in the financial statements of the Group as at 31 December 2024. With investment cost of approximately US$515.00 million (equivalent to approximately RMB3,387.77 million), the fair value of the investment in SINOVAC LS was approximately RMB9,579.00 million as at 31 December 2024, which accounted for approximately 14.6% of total assets of the Group. Dividend of approximately RMB1,352.70 million (net of tax) was received from SINOVAC LS, of which RMB676.35 million was recognized in the statement of profit or loss during the year. SINOVAC LS is dedicated to developing innovative vaccines and related biopharmaceutical products and continues to strengthen its R&D and commercialization capabilities in biological medicine technology. Investment in SINOVAC LS has been a great success and the Group may exit the investment through subsequent receipt of dividends.

EQUITY INVESTMENTS/FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2024, the Group had: 1) non-current equity investments designated at fair value through other comprehensive income (including certain listed and unlisted equity investments, such as SINOVAC LS) of approximately RMB10,911.53 million (31 December 2023: approximately RMB1,562.87 million), including the carrying amount of the investment in SINOVAC LS which was approximately RMB9,579.00 million, accounting for approximately 14.6% of the Group's total assets; and 2) current equity investments designated at fair value through profit or loss (including certain listed shares investments) of approximately RMB76.86 million (31 December 2023: approximately RMB301.08 million).

In addition, as at 31 December 2024, the Group had the non-current financial assets at fair value through profit or loss of approximately RMB4,439.11 million (31 December 2023: RMB4,699.70 million) and the current financial assets at fair value through profit or loss, including certain wealth management products of approximately RMB4,950.83 million (31 December 2023: approximately RMB2,811.96 million), which included the wealth management products of CSC Financial (approximately RMB861.75 million), China Guangfa Bank (approximately RMB552.00 million), Bank of Jiangsu (approximately RMB505.14 million), Huatai Securities (approximately RMB469.00 million), Bosera Funds (International) (approximately RMB341.51 million), CCB Asia Trust (approximately RMB337.26 million), China International Capital Corporation (approximately RMB330.08 million), Industrial Bank (approximately RMB308.00 million), Huaxia Bank (approximately RMB250.00 million) and other banks. The wealth management products mainly consisted of principal-guaranteed products with floating return and relatively lower risk of default. All principal and interests will be paid together on the maturity date. The Board of the Company believes that the investment in wealth management products can strengthen the financial position of the Group and bring the fruitful contribution to the profit of the Group. As at 31 December 2024, the above mentioned wealth management products (approximately RMB4,950.83 million) together with the wealth management products reclassified in other receivables of approximately RMB220.64 million (31 December 2023: approximately RMB1,553.26 million) including the wealth management products of CSC Financial (approximately RMB220.64 million), amounted to approximately RMB5,171.47 million in total, representing approximately 7.9% of the total assets of the Group.

Each of the transactions of acquisition or disposal of wealth management products was entered into with third party who was not a connected person (as defined in the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange")) of the Company, and did not constitute a notifiable transaction under Chapter 14 of the Listing Rules as all the applicable percentage ratios were less than 5%, calculated either on a standalone basis or by aggregation of the transactions with the same counterparty pursuant to the Rule 14.22 of the Listing Rules.

For the year ended 31 December 2024, the Group recorded fair value loss (net) of the current equity investments of approximately RMB9.20 million.

The Board believes that the investment in equity investments and financial assets can diversify the investment portfolio of the Group and achieve a better return to the Group in future.

R&D

The Group continued to focus its R&D efforts on new medicines in the four therapeutic areas of oncology, liver diseases, respiratory and surgery/analgesia. As at the end of the reporting period, the Group had 70 innovative products in development, including 39 oncology products, 7 liver diseases products, 13 respiratory products, 6 surgery/analgesia products, and 5 other products. In addition, the Group had 65 generic drug products in development.

Always placing utmost importance on R&D, the Group has continuously improved its R&D capabilities and speed by embracing the R&D concept of combining independent innovation, collaborative development, and development of both innovative and generic drugs. It considers R&D as the foundation for its sustainable development and has kept increasing R&D investment. For the year ended 31 December 2024, total investment in the R&D amounted to approximately RMB5,487.67 million, accounting for approximately 19.0% of the Group's revenue, 92.7% of which was charged to the statement of profit or loss amounting to approximately RMB5,089.20 million and accounting for approximately 17.6% of the Group's revenue. During the reporting period, the investment in the R&D of innovative drugs accounted for more than 77.0% of R&D investment, and the amount of investment increased by approximately 17.2% year-on-year.

The Group also attaches tremendous importance to the protection of intellectual property rights and encourages its member enterprises to file patent applications in order to enhance the Group's core competitiveness. During the reporting period, the Group filed 1,069 new patent applications and received 349 patent invention approvals. As at the end of the reporting period, the Group had accumulated 5,082 effective patents and patent applications and obtained 1,958 patent invention approvals.

INVESTOR RELATIONS

The Group is committed to maintaining high standards of corporate governance to ensure its long-term sustainable development. It also values communication with shareholders and investors. During the reporting period, the Group actively reached out to a wide range of investors in various regions through different channels to maintain close and good relationships and ensure adequate two-way communication with investors. In addition to ensuring that investors had a thorough understanding of its latest business developments and strategies, the Group was also able to gather valuable views and feedback from the investment community through its interaction with investors to help raise corporate governance standards.

Over the past year, the Group has continued to proactively disclose the latest information on its business development to investors. On 28 March 2024, the Group held the 2023 Annual Results Announcement Conference in Hong Kong to provide investors with an in-depth explanation of its annual results and latest business updates. On 13 August 2024, the Group held the 2024 Interim Results Announcement Conference and Investor Day in Beijing to introduce the Group's leading innovative R&D technology platform and blockbuster innovative products to investors in detail. The two events were attended by nearly one thousand analysts, fund managers and other investors, and the response was enthusiastic. In addition, the Group also issued results press releases to the media in a timely manner to keep retail investors informed of its latest business status and prospects through media channels. In addition to results press releases, the Group also released information through the media on topics such as the Company's share repurchases, purchases of shares under its restricted share award scheme and purchases of shares by CT Tianqing under its share incentive scheme, in the hope of strengthening the confidence of shareholders and the market by maintaining a high level of transparency.

In addition, during the year, the Group participated in many investment summits and roadshows hosted by major investment banks and securities companies, including Bank of America, Citi, UBS, Morgan Stanley, Goldman Sachs, J.P. Morgan, CICC, CITIC, CSC Financial, HTSC, Haitong and China Industrial Securities, to help investors understand its business development and competitive advantages. During the reporting period, the Group participated in more than 800 investor communication meetings in various forms such as one-on-one meetings, group meetings and teleconferences.

The Group publishes its annual reports, interim reports, disclosures and circulars in a timely manner both on its corporate website and on the website of the Hong Kong Exchanges and Clearing Limited. The Group also voluntarily issues announcements to inform shareholders and investors of its latest business endeavors in order to maintain a high level of corporate transparency and to increase market interest in the Company.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity remains strong. During the year, the Group's primary sources of funds were cash derived from operating activities, issuance of panda bonds and bank borrowings. As at 31 December 2024, the Group's cash and bank balances classified under current assets were approximately RMB9,569.58 million (31 December 2023: approximately RMB9,451.88 million). Bank deposit classified under non-current assets were approximately RMB9,365.81 million (31 December 2023: approximately RMB7,312.89 million).

CAPITAL STRUCTURE

As at 31 December 2024, the Group had short term loans of approximately RMB7,585.83 million (31 December 2023: approximately RMB11,135.94 million) and had long term loans of approximately RMB1,996.75 million (31 December 2023: approximately RMB1,057.94 million). Debt component of the convertible bonds amounted to approximately RMB16.24 million as at 31 December 2024 (31 December 2023: RMB16.48 million). In addition, total lease liabilities (classified under current and non-current liabilities) amounted to approximately RMB111.73 million as at 31 December 2024 (31 December 2023: RMB369.88 million). As at 31 December 2024, the Group's total available credit facilities approximately amounted to 39.4 billion (31 December 2023: approximately RMB38.2 billion) of which 30.0 billion were unused (31 December 2023: 26.0 billion).

CHARGE ON ASSETS

As at 31 December 2024, the Group had charge on assets of approximately RMB459.39 million (31 December 2023: approximately RMB1,494 million).

CONTINGENT LIABILITIES

As at 31 December 2024, the Group and the Company had no material contingent liabilities (31 December 2023: Nil).

ASSETS AND GEARING RATIO

As at 31 December 2024, the total assets of the Group amounted to approximately RMB65,408.07 million (31 December 2023: approximately RMB63,604.82 million) whereas the total liabilities amounted to approximately RMB22,634.00 million (31 December 2023: approximately RMB25,434.87 million). The gearing ratio (total liabilities over total assets) was approximately 34.6% (31 December 2023: approximately 40.0%). The Group was in a net cash position (including wealth management products) of approximately RMB14,396.31 million (31 December 2023: approximately RMB8,549.75 million), being the aggregate of cash and bank balances classified under current assets, bank deposit classified under non-current assets and wealth management products less the aggregate of short term loans, long terms loans, debt component of the convertible bonds and total lease liabilities.

EMPLOYEE AND REMUNERATION POLICIES

The Group had 24,379 employees as at 31 December 2024 and remunerates its employees based on their performance, experience and the prevailing market rates. Other employee benefits include mandatory provident fund, insurance and medical coverage, subsidized training programmes as well as employee share incentive schemes. Total staff cost (including Directors' remuneration and equity-settled share-based payments) for the year was approximately RMB4,670.56 million (31 December 2023: approximately RMB4,353.03 million).

The Company adopted a share option scheme on 15 June 2023 (the "2023 Share Option Scheme") and a share award scheme on 5 January 2018 (the "2018 Share Award Scheme"). The Company approved the implementation of a share incentive scheme by CT Tianqing, a subsidiary of the Company, on 7 May 2024 ("2024 CT Tianqing Share Incentive Scheme"). The schemes will provide incentive to retain and encourage the selected participants for the continual operation and development of the Group. No option in respect of the shares of the Company ("Shares") had been granted under the 2023 Share Option Scheme up to 31 December 2024. During the year ended 31 December 2024, 8,476,600 Shares had been granted to a total of 26 selected participants by the Company under the 2018 Share Award Scheme, and 108,384,000 Shares have been granted to a total of 310 designated participants by the Group under the 2024 CT Tianqing Share Incentive Scheme. As at the year end, 528,366,443 Shares were held on trust by the trustee under the 2018 Share Award Scheme and 338,690,000 shares were held on trust by the trustee under 2024 CT Tianqing Share Incentive Scheme.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Most of the assets and liabilities of the Group were denominated in Renminbi, US dollars, Euro and HK dollars. The Group has hedged part of the RMB risk in net foreign operations by borrowing RMB loan and will continue to closely monitor the net foreign exchange exposure to reduce the impact of foreign exchange fluctuations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

Sino Biopharm is committed to promoting the harmonious development of the Company, society and the environment through high-quality ESG management. The Group adheres to its operating philosophy of “For the Country, for the People, for the Company” to respond to the United Nations Sustainable Development Goals and contribute to the Healthy China initiative, thereby enabling the treatment of more diseases and promoting the health and well-being of more patients. With this vision, we aim to lay a strong foundation for the Group’s sustainable development and create long-term value for ourselves and our partners.

In 2024, Sino Biopharm formulated the “2024 ESG Work Plan” based on the ESG work policy of “Consolidation + Improvement” and the substantive needs of the Group’s development, which listed 10 core work objectives for the year, with “corporate governance, information disclosure, carbon neutral goal and pathways planning, product quality safety management, talent recruitment and development, responsible supply chain construction, and charity and public welfare” as the main focus, to promote the in-depth integration of ESG management and corporate operations, and promote the innovation and development of the Group. Under the effective guidance and supervision of the Board, this year’s ESG work plan was fully implemented and various key tasks were completed with significant results.

In terms of corporate governance, on the basis of the effective operation of the ESG governance system, the Group actively explored the application scenarios of AI large language models and became one of the first pharmaceutical companies in China to officially adopt DeepSeek-R1, providing strong support for the Board’s scientific decision-making and sufficient system guarantees for the full implementation of ESG work. At the same time, the Group organized “ESG DAY” for the first time, which it took as a sign to carry out the systematic development of concepts and culture within the Group and all member companies, further strengthening the popularization and deepening adoption of the ESG concept and culture.

In terms of ESG information disclosure, the Group published the “Sino Biopharmaceutical Limited FY2023 ESG Report” (the “Report”) in April 2024, and, for the first time, engaged an international professional third-party organization to conduct an independent assurance of the Report. The Report won the Best in Reporting Award from BDO Limited.

In the area of environmental friendliness, the Group launched the “Carbon Neutral Goal and Pathways Planning Project of Sino Biopharmaceutical Limited” and systematically advanced the low-carbon transformation initiative. Annual sustainable energy utilization continues to increase, while the annual carbon emission intensity continues to decrease. After the Group’s member companies CT Tianqing and Jiangsu CT Qingjiang were recognized as a “National Green Factory” and “Provincial Green Factory”, respectively, NJCTT, another member company of the Group, was also awarded the “National Green Factory” title.

With regard to quality and safety, the Group’s quality and safety management system that spans the entire product lifecycle was operating effectively, and there was no major quality, safety or recall incidents reported during the year.

In terms of talent development, the Group promoted a talent attraction and incentive mechanism represented by the share incentive schemes, and continued to implement talent cultivation and development measures such as continuing education for employees and joint cultivation by educational institutions to attract and retain employees and enrich the talent pool. After being presented with "Forbes China Best Employer" and "Forbes China Most Digitally Responsible Employer of the Year" honors, the Group was awarded the titles of "2024-2025 China Healthiest Workplace" and "2024 Happy Enterprise – Best Employer" during the year.

As for the development of the responsible supply chain, following the comprehensive promotion and implementation of ESG concepts for suppliers and the signing of the "Sino Biopharm ESG Code of Conduct" in alignment with the Principles for Responsible Supply Chain Management of PSCI, a leading international industry initiative, the Group fully implemented a self-assessment of ESG management for its suppliers for the first time, with a 96% pass rate in supplier assessment, 13 key risks identified, and a 100% improvement plan formulation rate achieved.

In terms of giving back to society, the Group has continued to invest in areas such as disaster relief, rural revitalization, inclusive healthcare, educational donations, and public welfare charities. The total annual community investment amounted to RMB60.11 million, with the community welfare activities totaling 3,213 hours.

During the year, the Group's ESG performance continued to receive widespread recognition from the domestic and international communities. As of the end of 2024, the Group has received an "A" rating from the MSCI ESG ratings for two consecutive years, and its S&P CSA score has risen to the top 4% of the global pharmaceutical industry. It has been newly included in S&P Global's Sustainability Yearbook 2025 (Global Edition) and the FTSE4Good Social Responsibility Index Series. As for professional recognition, the Group was included in CCTV's Top 100 ESG Pioneers among China Listed Companies List for two years running. It also received other prestigious accolades, such as inclusion in Forbes China 2024 ESG Inspired Case Studies and Bloomberg Businessweek's ESG Leading Enterprises 2024.

Corporate Governance Report

Sino Biopharmaceutical Limited is pleased to present the Corporate Governance Report. The Company is committed to achieving high standards of governance that properly protects and promotes the interests of all shareholders and enhances corporate value and accountability.

For the year ended 31 December 2024, the Company has applied the principles of and complied with all the Code Provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the deviation from Code Provision C.1.6 in relation to attendance of the annual general meeting of the Company (the "**AGM**") by the Independent Non-executive Directors ("**INED(s)**") of the Company. Two INEDs were unable to attend the AGM held on 5 June 2024 due to their other business engagements.

This report describes our corporate governance code and explains the application of the CG Code and any deviation from the CG Code, if any. For information relating to the Company's environmental and social performance, please refer to the Company's 2024 Environmental, Social and Governance Report separately posted on the websites of the Company and The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

A. BOARD OF DIRECTORS

THE BOARD

The board of directors (the "**Board**") is accountable to the shareholders for leadership and control of the Company and is collectively responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs. The Board focuses on overall corporate strategies and policies with particular attention paid to the financial performance and sustainable development of the Group.

Adhering to its principle of "Benefiting the country, Benefiting the people, and Benefiting the enterprise", the Company has always focused on innovation and provision of services to patients, committed to becoming a global leader in pharmaceuticals. These principle and vision are the basic principles and directions for governing the daily work of employees at all levels of the Company, running through every part of the Company's business. Always acting with integrity and leading by example, the Board keeps promoting the construction and improvement of a core values, cultural ethos, and actions-oriented and multi-dimensional cultural system, to foster a corporate atmosphere of integrity, foresight, innovation, commitment, efficiency, and collaboration. This cultural system is to enhance the innovativeness and sense of belonging and responsibility of employees, facilitating the achievement of the Company's strategic development objectives.

The Company has a rigorous and ongoing strategic planning process to identify and assess the risks and opportunities that it might face and to develop a planned course of action to generate sustainable long-term value for its shareholders. Details of the implementation of the Company's strategic initiatives and priorities in 2024 are available in the "Chairwoman's Statement" and "Management Discussion and Analysis" sections of this annual report.

The Board has determined that certain matters such as strategic planning, significant transactions and annual budget should be retained for the Board's approval. It has formalised the functions reserved to the Board to achieve a clear division of the responsibilities of the Board and the management. The Board has delegated its responsibilities to senior management to deal with day-to-day operations and reviewed those arrangements on a periodic basis. Management then reports back to the Board and obtains prior approval before making decisions for key matters or entering into material commitments on behalf of the Company. The Board has conducted regular review on the contribution required from a director to perform his/her responsibilities to the Company, and whether he/she is spending sufficient time performing them.

To maximise the efficiency of the Board and to encourage active participation and contribution by Board members, the Board has established the Executive Board Committee (the "**EBC**"), the Audit Committee (the "**AC**"), the Remuneration Committee (the "**RC**"), the Nomination Committee (the "**NC**"), and the Environmental, Social and Governance Committee (the "**ESGC**") with specific terms of reference, which are on terms no less exacting than those set out in the CG Code, to assist in the execution of their duties. The written terms of reference of the committees are reviewed and amended, if necessary, from time to time on the committees' structure, duties and memberships, and those of each of the AC, the RC and the NC have been posted on the websites of the Company and the Stock Exchange.

The Company Secretary shall, where appropriate and necessary, attend all meetings of the Board/committees to advise on corporate governance and statutory compliance matters. All directors have access to the Company Secretary who is responsible for the Company's compliance with the continuing obligations of the Listing Rules, Code on Takeover and Mergers and Share Repurchases, Securities and Futures Ordinance, Companies Ordinance and other applicable laws, rules and regulations.

All directors are given opportunities to include matters to be discussed in the agenda of the Board/committees meetings. The Company Secretary is delegated with the responsibility to prepare the agenda and, where appropriate, take into account any matters proposed by each director/committee member for inclusion in the agenda.

The Board meets regularly and at least four board meetings are scheduled annually at approximately quarterly intervals. Ad-hoc meetings are also convened when they are considered necessary. Directors are encouraged to participate actively either in person or through electronic means of communications. Notices of regular Board/committees meetings were given at least 14 days before the date of meeting. For all other Board/committees meetings, reasonable notices were given.

Other than exceptional circumstances, an agenda accompanied by any related materials are circulated to all directors in a timely manner and at least 3 days before the date of the scheduled meeting. Where queries are raised by directors, response should be given as promptly and fully as possible within a reasonable time.

Minutes of the Board/committees meetings are recorded in details for the matters considered by the participants of such meetings and the decisions reached, including concerns raised by directors or dissenting views expressed. Draft and final versions of minutes are circulated to relevant directors or committee members within a reasonable time after the meetings are held and taken as the true records of the proceedings of such meetings. They are kept by the Company Secretary or Secretary of the committees and are open for inspection at any reasonable time on reasonable notice by any director. All directors are entitled to have access to board papers and related materials unless there are legal or regulatory restrictions on disclosure due to regulatory requirements.

Directors are provided with complete and adequate explanation and information on a timely basis to enable them to make an informed decision or assessment of the Group's performance, position and prospects and to discharge their duties and responsibilities. The directors, in order to properly discharge their duties, are given access to independent professional advisers, when necessary, at the expense of the Company. Sufficient time are allowed for discussion of key issues in Board meetings and directors with different views are encouraged to voice their concerns to ensure that the necessary checks and balances consistent with sound corporate governance practices are in place.

If a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by way of a physical Board meeting and the interested director shall not vote nor shall he/she be counted in the quorum present at the relevant meeting. INEDs who have no interests in the transaction shall be present at that Board meeting.

BOARD COMPOSITION

As at 31 December 2024, the Board consisted of a total of six executive directors, including the Chairwoman and the Chief Executive Officer ("**CEO**"), and five INEDs.

Position		Name
Chairwoman	:	Ms. Tse, Theresa Y Y
Executive directors	:	Mr. Tse Ping
	:	Ms. Cheng Cheung Ling
	:	Mr. Tse, Eric S Y (CEO)
	:	Mr. Tse Hsin
	:	Mr. Tian Zhoushan
INEDs	:	Mr. Lu Zhengfei
	:	Mr. Li Dakui
	:	Ms. Lu Hong
	:	Mr. Zhang Lu Fu
	:	Dr. Li Kwok Tung Donald

The attributes, skills and expertise among the Board members have a balanced mix of core competencies in areas such as pharmaceutical, accounting and finance, business and management and marketing strategies.

INEDs constituting more than one-third of the total number of the Board members have contributed valuable independent views and judgement for the Board's deliberation and decisions. Such independent views and judgement carry weight in the Board's decision-making process. The presence and participation of the INEDs enables the Board to maintain high standard of compliance in financial and other statutory reporting, and provide adequate checks and balances to safeguard the interests of the Company and its shareholders as a whole. The INEDs are highly skilled professionals with a broad range of expertise and experience in the fields of accounting and finance, business, and medicine, and they meet the requirements of independence under the Listing Rules. The Board has received from each of them a confirmation of independence as required by the Listing Rules. For the year ended 31 December 2024, the Board is of the view that adequate independent views and input were available to the Board, based on the results of an annual review conducted by the Board.

The INEDs have the same duties of care and skill and fiduciary duties as the executive directors. The functions of INEDs include, but not limited to:

- participating in Board meetings to bring an independent judgement to bear on issues of corporate strategy, corporate performance, accountability, resources, key appointments and standard of conducts;
- taking the lead where potential conflicts of interests arise;
- serving and actively participating in committees, if invited;
- attending general meetings of the Company and developing a balanced understanding of the views of shareholders; and
- scrutinising the Group's performance in achieving agreed corporate goals and objectives and monitoring the reporting of results.

CORPORATE GOVERNANCE FUNCTIONS

The Board shall be responsible for the following functions:

- developing and reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring training and continuous professional development of directors and senior management;
- reviewing and monitoring the Company's policies and practices in compliance with legal and regulatory requirements;
- reviewing the Company's compliance with the CG Code, including disclosure in the Corporate Governance Report;
- developing and reviewing the code of conduct and compliance manual, if any, applicable to employees and directors;
- doing any such things to enable the Board committees to discharge their duties and functions;
- conforming to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation; and
- considering and making recommendations on any other corporate governance issues.

CHAIRWOMAN AND CHIEF EXECUTIVE

The CG Code Provision C.2.1 stipulates that the roles of Chairwoman and chief executive should be separate and should not be performed by the same individual. Ms. Tse, Theresa Y Y is the Chairwoman and Mr. Tse, Eric S Y is the CEO of the Company.

The Chairwoman is responsible for overseeing the operations of the Board and formulating overall strategies and policies of the Company, and focuses on international business development and capital market operations of the Company. The Chairwoman also seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

The CEO is responsible for managing the Group's business and operations, and focuses on operations improvement, organizational optimization and efficiency enhancement of all subsidiaries of the Group.

The relationship of each of Ms. Tse, Theresa Y Y and Mr. Tse, Eric S Y with other members of the Board is provided in the Directors and Senior Management Profile section on pages 62 to 67 of this annual report.

APPOINTMENT, RE-ELECTION AND REMOVAL

The Company has formal and proper procedure for consideration of the appointment of new directors to the Board and the resignation of any director.

The Executive Directors have not been appointed for a specific term while each of the INEDs has been appointed for a term of two years. All Directors shall be subject to retirement by rotation and re-election at the AGM in accordance with the articles of association of the Company (the "**Articles**"), the laws of the Cayman Islands and the Listing Rules so far as the same may be applicable. The Articles provide that (i) one-third of the directors for the time being or, if their number is not a multiple of three, the number nearest to but not less than one-third shall be subject to retirement by rotation provided that every director shall be subject to retirement by rotation at least once every three years; and (ii) the directors to retire by rotation shall include any director who wishes to retire and not to offer himself/herself for re-election. The retiring directors shall be those who have been longest in office since their last re-election or appointment.

The name and biographical details of the directors who will offer themselves for re-election at the forthcoming AGM are set out in a circular accompanying the notice of meeting, which will be despatched together with the annual report, to assist shareholders in making an informed decision on their elections. Where INEDs who have served more than nine years are retained, sufficient details regarding the INEDs' suitability for re-appointment are disclosed in the circular.

TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors

Newly appointed director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, in order to make sure that he/she has appropriate understanding of the business and operations of the Company and is fully aware of his/her responsibilities and obligations under the Listing Rules and other relevant regulatory requirements.

Pursuant to CG Code Provision C.1.4, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year under review, all directors, being seven Executive Directors, namely Ms. Tse, Theresa Y Y, Mr. Tse Ping, Ms. Cheng Cheung Ling, Mr. Tse, Eric S Y, Mr. Tse Hsin, Mr. Tian Zhoushan, and Ms. Li Mingqin, and five INEDs, namely Mr. Lu Zhengfei, Mr. Li Dakui, Ms. Lu Hong, Mr. Zhang Lu Fu and Dr. Li Kwok Tung Donald, participated in continuous professional development by reading relevant materials on the topics related to regulatory updates and corporate governance and obtained monthly updates on the financial performance and financial position of the Company.

Company Secretary

The Company Secretary is responsible for facilitating the Board process, as well as communications among the Board members, shareholders and management. Mr. Chan Oi Nin Derek has served as the Company Secretary since 2015. He is a full-time employee of the Company and possesses the professional qualifications as required under Rule 3.28 of the Listing Rules. Mr. Chan, aged 57, has over 20 years of work experience in the fields of accounting, auditing and company secretary and before joining the Company, was the company secretary of another company listed on the Stock Exchange. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants, and received a Bachelor of Science degree from the Chinese University of Hong Kong in 1989 and an MBA degree from Monash University in 1995. He has taken not less than 15 hours of relevant professional training during the year under review to update his knowledge and skills in compliance with Rule 3.29 of the Listing Rules.

COMMITTEES

The AC was established on 19 September 2000. The EBC and the RC were established in October 2005, and the NC and the ESGC was set up on 30 March 2012 and 31 August 2021, respectively.

Executive Board Committee

During the year ended 31 December 2024, the EBC consisted of Ms. Tse, Theresa Y Y as chairwoman and Mr. Tse Ping, Ms. Cheng Cheung Ling, Mr. Tse, Eric S Y, and Mr. Tse Hsin as members.

The EBC meets as and when required to oversee the day-to-day management of the Group.

All resolutions or recommendations approved by the EBC will be reported to the Board, unless there are legal or regulatory restrictions.

Remuneration Committee

Mr. Zhang Lu Fu served as the chairman and Mr. Lu Zhengfei and Ms. Lu Hong served as members of the committee.

The principal functions of the RC include:

- recommending to the Board on the policies and structure of the remuneration of directors of the Company and senior management of the Group;
- recommending to the Board on the remuneration packages of individual executive directors and senior management;
- reviewing and approving their performance-based remuneration;
- reviewing the compensation to directors and senior management in connection with any loss or termination of their office or appointment; and
- ensuring that no director or any of his/her associates are involved in deciding his/her own remuneration.

The RC held one meeting during the year to discuss and review the basis of the remuneration policies and packages of individual directors of the Company and senior management of the Group. Emoluments of directors are determined by reference to the skills, experiences, responsibilities, employment conditions and time-commitment in the Group's affairs and performance of each director as well as salaries paid by comparable companies and the prevailing market conditions.

Information relating to the remuneration of each director for the year under review is set out in note 10 to the financial statements of this annual report.

Audit Committee

The AC consisted of Mr. Lu Zhengfei as chairman, and Mr. Li Dakui, Ms. Lu Hong, and Dr. Li Kwok Tung Donald as members. The members together have sufficient accounting and financial management expertise and legal and business experience to discharge their duties.

The major duties and responsibilities of the AC are set out clearly in its terms of reference, which include:

- considering and recommending the appointment, re-appointment and removal of external auditors;
- approving the remuneration and terms of engagement of external auditors;
- discussing with external auditors the independence and reporting obligations of auditors and the nature and scope of audit before the audit commences;
- monitoring the integrity of financial statements and reviewing the interim and annual financial statements and reports before submission to the Board;

- reviewing the Group's financial controls, internal control and risk management systems;

- considering any findings of major investigations for internal control matters as delegated by the Board or on its own initiative and management's response;

- reviewing external auditors' management letter or any material queries raised by the auditors to management in respect of the accounting records, financial accounts or systems of control and management's response, and ensuring that the Board will provide a timely response to the issues raised; and

- discussing with management to ensure that management has reviewed if there is adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The AC performed the following work during the year under review:

- met with management and external auditors to review and discuss the financial statements for the year ended 31 December 2024;

- reviewed with management the unaudited financial statements for the six months ended 30 June 2024;

- met with external auditors to review the external auditors' plan for statutory audit and engagement letter;

- recommended to the Board, for the approval by shareholders, of the re-appointment of auditors;

- reviewed the findings and recommendations of the internal audit department on the operations and performance of the Group;

- reviewed the risk management and internal control systems of the Group and the effectiveness of the Group's internal audit function; and

- discussed with management to ensure that the Board had conducted an annual review such that there was adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

Nomination Committee

The NC consisted of Ms. Tse, Theresa Y Y as chairwoman and Mr. Tse Ping, Mr. Lu Zhengfei, Ms. Lu Hong, Mr. Zhang Lu Fu, and Dr. Li Kwok Tung Donald as members.

The NC has set out in its terms of reference the major duties and responsibilities as follows:

- formulating a formal and transparent procedure for developing nomination policies for approval by the Board, which shall take into consideration factors such as skills, knowledge, experiences, length of service, description of the role and capabilities required for a particular appointment;

- reviewing the structure, size and composition (including the mix of skills, knowledge, experience and length of service and diversity needed) of the Board at least annually; and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- making recommendation to the Board on formulation of the board diversity policy and reviewing the policy from time to time to ensure its continued effectiveness;

- establishing guidelines for the recruitment of the chief executive and senior management and identifying leadership needs of and succession planning for the Company in relation to both directors and other senior executives;

- identifying individuals suitably qualified to become board members or make recommendations to the Board on the selection of individuals nominated for directorship. Academic and professional qualifications, business experience, expertise and knowledge as well as other requirements under the Listing Rules will be assessed to determine whether the nomination is suitable;

- assessing the independence of the INEDs and reviewing the INEDs' annual confirmations on their independence;

- making recommendations to the Board on the re-appointment of any INED at the conclusion of his/her specified term of office; and

- making recommendations to the Board on matters relating to any actual or potential conflict of interests of directors (including prohibition of voting by the interested director).

During the year under review, by way of exchanging correspondence and reviewing the relevant documents, the NC had (i) reviewed the structure, size and composition of the Board as well as the effectiveness of the implementation of the Company's board diversity policy, (ii) assessed the independence of all INEDs and reviewed the annual confirmation of independence provided by the INEDs, and (iii) reviewed the profiles and contributions of the retiring directors and made recommendation to the Board regarding re-election of directors.

Environmental, Social and Governance Committee

The ESGC consists of Ms. Cheng Cheung Ling as chairwoman and Ms. Li Mingqin (retired on 5 June 2024), Ms. Tse, Theresa Y Y (appointed on 5 June 2024) and Dr. Li Kwok Tung Donald as members.

The major duties and responsibilities of the ESGC are set out in its terms of reference, which include:

- proposing and recommending to the Board on the Company's environmental, social and governance ("**ESG**") and sustainability objectives, strategies, priorities, initiatives, goals and targets;

- overseeing, reviewing and evaluating actions taken by the Group in furtherance of the ESG and sustainability priorities, goals and targets, including coordinating with the business units and operating subsidiaries of the Company and ensuring that their operations and practices adhere to the relevant priorities and goals;

- reviewing and reporting to the Board on ESG and sustainability risks and opportunities, and monitoring, evaluating and reviewing emerging ESG and sustainability-related issues, trends and best practices that could impact the business operations and performance of the Group;

- considering the impact of the Company's ESG and sustainability on its stakeholders, including employees, shareholders, local communities and the environment; and

- reviewing and advising the Board on the Company's public communication, disclosure and publications (including the ESG Report) regarding its ESG and sustainability performance.

During the year under review, the ESGC guided and oversaw the work of the ESG Work Management Committee to continuously improve the Company's ESG risk response and internal management systems and organize the implementation of the Board's ESG strategies and requirements. Led by the ESGC, the Company formulated the "2024 ESG Work Plan" based on the ESG work policy of "Consolidation+Improvement" and the substantive needs of the Group's development, which listed 10 core work objectives for the year, with "improvement of ESG information management, carbon neutral goal and pathways planning, construction of responsible supply chain, and construction of ESG philosophy and culture" as the main focus, to promote the in-depth integration of ESG management and corporate operations. With the various ESG tasks effectively implemented, the Company has achieved continuous improvement in its overall ESG management standard and performance.

BOARD DIVERSITY POLICY

The board diversity policy of the Company sets out the approach for achieving diversity of the Board, including but not limited to the appropriate balance of skills, experience and diversity of perspectives that are required to support the attainment of the Company's strategic objectives and the sustainable development of the Company. Board diversity is regarded by the Company as an essential component for wider and more comprehensive corporate governance framework.

The NC of the Company may make recommendations to the Board for identifying the necessary criteria when considering appointment of new directors of the Company. Selection of appropriate candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the anticipated merit and contribution that the selected candidate will bring to the Board.

The NC has reviewed annually the Company's diversity profile including the gender distribution of directors and other measurable objectives to ensure the continued effectiveness of the board diversity policy of the Company. The current composition of the Board is characterized by a balanced mix of gender (8 males and 3 females), age (ranging from in their early 30s to in their 70s), and professional experience and expertise. The NC shall make recommendation to the Board on adjustments for the board diversity policy if necessary to ensure the policy best suits the needs of the Company. For details of the Group's workforce diversity, please refer to the 2024 Environmental, Social and Governance Report of the Company.

BOARD AND COMMITTEE MEETINGS ATTENDANCE

The Board held five meetings in 2024. Details of the attendance of individual director at the Board meetings, committee meetings and general meeting during the year under review are set out below:

	Number of meeting(s) attended/held			
Directors	**The Board**	**Audit Committee**	**Remuneration Committee**	**Annual General Meeting**
Executive Directors				
Ms. Tse, Theresa Y Y	5/5	N/A	N/A	1/1
Mr. Tse Ping	4/5	N/A	N/A	1/1
Ms. Cheng Cheung Ling	4/5	N/A	N/A	1/1
Mr. Tse, Eric S Y	4/5	N/A	N/A	1/1
Mr. Tse Hsin	5/5	N/A	N/A	1/1
Mr. Tian Zhoushan	3/5	N/A	N/A	1/1
Ms. Li Mingqin (retired on 5 June 2024)	3/3	N/A	N/A	1/1
Independent Non-executive Directors				
Mr. Lu Zhengfei	5/5	2/2	1/1	1/1
Mr. Li Dakui	5/5	2/2	N/A	0/1
Ms. Lu Hong	5/5	2/2	1/1	1/1
Mr. Zhang Lu Fu	4/5	N/A	1/1	1/1
Dr. Li Kwok Tung Donald	5/5	1/2	N/A	0/1
Number of meeting(s)	5	2	1	1

SECURITIES TRANSACTIONS BY DIRECTORS AND OFFICERS

The Company has adopted a code of conduct regarding securities transactions by directors and senior management/employees (the "**Code**") on terms no less exacting than the Model Code for Securities Transactions by Directors as set out in Appendix C3 to the Listing Rules (the "**Model Code**"). Having made specific enquiry of all directors, it was confirmed that for the year under review, all directors complied with the required standard set out in the Model Code and the Code regarding securities transactions by directors adopted by the Company.

Management/employees as defined in the Code who because of their employment possess any inside information at any time are prohibited from dealing in securities of the Company to the same extent as directors.

INSURANCE COVER FOR DIRECTORS' LIABILITIES

The Company has arranged directors' and officers' liability insurance for all directors and senior officers against legal liability arising from their performance of duties. The insurance coverage is reviewed on an annual basis.

REMUNERATION OF SENIOR MANAGEMENT

There were 2 employees classified as senior management for the year ended 31 December 2024. The details of the remuneration of senior management were disclosed as follows:

	Amount of remuneration for the year		
	RMB2,500,001 – RMB3,000,000	Above RMB3,000,000	Total number
Number of senior management	1	1	2

B. ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Board acknowledges its responsibility for preparing the accounts which give a true and fair view of the state of affairs of the Company and the Group, with supporting assumptions or qualifications as necessary. The directors also ensure the timely publication of the financial statements of the Company.

The management provides explanation and information to the Board to enable it to make an informed assessment of the financial and other information to be approved.

The Board endeavors to ensure a balanced, clear and understandable assessment of the Company's position and prospects when the Company extends financial reports and other information to general public and regulators pursuant to the Listing Rules and other statutory requirements.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board continues to prepare the financial statements on a going concern basis.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for managing business and operational risks and maintaining a proper and effective system of internal control to safeguard the Group's assets. The Board (i) oversees the design, implementation and monitoring of the risk management and internal control systems, and evaluates and determines the nature and extent of risks it is willing to take in achieving the Group's business objectives; and (ii) delegates the responsibility of reviewing the effectiveness of the Group's risk management and internal control systems to the AC, which monitors such systems through the Group's internal audit department. The management of various business units is responsible for designing, implementing and monitoring the detailed risk management and internal control procedures, whereas risk owners appointed by the management are responsible for identifying, analysing and prioritising risk issues for further consideration by the management and ensuring that the risk management and internal control procedures are working effectively and risk mitigation actions are implemented timely within the business units.

The internal audit department reviews major operational and financial systems of the Group on a continuing basis and it aims to cover all significant functions within the Group in each financial year. The scope of the internal audit department's review and the audit programmes have been approved by the AC. The department reports directly to the AC and the Chairwoman of the Board, and submits regular reports for their review in accordance with the approved programmes. The external auditor also reports any control issues which are identified in the course of audit or review work to the AC. For the year ended 31 December 2024, the directors through the Audit Committee had conducted an annual review of the effectiveness of the Group's systems of risk management and internal control covering all major functions, including operations, financial reporting, and Listing Rules compliance. Based on the results of the review, the directors considered that such systems were effective and adequate, and no material changes, since the last annual review, in the nature and extent of Group's significant risks and the Group's ability to respond to changes in its business and the external environment were found.

The Group has established guidelines and procedures for the approval and control of expenditure. Operating expenditures are subject to the overall budget control and are controlled by each business unit with approval levels for such expenditures being set by reference to each executive's and officer's level of responsibility. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specific control and approval by the directors are required for unbudgeted expenditures prior to commitment.

The Board had also conducted a review of and was satisfied with the findings on the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit, financial reporting functions as well as those relating to the Group's ESG performance and reporting for the year under review.

INTEGRITY AND GOOD FAITH

The Company is committed to strict compliance with the relevant laws and regulations of China. It continuously enhances its compliance performance and business ethics management through the formulation and implementation of strict business ethics regulations and internal monitoring procedures.

The Company has formulated and implemented the "Anti-commercial Bribery Regulations of Sino Biopharmaceutical Limited", pursuant to which all employees of the Group as well as business partners who have business dealings with the Group are required to perform their duties with integrity and good faith, and any acts of commercial bribery are strictly prohibited. The Group has clearly defined the range and scope of prohibited behaviour and commercial bribery, and prohibits its employees from using financial or other means to bribe any entities or individuals in order to seek business opportunities or competitive advantages. The Group has also formulated detailed anti-corruption measures and controls in areas such as procurement, product sales, invoicing, personnel employment, and communication with third parties. For employees who violate the anti-corruption rules and regulations, the Group will make appropriate punitive actions against them or even transfer those suspected of violating the law to the public security authorities depending on the circumstances.

The whistle-blowing process is expressly provided for in the anti-bribery regulations of the Group. If any violation of the regulations is found, it should be reported to the department responsible for compliance in time and the relevant supporting materials should be provided. The Group has established a sound internal investigation mechanism to conduct comprehensive investigation into the reported violations or any compliance risks discovered in regular audit assessments, and the Group shall take corresponding punitive and control measures and rectify the internal control loopholes found in the investigation in a timely manner, in order to continuously enhance the Group's anti-corruption management standard. The legitimate rights of the whistleblowers are under reasonable protection by the anti-bribery regulations.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Group's external auditors is set out as follows:

	Fee paid/ payable for the year (RMB'000)
Services rendered	
Audit services	6,000
Non-audit services	44

C. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Company aims to provide its shareholders with high standards of disclosure and financial transparency through the publication of annual and interim reports, results announcements, other announcements and circulars made through the Company's and Stock Exchange's websites.

The Company has established a comprehensive communication policy with shareholders to ensure that shareholders are provided with timely access to the balanced and understandable information about the Company. The policy has been reviewed annually by the Board to ensure its effectiveness. Based on the results of the review, the process of which included collating feedback from various stakeholders such as shareholders, investors and analysts, the Board considered that the policy was effective and adequate. A copy of the policy is available on the Company's website for public reference.

AGM or other general meetings of the Company provide a useful forum for shareholders to exchange views with the Board. The Chairwoman of the Board as well as the chairmen of the AC and/or RC, or in their absence, members of the committees or senior management of the Company shall be available to answer shareholders' questions. The chairman of the independent board committee shall also attend the general meetings for approving a connected transaction or any transaction that is subject to independent shareholders' approval.

During the year under review, at the 2024 AGM, directors including the CEO were present at the meeting and answered questions raised by shareholders. A representative from the external auditors, Messrs. Ernst & Young, also attended the 2024 AGM and was available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditors' report. All resolutions at the 2024 AGM were passed by way of poll and the notice of the AGM was sent to shareholders at least 21 clear days before the meeting.

SHAREHOLDERS' RIGHT

Convening Extraordinary General Meeting and Putting Forward Proposals at Shareholders' Meetings

Pursuant to article 58 of the Articles, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Proposing a Person for Election as a Director

Pursuant to article 88 of the Articles, no person other than a director retiring at the meeting shall, unless recommended by the directors for election, be eligible for election as a director at any general meeting unless a notice signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company provided that the minimum length of the period, during which such notice(s) are given, shall be at least 7 days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

Accordingly, if a shareholder of the Company wishes to nominate a person to stand for election as a director, the following documents must be validly served on the Company, namely: –

- a notice of intention to propose a resolution; and
- a notice signed by the nominated candidate of his willingness to be elected together with the candidate's information required to be disclosed under Rule 13.51(2) of the Listing Rules and the candidate's written consent to the publication of his personal data together with the certified true copies of identification card or passport, residential address proof and education certificates.

CONSTITUTIONAL DOCUMENTS

There was no change in the constitutional documents of the Company during the year ended 31 December 2024.

DIVIDEND POLICY

The Company adopts a dividend policy of providing shareholders with stable and sustainable dividends. The dividend payment will be based on the Company's financial performance and cash flows, future capital requirements, general economic and business conditions, etc. Whilst the Company does not intend to set any pre-determined dividend distribution ratio in order to allow for financial flexibility, the Company endeavors to strike a proper balance between shareholders' interests and prudent capital management and aims to deliver sustainable dividends that are in line with earnings improvement and long-term growth of the Company.

ENQUIRIES TO THE BOARD

Enquiries may be put forward to the Board through the Company's head office at Unit 09, 41st Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The Company regularly releases latest corporate news of the Group on its website at www.sinobiopharm.com. The public are welcome to give comments and make enquiries through the Company's website.

Report of Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 1 to the financial statements.

There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2024 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 75 to 176.

The payment for interim dividend of HK3 cents per ordinary share of the Company ("Share(s)") or approximately HK$546,164,000 (equivalent to approximately RMB505,865,000) in total was made during 2024.

The directors recommend the payment of a final dividend of HK4 cents per Share in respect of the year ended 31 December 2024 to shareholders on Thursday, 10 July 2025.

The proposal for the distribution of the final dividend above is subject to the consideration and approval of the shareholders at the forthcoming annual general meeting of the Company ("AGM").

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:–

(a) For the purpose of determining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 5 June 2025 to Tuesday, 10 June 2025, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the attendance and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. on Wednesday, 4 June 2025.

(b) For the purpose of determining shareholders who are qualified for the final dividend, the register of members of the Company will be closed from Wednesday, 18 June 2025 to Monday, 23 June 2025, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. on Tuesday, 17 June 2025.

BUSINESS REVIEW

A review of the business of the Group and analysis of the Group's performance during the year, including a description of the principal risks and uncertainties facing the Group and financial key performance indicators, is provided in the Chairwoman's Statement and Management Discussion and Analysis sections on pages 10 to 32 of this annual report.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities, net assets and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

	2024 RMB'000	2023 RMB'000	2022 RMB'000 (Restated)	2021 RMB'000	2020 RMB'000
CONTINUING OPERATIONS					
REVENUE	**28,866,159**	26,199,409	26,026,164	26,861,356	23,647,224
Cost of sales	**(5,336,218)**	(4,989,877)	(4,487,616)	(5,332,095)	(5,182,320)
Gross profit	**23,529,941**	21,209,532	21,538,548	21,529,261	18,464,904
Other income	**1,207,037**	756,097	493,718	644,956	599,202
Other (losses)/gains, net	**(1,184,526)**	(142,816)	(258,733)	251,694	469,054
Selling and distribution costs	**(10,077,966)**	(9,193,351)	(9,809,372)	(10,518,393)	(8,972,635)
Administrative expenses	**(2,081,510)**	(1,873,284)	(1,899,408)	(2,185,234)	(2,655,926)
Other expenses	**(6,201,656)**	(4,703,660)	(4,463,322)	(4,633,841)	(2,758,957)
Including: Research and development costs	***(5,089,203)***	*(4,402,973)*	*(4,164,498)*	*(3,677,259)*	*(2,626,709)*
Finance income	***499,564***	*378,335*	*195,908*	*162,057*	*194,003*
Finance costs	***(295,117)***	*(495,237)*	*(429,494)*	*(308,617)*	*(323,368)*
Net finance income/(costs)	**204,447**	(116,902)	(233,586)	(146,560)	(129,365)
Share of profits and losses of associates and joint ventures	**(118,299)**	(525,710)	(152,976)	13,630,790	(3,233)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**5,277,468**	5,409,906	5,214,869	18,572,673	5,013,044
Income tax expenses	**(492,918)**	(797,267)	(696,716)	(1,957,880)	(672,377)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**4,784,550**	4,612,639	4,518,153	16,614,793	4,340,667
DISCONTINUED OPERATIONS					
Profit for the year from discontinued operations	**1,580,132**	484,759	484,465	–	–
PROFIT FOR THE YEAR	**6,364,682**	5,097,398	5,002,618	16,614,793	4,340,667
Attributable to:					
Owners of the parent	**3,499,834**	2,331,939	2,543,570	14,608,412	2,771,086
Non-controlling interests	**2,864,848**	2,765,459	2,459,048	2,006,381	1,569,581
	6,364,682	5,097,398	5,002,618	16,614,793	4,340,667
TOTAL ASSETS	**65,408,069**	63,604,819	64,064,284	60,543,337	47,210,438
TOTAL LIABILITIES	**(22,633,999)**	(25,434,866)	(26,120,736)	(22,814,314)	(24,790,880)
NET ASSETS	**42,774,070**	38,169,953	37,943,548	37,729,023	22,419,558
NON-CONTROLLING INTERESTS	**(10,813,281)**	(7,695,484)	(8,196,513)	(7,437,907)	(5,672,398)

PROPERTIES, PLANT AND EQUIPMENT

Details of movements in the properties, plant and equipment of the Company and the Group during the year are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital and share options (if any) during the year, together with the reasons therefor, are set out in notes 34 and 35 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association ("Articles") or the laws of the Cayman Islands, being the jurisdiction in which the Company was established, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2024, the Company bought back a total of 10,000,000 Shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") at an aggregate consideration of approximately HK$24,382,000 before expenses. The bought back Shares were subsequently cancelled. Further details are set out as follows:

Month	Number of Shares bought back	Purchase consideration per Share Highest	Lowest	Consideration paid
		HK$	HK$	HK$
April	10,000,000	2.54	2.32	24,382,000

Pursuant to the rules of the share award scheme adopted by the Company on 5 January 2018 (the "2018 Share Award Scheme"), the trustee of the 2018 Share Award Scheme purchased on the Stock Exchange a total of 82,750,000 Shares at a total consideration of approximately HK$254,183,000 during 2024.

Pursuant to the rules of the share incentive scheme implemented by CT Tianqing, a subsidiary of the Company, in 2024 (the "2024 CT Tianqing Share Incentive Scheme"), the trustee of the scheme purchased on the Stock Exchange a total of 338,690,000 Shares at a total consideration of approximately HK$1,075,827,000 during 2024.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in notes 36 and 47 to the financial statements and in the consolidated statement of changes in equity, respectively.

Report of Directors

DISTRIBUTABLE RESERVES

At 31 December 2024, the Company's reserves, including share premium account, available for cash distribution/or distribution in specie, and after taking into account the proposed final dividend of approximately RMB674,031,000 (2023: approximately RMB500,194,000), amounted to approximately RMB14,821,515,000 (2023: approximately RMB9,696,233,000). Under the laws of the Cayman Islands, a company may make distribution to its members out of the share premium account under certain circumstances.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

To the best knowledge of the directors, none of the directors of the Company or any of their associates or any shareholders (which owned more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group strives to implement its environment friendly policies through efficient use of resources and active adoption of measures to reduce environmental impacts. An environment, health and safety management system has been established to conduct environmental impact assessment of new production facilities at the major subsidiaries of the Company. During the production process, the Group has implemented procedures on energy conservation, emission reduction, waste water and solid waste disposal for environmental protection. The Group has also encouraged its staff to be environment friendly by consuming electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. Through such policies and compliance with applicable environmental laws and regulations, the Group continues to improve its environmental performance to achieve sustainable development.

Please refer to the Company's 2024 Environmental, Social and Governance Report separately posted on the websites of the Company and the Stock Exchange for further details of the Company's environmental and social performance.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that stakeholder interests play a key role in its sustainable business operation and has maintained effective communications with its key stakeholders, including customers, suppliers and employees to strengthen relationships and co-operations for the long-term development of the Group.

The customers of the Group comprise mainly distributors and hospitals. The Group actively promotes and obtains feedback on its products by organizing seminars and new product launching conferences. After-sale services are provided through telephone consultation and complaint handling. The Group is devoted to the provision of quality products and services to promote long-term co-operation with its customers so as to increase market share and improve market competitiveness.

The Group adopts a scientific approach in managing its suppliers through a standardized supplier management system with improved procurement tender mechanism. Annual evaluation on suppliers is conducted to ensure that services and products procured meet the requirements of the Group.

Employees are considered as the most important and valuable assets of the Group. The objective of the Group's human resources management is to reward and recognize employees by providing competitive remuneration packages and implementing a sound performance evaluation system, and to promote career development and progression within the Group by providing adequate training and opportunities. A healthy, safe and happy working environment is also provided through the safety management system, cultural and sports activities and health examinations.

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

The Group operates its business through its subsidiaries in the PRC and accordingly, relevant laws and regulations in the PRC applicable for the research, development, manufacturing, sales and distribution of pharmaceutical products, including but not limited to the laws and regulations on quality, safety, production, environmental protection, intellectual property and labour, shall be complied with. In addition, as a company incorporated in the Cayman Islands with its shares listed on the Stock Exchange, the Company is governed by the Companies Act of the Cayman Islands, as well as the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong ("SFO")).

During the year ended 31 December 2024, to the best knowledge of the Board, the Group does not have any incidence of non-compliance with the relevant laws and regulations that would have a significant impact on the Group's business and operations.

DIRECTORS

The directors of the Company during the year were:

Executive directors:
Ms. Tse, Theresa Y Y
Mr. Tse Ping
Ms. Cheng Cheung Ling
Mr. Tse, Eric S Y
Mr. Tse Hsin
Mr. Tian Zhoushan
Ms. Li Mingqin (retired on 5 June 2024)

Independent non-executive directors:
Mr. Lu Zhengfei
Mr. Li Dakui
Ms. Lu Hong
Mr. Zhang Lu Fu
Dr. Li Kwok Tung Donald

In accordance with Article 87 of the Articles, Ms. Tse, Theresa Y Y, Mr. Tse, Eric S Y, Mr. Tse Hsin, Ms. Lu Hong, Mr. Zhang Lu Fu and Dr. Li Kwok Tung Donald will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming AGM.

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to the independence guidelines under the Listing Rules and the Company considers such directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 62 to 67 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 42 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2024, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix C3 of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company

			Number of shares held, capacity and nature of interest			
Name of director	Notes	Capacity/Nature of interest	Directly beneficially owned	Through controlled corporations	Total	Approximate percentage of the Company's issued share capital
Ms. Tse, Theresa Y Y		Beneficial owner	6,000,000	–	6,000,000	0.03%
Mr. Tse Ping	(1)	Beneficial owner	199,119,117	1,459,785,124	1,658,904,241	8.83%
Ms. Cheng Cheung Ling	(2)	Beneficial owner	212,034,750	2,756,643,374	2,968,678,124	15.80%
Mr. Tse, Eric S Y	(3)	Beneficial owner	5,000,000	4,050,000,000	4,055,000,000	21.58%
Mr. Tse Hsin	(4)	Beneficial owner	174,247,000	183,310,270	357,557,270	1.90%
Dr. Li Kwok Tung Donald		Beneficial owner	71,000	–	71,000	0.00%

Notes:

(1) Mr. Tse Ping held 1,459,785,124 Shares through Validated Profits Limited, the entire issued share capital of which is owned by Mr. Tse Ping.

(2) Ms. Cheng Cheung Ling held 2,081,643,374 Shares and 675,000,000 Shares through True Merit Global Limited and Chia Tai Bainian Holdings Limited, respectively. The entire issued share capital of each of the companies is owned by Ms. Cheng Cheung Ling.

(3) Mr. Tse, Eric S Y held 2,362,500,000 Shares and 1,687,500,000 Shares through Thousand Eagles Limited and Remarkable Industries Limited, respectively. The entire issued share capital of each of the companies is owned by Mr. Tse, Eric S Y.

(4) Mr. Tse Hsin held 183,310,270 Shares through Sure Smart Enterprises Limited, the entire issued share capital of which is owned by Mr. Tse Hsin.

Long position in shares of associated corporations of the Company

Name of director	Name of associated corporation	Capacity	Number of shares	Approximate percentage of shareholding
Mr. Tse Hsin	CT Tianqing	Beneficial owner	229,250	0.18%
	NJCTT	Beneficial owner	26,583	0.53%

Saved as disclosed above, as at 31 December 2024, none of the directors and chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

PERSONS WHO HAVE AN INTEREST AND/OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE AND SUBSTANTIAL SHAREHOLDERS

As at 31 December 2024, the following persons (not being a director or chief executive of the Company) had the following interests and/or short positions in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under to Section 336 of the SFO were as follows:

Long positions in shares and/or underlying shares

Name	Notes	Capacity/Nature of Interest	Number of shares and/or underlying shares of the Company	Approximate percentage of issued share capital of the Company
Thousand Eagles Limited	(1)	Beneficial owner	2,362,500,000	12.57%
True Merit Global Limited	(2)	Beneficial owner	2,081,643,374	11.08%
Remarkable Industries Limited	(1)	Beneficial owner	1,687,500,000	8.98%
Validated Profits Limited	(3)	Beneficial owner	1,459,785,124	7.77%

Notes:

(1) Each of Thousand Eagles Limited and Remarkable Industries Limited is an investment holding company wholly-owned by Mr. Tse, Eric S Y.

(2) True Merit Global Limited is an investment holding company wholly-owned by Ms. Cheng Cheung Ling.

(3) Validated Profits Limited is an investment holding company wholly-owned by Mr. Tse Ping.

Save as disclosed above, as at 31 December 2024, no person (not being a director or chief executive of the Company) had an interest and/or short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed under the heading "Directors' and Chief Executives' interests and short positions in share, underlying shares and debentures" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; nor was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights through any other body corporate.

CONNECTED TRANSACTIONS

On 30 October 2024, among other parties, Beijing Huihuang Runkang Medicines Co., Ltd. ("Beijing Runkang"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "the Equity Transfer Agreement") with Hob Biotech Group Limited ("Hob Biotech HK"), pursuant to which Beijing Runkang agreed to acquire, and Hob Biotech HK agreed to sell, 18,670,878 shares (the "Subject Shares") or 29.99% of the equity interest in Hob Biotech Group Corp., Ltd. (the "Target Company") held by Hob Biotech HK, subject to the terms and conditions set out therein. Upon completion of the transfer of the Subject Shares from Hob Biotech HK to the Company (the "Equity Transfer"), Beijing Runkang holds 29.99% equity interest in the Target Company.

Pursuant to the Equity Transfer Agreement, conditional upon the Equity Transfer, (i) Shuangrun Zhengan Information Consulting (Beijing) Co., Ltd. ("Shuangrun Zhengan"), a non wholly-owned subsidiary of the Company, made a possible voluntary partial offer ("Partial Offer") to the shareholders of the Target Company other than Beijing Runkang, i.e. Proposed Offerees, to acquire 15,570,480 shares or 25.01% of the equity interest in the Target Company. Shuangrun Zhengan is held as to 51.0198% indirectly by the Company and as to 48.9802% directly by a company owned and controlled by Mr. Tse, Eric S Y, an executive director and a substantial shareholder of the Company; (ii) Hob Biotech HK agreed and irrevocably undertook that it should apply for the pre-acceptance of the Partial Offer with respect to its 14.13% equity interest in the Target Company; and (iii) Suzhou Wairun Investment Management Limited Partnership, another shareholder of the Target Company as at the date of the Equity Transfer Agreement, agreed and irrevocably undertook that it should apply for the pre-acceptance of the Partial Offer with respect to its 8.88% equity interest in the Target Company.

The Partial Offer was completed in February 2025, and Shuangrun Zhengan acquired from those Proposed Offerees that accepted the offer 14,326,151 shares or 23.0113% equity interest in the Target Company. Subsequent to the completion of the Partial Offer, the Company indirectly holds a total of 53.0013% equity interest in the Target Company through its subsidiaries Beijing Runkang and Shuangrun Zhengan.

As both the Equity Transfer and the Partial Offer involve the transfer of equity interests in the Target Company by Hob Biotech HK to the Group and the transactions contemplated thereunder are related to the same subject matter, i.e. the equity interests in the Target Company, Hob Biotech HK is considered as a "deemed connected person" of the Company pursuant to Rule 14A.20(1) of the Listing Rules. Accordingly, the Equity Transfer and the Partial Offer will collectively constitute a connected transaction of the Group under Chapter 14A of the Listing Rules. Nevertheless, as all the applicable percentage ratios in respect of the Equity Transfer as well as the Partial Offer in aggregate are less than 5%, pursuant to Rule 14A.76(2)(a) of the Listing Rules, the Equity Transfer and the Partial Offer together are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements.

Upon the completion of the Equity Transfer, Hob Biotech HK undertakes that (i) the Target Company's net profit attributable to shareholders of parent company shall be no less than RMB49.70 million, RMB52.18 million and RMB54.79 million for the financial years 2024, 2025 and 2026, respectively; and (ii) the Target Company's net profit attributable to shareholders of parent company after deducting extraordinary gains and losses shall be no less than RMB45.47 million, RMB47.74 million and RMB50.13 million for the financial years 2024, 2025 and 2026, respectively (collectively, the "Profit Undertakings"). The actual performance of the Target Company has met the requirement of the Profit Undertakings for financial year 2024.

For further details of the Equity Transfer, the Partial Offer, and the Profit Undertakings, please refer to the announcements of the Company dated 30 October 2024 and 18 November 2024.

CONTINUING CONNECTED TRANSACTIONS

The related party transactions as set out in note 42 to the financial statements are fully-exempt from annual review and all disclosure requirements pursuant to Rule 14A.76(1) of the Listing Rules.

CONVERTIBLE BONDS

On 17 February 2020, the Company completed the issuance and listing of EUR750,000,000 zero coupon convertible bonds due 2025 ("Convertible Bonds") by way of debt issues to professional investors only. The net proceeds from the Convertible Bonds were used by the Group for research and development expenditure, construction of manufacturing facilities, sales and marketing and general corporate purposes.

During the year under review, the outstanding principal amount of the Convertible Bonds remained unchanged at EUR2,150,000, with no conversion of the Convertible Bonds had been made, while the conversion price of the Conversion Bonds was further adjusted from HK$12.06 to HK$11.86 per Share under the terms and conditions of the Convertible Bonds upon payment of dividends by the Company. The maximum number of Shares issuable by the Company upon conversion of all the outstanding Convertible Bonds amounted to 1,561,360 Shares at the year end..

SHARE OPTION SCHEME AND SHARE AWARD SCHEMES

Details of the share option scheme and share award scheme adopted by the Company and the share incentive scheme implemented by the Company's subsidiary are set out in note 35 to the financial statements.

No share options had been granted to any participant under the Company's share option scheme since its adoption up to the date of this report.

2018 Share Award Scheme

Details of the restricted shares granted under the 2018 Share Award Scheme during the year ended 31 December 2024 are as follows:

	Date of grant	Number of restricted shares unvested as at 1 January 2024	Number of restricted shares granted during the year	Number of restricted shares vested during the year	Number of restricted shares unvested as at 31 December 2024	Fair value of restricted shares as at the date of grant HK$	Closing price of the shares immediately before the date on which restricted shares were granted HK$
Employee participants[1]	23/08/2024	–	8,274,700[2]	8,274,700[2]	–	3.14[3]	3.21
	13/09/2024	–	201,900[2]	201,900[2]	–	3.22[3]	3.11

Notes:

(1) All grantees were employees and consultants of the Group, and included (i) no director, chief executive or substantial shareholder of the Company or their respective associates, and (ii) none of the five highest paid individuals during the year. During the year, no participant was granted restricted shares that would result in all shares granted to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares in issue of the Company.

(2) The restricted shares were granted at nil purchase price and vested immediately on the date of grant. No restricted shares granted were cancelled, lapsed or forfeited in accordance with the terms of the 2018 Share Award Scheme during the year.

(3) The fair value of the restricted shares was calculated based on the closing price of the Company's shares as at the date of grant.

2024 CT Tianqing Share Incentive Scheme

Details of the incentive shares granted under the 2024 CT Tianqing Share Incentive Scheme during the year ended 31 December 2024 are as follows:

		Number of incentive shares					
	Date of grant	Unvested as at 1 January 2024	Granted during the year	Vested during the year	Forfeited/ cancelled during the year	Unvested as at 31 December 2024	Vesting period
Employee participants(1)	30/09/2024	–	108,384,000(2)(3)	–	(600,000)	107,784,000	31 December 2025 to 31 December 2027(2)

Notes:

(1) All grantees were employees of CT Tianqing, and included (i) no director, chief executive or substantial shareholder of the Company or their respective associates, and (ii) none of the five highest paid individuals during the year. During the year, no participant of the scheme was granted incentive shares that would result in all shares granted to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares in issue of the Company.

(2) The incentive shares were granted at a purchase price of HK$1.94 per share which should be paid in full within the period specified by the board of directors of CT Tianqing upon acceptance of the grant offer by the grantee. Subject to the satisfaction of performance-based vesting conditions, which include both financial performance benchmark of the company and performance appraisal results of the grantee as set by the board of directors of CT Tianqing, 40%, 30% and 30% of the total number of the incentive shares granted to each grantee will vest on 31 December 2025, 31 December 2026 and 31 December 2027, respectively.

(3) The fair value of the incentive shares granted of HK$3.73 per share was calculated based on the closing price of the Company's shares as at the date of grant. The closing price of the shares immediately before the date on which restricted shares were granted was HK$3.70 per share.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public throughout the year ended 31 December 2024.

Report of Directors

UNDERTAKING

Mr. Tse Ping has executed a deed of undertaking (the "Undertaking") in favour of the Company on 9 September 2003 which has become effective upon the commencement of trading in shares of the Company on the Main Board of the Stock Exchange.

Pursuant to the Undertaking, Mr. Tse has undertaken to the Company that, conditional upon the commencement of trading in the Shares on the Main Board, for so long as (i) Mr. Tse, together with his associates, shall remain beneficially interested, directly or indirectly, in Shares with at least 30 per cent. of the voting rights of the Company (from time to time), and (ii) the Shares shall remain traded on the Main Board, neither Mr. Tse nor any of Mr. Tse's Companies (excluding for this purpose the Group) will, within the Territory (as defined below), carry on, become engaged or otherwise become interested (saved through Mr. Tse's interest in the Company) directly or indirectly in, any business which falls within the Restricted Business (as defined below); and

For the purpose of the Undertaking:–

"Mr. Tse's Company(ies)" refers to any of the companies or other entities of which more than 50 per cent. of the issued shares or equity of other nature carrying voting rights are directly or indirectly owned by Mr. Tse or regarding which companies or entities Mr. Tse is entitled to control the board of directors or management body of similar nature;

"Restricted Business" refers to:–

(i) the R&D, production and sale of biopharmaceutical products for the medical treatment of ophthalmia and osteoarthritis, biopharmaceutical products for external use for the medical treatment of skin diseases, modernized Chinese medicines, chemical medicines and modern health-care products for the medical treatment of hepatitis and angiopathy of cardio-cerebral; and

(ii) the research and development of new medicines and modern health-care products for the medical treatment of cardiovascular and respiratory diseases.

"Territory" refers to the PRC (including Hong Kong).

The Undertaking does not apply to the followings:–

(i) the holding of shares or other securities issued by the Company or any of its subsidiaries from time to time;

(ii) the holding of shares or other securities in any company which carries on, or is engaged or interested directly or indirectly in, any business which falls within the Restricted Business in the Territory, provided that such securities are listed on a stock exchange with regular trading and the total securities held by Mr. Tse and/or his associates do not amount to more than 20 per cent. of the issued shares or other securities of the company in question; and

(iii) the investment by Mr. Tse and/or Mr. Tse's Company in a business in the Territory which falls within the Restricted Business if the opportunity to invest in such business had been offered to and was either rejected by the Company or accepted in part by the Company on the basis of the investment in the balance being taken up by Mr. Tse or Mr. Tse's company, in either case in accordance with paragraph below.

In the event that Mr. Tse or any Mr. Tse's Company has identified an opportunity to invest (whether by way of the establishment of a new enterprise or the acquisition of existing interests in, or the injection of new capital into, an existing enterprise) in a business in the Territory which falls within the Restricted Business or any pharmaceutical related business in the Territory in which the Group is principally engaged from time to time (excluding any business in which Xian C.P. Pharmaceutical Co., Ltd. and/or Hainan Tigerlily Pharmaceutical Co., Ltd is/are engaged as at the date of the Undertaking) (the "Proposed Business"), Mr. Tse will undertake that he will procure that the said opportunity be first offered to the Company and that all relevant information relating to the Proposed Business in the possession of Mr. Tse and/or any Mr. Tse's Company shall be provided to the Company. The independent non-executive Directors shall have the right on behalf of the Company to determine whether the Group should:–

(i) reject the said opportunity in its entirety; or

(ii) accept the said opportunity in full and proceed with the participation in the Proposed Business; or

(iii) accept the said opportunity in part only on condition that, subject to compliance with any applicable requirements of the Listing Rules, Mr. Tse (including through a Mr. Tse's Company) takes up the balance of the investment upon terms approved by the independent non-executive Directors.

EMOLUMENT POLICY

Including the Directors, the Group had 24,379 employees as at 31 December 2024. The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits include insurance and medical coverage, subsidized training programmes as well as employee share incentive schemes.

In order to properly reflect the public accountability and time and effort spent on the Board and various committees and meetings, the determination of emoluments of the directors of the Company has taken into consideration of their expertise and job specifications.

DONATION

During the year ended 31 December 2024, the donation of the Group amounted to approximately RMB60.11 million.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

Tse, Theresa Y Y
Chairwoman

Hong Kong
20 March 2025

Directors and Senior Management Profile

DIRECTORS

Executive Directors

Ms. Tse, Theresa Y Y (謝其潤女士), aged 32, is the chairwoman of the Board, an executive director, the chairwoman of the executive board committee and the nomination committee, and a member of the environmental, social and governance ("ESG") committee of the Company. Ms. Tse is also a director of CT Tianqing and the vice chairwoman of Beijing Tide. Ms. Tse was a member of the first and second board of directors of Beijing Chia Tai Charity Foundation. She holds a Bachelor Degree of Science in Economics from the Wharton School of University of Pennsylvania. As a new generation business leader, Ms. Tse was included in the list of "100 Outstanding Business Women in China" by Forbes China for six times from 2018 to 2025, and selected as one of "The Bloomberg 50" for 2024 by Bloomberg Businessweek.

Ms. Tse is the daughter of Mr. Tse Ping and Ms. Cheng Cheung Ling, the sister of Mr. Tse, Eric S Y, and a niece of Mr. Tse Hsin, all being executive directors and/or substantial shareholders of the Company.

Mr. Tse Ping (謝炳先生), aged 73, is the founding chairman of the Company and now serves as the senior vice chairman of the Board, an executive director, and a member of the executive board committee and nomination committee of the Company. Mr. Tse Ping has more than 30 years of extensive experience of investment and management in the pharmaceutical industry in China. Mr. Tse Ping is currently the president of NJCTT, Jiangsu CT Fenghai, Jiangsu CT Qingjiang, and Chia Tai Pharmaceutical Investment (Beijing) Group Co., Ltd., and a director of CT Tianqing and Beijing Tide. Mr. Tse Ping is also a senior vice president of Chia Tai Group, the president of CP Pharmaceutical Group, and a director of Shanghai Fortune World Development Co., Ltd., Tianjin Chiatai Feed Tech Co., Ltd., SYN Energy Technology Co., Ltd., and Chia Tai Oversea Chinese Realty Development Co., Ltd.

Soon after the adoption of the open-up and reform policy by China, Mr. Tse Ping started to develop his investment and business in China. He has been engaged in the pharmaceutical industry since 1991, having made equity investments in a dozen or so enterprises, and is one of the most successful overseas investors in the PRC pharmaceutical industry. Led by Mr. Tse Ping, CP Pharmaceutical Group has developed to a large integrated pharmaceutical enterprise, and its Hong Kong listed flagship Sino Biopharmaceutical Limited is a constituent of the Heng Seng Index, owning a number of national key high-technology enterprises. Adhering to the concept of technology innovation and building upon R&D system based on originality as well as imitation, the Group strives to develop international level, high-end biological drugs and innovative drugs and to achieve breakthroughs in different areas including medical services, medical equipment, and mergers and acquisitions, and becomes an innovation driven pharmaceutical conglomerate with its business encompassing the entire industry chain which spans from R&D to manufacture and sales of pharmaceutical products. Since incorporation, the Company continues to break its own record in terms of revenue and net profit, and was included in American Magazine Pharm Exec's "Top 50 Companies" for six consecutive years from 2019 to 2024 and was ranked one of the "Asia Fab 50 Companies" by Forbes Asia for three consecutive years.

As a recognition for his efforts in promoting the development of the pharmaceutical industry in China, Mr. Tse Ping was awarded a number of honours, including the prize of "World Outstanding Chinese" and an honorary Doctor Degree by the University of West Alabama, United States of America in January 2008, and the "2007/2008 Asian Knowledge Management Association academician" granted by the Asian Knowledge Management Association in December 2008.

Mr. Tse Ping was a member of the Ninth, Tenth and Eleventh National Committee of the Chinese People's Political Consultative Conference. He is currently an executive vice chairman of the China Overseas Chinese Entrepreneurs Association and a distinguished professor of University for Peace, UPEACE.

Mr. Tse Ping is the father of Ms. Tse, Theresa Y Y and Mr. Tse, Eric S Y and a first cousin of Mr. Tse Hsin, all being executive directors and/or substantial shareholders of the Company.

Ms. Cheng Cheung Ling (鄭翔玲女士), is one of the founders of the Company, and is currently the vice chairwoman of the Board, an executive director, a member of the executive board committee, and the chairwoman of the ESG committee of the Company. Ms. Cheng was born in 1964, graduated from the Guanghua School of Management of Peking University and obtained a Master Degree in Business Administration. She is also a clinician. As a founder of CP Pharmaceutical Group, Ms. Cheng has made significant contribution to the business development of CP Pharmaceutical Group. CT Tianqing and Beijing Tide, the core members of the CP Pharmaceutical Group, have been included in the list of "Top 100 Enterprises in Chinese Pharmaceutical Industry" for years. When Ms. Cheng was at the helm of Beijing Tide, Beijing Tide has achieved tremendous growth with concentration on internationalization and innovation, and become a leading enterprise in the development, production and sales of targeted drugs in China under her leadership.

Over the years, being dedicated to patriotism with affection for the country and Hong Kong and committed to facilitating communication and trade between the Mainland and Hong Kong, Ms. Cheng has done remarkable work for promoting national cohesion and bilateral cooperation between the Mainland and Hong Kong. In addition, Ms. Cheng is a devoted charity supporter, actively participating in community philanthropy. Public offices held by Ms. Cheng include the founding chairwoman of the Hong Kong China Friendship Association; the founding president of the council of Hong Kong Belt & Road General Chamber of Commerce; the past chairwoman of the Friendship Association of the Chinese People's Political Consultative Conference (Hong Kong Provincial Committee); the convenor of the Eighth, Ninth, Tenth, Eleventh, Twelfth and Thirteenth Standing Committees of the Shaanxi Province Chinese People's Political Consultative Conference; a vice director of the Twelfth and Thirteenth Subcommittees of Hong Kong, Macao and Taiwan Compatriots and Overseas Chinese of the Shaanxi Province Chinese People's Political Consultative Conference; successively a founding council member, an executive council member, and convenor and spokesperson of the Fifth Sector of election committee of the China Overseas Friendship Association from 1997 to present; successively the president of the Second Council Committee and honorary life president of the General Association of Shaanxi Entrepreneurs; the president of the Hong Kong Shaanxi General Association; an executive vice chairwoman of the Beijing Overseas Chinese Chamber of Commerce; a vice president of Beijing Federation of Industry & Commerce; and the honorary dean of the Marine Biomedical Research Institute of Qingdao, etc.

The distinguished community services provided by Ms. Cheng are well recognized by various sectors. She was not only appointed as a Justice of the Peace (*JP*) and awarded the Silver Bauhinia Star (*SBS*) by the Government of Hong Kong SAR but also awarded by a number of organizations honours such as "National Women's Meritorious Service Model (全國巾幗建功標兵)", the 3rd session of "Sanqin Philanthropy Award (三秦慈善獎)" of Shaanxi Province, "Bearer of Red Flag March 8 (三八紅旗手) of Shaanxi Province", the 4th session of "Jinghua Award (京華獎)" of Beijing, and the 11th session of "Qindao Award (島琴獎)" of Qingdao City.

She is the mother of Ms. Tse, Theresa Y Y and Mr. Tse, Eric S Y, executive directors and/or substantial shareholders of the Company.

Directors and Senior Management Profile

Mr. Tse, Eric S Y（謝承潤先生）, aged 29, is an executive director, a member of the executive board committee and the Chief Executive Officer of the Company. He is the chairman of CT Tianqing, the chairman of Beijing Tide and a director of NJCTT. He holds a Bachelor of Science degree in Economics from the Wharton School of the University of Pennsylvania and a master degree in Management and Global Leadership from Schwarzman College, Tsinghua University. He is a member of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference, a member of All-China Youth Federation, a vice president of Shaanxi Province Youth Federation, a member of the Digital Economy Committee of APEC China Business Council, a presidium member of the Global Shapers of World Economic Forum, the vice director of the Technology Innovation Committee of Hong Kong Belt & Road General Chamber of Commerce, an executive vice president of Jiangsu Overseas Chinese Chamber of Commerce, a member of the Seventh Election Committee of the Hong Kong Special Administrative Region, a vice president of the Youth Federation of Hong Kong Political Consultative Conference, and a member of the Y.Elites Association. Mr. Tse, Eric S Y was awarded the "Top Ten Outstanding Chinese American Youth" in 2018 (the list of which was jointly selected by the All-America Chinese Youth Federation, the American Chinese Public Diplomacy Association, and the English "Los Angeles Post") and recognized as one of the "Top Ten Outstanding Young Persons" of the 13th session of Lianyungang Municipal Award and an outstanding person of the "Outstanding Contribution to Manufacture in Jiangsu Award".

Mr. Tse, Eric S Y is the son of Mr. Tse Ping and Ms. Cheng Cheung Ling, the brother of Ms. Tse, Theresa Y Y, and a nephew of Mr. Tse Hsin, all being executive directors and/or substantial shareholders of the Company.

Mr. Tse Hsin（謝炘先生）, aged 55, is an executive director, a member of the executive board committee and a senior vice president of the Company. Mr. Tse Hsin is mainly responsible for mergers and acquisitions and financing activities of the Group. Mr. Tse Hsin graduated from the University of Hong Kong with a Bachelor's Degree (Honors) in Industrial Engineering. He joined the Group in August 1995 as an assistant to the president of the Company and served as the general manager of Xian C.P. Pharmaceutical Co., Ltd. Mr. Tse Hsin was a council member of the first council and an executive council member of the second council of Chaozhou Natives Chamber of Commerce Beijing. He was also an executive member of the Right Protection Association for the Medical Treatment Equipment Enterprises of the Shaanxi Province, a vice chairman of the fourth council of the Foreign Invested Enterprises Association of the Shaanxi Province, an executive member of the third committee of the Shaanxi Cancer Fighting Association and a vice chairman of the World Chinese Medicine and Pharmaceutical Professional Joint Committee. He was awarded the "Outstanding Management Award for Foreign-invested Enterprises of Shaanxi Province" by the Shaanxi Provincial Government and the "Outstanding entrepreneur who cares about his staff" by the Shaanxi Foreign Invested Enterprises Association. Mr. Tse Hsin was a director of CT Tianqing, Beijing Tide, and CP Pharmaceutical (Qingdao) Co., Ltd., and is currently a director of NJCTT and CP Boai Investment Ltd., the chairman of Chia Tai Shaoyang Orthopedic Hospital, and a supervisor of CT Tianqing.

Mr. Tse Hsin is an uncle of Ms. Tse, Theresa Y Y and Mr. Tse, Eric S Y and a first cousin of Mr. Tse Ping, all being executive directors and/or substantial shareholders of the Company.

Mr. Tian Zhoushan（田舟山先生）, aged 61, joined the Group in April 1997 and is responsible for the business of NJCTT. Mr. Tian is currently the president of NJCTT. Mr. Tian completed MBA coursework in Nanjing University. He was the head of production, the assistant to the president, and the vice president of CT Tianqing, and has over 30 years of experience in the pharmaceutical industry.

Independent Non-executive Directors

Mr. Lu Zhengfei（陸正飛先生）, aged 61, is an independent non-executive director of the Company and is the chairman of the audit committee and a member of the remuneration committee and the nomination committee of the Company. Mr. Lu received a P.h.D. Degree in Economics (financial management). He is currently a Distinguished Professor of Chang Jiang Scholars and supervisor of doctoral students of the Guanghua School of Management of Peking University. He had previously held various senior positions in the Department of Accounting of both the Guanghua School of Management of Peking University and the Nanjing University. He is a standing council member of the China Accounting Association and the deputy director of its Financial Management Committee and was also an expert consultant of the China Financial Accounting Standards Board, Ministry of Finance. Mr. Lu is the editor of several accounting and finance journals and has issued various publications. He is an independent director of China Cinda Asset Management Co., Ltd. (listed on the Stock Exchange), Xinjiang Tianshan Cement Company Limited (listed on the Shenzhen Stock Exchange), and China International Capital Corporation Limited (listed on both the Stock Exchange and the Shanghai Stock Exchange), respectively.

Mr. Li Dakui（李大魁先生）, aged 81, is an independent non-executive director and a member of the audit committee of the Company. He graduated from the Faculty of Pharmacy of Beijing Medical University (now known as the School of Pharmaceutical Sciences of Beijing University) in 1965, and obtained a Master Degree in Pharmaceutics from Peking Union Medical College ("PUMC") in 1982. He had been the chief pharmacist of PUMC Hospital (retired in 2013) and the director of Pharmacy Department of PUMC Hospital for years. Mr. Li was a vice president of the Chinese Pharmaceutical Association, the chairman of the Committee of Hospital Pharmacy Branch of Chinese Pharmaceutical Association and the vice chairman of the Chinese Practicing Pharmacist Association. He is currently an advisory member of the Chinese Pharmaceutical Committee.

Ms. Lu Hong（魯紅女士）, aged 55, joined the Company as an independent non-executive director and a member of the audit committee, the remuneration committee and the nomination committee of the Company in April 2015. Ms. Lu has more than 20 years of experience in accounting, financial management, company secretary and domestic and overseas capital operations fields. She is a member of the Chinese Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants, and has acquired legal professional qualification in China. Ms. Lu has extensive knowledge of PRC and international accounting standards and the listing rules and regulations of both Hong Kong and PRC. She was in charge of or involved in the entire process of the listing of multiple corporations in the PRC, Hong Kong, Singapore and the United States of America and quite a number of foreign and domestic investment and financing operations as well as mergers and acquisitions. She is familiar with financial analysis, budgeting, financial management and tax planning. She also has expertise in dealing with complex financing and taxation matters. Ms. Lu is an independent non-executive director of Xingye Alloy Materials Group Limited, which is listed on the Stock Exchange.

Directors and Senior Management Profile

Mr. Zhang Lu Fu (張魯夫先生), aged 67, joined the Company as an independent non-executive director and the chairman of the remuneration committee and a member of the nomination committee of the Company in April 2015. He had worked for multiple sectors of the Chinese government since 1987, including the Hong Kong branch of the Xin Hua News Agency (now known as Liaison Office of the Central People's Government in Hong Kong). After 2000, Mr. Zhang had worked for a number of Hong Kong listed companies and charitable organisations on full-time or part-time basis, successively holding positions such as chief representative for affairs in China, China affairs advisor, secretary-general (China affairs) of a foundation, and executive president.

Mr. Zhang has served as the director-general of Friends of Hong Kong Association Ltd since 2008. He was appointed as a member of the Shenzhen Committee of the 4th Chinese People's Political Consultative Conference in 2008 and a council member of the China Overseas Friendship Association in 2013, and served successively as a standing council member of the Shenzhen Overseas Friendship Association and a standing council member of the Guangdong Overseas Friendship Association since 2015. He holds a Master Degree in Philosophy from the Beijing Normal University and was a research associate. He has been hired as a guest professor of the Hong Kong Academy of Management since 2011. Mr. Zhang is an independent non-executive director of Kingboard Laminates Holdings Limited, which is listed on the Stock Exchange.

Dr. Li Kwok Tung Donald *(GBS, CStJ, JP)* **(李國棟醫生)**, aged 70, joined the Company as an independent non-executive director and a member of the audit committee and nomination committee of the Company in December 2020. Dr. Li is a specialist in family medicine in private practice in Hong Kong. He is a past president of the World Organisation of Family Physicians (WONCA) and the past president of the Hong Kong Academy of Medicine as well as a censor of the Hong Kong College of Family Physicians.

Dr. Li graduated with a bachelor of arts degree from Cornell University, USA, in 1975 and followed by his study in medicine, he obtained a bachelor of medicine from the University of Hong Kong in 1980. He is a fellow of The Hong Kong College of General Practitioners, fellow of the Hong Kong Academy of Medicine, honorary fellow of the Hong Kong College of Dental Surgeons, honorary fellow of the Royal Australian College of General Practitioners, honorary fellow of the Hong Kong College of Family Physicians, fellow of the Faculty of Public Health of the Royal College of Physicians of the United Kingdom, honorary fellow of the Academy of Family Physicians of Malaysia, registered Mainland China medical practitioner, fellow of the American College of Physicians, honorary fellow of the Royal College of Physicians of Thailand, fellow of the Academy of Medicine, Singapore, honorary fellow of the Royal College of Physicians of Ireland, and honorary fellow of the Royal College of General Practitioners.

Dr. Li is an honorary clinical professor in family medicine of the Chinese University of Hong Kong, honorary professor of Family Medicine in the Faculty of Medicine of the University of Hong Kong, and the honorary professor of Shanghai Medical College of Fudan University. He is the chairman of the Action Committee Against Narcotics, the chairman of Elderly Commission, the member of the Primary Healthcare Commission, the director of the Hong Kong St. John Ambulance Association, the Chairman of Hong Kong Sheng Kung Hui Welfare Council, an honorary steward of the Hong Kong Jockey Club, and the director and honorary advisor of Jiahui Health. He is also an honorary adviser of The Hong Kong Award for Young People, an adviser of Our Hong Kong Foundation, and the chairman of the Professional Committee on Medical Health of Belt & Road General Chamber of Commerce in Hong Kong. Dr. Li is an independent non-executive director of UMP Healthcare Holdings Limited, which is listed on the Stock Exchange.

SENIOR MANAGEMENT

Ms. Li Chunling (李春玲女士), aged 54, is the chief financial officer of the Group, in charge of the Group's finance affairs. Ms. Li graduated from Guizhou College of Finance and Accounting, and is a senior accountant and a certified accountant in the PRC. She had worked in audit firms before joining the Group in 1996. Ms. Li has over 30 years of experience in finance and audit.

Mr. Jin Song (靳松先生), aged 49, is a vice president, responsible for public affairs and ESG related work. Mr. Jin graduated from China Pharmaceutical University, with a Bachelor degree in pharmaceutical preparations engineering, and holds a master degree in public health administration and international cooperation strategies from Ritsumeikan University, Japan. Before joining the Company in 2021, Mr. Jin was a vice president in a large state-owned enterprise, and had worked in national pharmaceutical regulatory authorities for many years. He has more than 20 years of management experience in the pharmaceutical industry.

Corporate Information

LEGAL NAME OF THE COMPANY

Sino Biopharmaceutical Limited

STOCK CODE

1177

COMPANY'S WEBSITE

www.sinobiopharm.com

PLACE OF INCORPORATION

Cayman Islands

DATE OF LISTING ON MAIN BOARD

8 December 2003

DATE OF LISTING ON GEM BOARD

29 September 2000

DIRECTORS

Executive Directors
Ms. Tse, Theresa Y Y *(Chairwoman)*
Mr. Tse Ping *(Senior Vice Chairman)*
Ms. Cheng Cheung Ling *(Vice Chairwoman)*
Mr. Tse, Eric S Y *(Chief Executive Officer)*
Mr. Tse Hsin
Mr. Tian Zhoushan

Independent Non-executive Directors
Mr. Lu Zhengfei
Mr. Li Dakui
Ms. Lu Hong
Mr. Zhang Lu Fu
Dr. Li Kwok Tung Donald

Executive Board Committee
Ms. Tse, Theresa Y Y *(Chairwoman)*
Mr. Tse Ping
Ms. Cheng Cheung Ling
Mr. Tse, Eric S Y
Mr. Tse Hsin

AUDIT COMMITTEE

Mr. Lu Zhengfei *(Chairman)*
Mr. Li Dakui
Ms. Lu Hong
Dr. Li Kwok Tung Donald

REMUNERATION COMMITTEE

Mr. Zhang Lu Fu *(Chairman)*
Mr. Lu Zhengfei
Ms. Lu Hong

NOMINATION COMMITTEE

Ms. Tse, Theresa Y Y *(Chairwoman)*
Mr. Tse Ping
Mr. Lu Zhengfei
Ms. Lu Hong
Mr. Zhang Lu Fu
Dr. Li Kwok Tung Donald

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Ms. Cheng Cheung Ling *(Chairwoman)*
Ms. Tse, Theresa Y Y
Dr. Li Kwok Tung Donald

COMPANY SECRETARY

Mr. Chan Oi Nin Derek

AUTHORISED REPRESENTATIVES

Mr. Tse Ping
Mr. Chan Oi Nin Derek

AUTHORISED PERSON TO ACCEPT SERVICES OF PROCESS AND NOTICES

Ms. Tse Wun

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Agricultural Bank of China, Lianyungang Branch
No. 43 North Tong-guan Road, Xinpu
Lianyungang
Jiangsu Province
PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
P.O. Box 1586, Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

REGISTERED OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

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PRINCIPAL PLACE OF BUSINESS IN CHINESE MAINLAND

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Beijing
PRC

LEGAL ADVISERS

Sidley Austin
39/F, Two International Finance Centre
Central
Hong Kong

Navigator Law Office
Room 1118, Tower 2, Bright China Chang An Building
No.7, Jianguomennei Avenue, Dong Cheng District
Beijing
PRC

AUDITORS

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations Limited
Unit 01, 24th Floor, Admiralty Centre I
18 Harcourt Road
Hong Kong

Independent Auditor's Report

EY 安永

To the shareholders of Sino Biopharmaceutical Limited

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Sino Biopharmaceutical Limited (the "Company") and its subsidiaries (the "Group") set out on pages 75 to 176, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters (continued)

Key audit matter

Fair value measurement for Level 3 investments

The Group made unlisted investments in a wide variety of companies. Those investments are accounted for as financial assets at fair value through profit or loss ("FVTPL") or designated as financial assets at fair value through other comprehensive income in accordance with HKFRS 9 "Financial Instruments". As at 31 December 2024, the fair values of these investments were RMB4,439 million and RMB10,899 million, respectively (2023: RMB4,700 million and RMB1,434 million, respectively). The determination of the fair values of these unlisted investments involves significant judgements and estimates made by management. Therefore, we identified the fair value measurement for Level 3 investments as a key audit matter.

The Group's related disclosures are included in note 2.4 *Material Accounting Policies – Investments and other financial assets*, note 3 *Significant Accounting Judgements and Estimates*, note 21 *Equity investments designated at fair value through other comprehensive income*, note 22 *Financial assets at fair value through profit or loss* and note 44 *Fair value and fair value hierarchy of financial instruments* to the financial statements.

How our audit addressed the key audit matter

Our procedures in relation to the fair value measurement for Level 3 investments included:

- Obtaining an understanding of the key controls over the fair value measurements and evaluating the design and implementation of these controls;
- Evaluating the objectivity, independence and competence of the external appraisers who assisted the management in assessing the fair values;
- Evaluating the reasonableness in the key inputs in the valuation models by checking the supporting documents;
- Involving our internal valuation specialists to review the valuation methodologies and inputs adopted by the appraisers in certain Level 3 investments; and
- Evaluating the adequacy of disclosures of Level 3 fair value measurement.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor’s report thereon.

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

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

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
27th Floor, One Taikoo Place
979 King's Road,
Quarry Bay, Hong Kong

20 March 2025

Consolidated Statement of Profit or Loss

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CONTINUING OPERATIONS			
REVENUE	5	28,866,159	26,199,409
Cost of sales		(5,336,218)	(4,989,877)
Gross profit		23,529,941	21,209,532
Other income	5	1,207,037	756,097
Other losses, net	6	(1,184,526)	(142,816)
Selling and distribution costs		(10,077,966)	(9,193,351)
Administrative expenses		(2,081,510)	(1,873,284)
Other expenses		(6,201,656)	(4,703,660)
Including: Research and development costs		*(5,089,203)*	*(4,402,973)*
Finance income	8	*499,564*	*378,335*
Finance costs	9	*(295,117)*	*(495,237)*
Net finance income/(costs)		204,447	(116,902)
Share of profits and losses of associates and joint ventures		(118,299)	(525,710)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	5,277,468	5,409,906
Income tax expense	12	(492,918)	(797,267)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		4,784,550	4,612,639
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	13	1,580,132	484,759
PROFIT FOR THE YEAR		6,364,682	5,097,398
Attributable to:			
Owners of the parent		3,499,834	2,331,939
Non-controlling interests		2,864,848	2,765,459
		6,364,682	5,097,398
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	15		
Basic			
– For profit for the year		RMB19.13 cents	RMB 12.59 cents
– For profit from continuing operations		RMB 10.50 cents	RMB 10.21 cents
Diluted			
– For profit for the year		RMB 19.13 cents	RMB 12.59 cents
– For profit from continuing operations		RMB 10.49 cents	RMB 10.21 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
PROFIT FOR THE YEAR	**6,364,682**	5,097,398
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Net gain/(loss) on hedge of net investment	**170,227**	(70,564)
Exchange differences on translation of foreign operations	**145,131**	46,023
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**315,358**	(24,541)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(65,309)**	98,418
Income tax effect	**–**	–
	(65,309)	98,418
Share of other comprehensive income of associates and joint ventures	**(44,959)**	16,110
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**(110,268)**	114,528
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**205,090**	89,987
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**6,569,772**	5,187,385
Attributable to:		
Owners of the parent	**3,707,747**	2,421,926
Non-controlling interests	**2,862,025**	2,765,459
	6,569,772	5,187,385

Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**8,691,382**	8,080,907
Investment properties	17	**269,030**	289,342
Right-of-use assets	18(a)	**1,596,774**	1,831,254
Goodwill	19	**915,689**	680,452
Intangible assets	20	**2,145,277**	2,228,509
Investments in associates and joint ventures	21	**1,620,085**	12,243,675
Equity investments designated at fair value through other comprehensive income	22	**10,911,529**	1,562,870
Financial assets at fair value through profit or loss	23	**4,439,113**	4,699,703
Bank deposit	28	**9,365,805**	7,312,891
Deferred tax assets	33	**516,288**	567,012
Prepayments and other assets	27	**251,766**	302,673
Total non-current assets		**40,722,738**	39,799,288
CURRENT ASSETS			
Inventories	25	**2,373,145**	1,993,472
Trade and bills receivables	26	**4,967,560**	4,510,195
Prepayments, other receivables and other assets	27	**2,451,744**	3,635,630
Amounts due from related companies	42	**295,610**	188,610
Equity investments designated at fair value through profit or loss	24	**76,859**	301,080
Financial assets at fair value through profit or loss	23	**4,950,829**	2,811,960
Cash and bank balances	28	**9,569,584**	9,451,878
		24,685,331	22,892,825
Assets of a disposal group classified as held for sale	13	**–**	912,706
Total current assets		**24,685,331**	23,805,531
CURRENT LIABILITIES			
Trade and bills payables	29	**1,497,461**	1,334,703
Tax payable		**318,198**	271,871
Other payables and accruals	30	**10,028,415**	9,405,589
Interest-bearing bank borrowings	31	**7,585,825**	11,135,940
Amounts due to related companies	42	**73,295**	136,130
Lease liabilities	18(b)	**28,333**	71,488
Contingent consideration		**8,720**	12,195
Convertible bonds – debt component		**16,243**	–
		19,556,490	22,367,916
Liabilities directly associated with the assets classified as held for sale	13	**–**	238,859
Total current liabilities		**19,556,490**	22,606,775
NET CURRENT ASSETS		**5,128,841**	1,198,756
TOTAL ASSETS LESS CURRENT LIABILITIES		**45,851,579**	40,998,044

Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**45,851,579**	40,998,044
NON-CURRENT LIABILITIES			
Convertible bonds – debt component		**–**	16,478
Deferred government grants	32	**557,916**	548,272
Interest-bearing bank borrowings	31	**1,996,752**	1,057,944
Lease liabilities	18(b)	**83,393**	298,394
Contingent consideration		**201,895**	125,460
Deferred tax liabilities	33	**237,553**	781,543
Total non-current liabilities		**3,077,509**	2,828,091
Net assets		**42,774,070**	38,169,953
EQUITY			
Equity attributable to owners of the parent			
Share capital	34	**414,384**	414,615
Treasury shares	34	**(2,974,787)**	(1,769,723)
Reserves	36	**34,521,192**	31,829,577
		31,960,789	30,474,469
Non-controlling interests	37	**10,813,281**	7,695,484
Total equity		**42,774,070**	38,169,953

Tse, Theresa Y Y	**Tse, Eric S Y**
Director	*Director*

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

	Notes	Attributable to owners of the parent											Non-controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000 (Note 34)	Share premium account* RMB'000	Treasury shares RMB'000	Capital reserve* RMB'000	Asset revaluation reserve* RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Contributed surplus* RMB'000	Reserve funds* RMB'000 (Note 36)	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000		
At 1 January 2023		414,899	12,461,438	(1,432,484)	(9,310,613)	28,176	65,525	22,691	5,288,365	(860,860)	23,069,898	29,747,035	8,196,513	37,943,548
Profit for the year		–	–	–	–	–	–	–	–	–	2,331,939	2,331,939	2,765,459	5,097,398
Other comprehensive income for the year:														
Fair value changes of financial assets		–	–	–	–	–	98,418	–	–	–	–	98,418	–	98,418
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income		–	–	–	–	–	24,029	–	–	–	(24,029)	–	–	–
Exchange differences related to foreign operations		–	–	–	–	–	–	–	–	(24,541)	–	(24,541)	–	(24,541)
Exchange differences related to associates and joint ventures		–	–	–	–	–	–	–	–	16,110	–	16,110	–	16,110
Total comprehensive income for the year		–	–	–	–	–	122,447	–	–	(8,431)	2,307,910	2,421,926	2,765,459	5,187,385
Share of changes in equity other than comprehensive income and distributions received from associates		–	–	–	15,250	–	–	–	–	–	–	15,250	–	15,250
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(3,221,839)	(3,221,839)
Acquisitions of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	24,799	24,799
Disposal of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(69,448)	(69,448)
Recognition of share-based payments	35	–	–	17,740	–	–	–	–	–	–	–	17,740	–	17,740
Repurchase of shares for cancellation		–	–	(41,414)	–	–	–	–	–	–	–	(41,414)	–	(41,414)
Repurchase of shares under share award scheme		–	–	(354,979)	–	–	–	–	–	–	–	(354,979)	–	(354,979)
Cancellation of treasury shares		(284)	(41,130)	41,414	–	–	–	–	–	–	–	–	–	–
Final 2022 dividend declared		–	–	–	–	–	–	–	–	–	(998,765)	(998,765)	–	(998,765)
Interim 2023 dividend	14	–	–	–	–	–	–	–	–	–	(332,324)	(332,324)	–	(332,324)
Transfer from retained profits		–	–	–	–	–	–	–	397,776	–	(397,776)	–	–	–
At 31 December 2023		414,615	12,420,308	(1,769,723)	(9,295,363)	28,176	187,972	22,691	5,686,141	(869,291)	23,648,943	30,474,469	7,695,484	38,169,953

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

	Notes	Share capital RMB'000 (Note 34)	Share premium account* RMB'000	Treasury shares RMB'000	Capital reserve* RMB'000	Asset revaluation reserve* RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Contributed surplus* RMB'000	Reserve funds* RMB'000 (Note 36)	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the parent												
At 1 January 2024		414,615	12,420,308	(1,769,723)	(9,295,363)	28,176	187,972	22,691	5,686,141	(869,291)	23,648,943	30,474,469	7,695,484	38,169,953
Profit for the year		-	-	-	-	-	-	-	-	-	3,499,834	3,499,834	2,864,848	6,364,682
Other comprehensive income for the year:														
Fair value changes of financial assets		-	-	-	-	-	(65,309)	-	-	-	-	(65,309)	-	(65,309)
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income		-	-	-	-	-	24,952	-	-	-	(24,952)	-	-	-
Exchange differences related to foreign operations		-	-	-	-	-	-	-	-	318,181	-	318,181	(2,823)	315,358
Exchange differences related to associates and joint ventures		-	-	-	-	-	-	-	-	(44,959)	-	(44,959)	-	(44,959)
Total comprehensive income for the year		-	-	-	-	-	(40,357)	-	-	273,222	3,474,882	3,707,747	2,862,025	6,569,772
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	(368,527)	(368,527)
Acquisitions of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	605,741	605,741
Disposal of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	(49,982)	(49,982)
Deemed disposal of an associate		-	-	-	(11,447)	-	-	-	-	-	-	(11,447)	-	(11,447)
Recognition of share-based payments	35	-	-	-	53,721	-	-	-	-	-	-	53,721	679	54,400
Exercise of restricted shares	34	-	-	24,528	(24,528)	-	-	-	-	-	-	-	-	-
Repurchase of shares for cancellation	34	-	-	(22,608)	-	-	-	-	-	-	-	(22,608)	-	(22,608)
Repurchase of shares under share award scheme	34	-	-	(1,229,592)	-	-	-	-	-	-	-	(1,229,592)	-	(1,229,592)
Cancellation of treasury shares	34	(231)	(22,377)	22,608	-	-	-	-	-	-	-	-	-	-
Final 2023 dividend declared		-	-	-	-	-	-	-	-	-	(505,636)	(505,636)	-	(505,636)
Interim 2024 dividend	14	-	-	-	-	-	-	-	-	-	(505,865)	(505,865)	-	(505,865)
Transfer from retained profits		-	-	-	-	-	-	-	831,764	-	(831,764)	-	-	-
Capital contribution from non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	67,861	67,861
At 31 December 2024		414,384	12,397,931	(2,974,787)	(9,277,617)	28,176	147,615	22,691	6,517,905	(596,069)	25,280,560	31,960,789	10,813,281	42,774,070

* These reserve accounts comprise the consolidated reserves of approximately RMB34,521,192,000 (2023: approximately RMB31,829,577,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		**5,277,468**	5,409,906
From discontinued operations	13	**1,716,907**	523,673
Adjustments for:			
Finance costs		**295,119**	511,065
Share of profits and losses of associates and joint ventures	21	**118,299**	525,709
Bank interest income		**(499,780)**	(384,471)
Investment income		**(96,873)**	(150,895)
Dividend income from equity investments at fair value through other comprehensive income	5	**(753,428)**	(87,104)
Depreciation of property, plant and equipment	16	**1,034,330**	873,526
Depreciation of investment properties	17	**28,338**	27,274
Depreciation of right-of-use assets	18	**83,918**	64,386
Amortisation of intangible assets	20	**174,595**	109,098
Gain on disposal of items of property, plant and equipment, net	6	**(40,901)**	(62,689)
Gain on disposal of subsidiaries		**(1,784,918)**	(231,880)
Gain on step-up acquisition of a subsidiary	6	**–**	(33,189)
Loss on deemed disposal of an associate	6	**578,826**	–
Recognition of share-based payments	7	**53,721**	18,123
Loss on extinguishment of partial convertible bonds		**–**	120,603
Fair value (gains)/losses, net:			
Equity investments designated at fair value through profit or loss	7	**9,202**	(62,198)
Financial assets at fair value through profit or loss	7	**(20,432)**	(8,416)
Financial assets designated at fair value through profit or loss (non-current)	7	**588,898**	117,518
Gain on convertible bonds			
– embedded derivative instrument	7	**–**	(161)
Contingent consideration	7	**68,091**	16,645
Derivative financial instruments	7	**–**	(46,985)
(Gain)/loss on termination of right-of-use assets	7	**(47,256)**	5,538
Impairment of investment in an associate	7	**326,979**	–
Impairment/(reversal of impairment) of trade and bills receivables	7	**12,786**	(12,260)
Impairment of prepayments, other receivables and other assets	7	**86,627**	–
Impairment of intangible assets	7	**286,811**	–
Impairment of goodwill	7	**18,619**	–
		7,515,946	7,242,816
(Increase)/decrease in inventories		**(273,063)**	135,323
Increase in trade and bills receivables		**(413,989)**	(816,029)
Decrease/(increase) in prepayments, other receivables and other assets		**81,242**	(480,790)
(Increase)/decrease in amounts due from related companies		**(107,000)**	176,619
Increase in trade and bills payables		**130,111**	284,301
Increase in other payables and accruals		**716,114**	658,831
Decrease in amounts due to related companies		**(62,835)**	(246,449)
Increase/(decrease) in deferred government grants		**29,259**	(142,320)
Cash generated from operations		**7,615,785**	6,812,302
Profits tax paid		**(1,000,665)**	(746,568)
Net cash flows from operating activities		**6,615,120**	6,065,734

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**499,780**	384,470
Investment income received		**96,873**	150,895
Dividends received from investments		**753,428**	87,104
Dividends received from an associate		**676,350**	405,810
Purchases of items of property, plant and equipment		**(960,102)**	(1,067,823)
Purchases of equity investments designated at fair value through other comprehensive income		**(4,380)**	(22,600)
Proceeds from disposal of an equity investment designated at fair value through other comprehensive income		**205,871**	169,665
Net cash inflow/(outflow) for acquisition of subsidiaries	38	**2,658**	(1,156,519)
(Increase)/decrease in wealth management products recorded in financial assets at fair value through profit or loss		**(1,985,077)**	1,739,695
Decrease/(increase) in wealth management products recorded in other receivables		**1,332,618**	(1,553,257)
(Increase)/decrease in equity investments designated at fair value through profit or loss		**(21,222)**	9,035
Proceeds from disposal of items of property, plant and equipment		**70,852**	100,993
Additions to intangible assets		**(434,058)**	(406,778)
Increase in prepaid land lease payments		**–**	(229,108)
Investment in financial assets designated at fair value through profit or loss		**(191,081)**	(74,150)
Payment for contingent liabilities		**–**	(8,741)
(Placement)/withdrawal of time deposits with original maturity of more than three months		**(3,240,975)**	300,521
Proceeds from disposal of financial assets designated at fair value through profit or loss		**84,992**	–
Proceeds from disposal of subsidiaries	39	**1,404,347**	413,813
Net cash flows used in investing activities		**(1,709,126)**	(756,975)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share-based payment		**150,674**	–
New bank loans		**11,695,985**	12,193,884
Payment of derivative financial instruments		**–**	(63,521)
Repurchase of convertible bonds		**–**	(3,621,944)
Repayment of bank loans		**(14,431,043)**	(10,283,992)
Dividends paid		**(1,846,381)**	(632,669)
Interest paid		**(287,246)**	(480,825)
Payment of lease liabilities	18	**(44,209)**	(41,691)
Dividends paid to non-controlling shareholders		**(368,527)**	(3,221,839)
Repurchase of shares		**(1,252,200)**	(396,393)
Contribution from non-controlling shareholders		**67,861**	–
Net cash flows used in financing activities		**(6,315,086)**	(6,548,990)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,409,092)**	(1,240,231)
Cash and cash equivalents at beginning of year		**7,505,098**	8,654,805
Effect of foreign exchange rate changes, net		**135,517**	90,524
CASH AND CASH EQUIVALENTS AT END OF YEAR		**6,231,523**	7,505,098
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances, unrestricted	28	**2,848,231**	4,203,568
Time deposits with original maturity of less than three months when acquired	28	**3,383,292**	3,098,310
Cash and short term deposits attributable to discontinued operations	13	**–**	203,220
Cash and cash equivalents as stated in the statement of cash flows		**6,231,523**	7,505,098

1. CORPORATE AND GROUP INFORMATION

Sino Biopharmaceutical Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 2 February 2000 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on The Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 29 September 2000. Upon approval by the Stock Exchange, the Company's shares were withdrawn from the GEM and were listed on the Main Board on 8 December 2003.

The head office and principal place of business of the Company in Hong Kong is located at Unit 09, 41st Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (the "Group") continued to be principally engaged in the research and development, production and sale of a series of modernised Chinese medicines and chemical medicines.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and business	Issued ordinary/ registered paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Chia Tai-Tianqing Pharmaceutical Group Co., Ltd. ("CT Tianqing")*	People's Republic of China ("PRC")/ Mainland China*	RMB890,000,000	–	60	R&D, manufacture and distribution of pharmaceutical products
Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. ("NJCTT")*	PRC/Mainland China*	RMB336,031,726	–	55.6	R&D, manufacture and distribution of pharmaceutical products
Lianyungang Runzhong Pharmaceutical Co., Ltd. ("LYG Runzhong")*	PRC/Mainland China*	RMB103,528,805		60	R&D, manufacture and distribution of pharmaceutical products
Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd. ("Jiangsu Qingjiang")*	PRC/Mainland China*	RMB180,000,000	–	55.588	R&D, manufacture and distribution of pharmaceutical products
Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd. ("Jiangsu Fenghai")*	PRC/Mainland China*	US$29,607,377	–	60.898	R&D, manufacture and distribution of pharmaceutical products
Beijing Tide Pharmaceutical Co., Ltd. ("Beijing Tide")*	PRC/Mainland China*	RMB500,000,000	–	57.60	R&D, manufacture and distribution of pharmaceutical products
invoX Pharma Limited ("invoX")	United Kingdom	USD100 Ordinary	100	–	R&D of pharmaceutical products

* These subsidiaries were registered as foreign-owned enterprises under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income/profit or loss, financial assets at fair value through profit or loss, certain bills receivable measured at fair value through other comprehensive income, contingent consideration liabilities and embedded derivative components of convertible bonds which have been measured at fair value. Disposal company held for sale is stated at the lower of its carrying amount and fair value less cost to sell as further explained in note 2.4. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRS Accounting Standards for the first time for the current year's financial statements.

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

The nature and the impact of the revised HKFRS Accounting Standards are described below:

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Group has not applied the following new and revised HKFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised HKFRS Accounting Standards, if applicable, when they become effective.

HKFRS 18	*Presentation and Disclosure in Financial Statements*[3]
HKFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to HKFRS 9 and HKFRS 7	*Contracts Referencing Nature-dependent Electricity*[2]
Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 21	*Lack of Exchangeability*[1]
Annual Improvements to HKFRS Accounting Standards – Volume 11	*Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7*[2]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual/reporting periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRS Accounting Standards that are expected to be applicable to the Group is described below.

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 Consolidated Financial Statements, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19. Some of the Company's subsidiaries are considering the application of HKFRS 19 in their specified financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS (continued)

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying Guidance on implementing HKFRS 7), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 7 *Financial Instruments: Disclosures:* The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing HKFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing HKFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 9 *Financial Instruments:* The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS (continued)

- HKFRS 10 *Consolidated Financial Statements:* The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKAS 7 *Statement of Cash Flows:* The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. 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.

A Joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the 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.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint ventures, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's interests in associates or joint ventures.

If an investment in an associate becomes an investment in joint ventures or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other case, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an interest in an associate or joint ventures is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial asset and a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in the prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is joint ventures of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for “Non-current assets and disposal groups held for sale”. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4% to 6%
Leasehold improvements	5% to 20%
Plant and machinery	5% to 9%
Motor vehicles	9% to 18%
Furniture and fixtures	18%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at historical cost less accumulated depreciation and provision for any impairment in value. Depreciation is calculated on the straight-line basis over the expected useful life of 20 years.

Subsequent expenditure is charged to the asset's carrying amount only when 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. All other repairs and maintenance costs are expensed in the statement of profit or loss during the financial period in which they are incurred.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

When an entity uses the cost model, transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and the cost of that property for measurement or disclosure purposes.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets not ready for use are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Trademarks

Trademarks with finite useful lives are measured initially at cost and are amortised on the straight-line basis over the respective estimated useful lives of 4 to 10 years.

Customer relationship

Customer relationship with finite useful lives is measured initially at cost and is amortised on the straight-line basis over the respective estimated useful lives of 4 to 10 years.

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of not exceeding 10 years.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	40 to 50 years
Properties	Over 1 year but less than 10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented in a separate line on the consolidated statements of financial position.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease term and is included in other income in the statement of profit or loss due to its operating nature.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment occurs if there is a change in the terms of the contract that significantly modifies the cash flows.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

The Group considers a financial asset in default when contractual payments are one year past due. The Group has rebutted the 90 days past due presumption of default based on reasonable and supportable information, including the Group's credit risk control practices and the historical recovery rate of financial assets over 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. Debt investments graded in the top investment categories are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk of debt investments since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings both to determine whether the debt instruments have significantly increased in credit risk and to estimate ECLs.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, amounts due to related companies, interest-bearing bank borrowings, contingent consideration and convertible bonds.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include contingent consideration which is designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (trade and bills payables, other payables and accruals, amounts due to related companies and borrowings)

After initial recognition, trade and bills payables, other payables and accruals, amounts due to related companies and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired and held by the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except that deferred tax is not recognised for the Pillar Two income taxes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of products

Revenue from the sale of products is recognised at the point in time when control of the products is transferred to the customer, generally on delivery of the products.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates share option schemes. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transaction"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the market approach.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

Other employee benefits

Pension schemes

The Company and the Group's subsidiaries which operate in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Pension schemes (continued)

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

There were no forfeited contributions utilised by the Group to reduce existing level of contributions for the years ended 31 December 2024 and 2023.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Company is Hong Kong dollar, while the functional currency of the subsidiaries in Mainland China is RMB. The directors of the Company believe the consolidated financial statements of the Group presented in RMB will provide shareholders with a more accurate reflection of the Group's underlying financial performance and position because the Group's revenues, profits and cash flows are primarily generated in RMB and are expected to remain principally denominated in RMB in the future.

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Research and development expenses

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalized and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project, and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred. Determining the amounts of development costs to be capitalized requires the use of judgments and estimation. More details are given in note 20.

Recognition of deferred tax assets

The Group recognised deferred tax assets which resulted from the deductible temporary differences of subsidiaries. The Group recognised deferred tax assets to the extent that it is probable that the subsidiaries will have sufficient taxable profit relating to the same taxation authority and the same taxable entity against which the deductible temporary differences can be utilised. More details are given in note 33.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. More details are given in note 19.

Assessment of useful lives of deferred development costs

In assessing the estimated useful lives of deferred development costs, the Group takes into account factors such as the expected life span of the underlying pharmaceutical products based on past experience or from a change in the market demand for the products. The estimation of the useful lives is based on the experience of management.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Fair value measurement for Level 3 investments

The Group made unlisted investments in a wide variety of companies and those investments are accounted for as financial assets at fair value through profit or loss or designated as financial assets at fair value through other comprehensive income. The fair values of those investments are determined using valuation techniques and the Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. Further details are included in note 44. Should any of the estimates and assumptions changed, it may lead to a material change in the respective fair values of these financial assets.

4. OPERATING SEGMENT INFORMATION

Management considers the business from the product/service perspective. The three reportable segments are as follows:

(a) the modernised Chinese medicines and chemical medicines segment principally comprises the manufacture, sale and distribution of modernised Chinese medicine products and western medicine products;

(b) the investment segment is engaged in long term investments; and

(c) the "others" segment comprises, principally related healthcare and hospital business.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax from continuing operations.

Segment assets exclude deferred tax assets and the investments in associates and joint ventures as these assets are managed on a group basis.

Segment liabilities exclude tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2024

	Modernised Chinese medicines and chemical medicines RMB'000	Investment RMB'000	Others RMB'000	Total RMB'000
Segment revenue (note 5)				
Sales to external customers	28,461,729	–	404,430	28,866,159
Segment results	5,609,184	(258,469)	76,070	5,426,785
Reconciliation:				
Interest and unallocated gains				499,564
Share of profits and losses of associates and joint ventures				(118,299)
Unallocated expenses				(530,582)
Profit before tax from continuing operations				5,277,468
Income tax expense				(492,918)
Profit for the year from continuing operations				4,784,550
Segment assets	42,986,766	18,707,754	1,577,176	63,271,696
Reconciliation:				
Investments in associates and joint ventures				1,620,085
Other unallocated assets				516,288
Total assets				65,408,069
Segment liabilities	15,783,484	5,534,440	760,324	22,078,248
Reconciliation:				
Other unallocated liabilities				555,751
Total liabilities				22,633,999
Other segment information:				
Depreciation and amortisation	1,216,159	50,959	54,063	1,321,181
Capital expenditure*	2,696,749	2,414	55,144	2,754,307
Other non-cash expenses**	788,056	578,826	–	1,366,882

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2023

	Modernised Chinese medicines and chemical medicines RMB'000	Investment RMB'000	Others RMB'000	Total RMB'000
Segment revenue (note 5)				
Sales to external customers	25,771,303	–	428,106	26,199,409
Segment results	6,525,182	(405,888)	19,878	6,139,172
Reconciliation:				
Interest and unallocated gains				389,494
Share of profits and losses of associates and joint ventures				(525,710)
Unallocated expenses				(593,050)
Profit before tax from continuing operations				5,409,906
Income tax expense				(797,267)
Profit for the year from continuing operations				4,612,639
Segment assets	40,489,011	7,791,693	1,600,722	49,881,426
Reconciliation:				
Investments in associates and joint ventures				12,243,675
Other unallocated assets				567,012
Assets related to discontinued operations				912,706
Total assets				63,604,819
Segment liabilities	16,116,328	7,261,854	764,411	24,142,593
Reconciliation:				
Other unallocated liabilities				1,053,414
Liabilities related to discontinued operations				238,859
Total liabilities				25,434,866
Other segment information:				
Depreciation and amortisation	1,005,227	14,724	16,744	1,036,695
Capital expenditure*	2,377,188	11,776	253,951	2,642,915
Other non-cash expenses**	18,123	–	–	18,123

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisition of subsidiaries.

** Other non-cash expenses mainly consist of share-based payment expenses, impairment of assets and deemed disposal loss related to a then associate.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) *Revenue from external customers*

No further geographical information is presented as over 90% of the Group's revenue from continuing operations is derived from customers based in Mainland China.

(b) *Non-current assets*

	2024 RMB'000	2023 RMB'000
Hong Kong	3,567,607	8,987,602
Mainland China	11,533,245	16,239,046
Other countries/regions	389,151	430,164
	15,490,003	25,656,812

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about a major customer

No information about major customers is presented as no single customer contributed to over 10% or more of the Group's revenue for the years ended 31 December 2024 and 2023.

5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers		
Sale of products	28,160,673	25,771,303
Revenue from other sources	705,486	428,106
Total revenue	28,866,159	26,199,409

5. REVENUE AND OTHER INCOME (continued)

Revenue from contracts with customers

(a) Disaggregated revenue information

Year ended 31 December 2024

Segments	Modernised Chinese medicines and chemical medicines RMB'000	Investment RMB'000	Others RMB'000	Total RMB'000
Types of goods or services				
Sale of products	**28,160,673**	**–**	**–**	**28,160,673**
Revenue from other sources	**301,056**	**–**	**404,430**	**705,486**
Total revenue from contracts with customers	**28,461,729**	**–**	**404,430**	**28,866,159**
Timing of revenue recognition				
Products transferred at a point in time	**28,319,605**	**–**	**–**	**28,319,605**
Services transferred over time	**142,124**	**–**	**404,430**	**546,554**
Total revenue from contracts with customers	**28,461,729**	**–**	**404,430**	**28,866,159**

Year ended 31 December 2023

Segments	Modernised Chinese medicines and chemical medicines RMB'000	Investment RMB'000	Others RMB'000	Total RMB'000
Types of goods or services				
Sale of products	25,771,303	–	–	25,771,303
Revenue from other sources	–	–	428,106	428,106
Total revenue from contracts with customers	25,771,303	–	428,106	26,199,409
Timing of revenue recognition				
Products transferred at a point in time	25,771,303	–	–	25,771,303
Services transferred over time	–	–	428,106	428,106
Total revenue from contracts with customers	25,771,303	–	428,106	26,199,409

5. REVENUE AND OTHER INCOME (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	235,900	249,747
Revenue from other sources	46,704	61,046
Total	282,604	310,793

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 90 days upon delivery.

Revenue from other sources

The performance obligation is satisfied at the point in time upon acceptance of a good or a service, or it is satisfied over time as the customer simultaneously receives and consumes the benefits of the Group's services rendered. The payment is generally made before goods or services are provided, or upon monthly settlements.

	2024 RMB'000	2023 RMB'000
Other income		
Dividend income	753,428	87,104
Government grants*	139,857	346,477
Sale of materials	29,712	21,331
Investment income	94,180	145,938
Rental income	7,054	8,964
Others	182,806	146,283
Total other income	1,207,037	756,097

5. REVENUE AND OTHER INCOME (continued)

Revenue from contracts with customers (continued)

(b) Performance obligations (continued)

Revenue from other sources (continued)

* The government grants related to income have been received from the local government authorities to support certain subsidiaries' operating activities. There are no unfulfilled conditions relating to these government grants. Government grants received for which related expenditure has not yet been undertaken are included in deferred government grants in the statement of financial position.

The government grants related to assets have been received for the investments in long-term assets in production bases. The grants related to assets were recognised in profit or loss over the remaining useful lives of relevant assets.

6. OTHER LOSSES, NET

	2024 **RMB'000**	2023 RMB'000
Gain on disposal of items of property, plant and equipment	**40,901**	62,554
Loss on deemed disposal of an associate	**(578,826)**	–
Gain on disposal of subsidiaries	**75,314**	–
Foreign exchange losses, net	**(123,412)**	(96,015)
Fair value gains/(losses), net:		
Equity investments designated at fair value through profit or loss	**(9,202)**	62,198
Financial assets at fair value through profit or loss	**20,432**	8,416
Financial assets at fair value through profit or loss (non-current)	**(588,898)**	(117,518)
Convertible bond embedded derivative component	**–**	161
Contingent consideration	**(68,091)**	(16,645)
Derivative financial instruments	**–**	46,985
Gain/(loss) on termination of right-of-use assets	**47,256**	(5,538)
Loss on extinguishment of partial convertible bonds	**–**	(120,603)
Gain on step acquisition of pHion Therapeutics Ltd. ("pHion")	**–**	33,189
Total other losses, net	**(1,184,526)**	(142,816)

7. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	Notes	2024 RMB'000	2023 RMB'000
Cost of inventories sold		**5,336,218**	4,989,877
Depreciation of property, plant and equipment	16	**1,034,330**	836,116
Depreciation of investment properties	17	**28,338**	27,274
Depreciation of right-of-use assets	18	**83,918**	64,207
Amortisation of intangible assets	20	**174,595**	109,098
Research and development costs		**5,089,203**	4,402,973
Gain on disposal of items of property, plant and equipment	6	**(40,901)**	(62,554)
Loss on deemed disposal of an associate	6	**578,826**	–
Gain on disposal of subsidiaries	6	**(75,314)**	–
(Gain)/loss on termination of right-of-use assets	6	**(47,256)**	5,538
Loss on extinguishment of partial convertible bonds	6	**–**	120,603
Gain on step up acquisition of pHion	6	**–**	(33,189)
Bank interest income	8	**(499,564)**	(186,675)
Dividend income	5	**(753,428)**	(87,104)
Investment income	5	**(94,180)**	(337,598)
Fair value (gains)/losses, net:	6		
Equity investments designated at fair value through profit or loss		**9,202**	(62,198)
Financial assets at fair value through profit or loss		**(20,432)**	(8,416)
Financial assets at fair value through profit or loss (non-current)		**588,898**	117,518
Convertible bond embedded derivative component		**–**	(161)
Contingent consideration		**68,091**	16,645
Derivative financial instruments		**–**	(46,985)
Minimum lease payments under operating leases:			
Lease payments not included in the measurement of lease liabilities		**270,391**	139,878
Auditor's remuneration		**6,000**	6,000
Employee benefit expense (including directors' remuneration (note 10) in selling and distribution costs and administrative expenses:			
Wages and salaries		**3,618,852**	3,400,119
Pension scheme contributions		**997,986**	934,789
Equity settled share-based payments		**53,721**	18,123
		4,670,559	4,353,031
Accrual/(reversal) of impairment loss of trade receivables*	26	**12,786**	(3,535)
Impairment loss of other receivables*	27	**86,627**	–
Impairment of investment in an associate*	21	**326,979**	–
Impairment of intangible assets*	20	**286,811**	–
Impairment of goodwill*	19	**18,619**	–
Foreign exchange differences, net	6	**123,412**	96,015

* The impairment of trade receivables and other receivables, impairment of investment in an associate, impairment of intangible assets and impairment of goodwill were included in "Other expenses" in the consolidated statement of profit or loss.

8. FINANCE INCOME

An analysis of finance income from continuing operations is as follows:

	2024 RMB'000	2023 RMB'000
Bank interest income	**499,564**	378,335

9. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2024 RMB'000	2023 RMB'000
Interest on bank borrowings	**287,244**	465,006
Interest on convertible bonds	**357**	10,427
Interest on lease liabilities	**7,516**	19,804
Total	**295,117**	495,237

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2024 RMB'000	2023 RMB'000
Fees	**1,883**	1,846
Other emoluments:		
Salaries, allowances and benefits in kind	**95,931**	94,308
Pension scheme contributions	**187**	182
Discretionary bonuses	**107,313**	107,071
Subtotal	**203,431**	201,561
Total fees and other emoluments	**205,314**	203,407

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2024 RMB'000	2023 RMB'000
Mr. Lu Zhengfei	384	376
Mr. Li Dakui	384	376
Ms. Lu Hong	349	342
Mr. Zhang Lufu	383	376
Dr. Li Kwok Tung Donald	383	376
Total	1,883	1,846

There were no other emoluments payable to the independent non-executive directors during the year (2023: Nil).

(b) Executive directors and the chief executive

2024

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension scheme benefits RMB'000	Total remuneration RMB'000
Executive directors and chief executive officer:					
Ms. Tse, Theresa Y Y	–	23,019	27,667	17	50,703
Mr. Tse Ping	–	22,780	27,667	–	50,447
Ms. Cheng Cheung Ling	–	22,780	21,212	17	44,009
Mr. Tse, Eric S Y (chief executive officer)	–	23,019	27,668	17	50,704
Mr. Tse Hsin	–	2,099	3,099	16	5,214
Mr. Tian Zhoushan	–	1,740	–	120	1,860
Ms. Li Mingqin (retired on 5 June 2024)	–	494	–	–	494
Total	–	95,931	107,313	187	203,431

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and the chief executive (continued)

2023

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension scheme benefits RMB'000	Total remuneration RMB'000
Executive directors and chief executive officer:					
Ms. Tse, Theresa Y Y	–	22,560	27,115	16	49,691
Mr. Tse Ping	–	22,415	27,115	–	49,530
Ms. Cheng Cheung Ling	–	22,325	20,788	16	43,129
Mr. Tse, Eric S Y (chief executive officer)	–	22,560	27,115	16	49,691
Mr. Tse Hsin	–	2,058	4,338	16	6,412
Mr. Tian Zhoushan	–	1,790	–	118	1,908
Ms. Li Mingqin (retired on 5 June 2024)	–	600	600	–	1,200
Total	–	94,308	107,071	182	201,561

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year represented four directors including the chief executive (2023: five directors including the chief executive), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining one (2023: nil) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	**7,940**	–
Pension scheme contributions	**453**	–
Discretionary bonuses	**3,432**	–
Total	**11,825**	–

11. FIVE HIGHEST PAID EMPLOYEES (continued)

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2024 No. of employees	2023 No. of employees
HK$12,500,001 to HK$13,000,000	**1**	–

12. INCOME TAX

Taxes on profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2024 RMB'000	2023 RMB'000
Current – Hong Kong	**–**	–
Current – Mainland China	**981,751**	608,335
Deferred tax (note 33)	**(488,833)**	188,932
Total tax charge for the year from continuing operations	**492,918**	797,267
Total tax charge for the year from discontinued operations	**136,775**	38,914
Total	**629,693**	836,181

12. INCOME TAX (continued)

The Company incorporated in the Cayman Islands is not subject to tax on income or capital gains under the law of the Cayman Islands. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

The subsidiaries incorporated in the British Virgin Islands (the "BVI") are not subject to income tax as these subsidiaries do not have a place of business (other than a registered office only) or carry on any business in the BVI.

The subsidiaries incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

The subsidiary incorporated in the United Kingdom ("UK") is subject to UK Corporate Income Tax at a rate of 25% (2023: 19% from January to march and 25% from April onwards) on the estimated assessable profits arising in the UK.

Belgium profits tax has been provided at a rate of 25% (2023: 25%) on the estimated assessable profits arising in Belgium during the year.

The provision for corporate income tax in Mainland China is based on the statutory rate of 25% of the assessable profits as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

Certain subsidiaries operating in Mainland China were entitled to a preferential corporate income tax rate of 15% during the year because they were qualified as "High and New Technology Enterprises".

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by subsidiaries and associates established in Mainland China in respect of earnings generated from 1 January 2008 with 5% and 10%, respectively.

12. INCOME TAX (continued)

A reconciliation of the tax expense/(credit) applicable to profit before tax using the statutory tax rates for the jurisdictions in which the Company and its subsidiaries are domiciled and/or operate to the tax expense at the effective tax rates is as follows:

2024

	Mainland China RMB'000	Hong Kong RMB'000	Others RMB'000	Total RMB'000
Profit/(loss) before tax from continuing operations	7,805,325	(962,901)	(1,564,956)	5,277,468
Profit before tax from discontinued operations	365,520	1,351,387	–	1,716,907
Total	8,170,845	388,486	(1,564,956)	6,994,375
Tax at the statutory tax rate	2,043,381	64,100	(391,239)	1,716,242
Less: Preferential tax rate reduction	(790,756)	(519,483)	–	(1,310,239)
Income not subject to tax	(65,502)	(56,768)	–	(122,270)
Expenses not deductible for tax	110,156	716,601	–	826,757
Additional tax deduction for research and development expenses	(390,203)	–	–	(390,203)
Tax losses utilized from previous periods	(189,917)	–	–	(189,917)
Tax losses not recognised	54,917	10,711	380,311	445,939
Subtotal	772,076	215,161	(10,928)	976,309
Effect of withholding tax at 5% on the distributable profits of the Group's subsidiaries operating in Mainland China				201,958
Effect of withholding tax at 10% on the distributable profits of the Group's then associate operating in Mainland China				(548,574)
Tax charge at the Group's effective rate				629,693
Tax charge from continuing operations at the effective rate				492,918
Tax charge from discontinued operations at the effective rate				136,775

12. INCOME TAX (continued)

2023

	Mainland China RMB'000	Hong Kong RMB'000	Others RMB'000	Total RMB'000
Profit/(loss) before tax from continuing operations	7,320,704	(1,160,909)	(749,889)	5,409,906
Profit before tax from discontinued operations	523,673	–	–	523,673
Total	7,844,377	(1,160,909)	(749,889)	5,933,579
Tax at the statutory tax rate	1,961,094	(191,550)	(187,472)	1,582,072
Less: Preferential tax rate reduction	(806,122)	–	–	(806,122)
Income not subject to tax	(2,935)	(45,879)	–	(48,814)
Expenses not deductible for tax	76,111	227,755	–	303,866
Additional tax deduction for research and development expenses	(486,040)	–	–	(486,040)
Tax losses not recognised	9,985	10,230	150,509	170,724
Subtotal	752,093	556	(36,963)	715,686
Effect of withholding tax at 5% on the distributable profits of the Group's subsidiaries operating in Mainland China				163,481
Effect of withholding tax at 10% on the distributable profits of the Group's associate operating in Mainland China				(42,986)
Tax charge at the Group's effective rate				836,181
Tax charge from continuing operations at the effective rate				797,267
Tax charge from discontinued operations at the effective rate				38,914

Pillar Two income taxes

The Group is within the scope of the Pillar Two model rules. The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted but not yet in effect as at 31 December 2024 in certain jurisdictions in which the Group operates.

Since the legislation was enacted close to the reporting date, the Group is still in the process of assessing the potential exposure to Pillar Two income taxes. Potential exposure, if any, to Pillar Two income taxes is currently not known or reasonably estimable. The Group expects to be in a position to report potential exposure in the next interim financial statements for the period ending 30 June 2025.

13. DISCONTINUED OPERATIONS

In June 2023, the board of directors of the Company resolved to dispose of the equity interests in three subsidiaries engaged in commercial distribution business in Mainland China, namely Suzhou Tianqing Xingwei Medicines Co., Ltd. ("Suzhou Xingwei"), Lianyungang Chia Tai Tianqing Medicines Co., Ltd. ("Lianyungang Tianqing") and Zhejiang Tianqing Zhongwei Medicines Co., Ltd. ("Zhejiang Zhongwei") (or collectively referred to as "Commercial Distribution Subsidiaries"). The disposal of the Commercial Distribution Subsidiaries was completed in December 2023, and the Group no longer holds any equity interest in the Commercial Distribution Subsidiaries.

In June 2023, the board of directors of the Company resolved to dispose of the equity interest in its subsidiary Shanghai Chia Tai Tongyong Pharmaceutical Co., Ltd. ("CT Tongyong"). The disposal of CT Tongyong was completed during the year ended 31 December 2023, and the Group no longer holds any equity interest in CT Tongyong.

The board of directors of the Company resolved in December 2023 to adopt the plan for the disposal of the equity interest in its subsidiary, CP Pharmaceutical Qingdao Co., Ltd. ("CP Qingdao"). In February 2024, the subsidiaries of the Company, being the shareholders of CP Qingdao entered into agreement to dispose part of the equity interest in CP Qingdao. The disposal of CP Qingdao has been completed within the first quarter of 2024. Upon the completion of the disposal, the interest of the Group in CP Qingdao will decrease from 93% to 26%.

The Group has decided to divest its commercial distribution business in Mainland China and the osteoporosis medicines and marine pharmaceuticals business in order to further focus on its four core therapeutic areas of oncology, liver diseases, respiratory diseases and surgery/analgesia.

As at 31 December 2023, the disposal plan of CP Qingdao was under implementation and CP Qingdao was therefore classified as a disposal group held for sale and as a discontinued operation.

The results of the Commercial Distribution Subsidiaries and CT Tongyong for the year ended 31 December 2023 are presented below:

	2023 RMB'000
Revenue	1,143,739
Expenses	(1,091,962)
Finance costs	(15,801)
Gains on disposal of the discontinued operations	231,880
Profit before tax from the discontinued operations	267,856
Income tax:	
Related to pre-tax profit	(8,304)
Profit for the year from the discontinued operations	259,552

13. DISCONTINUED OPERATIONS (continued)

The results of the CP Qingdao for the period till disposal date are presented below:

	2024 RMB'000	2023 RMB'000
Revenue	**53,290**	639,149
Expenses	**(45,985)**	(383,305)
Finance costs	**(2)**	(27)
Gain on disposal of the discontinued operations	**1,709,604**	–
Profit before tax from the discontinued operation	**1,716,907**	255,817
Income tax:		
Related to pre-tax profit	**(1,375)**	(30,610)
Related to disposal gain	**(135,400)**	–
Profit for the year from the discontinued operation	**1,580,132**	225,207

The major classes of assets and liabilities of CP Qingdao classified as held for sale as at 31 December 2023 are as follows:

	2023 RMB'000
Assets	
Property, plant and equipment	387,822
Right-of-use assets	44,377
Goodwill	2,152
Intangible assets	14,582
Prepayments and other asset	127
Deferred tax assets	11,553
Inventories	71,045
Trade and bill receivables	153,579
Prepayments, other receivables and other assets	24,249
Cash and bank balances	203,220
Assets classified as held for sale	912,706
Liabilities	
Trade and bill payables	23,185
Tax payable	8,445
Other payables and accruals	147,320
Deferred tax liabilities	1,029
Deferred government grants	58,478
Lease liabilities	402
Liabilities directly associated with the assets classified as held for sale	238,859
Net assets directly associated with the disposal group	673,847

13. DISCONTINUED OPERATIONS (continued)

The net cash flows incurred by the Commercial Distribution Subsidiaries and CT Tongyong are as follows:

	2023 RMB'000
Operating activities	64,926
Investing activities	(42,445)
Financing activities	(54,295)
Net cash outflow	(31,814)

The net cash flows incurred by the CP Qingdao are as follows:

	2024 **RMB'000**	2023 RMB'000
Operating activities	**(42,419)**	80,462
Investing activities	**(114,700)**	66,118
Financing activities	**–**	–
Net cash (outflow)/inflow	**(157,119)**	146,580
Earnings per share:		
Basic, from the discontinued operations	**RMB8.64 cents**	RMB2.38 cents
Diluted, from the discontinued operations	**RMB8.63 cents**	RMB2.38 cents

The net cash flow generated from the sale of CP Qingdao are, as follows:

	2024 **RMB'000**
Cash consideration received	**1,455,780**
Cash and bank balances disposed of	**(46,101)**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**1,409,679**
Cash consideration receivable within one year	**363,940**

The calculations of basic and diluted earnings per share from the discontinued operations are based on:

	2024 **RMB'000**	2023 RMB'000
Profit attributable to ordinary equity holders of the parent from the discontinued operations	**1,579,717**	440,599
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (note 15)	**18,293,510,734**	18,529,064,920
Weighted average number of ordinary shares used in the diluted earnings per share calculation (note 15)	**18,295,059,997**	18,529,064,920

14. DIVIDENDS

	2024 RMB'000	2023 RMB'000
Interim – HK$0.03 (equivalent to RMB0.02767) (2023: HK$0.02 (equivalent to RMB0.01715) per ordinary share	**505,865**	332,324
Proposed final – HK$0.04 (equivalent to RMB0.03760) (2023: HK$0.03 (equivalent to RMB0.02726) per ordinary share	**674,031**	500,194
	1,179,896	832,518

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

15. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent for the year of approximately RMB3,499,834,000 (2023: approximately RMB2,331,939,000), and the weighted average number of ordinary shares of 18,293,510,734 (2023: 18,529,064,920) outstanding during the year.

The calculation of the diluted earnings per share amounts for the year ended 31 December 2024 is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds and the exchange alignment on the convertible bonds.

The weighted average number of ordinary shares used in the calculation for the year ended 31 December 2024 is the number of ordinary shares outstanding during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been converted from the convertible bonds.

The computation of diluted earnings per share in current year does not assume the exercise of the Company's equity-settled restricted shares granted pursuant to the launch of 2024 CT Tianqing Share Incentive Scheme as the exercise price (including the fair value of services yet to be rendered) of the restricted shares was higher than the average market price for the shares during the outstanding period.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2023 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

15. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

The calculations of basic and diluted earnings per share are based on:

	2024 RMB'000	2023 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	1,920,117	1,891,340
From discontinued operations	1,579,717	440,599
Subtotal	3,499,834	2,331,939
Interest on convertible bonds	357	10,427
Exchange adjustments	(1,145)	80,326
Fair value gain on the derivative component of the convertible bonds	–	(161)
Loss on extinguishment of partial convertible bonds	–	120,603
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	3,499,046	2,543,134
Attributable to:		
Continuing operations	1,919,329	2,102,535
Discontinued operations	1,579,717	440,599
Total	3,499,046	2,543,134

	No. of shares 2024	No. of shares 2023
Shares		
Weighted average number of ordinary shares outstanding during the year used in the basic earnings per share calculation	18,293,510,734	18,529,064,920
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	1,549,263	46,015,510
Total	18,295,059,997	18,575,080,430

16. PROPERTY, PLANT AND EQUIPMENT

31 December 2024

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2024:						
Cost	4,248,006	5,250,283	217,679	2,160,032	1,685,515	13,561,515
Accumulated depreciation	(1,295,091)	(2,430,911)	(190,244)	(1,564,362)	–	(5,480,608)
Net carrying amount	2,952,915	2,819,372	27,435	595,670	1,685,515	8,080,907
At 1 January 2024, net of accumulated depreciation	2,952,915	2,819,372	27,435	595,670	1,685,515	8,080,907
Additions	139,080	205,180	17,730	20,503	606,984	989,477
Depreciation provided during the year	(324,406)	(630,187)	(10,237)	(69,500)	–	(1,034,330)
Acquisition of subsidiaries	222,274	143,996	473	4,543	322,351	693,637
Disposals	–	(20,608)	(1,287)	(2,851)	–	(24,746)
Disposals of subsidiaries	–	(17,046)	–	–	–	(17,046)
Transfer from construction in progress	404,021	503,012	–	6,321	(913,354)	–
Transfer from investment properties (note 17)	1,014	–	–	–	–	1,014
Exchange realignment	1,355	145	66	903	–	2,469
	3,396,253	3,003,864	34,180	555,589	1,701,496	8,691,382
At 31 December 2024:						
Cost	5,015,750	6,041,273	221,130	2,170,532	1,701,496	15,150,181
Accumulated depreciation	(1,619,497)	(3,037,409)	(186,950)	(1,614,943)	–	(6,458,799)
Net carrying amount	3,396,253	3,003,864	34,180	555,589	1,701,496	8,691,382

16. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2023

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2023:						
Cost	3,870,556	4,473,478	218,859	1,999,448	1,804,333	12,366,674
Accumulated depreciation	(1,111,310)	(1,767,684)	(182,043)	(1,546,045)	–	(4,607,082)
Net carrying amount	2,759,246	2,705,794	36,816	453,403	1,804,333	7,759,592
At 1 January 2023, net of accumulated depreciation	2,759,246	2,705,794	36,816	453,403	1,804,333	7,759,592
Additions	8,350	274,911	1,230	65,197	1,172,626	1,522,314
Depreciation provided during the year	(183,781)	(663,227)	(8,201)	(18,317)	–	(873,526)
Acquisition of a subsidiary (note 38)	–	8,592	–	–	–	8,592
Disposals	(3,508)	(10,334)	(974)	(23,488)	–	(38,304)
Disposal of subsidiaries (note 39)	(22,176)	(44,911)	(2,633)	(10,498)	(18,603)	(98,821)
Assets included in a discontinued operation of CP Qingdao (note 13)	(352,146)	(34,807)	(140)	(729)	–	(387,822)
Transfer from Construction in progress	556,790	583,486	1,392	131,173	(1,272,841)	–
Transfer from investment properties (note 17)	193,021	–	–	–	–	193,021
Transfer to investment properties (note 17)	(1,506)	–	–	–	–	(1,506)
Exchange realignment	(1,375)	(132)	(55)	(1,071)	–	(2,633)
	2,952,915	2,819,372	27,435	595,670	1,685,515	8,080,907
At 31 December 2023:						
Cost	4,248,006	5,250,283	217,679	2,160,032	1,685,515	13,561,515
Accumulated depreciation	(1,295,091)	(2,430,911)	(190,244)	(1,564,362)	–	(5,480,608)
Net carrying amount	2,952,915	2,819,372	27,435	595,670	1,685,515	8,080,907

As at 31 December 2024, certain of the Group's buildings with a net carrying amount of approximately RMB208,565,000 (2023: approximately RMB220,200,000) were pledged to secure general banking facilities granted to the Group (note 31).

17. INVESTMENT PROPERTIES

	2024 RMB'000	2023 RMB'000
At 1 January:		
Cost	**572,889**	1,026,678
Accumulated depreciation	**(283,547)**	(305,924)
Net carrying amount	**289,342**	720,754
At 1 January, net of accumulated depreciation	**289,342**	720,754
Transfer from property, plant and equipment (note 16)	**–**	1,506
Depreciation provided during the year	**(28,338)**	(27,274)
Transfer to property, plant and equipment (note 16)	**(1,014)**	(193,021)
Transfer to right-of-use assets (note 18)	**–**	(220,132)
Effect of foreign exchange rate changes, net	**9,040**	7,509
At 31 December, net of accumulated depreciation	**269,030**	289,342
At 31 December:		
Cost	**577,702**	572,889
Accumulated depreciation	**(308,672)**	(283,547)
Net carrying amount	**269,030**	289,342

The Group's investment properties consist of two commercial properties in Hong Kong (2023: two), six commercial properties in Mainland China (2023: ten), and one industrial property in Mainland China (2023: one) which are held to earn rentals. The properties are measured initially and subsequently at cost. Depreciation commences on the day the transaction of purchase is completed and is calculated on the straight-line basis over 20 to 50 years.

The Group's investment properties located in Hong Kong and in Mainland China as at 31 December 2024 were valued as at that date by an independent professionally qualified external appraisal firm, JZ (Shanghai) Assets Appraisal Co., Ltd., with fair values of approximately RMB383,320,000 (2023: RMB380,899,000) and RMB119,197,000 (2023: RMB138,220,000), respectively.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 18 to the financial statements.

17. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2024 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Investment properties	–	–	502,517	502,517

	Fair value measurement as at 31 December 2023 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Investment properties	–	–	519,119	519,119

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2023: Nil).

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

Hong Kong	Valuation technique	Significant unobservable inputs	Range or weighted average 2024	2023
Investment properties	Market comparison method	Adjusted market price	RMB11,281-RMB17,393 per square feet	RMB10,912-RMB15,756 per square feet

Mainland China	Valuation technique	Significant unobservable inputs	Range or weighted average 2024	2023
Investment properties	Discounted cash flow method	Estimated rental value (per square meter and per year)	RMB385 to RMB483 per square meter	RMB342 to RMB454 per square meter
		Rent growth	3%	2% to 5%
		Discount rate	7%	7%

18. LEASES

The Group as a lessee

The Group has lease contracts for various items of leasehold lands and properties used in its operations. Lump sum payments were made upfront to acquire the leased lands from the owners with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms above 1 year to 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold lands RMB'000	Properties RMB'000	Total RMB'000
As at 1 January 2023	1,140,753	350,838	1,491,591
Additions	229,108	50,449	279,557
Termination of lease contracts	–	(22,128)	(22,128)
Depreciation charge	(24,299)	(40,087)	(64,386)
Assets included in a discontinued operation of CP Qingdao	(44,018)	(359)	(44,377)
Disposal of subsidiaries (note 39)	(7,429)	(4,858)	(12,287)
Transfer from investment properties (note 17)	220,132	–	220,132
Exchange realignment	–	(16,848)	(16,848)
As at 1 January 2024	1,514,247	317,007	1,831,254
Acquisition of a subsidiary (note 38)	9,115	3,933	13,048
Additions	–	73,816	73,816
Termination of lease contracts	–	(245,770)	(245,770)
Depreciation charge	(28,418)	(55,500)	(83,918)
Exchange realignment	–	8,344	8,344
As at 31 December 2024	1,494,944	101,830	1,596,774

As at 31 December 2024, leasehold lands with a net carrying amount of approximately RMB250,821,000 (2023: RMB256,712,000) were pledged to secure general banking facilities granted to the Group (note 31).

18. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	369,882	384,694
Acquisition of a subsidiary	3,590	–
New leases	73,816	49,277
Termination of lease contracts	(293,026)	(16,590)
Accretion of interest recognised during the year	7,516	19,813
Payments	(44,209)	(41,691)
Liabilities included in a discontinued operation of CP Qingdao	–	(402)
Disposal of subsidiaries (note 39)	–	(10,937)
Exchange realignment	(5,843)	(14,282)
Carrying amount at 31 December	111,726	369,882
Analysed into:		
Repayable within one year	28,333	71,488
Repayable in two to five years	76,325	225,509
Repayable over five years	7,068	72,885

The maturity analysis of lease liabilities is disclosed in note 45 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	7,516	19,813
Depreciation charge of right-of-use assets	83,918	64,386
Expense relating to leases of short-term and low-value assets	270,391	139,878
Total amount recognised in profit or loss	361,825	224,077

18. LEASES (continued)

The Group as a lessor

The Group leases its investment properties (note 17) under operating lease arrangements with leases terms of 1 year or ten years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB7,054,000 (2023: RMB8,964,000), details of which are included in note 5 to the financial statements.

At 31 December 2024, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2024 RMB'000	2023 RMB'000
Within one year	7,553	7,689
In the second to five years, inclusive	28,761	29,008
In the six to ten years, inclusive	14,380	23,433
Total	50,694	60,130

19. GOODWILL

	2024 RMB'000	2023 RMB'000
At 1 January:		
Cost	727,706	709,865
Accumulated impairment	(47,254)	(47,254)
Net carrying amount	680,452	662,611
Cost at 1 January, net of accumulated impairment	680,452	662,611
Acquisition of subsidiaries	455,446	50,127
Disposals of subsidiaries (note 39)	(215,665)	(45,132)
Impairment during the year	(18,619)	–
Attributable to a discontinued operation of CP Qingdao (note 13)	–	(2,152)
Exchange alignment	14,075	14,998
Cost and net carrying amount at 31 December	915,689	680,452
At 31 December:		
Cost	981,562	727,706
Accumulated impairment	(65,873)	(47,254)
Net carrying amount	915,689	680,452

19. GOODWILL (continued)

Impairment testing of goodwill

The carrying amount of goodwill of the Group is related to ten different cash-generating units ("CGUs"), namely Softhale NV, Hob Biotech Group Corp., Ltd. and eight other subsidiaries of the Group.

The recoverable amounts of the goodwill primarily attributable to the acquisition of equity interests in these CGUs have been determined based on value in use calculation using cash flow projections based on financial budgets covering a period ranging from five to ten years approved by senior management. Management considers that using a forecast period of over five years for financial budgets in the goodwill impairment test is appropriate because the useful lives of relevant items of intellectual property are estimated as ten years after commercialisation, and it generally takes longer for a biotech company to reach the perpetual growth mode, compared to companies in other industries, especially when its product is still under clinical trial and the market of such product is at an early stage of development with substantial growth potential. Hence, financial budgets covering a period of over five years were used as management believes that a forecasted period longer than five years is feasible and reflects a more accurate entity value.

The discount rates applied to the cash flow projections ranged from 11% to 13% (2023: 11% to 13%). The growth rate used to extrapolate the cash flows beyond the forecast period is 2% (2023: 1% to 2%), which is based on the relevant industry growth forecasts and does not exceed the average long term growth rate for the relevant industry.

Assumptions were used in the value in use calculation of the CGUs for 31 December 2024 and 31 December 2023. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Growth rate – The growth rate is based on industry growth forecasts.

Changes in selling prices and direct costs – These are based on past practices and expectations of future changes in the market.

The values assigned to the key assumptions on discount rates, growth rate and changes in selling prices and direct costs are consistent with external information sources. The directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of each CGU to exceed its recoverable amount.

20. INTANGIBLE ASSETS

	Patents and licences RMB'000	Development costs RMB'000	Trademarks RMB'000	Customer relationship RMB'000	Total RMB'000
31 December 2024					
Cost at 1 January 2024, net of accumulated amortisation	**234,458**	**1,980,018**	**14,033**	**–**	**2,228,509**
Additions	**34,840**	**398,467**	**–**	**–**	**433,307**
Amortisation provided during the year	**(28,303)**	**(145,700)**	**–**	**(592)**	**(174,595)**
Acquisition of subsidiaries	**24,520**	**–**	**–**	**71,056**	**95,576**
Impairment during the year	**–**	**(286,811)**	**–**	**–**	**(286,811)**
Disposal of subsidiaries (note 39)	**(80,574)**	**(73,097)**	**–**	**–**	**(153,671)**
Exchange realignment	**2,448**	**514**	**–**	**–**	**2,962**
At 31 December 2024	**187,389**	**1,873,391**	**14,033**	**70,464**	**2,145,277**
At 31 December 2024					
Cost	**290,542**	**2,333,938**	**1,037,796**	**1,999,056**	**5,661,332**
Accumulated amortisation and impairment	**(103,153)**	**(460,547)**	**(1,023,763)**	**(1,928,592)**	**(3,516,055)**
Net carrying amount	**187,389**	**1,873,391**	**14,033**	**70,464**	**2,145,277**

	Patents and licences RMB'000	Development costs RMB'000	Trademarks RMB'000	Customer relationship RMB'000	Total RMB'000
31 December 2023					
Cost at 1 January 2023, net of accumulated amortisation	261,996	973,488	16,355	–	1,251,839
Additions	35,434	371,344	–	–	406,778
Amortisation provided during the year	(36,731)	(70,045)	(2,322)	–	(109,098)
Acquisition of subsidiaries	–	705,231	–	–	705,231
Assets included in a discontinued operation of CP Qingdao (note 13)	(14,582)	–	–	–	(14,582)
Disposal of subsidiaries (note 39)	(7,822)	–	–	–	(7,822)
Exchange realignment	(3,837)	–	–	–	(3,837)
At 31 December 2023	234,458	1,980,018	14,033	–	2,228,509
At 31 December 2023					
Cost	354,629	2,307,937	1,037,796	1,928,000	5,628,362
Accumulated amortisation	(120,171)	(327,919)	(1,023,763)	(1,928,000)	(3,399,853)
Net carrying amount	234,458	1,980,018	14,033	–	2,228,509

21. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2024 RMB'000	2023 RMB'000
Share of net assets	1,161,480	9,095,712
Goodwill on acquisition	988,188	3,350,566
Subtotal	2,149,668	12,446,278
Provision for impairment	(529,583)	(202,603)
Total	1,620,085	12,243,675

During the year, the Group lost significant influence over Sinovac Life Sciences Co., Ltd. ("Sinovac Life Sciences") and then accounted for the investment in Sinovac Life Sciences as equity investments designated at fair value through other comprehensive income. The loss on deemed disposal of Sinovac Life Sciences of RMB578,826,000 was recorded in other losses, net.

The following table illustrates the aggregate financial information of the Group's associates and joint ventures that are not individually material:

	2024 RMB'000	2023 RMB'000
Share of associates and joint ventures' loss for the year	(118,299)	(525,709)
Share of associates and joint ventures' other comprehensive income	(44,959)	16,110
Aggregate carrying amount of the Group's investments in associates and joint ventures	1,620,085	12,243,675

22. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 RMB'000	2023 RMB'000
Equity investments designated at fair value through other comprehensive income		
Equity investments, at fair value	10,911,529	1,562,870

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 RMB'000	2023 RMB'000
Financial assets at fair value through profit or loss		
Current		
Wealth management products	4,950,829	2,811,960
Non-Current		
Other unlisted investments, at fair value	4,439,113	4,699,703

For wealth management products, the Group entered into the investment contracts with several financial institutions in Mainland China and Hong Kong with a floating return which will be paid together with the principal on the maturity date.

The other unlisted investments measured at financial assets at fair value through profit or loss mainly represents convertible redeemable preferred shares which the Group has the right to require and demand the issuers to redeem the shares held by the Group upon redemption events that are out of control of issuers (31 December 2024 and 2023: RMB3,896,478,000 and RMB3,564,385,000, respectively).

24. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 RMB'000	2023 RMB'000
Listed equity investments, at fair value	76,859	301,080

25. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	590,744	455,075
Work in progress	537,992	526,204
Finished goods	1,100,565	884,345
Spare parts and consumables	143,844	127,848
Total	2,373,145	1,993,472

26. TRADE AND BILLS RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	**4,310,766**	3,803,843
Bills receivable	**696,006**	732,778
Impairment	**(39,212)**	(26,426)
Net carrying amount	**4,967,560**	4,510,195

The fair value of bills receivable approximates to their carrying amount.

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit periods mainly range from 0 days to 90 days. The Group seeks to maintain a strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the Group's trade and bills receivables as at end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2024 RMB'000	2023 RMB'000
Current to 90 days	**4,615,375**	4,319,725
91 days to 180 days	**219,314**	142,561
over 180 days	**132,871**	47,909
Total	**4,967,560**	4,510,195

As at 31 December 2024, bills receivable of RMB171,996,000 (2023: RMB378,919,000) were pledged as collateral for the Group's bills payable.

26. TRADE AND BILLS RECEIVABLES (continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2024 RMB'000	2023 RMB'000
At beginning of year	26,426	29,961
Recognition/(reversal) of impairment losses (note 7)	12,786	(3,535)
At end of year	39,212	26,426

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade and bills receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade and bills receivables using a provision matrix:

As at 31 December 2024

		Past due			
	Current	Less than 90 days	Between 91 and 275 days	Over 275 days	Total
Expected credit loss rate	0.46%	0.89%	5.15%	26.94%	0.78%
Gross carrying amount (RMB'000)	4,636,607	221,274	110,583	38,308	5,006,772
Expected credit losses (RMB'000)	21,232	1,960	5,700	10,320	39,212

As at 31 December 2023

		Past due			
	Current	Less than 90 days	Between 91 and 275 days	Over 275 days	Total
Expected credit loss rate	0.44%	0.32%	5.04%	26.50%	0.58%
Gross carrying amount (RMB'000)	4,338,692	143,015	35,177	19,737	4,536,621
Expected credit losses (RMB'000)	18,967	454	1,774	5,231	26,426

26. TRADE AND BILLS RECEIVABLES (continued)

Financial assets that are derecognised in their entirety

At 31 December 2024, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of approximately RMB1,304,236,000 (2023: approximately RMB3,183,507,000). The Derecognised Bills had maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the Mainland China, the holders of the Derecognised Bills shall have recourse against the Group if the Mainland China's banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all the risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposures to loss from the group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2024, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the continuing involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

27. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024 RMB'000	2023 RMB'000
Current		
Prepayments	662,637	564,407
Other receivables	1,623,565	1,499,806
Financial assets measured at amortised cost	220,639	1,553,257
Prepaid expenses	31,530	18,160
	2,538,371	3,635,630
Impairment allowance	(86,627)	–
Total	2,451,744	3,635,630
Non-current		
Prepayments and other asset	251,766	302,673

The carrying amounts of other receivables approximate to their fair values due to their relatively short maturity terms.

The financial assets measured at amortised cost represent financial products issued by financial institutions in Hong Kong or Mainland China with a fixed return which will be paid together with the principal on the maturity date.

As at 31 December 2024, the Group provided impairment of RMB86,627,000 for other receivables on the individual basis (2023: Nil). The other financial assets included in the above balances relate to receivables for which there was no recent history of default.

28. CASH AND BANK BALANCES/BANK DEPOSITS

Cash and bank balances

	2024 RMB'000	2023 RMB'000
Cash and bank balances, unrestricted	2,848,231	4,203,568
Time deposits with original maturity of less than three months	3,383,292	3,098,310
Time deposits with original maturity of more than three months	3,338,061	2,150,000
Cash and bank balances	9,569,584	9,451,878

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB7,510,284,000 (2023: approximately RMB8,089,404,000) in Mainland China. The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximately to their fair values.

Bank deposits

At the end of the reporting period, the bank deposits with a term of over one year amounting to RMB9,365,805,000 carried interest at market interest rates ranging from 2.15% to 3.55% per annum (2023: RMB7,312,891,000 carried interest at market interest rates ranging from 2.70% to 3.55%). As at 31 December 2024, no bank deposits were pledged (2023: bank deposits with carrying amounts of RMB100,000,000 and RMB538,169,000 were pledged for long-term interest-bearing bank borrowings and bills payables, respectively).

29. TRADE AND BILLS PAYABLES

An ageing analysis of the Group's trade and bills payables as at the end of the reporting period, based on the invoice receiving date, is as follows:

	2024 RMB'000	2023 RMB'000
Current to 90 days	**841,643**	694,354
91 days to 180 days	**399,434**	397,702
Over 180 days	**256,384**	242,647
Total	**1,497,461**	1,334,703

Trade and bills payables are non-interest-bearing and are normally settled on 90-day terms. The carrying amounts of the trade and bills payables approximate to their fair values due to their relatively short maturity terms.

30. OTHER PAYABLES AND ACCRUALS

	2024 RMB'000	2023 RMB'000
Accrued payroll and bonuses	**2,210,814**	1,833,660
Other payables	**1,965,996**	1,414,376
Dividend payable	**157,963**	992,843
Accrued expenses	**5,188,507**	4,605,285
Staff welfare and bonus fund	**22,324**	32,680
Tax payable other than profits tax	**229,570**	244,141
Contract liabilities	**253,241**	282,604
Total	**10,028,415**	9,405,589

Other payables are non-interest-bearing and have an average term of three months. The carrying amounts of the other payables and accruals approximate to their fair values due to their relatively short maturity terms.

31. INTEREST-BEARING BANK BORROWINGS

	2024 RMB'000	2023 RMB'000
Analysed as:		
Unsecured	**9,353,519**	11,977,492
Secured (Note)	**229,058**	216,392
	9,582,577	12,193,884
Analysed as:		
Fixed interest rate	**9,582,577**	12,193,884
The carrying amounts of the above borrowings are repayable:		
Within one year	**7,585,825**	11,135,940
Within a period of more than one year, but not exceeding two years	**158,500**	748,444
Within a period of more than two years, but not exceeding five years	**1,693,959**	5,000
Over five years	**144,293**	304,500
	9,582,577	12,193,884
Less Amounts due within one year shown under current liabilities	**7,585,825**	11,135,940
Amounts shown under non-current liabilities	**1,996,752**	1,057,944

The ranges of effective interest rates on the Group's fixed rate borrowings are as follows:

	2024	2023
Effective interest rate:		
Fixed rate borrowings	**1.8%-4.9%**	2.3%-4.9%

The Group issued panda bonds during the year and as at 31 December 2024, the carrying amount of panda bonds amounted to RMB1,504,520,000 (2023: Nil), with a coupon rate of 2.34% and a maturity of 3 years.

As at 31 December 2024 and 2023, details of the assets of the Group that have been pledged as collateral to secure the bank borrowings are set out in notes 16 and 18.

32. DEFERRED GOVERNMENT GRANTS

The Group's deferred government grants represented government grants received for the investment in long-term assets in production base or setting up research and development activities, which are credited to the statement of profit or loss on a straight-line basis over the remaining expected lives of the related assets or recognised as income on a systematic basis over the periods that the costs, which they are intended to compensate, are expensed.

33. DEFERRED TAX

Deferred tax liabilities

2024

	Development costs RMB'000	Fair value adjustment of financial investment at fair value through profit or loss RMB'000	Withholding tax RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Acquisition RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January 2024	191,218	2,951	955,098	201,106	85,413	56,158	1,491,944
Acquisition of a subsidiary (note 38)	–	–	–	–	10,658	–	10,658
Disposal of subsidiaries	–	–	–	–	(29,842)	–	(29,842)
Deferred tax charged/(credit) to the statement of profit or loss (note 12)	52,112	1,209	(456,723)	(4,814)	3,045	(44,813)	(449,984)
Gross deferred tax liabilities at 31 December 2024	243,330	4,160	498,375	196,292	69,274	11,345	1,022,776

Deferred tax assets

2024

	Tax Loss RMB'000	Government grants RMB'000	Provision for receivables RMB'000	Accruals RMB'000	Elimination of profits on inventories RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2024	136,349	78,309	13,561	823,535	169,283	56,376	1,277,413
Acquisition of subsidiaries (note 38)	–	–	323	3,054	–	–	3,377
Disposal of subsidiaries	(18,128)	–	–	–	–	–	(18,128)
Deferred tax credited/(charged) to the statement of profit or loss (note 12)	15,401	7,833	2,957	91,519	(33,923)	(44,938)	38,849
Gross deferred tax assets at 31 December 2024	133,622	86,142	16,841	918,108	135,360	11,438	1,301,511

For presentation purposes, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2024 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	516,288
Net deferred tax liabilities recognised in the consolidated statement of financial position	(237,553)
	278,735

33. DEFERRED TAX (continued)

Deferred tax liabilities

2023

	Development costs RMB'000	Fair value adjustment of financial investment at fair value through profit or loss RMB'000	Withholding tax RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Acquisition RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January 2023	146,023	7,852	1,159,558	104,789	70,449	61,209	1,549,880
Acquisition of a subsidiary (note 38)	–	–	–	–	18,629	–	18,629
Deferred liabilities related to the disposal group classified as held for sale (note 13)	–	–	–	(1,029)	–	–	(1,029)
Deferred tax credited/(charged) to the statement of profit or loss (note 12)	45,195	(4,901)	120,495	97,346	(3,665)	(5,051)	249,419
Realised during the year	–	–	(324,955)	–	–	–	(324,955)
Gross deferred tax liabilities at 31 December 2023	191,218	2,951	955,098	201,106	85,413	56,158	1,491,944

Deferred tax assets

2023

	Tax Loss RMB'000	Government grants RMB'000	Provision for receivables RMB'000	Accruals RMB'000	Elimination of profits on inventories RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2023	67,115	111,694	15,404	789,272	178,299	61,453	1,223,237
Acquisition of a subsidiary (note 38)	18,629	–	–	–	–	–	18,629
Disposal of subsidiaries	–	–	(1,653)	(11,734)	–	–	(13,387)
Deferred assets related to the disposal group classified as held for sale (note 13)	–	(10,717)	(825)	(11)	–	–	(11,553)
Deferred tax credited/(charged) to the statement of profit or loss (note 12)	50,605	(22,668)	635	46,008	(9,016)	(5,077)	60,487
Gross deferred tax assets at 31 December 2023	136,349	78,309	13,561	823,535	169,283	56,376	1,277,413

33. DEFERRED TAX (continued)

Deferred tax assets (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	567,012
Net deferred tax liabilities recognised in the consolidated statement of financial position	(781,543)
	(214,531)

The Group has accumulated tax losses arising in Hong Kong of approximately RMB241,647,000(2023: approximately RMB241,647,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respective of accumulated tax losses mainly arising in Mainland China、Hong Kong and other regions with an aggregate amount of approximately RMB3,342,791,000(2023: approximately RMB2,428,383,000) as they have occurred and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised. The accumulated tax losses arising in Mainland China will expiry in one to five years for offsetting future taxable profits.

34. SHARE CAPITAL/TREASURY SHARES

Share capital

Shares

	2024 **RMB'000**	2023 RMB'000
Issued and fully paid: 18,791,217,230 ordinary shares of HK0.025 each (2023: 18,801,217,230 ordinary shares of HK0.025 each)	**414,384**	414,615

34. SHARE CAPITAL/TREASURY SHARES (continued)

Share capital (continued)

Shares (continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
1 January 2023	**18,813,867,230**	**414,899**
Shares repurchased and cancelled (Note (a))	**(12,650,000)**	**(284)**
At 31 December 2023 and 1 January 2024	**18,801,217,230**	**414,615**
Shares repurchased and cancelled (Note (a))	**(10,000,000)**	**(231)**
At 31 December 2024	**18,791,217,230**	**414,384**

Note:

(a) During the year, the Company has repurchased 10,000,000 (2023: 12,650,000) ordinary shares of HK$0.025 (2023: HK$0.025) each on the Stock Exchange at a total consideration of approximately HK$24,457,000 (2023: HK$46,188,000) equivalent to approximately RMB22,608,000 (2023: RMB41,414,000) (excluding expenses), and have been cancelled as at 31 December 2024.

Treasury shares

A summary of movements in the Company's treasury shares is as follows:

	Number of shares repurchased	Treasury shares RMB'000
1 January 2023	345,797,877	1,432,484
Exercise of restricted shares	(6,854,834)	(17,740)
Repurchase of shares for cancellation	12,650,000	41,414
Repurchase of shares under share award scheme	115,150,000	354,979
Cancellation of treasury shares	(12,650,000)	(41,414)
At 31 December 2023 and 1 January 2024	454,093,043	1,769,723
Exercise of restricted shares	**(8,476,600)**	**(24,528)**
Repurchase of shares for cancellation	**10,000,000**	**22,608**
Repurchase of shares under share award scheme	**421,440,000**	**1,229,592**
Cancellation of treasury shares	**(10,000,000)**	**(22,608)**
At 31 December 2024	**867,056,443**	**2,974,787**

35. SHARE OPTION SCHEME/SHARE AWARD SCHEMES

2023 Share Option Scheme

On 15 June 2023, the shareholders of the Company approved the adoption of a share option scheme (the "2023 Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the 2023 Share Option Scheme are (i) employee participants: the directors and employees of any member of the Group, including persons who are granted options under the scheme as inducement to enter into employment contracts with any member of the Group; and (ii) service providers: persons who provide services to any member of the Group on a continuing and recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth and development of the Group, and fall into the categories of (a) consultants and advisors or (b) suppliers, distributors, contractors and agents.

The 2023 Share Option Scheme became effective on 15 June 2023 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares in respect of which options may be granted under the share option scheme when aggregated with the maximum number of shares in respect of which options over shares or other securities may be granted by the Group under any other scheme shall not exceed 10% of the issued share capital as at the date of adoption of the 2023 Share Option Scheme. Within this limit, the total number of shares which may be issued in respect of all options which may be granted to service providers shall not exceed 1% of the shares in issue as at the date of adoption of the 2023 Share Option Scheme.

No share option has been granted under the 2023 Share Option Scheme since its adoption.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the scheme as an equity-settled plan.

Share options do not confer rights on the holders to dividends or voting at shareholders' meetings.

2018 Share Award Scheme

The Company operates a restricted share award scheme (the "2018 Share Award Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations, pursuant to which existing shares will be purchased by a trustee (the "2018 Scheme Trustee") from the market out of cash contributed by the Company and be held on trust for the eligible participants until such shares are vested.

The 2018 Share Award Scheme became effective on 5 January 2018 and remains in force for 10 years from that date.

The maximum number of shares which the 2018 Scheme Trustee may purchase with funds contributed by the Company shall not exceed 3% of the total issued share capital of the Company as at the date of adoption of the 2018 Share Award Scheme. On 26 April 2022, the board of directors of the Company resolved that such limit be refreshed to 3% of the total issued share capital of the Company as at the date of the resolutions, i.e. 564,932,826 shares. On 28 March 2024, the board of directors of the Company resolved that such limit be revised from 3% to 5% of the issued share capital of the Company, and the scheme limit be refreshed to 5% of the shares in issue as at the date of resolutions, i.e. 940,060,861 shares, in order to provide the Company with greater flexibility in granting shares to eligible participants as incentives or rewards for their contributions to the Company. The maximum number of restricted shares which may be granted to an eligible participant at any time or in aggregate may not exceed 0.5% of the issued capital of the Company as at the date of adoption of the 2018 Share Award Scheme.

35. SHARE OPTION SCHEME/SHARE AWARD SCHEMES (continued)

2018 Share Award Scheme (continued)

Pursuant to the 2018 Share Award Scheme, eligible participants include the directors and employees of the Company and any of its subsidiaries and any other persons permitted by the scheme. Where any grant of the restricted shares is proposed to be made to a director (including the independent non-executive director), such grant must first be approved by all the independent non-executive directors and in each case excluding any independent non-executive director who is the proposed participant. The board of directors of the Company may, from time to time, at its absolute discretion determine the number of restricted shares to be granted and select any participant to be a selected participant with such vesting conditions as it may deem appropriate under the 2018 Share Award Scheme.

On 23 August 2024 and 13 September 2024, the Company granted 8,476,600 restricted shares in aggregate to a total of 26 selected participants who were employees and consultants of the Group under the 2018 Share Award Scheme. On 13 October 2023, the Company granted 6,854,834 restricted shares in aggregate to a total of 15 employees of the Group under the scheme. All these restricted shares were granted at nil consideration and vested immediately on the respective date of grant.

The fair value of the restricted shares granted during the year was RMB24,528,000 (RMB2.89 each) (2023: RMB17,740,000 (RMB2.59 each)). The fair value of the restricted shares was calculated based on the closing price of the Company's shares as at the grant date.

As at 31 December 2024, 528,366,443 shares (31 December 2023: 454,093,043 shares) were held on trust by the 2018 Scheme Trustee under the 2018 Share Award Scheme. As at the date of this annual report, 916,151,804 shares were available for grant under the 2018 Share Award Scheme, representing approximately 4.88% of the Company's shares in issue as at that date.

2024 CT Tianqing Share Incentive Scheme

On 7 May 2024, the board of directors of the Company resolved and approved the implementation of a share incentive scheme (the "2024 CT Tianqing Share Incentive Scheme") by CT Tianqing, a subsidiary of the Company, to motivate core talents who would play an important role in the future operations and development of CT Tianqing.

The 2024 CT Tianqing Share Incentive Scheme is designed to further establish and refine the interest sharing mechanism between CT Tianqing and its staff, stimulate the motivation and creativity of its staff, enhance their cohesion and the competitiveness of CT Tianqing and foster the long-term, sustainable and healthy development of the company. Participants of the scheme are middle to senior management and professional staff of the same grade serving in CT Tianqing (including its wholly-owned subsidiaries), receiving remuneration and having entered into labour contract with CT Tianqing (including its wholly-owned subsidiaries) or being employed by CT Tianqing (including its wholly owned subsidiaries), as well as other personnel deemed by the board of directors of CT Tianqing to be deserving such incentives.

35. SHARE OPTION SCHEME/SHARE AWARD SCHEMES (continued)

2024 CT Tianqing Share Incentive Scheme (continued)

Pursuant to the scheme, CT Tianqing shall use not more than RMB1 billion of self-owned funds to instruct the trustee of the scheme (the "2024 Scheme Trustee") to purchase existing shares of the Company from the market based on market conditions for the subsequent implementation of share-based incentives for persons selected to participate in the scheme, i.e. designated participants. During the year ended 31 December 2024, the 2024 Scheme Trustee had fully utilized the amount of RMB1 billion and purchased a total of 338,690,000 shares (representing the maximum number of shares that could be purchased under the scheme or the scheme limit) from the market in accordance with the rules of the scheme. The maximum number of shares that can be granted to an individual designated participant in one batch or multiples batches in aggregate shall not exceed 30% of this scheme limit. The 2024 CT Tianqing Share Incentive Scheme is effective for 10 years from the date upon consideration and approval by the shareholders' general meeting of CT Tianqing.

The detailed list of the designated participants and number of incentive shares to be granted shall be considered and determined by the board of directors of CT Tianqing. The designated participant shall execute an incentive agreement with CT Tianqing and pay for purchase of the incentive shares in full within the prescribed period, otherwise he or she will automatically lose the eligibility to participate in the scheme. The purchase price per incentive share shall be not less than 50% of the average price of the relevant shares purchased by the 2024 Scheme Trustee.

On 30 September 2024, CT Tianqing granted 108,384,000 incentive shares in aggregate to a total of 310 employee participants under the 2024 CT Tianqing Share Incentive Scheme with service and non-market performance conditions.

The following incentive shares were outstanding under the 2024 CT Tianqing Share Incentive Scheme during the year:

	Number of incentive shares
As at 1 January 2024	–
Granted during the year	**108,384,000**
Forfeited/cancelled during the year	**(600,000)**
As at 31 December 2024	**107,784,000**

Subject to the satisfaction of performance-based vesting conditions, the incentive shares will vest as to 40%, 30% and 30% of the total number of the incentive shares granted to each grantee on 31 December 2025, 31 December 2026 and 31 December 2027, respectively. The purchase price of the incentive shares was RMB1.40 per share. The fair value of the incentive shares granted during the year was RMB1.97 each. The fair value was calculated based on the closing price of the Company's shares as at the grant date. The share-based payment expenses recognised in profit or loss under the 2024 CT Tianqing Share Incentive Scheme were approximately RMB28,903,000 for the year ended 31 December 2024 (2023: Nil).

As at 31 December 2024, 338,690,000 shares were held on trust by the 2024 Scheme Trustee under 2024 CT Tianqing Share Incentive Scheme. As at the date of this annual report, 230,906,000 shares were available for grant under the 2024 CT Tianqing Share Incentive Scheme, representing approximately 1.23% of the Company's shares in issue as at that date.

In addition, the Group recognised an equity-settled share based payment expense of RMB290,000 related to the restricted shares granted by Hob Biotech Group Corp., Ltd. on 9 October 2023.

36. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(i) Capital reserve

The capital reserve is non-distributable and arose from the capitalisation of the statutory reserve funds as paid-up capital upon approval for increasing the registered capital of the Mainland China joint ventures.

(ii) Contributed surplus

The Group's contributed surplus represents the difference between the nominal value of the shares and the share premium account of the former group holding companies acquired pursuant to the group reorganisation as stated in the Company's prospectus dated 22 September 2000, and the nominal value of the Company's shares issued in exchange therefor.

(iii) Reserve funds

In accordance with the Articles of Association of all subsidiaries established in the Mainland China, all subsidiaries established in Mainland China are required to transfer 10% of the profit after taxation to the statutory reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or be converted into additional paid-in capital of the subsidiaries.

(iv) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside Mainland China. The reserve is dealt with in accordance with the accounting policy set out in note 2.4.

(v) Share premium

The share premium of the Group represents the share premium contributed by the shareholders of the Company.

37. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2024 RMB'000	2023 RMB'000
Percentage of equity interests held by non-controlling interests:		
CT Tianqing	**40.0%**	40.0%
NJCTT	**44.4%**	44.4%
Beijing Tide	**42.4%**	42.4%
LYG Runzhong	**40.0%**	40.0%

	2024 RMB'000	2023 RMB'000
Profit for the year allocated to non-controlling interests:		
CT Tianqing	**1,420,875**	1,885,283
NJCTT	**503,143**	413,167
Beijing Tide	**481,069**	428,678
LYG Runzhong	**533,016**	758,951
Accumulated balances of non-controlling interests at the reporting date:		
CT Tianqing	**5,576,263**	4,153,150
NJCTT	**1,214,730**	707,459
Beijing Tide	**1,985,041**	1,895,875
LYG Runzhong	**1,531,380**	1,706,326

37. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2024	CT Tianqing RMB'000	NJCTT RMB'000	Beijing Tide RMB'000	LYG Runzhong RMB'000
Revenue	13,634,268	4,398,300	4,578,860	2,530,908
Total expenses	(10,082,080)	(3,265,094)	(3,444,263)	(1,198,368)
Profit for the year	3,552,188	1,133,206	1,134,597	1,332,540
Total comprehensive income for the year	3,552,188	1,133,206	1,134,597	1,332,540
Current assets	11,234,875	3,162,084	5,612,496	3,086,398
Non-current assets	10,198,007	2,295,270	1,344,774	1,347,046
Current liabilities	(7,339,204)	(1,968,090)	(2,030,843)	(583,180)
Non-current liabilities	(153,020)	(753,385)	(244,727)	(21,815)
Net cash flows from operating activities	4,783,079	1,135,532	1,767,096	43,239
Net cash flows used in investing activities	(2,754,809)	(915,760)	(1,304,768)	(152,280)
Net cash flows (used in)/from financing activities	(2,280,998)	191,449	798,675	–
Net (decrease)/increase in cash and cash equivalents	(252,728)	411,221	1,261,003	(109,041)

2023	CT Tianqing RMB'000	NJCTT RMB'000	Beijing Tide RMB'000	LYG Runzhong RMB'000
Revenue	14,101,233	4,121,814	3,991,593	3,056,046
Total expenses	(9,388,026)	(3,191,258)	(2,980,559)	(1,158,668)
Profit for the year	4,713,207	930,556	1,011,034	1,897,378
Total comprehensive income for the year	4,713,207	930,556	1,011,034	1,897,378
Current assets	10,817,261	2,342,504	4,740,329	3,531,505
Non-current assets	8,686,099	1,706,869	1,250,480	1,544,601
Current liabilities	(8,948,822)	(1,698,355)	(1,297,563)	(783,556)
Non-current liabilities	(171,662)	(757,641)	(221,843)	(26,735)
Net cash flows from operating activities	4,697,252	1,143,997	1,210,886	659,341
Net cash flows used in investing activities	(359,490)	(460,537)	(70,103)	(321,973)
Net cash flows used in financing activities	(3,634,205)	(716,309)	(304,134)	–
Net increase/(decrease) in cash and cash equivalents	703,557	(32,849)	836,649	337,368

38. BUSINESS COMBINATION

(a) Acquisition of Hob Biotech Group Corp., Ltd. (“HOB”) (江蘇浩歐博生物醫藥股份有限公司)

In December 2024, the Group acquired a 29.99% equity interest in HOB, a joint stock company incorporated in Mainland China with limited liability and listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange, at a consideration of RMB629,956,000. HOB focuses on the research, development, production and sales of diagnostic reagents for allergy and autoimmune disease, which operates in collaboration with the Group’s pharmaceutical business.

The Group assessed its potential voting rights as well as its practical ability to exercise those rights and concluded that, the control of HOB has been obtained upon the completion of acquiring the 29.99% equity interest in HOB.

The Group subsequently completed the acquisition of an additional 23.01130% equity interest in HOB through a voluntary partial offer in 2025, with a total consideration of RMB483,364,000 (RMB33.74 per share). Upon the completion of the voluntary partial offer, the Group holds a 53.0013% equity interest in HOB.

The fair values of the identifiable assets and liabilities of HOB as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB’000
Property, plant and equipment	16	690,384
Intangible assets	20	73,476
Right-of-use assets	18	13,048
Deferred tax assets	33	3,377
Cash and bank balances		100,934
Trade receivables		46,989
Inventories		115,838
Prepayments, other receivables and other assets		37,761
Borrowings		(115,299)
Trade payables		(33,661)
Accruals and other payables		(53,378)
Deferred tax liabilities	33	(10,658)
Lease Liabilities	18	(3,590)
Total identifiable net assets at fair value		865,221
Non-controlling interests		(605,741)
Goodwill on acquisition	19	370,476
Total consideration in cash		629,956

38. BUSINESS COMBINATION (continued)

(a) Acquisition of Hob Biotech Group Corp., Ltd. ("HOB") (江蘇浩歐博生物醫藥股份有限公司) (continued)

An analysis of the cash flows in respect of the acquisition is as follows:

	RMB'000
Cash consideration paid in year of 2024	62,422
Cash and bank balances acquired	(100,934)
Net inflow of cash and cash equivalents included in cash flow from investing activities	(38,512)
Total net cash outflow	(38,512)
The other payables related to the acquisition	567,534

Since the acquisition, HOB contributed RMB45,249,000 to the Group's revenue and a profit of RMB6,977,000 to the consolidated profit for the year ended 31 December 2024.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB29,223,249,000 and RMB4,814,377,000, respectively.

(b) Acquisition of Wuhan Youngsen Biotech Co., Ltd. ("Wuhan Youngsen") (武漢楊森生物技術有限公司)

In July 2024, the Group acquired a 62.14% equity interest in Wuhan Youngsen, a company focusing on the research, development, manufacture, and sales of high-end medical devices for artificial blood vessels. The total consideration was RMB97,127,000 which includes an equity-settled amount of RMB60,627,000. The cash and bank balances acquired through the acquisition amounted to RMB646,000, resulting a net outflow of cash and cash equivalents included in cash flows from investing activities of RMB35,854,000.

39. DISPOSAL OF SUBSIDIARIES

The disposal plan of CP Qingdao has been completed in the first quarter of 2024 and assets of a disposal group classified as held for sale and liabilities directly associated with the assets classified as held for sale were derecognised accordingly. Further details are disclosed in note 13 to the consolidated financial statements.

In September 2024, Beijing Cardiotech Medical Technology Co., Ltd. ("Beijing Cardiotech") (北京卡迪泰醫療器械科技有限公司), a subsidiary of the Group, entered into a capital injection agreement with a third party, pursuant to which total capital of RMB365,000,000 was injected into Beijing Cardiotech with approximately RMB345,971,000 and RMB19,029,000 credited to Beijing Cardiotech's paid-in capital and capital reserve, respectively. Upon the completion of the capital injection, the interest of the Group in Beijing Cardiotech decreased to 45.4763% resulting in that the Group lost control over Beijing Cardiotech and has significant influence over Beijing Cardiotech measured under the equity method. In September 2024, the Group also lost the control over pHion.

39. DISPOSAL OF SUBSIDIARIES (continued)

	Notes	2024 RMB'000	2023 RMB'000
Net assets disposed of:			
Property, plant and equipment	16	**17,046**	98,821
Right-of-use assets	18	**–**	12,287
Intangible assets	20	**153,671**	7,822
Investment in an associate		**45**	–
Prepayments, other receivables and other assets		**11,298**	39,088
Deferred tax assets	33	**18,128**	13,387
Inventories		**6,576**	129,004
Trade receivables		**736**	794,186
Cash and bank balances		**5,332**	27,756
Trade payables		**(7,243)**	(570,756)
Tax payable		**–**	(7,687)
Other payables and accruals		**(58,839)**	(247,966)
Interest-bearing bank borrowings		**(10,696)**	(51,000)
Deferred government grants		**(6,625)**	–
Lease liabilities	18	**–**	(10,937)
Deferred tax liabilities	33	**(29,842)**	–
Goodwill	19	**215,665**	45,132
Non-controlling interests		**(49,982)**	(69,448)
Subtotal		**265,270**	209,689
Exchange fluctuation reserve		**(25,413)**	–
Gains on disposal of subsidiaries		**75,314**	231,880
Fair value of the remaining equity		**315,171**	–
Total consideration		**–**	441,569
Satisfied by:			
Cash		**–**	441,569

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2024 RMB'000	2023 RMB'000
Cash consideration	**–**	441,569
Cash and bank balances disposed of	**(5,332)**	(27,756)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(5,332)**	413,813

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB73,816,000 and RMB73,816,000, respectively, in respect of lease arrangements for plant and equipment (2023: RMB49,277,000 and RMB49,277,000).

During the year, the Group had non-cash addition to equity investment designated at fair value through other comprehensive income and non-cash disposal to investment in an associate of RMB9,624,850,000 and RMB9,624,850,000, respectively, in respect of deemed disposal of Sinovac Life Sciences (2023: nil).

(b) Changes in liabilities arising from financing activities

2024	Borrowings RMB'000	Lease liabilities RMB'000	Convertible bonds RMB'000	Dividend payable RMB'000	Other payables RMB'000	Total RMB'000
At 1 January 2024	12,193,884	369,882	16,478	992,843	–	13,573,087
Changes from financing cash flows	(2,735,058)	(44,209)	–	(1,846,381)	–	(4,625,648)
New leases	–	73,816	–	–	–	73,816
Lease termination	–	(293,026)	–	–	–	(293,026)
Foreign exchange movement	(5,678)	(5,843)	(592)	–	–	(12,113)
Interest expense	–	7,516	357	–	–	7,873
Final 2023 dividend declared	–	–	–	505,636	–	505,636
Interim 2024 dividend	–	–	–	505,865	–	505,865
Proceeds from share-based payment	–	–	–	–	150,674	150,674
Disposal of subsidiaries	(10,697)	–	–	–	–	(10,697)
Acquisition of subsidiaries	140,126	3,590	–	–	–	143,716
At 31 December 2024	9,582,577	111,726	16,243	157,963	150,674	10,019,183

2023	Borrowings RMB'000	Lease liabilities RMB'000	Convertible bonds RMB'000	Dividend payable RMB'000	Total RMB'000
At 1 January 2023	10,151,012	384,694	3,482,072	294,421	14,312,199
Changes from financing cash flows	1,858,892	(41,691)	(3,742,547)	(632,669)	(2,558,015)
Fair value loss	–	–	120,442	–	120,442
New leases	–	49,277	–	–	49,277
Lease termination	–	(27,929)	–	–	(27,929)
Foreign exchange movement	183,980	(14,282)	146,084	–	315,782
Interest expense	–	19,813	10,427	–	30,240
Final 2022 dividend declared	–	–	–	998,767	998,767
Interim 2023 dividend	–	–	–	332,324	332,324
At 31 December 2023	12,193,884	369,882	16,478	992,843	13,573,087

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

	2024 RMB'000	2023 RMB'000
Within financing activities	(44,209)	(41,691)
Within operating activities	(270,391)	(139,878)

41. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2024 RMB'000	2023 RMB'000
Contracted, but not provided for:		
– Land, plant and machinery	1,517,577	535,546

42. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions and outstanding balances with related parties during the year:

	2024 RMB'000	2023 RMB'000
Associates:		
Sales of products (note (i))	80,844	86,208
Selling and marketing service income (note (ii))	45,925	904
Research and development service (note (ii))	15,637	59,171
Purchases of products (note (ii))	139,763	109,533

Notes:

(i) The sales to an associate were made according to the published prices and conditions offered to the major customers of the Group.

The outstanding balance of the amount due from the associate as at 31 December 2024 was RMB131,705,000 (31 December 2023: RMB86,007,000).

(ii) During the year of 2024, the Group provided selling and marketing services, research and development services to an associate with reference to market prices. Also, the Group made purchases from the associate according to the prices mutually agreed between both parties. The purchase was netted off by a receivable from the associate with an amount of RMB153,596,000 (2023: RMB91,956,000).

The outstanding balance of the amount due from the associate as at 31 December 2024 was RMB285,301,000 (31 December 2023: RMB177,949,000).

42. RELATED PARTY TRANSACTIONS (continued)

(b) Loans due from an associate

The Group has provided loans to TEDA Cold Chain Logistics, amounting to RMB10,309,000 (2023: RMB10,145,000), which are unsecured, carrying interest of 1.60% per annum this year and are repayable on demand.

(c) Loan due to other related party

As at 31 December 2024 and 2023, the Group received a loan of nil and RMB136,130,000 from a related company wholly owned by Ms. Cheng, a shareholder and executive director of the Group, respectively. The loan was unsecured, carrying interest of 4.35% per annum and payable on demand. In August 2024, the Group made repayment of the loan.

(d) Key management personnel's remuneration

Remuneration of key management personnel of the Group, including amounts paid to the directors and chief executives as disclosed in note 10 to the financial statements, is as follows:

	2024 RMB'000	2023 RMB'000
Salaries and other short-term employee benefits	209,542	219,976
Pension scheme contributions	301	1,012
Employee restricted share award scheme	775	3,707
Total compensation paid to key management personnel	210,618	224,695

Further details of directors' and the chief executive's emoluments are included in note 10 to the financial statements.

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

2024

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income			
	Held for trading RMB'000	Designated as such upon initial recognition RMB'000	Debt investments RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through profit or loss	76,859	–	–	–	–	76,859
Financial assets at fair value through profit or loss	4,950,829	4,439,113	–	–	–	9,389,942
Equity investments designated at fair value through other comprehensive income	–	–	–	10,911,529	–	10,911,529
Trade receivables	–	–	–	–	4,271,554	4,271,554
Bills receivable	–	–	696,006	–	–	696,006
Financial assets included in prepayments, other receivables and other assets	–	–	–	–	1,757,577	1,757,577
Amount due from related companies	–	–	–	–	295,610	295,610
Bank deposit	–	–	–	–	9,365,805	9,365,805
Cash and bank balances	–	–	–	–	9,569,584	9,569,584
Total	5,027,688	4,439,113	696,006	10,911,529	25,260,130	46,334,466

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets (continued)

2023

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income			
	Held for trading RMB'000	Designated as such upon initial recognition RMB'000	Debt investments RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through profit or loss	301,080	–	–	–	–	301,080
Financial assets at fair value through profit or loss	2,811,960	4,699,703	–	–	–	7,511,663
Equity investments designated at fair value through other comprehensive income	–	–	–	1,562,870	–	1,562,870
Trade receivables	–	–	–	–	3,777,417	3,777,417
Bills receivable	–	–	732,778	–	–	732,778
Financial assets included in prepayments, other receivables and other assets	–	–	–	–	3,053,063	3,053,063
Amount due from related companies	–	–	–	–	188,610	188,610
Bank deposit	–	–	–	–	7,312,891	7,312,891
Cash and bank balances	–	–	–	–	9,451,878	9,451,878
Total	3,113,040	4,699,703	732,778	1,562,870	23,783,859	33,892,250

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial liabilities

2024

	Financial liabilities at fair value through profit or loss		
	Designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	–	1,497,461	1,497,461
Financial liabilities included in other payables and accruals	–	7,159,259	7,159,259
Interest-bearing bank borrowings	–	9,582,577	9,582,577
Convertible bonds – debt component	–	16,243	16,243
Amounts due to related companies	–	73,295	73,295
Dividend payable	–	153,207	153,207
Contingent consideration	210,615	–	210,615
Total	210,615	18,482,042	18,692,657

2023

	Financial liabilities at fair value through profit or loss		
	Designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	–	1,334,703	1,334,703
Financial liabilities included in other payables and accruals	–	6,019,661	6,019,661
Derivative financial instruments	–	–	–
Interest-bearing bank borrowings	–	12,193,884	12,193,884
Convertible bonds – debt component	–	16,478	16,478
Amounts due to related companies	–	136,130	136,130
Dividend payable	–	992,843	992,843
Contingent consideration	137,655	–	137,655
Total	137,655	20,693,699	20,831,354

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Equity investments designated at fair value through profit or loss	**76,859**	301,080	**76,859**	301,080
Financial assets at fair value through profit or loss	**4,950,829**	2,811,960	**4,950,829**	2,811,960
Non-current: Financial assets at fair value through profit or loss	**4,439,113**	4,699,703	**4,439,113**	4,699,703
Equity investments designated at fair value through other comprehensive income	**10,911,529**	1,562,870	**10,911,529**	1,562,870
Bill receivables	**696,006**	732,778	**696,006**	732,778
Total	**21,074,336**	10,108,391	**21,074,336**	10,108,391

	Carrying amounts		Fair values	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Interest-bearing bank borrowings	**9,582,577**	12,193,884	**9,582,577**	12,193,884
Contingent consideration	**210,615**	137,655	**210,615**	137,655
Convertible bonds-debt component	**16,243**	16,478	**16,243**	16,478
Total	**9,809,435**	12,348,017	**9,809,435**	12,348,017

The fair values of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Management has assessed that the fair values of cash and bank balances, bank deposit, amount due from related companies, trade receivable, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, dividend payable and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2024 were assessed to be insignificant.

The fair values of the listed equity investments are based on quoted market prices.

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair value of convertible bonds – debt component is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 31 December 2024

	Fair value using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through profit or loss	76,859	–	–	76,859
Financial assets at fair value through profit or loss	–	4,950,829	–	4,950,829
Non-current: Financial assets at fair value through profit or loss	–	–	4,439,113	4,439,113
Bill receivables	–	696,006	–	696,006
Equity investments at fair value through other comprehensive income	12,069	–	10,899,460	10,911,529

As at 31 December 2023

	Fair value using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through profit or loss	301,080	–	–	301,080
Financial assets at fair value through profit or loss	–	2,811,960	–	2,811,960
Non-current: Financial assets at fair value through profit or loss	–	–	4,699,703	4,699,703
Bill receivables	–	732,778	–	732,778
Equity investments at fair value through other comprehensive income	128,657	–	1,434,213	1,562,870

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value

As at 31 December 2024

	Fair value using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Contingent consideration	**–**	**–**	**210,615**	**210,615**

As at 31 December 2023

	Fair value using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Contingent consideration	–	–	137,655	137,655

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value (continued)

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all inputs that are significant to fair value measurement are observable, the instrument is included in level 2.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

During the year, there were no transfers of fair value measurements among Level 1, Level 2 and Level 3.

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair values of unlisted equity investments designated at fair value through other comprehensive income and unlisted investment (non-current) at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair value of the contingent consideration has been estimated by using a discounted cash flow valuation model based on the projected performance of the acquiree.

The fair value of the derivative component of convertible bonds has been estimated using the binominal option pricing model.

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value (continued)

(c) Financial instruments in level 3 (continued)

The recurring fair value measurement for the Group's financial assets and financial liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income were performed using significant unobservable inputs (Level 3) as at 31 December 2024. Below is a summary of the valuation techniques used and the key input to the valuation:

	Valuation techniques	Significant unobservable inputs
Financial assets		
Unlisted equity investments, at fair value	Valuation multiples	Average P/B, P/R&D or P/S multiple of peers P/B:0.3-2.9 P/R&D:0.4-58.1 P/S:1.5-27.6
Financial liabilities		
Contingent consideration	Discounted cash flow method	Profit forecasting

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank borrowings, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

Foreign exchange risk arises from the change in foreign exchange rates that may have an adverse effect on the Group in the current reporting year and in the future years. Most of the assets and liabilities of the Group were denominated in Renminbi and Hong Kong dollar. In Mainland China, foreign investment enterprises are authorised to convert Renminbi to foreign currencies in respect of the current account items (including payment of dividend and profit to a foreign joint venture partner).

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar and EUR exchange rates, with all other variables held constant of the group's equity (arising from USD and EUR denominated financial instruments):

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2024			
If Renminbi weakens against the United States dollar	**5**	**76,944**	**1,622**
If Renminbi strengthens against the United States dollar	**(5)**	**(76,944)**	**(1,622)**
If Renminbi weakens against the EUR	**5**	**466**	**3,820**
If Renminbi strengthens against the EUR	**(5)**	**(466)**	**(3,820)**
2023			
If Renminbi weakens against the United States dollar	5	6,674	5,573
If Renminbi strengthens against the United States dollar	(5)	(6,674)	(5,573)
If Renminbi weakens against the EUR	5	7,177	5,993
If Renminbi strengthens against the EUR	(5)	(7,177)	(5,993)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, equity investments at fair value through profit or loss and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's liquidity remained strong as at the end of the reporting period. During the year, the Group's primary source of funds was cash derived from operating activities and investment income. The directors consider that the Group's exposure to liquidity risk is not significant.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2024

	On demand or less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	1,497,461	–	–	–	1,497,461
Financial liabilities included in other payables and accruals	7,159,259	–	–	–	7,159,259
Convertible bonds – debt component	16,283	–	–	–	16,283
Contingent consideration	–	9,125	151,355	190,056	350,536
Lease liability	10,319	19,116	77,093	7,940	114,468
Interest-bearing bank borrowings	1,079,714	6,534,959	1,877,913	185,516	9,678,102
Total	9,763,036	6,563,200	2,106,361	383,512	18,816,109

2023

	On demand or less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	1,334,703	–	–	–	1,334,703
Other payables	6,019,661	–	–	–	6,019,661
Convertible bonds-debt component	–	–	16,879	–	16,879
Contingent consideration	–	12,779	101,314	112,063	226,156
Lease liability	21,620	53,380	199,901	135,965	410,866
Interest-bearing bank borrowings	5,216,836	5,957,404	814,423	336,016	12,324,679
Total	12,592,820	6,023,563	1,132,517	584,044	20,332,944

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the value of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as equity investments designated at fair value through profit or loss (note 24) and equity investments at fair value through other comprehensive income (note 22) as at 31 December 2024. The Group's listed investments are listed on the Hong Kong Stock Exchange and New York Stock Exchange, and the investments were valued at quoted market prices at the end of the reporting period. The Group is also exposed to equity price risk arising from changes in the price of the Company's own shares to the extent that the Company's own equity investments underlie the fair values of the derivatives. As at the end of the reporting period, the Group was exposed to this risk through the conversion rights attached to the convertible bonds issued by the Company.

The following table demonstrates the sensitivity to every 1% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments RMB'000	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2024			
Investments listed in			
Hong Kong - Financial assets at fair value through profit or loss	**22,420**	**224/(224)**	**–**
US - Financial assets at fair value through profit or loss	**54,439**	**544/(544)**	**–**
Hong Kong - Equity investments at fair value through other comprehensive income	**12,069**	**–**	**121/(121)**
2023			
Investments listed in			
Hong Kong - Financial assets at fair value through profit or loss	32,852	329/(329)	–
US - Financial assets at fair value through profit or loss	30,440	304/(304)	–
Hong Kong - Equity investments at fair value through other comprehensive income	128,907	–	1,289/(1,289)

* Excluding retained profits

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's abilities to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group funds its operations principally via its capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 2023.

46. COMPARATIVE AMOUNTS

The comparative statement of profit or loss has been re-presented to be consistent with current year presentation. For the year ended 31 December 2023, other income with total amount of RMB378,335,000 has been re-presented to finance income.

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	4,870	7,894
Investment properties	246,627	262,045
Right-of-use assets	–	247,121
Other intangible assets	73,329	70,883
Investments in subsidiaries	2,577,302	2,454,966
Interests in associates	51,168	49,462
Equity investments designated at fair value through other comprehensive income	469,535	531,286
Financial assets at fair value through profit or loss	671,192	692,534
Total non-current assets	4,094,023	4,316,191
CURRENT ASSETS		
Due from subsidiaries	13,734,525	12,440,929
Prepayments, other receivables and other assets	262,791	54,187
Equity investments at fair value through profit or loss	23,377	301,080
Cash and bank balances	2,739,224	567,203
Financial assets at fair value through profit or loss	1,192,435	63,292
Total current assets	17,952,352	13,426,691
CURRENT LIABILITIES		
Other payables and accruals	195,366	110,916
Interest-bearing bank borrowings	3,157,168	6,731,114
Lease liabilities	–	34,150
Convertible bonds – debt component	16,243	–
Total current liabilities	3,368,777	6,876,180
NET CURRENT ASSETS	14,583,575	6,550,511
TOTAL ASSETS LESS CURRENT LIABILITIES	18,677,598	10,866,702
NON-CURRENT LIABILITIES		
Convertible bonds – debt component	–	16,478
Lease liabilities	–	239,182
Loan from subsidiaries	3,917,097	–
Interest-bearing bank borrowings	1,504,520	–
Total non-current liabilities	5,421,617	255,660
Net assets	13,255,981	10,611,042
EQUITY		
Share capital	414,384	414,615
Treasury shares	(1,979,918)	(1,769,723)
Reserves (note)	14,821,515	11,966,150
Total equity	13,255,981	10,611,042

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

note:

A summary of the Company's reserve is as follows:

	Share premium account RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2023	12,461,438	65,051	(12,148,025)	(172,628)	128,313	8,845,600	9,179,749
Profit for the year	–	–	–	–	–	3,906,124	3,906,124
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	–	–	–	–	24,029	(24,029)	–
Fair value changes of financial assets	–	–	–	–	18,287	–	18,287
Exchange differences related to foreign operations	–	–	–	234,209	–	–	234,209
Total comprehensive income for the year	–	–	–	234,209	42,316	3,882,095	4,158,620
Cancellation of treasury shares	(41,130)	–	–	–	–	–	(41,130)
Final 2022 dividend declared	–	–	–	–	–	(998,765)	(998,765)
Interim 2023 dividend	–	–	–	–	–	(332,324)	(332,324)
At 31 December 2023 and 1 January 2024	**12,420,308**	**65,051**	**(12,148,025)**	**61,581**	**170,629**	**11,396,606**	**11,966,150**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**3,404,673**	**3,404,673**
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**24,952**	**(24,952)**	**–**
Fair value changes of financial assets	**–**	**–**	**–**	**–**	**33,223**	**–**	**33,223**
Exchange differences related to foreign operations	**–**	**–**	**–**	**422,444**	**–**	**–**	**422,444**
Total comprehensive income for the year	**–**	**–**	**–**	**422,444**	**58,175**	**3,379,721**	**3,860,340**
Recognition of share-based payments	**–**	**–**	**53,431**	**–**	**–**	**–**	**53,431**
Exercise of restricted shares	**–**	**–**	**(24,528)**	**–**	**–**	**–**	**(24,528)**
Cancellation of treasury shares	**(22,377)**	**–**	**–**	**–**	**–**	**–**	**(22,377)**
Final 2023 dividend declared	**–**	**–**	**–**	**–**	**–**	**(505,636)**	**(505,636)**
Interim 2024 dividend	**–**	**–**	**–**	**–**	**–**	**(505,865)**	**(505,865)**
At 31 December 2024	**12,397,931**	**65,051**	**(12,119,122)**	**484,025**	**228,804**	**13,764,826**	**14,821,515**

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 March 2025.