The United Laboratories International Holdings Limited

(A company incorporated in the Cayman Islands with limited liability)
(Stock Code: 3933)

2024
ANNUAL REPORT

Our mission is to
make life more valuable

Founded in 1990, the Group is mainly engaged in the research and development, production and sales of pharmaceuticals, and ranks among the leading integrated pharmaceutical companies in China. The Group witnessed its listing on the Main Board of the Hong Kong Stock Exchange on 15 June 2007 (Stock Code: 3933). At present, the Group stands as a constituent stock of the Hang Seng Composite Index series, and maintains MSCI ESG rating at A, which is an industry leading rating.

Over three decades of rapid development, the Group has extended its product mix from antibiotics since its establishment to the fields of biopharmaceuticals and animal healthcare, and continues to optimize its vertically integrated business model. The Group currently owns seven production bases, covering intermediate products and bulk medicine, finished products, veterinary drugs, empty capsule casings, and medical devices, with sales networks dotted across nearly 80 countries and regions worldwide.

The Group continue to expand its fields of drug research and development and foster a greater global outlook. To make it happen, the Group seeks footprints in multi-platforms for collaborative development focusing on endocrine, metabolism, autoimmunity, anti-infection, ophthalmology and other fields, and several class 1 new drugs have entered the clinical trial stage. The Group presently has over 100 projects under research and development and has attained over 120 patents.

Keeping the corporate mission of "Making Life More Valuable" in mind, the Group will, closely following the national development strategy, continue to promote research and development innovation and industrial upgrading, provide the market with more quality and efficient products and services, and accelerate the high-quality development of China and the global pharmaceutical industry.

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CORPORATE CALENDAR OF 2024

JANUARY	• The Imipenem and Cilastatin Sodium for Injection (specifications: 0.5g, 1.0g) of The United Laboratories passed the consistency evaluation of quality and efficacy of generic drugs ("consistency evaluation"). • The United Laboratories received the "Best ESG Award" at the 7th China Excellence IR.
FEBRUARY	• United Laboratories (Inner Mongolia) Ltd. was awarded "2023 Science and Technology Leading Enterprise in Inner Mongolia Autonomous Region".
MARCH	• Zhuhai United Laboratories Co., Ltd. has been recognised as a "Guangdong High-Tech Enterprise" for six consecutive times. • United Animal Healthcare signed a contract with New Zealand Riverland Foods Ltd. • The United Laboratories and Sinopharm Group Co., Ltd. signed a comprehensive strategic cooperation agreement.
APRIL	• All insulin products of The United Laboratories won the bidding in the National Centralised Procurement of Pharmaceuticals (specialising renewal in insulin). • The Amoxicillin and Clavulanate Potassium Tablets (specification: 0.375g) of The United Laboratories passed the consistency evaluation of quality and efficacy of generic drugs. • The United Laboratories appeared at the 19th Xiangya International Diabetes Immunology Forum.
MAY	• The United Laboratories joined the 90th API China as an exhibitor. • The United Laboratories held the phase III clinical trial of diabetes indication summary meeting of Semaglutide Injection and clinical study quality control seminar.
JUNE	• The United Laboratories was ranked 16th in the "Top 100 Chemical and Pharmaceutical Enterprises in China for 2023". • Four trademarks, i.e., "聯邦®", "阿莫仙®", "聯邦他唑仙®", "優思靈USLIN®", were included in the list of key trademarks for protection in Guangdong Province.
AUGUST	• Phase Ia clinical study of UBT251 Injection, a Class 1 new drug, was completed in healthy subjects in China. • The United Laboratories was selected as one of the "2024 Pharmaceutical Industry Comprehensive Competitiveness Index Top 100", and 聯邦® 阿莫仙® was honored with the "CPEO Gold Award". • Zhuhai United Laboratories Co., Ltd. was selected as one of the "2024 Guangdong Provincial Champion Enterprises in Manufacturing Industry".

CORPORATE CALENDAR OF **2024**

SEPTEMBER	• Zhuhai United Laboratories Co., Ltd. was ranked 23rd in the "2023 Top 100 Pharmaceutical Enterprises in China". • The United Laboratories was awarded "ESG Comprehensive Governance Benchmarking Enterprise" in 2024 China International Fair for Trade in Services (CIFTS).
OCTOBER	• The marketing application of The United Laboratories for Insulin Degludec Injection was accepted by the National Medical Products Administration ("NMPA"). • The first subject of Phase IIa clinical study of TUL12101 Eye Drops, a Class 1 new drug, was enrolled in China. • The Amoxicillin Granules (specification: 0.125g) and Ceftazidime for Injection (specification: 1.0g) of The United Laboratories passed the consistency evaluation. • United Laboratories (Inner Mongolia) Ltd. and The United Animal Healthcare (Inner Mongolia) Co., Ltd. were selected as the "2024 Autonomous Region Champion Enterprises in Manufacturing Industry". • The United Laboratories appeared at 20th CPHI Milan.
NOVEMBER	• The Amoxicillin Sodium aseptic API of Zhuhai United Laboratories Co., Ltd. has once again received the CEP certificate issued by the European Directorate for the Quality of Medicines & HealthCare (EDQM). • The Cefuroxime Sodium for Injection (specifications: 0.75g, 1.5g) of The United Laboratories passed the consistency evaluation of quality and efficacy of generic drugs. • The United Laboratories was honored to be included in the "Top 50 Medium-sized Enterprises", "Best Investment Value Award", "Top 25 Pharmaceutical Companies" and "Top 50 in Hong Kong Stock Connect" lists in the 11th "Hong Kong Stocks Top 100". • The United Laboratories was honored as one of the "2024 Top 10 Low-Carbon Pioneers of China's Listed Pharmaceutical Companies in Response to Climate Change" by Healthcare Executive.
DECEMBER	• Zhuhai United Laboratories Co., Ltd. was ranked 53rd in the "Top 500 Manufacturing Enterprises in Guangdong Province for 2024". • The United Laboratories was honored as the "Most Valuable Pharmaceutical and Healthcare Company" in the 9th Selection of Listed Companies by Zhitongcaijing. • The marketing application of The United Laboratories for the Mupirocin Ointment (Specification: 2% (5g: 0.1g)) was approved by NMPA. • Zhuhai United Bio-Pharmacentical Co., Ltd. and its Liraglutide Injection, Insulin Degludec Injection and Semaglutide Injection were included in the first batch of segmented production enterprises and pilot varieties of biological products in Guangdong.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr. Tsoi Hoi Shan *(Chairman)*
Mr. Leung Wing Hon *(Vice-Chairman)*
Ms. Choy Siu Chit
Mr. Fang Yu Ping
Ms. Zou Xian Hong
Ms. Zhu Su Yan

Independent non-executive directors

Mr. Chong Peng Oon
Prof. Song Ming
Dr. Fu Qiushi

COMPANY SECRETARY

Mr. Leung Wing Hon *(FCPA)*

AUTHORISED REPRESENTATIVES

Mr. Tsoi Hoi Shan
Mr. Leung Wing Hon

AUDIT COMMITTEE

Mr. Chong Peng Oon *(Chairman)*
Prof. Song Ming
Dr. Fu Qiushi

REMUNERATION COMMITTEE

Mr. Chong Peng Oon *(Chairman)*
Prof. Song Ming
Dr. Fu Qiushi

NOMINATION COMMITTEE

Prof. Song Ming *(Chairman)*
Mr. Chong Peng Oon
Dr. Fu Qiushi

RISK MANAGEMENT COMMITTEE

Mr. Chong Peng Oon *(Chairman)*
Prof. Song Ming
Dr. Fu Qiushi
Mr. Leung Wing Hon
Ms. Choy Siu Chit

SUSTAINABILITY COMMITTEE

Ms. Choy Siu Chit *(Chairman)*
Mr. Chong Peng Oon
Prof. Song Ming
Dr. Fu Qiushi
Mr. Leung Wing Hon

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6 Fuk Wang Street
Yuen Long Industrial Estate
New Territories
Hong Kong

PRINCIPAL BANKERS

China

Industrial and Commercial Bank of China Ltd., Zhuhai Xiangzhou Branch
China Merchants Bank Co., Ltd., Zhuhai Branch
Bank of China Ltd, Bayannaoer Branch
Bank of Communication Co., Ltd., Zhuhai Branch
Guangdong Huaxing Bank Co., Ltd., Zhuhai Branch
China Construction Bank Corporation, Bayannaoer Branch
Bank of China Ltd., Zhuhai Branch
Ping An Bank Co., Ltd., Zhuhai Branch
China Guangfa Bank Co., Ltd, Zhuhai Branch
China Resources Bank of Zhuhai Co., Ltd., Zhuhai Branch
Industrial Bank Co., Ltd., Hohhot Branch

Hong Kong

Bank of China (Hong Kong) Ltd.
Hang Seng Bank Ltd.
Bank of Communications (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

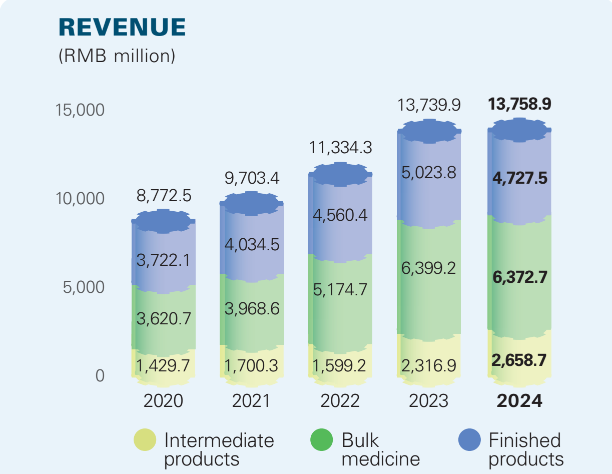
Computershare Hong Kong Investor Services Limited

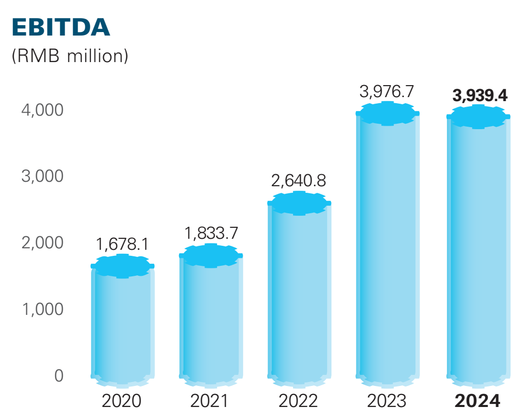
WEBSITE

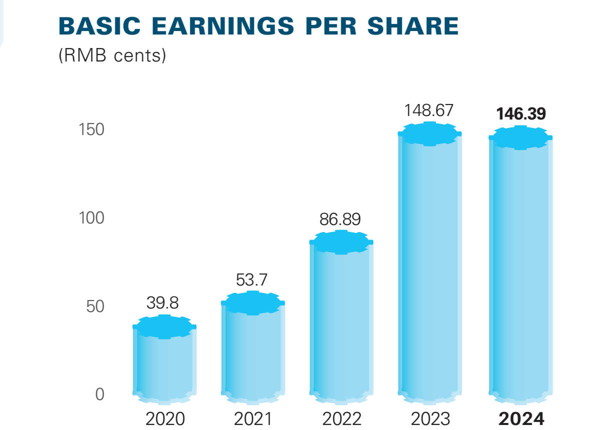
www.tul.com.cn
www.irasia.com/listco/hk/unitedlab

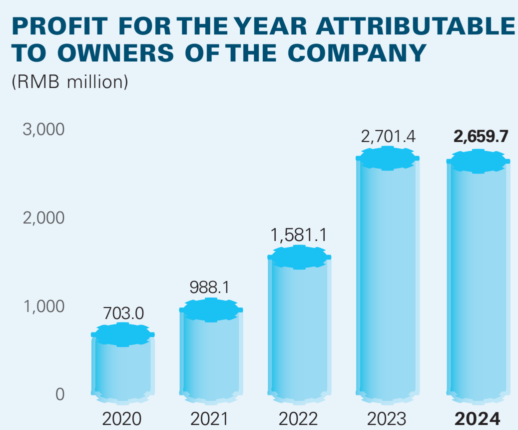
FINANCIAL HIGHLIGHTS

	2024 RMB'000	2023 RMB'000	Increase/ (Decrease) %
Revenue	**13,758,937**	13,739,879	0.1%
EBITDA	**3,939,403**	3,976,692	(0.9%)
Profit before taxation	**3,288,898**	3,344,148	(1.7%)
Profit for the year attributable to owners of the Company	**2,659,704**	2,701,350	(1.5%)
	RMB cents	RMB cents	
Earnings per share - Basic	**146.39**	148.67	(1.5%)
Dividend per share			
– Interim dividend	**16.0**	12.0	33.3%
– Final dividend	**28.0**	28.0	0%
– Special dividend	**12.0**	12.0	0%
– Full-year dividend	**56.0**	52.0	7.7%









CHAIRMAN'S STATEMENT

Mr. Tsoi Hoi Shan
Chairman

Dear Shareholders,

In 2024, while the external environment was complex and volatile, China's economy ran steadily and made steady progress. The past year was a critical year for the country to realize the objectives and tasks of the 14th Five-Year Plan, in which policies for the pharmaceutical industry were introduced intensively. Driven by policy guidance and market demand, the pharmaceutical industry has continued to deepen its reforms, and the competitive landscape of the market has undergone profound changes, bringing about new development dynamics and creating both opportunities and challenges.

Facing changes in the industry, we have proactively adapted to the new situation and continued to forster the research and development of new drugs, production and supply, marketing services and other work, achieving gratifying results. On behalf of the board of directors (the "Board") of The United Laboratories International Holdings Limited (the "Company" or "The United Laboratories"), I am pleased to present to our shareholders and partners from all sectors of society the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2024 (the "Year").

In the course of the year, the Group recorded revenue of approximately RMB13,758.9 million, which kept stable to 2023. Profit attributable to owners of the Company was RMB2,659.7 million, representing a year-on-year slightly decrease of 1.5%. Earnings per share were RMB146.39 cents. The Board recommends the payment of a final dividend of RMB28 cents per share and a special dividend of RMB12 cents per share for the year ended 31 December 2024. The dividend for the full year was RMB56 cents together with the distributed interim dividend of RMB16 cents per share, representing a dividend payout ratio of 38.3%.

Keeping on innovation and R&D

In 2024, to promote the high-quality transformation of the pharmaceutical industry, the State Council issued the "Implementation Plan for Whole-Chain Support for the Development of Innovative Drugs", enhancing the support for the research and development, clinical trials and market access of innovative drugs. In particular, in terms of market access, 38 new global innovative drugs were added to the "National Drug List for Basic Medical Insurance, Occupational Injury Insurance and Maternity Insurance (2024 Edition)", with the number and proportion hitting record highs. In active response to the national strategy, the Group has continued to increase its investment in R&D in the past year, and made positive progress in the R&D of new drugs, products registration and approval and consistency evaluation of the quality and efficacy of generic drugs.

During the year, the Group continued to increase its investment in R&D and at the same time enhanced its R&D efficiency. The R&D and clinical study of innovative drugs were promoted in an orderly manner. The Group has 8 Class 1 new drug projects in the clinical stage, including a number of blockbuster products with high market value. The Group's self-developed Class 1 innovative drug UBT251 Injection has been approved for clinical trials in China and the United States for multiple indications, and several other new drug development and clinical trials have made positive progress. We will also continue to enrich the layout of new drug pipelines, improve the configuration of high-end talent teams, accelerate the development and commercialization of new drugs, and continuously enhance the competitiveness and creativity of the Group.

At the same time, the Group is also actively planning and promoting the licensing-out of new drug projects, and is committed to providing more comprehensive treatment options and medication choices for patients around the world. The Group continues to deepen its global strategic layout and enhance the innovative influence of The United Laboratories.

Crafting new growth points through new business ventures and enhanced capabilities

As the market environment changes and competition intensifies, it is particularly important to expand our business portfolio and create a second growth curve. The diversified business portfolio will help enhance the Group's overall competitiveness and strengthen the Company's market leadership and brand value.

In view of the aging of the population and the growing demand for healthcare consumption, the Group established the Big Health Division during the year, which has deployed five major product lines: general dietary supplements, healthcare food products, cross-border nutritional supplements, medical devices, and medical and aesthetic skincare products. Currently, we have marketed 18 products, covering categories such as bone and joint nutrition, intestinal regulation, cardiovascular health, vision protection and immunity enhancement. Based on the strategy of "omni-channel, omni-domain, and omni-population", we have built a matrix of e-commerce, live broadcasting and new retail online platforms, while deepening the coverage of pharmacy chains and health vertical channels. The Group is committed to continuously establishing iconic brands in the health consumption sector.

CHAIRMAN'S STATEMENT

In recent years, China's aquaculture industry has been developing rapidly, and the degree of scale and intensification has been increasing. As national policies continue to strengthen the supervision and regulation of the animal healthcare industry, the animal healthcare market is booming with rising market demands. Relying on the advantages of its brand and industrial chain, the Group has promoted its animal healthcare business, actively expanding its product pipeline, launching new production capacity and expanding its presence in overseas markets. Through diversified business segments, product portfolio, business model, market distribution and continuous in-depth strategic cooperation with group customers, the Group is confident to seize market opportunities to gain a strong foothold in the fast-growing animal healthcare track.

The Group has fully utilized its vertically integrated business model to continuously optimize its industrial structure and resource allocation. During the year, we continued to promote the construction of new production capacity and the upgrading of production lines. The active pharmaceutical ingredient project and the animal healthcare bases under construction progressed smoothly. We will promote the construction of intensive, automated, intelligent and large-scale production bases in an orderly manner to facilitate the high-quality development of the Group.

Deepening Industrial Cooperation and Expanding the International Presence

During the year, the Group entered into strategic cooperation with a number of domestic and overseas partners while accelerating the pace of internationalization.

In March 2024, the Group signed a contract with New Zealand Riverland Foods Ltd., a pet food factory in New Zealand, to introduce New Zealand's high-quality prescription wet food into the PRC, thus marching into the high-end pet food market. The Group has been actively expanding into overseas markets and obtained 6 overseas registration approvals for animal healthcare products. In the future, the Group will continue to promote overseas registration and market access for animal healthcare products, accelerate the improvement of its coverage network in global animal health markets such as Southeast Asia, Latin America, the Middle East and Africa, and achieve balanced development of its business in China and overseas.

Meanwhile, the Group has entered into a comprehensive strategic cooperation with Sinopharm Group Co., Ltd.. Both sides will further strengthen collaboration in multiple fields and tracks, including the industrial chain, supply chain and innovation chain, to jointly build a large platform for future medicine and health. In respect of the overseas finished product business, the Group successfully won the tender for the procurement of human insulin from the Ministry of Health of Brazil at the end of the year. Going forward, we will take diabetic products as the core product, focus on promoting the deployment in countries and districts along the "Belt and Road", thereby enhancing the contribution of the overseas finished product business.

The Group participated in seven international raw materials exhibitions, including API China, CPHI China, CPHI Milan and CPHI Middle East. During the year, the Group's intermediate products and bulk medicine business achieved record high overseas revenue, breaking a number of sales records. With a strong foothold in China and a global presence, the Group will continue to enhance its global vision, increase brand awareness and expand its international business coverage.

Environmental, Social and Governance

Upholding the corporate mission of "Making Life More Valuable", the Group has integrated the concept of sustainable development into its business operations and decision-making. The Group actively fulfills its social responsibilities by continuously investing in various areas such as education, disaster relief and community care to contribute to the society. In addition, in active response to the national policy of green and sustainable development, we are committed to promoting industrial upgrading, and facilitating the green and low-carbon transformation of enterprises.

During the year, United Laboratories (Inner Mongolia) Limited ("Inner Mongolia Company") officially commenced the first phase of the salt and alkali conversion project and the biogas incineration residual heat recovery and utilization project, and fully upgraded the power supply system, with a 110 kilovolt substation completed and put into operations. By introducing advanced environmental technology and equipment, it reduced energy consumption and pollution emissions in the production process, while realizing the efficient use of resources and recycling. This symbolised Inner Mongolia Company's firm commitment to green, efficient and intelligent production transformation and demonstrated the Group's strong commitment to sustainable development.

Outlook

Looking ahead, the reform of China's medical and healthcare system will continue to deepen. At the same time, due to multiple factors, such as the growth in demand brought about by an aging population, changes in the consumption structure of the population, and technological innovations, the development of China's pharmaceutical market will be further expanded. Amidst the challenges and opportunities brought about by changes in the industry, the Group is confident that it will maintain its leading position in terms of comprehensive strength in the industry.

We will adhere to the innovation-driven development strategy and actively reinforce the research and development of new products and technological innovation. We will consolidate our core industry strengths, further strengthen the vertically integrated industrial portfolio, while optimizing our diversified business deployment and resource allocation to accelerate the expansion of the international market, and enhancing fine scientific management to achieve continuous cost reduction and efficiency increase. We will actively capitalize on market and policy opportunities, promote high-quality and sustainable development of the Group through continuous enhancement of its overall competitiveness, and create more value for our shareholders and the society.

CHAIRMAN'S STATEMENT

On 24 March 2025, the Company and The United Bio-Technology (Hengqing) Co., Ltd., a wholly-owned subsidiary of the Company have entered into an exclusive license agreement with Novo Nordisk A/S, a leading global healthcare company, in respect of the Group's self-developed product UBT251. This is a significant milestone in the Group's R&D progress.

On behalf of the Board, I would like to take this opportunity to express my gratitude to our shareholders and partners from all sectors of society for their full trust and support in long time, as well as to our staff for their hard work and contributions. I hope we can join hands and create a better future together.

Tsoi Hoi Shan
Chairman

Hong Kong, 24 March 2025

Mr. Leung Wing Hon
Vice-Chairman

BUSINESS REVIEW

In 2024, the Group achieved satisfactory results in the research and development of new drugs, production and supply, sales and service. In addition, we promoted the construction of production capacity in an orderly manner, continued to deepen external cooperation and exchanges, and actively expand our international business. During the year, the Group recorded revenue of approximately RMB13,758.9 million, similar as compared with 2023. Our position in the industry remained strong and our businesses in all segments developed healthily.

Intermediate Products and Bulk Medicine

During the year, the intermediate products and bulk medicine segment recorded external sales of RMB2,658.7 million and RMB6,372.7 million, respectively, representing a year-on-year increase of 14.8% and decrease of 0.4%, respectively. Overseas export recorded stable sales of RMB2,643.4 million, and accounted for 19.2% of total revenue of the Group.

The Group continued to improve the production costs of its upstream products, gaining industrial chain advantages. The Group remained the leader of intermediate products and bulk medicine in the PRC and overseas markets. In addition, the construction of Zhuhai Gaolan Port API Project and Inner Mongolia Guangda Lianfeng Bio-tech Co., Ltd. progressed smoothly.

Finished Products

During the year, the external sales of finished products was RMB4,727.6 million, representing a year-on-year decrease of 5.9%.

Endocrine metabolism

The main products include 優思靈USLIN® (Human Insulin Injection (N/R/30R/50R)), 聯邦優樂靈®USLEN® (Insulin Glargine Injection), 聯邦優倍靈®UBLIN® (Insulin Aspart/Insulin Aspart 30 Injection), and 聯邦®滅特尼® (Glipizide Tablets).

During the year, diabetes series recorded total gross sales of RMB1,248.3 million, representing a year-on-year increase of 9.5%.

In April 2024, all insulin products of the Group won the bidding as Category A in the National Centralised Procurement of Pharmaceuticals (specialising renewal in insulin). The basic purchasing volume has increased significantly by 52.5%. At the same time, all the Group's bidding products in category A will obtain allocated remaining volume. Benefitting from this bidding, the Group was able to rapidly make up for the price by volume for the relevant products, and the sales scale and market share continued to increase. During the year, sales volume of insulin analogs increased by 41.0% year-on-year, maintaining a high growth rate.

Anti-infection

The main products include 聯邦他唑仙® (Piperacillin Sodium Tazobactam Sodium for Injection), 聯邦®阿莫仙® (Amoxicillin Capsules/Granules), 強力阿莫仙® (Potassium Amoxicillin Clavulanate for Injection, Potassium Amoxicillin Clavulanate Tablets/Dry Suspensions), and 聯邦倍能安® (Imipenem Cestastatin Sodium for Injection), among others.

During the year, sales of anti-infection products (for human use) decreased by 23.6% to RMB1,797.4 million.

Other human-use finished products

The main products include ophthalmic drugs, topical dermatological drugs, and neurological drugs.

Big Health

The main products include the United Health & Beauty series of healthcare products.

In view of the aging of the population and the growing demand for healthcare consumption, the Group established the Big Health Division during the year, which has deployed five major product lines: general dietary supplements, healthcare food products, cross-border nutritional supplements, medical devices, medical and aesthetic skincare products. Currently, we have marketed 18 products, covering categories such as bone and joint nutrition, intestinal regulation, cardiovascular health, vision protection and immunity enhancement. At present, we have built a matrix of e-commerce, live broadcasting and new retail online platforms represented by Tmall, JD.com, Tik Tok and WeChat Mall, and deepened our coverage of pharmacy chains and health vertical pipelines. During the year, the Big Health segment recorded sales of RMB20.0 million.

Animal Healthcare

The Group is principally engaged in the research and development, production, sales and technical services of economic and companion animal medicines, covering medicines for livestock, poultry, aquatic products and pets. During the year, we launched 22 new products for animal healthcare and obtained one certificate for Class V new veterinary drugs.

During the year, the animal healthcare segment recorded sales of RMB1,382.2 million, representing a year-on-year increase of 17.1%. The construction of the production bases under construction is progressing smoothly and they are expected to be commissioned in 2025. In addition, we are making active deployment in the overseas market and have already obtained a total of 6 overseas registration approvals for animal healthcare products in Vietnam and Australia.

Pharmaceutical Research and Development

During the year, the Group invested a total of RMB985.5 million in pharmaceutical research and development, with a year-on-year increase in R&D of 21.9%, including expensed R&D investment of RMB890.8 million and capitalisation of R&D investment of RMB94.7 million.

The Group has established a comprehensive research and development system composed of multiple platforms, including biological research and development, chemical drug research and development, innovative drug research and development, animal healthcare research and development, clinical study, and external cooperation. The Group had 45 human-use new drugs under development, of which 22 projects are Class 1 new drugs, focusing on the areas of endocrinology, metabolism, autoimmunity, ophthalmology and anti-infection; There are a total of 59 new products under development in animal healthcare, covering pets, livestock, poultry and aquatic products. In addition, projects such as quality and efficacy consistency evaluation of generic drugs ("consistency evaluation") and medical aesthetics are also progressing steadily.

During the year, the Group made the following major progress in R&D:

– In January, the first subject was enrolled in the phase II clinical trial of **TUL01101 Tablets, a class-I new drug**, for indications of medium and severe atopic dermatitis. TUL01101 Tablets is a selective inhibitor of the small molecule tyrosine kinase JAK1. JAK inhibitor as a new type of therapeutic agent for atopic dermatitis is featured with outstanding curative efficacy and less side effects.

– In May, the first subject was enrolled in the phase II clinical trial of **TUL01101 Ointment, a class-I new drug**. TUL01101 Ointment is a topically administered, locally acting JAK1 inhibitor that avoids potential safety concerns associated with exposure to the drug system and demonstrates improved clinical utility.

– In May, the phase III clinical trial of diabetes indication summary meeting of **Semaglutide Injection** was successfully held, with over 70 experts in endocrine metabolism, statistics and quality management in attendance.

– In June, the first subject of phase III clinical trial of **Insulin Degludec and Liraglutide Injection** were enrolled. Insulin Degludec and Liraglutide Injection is used in adult Type 2 diabetes patients with poor blood glucose control. It can effectively control blood glucose throughout the day at the dosage of one injection per day.

– In July, Phase Ia clinical study of **UBT251 Injection, a Class 1 new drug**, was completed in healthy subjects in China. At present, the Company is the first enterprise in China and the second in the world to be approved for the clinical trials of a long-acting triple-target receptor agonist of GLP-1/GIP/GCG prepared by chemically synthesized polypeptide method.

- In October, the first subject of Phase IIa clinical study of **TUL12101 eye drops, a new class 1 drug**, was enrolled in China. TUL12101 is a new generation of small molecule RASP (active aldehyde) inhibitor for the treatment of xerophthalmia. Currently, no other products adopting the same mechanism have been marketed in China and abroad.

- In October, the marketing application for **Insulin Degludec Injection** was accepted by the National Medical Products Administration (NMPA). Insulin Degludec is a new generation of long-acting basal insulin analogs. The duration of action of the drug can be maintained for 42 hours, and it has the characteristics of stable glycemic control and high safety. Currently, Insulin Degludec is a Class B drug in the National Medical Insurance List (2023 Edition).

- In December, the marketing of **Mupirocin Ointment** (Specification: 2% (5g:0.1g)) was approved by the NMPA. Mupirocin Ointment is a broad-spectrum antibiotic for skin infections caused by gram-positive cocci and is a Class A OTC topical dermatologic agent. Currently, Mupirocin Ointment is a Class B drug in the National Essential Drug List (2018 Edition) and Medical Insurance List (2023 Edition).

- In December, **Liraglutide Injection, Insulin Degludec Injection** and **Semaglutide Injection** applied by the Group were approved as the first batch of segmented production pilot varieties of biological products in Guangdong.

During the year, the Imipenem and Cilastatin Sodium for Injection (specification: 0.5g; 1.0g), Amoxicillin and Clavulanate Potassium Tablets (specification: 0.375g), Amoxicillin Granules (specification: 0.125g), Ceftazidime for Injection (specification: 1.0g) and Sodium Cefuroxime for Injection (specification: 0.75g; 1.5g) of the Group passed the consistency evaluation. The Group will continuously promote the new drug research and development and the progress of the consistency evaluation, providing patients with more safe and high-quality medication choices.

FINANCIAL REVIEW

Financial Results

For the year ended 31 December 2024, the Group recorded revenue of approximately RMB13,758.9 million, kept stable as compared with 2023. Gross profit was RMB6,082.4 million, representing a year-on-year decrease of 4.0%. EBITDA was approximately RMB3,939.4 million, representing a year-on-year decrease of 0.9%. Profit attributable to owners of the Company was RMB2,659.7 million, representing a year-on-year decrease of 1.5%. Earnings per share were RMB146.39 cents. The Board recommended the payment of a final dividend of RMB28 cents per share and a special dividend of RMB12 cents for the year ended 31 December 2024. Together with the interim dividend of RMB16 cents per share already paid, the total dividend for the year was RMB56 cents per share.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, segmental revenue (including inter-segment sales) of Intermediate products, Bulk medicine and Finished products increased by 1.8%, decrease by 0.5% and 5.9% respectively as compared with 2023. Segmental profit increased by 5.9%, decrease by 9.8% and 47.0% year-on-year respectively. The segment profit of Finished products declined significantly, mainly due to fierce market competition and falling market prices due to the factors such as national drug central procurement leading to product price reductions. In addition, the research and development expenses of Finished products segment increased by 26.6% to RMB577.2 million during the year.

Optimising Financial Structure

In terms of finance, the Group continuously optimised its financial structure to improve liquidity by adjusting the mix of onshore and offshore borrowings, balancing long-term and short-term borrowings to reduce the finance expenses and enhance financial flexibility and efficiency in the utilisation of funds and maintain robust financial position. During the year, the Group has used Renminbi as the main borrowing currency to reduce the risk of exchange rate fluctuation and finance costs. The Group has also secured several long-term project loans for financing of its capital expenditures. For the year ended 31 December 2024, the finance cost of the Group amounted RMB35.0 million, representing a year-on-year decrease of 47.7%. Borrowing costs of RMB40.4 million (2023: RMB15.5 million) was capitalised during the year.

As at 31 December 2024, the Group's net bank balances and cash (after deducting borrowings and trade payables under supplier finance arrangement) amounted to RMB2,139.7 million.

Liquidity and Financial Resources

As at 31 December 2024, the Group had pledged bank deposits, bank balances and cash amounted to approximately RMB7,364.2 million (2023: RMB5,234.2 million).

As at 31 December 2024, the Group had interest-bearing borrowings of approximately RMB3,138.3 million (2023: RMB1,496.9 million) denominated in Renminbi with maturity within five years. Borrowings of approximately RMB16.9 million is on a fixed rate basis while the remaining balance of approximately RMB3,121.4 million is on a floating rate basis. The directors expect that all such borrowings will either be repaid by internally generated funds or rolled over upon maturity and provide sustainable funding to the Group's operations.

As at 31 December 2024, current assets of the Group amounted to approximately RMB16,070.7 million (2023: RMB13,787.2 million). Net current assets increased from RMB7,160.5 million as at 31 December 2023 to RMB7,298.1 million as at 31 December 2024. The Group's current ratio was approximately 1.83 as at 31 December 2024, as compared with 2.08 as at 31 December 2023. As at 31 December 2024, the Group had total assets of approximately RMB25,833.1 million (2023: RMB21,017.2 million) and total liabilities of approximately RMB11,397.8 million (2023: RMB8,269.6 million). Equity attributable to owners of the Company increased from RMB12,734.8 million at 31 December 2023 to RMB14,388.3 million at 31 December 2024. As at 31 December 2024, the Group's net bank balances and cash (after deducting bank borrowings and trade payables under supplier finance arrangement) amounted to RMB2,139.7 million (2023: RMB1,755.5 million).

Currency Exchange Exposures

The Group's purchases and sales are mainly denominated in Renminbi, United States dollars and Hong Kong dollars. The operating expenses of the Group are mainly denominated in Renminbi and Hong Kong dollars. The Group's borrowings are denominated in Renminbi. The Group's treasury policy is in place to monitor and manage its exposure to fluctuation in exchange rates. Besides, the Group will conduct periodic review of its exposure to foreign exchange risk and may use financial instrument for hedging purpose when considered appropriate.

Employees and Remuneration

As at 31 December 2024, the Group had approximately 17,000 (2023: 15,000) employees in Hong Kong and Mainland China. The employees are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance.

The Company has adopted a share award scheme in October 2023 and granted a total of 12,096,900 award shares to selected directors and employees, vesting in three years, to encourage and retain such individuals for the continual operation and development of the Group.

Contingent Liabilities

As at 31 December 2024 and 2023, the Group had no material contingent liabilities.

Litigations

Reference is made to the Company's announcements dated 9 August 2019, 14 August 2019 and 9 November 2023 in relation to the investment and cooperation agreement with 恒大地產集團成都有限公司 (Evergrande Real Estate Group (Chengdu) Limited) ("Evergrande (Chengdu)"). The Group applied for the commencement of an action against, among others, Evergrande (Chengdu) on 7 March 2023 in the Guangzhou Intermediate People's Court for recovery of the outstanding consideration receivables of approximately RMB343 million and relevant damages and received a notice of acceptance on 14 March 2023 (the "Action"). Due to the large number of actions against China Evergrande Group commenced in the Guangzhou Intermediate People's Court, the Action is handled by the Chengdu Intermediate People's Court. The Chengdu Intermediate People's Court heard the case on 6 June 2024 and handed down the judgement dated 28 December 2024 allowing the Group's claim of approximately RMB136.3 million but rejecting other claims of the Group. The Group appealed to the Sichuan Province Higher People's Court against the judgement. The Sichuan Province Higher People's Court heard the case on 21 May 2024. It is currently awaiting the judgment of the Sichuan Province Higher People's Court.

Save for the above, there was no other material litigations during the Year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

The Board is of the view that best corporate governance is crucial to safeguard the interests of shareholders and to enhance the Group's performance. The Board is dedicated to maintaining and ensuring a high standard of corporate governance. For the year ended 31 December 2024, the Company has applied and complied with the applicable code provisions set out in the Corporate Governance Code ("CG Code") and Corporate Governance Report contained in Appendix C1 of Listing Rules, except for deviation which is summarised below:

– Code Provision C.2.1

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the year ended 31 December 2024, the Company did not have a chief executive officer. The Company will make appointment to fill the post as appropriate.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its code of conduct for dealings in securities of the Company by the directors. Following a specific enquiry, all directors confirmed that they have complied with the required standards set out in the Model Code throughout the year covered by this report.

AUDIT COMMITTEE REVIEW

The Audit Committee comprises three independent non-executive directors, namely Mr. Chong Peng Oon, Prof. Song Ming and Dr. Fu Qiushi. The Audit Committee has reviewed with the management of the Company the consolidated financial statements for the year ended 31 December 2024, including the accounting principles and practices adopted by the Group.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of entitlement to the final dividend and the special dividend, the Register of Members of the Company will be closed on Thursday, 10 July 2025 and Friday, 11 July 2025 on which no transfer of shares will be registered. In order to qualify for the final dividend and the special dividend (record date being Friday, 11 July 2025), all completed transfer forms accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 9 July 2025.

BIOGRAPHICAL DETAILS OF DIRECTORS & SENIOR MANAGEMENT

DIRECTORS

Executive directors

Mr. Tsoi Hoi Shan (蔡海山先生), aged 47, is an executive director and the Chairman of the Company. Mr. Tsoi joined the Group in 2000 as a supervisor of the quality control department and was responsible for supervising the production process at the Hong Kong Yuen Long Plant and ensuring that it was in compliance with the Good Manufacturing Practice. Mr. Tsoi graduated from Tongji Medical University with a bachelor degree in pharmacy in 1998. Mr. Tsoi is the brother of Ms. Choy Siu Chit, who is an executive director of the Company.

Mr. Leung Wing Hon (梁永康先生), aged 63, is an executive director, the Vice-Chairman, the Chief Financial Officer and the Company Secretary of the Company. Mr. Leung is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of International Accountants and a fellow member of The Taxation Institute of Hong Kong. He holds a Bachelor of Accountancy degree from University of Bolton and Postgraduate Certificate in Business Administration from University of Leicester in the United Kingdom. Mr. Leung has over 30 years' experience in accounting, finance management and business administration. Mr. Leung joined the Group in 1997 and is responsible for overseeing the financial matters of the Group.

Ms. Choy Siu Chit (蔡紹哲女士), aged 52, is an executive director of the Company. Ms. Choy joined the Group in 1990. She handled the Drug Master File submission relating to the Group's amoxicillin bulk medicine with the FDA pursuant to which the Group became the holder of Drug Master File Type II (no. DMF 15377) relating to its amoxicillin bulk medicine in 2001. Ms. Choy also holds directorship in certain subsidiaries of the Company. She passed the Private Equity Investment Fund Advanced Class organized by the Beijing University with distinction in 2010. She is the sister of Mr. Tsoi Hoi Shan, an executive director and the Chairman of the Company.

Mr. Fang Yu Ping (方煜平先生), aged 62, is an executive director of the Company and a vice president of the Group. Mr. Fang graduated from the Medical School of Southeast University in the PRC, with a bachelor degree in medicine in 1986. After graduation, he served as a teaching staff member of the School for 8 years. Mr. Fang joined the Group in 1995 and was promoted to vice president of the Group in 2008. He was the general manager of China Sales Division of Finished Products from 2011 to 2018.

BIOGRAPHICAL DETAILS OF DIRECTORS & SENIOR MANAGEMENT

Ms. Zou Xian Hong (鄒鮮紅女士), aged 60, is an executive director of the Company and a vice president of the Group. Ms. Zou graduated from China Pharmaceutical University in 1984 and obtained her Executive Master of Business Administration from Hunan University in 2005. In June 2010, Ms. Zou obtained a doctorate in management science of Central South University. Ms. Zou has over 30 years' experience in the PRC pharmaceutical industry. Ms. Zou was employed as a teacher at the Hunan Medical Middle School from 1988 to 1993 prior to joining the Group in 1994. Since joining the Group, she has been responsible for the sales management of the Group. She was the general manager of China Sales Division of Finished Products from 2008 to 2010.

Ms. Zhu Su Yan (朱蘇燕女士), aged 60, is an executive director of the Company and a vice president of the Group. Ms. Zhu graduated from Southeast University in the PRC in 1988. She was granted a degree of Executive Master of Business Administration from Business School of Nanjing University in 2005. Ms. Zhu worked in Nanjing Gulou Hospital as a neurosurgeon from 1988 to 1993, and joined Pfizer in 1994. She joined the Group in early 1995 and had served as regional manager of Jiangsu Province, vice president of national hospital development department and general manager of China Sales Division of Finished Products etc. Ms. Zhu has extensive experience in the sales and marketing of pharmaceutical products in the PRC and is principally responsible for the sales and marketing of the Group's products in the PRC.

Independent non-executive directors

Mr. Chong Peng Oon (張品文先生), aged 76, was appointed as an independent non-executive director on 31 March 2009. He is the chairman of the audit committee, remuneration committee and risk management committee, and a member of the nomination committee and sustainability committee of the Company. Mr. Chong was admitted as an Associate of the Institute of Chartered Accountant in England & Wales in April 1975 and was recognised as a Fellow Member of the Institute in 1981. He was in the accounting practice in Hong Kong for over 30 years. He has experience in auditing of companies ranging from small and medium enterprises to large listed groups in the service and other sectors including shipping, logistics, electronics and real estate. Mr. Chong retired from the accounting practice on 1 January 2009 and now acts as a consultant specialised in cross-border business and tax advisory business for companies in Hong Kong and China. He was a former member of the Foreign Experts Group for Independent Auditing Standards Committee of the Chinese Institute of Certified Public Accountants.

Prof. Song Ming (宋敏教授), aged 63, was appointed as an independent non-executive Director on 25 May 2007. He is the chairman of the nomination committee and a member of the audit committee, remuneration committee, risk management committee and sustainability committee of the Company. Prof. Song graduated from the Department of Economics of the Ohio State University in 1991 and obtained a PhD, majoring in financial economics. Prof. Song is currently Dean of Economics and Management School of Wuhan University.

BIOGRAPHICAL DETAILS OF DIRECTORS & SENIOR MANAGEMENT

Dr. Fu Qiushi (傅秋實博士), aged 53, was appointed as an independent non-executive director of the Company on 30 June 2023. He is a member of audit committee, remuneration committee, nomination committee, risk management committee and sustainability committee of the Company. Dr. Fu has over 15 years of experience in investment management by acting as a partner of various venture capital institutions specialising in the investment in healthcare and biopharmaceutical industries. In July 2007, Dr. Fu started his venture capital career in Shenzhen Fortune Venture Capital Co. Ltd. (深圳市達晨財智創業投資管理有限公司), mainly responsible for the investment in the healthcare industry. Dr. Fu is currently a partner of Shanghai Lichen Private Equity Management Co., Ltd. (上海驪宸私募基金管理有限公司). Dr. Fu obtained his bachelor degree in science from Peking University in 1994, a master degree in life sciences from Peking University in 1997, and a Doctor of Philosophy degree from the University of Illinois in 2004.

SENIOR MANAGEMENT

Mr. Wu Shou Ting (吳守廷先生), aged 58, is the general manager of the Group's Zhuhai United Laboratories Co., Ltd. (Zhongshan Branch). Mr. Wu graduated from Jiangxi College of Chinese Medicine in 1990 and graduated from the Advanced Level Research Class, Selected Course of the MBA for Managers in Office of Zhongshan University in 2002. Mr. Wu was employed by Yufeng Pharmaceutical, Nanchang City, Jiangxi Province for approximately three years before joining the Group in 1996. He had worked as supervisor of the powder injection workshop and manager of the production department at the Group's production plant in Zhongshan before being promoted to general manager in September 2003. Mr. Wu is primarily responsible for the overall management and operation of the Group's production plant in Zhongshan.

Mr. Zhang Wen Yu (張文玉先生), aged 56, is the general manager of United Laboratories (Inner Mongolia) Limited. Mr. Zhang graduated from school of microbiology of Shandong University. Mr. Zhang joined the Group in 2005 and had over 15 years' experience in the field of production management and is currently responsible for the management of the Group's Inner Mongolia factory.

Mr. Han Yu Bo (韓玉波先生), aged 51, is the general manager of Zhuhai United Laboratories Co., Ltd. Mr. Han graduated from East China University of Science and Technology in 1994. He has over 20 years' experience in pharmacy production management. Mr. Han joined the Group in 2005 and has worked in United Laboratories (Chengdu) and United Laboratories (Inner Mongolia). He is currently responsible for management of the Group's production plant in Zhuhai.

BIOGRAPHICAL DETAILS OF DIRECTORS & SENIOR MANAGEMENT

Mr. Liu Hong Chi (劉紅池先生), aged 45, is the general manager of The United Animal Healthcare business of the Group. Mr. Liu graduated from Sichuan University of Science and Engineering in 2004 majoring in pharmaceutical manufacturing. He obtained a bachelor degree in veterinary medicine from Sichuan Agricultural University in 2017 and a master degree in business administration from Sichuan University in 2019. Mr. Liu joined the Group in 2004, and has worked in United Laboratories (Chengdu) and United Laboratories (Inner Mongolia). He has been responsible for the management of The United Animal Healthcare business of the Group since 2014. He obtained a doctor of business administration from University of Macau in 2024.

Mr. Zheng Shun Teng (鄭順騰先生), aged 48, is the operating senior general manager of the Group's intermediate and bulk medicine. Mr. Zheng graduated from China Pharmaceutical University in 2002, majoring in Pharmacy and graduated from the Advanced Level Research Class, Selected Course of the MBA for Managers in Office of Sun Yat-sen University in 2002. Joining in 1997, he worked successively as the head of the orally-taken solid workshop, the assistant to manager of the production department, the manager of the procurement department, and the director of the powder injection workshop of Zhongshan factory. From July 2006 to 2013, he had been the Eastern China regional manager and senior regional manager of the Group's intermediate and bulk medicine sales department, the sales director of the Eastern China region and the Southern China region, and the sales director of the regions of India, Middle East and Africa. Mr. Zheng has been the operating general manager of the Group's intermediate and bulk medicine sales department since 2014 and was promoted to senior general manager and assistant to executive director in 2022, primarily responsible for sales and management of the Group's intermediate and bulk medicine products.

Mr. Cao Chun Lai (曹春來先生), aged 46, is the general manager of United Bio-Technology (Hengqin) Co., Ltd. Mr. Cao obtained a master degree in fermentation engineering from South China University of Technology in 2005, and joined the Group in the same year. He was the director of the Biological Research Institute of Zhuhai United Laboratories Co., Ltd. and the director of the Guangdong Diabetes Biopharmaceutical Engineering Technology Center. He has been engaged in R&D of recombinant protein drugs especially diabetic drugs for 18 years.

Mr. Zhang Yu Bin (張玉斌先生), aged 53, is the general manager of the Group's Finished Products Marketing Center. Mr. Zhang obtained a bachelor degree in Chinese language and literature education from West China Normal University in 1995 and an executive master's degree in business administration from Southwestern University of Finance and Economics in 2011. Mr. Zhang joined the Group in 1998 and has over 25 years of experience in pharmaceutical sales and marketing. He has been responsible for sales operations in multiple provinces and served as sales representative, supervisor, regional manager, general regional manager, deputy general manager, vice president, etc. He was previously responsible for sales management in Sichuan, Hunan, Guizhou, Gansu and Qinghai. Mr. Zhang has served as the general manager of the Finished Products Marketing Center since 15 December 2024.

The Board is pleased to submit their report together with the audited consolidated financial statements for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

Details of principal activities of the principal subsidiaries of the Company are set out in note 45 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and segment information for the year ended 31 December 2024 is set out in note 5 to the consolidated financial statements.

RESULTS AND DISTRIBUTIONS

The Group's results for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 44 and 45 of this annual report.

The Board recommends the payment of a final dividend of RMB28 cents per share and a special dividend of RMB12 cents per share respectively for the year ended 31 December 2024, subject to approval by the shareholders in the forthcoming annual general meeting.

FINANCIAL SUMMARY

A summary of the Group's result, and of the assets and liabilities for the past five financial years are set out on page 152 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 31 to the consolidated financial statements.

SHARE PREMIUM AND RESERVES

In accordance with the Companies Law, Chapter 22 (as revised) of the Cayman Islands, and the Company's articles of association, the Company may distribute its share premium to shareholders in the forms of dividend or fully paid bonus shares, provided that immediately following the distribution or payment of dividend, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

As at the reporting date, the directors were of the opinion that the distributable share premium and reserves of the Company was approximately RMB3,922.7 million.

Details of movements in the share premium and reserves of the Group during the year are set out in consolidated statement of changes in equity on page 48 of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

In 2024, the aggregate sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year.

In 2024, the aggregate purchases attributable to the Group's largest and five largest suppliers accounted for 18% and 45% respectively of the Group's total purchases for the year.

None of the directors or chief executive or any of their associates or any shareholder (which, to the knowledge of the directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers and suppliers.

DIRECTORS

The directors of the Company during the year ended 31 December 2024 and up to the date of this report were as follows:

Executive Directors

Mr. Tsoi Hoi Shan *(Chairman)*
Mr. Leung Wing Hon *(Vice-Chairman)*
Ms. Choy Siu Chit
Mr. Fang Yu Ping
Ms. Zou Xian Hong
Ms. Zhu Su Yan

Independent Non-Executive Directors

Mr. Chong Peng Oon
Prof. Song Ming
Dr. Fu Qiushi

In accordance with article 84 of the Company's articles of association, Ms. Choy Siu Chit, Ms. Zhu Su Yan and Prof. Song Ming will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Biographical details of directors of the Company are set out on pages 19 to 21 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Tsoi Hoi Shan has entered into a service contract with the Company. Mr. Tsoi shall be subject to his re-election following retirement by rotation at any subsequent annual general meeting of the Company in accordance with the articles of association of the Company. The amount of Mr. Tsoi's basic emolument as an executive director is HK$4,608,000 per annum.

Mr. Leung Wing Hon has entered into a service contract with the Company under which the annual salary payable by the Company to Mr. Leung Wing Hon is HK$4,320,000 and is subject to review at the discretion of the Board and the remuneration committee after completion of 12 months of service. He will also be entitled to a discretionary bonus as decided by the Board and the remuneration committee.

Ms. Choy Siu Chit has entered into a service contract with the Company. She is required to retire by rotation at the annual general meeting of the Company in accordance with the articles of association of the Company. The basic emolument of Ms. Choy Siu Chit as an executive director is HK$3,060,000 per annum. She will also be entitled to a discretionary bonus as decided by the Board.

The basic emolument of Mr. Fang Yu Ping, Ms. Zou Xian Hong and Ms. Zhu Su Yan as an executive director is HK$1,980,000 per annum, and they are also entitled to a monthly performance bonus not exceeding RMB60,000 as determined by the executive directors of the Company with reference to performance of the Group. Their subsequent appointment shall also be subject to their re-election following retirement by rotation at any subsequent annual general meeting of the Company in accordance with the articles of association of the Company.

The amount of the annual salary increment and the bonus payable under such service contracts for executive directors is at the discretion of the Board and the remuneration committee of the Company, provided that the respective parties to such service contracts shall abstain from voting and not be counted in the quorum in respect of any such determination of the Board in relation to him or her.

Each of Mr. Chong Peng Oon, Prof. Song Ming and Dr. Fu Qiushi has entered into a letter of appointment with the Company. The annual director's fee for each of the above independent non-executive directors is HK$256,800.

Save as disclosed in this annual report, none of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACT

No contracts concerning the management or administration of the whole or any substantial part of the business were entered into or in existence during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS AND CONTRACTS

None of the directors have any interests in a business which competes with the business of the Group. Furthermore, no contracts of significance in relation to the Group's business in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31 December 2024, the directors and chief executive of the Company had the following interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"):

Long position in the shares and underlying shares of the Company:

Name of directors	Number of shares held	Number of underlying shares held (note)	Total	Capacity	Percentage of interest
Mr. Tsoi Hoi Shan	16,498,575	383,400	16,881,975	Personal interest	0.93%
Mr. Leung Wing Hon	155,700	267,400	423,100	Personal interest	0.02%
Ms. Choy Siu Chit	207,475	179,200	386,675	Personal interest	0.02%
Mr. Fang Yu Ping	62,300	124,600	186,900	Personal interest	0.01%
Ms. Zou Xian Hong	262,300	124,600	386,900	Personal interest	0.02%
Ms. Zhu Su Yan	62,479	124,600	187,079	Personal interest	0.01%

Note: The interests represent the unvested award shares granted on 13 November 2023 pursuant to the 2023 Share Award Scheme.

Save as disclosed above, none of the directors, chief executive and their associates had any interests or short position 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, as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in "Share Award Scheme" section, during the year, the Company did not grant any rights to any directors, chief executive and their respective spouse or children under 18 of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company, and none of the above persons have exercised the said rights during the year. The Company, its holding company or any of its subsidiaries were not a party to any arrangements to enable the directors to acquire such benefits in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2024, the following shareholders, other than the directors or chief executive of the Company, were recorded in the register required to be kept by the Company under section 336 of the SFO as being interested (including short positions) in the shares or underlying shares of the Company:

Long and short positions in the ordinary shares of the Company:

Name	*Notes*	Number of shares held	Percentage of Interest
Heren Far East Limited ("Heren")		834,250,000(L)	45.91%
Heren Far East #4 Limited	*(1)*	834,250,000(L)	45.91%
IQ EQ Services (HK) Limited	*(2)*	834,250,000(L)	45.91%

L/S: Long position/short position

Notes:

(1) Heren Far East #4 Limited is interested in more than one-third of the issued share capital of Heren, and is deemed or taken to be interested in the 834,250,000 shares of the Company beneficially owned by Heren for the purposes of Part XV of the SFO.

(2) IQ EQ Services (HK) Limited is the trustee of the respective trusts holding entire interest in each of Heren Far East #2 Limited, Heren Far East #3 Limited and Heren Far East #4 Limited (which together hold the entire issued share capital of Heren), and is deemed to be interested in the 834,250,000 shares of the Company beneficially owned by Heren for the purposes of Part XV of the SFO.

Save as disclosed above, no other person being recorded in the register required to be kept by the Company under section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 31 December 2024.

CONTINUING CONNECTED TRANSACTION

The United Animal Healthcare (Inner Mongolia) Co., Ltd., The United Animal Healthcare (Zhuhai) Co., Ltd. (both are indirect wholly-owned subsidiaries of the Company), and Henan Lianmu Veterinary Medicine Co., Ltd. (an indirect non-wholly-owned subsidiary of the Company) (collectively "Suppliers"), and Muyuan Foods Co., Ltd. (牧原食品股份有限公司), a joint stock company organised and established in accordance with the laws of the PRC and listed on the Shenzhen Stock Exchange (stock code: SZ002714) ("Muyuan Foods") entered into a master sales agreement dated 3 June 2024, pursuant to which the Suppliers have agreed to supply to Muyuan Foods, and Muyuan Foods has agreed to purchase from the Suppliers veterinary drug products, including but not limited to injections such as Amoxicillin Sodium for injection, customized Penicillin Sodium for injection and Ampicillin Sodium for injection for a period of three years from 1 January 2024 to 31 December 2026 (both dates inclusive) under annual sales cap for three years 2024, 2025 and 2026 amounting to RMB1,100,000,000, RMB1,320,000,000 and RMB1,650,000,000 respectively.

The annual sales for the year ended 31 December 2024 to Muyuan Foods amounted to RMB962,000,000, which has been reviewed and confirmed by the independent non-executive directors and the auditor of the Company.

SHARE AWARD SCHEME

The Company adopted a share award scheme on 26 October 2023 (the "Share Award Scheme"). The Share Award Scheme is to reward the directors and employees of the Group for their hard work, contribution and loyalty and align their interest with those of the shareholders of the Company. The number of shares to be funded by issue of new shares of the Company and/or purchased of existing shares on-market which may be awarded under the Share Award Scheme shall not exceed 10% of the issued shares of the Company as at 26 October 2023 (i.e. 181,702,650 shares). The principal terms of the Share Award Scheme are set out in the Company's circular dated 15 September 2023.

On 13 November 2023, the directors of the Company resolved to grant a total of 12,096,900 shares (the "Awarded Shares") to selected participants in accordance with the terms of the Share Award Scheme. All of the 12,096,900 Awarded Shares are granted by way of acquisition of the existing shares of the Company through on-market transactions by the trustee of the Share Award Scheme. The grant of 12,096,900 Awarded Shares will not result in any issue of new shares of the Company. Details of the grant of the Awarded Shares are disclosed in the Company's announcement dated 13 November 2023.

As at 31 December 2024, 169,605,750 shares of the Company are available for future grant under the Share Award Scheme.

REPORT OF THE DIRECTORS

During the year ended 31 December 2024, the movements of unvested Awarded Shares granted under the Share Award Scheme are as follows:

			Number of unvested Awarded Shares					
Grantee name/categories	**Date of grant**	**Vesting period**	**As at 1 Jan 2024**	**Granted during the year**	**Vested during the year**	**Lapsed during the year**	**Cancelled during the year**	**As at 31 December 2024**
Directors of the Company:								
Tsoi Hoi Shan	13 Nov 2023	13 Nov 2024 to 13 Nov 2026	575,100	–	191,700	–	–	383,400
Leung Wing Hon	13 Nov 2023	13 Nov 2024 to 13 Nov 2026	401,100	–	133,700	–	–	267,400
Choy Siu Chit	13 Nov 2023	13 Nov 2024 to 13 Nov 2026	268,800	–	89,600	–	–	179,200
Fang Yu Ping	13 Nov 2023	13 Nov 2024 to 13 Nov 2026	186,900	–	62,300	–	–	124,600
Zou Xian Hong	13 Nov 2023	13 Nov 2024 to 13 Nov 2026	186,900	–	62,300	–	–	124,600
Zhu Su Yan	13 Nov 2023	13 Nov 2024 to 13 Nov 2026	186,900	–	62,300	–	–	124,600
Other employees of the Group:	13 Nov 2023	13 Nov 2024 to 13 Nov 2026	10,291,200	–	3,004,280	426,120	–	6,860,800
Total Awarded Shares granted:	13 Nov 2023	13 Nov 2024 to 13 Nov 2026	12,096,900	–	3,606,180	426,120	–	8,064,600
Five highest paid individuals in aggregate *(note 1)***:**	13 Nov 2023	13 Nov 2024 to 13 Nov 2026	1,618,800	–	539,600	–	–	1,079,000

Notes:

1. All of the five highest paid individuals of the Group are directors of the Company.

2. There is no purchase price to be paid by the grantees. The consideration for each grant of the Awarded Shares in nil.

3. The closing prices of the shares of the Company immediate before the date of the grant and on the date of the grant of the unvested Awarded Shares were HK$7.77 and HK$7.45 per share respectively.

4. The fair value of the unvested Awarded Shares granted on 13 November 2023 was HK$7.45 per share as at the date of grant.

5. The accounting standard and policy adopted are set out in note 3 to the consolidated financial statements in 2024 Annual Report.

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

The Group is committed to complying with laws and regulations that govern our businesses. As a company incorporated in the Cayman Islands with its shares listed on the Stock Exchange of Hong Kong, the Company is governed by the Companies Law of the Cayman Islands, as well as the Listing Rules of Stock Exchange of Hong Kong and the Securities and Futures Ordinance.

In addition, the Group operates its pharmaceutical business mainly through its subsidiaries in the PRC and accordingly, relevant laws and regulations in the PRC applicable for the research and 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.

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.

CORPORATE GOVERNANCE

The Company is dedicated to maintaining a high standard of corporate governance. Information regarding the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 32 to 38 of this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of this annual report, there is sufficient public float as required under the Listing Rules.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Tsoi Hoi Shan
Chairman and Executive Director

Hong Kong, 24 March 2025

CORPORATE GOVERNANCE PRACTICES

The Board is of the view that best corporate governance is crucial to safeguard the interests of shareholders and to enhance the Group's performance. The Board is dedicated to maintaining and ensuring a high standard of corporate governance. For the year ended 31 December 2024, the Company has applied and complied with the applicable code provisions set out in the Corporate Governance Code ("CG Code") and Corporate Governance Report contained in Appendix C1 of the rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange, except for deviation which is summarized below:

Code Provision C.2.1

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2024, the Company did not have a chief executive officer. The Company will make appointment to fill the post as appropriate.

THE BOARD

The Board comprises six executive directors and three independent non-executive directors. The biographical details and the relationships of the members of the Board have been set out in the "Biographical Details of Directors & Senior Management" on pages 19 to 21. The Board has established five Board committees, namely Audit Committee, Remuneration Committee, Nomination Committee, Risk Management Committee and Sustainability Committee. The attendance rates of individual directors at board meetings, general meeting and other meetings of board committees are set out below. The duties of the Board and the Board committees are outlined in the later part of this report.

	Board	General Meeting	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	Sustainability Committee
Executive Directors							
Mr. Tsoi Hoi Shan	5/5	1/1	N/A	N/A	N/A	N/A	N/A
Mr. Leung Wing Hon	5/5	1/1	N/A	N/A	N/A	1/1	1/1
Ms. Choy Siu Chit	5/5	1/1	N/A	N/A	N/A	1/1	1/1
Mr. Fang Yu Ping	5/5	1/1	N/A	N/A	N/A	N/A	N/A
Ms. Zou Xian Hong	5/5	1/1	N/A	N/A	N/A	N/A	N/A
Ms. Zhu Su Yan	5/5	1/1	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors							
Mr. Chong Peng Oon	5/5	1/1	2/2	1/1	1/1	1/1	1/1
Prof. Song Ming	5/5	1/1	2/2	1/1	1/1	1/1	1/1
Dr. Fu Qiushi	5/5	1/1	2/2	1/1	1/1	1/1	1/1

The Board is responsible for setting the Group's objectives and strategies as well as to monitor the Group's performance. The Board also approves matters like annual and interim results, major transactions, appointment of directors, dividend and accounting policies and scrutinizes internal control procedures of the Group's operations. The Board has delegated the responsibility and authority of day-to-day operations to the management team.

All directors are provided with updated information in relation to governance and control matters regularly. The directors may seek independent professional advice according to prescribed procedures in order to assist them to discharge their duties at the expenses of the Company.

Four regular board meetings were held by the Board during the year. At least 14 days notices are given to all directors for all regular board meetings. Directors can include matters to be discussed in the agenda if necessary. Agenda of regular board meetings accompanied with board papers are dispatched to all directors within a reasonable time before the date of meeting. All draft minutes of the Board are circulated to all directors within a reasonable time for comments before being confirmed.

Minutes of the Board and Board committees are kept by the secretary duly appointed at such meetings. All directors are entitled to inspect the board papers and relevant information and access to sufficient information on a timely basis so as to enable the Board to make informed decisions on matters to be brought before meetings.

DIVERSITY

The Company has established policy to achieve balanced diversity at the Board as far as practicable. Board appointments will be based on merit and candidates will be considered against measurable objectives, taking into account the Company's business and needs. Selection of candidates will be based on a range of diversity criteria, including but not limited to gender, age, cultural and educational background, knowledge, professional experience and skills. The ultimate decision will be based on merit and the contribution that the selected candidates may bring to the Board.

The proportion of female Board representation is a measurable objective of the Company in assessing the implementation of the diversity policy. The Board currently has three female Directors out of nine Directors, achieving the gender diversity of the Board at 33.3%.

The nine Directors are from diverse and complementary backgrounds, including pharmacy industry management, corporate finance, investment and management, accounting and finance management. The valuable experience and expertise they bring to our business are critical for the long-term growth of the Group. The Board reviews the implementation and effectiveness of the Board diversity and is satisfied that the Board diversity policy has been properly implemented and is effective.

In striving to maintain gender diversity, similar considerations are used when recruiting and selecting senior management and general staff. As of 31 December 2024, a 60% male: 40% female gender ratio has been achieved in the workforce (including senior management). Further information about the composition of the Group's workforce can be found in the Environmental, Social and Governance Report 2024 separately released on the websites of The Stock Exchange of Hong Kong Limited and the Company.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Under code provision C.1.4 of the CG Code, directors of the Company should participate in continuous professional development to develop and refresh their knowledge and skills. Each newly appointed director receives induction on the first occasion of his or her appointment, so as to ensure that he or she has appropriate understanding of the business and operations of the Company and that he or she is fully aware of his or her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Directors are also regularly updated on the Group's business and industry environments where appropriate in the management's monthly reports to the Board as well as briefings and materials circulated to the Board before board meeting.

During the year, the Company has arranged for all directors to undergo continuous trainings designed to develop and refresh their knowledge and skills so as to ensure that their contribution to the Board remains informed and relevant.

A record of training they received for the year ended 31 December 2024 was provided to the Company. The individual training record of each director for the year ended 31 December 2024 is set out below:

	Reading regulatory updates	Attending seminars/ workshops relevant to the business/directors' duties
Executive Directors		
Mr. Tsoi Hoi Shan	✓	✓
Mr. Leung Wing Hon	✓	✓
Ms. Choy Siu Chit	✓	✓
Mr. Fang Yu Ping	✓	✓
Ms. Zou Xian Hong	✓	✓
Ms. Zhu Su Yan	✓	✓
Independent Non-Executive Directors		
Mr. Chong Peng Oon	✓	✓
Prof. Song Ming	✓	✓
Dr. Fu Qiushi	✓	✓

CHAIRMAN

The information of Mr. Tsoi Hoi Shan, the Chairman is set out in the Biographical Details of Directors & Senior Management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board currently has three independent non-executive directors. Among the three independent non-executive directors, one of them possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules. All the independent non-executive directors of the Company are appointed for a fixed term subject to retirement and re-appointment pursuant to the Company's articles of association.

Each of the independent non-executive directors has submitted a confirmation of his independence as required by Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive directors to be independent and that each of them satisfies the guidelines of independence set out in Rule 3.13 of the Listing Rules.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee to ensure that there are formal and transparent procedures to follow when determining the remuneration policies of the directors. The Remuneration Committee currently comprises three independent non-executive directors, namely Mr. Chong Peng Oon, Prof. Song Ming and Dr. Fu Qiushi. Mr. Chong Peng Oon is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are consistent with the relevant provisions set out in the CG Code, but with a deviation from the code provision of the Remuneration Committee's responsibilities to determine the specific remuneration packages of all executive directors and senior management of a listed company. The Board considers that the Remuneration Committee of the Company should review (as opposed to determine) and make recommendations to the Board on the remuneration packages of directors only and not senior management for the following reasons:

(i) the Board believes that the Remuneration Committee is not properly in a position to evaluate the performance of senior executives and that this evaluation process is more effectively carried out by the executive directors;

(ii) the executive directors must be in a position to supervise and control senior management and thus must be able to determine their compensation; and

(iii) there is no reason for executive directors to pay senior management more than industry standards and thus shareholders will benefit by reducing costs in the fixing of such compensation packages.

The terms of reference of the Remuneration Committee are posted on the Company's website.

The Remuneration Committee held one meeting during the year. It undertook a review of the remuneration and benefits of the directors. The Remuneration Committee ensures that no director is involved in determining his/ her own emoluments.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive directors, namely Mr. Chong Peng Oon, Prof. Song Ming and Dr. Fu Qiushi. Mr. Chong Peng Oon is the chairman of the Audit Committee.

The major duties of the Audit Committee include reviewing and monitoring the financial reporting system and internal control procedures of the Group. The Audit Committee held two meetings during the year. It reviewed the Group's financial reporting matters, and reviewed the internal control systems in relation to finance and accounting and submitted improvement proposals to the Board. The terms of reference of the Audit Committee are consistent with the relevant provisions set out in the CG Code. The terms of reference of the Audit Committee are posted on the Company's website.

NOMINATION COMMITTEE

The Board has established a Nomination Committee to ensure fair and transparent procedures for the appointment, re-election and removal of directors to the Board. The Nomination Committee currently comprises three independent non-executive directors, namely Mr. Chong Peng Oon, Prof. Song Ming and Dr. Fu Qiushi. Prof. Song Ming is the chairman of the Nomination Committee.

The Nomination Committee held one meeting during the year to discuss re-election of directors. During selection and recommendation of candidates for directors, the Committee will consider about experience, qualification, suitability of the candidates and diversity of board composition. The Board will approve the appointments based on the same criteria. The terms of reference of the Nomination Committee, a copy of which is posted on the Company's website, are consistent with the terms set out in the relevant section of the CG Code.

RISK MANAGEMENT COMMITTEE

The Company has established a Risk Management Committee in February 2016. The Risk Management Committee comprises three independent non-executive directors, namely Mr. Chong Peng Oon, Prof. Song Ming and Dr. Fu Qiushi, and two executive directors, namely Mr. Leung Wing Hon and Ms. Choy Siu Chit. Mr. Chong Peng Oon is the chairman of the Risk Management Committee.

The major duties of the Risk Management Committee include overseeing and reviewing the Group's risk management and internal control systems. The Risk Management Committee held one meeting during the year to review the Group's risk management and internal control systems.

SUSTAINABILITY COMMITTEE

The Company has established a Sustainability Committee in December 2023. The Sustainability Committee comprises three independent non-executive directors, namely Mr. Chong Peng Oon, Prof. Song Ming and Dr. Fu Qiushi and two executive directors, namely Mr. Leung Wing Hon and Ms. Choy Siu Chit. Ms. Choy Siu Chit is the Chairman of Sustainability Committee.

The major duties of the Sustainability Committee include formulating and updating the Group's ESG goals, strategies and management approaches as well as reviewing and monitoring the implementation and outcomes of ESG initiatives, reporting to the Board of Directors and providing recommendations.

The terms of reference of the Sustainability Committee is posted on the Company's website.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix C3 to the Listing Rules as its own code of conduct for director's securities transactions. Having made specific enquiry, all directors confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2024.

To comply with code provision C.1.3 of the CG Code, the Company has adopted standard code for the code of conduct for relevant employees' securities transactions to regulate certain employees of the Group who are deemed to be in possession of unpublished price sensitive information of the Company when dealing in the securities of the Company.

ACCOUNTABILITY AND INTERNAL CONTROL

The Board acknowledges its responsibility for preparing the Group's financial statements. As at 31 December 2024, within the knowledge of the directors, there was no material event or condition that may cast significant doubt upon the Group's ability to continue as a going concern.

The Group has established sufficient internal control system. In the year under review, the Board considers the systems of internal control of the Group are sufficient and effective, hence the Company has complied with the code provisions relevant to the internal control in the CG Code.

AUDITOR'S REMUNERATION

For the year ended 31 December 2024, the auditor of the Company provided audit and non-audit services for the Company and the Group.

The service fees for audit and non-audit services in 2024 amounted to approximately RMB5,494,000 and RMB2,010,000 respectively.

COMPANY SECRETARY

Mr. Leung Wing Hon is the company secretary of the Company. Mr. Leung reports to Mr. Tsoi Hoi Shan, the Chairman of the Board. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of International Accountants. He undertook no less than 15 hours of relevant professional training during the year.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting by Shareholders

Pursuant to article 58 of the Company's Articles of Association, any one or more Members 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 Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (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.

Putting Forward Proposals at General Meetings

A shareholder shall make a written requisition to the Board or the company secretary at the Company's office in Hong Kong at 6 Fuk Wang Street, Yuen Long Industrial Estate, New Territories, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

As regards proposing a person for election as a director, please refer to the procedures available on the websites of the Company and the Stock Exchange.

Making Enquiry to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the company secretary at the Company's office in Hong Kong at 6 Fuk Wang Street, Yuen Long Industrial Estate, New Territories, Hong Kong.

INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company has established a range of communication channels between itself, its shareholders and investors, including answering questions through the annual general meeting, the publications of annual and interim reports, notices, announcements and circulars on the website of the Company at www.tul.com.cn and www.irasia.com/listco/hk/unitedlab. During the year, the Board is not aware of any significant changes in the Company's constitutional documents.

Led by Mr. Leung Wing Hon, the Company's vice-chairman and executive director, and Ms. Karen Yang, the Investor Relationship Director, the Company is well positioned with an experienced investor relations team supporting the various investor relations initiatives. The team will continue to work towards further enhancing the communication with investors through various platforms such as roadshows, meetings, plant visits, conference calls and other forms of engagement. In addition, the investor relations department will continue to implement various exercises towards building a targeted shareholders base that supports the investment proposition of the company to correctly reflect its valuation.

Effective investor relations communication is an integral part of the Company's management philosophy. The Company will continue to maintain effective communication with investors. Through the investor relations department's efforts, the Company aspired to instill further confidence among investors and enhance their understanding of our business.

On behalf of the Board

Leung Wing Hon
Vice-Chairman and Executive Director

Hong Kong, 24 March 2025

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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TO THE SHAREHOLDERS OF
THE UNITED LABORATORIES INTERNATIONAL HOLDINGS LIMITED
聯邦制藥國際控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of The United Laboratories International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 151, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory 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 Hong Kong Financial Reporting Standards ("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 MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

KEY AUDIT MATTER *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
We identified the impairment assessment of the trade receivables as a key audit matter as the assessment of expected credit loss ("ECL") involved high level of estimation uncertainty. Except for trade receivable balance with credit-impaired, the Group estimates the ECL on trade receivables using a provision matrix. The loss rates are estimated based on historical credit loss experience adjusted for forward-looking factors specific to the debtor's industry and the macroeconomic environment. At 31 December 2024, the net carrying value of the trade receivables was approximately RMB2,392,910,000, with allowance for credit losses of approximately RMB13,166,000. Details relating to the Group's trade receivables and the ECL assessment are set out in Notes 24 and 39 to the consolidated financial statements, respectively.	Our audit procedures in relation to the valuation of the trade receivables included: • Obtaining an understanding of the process relating to the allowance for credit losses of trade receivables; • Evaluating the reasonableness of the key judgments and assumptions relating to calculation of historical default rates and forward-looking factor made in the ECL model; • Evaluating the completeness, accuracy and relevance of data used in the ECL model and checking the arithmetic accuracy of the calculations; • Obtaining the full aging report of trade receivables and testing the accuracy by checking the aging of selected invoices and instalment schedule on a sample basis; and • Reviewing the presentation and disclosure of the trade receivables for compliance with relevant HKFRS Accounting Standards.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matter communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matter. We describe this matter 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 Fung Hin Chiu.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	NOTES	2024 RMB'000	2023 RMB'000
Revenue	5	**13,758,937**	13,739,879
Cost of sales		**(7,676,546)**	(7,405,042)
Gross profit		**6,082,391**	6,334,837
Other income	6	**356,929**	212,475
Other gains and losses, net	7	**153,781**	23,671
Selling and distribution expenses		**(1,402,483)**	(1,593,799)
Administrative expenses		**(894,112)**	(789,859)
Research and development expenditures		**(890,757)**	(757,248)
Other expenses		**(36,821)**	(21,138)
Impairment losses (recognised) reversed under expected credit loss model, net	9	**(44,880)**	1,962
Share of results of an associate	21	**(192)**	143
Finance costs	8	**(34,958)**	(66,896)
Profit before taxation		**3,288,898**	3,344,148
Tax expense	11	**(631,077)**	(643,303)
Profit for the year	12	**2,657,821**	2,700,845
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**549**	425
Total comprehensive income for the year		**2,658,370**	2,701,270

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	NOTE	2024 RMB'000	2023 RMB'000
Profit (loss) for the year attributable to:			
Owners of the Company		**2,659,704**	2,701,350
Non-controlling interests		**(1,883)**	(505)
		2,657,821	2,700,845
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**2,660,253**	2,701,775
Non-controlling interests		**(1,883)**	(505)
		2,658,370	2,701,270
Earnings per share	*16*	**RMB cents**	RMB cents
– Basic		**146.39**	148.67

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	NOTES	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	*17*	**8,724,524**	6,483,406
Right-of-use assets	*18*	**450,800**	390,701
Goodwill	*19*	**3,031**	3,031
Intangible assets	*20*	**209,200**	133,959
Interests in an associate	*21*	**7,112**	7,304
Deposits for acquisition of property, plant and equipment		**283,298**	130,278
Deposit for acquisition of intangible assets		**10,710**	–
Financial asset at fair value through profit or loss	*22*	**–**	500
Deferred tax assets	*30*	**73,681**	80,800
		9,762,356	7,229,979
Current assets			
Inventories	*23*	**2,434,166**	2,238,483
Trade and bills receivables, other receivables, deposits and prepayments	*24*	**6,272,323**	6,314,480
Pledged bank deposits	*25*	**1,034,366**	972,249
Cash and cash equivalents	*25*	**6,329,841**	4,261,989
		16,070,696	13,787,201
Current liabilities			
Trade and other payables	*26*	**7,636,911**	6,052,651
Contract liabilities	*27*	**96,119**	115,584
Derivative financial instruments	*36*	**–**	25,587
Lease liabilities	*28*	**4,781**	2,509
Tax payables		**204,354**	232,548
Borrowings – due within one year	*29*	**830,384**	197,853
		8,772,549	6,626,732
Net current assets		**7,298,147**	7,160,469
Total assets less current liabilities		**17,060,503**	14,390,448

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	NOTES	2024 RMB'000	2023 RMB'000
Non-current liabilities			
Deferred tax liabilities	*30*	**282,492**	288,080
Deferred income in respect of government grants	*26 & 34*	**22,205**	32,237
Derivative financial instruments	*36*	**–**	19,191
Lease liabilities	*28*	**12,667**	4,322
Borrowings – due after one year	*29*	**2,307,899**	1,299,000
		2,625,263	1,642,830
Net assets		**14,435,240**	12,747,618
Capital and reserves			
Share capital	*31*	**16,965**	16,965
Reserves		**14,371,318**	12,717,813
Equity attributable to owners of the Company		**14,388,283**	12,734,778
Non-controlling interests		**46,957**	12,840
Total equity		**14,435,240**	12,747,618

The consolidated financial statements on pages 44 to 151 were approved and authorised for issue by the Board of Directors on 24 March 2025 and are signed on its behalf by:

TSOI HOI SHAN
DIRECTOR

LEUNG WING HON
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Treasury stock RMB'000	Special reserve RMB'000 *(Note b)*	Capital reserve RMB'000 *(Note a)*	Share-based compensation reserve RMB'000	Foreign exchange reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2023	16,965	3,722,482	–	277,100	1,254,210	–	9,109	5,328,220	10,608,086	1,345	10,609,431
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	425	–	425	–	425
Profit (loss) for the year	–	–	–	–	–	–	–	2,701,350	2,701,350	(505)	2,700,845
Total comprehensive income (expense) for the year	–	–	–	–	–	–	425	2,701,350	2,701,775	(505)	2,701,270
Capital contribution from the non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	12,000	12,000
Dividends recognised as distribution *(Note 15)*	–	–	–	–	–	–	–	(581,448)	(581,448)	–	(581,448)
Recognition of share-based compensation expense	–	–	–	–	–	6,365	–	–	6,365	–	6,365
Appropriations	–	–	–	–	164,967	–	–	(164,967)	–	–	–
At 31 December 2023	16,965	3,722,482	–	277,100	1,419,177	6,365	9,534	7,283,155	12,734,778	12,840	12,747,618
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**549**	**–**	**549**	**–**	**549**
Profit (loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,659,704**	**2,659,704**	**(1,883)**	**2,657,821**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**549**	**2,659,704**	**2,660,253**	**(1,883)**	**2,658,370**
Capital contribution from the non-controlling interest of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**36,000**	**36,000**
Dividends recognised as distribution *(Note 15)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,017,535)**	**(1,017,535)**	**–**	**(1,017,535)**
Repurchase of shares	**–**	**–**	**(36,465)**	**–**	**–**	**–**	**–**	**–**	**(36,465)**	**–**	**(36,465)**
Transaction cost attributable to repurchase of shares	**–**	**–**	**(112)**	**–**	**–**	**–**	**–**	**–**	**(112)**	**–**	**(112)**
Recognition of share-based compensation expense	**–**	**–**	**–**	**–**	**–**	**47,364**	**–**	**–**	**47,364**	**–**	**47,364**
Vesting of shares	**–**	**–**	**35,539**	**–**	**–**	**(24,693)**	**–**	**(10,846)**	**–**	**–**	**–**
Appropriations	**–**	**–**	**–**	**–**	**162,188**	**–**	**–**	**(162,188)**	**–**	**–**	**–**
At 31 December 2024	**16,965**	**3,722,482**	**(1,038)**	**277,100**	**1,581,365**	**29,036**	**10,083**	**8,752,290**	**14,388,283**	**46,957**	**14,435,240**

Notes:

(a) Capital reserve represents the PRC statutory reserve which must be provided for before declaring dividends to the shareholders as approved by the board of directors in accordance with the PRC regulations applicable to the Company's PRC subsidiaries until the fund reaches 50% of the registered capital of the respective subsidiaries.

(b) Included in special reserve is an amount of RMB203,263,000 which represents the portion of registered capital of the two PRC subsidiaries contributed by certain beneficial owners of the Company. The remaining amount of RMB73,837,000 represents the difference between the carrying amount of the non-controlling interests acquired and the fair value of considerations paid for acquisition of additional interests in subsidiaries in prior years.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
Operating activities		
Profit before taxation	**3,288,898**	3,344,148
Adjustments for:		
Write-down of inventories (reversed) recognised	**(15,959)**	43,188
Reversal of write-down deposits for property, plant and equipment	**–**	(5,563)
Impairment loss recognised (reversed) under expected credit loss model, net	**44,880**	(1,962)
Amortisation of intangible assets	**19,486**	17,447
Depreciation of property, plant and equipment	**579,883**	536,303
Depreciation of right-of-use assets	**16,178**	11,898
Net (gain) loss on fair value changes of derivative financial instruments	**(92,032)**	12,399
Gain on disposal of financial assets at fair value through profit or loss	**(66,501)**	(72,748)
Finance costs	**34,958**	66,896
Release of government grants	**(14,886)**	(22,274)
Bank interest income	**(127,791)**	(105,415)
Share of results of an associate	**192**	(143)
Share-based payment expense	**47,364**	6,365
Net loss on disposal of property, plant and equipment	**4,269**	3,703
Gain on termination of lease contracts	**(8)**	–
Written off of property, plant and equipment	**23,297**	47,955
Net unrealised foreign exchange loss (gain)	**74**	(10,972)
Operating cash flows before movements in working capital	**3,742,302**	3,871,225
Increase in inventories	**(179,723)**	(118,045)
Decrease (increase) in trade and bills receivables, other receivables, deposits and prepayments	**429,076**	(1,562,217)
(Decrease) increase in trade and other payables	**(115,148)**	792,368
Decrease in contract liabilities	**(19,465)**	(16,901)
Cash generated from operations	**3,857,042**	2,966,430
Income taxes paid	**(657,740)**	(526,992)
Net cash from operating activities	**3,199,302**	2,439,438

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
Investing activities		
Payments for purchase of property, plant and equipment	**(1,431,869)**	(1,144,206)
Payment for deposits of acquisition of property, plant and equipment	**(283,298)**	(130,278)
Proceeds on disposal of property, plant and equipment	**9,514**	4,367
Placement of pledged bank deposits	**(4,827,996)**	(3,626,330)
Withdrawal of pledged bank deposits	**4,765,879**	3,348,785
Placement of financial asset at fair value through profit or loss	**(20,818,787)**	(2,365,774)
Receipts of financial asset at fair value through profit or loss	**20,885,788**	2,438,522
Interest received	**127,791**	105,415
Additions to right-of-use assets	**(60,386)**	(136,383)
Additions to intangible assets	**(94,727)**	(51,068)
Net cash used in investing activities	**(1,728,091)**	(1,556,950)
Financing activities		
Interest paid	**(68,398)**	(78,431)
Dividends paid	**(1,017,535)**	(581,448)
Capital contribution from the non-controlling interest of a subsidiary	**36,000**	12,000
Repayments of lease liabilities	**(5,266)**	(4,177)
New borrowings raised	**2,227,570**	2,044,000
Repayments of borrowings	**(586,140)**	(2,778,755)
Net settlement of foreign currency forwards	**47,254**	24,133
Payment on repurchase of shares	**(36,465)**	–
Transaction costs attributable to repurchase of shares	**(112)**	–
Net cash from (used in) financing activities	**596,908**	(1,362,678)
Net increase (decrease) in cash and cash equivalents	**2,068,119**	(480,190)
Effect of foreign exchange rate changes	**(267)**	(892)
Total cash and cash equivalents at beginning of the year	**4,261,989**	4,743,071
Total cash and cash equivalents at end of the year	**6,329,841**	4,261,989

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. GENERAL INFORMATION

The United Laboratories International Holdings Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The Company's parent company and ultimate holding company is Heren Far East Limited, a company incorporated in the British Virgin Islands and is ultimately controlled by The Choys' Family Trusts. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is located at 6 Fuk Wang Street, Yuen Long Industrial Estate, New Territories, Hong Kong.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in Note 45.

The consolidated financial statements are presented in Renminbi ("RMB") which is also the functional currency of the Company and most of its subsidiaries (the "Group"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated 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 and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Except as described below, the application of the amendments to HKFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS *(Continued)*

Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year *(Continued)*

2.1 Impacts on application of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The Group has applied the amendments for the first time in the current year.

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

- clarify that the settlement of a liability can be a transfer of cash, goods or services, or the entity's own equity instruments to the counterparty. If a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the 2022 Amendments specifically clarify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity' s right to defer settlement of a liability for at least twelve months after the reporting date, even if compliance with the covenant is assessed only after the reporting date. The 2022 Amendments also specify that covenants with which an entity must comply after the reporting date (i.e. future covenants) do not affect the classification of a liability as current or non-current at the reporting date. However, if the entity' s right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

In accordance with the transition provision, the Group has applied the new accounting policy to the classification of liability as current or non-current retrospectively. The application of the amendments in the current year had no material impact on the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS *(Continued)*

Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year *(Continued)*

2.2 Impacts on application of Amendments to HKAS 7 and HKFRS 7 Supplier Finance Arrangements

The Group has applied the amendments for the first time in the current year.

The amendments add a disclosure objective to HKAS 7 *Statement of Cash Flows* stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity' s liabilities and cash flows.

In addition, HKFRS 7 *Financial Instruments: Disclosures* was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity' s exposure to concentration of liquidity risk.

In accordance with the transition provision, the entity is not required to disclose comparative information for any reporting periods presented before the beginning of the annual reporting period in the first year of application as well as the information required by HKAS 7:44 (b)(ii) and (b)(iii) above as at the beginning of the annual reporting period in which the entity first applies those amendments.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS *(Continued)*

New and amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11[3]
Amendments to HKAS 21	Lack of Exchangeability[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[4]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after 1 January 2026.
4 Effective for annual periods beginning on or after 1 January 2027.

Except for the new and amendments to HKFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all other amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS *(Continued)*

New and amendments to HKFRS Accounting Standards in issue but not yet effective *(Continued)*

Amendments to HKFRS 9 and HKFRS 7 Amendments to the Classification and Measurement of Financial Instruments

The amendments to HKFRS 9 Financial Instruments clarify the recognition and derecognition for financial asset and financial liability and add an exception which permits an entity to deem a financial liability to be discharged before the settlement date if it is settled in cash using an electronic payment system if, and only if certain conditions are met.

The amendments also provide guidance on the assessment of whether the contractual cash flows of a financial asset are consistent with a basic lending arrangement. The amendments specify that an entity should focus on what an entity is being compensated for rather than the compensation amount. Contractual cash flows are inconsistent with a basic lending arrangement if they are indexed to a variable that is not a basic lending risk or cost. The amendments state that, in some cases, a contingent feature may give rise to contractual cash flows that are consistent with a basic lending arrangement both before and after the change in contractual cash flows, but the nature of the contingent event itself does not relate directly to changes in basic lending risks and costs. Furthermore, the description of the term "non-recourse" is enhanced and the characteristics of "contractually linked instruments" are clarified in the amendments.

The disclosure requirements in HKFRS 7 in respect of investments in equity instruments designated at fair value through other comprehensive income are amended. In particular, entities are required to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately those related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period. An entity is also required to disclose any transfers of the cumulative gain or loss within equity related to the investments derecognised during the reporting period. In addition, the amendments introduce the requirements of qualitative and quantitative disclosure of contractual terms that could affect the contractual cash flow based on a contingent event not directly relating to basic lending risks and cost.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS *(Continued)*

New and amendments to HKFRS Accounting Standards in issue but not yet effective *(Continued)*

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

(Continued)

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in a subsidiary is presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Notes 5 and 27.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS Accounting Standard 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Right-of-use assets

The cost of right-of-use assets includes the amount of the initial measurement of the lease liability, lease payment made at or before commencement date for land use rights, any initial direct costs incurred by the Group and an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payments included in the measurement of the lease liability comprise fixed lease payments.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments. The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign exchange reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Government grants *(Continued)*

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Share-based payments

Equity-settled share-based payment transactions

Shares granted to directors and employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based compensation reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based compensation reserve.

When shares granted are vested, the amount previously recognised in share-based compensation reserve will be transferred to share capital and share premium.

When trustee of the share award scheme purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is deducted from total equity and is presented as treasury stock. No gain or loss is recognised on the transactions of the Company's own shares.

When the trustee transfers the Company's granted shares to grantees upon vesting, the related costs of the granted shares vested are reversed from treasury share stock and the related expense of the granted shares vested is reversed from share-based compensation reserve. The difference arising from such transfer is debited/credited to retained profits.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. 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 profits will be available to allow all or part of the asset to be recovered.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Taxation *(Continued)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognised a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment losses. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Property, plant and equipment *(Continued)*

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

Depreciation is recognised so as to write off the cost of assets other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Intangible assets *(Continued)*

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of internal project to develop new pharmaceutical products) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Intangible assets *(Continued)*

Internally-generated intangible assets – research and development expenditure (Continued)

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured at the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment losses. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment losses (if any). Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand; and

(b) cash equivalents which represents short-term deposits (generally with original maturity of three months or less). Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial asset at FVTPL

Financial asset at FVTPL is measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses, net" line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables and banker's acceptance bills receivables, commercial bills receivables, consideration receivables, other receivables and refundable deposits, pledged bank deposits, and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

(Continued)

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(Continued)*

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(Continued)*

(i) Significant increase in credit risk *(Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(Continued)*

(ii) Definition of default

The Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(Continued)*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(Continued)*

(v) Measurement and recognition of ECL *(Continued)*

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables, where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item (Note 7) as part of the net foreign exchange gain (loss).

- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item as part of the net gain on fair value changes of derivative financial instrument and gain on disposal of financial assets at FVTPL (Note 7).

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including trade payables and trade payables under supplier finance arrangement, other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'Other gains and losses' line item in profit or loss (Note 7) as part of net foreign exchange gain (loss) for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Provision of ECL for trade receivables

The Group estimates the ECL on trade receivables using a provision matrix. During the years ended 31 December 2024 and 2023, the loss rates for the trade receivables are estimated based on historical credit loss experience, adjusted for forward-looking factors specific to the debtor's industry and the macroeconomic environment.

At every reporting date, all available historical observed default rates are reassessed and changes in the forward-looking information are considered. The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables is disclosed in Notes 39 and 24, respectively.

5. REVENUE AND SEGMENT INFORMATION

The Group is currently organised into three revenue streams, including Intermediate products, Bulk medicine and Finished products.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

1) Intermediate products – mainly represent sales of 6-APA products and penicillin G potassium products;

2) Bulk medicine – mainly represent sales of amoxicillin products; and

3) Finished products – mainly represent sales of insulin series products, antibiotics products, nervous system drugs, ophthalmic products, health care products and veterinary drugs.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2024					
	Intermediate products RMB'000	Bulk medicine RMB'000	Finished products RMB'000	Segments Total RMB'000	Elimination RMB'000	Consolidated RMB'000
Types of products						
– 6-APA	1,857,922	–	–	1,857,922	–	1,857,922
– Antibiotics products	–	6,362,746	3,179,585	9,542,331	–	9,542,331
– Insulin Products	–	–	1,182,676	1,182,676	–	1,182,676
– Others	800,769	9,937	365,302	1,176,008	–	1,176,008
Revenue from contracts with customers	2,658,691	6,372,683	4,727,563	13,758,937	–	13,758,937
Inter-segment sales	3,198,429	979,071	–	4,177,500	(4,177,500)	–
Segment revenue	5,857,120	7,351,754	4,727,563	17,936,437	(4,177,500)	13,758,937

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(i) Disaggregation of revenue from contracts with customers *(Continued)*

	For the year ended 31 December 2023					
	Intermediate products RMB'000	Bulk medicine RMB'000	Finished products RMB'000	Segments Total RMB'000	Elimination RMB'000	Consolidated RMB'000
Types of products						
– 6-APA	1,344,293	–	–	1,344,293	–	1,344,293
– Antibiotics products	–	6,393,056	3,532,798	9,925,854	–	9,925,854
– Insulin Products	–	–	1,063,813	1,063,813	–	1,063,813
– Others	972,585	6,124	427,210	1,405,919	–	1,405,919
Revenue from contracts with customers	2,316,878	6,399,180	5,023,821	13,739,879	–	13,739,879
Inter-segment sales	3,436,223	993,005	–	4,429,228	(4,429,228)	–
Segment revenue	5,753,101	7,392,185	5,023,821	18,169,107	(4,429,228)	13,739,879

All of the Group's revenue is recognised at a point in time during the years ended 31 December 2024 and 2023.

(ii) Performance obligations for contracts with customers and revenue recognition policies

Revenue is recognised at a point of time when control of the goods has been transferred, being when the goods have been delivered to port of discharge or the customer's specific location as stipulated in the sales agreement. The Group satisfied its performance obligations upon shipment or upon delivery in accordance with the contract signed with customers, who start to bear the risks of obsolescence and loss in relation to the goods.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

Contracts for sale of pharmaceutical products are typically non-cancellable. The contracts for sales of products have expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") (i.e. executive directors of the Company) for the purpose of allocating resources to segments and assessing their performance.

The three revenue streams are the operating and reportable segments of the Group on which the Group reports its primary segment information.

(a) Segment revenue and results

Year ended 31 December 2024

	Intermediate products RMB'000	Bulk medicine RMB'000	Finished products RMB'000	Segments total RMB'000	Elimination RMB'000	Consolidated RMB'000
REVENUE						
External sales	2,658,691	6,372,683	4,727,563	13,758,937	–	13,758,937
Inter-segment sales	3,198,429	979,071	–	4,177,500	(4,177,500)	–
Segment revenue	5,857,120	7,351,754	4,727,563	17,936,437	(4,177,500)	13,758,937
Segment profit before research and development expenses	2,215,316	904,596	889,307			4,009,219
Research and development expenses (included in the measurement of segment profit)	(113,881)	(199,648)	(577,228)			(890,757)
RESULT						
Segment profit	2,101,435	704,948	312,079			3,118,462
Share of results of an associate						(192)
Unallocated other income						136,300
Unallocated corporate expenses						(114,871)
Unallocated other gains and losses, net						184,325
Impairment losses under expected credit loss model, net						(168)
Finance costs						(34,958)
Profit before taxation						3,288,898

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

(a) Segment revenue and results *(Continued)*

Year ended 31 December 2023

	Intermediate products RMB'000	Bulk medicine RMB'000	Finished products RMB'000	Segments total RMB'000	Elimination RMB'000	Consolidated RMB'000
REVENUE						
External sales	2,316,878	6,399,180	5,023,821	13,739,879	–	13,739,879
Inter-segment sales	3,436,223	993,005	–	4,429,228	(4,429,228)	–
Segment revenue	5,753,101	7,392,185	5,023,821	18,169,107	(4,429,228)	13,739,879
Segment profit before research and development expenses	2,098,205	969,400	1,044,429			4,112,034
Research and development expenses (included in the measurement of segment profit)	(113,744)	(187,563)	(455,941)			(757,248)
RESULT						
Segment profit	1,984,461	781,837	588,488			3,354,786
Share of results of an associate						143
Unallocated other income						152,447
Unallocated corporate expenses						(166,674)
Unallocated other gains and losses, net						69,790
Impairment losses reversed under expected credit loss model, net						552
Finance costs						(66,896)
Profit before taxation						3,344,148

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

(a) Segment revenue and results *(Continued)*

Measurement

The accounting policies of the reportable segments are the same as the Group's accounting policies. Performance is measured based on segment results that is used by the CODM for the purposes of resource allocation and assessment of segment performance. Taxation is not allocated to reportable segments.

Other than the segment revenue and segment results analysis presented above, information about assets and liabilities was not regularly provided to the CODM. Hence, no segment asset or segment liability information is presented.

Inter-segment revenue is charged at prevailing market rates.

Reportable segment results represent the profit earned by each segment without allocation of certain other income, share of results of an associate, corporate expenses and other gains and losses (net), impairment losses reversed under expected credit loss model, net and finance costs.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

(b) Other segment information

Amounts included in the measurement of segment profit or loss:

For the year ended 31 December 2024

	Intermediate products RMB'000	Bulk medicine RMB'000	Finished products RMB'000	Unallocated RMB'000	Consolidated RMB'000
Amortisation of intangible assets	1,925	–	17,561	–	19,486
Depreciation of right-of-use assets	2,872	8,920	3,232	1,154	16,178
Depreciation of property, plant and equipment	355,496	119,603	103,895	889	579,883
Net loss on disposal of property, plant and equipment	1,899	1,667	703	–	4,269
Written off of property, plant and equipment	8,618	7,712	6,967	–	23,297
Write-down of inventories (reversed) recognised	(5,641)	793	(11,111)	–	(15,959)
Impairment losses recognised	3,027	7,253	34,432	168	44,880

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

(b) Other segment information *(Continued)*

For the year ended 31 December 2023

	Intermediate products RMB'000	Bulk medicine RMB'000	Finished products RMB'000	Unallocated RMB'000	Consolidated RMB'000
Amortisation of intangible assets	2,031	–	15,416	–	17,447
Depreciation of right-of-use assets	3,324	5,270	2,874	430	11,898
Depreciation of property, plant and equipment	388,205	87,827	60,198	73	536,303
Net loss on disposal of property, plant and equipment	1,603	1,151	949	–	3,703
Written off of property, plant and equipment	23,454	22,737	1,764	–	47,955
Write-down of inventories recognised	5,730	12,963	24,495	–	43,188
Impairment losses (reversed) recognised	(1,216)	(1,688)	1,494	(552)	(1,962)

(c) Geographical information

The revenue by geographical market (irrespective of the origin of the goods) based on the location of the customers are presented below:

	Revenue from external customers	
	2024	2023
	RMB'000	RMB'000
PRC, including Hong Kong (country of domicile)	**11,115,585**	11,124,265
Europe	**695,589**	783,732
India	**634,347**	673,922
Middle East	**73,284**	46,834
South America	**363,284**	340,391
Other Asian regions	**633,318**	603,726
Other regions	**243,530**	167,009
	13,758,937	13,739,879

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

(c) Geographical information *(Continued)*

The information about its non-current assets is presented based on the geographical location of the assets, as below:

	Non-current assets	
	2024	2023
	RMB'000	RMB'000
PRC (excluding Hong Kong) (country of domicile)	**9,592,132**	7,064,607
Hong Kong	**96,543**	84,072
	9,688,675	7,148,679

Non-current assets excluded financial asset at FVTPL and deferred tax assets.

(d) Information about major customers

There is no customer who contributes more than 10% of the total sales of the Group.

6. OTHER INCOME

	2024	2023
	RMB'000	RMB'000
Bank interest income	**127,791**	105,415
Sales of scrap materials	**31,654**	2,898
Subsidy income *(Note)*	**189,626**	92,490
Sundry income	**7,858**	11,672
	356,929	212,475

Note: Subsidy income includes tax subsidy and grants from the PRC government which are specifically for (i) capital expenditure incurred for plant and machinery, which are recognised as income over the useful life of related assets; (ii) incentives and other subsidies for research and development activities, which are recognised upon meeting the specific conditions; and (iii) incentives which have no specific conditions attached to the grants. Details of the subsidy income are set out in Note 34.

7. OTHER GAINS AND LOSSES, NET

	2024 RMB'000	2023 RMB'000
Net (gain) loss on fair value changes of derivative financial instruments *(Note)*	**(92,032)**	12,399
Gain on disposal of financial assets at FVTPL	**(66,501)**	(72,748)
Reversal of write-down of deposits for property, plant and equipment	**–**	(5,563)
Net loss on disposal of property, plant and equipment	**4,269**	3,703
Written off of property, plant and equipment	**23,297**	47,955
Net foreign exchange gain	**(25,792)**	(9,452)
Others	**2,978**	35
	(153,781)	(23,671)

Note: During the years ended 31 December 2024 and 2023, the Group had entered into several foreign currency forward contracts with banks and financial institutions to reduce its exposure to foreign currency risks. These derivatives were not accounted for under hedge accounting. The Group did not hold any (2023: held three) derivative financial instruments as at 31 December 2024.

8. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest on borrowings	**74,608**	81,974
Interest on lease liabilities	**759**	443
	75,367	82,417
Less: amounts capitalised in the cost of qualifying assets	**(40,409)**	(15,521)
	34,958	66,896

Borrowing costs capitalised during the current year arose on the specific borrowing pool and general borrowing pool. The general borrowing costs have been capitalised at a rate of 3.40% (2023: 4.35%) per annum.

9. IMPAIRMENT LOSSES RECOGNISED (REVERSED) UNDER EXPECTED CREDIT LOSS MODEL, NET

	2024 RMB'000	2023 RMB'000
Impairment losses recognised (reversed):		
– trade receivables	**39,254**	5,620
– banker's acceptance bills receivables	**19**	(655)
– other receivables	**5,607**	(552)
– commercial bills receivables	**–**	(6,375)
	44,880	(1,962)

Details of impairment assessment are set out in Note 39.

10. CONSIDERATION RECEIVABLES

On 7 August 2019, The United Laboratories Limited, a wholly-owned subsidiary of the Company, and 恒大地產集團成都有限公司 (“Evergrande Chengdu”), an independent third party, entered into an investment and cooperation agreement (the “Agreement”).

Pursuant to the terms of the Agreement, the Group disposed its wholly owned subsidiary to Evergrande Chengdu at a consideration of RMB980,000,000 which will be settled in seven installments within 27 months from the date of disposal.

Consideration of RMB637,000,000 has been received from Evergrande up till 31 December 2021 and remaining consideration of RMB343,000,000 is still outstanding as at 31 December 2021. The entire balance of RMB343,000,000 was fully impaired by the management of the Group during the year ended 31 December 2021.

During the years ended 31 December 2024 and 2023, no repayment has been settled by Evergrande Chengdu. The Group has been exploring and considering the possible action against Evergrande Chengdu to recover the consideration receivables, including application of an action against Evergrande Chengdu in the Guangzhou Intermediate People’s Court (the “Court”) for recovery of the consideration receivables and relevant damages which is still under process by the Court during the years ended 31 December 2024 and 2023. The management of the Group is of the opinion that no reversal of impairment loss in respect of the consideration receivables is recognised during the years ended 31 December 2024 and 2023 as the probability of recovery of the consideration receivables is uncertain, after considering various factors, including but not limited to the recoverable amount of the underlying assets, potential transaction cost of recovering the consideration receivables, the financial position of Evergrande Chengdu as well as the controlling shareholder of Evergrande Chengdu was ordered to be wound up by the High Court announced on 29 January 2024.

11. TAX EXPENSE

	2024 RMB'000	2023 RMB'000
The tax charge comprises:		
Current tax		
Hong Kong Profits tax	**8,098**	1,547
PRC Enterprise Income Tax ("EIT")	**539,408**	499,827
PRC withholding tax on interest income	**1,448**	5,908
PRC withholding tax on royalty income	**36**	79
PRC withholding tax on distributed profits of PRC subsidiaries	**80,556**	42,701
	629,546	550,062
Deferred tax charge *(Note 30)*	**1,531**	93,241
	631,077	643,303

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

PRC EIT is calculated at the applicable rates of tax prevailing in the areas in which the Group operates, based on the existing legislation, interpretations and practices.

Pursuant to the PRC EIT law and its detailed implementation rules promulgated on 16 March 2007 and 6 December 2007, respectively, the tax rate for domestic and foreign enterprises is unified at 25% and is effective from 1 January 2008. Besides, with effect from 1 January 2008, if the subsidiaries are qualified as high-technology companies (under the new PRC EIT law), the subsidiaries are entitled to a reduced rate of 15% and such qualification is subject to renewal for every three years. Certain of group entities in the PRC are entitled to the reduced tax rate of 15% for 2024 and 2023.

11. TAX EXPENSE *(Continued)*

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui 2008 No.1, dividend distributed out of the profits generated since 1 January 2008 by a PRC entity to a non-PRC tax resident shall be subject to the PRC EIT pursuant to Articles 3 and 27 of the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises and Article 91 of the Detailed Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises. The withholding tax rate applicable to the Group is 5%. As at 31 December 2024 and 2023, deferred tax was provided for in full in respect of the temporary differences attributable to such profits.

The tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2024 **RMB'000**	2023 RMB'000
Profit before taxation	**3,288,898**	3,344,148
Tax at the PRC EIT rate of 25% (2023: 25%)	**822,225**	836,037
Tax effect of share of results of an associate	**48**	(36)
Tax effect of expenses not deductible for tax purpose	**181,963**	115,599
Tax effect of income not taxable for tax purpose	**(51,441)**	(44,822)
Tax effect of super deduction of research and development expenses *(Note)*	**(55,394)**	(89,191)
Tax effect of tax losses not recognised	**23,909**	18,516
Utilisation of tax losses previously not recognised	**(737)**	(18,152)
PRC withholding tax on distributable profits of the PRC subsidiaries	**74,968**	136,712
PRC withholding tax on interest income	**1,448**	5,908
PRC withholding tax on royalty income	**36**	79
Effect of tax concessionary rates granted to the PRC subsidiaries	**(361,373)**	(315,972)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(4,171)**	(795)
Others	**(404)**	(580)
Tax expense for the year	**631,077**	643,303

Note: Pursuant to State Administration of Taxation Announcement [No. 7, 2023], the Group is able to enjoy super deduction of 200% on qualifying research and development expenditures for the years ended 31 December 2024 and 2023.

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For the year ended 31 December 2024

12. PROFIT FOR THE YEAR

	2024 RMB'000	2023 RMB'000
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**5,494**	5,210
Depreciation		
Depreciation of right-of-use assets	**16,178**	11,898
Depreciation of property, plant and equipment	**579,883**	536,303
Amortisation of intangible assets (included in cost of sales)	**19,486**	17,447
Staff costs, including directors' emoluments		
Salaries and other benefits	**1,617,749**	1,491,162
Share-based compensation expenses	**47,364**	6,365
Contributions to retirement benefit schemes	**162,880**	151,218
	1,827,993	1,648,745
Write-down of inventories (reversed) recognised (included in cost of sales)	**(15,959)**	43,188
Cost of inventories recognised as expenses	**7,692,505**	7,361,854

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

2024

(a) Executive directors

	Tsoi Hoi Shan RMB'000 *(Note i)*	Leung Wing Hon RMB'000	Choy Siu Chit RMB'000	Fang Yu Ping RMB'000	Zou Xian Hong RMB'000	Zhu Su Yan RMB'000	Total RMB'000
Fees	–	–	–	–	–	–	–
Other emoluments	–	–	–	–	–	–	–
Salaries and other benefits	4,267	4,133	2,833	1,833	1,833	1,833	16,732
Bonus	–	101	–	720	720	720	2,261
Contributions to retirement benefit schemes	17	17	17	28	–	–	79
Share-based compensation expenses	2,251	1,570	1,052	732	732	732	7,069
Sub-total	6,535	5,821	3,902	3,313	3,285	3,285	26,141

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The directors' share-based compensation expenses are disclosed in Note 33.

(b) Independent non-executive directors

	Chong Peng Oon RMB'000	Song Ming RMB'000	Fu Qiushi RMB'000	Total RMB'000
Fees	239	239	239	717

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Total	26,858

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

2023

(a) Executive directors

	Tsoi Hoi Shan RMB'000 *(Note i)*	Leung Wing Hon RMB'000	Choy Siu Chit RMB'000	Fang Yu Ping RMB'000	Zou Xian Hong RMB'000	Zhu Su Yan RMB'000	Total RMB'000
Fees	–	–	–	–	–	–	–
Other emoluments							
Salaries and other benefits	4,185	4,054	2,779	1,798	1,798	1,798	16,412
Bonus	–	102	–	720	720	720	2,262
Contributions to retirement benefit schemes	16	16	16	28	–	–	76
Share-based compensation Expenses	303	211	142	98	98	98	950
Sub-total	4,504	4,383	2,937	2,644	2,616	2,616	19,700

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The directors' share-based compensation expenses are disclosed in Note 33.

(b) Independent non-executive directors

	Chong Peng Oon RMB'000	Song Ming RMB'000	Fu Qiushi RMB'000 *(Note ii)*	Fu Xiao Nan RMB'000 *(Note iii)*	Total RMB'000
Fees	234	234	118	59	645

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Total	20,345

Notes:

(i) Tsoi Hoi Shan is an executive director and chairman of the Company for the years ended 31 December 2024 and 2023.

(ii) Fu Qiushi was appointed as an independent non-executive director on 30 June 2023.

(iii) Fu Xiao Nan was resigned as an independent non-executive director on 31 March 2023.

14. FIVE HIGHEST PAID EMPLOYEES

For the years ended 31 December 2024 and 2023, all the five highest paid individuals of the Group are directors of the Company, details of which are included in Note 13.

15. DIVIDENDS

	2024	2023
	RMB'000	RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the current year		
– 2024 interim dividend RMB16 cents (2023: 2023 interim dividend RMB12 cents) per share	**290,724**	218,043
– 2023 final dividend RMB28 cents (2023: 2022 final dividend RMB14 cents) per share	**508,768**	254,384
– 2023 special dividend RMB12 cents (2023: 2022 special dividend RMB6 cents) per share	**218,043**	109,021
	1,017,535	581,448

Subsequent to the end of the reporting period, a final dividend of RMB28 cents (2023: RMB28 cents) per ordinary share and a special dividend of RMB12 cents (2023: RMB12 cents) per ordinary share in respect of the year ended 31 December 2024, in an aggregate amount of RMB726,773,000 (2023: RMB726,811,000), have been proposed by the directors of the Company and are subject to approval by the shareholders in the forthcoming annual general meeting.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

Earnings

	2024	2023
	RMB'000	RMB'000
Earnings for the purposes of basic earnings per share being profit for the year attributable to owners of the Company	**2,659,704**	2,701,350

Number of shares

	2024	2023
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,816,814**	1,817,027

No diluted earnings per share for both 2024 and 2023 were presented as there were no potential ordinary shares in issue for both 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2023	4,543,332	7,910,244	149,014	43,321	264,200	12,910,111
Additions	28,521	144,381	23,291	26,683	920,563	1,143,439
Disposals	(363)	(51,048)	(555)	(1,983)	–	(53,949)
Write-off	(27,204)	(216,267)	(6,179)	(2,086)	–	(251,736)
Reclassification	372,984	395,978	2,293	–	(771,255)	–
At 31 December 2023	**4,917,270**	**8,183,288**	**167,864**	**65,935**	**413,508**	**13,747,865**
Additions	**208,251**	**227,035**	**51,762**	**12,745**	**2,358,288**	**2,858,081**
Disposals	**–**	**(28,980)**	**(3)**	**(1,332)**	**–**	**(30,315)**
Write-off	**(39,298)**	**(236,071)**	**(8,770)**	**(2,640)**	**–**	**(286,779)**
Reclassification	**133,676**	**764,885**	**17,480**	**–**	**(916,041)**	**–**
At 31 December 2024	**5,219,899**	**8,910,157**	**228,333**	**74,708**	**1,855,755**	**16,288,852**
DEPRECIATION						
At 1 January 2023	1,527,691	5,314,785	95,139	40,201	–	6,977,816
Charge for the year	161,162	356,830	13,223	5,088	–	536,303
Eliminated on disposals	(119)	(43,442)	(518)	(1,800)	–	(45,879)
Eliminated on write-off	(11,897)	(186,513)	(3,442)	(1,929)	–	(203,781)
At 31 December 2023	**1,676,837**	**5,441,660**	**104,402**	**41,560**	**–**	**7,264,459**
Charge for the year	**169,758**	**381,465**	**23,642**	**5,018**	**–**	**579,883**
Eliminated on disposals	**–**	**(15,935)**	**(3)**	**(594)**	**–**	**(16,532)**
Eliminated on write-off	**(24,084)**	**(229,513)**	**(7,245)**	**(2,640)**	**–**	**(263,482)**
At 31 December 2024	**1,822,511**	**5,577,677**	**120,796**	**43,344**	**–**	**7,564,328**
CARRYING AMOUNTS						
At 31 December 2024	**3,397,388**	**3,332,480**	**107,537**	**31,364**	**1,855,755**	**8,724,524**
At 31 December 2023	3,240,433	2,741,628	63,462	24,375	413,508	6,483,406

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For the year ended 31 December 2024

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment less their residual values over their estimated useful lives, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the lease term
Plant and machinery	5% - 20%
Furniture, fixtures and equipment	20% - 25%
Motor vehicles	20% - 30%

The carrying amount of land and buildings shown above comprises properties situated on:

	2024	2023
	RMB'000	RMB'000
Leasehold land and buildings in Hong Kong	**57,363**	60,097
Buildings in the PRC	**3,340,025**	3,180,336
	3,397,388	3,240,433

Note: At 31 December 2024, the Group was in the process of obtaining the real estate ownership certificate for buildings in the PRC with an aggregate carrying amount of RMB573,747,000 (2023: RMB557,196,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

18. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2023	249,016	4,913	1,657	255,586
Additions	143,645	3,368	–	147,013
Depreciation	(7,921)	(2,320)	(1,657)	(11,898)
At 31 December 2023	**384,740**	**5,961**	**–**	**390,701**
Additions	**60,386**	**4,050**	**12,244**	**76,680**
Depreciation	**(11,053)**	**(2,671)**	**(2,454)**	**(16,178)**
Disposal	**–**	**(403)**	**–**	**(403)**
At 31 December 2024	**434,073**	**6,937**	**9,790**	**450,800**

	2024 **RMB'000**	2023 RMB'000
Total cash outflow for leases	**66,411**	141,003

For the years ended 31 December 2024 and 2023, the Group leases staff quarters, office buildings and vehicles for its operations. Lease contracts are entered into for fixed term of 3 years to 10 years.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

19. GOODWILL

	RMB'000
COST	
At 1 January 2023, 31 December 2023 and 2024	**3,031**

Goodwill has been allocated to two individual cash-generating units, including one subsidiary which operates in the Bulk medicine segment and one subsidiary which operates in the Finished products segment. The carrying amounts of goodwill at the end of the reporting period allocated to these units are as follows:

	2024 RMB'000	2023 RMB'000
Bulk medicine	**774**	774
Finished products	**2,257**	2,257
	3,031	3,031

The directors of the Company are of the opinion that no impairment (2023: no impairment) is recognised after performing the impairment assessment for the year ended 31 December 2024.

20. INTANGIBLE ASSETS

	Development cost RMB'000 *(Note i)*	Know-how RMB'000 *(Note ii)*	Total RMB'000
COST			
At 1 January 2023	185,981	47,100	233,081
Additions	51,068	–	51,068
At 31 December 2023	237,049	47,100	284,149
Additions	94,727	–	94,727
At 31 December 2024	**331,776**	**47,100**	**378,876**
AMORTISATION			
At 1 January 2023	89,052	25,731	114,783
Charge for the year	15,743	1,704	17,447
At 31 December 2023	**104,795**	**27,435**	**132,230**
Charge for the year	**17,781**	**1,705**	**19,486**
At 31 December 2024	**122,576**	**29,140**	**151,716**
IMPAIRMENT			
At 1 January 2023, 31 December 2023 and 2024	–	17,960	17,960
CARRYING AMOUNTS			
At 31 December 2024	**209,200**	**–**	**209,200**
At 31 December 2023	132,254	1,705	133,959

20. INTANGIBLE ASSETS *(Continued)*

Notes: At 31 December 2024 and 2023, cost of intangible assets comprise of:

i. An amount of RMB20,237,000 (2023: RMB20,237,000), representing development cost incurred in obtaining licenses for manufacturing finished products granted by the relevant PRC authorities. The licenses granted allow the Group to apply for the relevant technical know-how to manufacture finished products for five years from the date of granting relevant licenses. The costs of these intangible assets are therefore amortised over the useful lives of five years and were fully amortised in prior years.

A total amount of RMB311,539,000 (2023: RMB216,812,000), representing the capitalised development costs incurred in obtaining licenses for manufacturing bulk medicine, intermediate products and finished products:

a) During the year ended 31 December 2024, the development cost of animal related drugs of RMB9,694,000 (2023: nil) has been capitalised as the management of the Group consider the recognition criteria of internally generated intangible asset has been satisfied as all regulatory approvals before production have been obtained. Save for the capitalised development cost of certain animal related drugs of RMB537,000 (2023: nil) has stated to amortise from the date when it was put into production process, there has been no amortisation for the remaining development cost as the related products have not been put into production. In accordance with HKAS 36, the Group performed its annual impairment test for intangible asset not yet available to use by comparing its carrying amount with its recoverable amount. The calculation applied discounted cash flow methodology, of which the cash flow projections are based on financial budget endorsed by management. The management of the Group determined no impairment loss is required.

b) During the year ended 31 December 2024, the development cost of Semaglutide of RMB90,074,000 (2023: RMB48,538,000) and insulin degludec and liraglutide injection of RMB43,997,000 (2023: RMB2,530,000) has been capitalised as the management of the Group consider the recognition criteria of internally generated intangible asset has been satisfied as all regulatory approvals before production have been obtained. There has been no amortisation for the development cost as the related products have not been put into production. In accordance with HKAS 36, the Group performed its annual impairment test for intangible asset not yet available to use by comparing its carrying amount with its recoverable amount. The calculation applied discounted cash flow methodology, of which the cash flow projections are based on financial budget endorsed by management. The management of the Group determined no impairment loss is required.

c) During the year ended 31 December 2021, the capitalised development cost of insulin aspart (the "Insulin Aspart") of RMB77,129,000 and amoxicillin and clavulanate potassium granules (the "Amoxicillin and Clavulanate") of RMB7,590,000 has started to amortise from the date when it was put into production process.

d) During the year ended 31 December 2019, the development cost of 6-Aminopenicillanic Acid (the "6-Aminopenicillanic Acid") of RMB4,447,000 has started to amortise from the date when it was put into production process.

e) The development cost of Clavulanate Potassium (the "Clavulanate Potassium") of RMB9,200,000 has started to amortise from the date when it was put into production process since the year ended 31 December 2018.

20. INTANGIBLE ASSETS *(Continued)*

Notes: At 31 December 2024 and 2023, cost of intangible assets comprise of: *(Continued)*

f) The capitalised development cost of insulin glargine (the "Insulin Glargine") of RMB69,408,000 has started to amortise from the date when it was put into production process since the year ended 31 December 2017.

The capitalised development cost of Insulin Aspart, 6-Aminopenicillanic Acid, Insulin Glargine, Amoxicillin, Clavulanate and animal drugs is amortised over 10 years and the capitalised development cost of Clavulanate Potassium is amortised over 5 years which are the expected period for which they will bring future economic benefits to the Group.

ii. An amount of RMB47,100,000 (2023: RMB47,100,000), representing externally acquired technical know-how ("Know-how") in identifying processes for manufacturing finished products and protocols for fermentation/purification methodology. During the year ended 31 December 2015, two of the Know-how at a total cost of RMB29,140,000 had commenced amortisation starting from the date when they were put into production process. It is amortised over 10 years which is the expected period for which they will bring future economic benefits to the Group. Due to suspension of a product development, the management estimated the recoverable amount of it to be minimal as the future economic benefits are not probable to bring to the Group based on value in use calculation. As a result, a full impairment loss of RMB17,960,000 has been recognised on one of the know-how of the relevant product development during the year ended 31 December 2018.

21. INTERESTS IN AN ASSOCIATE

	2024	2023
	RMB'000	RMB'000
Cost of investment in an associate	**7,350**	7,350
Share of post-acquisition loss and other comprehensive expense	**(238)**	(46)
	7,112	7,304

21. INTERESTS IN AN ASSOCIATE *(Continued)*

Details of the Group's associate as at 31 December 2023 and 2024 are as follows:

Name of an associate	Place of incorporation/ principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		2023	2024	2023	2024	
寧波普邦生物科技有限公司 ("Ningbo Pubang")	The PRC	49%	**49%**	49%	**49%**	Sale of veterinary drugs in PRC

The Group has 49% ownership interest and voting rights in Ningbo Pubang. By considering that the Group has no sufficiently dominant voting rights to direct the relevant activities of Ningbo Pubang unilaterally, the directors of the Group conclude that the Group only has significant influence over Ningbo Pubang and therefore it is classified as an associate of the Group.

Summarised financial information of Ningbo Pubang

The summarised financial information below represents amounts shown in Ningbo Pubang's financial information prepared in accordance with HKFRS Accounting Standards.

Ningbo Pubang is accounted for using the equity method in these consolidated financial statements.

	2024 **RMB'000**	2023 RMB'000
Non-current assets	**167**	2
Current assets	**17,753**	14,908
Current liabilities	**3,406**	4
(Loss) profit for the year	**(392)**	292

21. INTERESTS IN AN ASSOCIATE *(Continued)*

Summarised financial information of Ningbo Pubang *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2024 RMB'000	2023 RMB'000
Net assets of the associate	**14,514**	14,906
Proportion of the Group's ownership interest in the associate	**49%**	49%
Carrying amount of Group's interest in the associate	**7,112**	7,304

22. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 RMB'000	2023 RMB'000
Equity securities of unlisted investments, classified as non-current assets	**–**	500

The above unlisted equity investments represent the Group's equity interest in a private entity established in the PRC, which are measured at FVTPL at the end of both reporting periods.

The unlisted equity investments are disposed to an independent third party during the year ended 31 December 2024.

23. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	**723,914**	775,573
Work in progress	**290,269**	269,695
Finished goods	**1,419,983**	1,193,215
	2,434,166	2,238,483

24. TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2024 RMB'000	2023 RMB'000
Trade receivables from contracts with customers	**2,406,076**	2,378,638
Less: allowance for credit losses	**(13,166)**	(12,459)
Banker's acceptance bills receivables	**3,333,266**	3,496,731
Less: allowance for credit losses	**(212)**	(193)
Consideration receivables *(Note 10)*	**339,574**	339,574
Less: allowance for credit losses	**(339,574)**	(339,574)
Value added tax receivables	**235,963**	141,454
Other receivables, deposits and prepayments	**321,947**	316,253
Less: allowance for credit losses	**(11,551)**	(5,944)
	6,272,323	6,314,480

At 1 January 2023, gross carrying amount of trade receivables from contracts with customers amounted to RMB2,110,751,000.

The Group normally allows a credit period ranging from 45 days to 180 days (2023: 45 days to 120 days) to its trade customers, and may be extended to selected customers subject to their trade volume and historical settlement records with the Group. The banker's acceptance bills receivables have a general maturity period of between 90 days and 1 year (2023: between 90 days and 1 year).

24. TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

The following is an analysis of trade receivables by age, net of allowance for credit losses, presented based on dates of transferring control of the goods, and an analysis of banker's acceptance bills receivables by age, net of allowance for credit losses, presented based on the bills issuance date, at the end of the reporting period:

	2024 **RMB'000**	2023 RMB'000
Trade receivables from contracts with customers		
0 to 30 days	**943,289**	920,770
31 to 60 days	**629,666**	617,185
61 to 90 days	**389,109**	316,779
91 to 120 days	**212,161**	237,530
121 to 180 days	**204,206**	201,745
Over 180 days	**14,479**	72,170
	2,392,910	2,366,179
Banker's acceptance bills receivables		
0 to 30 days	**636,132**	695,328
31 to 60 days	**678,738**	581,264
61 to 90 days	**453,539**	628,692
91 to 120 days	**640,674**	631,535
121 to 180 days	**862,069**	875,400
Over 180 days	**61,902**	84,319
	3,333,054	3,496,538

24. TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

At 31 December 2024, out of the total bills receivables of RMB3,333,266,000 (2023: RMB3,496,731,000), bills of RMB16,884,000 (2023: RMB23,853,000) and RMB2,354,258,000 (2023: RMB1,465,401,000) were further discounted to banks and endorsed to suppliers respectively with full recourse. The Group continues to recognise their full carrying amounts at the end of the reporting period and details are disclosed below. All bills received by the Group are with a maturity period of less than one year.

At 31 December 2024, included in the Group's trade receivables balance, net are debtors with aggregate carrying amount of RMB694,032,000 (2023: RMB778,531,000) which are past due but not impaired at the reporting date. Out of the past due balances, RMB9,998,000 (2023: RMB31,012,000) has been past due 90 days or more. The directors of the Company are in the view that there have been no significant increase in credit risk nor default because based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade receivables, banker's acceptance bills receivables, consideration receivables and other receivables are set out in Note 39.

24. TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Transfer of financial assets

The following were the Group's financial assets at 31 December 2024 and 2023 that were transferred to banks or suppliers by discounting or endorsing those bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the bills receivables and has recognised the cash received on the transfer as a secured borrowing (see Note 29) for discounted bills receivables or it continues to recognise the full carrying amount of the bills receivables and the full carrying amount of the trade and other payables for endorsed bills receivables. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

At 31 December 2024

	Bills receivables discounted to banks with full recourse RMB'000	**Bills receivables endorsed to suppliers with full recourse RMB'000**	**Total RMB'000**
Carrying amount of transferred assets	**16,884**	**2,354,258**	**2,371,142**
Carrying amount of associated liabilities	**(16,884)**	**(2,354,258)**	**(2,371,142)**

At 31 December 2023

	Bills receivables discounted to banks with full recourse RMB'000	Bills receivables endorsed to suppliers with full recourse RMB'000	Total RMB'000
Carrying amount of transferred assets	23,853	1,465,401	1,489,254
Carrying amount of associated liabilities	(23,853)	(1,465,401)	(1,489,254)

25. PLEDGED BANK DEPOSITS, CASH AND CASH EQUIVALENTS

Deposits amounting to RMB1,034,366,000 (2023: RMB972,249,000) have been placed in designated banks as part of the security provided for general short-term banking facilities granted to the Group by banks and are therefore classified as current assets. The range of effective interest rates of the pledged bank deposits at 31 December 2024 was 0.2% to 2.1% (2023: 0.3% to 2.5%) per annum.

Cash and cash equivalents comprise cash held by the Group, bank balances and short-term bank deposits for the purpose of meeting the Group's short term cash commitments. The range of effective interest rates of the bank balances was 0.1% to 4.6% (2023: 0.2% to 3.6%) per annum at 31 December 2024.

The carrying amounts of the Group's monetary assets denominated in foreign currency, i.e. currency other than the functional currency of the respective group entities at the end of the reporting period were as follows:

	2024 **RMB'000**	2023 RMB'000
Pledged bank deposits and bank balances		
– HK$	**59,461**	101,780
– USD	**2,890,523**	1,467,513
– Euro	**74,525**	6,812

26. TRADE AND OTHER PAYABLES

The Group normally receives credit terms of up to 120 days and 180 days for trade payables and trade payables under supplier finance arrangement respectively from its suppliers. The following is an analysis of the trade payables and trade payables under supplier finance arrangement by age, presented based on the invoice date or bills issuance date at the end of the reporting period:

	2024 **RMB'000**	2023 RMB'000
Trade payables		
0 to 90 days	**1,560,814**	1,906,603
91 to 180 days	**513,876**	323,501
Over 180 days	**14,095**	8,048
	2,088,785	2,238,152
Trade payables under supplier finance arrangement *(Note)*		
0 to 90 days	**1,119,081**	1,021,012
91 to 180 days	**961,961**	960,917
Over 180 days	**5,229**	–
	2,086,271	1,981,929
Other payables and accruals	**545,328**	485,088
Other tax payable	**170,511**	143,899
Accrual of freight expense	**128,975**	78,729
Accrual of salary, staff welfare and unclaimed annual leave	**250,147**	214,411
Accrual of water, electricity fee & steam	**550,825**	345,045
Deferred income in respect of government grants *(Note 34)*	**58,699**	73,585
Payables in respect of the acquisition of property, plant and equipment	**1,779,575**	524,050
	7,659,116	6,084,888
Less: Amount due within one year shown under current liabilities	**(7,636,911)**	(6,052,651)
Amount shown under non-current liabilities	**22,205**	32,237

Note: These related to trade payables in which the Group has issued bills to the relevant suppliers for future settlement of trade payables. The Group continues to recognise these trade payables as the relevant banks are obliged to make payments only on due dates of the bills, under the same conditions as agreed with the suppliers without further extension. In the consolidated statement of cash flows, settlements of these bills are included within operating cash flows based on the nature of the arrangements.

27. CONTRACT LIABILITIES

	2024	2023
	RMB'000	RMB'000
Receipts in advances from customers	**96,119**	115,584

At 1 January 2023, contract liabilities amounted to RMB132,484,000.

The following table shows how much of the revenue recognised for the years relates to the contract liabilities at the beginning of the year:

	2024	2023
	RMB'000	RMB'000
Revenue recognised during of the year	**115,584**	132,484

When the Group receives an amount from certain new customers before products are delivered to and received by the customer, this will give rise to a contract liability at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount received.

28. LEASE LIABILITIES

	2024	2023
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	**4,781**	2,509
Within a period of more than one year but not more than two years	**5,080**	1,668
Within a period of more than two years but not exceeding five years	**7,549**	2,654
Within a period of more than five years	**38**	–
	17,448	6,831
Less: Amount due for settlement with 12 months shown under current liabilities	**(4,781)**	(2,509)
Amount due for settlement after 12 months shown under non-current liabilities	**12,667**	4,322

The weighted average incremental borrowing rates applied to lease liabilities at 4.8% (2023: 5.4%).

29. BORROWINGS

	2024 RMB'000	2023 RMB'000
Bank loans	**3,121,399**	1,473,000
Discounted bills with recourse *(Note 24)*	**16,884**	23,853
	3,138,283	1,496,853
Analysed as:		
Secured	**1,257,283**	23,853
Unsecured	**1,881,000**	1,473,000
	3,138,283	1,496,853
The carrying amount of the bank loans are repayable:		
– Within one year	**543,500**	94,000
– Within a period of more than one year, but not exceeding two years	**1,166,350**	479,000
– Within a period of more than two years but not more than five years	**904,575**	820,000
– Within a period of more than five years	**236,974**	–
	2,851,399	1,393,000
The carrying amount of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable within one year*	**270,000**	80,000
	3,121,399	1,473,000
The carrying amount of the non-bank loans are repayable:		
– Within one year	**16,884**	23,853
	3,138,283	1,496,853
Less: Amount due within one year shown under current liabilities	**(830,384)**	(197,853)
Amount shown under non-current liabilities	**2,307,899**	1,299,000

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

29. BORROWINGS *(Continued)*

Interest rate

	2024 RMB'000	2023 RMB'000
Fixed rate	**16,884**	23,853
CNY HIBOR plus 0.70% (2023: CNY HIBOR plus 0.70%)	**270,000**	80,000
PRC Loan Prime Rate less 0.15% to 1.15% (2023: PRC Loan Prime Rate less 0.15% to 0.95%)	**2,851,399**	1,393,000
	3,138,283	1,496,853

The range of effective interest rates of the floating rate borrowings at 31 December 2024 is 2.15% to 3.30% (2023: 2.50% to 3.65%) per annum. The range of effective interest rates of the fixed rate borrowings at 31 December 2024 is 1.08% to 1.75% (2023: 0.68% to 1.86%) per annum.

As at 31 December 2024 and 2023, all borrowings are denominated in RMB.

30. DEFERRED TAXATION

The followings are the deferred tax assets (liabilities) recognised and movements thereon for the current and prior years:

	Accelerated accounting depreciation RMB'000	Unrealised profit on inventories RMB'000	Withholding tax on undistributed profits of the PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2023	63,079	16,951	(194,069)	(114,039)
(Charge) credit to profit or loss for the year	(2,881)	3,651	(94,011)	(93,241)
At 31 December 2023	**60,198**	**20,602**	**(288,080)**	**(207,280)**
(Charge) credit to profit or loss for the year	**(5,228)**	**(1,891)**	**5,588**	**(1,531)**
At 31 December 2024	**54,970**	**18,711**	**(282,492)**	**(208,811)**

The following is the analysis of the deferred tax balances for financial reporting purpose:

	2024 RMB'000	2023 RMB'000
Deferred tax assets	**73,681**	80,800
Deferred tax liabilities	**(282,492)**	(288,080)
	(208,811)	(207,280)

30. DEFERRED TAXATION *(Continued)*

The Group's unrecognised deductible temporary differences are as follows:

	2024 RMB'000	2023 RMB'000
Tax loss carry forwards	**686,257**	545,818

During the years ended 31 December 2024 and 2023, no tax loss was expired. Included in unrecognised tax losses are losses of RMB6,060,000 (2023: RMB6,060,000) that will expire within five years, all other losses may be carried forward indefinitely. No deferred tax asset in respect of tax losses has been recognised because the amount of future taxable profit that will be available to realise such assets is uncertain.

The unused tax losses will be expired as follows:

	2024 RMB'000	2023 RMB'000
2025	**6,060**	6,060
	6,060	6,060

31. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
At 1 January 2023, 31 December 2023 and 2024	3,800,000,000	38,000
Issued and fully paid:		
At 1 January 2023, 31 December 2023 and 2024	1,817,026,508	18,170

	RMB'000
Shown in the consolidated financial statements as:	
At 31 December 2023 and 2024	**16,965**

Notes:

(i) During the year ended 31 December 2024, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK$0.01 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000
October	3,700,000	11.20	10.04	40,382

	RMB'000
Shown in the consolidated financial statements as:	
At 31 December 2024	**36,577**

(ii) At 31 December 2024, the Company had outstanding treasury shares of 93,820 (31 December 2023: Nil) shares.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during both years.

32. EMPLOYEE RETIREMENT BENEFITS

The Group participates in Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Schemes are registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Schemes are held separately from those of the Group in funds under the control of independent trustees. Under the scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. The obligation of the Group with respect of MPF Schemes is to make the required contributions under the MPF Schemes. No forfeited contribution is available to reduce the contributions payable in future years. The Group's contributions to the MPF Scheme of RMB1,162,000 (2023: RMB993,000) are charged to profit or loss during the current year.

Employees of the subsidiaries in the PRC are members of pension schemes operated by the Chinese local government. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the pension schemes to fund the benefits. The only obligation for the Group with respect to the pension schemes is the required contributions under the pension schemes. The Group's contributions to the pension schemes of RMB161,718,000 (2023: RMB150,225,000) are charged to profit or loss during the current year.

For the Group's subsidiaries operating in Hong Kong, pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay Long Service Payment ("LSP") to qualifying employees in Hong Kong under certain circumstances (e.g. dismissal by employers or upon retirement), subject to a minimum of 5 years employment period, based on the following formula:

Last monthly wages (before termination of employment) × 2/3 × Years of service

Last monthly wages are capped at HK$22,500 while the amount of LSP shall not exceed HK$390,000. This obligation is accounted for as a post -employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof (collectively, the "Eligible Offset Amount"), for the purpose of offsetting LSP payable to an employee (the "Offsetting Arrangement'). The LSP obligation, if any, is presented on a net basis.

The Amendment Ordinance was gazetted on 17 June 2022, which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset the LSP. The Abolition will officially take effect on the Transition Date (i.e., 1 May 2025). Separately, the Government of the HKSAR is also expected to introduce a subsidy scheme to assist employers for a period of 25 years after the Transition Date on the LSP payable by employers up to a certain amount per employee per year.

Under the Amendment Ordinance, the Group's mandatory MPF contributions, plus/minus any positive/negative returns, after the Transition Date can continue to be applied to offset the pre-Transition Date LSP obligation but are not eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligation before the Transition Date will be grandfathered and calculated based on the Last monthly wages immediately preceding the Transition Date and the years of service up to that date.

33. SHARE-BASED PAYMENT TRANSACTIONS

Share award scheme

The Company's share award scheme (the "Share Award Scheme") was adopted by the shareholders of the Company at the extraordinary general meeting held on 26 October 2023 ("Date of Adoption") for the primary purpose of rewarding the directors and employees ("Selected Participants") of the Group for their hard work, contribution and loyalty and align their interest with those of shareholders of the Company.

An award granted by the board of directors ("the Board") of the Company to the Selected Participants is a right of the relevant participant to receive the shares of the Company. Each award may be subject to such other conditions as may be imposed by the Board at its absolute discretion. The total number of shares in respect of which shares may be granted under the Share Award Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The number of shares award which may be granted to any individual but unvested under the Share Award Scheme shall not exceed 1% of the total number of shares of the Company in issue at any point in time.

Subject to any early termination as may be determined by the Board pursuant to the rules of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Date of Adoption, after which period no further awards will be granted but the provisions of the Share Award Scheme shall remain in full force and effect to the extent necessary to give effect to the vesting of any awards granted prior to the expiration of the Share Award Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Award Scheme.

During the year ended 31 December 2023, the Group granted award shares to the Group's directors and employees under the Share Award Scheme. The award shares granted would vest on specific dates, or in equal tranches from the grant date over 12 to 36 months, on condition that the directors and employees remains in service without any performance requirements. Once the vesting conditions underlying the respective award shares are met, the award shares are considered duly and validly issued to the holder, and free of restrictions on transfer. There is no purchase price or consideration to be paid by the grantees. The closing prices of the shares of the Company immediately before the date of the grant and on the date of the grant of the awarded shares were HK$7.77 and HK$7.45 per share, respectively.

There is no award shares granted during the year ended 31 December 2024.

33. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share award scheme *(Continued)*

Details of movement in the numbers of award shares and the respective weighted average grant date fair value are follow:

2024 Grantees	Date of grant	Vesting period	As at 1 January 2024	Granted during the year	Vested during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2024	Weighted average fair value per award shares HK$
Directors									
Tsoi Hoi Shan	13 November 2023	13 November 2024 to 13 November 2026	575,100	–	191,700	–	–	383,400	7.45
Leung Wing Hon	13 November 2023	13 November 2024 to 13 November 2026	401,100	–	133,700	–	–	267,400	7.45
Choy Siu Chit	13 November 2023	13 November 2024 to 13 November 2026	268,800	–	89,600	–	–	179,200	7.45
Fang Yu Ping	13 November 2023	13 November 2024 to 13 November 2026	186,900	–	62,300	–	–	124,600	7.45
Zou Xian Hong	13 November 2023	13 November 2024 to 13 November 2026	186,900	–	62,300	–	–	124,600	7.45
Zhu Su Yan	13 November 2023	13 November 2024 to 13 November 2026	186,900	–	62,300	–	–	124,600	7.45
Other employees of the Group	13 November 2023	13 November 2024 to 13 November 2026	10,291,200	–	3,004,280	426,120	–	6,860,800	7.45
Total awarded shares granted	13 November 2023	13 November 2024 to 13 November 2026	12,096,900	–	3,606,180	426,120	–	8,064,600	7.45
Five highest paid individuals in aggregate	13 November 2023	13 November 2024 to 13 November 2026	1,618,800	–	539,600	–	–	1,079,000	7.45

33. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share award scheme *(Continued)*

2023

Grantees	Date of grant	Vesting period	As at 1 January 2023	Granted during the year	Vested during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2023	Weighted average fair value per award shares HK$
Directors									
Tsoi Hoi Shan	13 November 2023	13 November 2024 to 13 November 2026	–	575,100	–	–	–	575,100	7.45
Leung Wing Hon	13 November 2023	13 November 2024 to 13 November 2026	–	401,100	–	–	–	401,100	7.45
Choy Siu Chit	13 November 2023	13 November 2024 to 13 November 2026	–	268,800	–	–	–	268,800	7.45
Fang Yu Ping	13 November 2023	13 November 2024 to 13 November 2026	–	186,900	–	–	–	186,900	7.45
Zou Xian Hong	13 November 2023	13 November 2024 to 13 November 2026	–	186,900	–	–	–	186,900	7.45
Zhu Su Yan	13 November 2023	13 November 2024 to 13 November 2026	–	186,900	–	–	–	186,900	7.45
Other employees of the Group	13 November 2023	13 November 2024 to 13 November 2026	–	10,291,200	–	–	–	10,291,200	7.45
Total awarded shares granted	13 November 2023	13 November 2024 to 13 November 2026	–	12,096,900	–	–	–	12,096,900	7.45
Five highest paid individuals in aggregate	13 November 2023	13 November 2024 to 13 November 2026	–	1,618,800	–	–	–	1,618,800	7.45

The fair value of award share is determined based on the closing price of the Group's publicly traded ordinary shares on the date of grant.

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of the vesting periods of the award share (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses charged to profit or loss.

As at 31 December 2024, the Expected Retention Rate for the Group's directors and employees was assessed to be 100%. The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income for share-based awards granted to the Group's directors and employees are RMB7,069,000 and RMB40,295,000 for the year ended 31 December 2024, respectively (2023: RMB950,000 and RMB5,415,000).

As at 31 December 2024, 169,605,750 (2023: 169,605,750) award shares are available for future grant under the aforementioned scheme mandate limit.

34. GOVERNMENT GRANTS

Government grants comprise:

(i) Incentive subsidies of RMB173,716,000 (2023: RMB68,232,000) have been received in the current year to encourage the operations of certain PRC subsidiaries for the development of environmental friendly manufacturing, pollution prevention, development on export sales and advanced technology. Full amounts are recognised as income in profit or loss as there were no specific conditions attached to the grants and, therefore, the Group recognised the grants to profit or loss upon receipt. The subsidies were granted on a discretionary basis to the Group during the current year.

(ii) During the year ended 31 December 2024, the Group did not recognised government grants (2023: RMB529,000) in respect of Covid-19-related subsidies and the Group recognised RMB1,024,000 (2023: RMB1,455,000) in respect of Employment Support Scheme provided by the Hong Kong government.

(iii) Certain subsidies relate to the development of pharmaceutical products or improvement of production efficiency amounting of RMB36,494,000 (2023: RMB41,348,000) at 31 December 2024 are included as deferred income. The amounts are recognised as income when the Group has fulfilled the relevant conditions attaching to the grants, including but not limited to obtaining the medical licenses of the pharmaceutical products or the starting of commercial sales of the pharmaceutical products. During the current year, the Group has recognised the government grant of approximately RMB4,854,000 (2023: RMB11,098,000) as income in profit or loss.

(iv) Government subsidies granted for the acquisition of property, plant and equipment by the Group brought forward from prior year had been treated as deferred income and was transferred to income over the useful lives of the relevant assets. At 31 December 2024, an amount of RMB22,205,000 (2023: RMB32,237,000) were included in non-current liabilities. During the year ended 31 December 2024, RMB10,032,000 (2023: RMB11,176,000) was released to the profit or loss.

The aggregate subsidy income recognised to the profit or loss during the year ended 31 December 2024 amounted to RMB189,626,000 (2023: RMB92,490,000) (Note 6).

35. CAPITAL COMMITMENTS

	2024 RMB'000	2023 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**2,147,126**	989,055

36. DERIVATIVE FINANCIAL INSTRUMENTS

	2024 RMB'000	2023 RMB'000
Foreign currency forward contracts – current liabilities	–	(25,587)
Foreign currency forward contracts – non-current liabilities	–	(19,191)
	–	(44,778)

Major terms of the foreign currency forward contracts are as follows:

31 December 2024

No currency forward contracts hedged by the Group.

31 December 2023

Major terms of the foreign currency forward contracts are as follows:

Total notional amount	Final Maturity	Exchange rate
Sell USD 140,000,000	30 October 2025	USD1: RMB7.025
Sell USD 66,000,000	29 October 2025	USD1: RMB6.960
Sell USD 44,000,000	29 October 2025	USD1: RMB6.960

The forward contracts represent the multiple currency forward transactions to be settled on multiple settlement dates on a monthly basis, until the final maturity date, or the date of reaching the exchange rate capped in the respective forward contracts. During the year ended 31 December 2024, all forward contracts were settled as the respective capped exchange rates have been reached.

37. PLEDGE OF OR RESTRICTIONS ON ASSETS

Pledge of assets

Other than deposits and property, plant and machinery made to financing institutions disclosed in Notes 25 and 29 of the consolidated financial statements, the Group had also pledged the following assets to banks as securities against banking facilities granted to the Group at the end of the reporting period:

	2024	2023
	RMB'000	RMB'000
Property, plant and equipment, at net book value	**1,133,921**	22,440
Right-of-use assets, at net book value	**159,216**	38,354
Banker's acceptance bills receivables	**16,884**	23,853

Restrictions on assets

In addition, lease liabilities of RMB17,448,000 (2023: RMB6,831,000) are recognised with related right-of-use assets of RMB16,727,000 (2023: RMB5,961,000) at 31 December 2024. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

Furthermore, bills receivables issued by third parties endorsed with recourse for settlement of trade and other payables are disclosed in Note 24.

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to maintain a balance between continuity of funding of cash flows from operating activities and the flexibility through the use of the finance from banks. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure that it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

The capital structure of the Group consists of net debt, which includes borrowings (Note 29) and lease liabilities (Note 28), net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the associated risk, and takes appropriate actions to adjust the Group's capital structure.

39. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2024 RMB'000	2023 RMB'000
Financial assets		
Financial asset at FVTPL	–	500
Financial assets at amortised cost	**13,184,194**	11,188,261
Financial liabilities		
Financial liabilities at amortised cost	**9,198,093**	6,249,313
Derivative financial instrument	–	44,778

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, banker's acceptance bills receivables, other receivables, pledged bank deposits, cash and cash equivalents, financial asset at FVTPL, trade and other payables, borrowings and derivative financial instruments. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign currency risk

The Group has foreign currency sales and purchases, derivative financial instruments and certain bank balances denominated in USD, Euro and HK$ other than the functional currency of respective group entities, which expose the Group to foreign currency risks. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate and using foreign exchange forward contracts to reduce the currency exposures.

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Foreign currency risk (Continued)

The carrying amounts of the Group's net monetary assets and monetary liabilities denominated in foreign currency, i.e. currency other than the functional currency of the respective group entities, at the end of the reporting period are as follows:

	Assets		Liabilities	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**3,180,575**	1,781,459	**38,566**	62,442
Euro	**88,287**	46,444	**24,562**	396
HK$	**59,898**	102,819	**8,477**	1,439

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% (2023: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign currency exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and foreign currency forward contracts, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A negative number below indicates an decrease in post-tax profit for both years where RMB strengthens 5% against the relevant foreign currencies. For a 5% weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the profit for both years.

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Foreign currency sensitivity analysis *(Continued)*

	2024	2023
	RMB'000	RMB'000
USD	**(132,518)**	(68,003)
Euro	**(2,663)**	(1,876)
HK$	**(2,191)**	(4,201)

Fair value and cash flow interest rate risks

The Group has significant borrowings which bear interest rate risk. Floating rate borrowings, bank deposits and bank balances expose the Group to cash flow interest rate risk. Borrowings and leases liabilities at fixed rates expose the Group to fair value interest rate risk. During the current year, the Group has not hedged its cash flow and fair value interest rate risk. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Foreign currency sensitivity analysis *(Continued)*

Interest rate sensitivity analysis

No sensitivity analysis was prepared for pledged bank deposits and bank balances as the financial impact arising on changes in interest rates was minimal due to limited changes in interest rate. The sensitivity analysis below has been determined based on the exposure to interest rates for the floating rate borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

At the end of the reporting period, if interest rates of CNY HIBOR and LPR (2023: CNY HIBOR and LPR) had been increased/decreased by 50 basis points and all other input variables remained constant, the Group's post-tax profit for the year ended 31 December 2024 would decrease/increase by RMB1,845,000 (2023: RMB4,753,000).

The Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Credit risk and impairment assessment

At 31 December 2024, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The Group normally accepts bills issued or guaranteed by PRC banks if trade receivables are settled by bills and therefore the Group consider the credit risk arising from the endorsed or discounted bills is insignificant. In this regard, the Group consider that the Group's credit risk is significantly reduced.

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Trade receivables arising from contracts with customers

Trade receivables consist of a large number of customers so the concentration of credit risk is insignificant. Except for debtors with credit-impaired, the Group uses provision matrix to calculate ECL for trade receivables. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. An impairment loss of RMB39,254,000 (2023: impairment loss of RMB5,620,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

Bank balances, bank and other deposits

The credit risk on bank balances, bank and other deposits are limited because the counterparties are banks mostly with high credit ratings of grade A or above assigned by international credit-rating agencies. The Group assessed 12m ECL for bank balances, bank and other deposits by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances, bank and other deposits is considered to be insignificant and therefore no loss allowance was recognised.

Banker's acceptance bills receivables and commercial bills receivables, consideration receivables and other receivables

The management of the Group makes periodic individual and collective assessment on the recoverability of banker's acceptance bills receivables, consideration receivables and other receivables based on probability of default and loss given default of the respective credit rating grades published by external credit rating agencies, historical settlement records, past experience, and also available reasonable and supportive forward-looking information. A provision of impairment loss of RMB19,000 and RMBnil (2023: reversal of impairment loss of RMB655,000 and RMB6,375,000) is recognised for banker's acceptance bills receivables and commercial bills receivables during the current year. A provision of impairment loss of RMB5,607,000 (2023: reversal of impairment loss of RMB552,000) are recognised for other receivables. Details of the quantitative disclosures are set out below in this note.

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Banker's acceptance bills receivables and commercial bills receivables, consideration receivables and other receivables (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	Low risk types customers represent the counterparty has a low risk default and no material past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Normal risk	Normal risk types customers represent debtors frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
High risk	High risk types customers represent there have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets at 31 December 2024 and 2023 which are subject to ECL assessment:

2024	*Notes*	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount RMB'000
Pledged bank deposits	*25*	Aa2 to Baa3	N/A	12m ECL	1,034,366
Bank balances	*25*	Aa1 to Baa3	N/A	12m ECL	6,328,963
Other receivables and refundable deposits	*24*	N/A	Note 1	12m ECL	106,454
Consideration receivables	*24*	N/A	Note 4	Lifetime ECL (credit-impaired)	339,574
Banker's acceptance bills receivables	*24*	A1 to Caa2	N/A	12m ECL	3,333,266
Trade receivables	*24*	N/A	Note 2	Lifetime ECL (provision matrix)	2,406,076
Trade receivables	*24*	N/A	Note 3	Amount is written off	38,547

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

2023	*Notes*	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount RMB'000
Pledged bank deposits	*25*	Aa2 to Baa3	N/A	12m ECL	972,249
Bank balances	*25*	Aa1 to Baa3	N/A	12m ECL	4,261,804
Other receivables and refundable deposits	*24*	N/A	Note 1	12m ECL	97,250
Consideration receivables	*24*	N/A	Note 4	Lifetime ECL (credit-impaired)	339,574
Banker's acceptance bills receivables	*24*	A1 to Caa2	N/A	12m ECL	3,496,731
Trade receivables	*24*	N/A	Note 2	Lifetime ECL (provision matrix)	2,378,638

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Notes:

(1) For the purposes of internal credit risk management, the Group uses repayment history or other relevant information to assess whether credit risk has increased significantly since initial recognition. At 31 December 2024, the balances of other receivables and refundable deposits are not past due and based on the historical default rates of these balances are considered as low risk.

(2) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group uses provision matrix to calculate ECL for trade receivables. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The following ECL rates are about the exposure to credit risk for trade receivables which are assessed based on provision matrix taking into account the weighted average rate of various categories' debtors at 31 December 2024 and 2023 within lifetime ECL (not credit-impaired).

	2024			2023		
	Average loss rate	**Gross carrying amount RMB'000**	**Allowance amount RMB'000**	Average loss rate	Gross carrying amount RMB'000	Allowance amount RMB'000
Current (not past due)	**0.33%**	**1,710,799**	**11,923**	0.34%	1,599,211	11,563
1-30 days past due	**0.06%**	**282,812**	**346**	0.02%	327,335	143
31-60 days past due	**0.09%**	**198,293**	**374**	0.10%	229,856	504
61-90 days past due	**0.11%**	**204,112**	**461**	0.03%	191,076	101
More than 90 days past due	**0.29%**	**10,060**	**62**	0.23%	31,160	148
		2,406,076	**13,166**		2,378,638	12,459

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Notes: (Continued)

(3) As at 31 December 2024, a principal amount of RMB38,547,000 (2023:nil) has been due but not yet received by the Group. During the current year, the debtor has failed to settle the receivables under the repayment schedule, which is mutually agreed by the Group and the debtor. After considering various factors, including but not limited to potential transaction cost of recovering the trade receivables as well as the financial position and the credit risk of the debtor, the management considers that there is evidence that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery and therefore entire amount due from this debtor has been written off during current year.

(4) As at 31 December 2024, principal amount of RMB343,000,000 (2023: RMB343,000,000) has been due but not yet received by the Group. Based on the legal opinion from the PRC lawyer, who is independent and not connected to the Group, the Group can initiate a litigation against Evergrande Chengdu to recover the consideration receivables, after considering various factors, including but not limited to the recoverable amount of the underlying assets, potential transaction cost of recovering the consideration receivables as well as the financial position and the credit risk of Evergrande Chengdu, the management considers that there is evidence that the consideration receivables is credit-impaired. As at 31 December 2024, after taking into consideration of probability of recovery of the consideration receivables (see Note 10 for details), the management of the Group is of the opinion that no reversal of impairment loss is recognised during the year ended 31 December 2024.

During the current year, an impairment loss of RMB13,124,000 (2023: RMB12,346,000) has been recognised and amount of RMB12,417,000 (2023: RMB6,726,000) has been reversed for trade receivables, based on the provision matrix.

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The following table shows the movement in lifetime ECL that has been recognised for all trade receivables under the simplified approach.

	Lifetime-ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
At 1 January 2023	6,839	–	6,839
Changes due to trade receivables recognised at 1 January 2023:			
– Impairment losses reversed	(6,726)	–	(6,726)
Newly originated trade receivables	12,346	–	12,346
At 31 December 2023	**12,459**	**–**	**12,459**
Changes due to trade receivables recognised at 1 January 2024:			
– Impairment losses reversed	**(12,417)**	**–**	**(12,417)**
Newly originated trade receivables	**13,124**	**38,547**	**51,671**
Write-off	**–**	**(38,547)**	**(38,547)**
At 31 December 2024	**13,166**	**–**	**13,166**

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Changes in the loss allowance for trade receivables are mainly due to:

	2024 Increase (decrease) in lifetime ECL Not credit-impaired RMB'000	2023 Increase (decrease) in lifetime ECL Not credit-impaired RMB'000
Newly originated trade receivable balance in 2024 with gross amount of RMB2,401,216,000 (2023: RMB2,359,889,000)	**13,124**	12,346
Settlement in full of trade debtors with a gross carrying amount of RMB2,373,379,000 (2023: RMB2,077,816,000)	**(12,417)**	(6,726)

The Group writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over three years past due, whichever occurs earlier.

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The following table shows the movement in ECL that has been recognised for consideration receivables, banker's acceptance bills receivables and commercial bills receivables and other receivables.

	12m ECL RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
At 1 January 2023	13,719	339,574	353,293
Changes due to bills and other receivables recognised at 1 January 2023:			
– Impairment losses reversed	(13,719)	–	(13,719)
Newly originated bills and other receivables	6,137	–	6,137
At 31 December 2023	**6,137**	**339,574**	**345,711**
Changes due to bills and other receivables recognised at 1 January 2024:			
– Impairment losses reversed	**(6,137)**	**–**	**(6,137)**
Newly originated bills and other Receivables	**11,763**	**–**	**11,763**
At 31 December 2024	**11,763**	**339,574**	**351,337**

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Changes in the loss allowance for bills and other receivables are mainly due to:

	2024 Increase (decrease) in 12m ECL RMB'000	2023 Increase (decrease) in 12m ECL RMB'000
Newly originated other receivables balance with gross amount of RMB106,454,000 (2023: RMB97,250,000)	**11,551**	5,944
Settlement in full of other receivables with a gross carrying amount of RMB97,250,000 (2023: RMB91,970,000)	**(5,944)**	(6,496)
Newly originated banker's acceptance bills receivables balance with gross amount of RMB3,333,266,000 (2023: RMB3,496,731,000)	**212**	193
Settlement in full of banker's acceptance bills receivables balance with gross amount of RMB3,496,731,000 (2023: RMB2,360,224,000)	**(193)**	(848)
Settlement in full of commercial bills receivables balance with gross amount of RMBnil (2023: RMB18,909,000)	**–**	(6,375)

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial obligations as and when they fall due. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures its compliance with loan covenants.

The Group relies on bank and other borrowings as a significant source of liquidity. At the date of these consolidated financial statements, the Group has available unutilised banking facilities of RMB7,740,646,000 (2023: RMB4,930,853,000). The directors of the Company are of the view that the banking facilities could be renewed based on historical experience that the Group has not encountered any difficulties to obtain banking facilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the relevant market rates at the reporting date) of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate %	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2024							
Trade and other payables	–	683,302	3,876,252	1,500,256	–	6,059,810	6,059,810
Borrowings							
– floating-rate	2.79	401,164	336,828	141,077	2,431,799	3,310,868	3,121,399
– fixed-rate	1.28	4,617	12,403	80	–	17,100	16,884
Lease liabilities	4.80	470	1,013	4,384	13,370	19,237	17,448
		1,089,553	4,226,496	1,645,797	2,445,169	9,407,015	9,215,541
Derivative – net settlement							
Foreign currency forward contracts	–	–	–	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average interest rate %	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2023							
Trade and other payables	–	719,487	2,699,056	1,333,917	–	4,752,460	4,752,460
Borrowings							
– floating-rate	2.86	177,220	6,440	29,518	1,438,106	1,651,284	1,473,000
– fixed-rate	1.40	3,474	15,079	5,463	–	24,016	23,853
Lease liabilities	5.40	1,075	1,420	2,248	6,312	11,055	6,831
		901,256	2,721,995	1,371,146	1,444,418	6,438,815	6,256,144
Derivative – net settlement							
Foreign currency forward contracts	2.71	2,139	4,278	19,250	21,389	47,056	44,778

The table below summarises the maturity analysis of term loans of RMB270,000,000 (2023: RMB80,000,000) with a repayment on demand clause based on the agreed scheduled repayments set out in the loan agreements at 31 December 2024. The amounts include interest payments computed using the specified fixed rates or variable rates. As a result, these amounts are greater than the amounts disclosed in the "on demand" time band in the maturity analysis above. Taking into account the Group's financial position, the directors of the Company do not consider that it is probable that the banks will exercise its discretion to demand immediate repayment. The directors of the Company believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity Analysis – Bank loans with a repayment on demand clause based on scheduled repayments				
	Less than 1 month RMB'000	**1-3 months** RMB'000	**3 months to 1 year** RMB'000	**Total undiscounted cash outflows** RMB'000	**Carrying amount** RMB'000
31 December 2024	**630**	**1,260**	**270,000**	**271,890**	**270,000**
31 December 2023	240	480	80,720	81,440	80,000

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

40. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. at prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value at 31 December 2024 RMB'000	2023 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets						
Financial asset at FVTPL - unquoted equity investment	–	500	Level 3	Method of comparables is used to evaluate the market value of the unquoted equity investments by using price to book ratio of listed entities in similar industries.	- discount for lack of marketability of 32%, determined by reference to recent market research.	- A significant increase in the discount for lack of marketability would result in a significant decrease in the fair value.
Foreign currency forward contracts classified as financial instruments accounted for as FVTPL in the consolidated statement of financial position	**Liabilities** –	Liabilities (44,778)	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

There is no transfer between the different levels of the fair value hierarchy for both years.

40. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(Continued)

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. For the unlisted equity investment, the third party qualified valuers were engaged by the Group to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The external valuers' findings are reported to the board of directors of the Company semi-annually to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

41. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

The Group has entered certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Agreements ("ISDA Agreements") signed with various banks. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts.

No further disclosure on the netting arrangement is presented as the financial impact is insignificant.

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Treasury stock RMB'000	Borrowings RMB'000 *(Note 29)*	Non-controlling interests RMB'000	Lease liabilities RMB'000 *(Note 28)*	Derivative financial instruments RMB'000 *(Note 36)*	Dividend payable RMB'000 *(Note 15)*	Total RMB'000
At 1 January 2023	–	2,455,147	1,345	7,640	8,246	–	2,472,378
Financing cash flows	–	(812,743)	12,000	(4,620)	24,133	(581,448)	(1,362,678)
Fair value change *(Note 7)*	–	–	–	–	12,399	–	12,399
Derecognition of bills receivables	–	(251,378)	–	–	–	–	(251,378)
Recognition of bills receivables discounted	–	23,853	–	–	–	–	23,853
Finance costs	–	81,974	–	443	–	–	82,417
Dividend declared	–	–	–	–	–	581,448	581,448
Loss for the year attribute to non-controlling interests	–	–	(505)	–	–	–	(505)
New leases entered	–	–	–	3,368	–	–	3,368
At 31 December 2023	**–**	**1,496,853**	**12,840**	**6,831**	**44,778**	**–**	**1,561,302**
Financing cash flows	**(36,577)**	**1,573,791**	**36,000**	**(6,025)**	**47,254**	**(1,017,535)**	**596,908**
Vesting of shares	**35,539**	**–**	**–**	**–**	**–**	**–**	**35,539**
Fair value change *(Note 7)*	**–**	**–**	**–**	**–**	**(92,032)**	**–**	**(92,032)**
Derecognition of bills receivables	**–**	**(23,853)**	**–**	**–**	**–**	**–**	**(23,853)**
Recognition of bills receivables discounted	**–**	**16,884**	**–**	**–**	**–**	**–**	**16,884**
Finance costs	**–**	**74,608**	**–**	**759**	**–**	**–**	**75,367**
Dividend declared	**–**	**–**	**–**	**–**	**–**	**1,017,535**	**1,017,535**
Loss for the year attribute to non-controlling interests	**–**	**–**	**(1,883)**	**–**	**–**	**–**	**(1,883)**
New leases entered	**–**	**–**	**–**	**16,294**	**–**	**–**	**16,294**
Lease terminations	**–**	**–**	**–**	**(403)**	**–**	**–**	**(403)**
Gain on termination of lease contracts	**–**	**–**	**–**	**(8)**	**–**	**–**	**(8)**
At 31 December 2024	**(1,038)**	**3,138,283**	**46,957**	**17,448**	**–**	**–**	**3,201,650**

43. MAJOR NON-CASH TRANSACTIONS

During the current year, short term borrowings drawn on discounted bills with recourse and bills receivables endorsed to suppliers with full recourse of RMB23,853,000 (2023: RMB251,378,000) and RMB661,921,000 (2023: RMB609,196,000), respectively, have been derecognised when the related receivables were matured. Discounted bills with recourse amount of RMB16,884,000 (2023: RMB23,853,000) and bills receivables endorsed to suppliers with full recourse amount of RMB1,111,399,000 (2023: RMB661,921,000) have been recognised for which the maturity dates of the related receivables have not yet fallen due at the end of the reporting period.

During the current year, the Group has non-cash additions to right-of-use assets by entered into new lease agreements for the use of leased office and staff quarters ranged from two year to three years (2023: two year to three years). On the lease commencement, the Group recognised RMB16,294,000 (2023: RMB3,368,000) right-of-use assets and RMB16,294,000 (2023: RMB3,368,000) lease liabilities.

44. RELATED PARTY TRANSACTIONS

Compensation to key management personnel representing directors' remuneration has been disclosed in Note 13.

During the year, the Group entered into the following transaction with a related party:

Name of related party	Nature of transaction	Relationship	2024 RMB'000	2023 RMB'000
寧波普邦生物科技有限公司	Sales of goods	Associate	**4,621**	1,770
	Trade advance	Associate	**7,500**	7,500

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 December 2024 and 2023 are as follows:

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company (Note a) 2024	2023	Principal activities and place of operation
The United Laboratories (Hong Kong) Holding Limited	British Virgin Islands	USD50,000	**100%**	100%	Investment holding in Hong Kong
The United Laboratories (Hong Kong) Group Limited	British Virgin Islands	USD50,000	**100%**	100%	Investment holding in Hong Kong
Bowden Trading Limited	Samoa	USD1,000	**100%**	100%	Trademark holding in Hong Kong
The United Laboratories Limited	Hong Kong	HK$15,000,000	**100%**	100%	Investment holding and manufacturing and sale of pharmaceutical products in the PRC
Team Crown Trading Limited	Hong Kong	HK$10,000	**100%**	100%	Trading of pharmaceutical products to overseas
Bear World Limited	Hong Kong	HK$50,000,000	**100%**	100%	Investment holding in the PRC
The United Laboratories (Hong Kong) Health Products Limited	Hong Kong	HK$10,000	**100%**	N/A	Trading of health product in the PRC
珠海聯邦康知樂實業有限公司 (Note c)	The PRC	RMB250,000,000	**100%**	100%	Investment holding in the PRC
Zhuhai United Laboratories Co., Ltd. *(Note d)*	The PRC	RMB1,762,316,000	**100%**	100%	Manufacturing and sale of pharmaceutical products in the PRC
珠海樂邦制藥有限公司 *(Note b)*	The PRC	RMB12,825,000	**100%**	100%	Investment holdings in the PRC
珠海市萬邦藥業有限公司 *(Note c)*	The PRC	RMB1,000,000	**100%**	100%	Trading of pharmaceutical products in the PRC

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(Continued)

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company *(Note a)* 2024	2023	Principal activities and place of operation
珠海聯邦制藥銷售有限公司 *(Note c)*	The PRC	RMB10,000,000	**100%**	100%	Trading of pharmaceutical products in the PRC and overseas
Guangdong Kaiping Kingly Capsules Limited *(Note b)*	The PRC	RMB31,250,000	**100%**	100%	Manufacturing and sale of soft capsules casings in the PRC
中山金億食品有限公司 *(Note b)*	The PRC	RMB8,015,000	**100%**	100%	Investment holding in the PRC
珠海市金德福企業策劃有限公司 *(Note c)*	The PRC	RMB15,000,000	**100%**	100%	Investment holding in the PRC
United Laboratories (Inner Mongolia) Limited *(Note b)*	The PRC	RMB3,084,000,000	**100%**	100%	Manufacturing and sale of pharmaceutical intermediate products and bulk medicine in the PRC
The United Animal Healthcare (Inner Mongolia) Co., Ltd. *(Note b)*	The PRC	RMB274,000,000	**100%**	100%	Manufacturing and sale of veterinary drugs in the PRC
富邦生物（內蒙古）有限公司 *(Note c)*	The PRC	RMB20,000,000	**75%**	75%	Manufacturing and sale of pharmaceutical intermediate products in the PRC
聯邦制藥（中國）有限公司 *(Note b)*	The PRC	RMB160,080,000	**100%**	100%	Investment holding in the PRC
珠海聯邦金龍營銷策劃有限公司 *(Note c)*	The PRC	RMB50,000,000	**100%**	100%	Providing management services in the PRC
成都樂邦生物醫藥科技有限公司 *(Note c)*	The PRC	RMB1,000,000	**100%**	100%	Investment holding in the PRC
成都智匯城有限公司 *(Note c)*	The PRC	RMB10,000,000	**100%**	100%	Investment holding in the PRC
The United Bio-Technology (Hengqin) Co., Ltd. *(Note b)*	The PRC	RMB108,100,000	**100%**	100%	Research and development of pharmaceutical products in the PRC

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(Continued)

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company *(Note a)* 2024	2023	Principal activities and place of operation
珠海聯邦生物醫藥有限公司 *(Note c)*	The PRC	RMB45,320,000	**100%**	100%	Research and development of pharmaceutical products in the PRC
Henan Lianmu Veterinary Medicine Co., Ltd. *(Note c)*	The PRC	RMB125,000,000	**60%**	60%	Manufacturing and sale of veterinary drugs in the PRC
Kendor Technology (Zhejiang) Co., Ltd. *(Note b)*	The PRC	RMB20,500,000	**100%**	100%	Manufacturing and sale of medical device in the PRC
The United Animal Healthcare (Zhuhai) Co., Ltd. *(Note c)*	The PRC	RMB78,000,000	**100%**	100%	Manufacturing and sale of veterinary drugs in the PRC
廣州聯新健康產業有限公司 *(Note e)*	The PRC	RMB5,000,000	**100%**	N/A	Trading of health products in the PRC
Inner Mongolia Guangda Lianfeng Bio-tech Co., Ltd *(Note c)*	The PRC	RMB62,740,000	**100%**	100%	Manufacturing and sale of pharmaceutical intermediate products in the PRC

Notes:

(a) Other than The United Laboratories (Hong Kong) Holding Limited, all subsidiaries are indirectly held by the Company.

(b) A wholly foreign-owned enterprise established in the PRC.

(c) A company established in the PRC with limited liability.

(d) A joint stock limited liability company established in the PRC.

(e) A company established in the PRC with limited liability during the year ended 31 December 2024.

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

46. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(a) Statement of financial position of the Company

	2024 RMB'000	2023 RMB'000
Non-current assets		
Interests in subsidiaries	**2,552,000**	2,552,000
Right-of-use assets	**2,173**	3,015
Property, plant and equipment	**290**	184
	2,554,463	2,555,199
Current assets		
Other receivables and prepayments	**1,765**	7,723
Amounts due from subsidiaries	**106,847**	1,550,920
Cash and cash equivalents	**1,760,357**	1,027,597
	1,868,969	2,586,240
Current liabilities		
Other payables and accrued charges	**11,646**	8,187
Amount due to a subsidiary	**196,199**	196,199
Borrowings – due within one year	**270,000**	80,000
Derivative financial instrument	**–**	25,587
Lease liabilities	**1,394**	828
Tax payables	**3,639**	2,243
	482,878	313,044
Net current assets	**1,386,091**	2,273,196
Total assets less current liabilities	**3,940,554**	4,828,395
Non-current liabilities		
Derivative financial instrument	**–**	19,191
Lease liabilities	**850**	2,244
	850	21,435
Net assets	**3,939,704**	4,806,960
Capital and reserves		
Share capital	**16,965**	16,965
Reserves	**3,922,739**	4,789,995
Total equity	**3,939,704**	4,806,960

46. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(b) Reserves

	Share premium RMB'000	Treasury stock RMB'000	Share-based compensation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2023	3,722,482	–	–	1,468,963	5,191,445
Profit and total comprehensive income for the year	–	–	–	173,633	173,633
Dividends recognised as distribution *(Note 15)*	–	–	–	(581,448)	(581,448)
Recognition of share-based compensation expense	–	–	6,365	–	6,365
At 31 December 2023	**3,722,482**	**–**	**6,365**	**1,061,148**	**4,789,995**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**139,492**	**139,492**
Dividends recognised as distribution *(Note 15)*	**–**	**–**	**–**	**(1,017,535)**	**(1,017,535)**
Repurchase of shares	**–**	**(36,465)**	**–**	**–**	**(36,465)**
Transaction cost attributable to repurchase of shares	**–**	**(112)**	**–**	**–**	**(112)**
Vesting of shares	**–**	**35,539**	**(24,693)**	**(10,846)**	**–**
Recognition of share-based compensation expense	**–**	**–**	**47,364**	**–**	**47,364**
At 31 December 2024	**3,722,482**	**(1,038)**	**29,036**	**172,259**	**3,922,739**

47. EVENT AFTER THE REPORTING PERIOD

On 24 March 2025, the Group entered into an exclusive license agreement with an independent third party under which, subject to the terms and conditions thereof, the Group will grant an exclusive license to develop, manufacture, commercialise and exploit a specified product or compounds, which is still at the research and development stage in all countries and territories except for mainland China, Hong Kong, Macau and Taiwan at an upfront payment of US$200 million, together with milestone payments and royalties. The directors of the Company are still in the process of assessing the financial impact of this arrangement.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2020	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	8,772,488	9,703,438	11,334,262	13,739,879	**13,758,937**
Profit before taxation	882,334	1,202,647	2,006,766	3,344,148	**3,288,898**
Tax expense	(181,416)	(213,062)	(425,743)	(643,303)	**(631,077)**
Profit for the year attributable to owners of the Company	702,989	988,098	1,581,094	2,701,350	**2,659,704**

ASSETS AND LIABILITIES

	As at 31 December				
	2020	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	14,963,714	16,331,119	18,979,625	21,017,180	**25,833,052**
Total liabilities	(6,351,879)	(6,991,211)	(8,370,194)	(8,269,562)	**(11,397,812)**
Equity attributable to owners of the Company	8,613,906	9,340,492	10,608,086	12,734,778	**14,388,283**
Non-controlling interests	(2,071)	(584)	1,345	12,840	**46,957**