Pharma
绿叶制药

Luye Pharma Group Ltd.
绿叶制药集团有限公司

(incorporated in Bermuda with limited liability)

Stock Code: 2186

2024
ANNUAL REPORT

CONTENTS

COMPANY OVERVIEW

Luye Pharma Group Ltd. (the "Company", together with its subsidiaries, the "Group") focuses on developing, producing, marketing and selling innovative pharmaceutical products in four of the largest and fast growing therapeutic areas in the People's Republic of China ("PRC" or "China"), the United States ("the U.S."), Europe and other countries or districts, namely oncology, central nervous system ("CNS"), cardiovascular system, alimentary tract and metabolism. The Group has a portfolio of over 30 products, covering over 80 countries and regions around the world, including large pharmaceutical markets — China, the U.S., Europe and Japan, as well as fast growing emerging markets.

In China, the Group has established an extensive nationwide sales and distribution network and sold its products to 31 provinces, autonomous regions and municipalities throughout the PRC for the year ended 31 December 2024 (the "Reporting Period"). The Group's sales, marketing and distribution functions are conducted through around 1,000 sales and marketing personnel, a network of approximately 1,730 distributors that collectively enabled the Group to sell its products to over 22,340 hospitals. For global market, the business of the Group covers 80 countries or regions including the U.S., countries in the European Union, Japan, Association of Southeast Asian Nations, Latin America, Gulf Cooperation Council region and other emerging countries or regions. The Group also has strong sales partnerships with more than 50 partners throughout the world.

The Group's research and development ("R&D") activities are organised around four platforms in the chemical drug sector — long acting and extended-release technology, liposome and targeted drug delivery, transdermal drug delivery systems and new compounds. The Group has expanded its R&D capability to biological sector by leveraging the four cutting-edge platforms of its subsidiary Shandong Boan Biotechnology Co., Ltd. ("Boan Biotech"), namely Human Antibody Transgenic Mouse and Phage Display Technology, Bispecific T-cell Engager Technology, Antibody-drug Conjugate ("ADC") Technology and Cell Therapy Platform. The Group balances clinical development risks by strategically allocating its resources between proprietary formulations of proven compounds and new chemical entities as well as biosimilars and novel biologics. The Group believes that its R&D capabilities will be the driving force behind the Group's long-term competitiveness, as well as the Group's future growth and development.

As at 31 December 2024, the Group's R&D team consisted of 649 employees, including 58 Ph.D. degree holders and 318 master's degree holders in medical, pharmaceutical and other related areas.

As at 31 December 2024, the Group had been granted 275 patents and had 82 pending patent applications in the PRC, as well as 580 patents and 124 pending patent applications overseas.

The Group will continue to invest the products in four strategic therapeutic areas — oncology, CNS, cardiovascular and metabolism. As of 31 December 2024, the Group had 23 PRC pipeline product candidates in various stages of development. These candidates included 12 oncology products, 5 CNS products and 6 other products. Also, the Group had 11 pipeline product candidates in the U.S., Europe and Japan in various stages of development.

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. LIU Dian Bo
(Executive Chairman and Chief Executive Officer)
Mr. YANG Rong Bing *(Vice Executive Chairman)*
Mr. YUAN Hui Xian
Ms. ZHU Yuan Yuan

Non-executive Directors

Mr. SONG Rui Lin
Dr. LYU Dong *(resigned on 10 March 2025)*
Mr. HUANG Liming *(appointed on 10 March 2025)*

Independent Non-executive Directors

Mr. ZHANG Hua Qiao
Professor LO Yuk Lam
Mr. LEUNG Man Kit
Mr. CHOY Sze Chung Jojo
Ms. XIA Lian

Company Secretary

Ms. LEE Mei Yi

Authorized Representatives

Mr. YANG Rong Bing
Ms. ZHU Yuan Yuan

Audit Committee

Mr. LEUNG Man Kit *(Chairman)*
Mr. ZHANG Hua Qiao
Professor LO Yuk Lam

Remuneration Committee

Mr. CHOY Sze Chung Jojo *(Chairman)*
Mr. ZHANG Hua Qiao
Professor LO Yuk Lam

Nomination Committee

Professor LO Yuk Lam *(Chairman)*
Mr. ZHANG Hua Qiao
Mr. CHOY Sze Chung Jojo

Environmental, Social and Governance Committee

Professor LO Yuk Lam *(Chairman)*
Mr. YANG Rong Bing
Mr. SONG Rui Lin

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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No. 15 Chuang Ye Road
High-tech Industrial Development Zone
Yantai, Shandong
264003
People's Republic of China

22/F, Gubei International Fortune Center II
Hongqiao Road 1438
Changning District Shanghai
People's Republic of China

Principal Place of Business in Hong Kong

Unit 3207, 32/F, Champion Tower
3 Garden Road
Central
Hong Kong

CORPORATE INFORMATION (CONTINUED)

Principal Share Registrar and Transfer Office

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Legal Advisers

Allen Overy Shearman Sterling
9/F, Three Exchange Square
Central
Hong Kong

Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

Auditor

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

Stock Code

2186

Company's Website

www.luye.cn

Principal Bankers

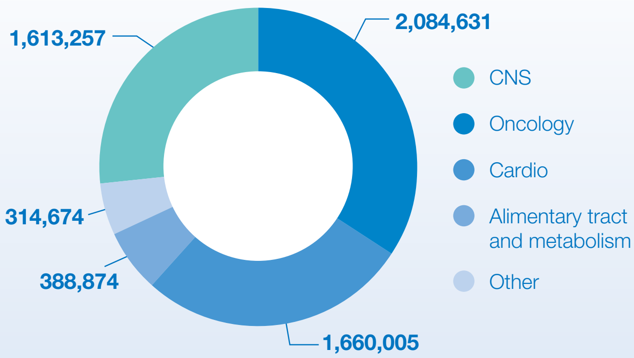
Bank of China Limited
China Everbright Bank
Industrial and Commercial Bank of China Limited
Citibank (China) Limited

FINANCIAL HIGHLIGHTS

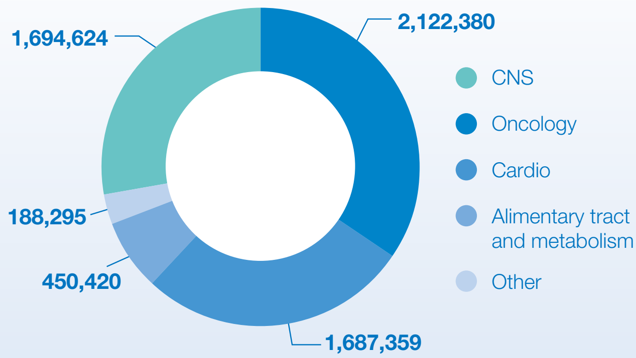
- Revenue decreased by RMB81.7 million or 1.3% to RMB6,061.4 million, as compared to the year ended 31 December 2023.
- EBITDA increased by RMB114.2 million or 5.5% to RMB2,191.7 million, as compared to the year ended 31 December 2023.
- Gross profit decreased by RMB160.0 million or 3.8% to RMB4,044.2 million, as compared to the year ended 31 December 2023, and gross profit margin was 66.7%.
- Profit before tax increased by RMB139.1 million or 19.9% to RMB839.2 million, as compared to the year ended 31 December 2023.
- Net profit amounted to RMB645.0 million, representing an increase of RMB105.9 million, as compared to the year ended 31 December 2023.
- Profit attributable to shareholders amounted to RMB471.9 million, representing a decrease of RMB60.7 million, as compared to the year ended 31 December 2023.
- Earnings per share was RMB12.54 cents compared to RMB14.29 cents for the year ended 31 December 2023.
- No dividend was proposed by the Board for the year ended 31 December 2024.

	2020 RMB Million	2021 RMB Million	2022 RMB Million	2023 RMB Million	**2024 RMB Million**
Revenue	5,539.6	5,200.2	5,981.7	6,143.1	**6,061.4**
Gross Profit	3,990.6	3,396.7	4,140.5	4,204.2	**4,044.2**
EBITDA	1,877.1	906.9	1,812.8	2,077.4	**2,191.7**
Net Profit	703.3	(144.8)	583.3	539.1	**645.0**
Profit attributable to owners of the Parent	706.6	(134.4)	604.8	532.6	**471.9**
Total Assets	20,630.6	22,582.1	24,249.6	25,490.7	**29,612.2**
Total Liability	12,531.6	13,468.2	13,207.9	11,962.2	**13,858.5**
Equity	8,099.0	9,113.9	11,041.7	13,528.5	**15,753.7**

2024 RMB'000



2023 RMB'000



CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board, I would like to express my sincere gratitude for your continued interest and support and am pleased to present the Group's performance for the year ended 31 December 2024 and the outlook for 2025.

As an international pharmaceutical enterprise, Luye Pharma is committed to the research, production and marketing of innovative drugs. With business covering more than 80 countries and regions worldwide, the Group focuses on therapeutic areas, namely oncology, CNS and cardiovascular system, and is committed to providing high-quality innovative drugs to patients worldwide.

In 2024, the Group witnessed a stable development. During the Reporting Period, the Group's revenue amounted to approximately RMB6,061.4 million, representing a slight year-on-year decrease of 1.3%. Revenue from sales of products was approximately RMB5,689.5 million, representing a year-on-year increase of 1.1% and an increase of 6.4% in the second half of the year as compared to the first half of the year. EBITDA increased by 5.5% year-on-year to approximately RMB2,191.7 million, and net profit increased by 20% year-on-year to approximately RMB645.0 million.

In terms of innovative R&D, with a focus on two therapeutic areas, namely CNS and oncology, the Group has successfully promoted the approval of 13 new drugs for marketing in China, the United States and several European countries from 2021 to 2024. In 2024 alone, the Group has received intensive approval of six new drugs. Among them, the high-potential Erzofri® (paliperidone palmitate extended-release injectable suspension) was approved for marketing in the United States for the treatment of schizophrenia and schizoaffective disorder. Zepzelca® (lurbinectedin for injection) was approved for marketing in China, and has been the only new chemical entity approved by the U.S. Food and Drug Administration ("FDA") for the treatment of relapsed small cell lung cancer ("SCLC") in nearly 28 years. Mimeixin® (oxycodone hydrochloride and naloxone hydrochloride sustained-release tablets) was approved for marketing in China, and has been the only potent analgesic made in China that can mitigate bowel dysfunction induced by opioid drugs and is capable of deterring drug abuse.

In terms of commercialization, with the successful launch of the first batch of innovative achievements, the Group enables the efficient transition between existing and new growth drivers to revitalize and upgrade its fundamentals. In 2024, the revenue generated from new products accounted for 21% of the Group's total sales, representing a year-on-year increase of 30.2%. In the CNS field, products sales revenue recorded a year-on-year increase of 15% in 2024. Leveraging its outstanding innovation capabilities and forward-looking global layout, the Group is beginning to assert its leadership position in the CNS field. In the oncology field, a number of newly approved anti-tumor products are expected to generate synergistic effects with established products, further consolidating the Group's competitive edge in this treatment field. In the cardiovascular system field, our flagship product remains a market-exclusive offering with a sound competitive landscape and a broad space for medium- and long-term growth.

In terms of corporate governance, the full monetization and successful commercialization of new products have driven the continued optimization and innovation of our product mix. While the contribution of new products increased year by year, the Group has also achieved operational upgrades and efficiency improvements across various dimensions, including marketing and R&D. In 2024, the Group's selling and distribution, administrative, R&D and finance expenses all recorded declines as compared to the same period in 2023. In the future, as new products continue to scale rapidly, the Group will further enhance its profitability by relying on revenue growth, gross margin enhancement and cost control.

The year 2024 marked the 30th anniversary of Luye Pharma's establishment as well as the fruitful year for its initial innovation layouts. The commercialization of major new products will serve as a new engine for our next phase of performance growth. In 2025, the Group will enter a new stage of accelerated commercialization. We will make every effort to win the battle of commercialization of new products and reinforce the fundamentals of established products, so as to give full play to the value of our assets and improve profitability. In the next three years, we are expected to deliver record-breaking revenue, thus creating greater value for the society and rewarding our Shareholders.

LIU Dian Bo
Executive Chairman
Luye Pharma Group Ltd.

28 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

The Group is an international pharmaceutical company dedicated to the R&D, manufacturing and sale of innovative medications. The Group has established R&D centers in the PRC, the U.S. and Europe, with a robust pipeline of over 20 drug candidates in China and more than 10 drug candidates in other international markets. The Group maintains high-level international standards in novel drug delivery technologies including microspheres, liposomes, and transdermal drug delivery systems. The Group has achieved multiple innovations in new chemical entities and antibodies, and is also actively making strategic developments in the fields of cell therapies and gene therapies.

The Group is developing a global supply chain of 8 manufacturing sites built up around the world, with Good Manufacturing Practice ("GMP") quality management and control systems established in line with international standards. With more than 30 products covering the CNS, oncology, cardiovascular, metabolism and other therapeutic areas, the Group's business is conducted in over 80 countries and regions around the world, including the largest pharmaceutical markets — China, the U.S., Europe and Japan, as well as in fast growing emerging markets.

During the Reporting Period and up to the date of this annual report, the Group has persisted in its "innovation-driven" and "internationalization" development strategy and has made remarkable achievements in all aspects of R&D, sales and marketing, business collaborations and manufacturing.

During the Reporting Period, the Group recorded a decrease in total revenue of 1.3% to RMB6,061.4 million, as compared to the year ended 31 December 2023. The decrease in total revenue was mainly due to the decline in revenue from non-product sales such as R&D services. Sales of products increased by RMB62.1 million or 1.1% to RMB5,689.5 million, as compared to the year ended 31 December 2023.

Market Positioning and Key Products

For the China market, the Group's key products are competitively positioned in four key therapeutic areas (oncology, CNS, cardiovascular and metabolism). According to IQVIA data, during the Reporting Period, oncology, metabolism, CNS and cardiovascular related pharmaceutical products constituted the 1st, 2nd, 4th and 5th largest pharmaceutical markets in China, respectively. The Group's key products portfolio in China includes 6 (Lipusu, Boyounuo, Baituowei, Zepzelca, CMNa and Mimeixin) in oncology therapeutic area, 5 (Seroquel, Ruoxinlin, Rykindo, Meibirui and Jinyouping) in CNS therapeutic area, 3 (Xuezhikang, Oukai and Maitongna) in cardiovascular therapeutic area and 1 (Beixi) in metabolism therapeutic area.

For international markets, the Group's products are mainly positioned in CNS therapeutic area, including Seroquel, Seroquel XR, Erzofri, Rykindo, Rivastigmine once-daily transdermal patch, Rivastigmine Multi-Day Transdermal Patch ("Rivastigmine MD" or "LY30410"), Fentanyl patches and Buprenorphine patches.

During the Reporting Period, the Group's revenue from CNS therapeutic area decreased by 4.8% to RMB1,613.3 million. Revenue from oncology therapeutic area decreased by 1.8% to RMB2,084.6 million. Revenue from cardiovascular system therapeutic area decreased by 1.6% to RMB1,660.0 million. Revenue from metabolism therapeutic area decreased by 13.7% to RMB388.9 million.

The Group's 17 key products are competitively positioned globally for high prevalence medical conditions and their market positions are expected to grow or maintain at its current level.

Key products related to oncology therapeutic area

Lipusu (力撲素)

Lipusu is the only marketed paclitaxel liposome for injection in the world. Its unique formulation allows it to target tumors and lymph nodes and have a longer half-life, making the drug more potent in killing tumor cells, and also safer and better-tolerated. Since its launch, the drug has been widely recognized by physicians and patients in clinical practice, and has also been recommended by multiple authoritative guidelines and consensuses for its efficacy and safety. In November 2024, Lipusu has been included in the regular catalogue of the 2024 China's National Reimbursement Drug List ("NRDL"), covering all of its indications, including non-small-cell lung cancer, ovarian cancer, and breast cancer. The 2024 NRDL will officially take effect on 1 January 2025.

Boyounuo (博優諾)

Boyounuo (bevacizumab injection) was approved to the market by the National Medical Products Administration ("NMPA") in China in April 2021. It is an anti-VEGF humanized monoclonal antibody injection developed by Boan Biotech, a subsidiary of the Company. As of 31 December 2024, Boyounuo has been approved by the NMPA for the treatment of mCRC, advanced metastatic or recurrent non-small cell lung cancer, recurrent glioblastoma, epithelial ovarian, fallopian tube or primary peritoneal cancer, cervical cancer and hepatocellular carcinoma. In addition, Boyounuo has been included in the NRDL for all indications. For the international market, this product is under Biologics License Application ("BLA") review in Brazil.

Baituowei (百拓維)

Baituowei (goserelin microspheres for injection) is the world's only marketed formulation of long-acting goserelin microspheres. It is indicated for treating prostate cancer in patients requiring androgen deprivation therapy ("ADT"), and treating breast cancer in premenopausal and perimenopausal women that can be treated with hormones. The drug was already included in the 2023 NRDL for its indication to treat prostate cancer. In November 2024, a new indication for breast cancer was included in the 2024 NRDL. The 2024 NRDL will officially take effect on 1 January 2025.

Baituowei was developed on the Group's globally leading microsphere platform. With its upgraded microsphere formulation and improved injection method, the product is able to balance efficacy, safety, and patient experience, providing a more convenient new option for patients. The Group and BeiGene Ltd. ("BeiGene") (NASDAQ: BGNE; HKEX: 06160; SSE: 688235) are working together to commercialize this product in China.

Zepzelca (贊必佳)

Zepzelca is a selective inhibitor of oncogenic transcription. Whilst inhibiting oncogenic transcription and induce tumor cell apoptosis, it also modulate the microenvironment for tumors to further exert its anti-tumor effects. In December 2024, Zepzelca was approved by NMPA of China for marketing through the priority review program. The drug is indicated for the treatment of adult patients with metastatic SCLC with disease progression on or after platinum-based chemotherapy.

The drug was also approved by the U.S. FDA through its Accelerated Approval Program in 2020. It has been the only new chemical entity approved by the FDA for the treatment of relapsed SCLC in nearly 28 years since 1997. To date, Zepzelca® has been approved for marketing in 17 countries or regions worldwide. The Group has been granted the rights to develop and commercialize this drug in mainland China, Hong Kong, and Macao, and has received marketing approval for the drug in these three regions.

CMNa (希美納)

CMNa is sodium glycididazole, a proprietary compound that the Group prepares in injectable form and is indicated for use in connection with radiotherapy for certain solid tumours. It is a Class I New Chemical Drug and as far as the Company is aware, the only approved sensitiser for cancer radiotherapy by the NMPA in China. According to the NMPA, CMNa was the only glycididazole product available for sale as of 31 December 2024. A study conducted by an independent third party in 2009 concluded that the use of CMNa for the treatment of certain cancers increased the probability of complete or partial remission and reduced overall treatment costs.

Mimeixin (米美欣)

Mimeixin was approved to the market by the NMPA in China for the management of severe pain (cancer pain and non-cancer pain) that can only be effectively controlled by opioids in adults in June 2024. Mimeixin is an oral sustained-release tablet combined with oxycodone and naloxone, which exerts analgesic effect through the strong opioid receptor agonist oxycodone, and due to the low oral bioavailability of naloxone, it can directly bind to gastrointestinal opioid receptors to combat oxycodone-induced constipation without affecting the analgesic effect. In addition, Mimeixin employs proprietary drug-locking technology to prevent the grinding, extraction, and conversion of oxycodone, thereby deterring drug abuse. Additionally, naloxone, by antagonizing the activity of oxycodone, can prevent users from experiencing euphoria and induce precipitated withdrawal, a mechanism of action that allows Mimeixin to further mitigate the risk of abuse.

Key products related to CNS therapeutic area

Seroquel (思瑞康) and Seroquel XR (思瑞康緩釋片)

Seroquel (quetiapine fumarate, immediate release, IR) and Seroquel XR (extended release formulation) are atypical antipsychotic medicines with antidepressant properties. The main indications for Seroquel are the treatment of schizophrenia and bipolar disorder. Seroquel XR is also approved in some markets for major depressive disorder ("MDD") and generalised anxiety disorder. In addition to China, Seroquel and Seroquel XR are also marketed by the Group in 50 other developed and emerging countries.

Ruoxinlin (若欣林)

Ruoxinlin (Toludesvenlafaxine Hydrochloride Extended-Release Tablets), as a new chemical entity, was approved to the market by the NMPA in China for treating MDD in November 2022. As far as the Company is aware, it is the first class 1 innovative chemical drug with independent intellectual property rights for the treatment of MDD developed by a local company in China. Ruoxinlin could comprehensively and stably improve depressive symptoms, including significantly reducing anxiety and retardation/fatigue, relieving anhedonia, improving cognition, and facilitating faster social recovery of patients. Further, the drug does not cause somnolence and has no significant impacts on sexual functioning, bodyweight, and lipid metabolism, demonstrating a favorable safety profile and good tolerability. In November 2024, Ruoxinlin has been included in the regular catalogue of the 2024 NRDL. The 2024 NRDL will officially take effect on 1 January 2025.

Rivastigmine Transdermal Patches (the "Rivastigmine Patch")

The Rivastigmine Patch is rivastigmine in transdermal patches form approved in China, the U.S., Europe and other emerging countries or regions, indicated for mild to moderate dementia of the Alzheimer's type.

Rykindo (瑞可妥)

Rykindo was approved to the market by the NMPA in China in January 2021. It is the first innovative formulation developed under the Group's long acting and extended technology platform that received marketing approval. Rykindo is an extended-release microsphere for injection administered bi-weekly for the treatment of schizophrenia and is the only Risperidone Microspheres for Injection for sale in China as of 31 December 2024. Rykindo can significantly improve the medication compliance issues which are common among patients with schizophrenia in relation to oral antipsychotic drugs, and simplify the treatment regimen. Patients using Rykindo are also expected to have stable clinically effective plasma drug level and can benefit from more convenient clinical treatment. In December 2023, Rykindo has been included in the NRDL again under a renewed contract, maintaining the same payment standard under the health insurance remaining. In addition to China, Rykindo also received marketing approval from the FDA in January 2023, as a treatment for schizophrenia in adults and as monotherapy or as adjunctive therapy to lithium or valproate for the maintenance treatment of bipolar I disorder in adults.

Erzofri

Erzofri (paliperidone palmitate) extended-release injectable suspension obtained marketing approval as a new drug under section 505(b)(2) of the Federal Food, Drug and Cosmetic Act (the "505(b)(2) Pathway") in the U.S. in July 2024. It was approved by the FDA for treatment of schizophrenia in adult patients and for treatment of schizoaffective disorder in adults as monotherapy and as an adjunct to mood stabilizers or antidepressants. This drug, administered once per month, is the first patented paliperidone palmitate long acting injection developed by a Chinese company to be approved in the U.S. with independent intellectual property rights. The product was granted a patent in the U.S. (Patent No. 11,666,573) in 2023, which will expire in 2039.

Meibirui (美比瑞)

Meibirui (Paliperidone Palmitate Injection) was approved by the NMPA for the acute and maintenance treatment of schizophrenia in June 2024.

Jinyouping (金悠平)

Jinyouping (Rotigotine Extended-Release Microspheres for Injection) was approved to the market by the NMPA for the treatment of Parkinson's disease ("PD") in China in June 2024. It is the world's first long-acting extended-release microsphere formulation for the treatment of PD developed by the Group. It can maintain a stable release of rotigotine over seven days which is aligned with the concept of continuous dopaminergic stimulation ("CDS") and overcomes the non-physiological and pulsatile stimulation generated by short acting dopaminergic drugs. Additionally, the once-a-week dosing frequency improves patients' medication compliance and makes the long-term management of the disease easier.

Key products related to cardiovascular therapeutic area

Xuezhikang (血脂康)

Xuezhikang is the Group's proprietary natural medicine derived from red yeast rice indicated for hypercholesterolaemia. According to the NMPA, the Group was the only Xuezhikang manufacturer in China as of 31 December 2024. According to IQVIA, the market for lipid regulating drugs in China was estimated to be approximately RMB12.2 billion in the twelve months of 2024. According to IQVIA, Xuezhikang ranked as the most popular natural medicine for the treatment of hypercholesterolaemia and the fourth most-used lipid-regulating drug in China in the twelve months of 2024.

Maitongna (麥通納)

Maitongna is sodium aescinate in injectable form and is indicated for the treatment of cerebral edema and edema caused by trauma or surgery as well as for the treatment of venous reflux disorder. According to IQVIA, the market for vasoprotective pharmaceutical products in China was estimated to be approximately RMB3.6 billion in the twelve months of 2024. Maitongna was the best-selling domestically manufactured sodium aescinate product in China and ranked as the second most-used vasoprotective pharmaceutical product domestically manufactured in China in the twelve months of 2024.

Oukai (歐開)

As far as the Company is aware, Oukai is the only oral aescinate tablet in China to contain sodium salt and is widely used to treat soft tissue swelling and venous edema caused by various reasons. According to IQVIA, Oukai was ranked as the fourth most-used vasoprotective pharmaceutical product domestically manufactured in China in the twelve months of 2024.

Key products related to metabolism therapeutic area

BeiXi (貝希)

BeiXi is acarbose in capsule form and is indicated for lowering blood glucose in patients with type 2 diabetes mellitus. According to the NMPA, the Group was the only manufacturer of acarbose in capsule form in the twelve-month period of 2024. According to IQVIA, the market for acarbose products in China was estimated to be approximately RMB1.1 billion in the twelve-month period of 2024 and BeiXi ranked as the second most popular acarbose product domestically manufactured in China in the twelve months of 2024.

Research and Development

The Group's R&D activities are organised around four platforms in the chemical drug sector — long acting and extended-release technology, liposome and targeted drug delivery, transdermal drug delivery systems and new compounds. The Group has expanded its R&D capability to biological sector supported by Boan Biotech's four cutting-edge platforms, namely Human Antibody Transgenic Mouse and Phage Display Technology, Bispecific T-cell Engager Technology, ADC Technology and Cell Therapy Platform. The Group balances clinical development risks by strategically allocating its resources between proprietary formulations of proven compounds and new chemical entities as well as biosimilars and novel biologics. The Group believes that its R&D capabilities will be the driving force behind the Group's long-term competitiveness, as well as the Group's future growth and development. As of 31 December 2024, the Group's R&D team consisted of 649 employees, including 58 Ph.D. degree holders and 318 master's degree holders in medical, pharmaceutical and other related areas. As of 31 December 2024, the Group had been granted 275 patents and had 82 pending patent applications in the PRC, as well as 580 patents and 124 pending patent applications overseas.

The Group will continue to invest the products in four strategic therapeutic areas — oncology, CNS, cardiovascular and metabolism. As of 31 December 2024, the Group had 23 PRC pipeline product candidates in various stages of development. These candidates included 12 oncology products, 5 CNS products and 6 other products. Also, the Group had 11 pipeline product candidates in the U.S., Europe and Japan in various stages of development.

During the Reporting Period and up to the date of this annual report, the Group had remarkable R&D achievements in the following product candidates.

R&D progress for non-Boan Biotech's product candidates

LY01610 (Irinotecan Hydrochloride Liposome Injection): *an irinotecan hydrochloride liposome injection indicated for SCLC developed by the Group.*

LY01610 demonstrated promising efficacy and safety during Phase 1 and 2 clinical trials that were completed. In the Phase 2 clinical trial for Chinese patients with relapsed SCLC, LY01610 outperformed topotecan, the standard treatment for relapsed SCLC, in terms of Objective Response Rate (ORR), Duration of Response (DOR), Progression-Free Survival (PFS), and Overall Survival (OS). In terms of safety, LY01610 also had lower hematological toxicity than topotecan and caused fewer gastrointestinal adverse events such as diarrhea, than irinotecan hydrochloride.

- In March 2024, the first patient has been enrolled for the phase 3 clinical trial of LY01610 in China.

LY30410 (Rivastigmine Twice Weekly Transdermal Patch): *the world's first patch formulation of Rivastigmine to be administered twice a week developed by the Group.*

It has been approved for marketing in several European countries in 2021 for the treatment of mild to moderate dementia associated with Alzheimer's disease ("AD"). It has been approved by NMPA in China in October 2023 for the symptomatic treatment of mild to moderate AD.

- In June 2024, the Group's partner Towa Pharmaceutical Co., Ltd. (Towa) filed a New Drug Application ("NDA") to the Ministry of Health, Labour and Welfare in Japan for the Rivastigmine Twice Weekly Transdermal Patch for treating mild to moderate dementia associated with AD.

Meibirui (Paliperidone Palmitate Injection): *a long-acting injectable antipsychotic for the treatment of schizophrenia developed by the Group.*

The marketing application was accepted by the Centre for Drug Evaluation ("CDE") of China in December 2022 and this drug has been approved by the NMPA in China in June 2024.

- In June 2024, Meibirui has been approved for marketing by the NMPA in China to be used for the acute and maintenance treatment of schizophrenia.

Jinyouping (Rotigotine Extended-Release Microspheres for Injection): *the world's first long-acting extended-release microsphere formulation for the treatment of PD developed by the Group.*

Its NDA has been accepted by CDE of China in August 2023 and approved by the NMPA of China in June 2024.

Compared with the currently marketed dopamine receptor agonists (DAs) that require daily administration, Jinyouping is more aligned with the concept of CDS and overcomes the non-physiological and pulsatile stimulation generated by short acting dopaminergic drugs, and shows obvious characteristics of extended-release formulation which can maintain a stable release of rotigotine over seven days. It also maintains a stable concentration of the active ingredient in the patient's blood, to produce sustained therapeutic effects over several days in a row to truly achieve CDS and reduce adverse reactions arising from concentration fluctuation. Additionally, the once-a-week dosing frequency improves patients' medication compliance and makes the long-term management of the disease easier.

- In June 2024, it has been approved for marketing by the NMPA with a priority review designation for the treatment of PD.

Mimeixin (Oxycodone Hydrochloride and Naloxone Hydrochloride Sustained-release Tablets): *the first oxycodone hydrochloride and naloxone hydrochloride sustained-release tablet approved in China that is locally developed and technically challenging to make.*

Mimexin is an oral sustained-release tablet combined with oxycodone and naloxone, which exerts analgesic effect through the strong opioid receptor agonist oxycodone, and due to the low oral bioavailability of naloxone, it can directly bind to gastrointestinal opioid receptors to combat oxycodone-induced constipation without affecting the analgesic effect. In addition, it employs proprietary drug-locking technology to prevent the grinding, extraction, and conversion of oxycodone, thereby deterring drug abuse. Additionally, naloxone, by antagonizing the activity of oxycodone, can prevent users from experiencing euphoria and induce precipitated withdrawal, a mechanism of action that allows Mimeixin to further mitigate the risk of abuse.

- In June 2024, it has been approved for marketing by the NMPA in China to be used for the management of severe pain (cancer pain and non-cancer pain) that can only be effectively controlled by opioids in adults.

Erzofri (paliperidone palmitate) extended-release injectable suspension: *an innovative formulation of paliperidone palmitate long-acting injection independently developed by the Group.*

It is the first patented paliperidone palmitate long-acting injection developed by a Chinese company to be approved in the U.S. with independent intellectual property rights. The product was granted a patent in the U.S. (Patent No. 11,666,573) in 2023, which will expire in 2039. Erzofri obtained marketing approval as a new drug under the 505(b)(2) Pathway in the U.S.

The development of this drug in Europe is also progressing well, with a plan to be registered and marketed in the global market.

- In January 2024, no patent infringement lawsuit has been filed against the NDA for Erzofri submitted to and accepted by the FDA through the section 505(b)(2) Pathway within the statutory time limit under the U.S. Federal Food, Drug, and Cosmetic Act. This means that it has successfully overcome the patent challenge in its NDA review process.

- In June 2024, the Group has received the Establishment Inspection Report from the U.S. FDA indicating that the manufacturing facility of Erzofri has successfully passed a Pre Approval Inspection (PAI) with No Action Indicated (NAI, no FDA-483).

- In July 2024, Erzofri has received marketing approval from the U.S. FDA for treatment of schizophrenia in adult patients and for treatment of schizoaffective disorder in adults as monotherapy and as an adjunct to mood stabilizers or antidepressants.

LY03020: *a next generation antipsychotic and the first agonist against both the trace amine associated receptor 1 (TAAR1) and the 5-HT$_{2C}$ receptor (5-HT$_{2C}$R) in the world independently developed by the Group.*

Preclinical studies have demonstrated that LY03020 significantly improves the positive and negative symptoms as well as cognitive impairments associated with schizophrenia, and also significantly improves the positive and negative symptoms of Alzheimer's disease psychosis (ADP), without noticeable risks for extrapyramidal symptoms (EPS) as well as metabolic syndromes like weight gain and abnormal glucose/lipid levels, which have the potential to better meet clinical demand.

- In August 2024, it has obtained the approval from the CDE of China to initiate clinical trials. It is intended to treat schizophrenia and AD psychosis.

- In January 2025, it has obtained the approval from the FDA to initiate clinical trials in the U.S. for treating schizophrenia.

LY03021: *an innovative inhibitor of the norepinephrine transporter NET and the dopamine transporter DAT, as well as a gamma-aminobutyric acid type A receptor-positive allosteric modulator (GABAAR PAM) intended for the treatment of MDD independently developed by the Group.*

Non-clinical studies have shown that LY03021 significantly inhibited depressive symptoms in animal models 24 hours after administration, and continuous administration could maintain the efficacy until the end of the 21-day study, demonstrating rapid onset and sustained efficacy with long-term and continuous administration. This drug also has a good safety profile, as its NOAEL (no-observed-adverse-effect-level) is 50 times above its effective dose.

- In November 2024, it has obtained the approval from the CDE of China to initiate clinical trials. It is intended for the treatment of MDD.

Zepzelca (Lurbinectedin for Injection): *an innovative selective inhibitor of oncogenic transcription. Whilst inhibiting oncogenic transcription and induce tumor cell apoptosis, it also modulate the microenvironment for tumors to further exert its anti-tumor effects.*

The drug was approved by the FDA through its Accelerated Approval Program in 2020. It has been the only new chemical entity approved by the FDA for the treatment of relapsed SCLC in nearly 28 years since 1997. To date, it has been approved for marketing in 17 countries or regions worldwide. The Group has been granted the rights to develop and commercialize this drug in mainland China, Hong Kong, and Macao, and has received marketing approval for the drug in these three regions.

- In December 2024, Zepzelca was approved for marketing by NMPA through the priority review program. The drug is indicated for the treatment of adult patients with metastatic SCLC with disease progression on or after platinum-based chemotherapy.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

***LY03015:** an innovative VMAT2 (vesicular monoamine transporter 2) inhibitor and a Sigma-1 receptor agonist, intended for the treatment of tardive dyskinesia ("TD") and Huntington's disease ("HD") independently developed by the Group.*

Preclinical studies show that LY03015 is superior to the marketed VMAT2 inhibitors in terms of in vitro and in vivo pharmacologic and pharmacokinetic properties, having no off-target effects and better cardiac safety. A Phase I clinical trial shows that LY03015 is generally safe and well-tolerated with a relatively long half-life, which can be administered orally once a day. Compared with the marketed VMAT2 inhibitors, LY03015 is not metabolized by CYP2D6, thereby reducing the risk of drug interactions mediated by this enzyme.

- In January 2025, LY03015 has completed the enrollment of the first patient in China for a phase 2 clinical trial. The phase 2 clinical trial of LY03015 to be conducted in China is a multicenter, randomized, double-blind, and placebo-controlled study in TD patients.

R&D progress for Boan Biotech's products candidates

***Boyoubei (BA6101, 60mg Denosumab Injection):** a human immunoglobulin G2 monoclonal antibody of the RANK ligand and the first biosimilar to Prolia independently developed by Boan Biotech.*

It has been approved for marketing by the NMPA in China for the treatment of postmenopausal women with osteoporosis at high risk for fracture in November 2022.

- In January 2024, Boan Biotech completed the enrollment of all subjects for an international multi-center phase 3 clinical study of denosumab injection in Europe, the U.S., and Japan. According to the guidelines by the FDA, the European Medicines Agency ("EMA") and the Japanese Pharmaceuticals and Medical Devices Agency ("PMDA") and based on our discussions with the FDA, EMA and PMDA, after completion of this phase 3 clinical study, Boan Biotech can submit BLAs for BA6101 and BA1102 for all the approved indications as Prolia and Xgeva in the U.S., Europe, and Japan, respectively.

***Boluojia (BA1102, 120mg Denosumab Injection):** a fully human IgG2 anti-RANKL monoclonal antibody and a biosimilar to Xgeva independently developed by Boan Biotech.*

- In January 2024, Boan Biotech completed the enrollment of subjects for an international multi-center phase 3 clinical study of denosumab injection in Europe, the U.S., and Japan. According to the guidelines by the FDA, EMA and PMDA and based on our discussions with the FDA, EMA and PMDA, after completion of this phase 3 clinical study, Boan Biotech can submit BLAs for BA6101 and BA1102 for all the approved indications as Prolia and Xgeva in the U.S., Europe, and Japan, respectively.

- In May 2024, Boluojia has been approved for marketing by the NMPA in China for the treatment of giant cell tumor of bone ("GCTB") that is unresectable or where surgical resection is likely to result in severe morbidity in adults and skeletally mature adolescents (defined as having at least one mature long bone and with body weight ≥45 kg). At the same time, Boan Biotech is working on the BLA of Boluojia in China for the indications of bone metastases from solid tumors and multiple myeloma.

BA5101 (Dulaglutide Injection): *a long-acting glucagon-like peptide-1 (GLP-1) receptor agonist and a biosimilar to Trulicity independently developed by Boan Biotech.*

BA5101 is intended for glycemic control in adults with type 2 diabetes. It is the first Trulicity biosimilar developed by a Chinese company to be approved for clinical trials in the U.S. It is also the first proposed biosimilar to Trulicity to submit a BLA in China.

- In March 2024, its phase 3 clinical trial (a comparative study of efficacy, safety and immunogenicity) has been completed in China.
- In May 2024, the BLA for this drug has been accepted by the CDE of NMPA in China.
- In August 2024, the U.S. FDA has approved the initiation of clinical trials in the U.S. for BA5101.

BA9101 (Aflibercept Intravitreous Injection): *a recombinant human vascular endothelial growth factor receptor antibody fusion protein ophthalmic injection and a biosimilar to Eylea.*

Aflibercept is widely used as a first-line treatment for Neovascular (Wet) Age-Related Macular Degeneration (nAMD), Diabetic Macular Edema (DME), Macular Edema Following Retinal Vein Occlusion (RVO), Diabetic Retinopathy (DR), Visual Impair due to Myopic Choroidal Neovascularization (mCNV) and Retinopathy of Prematurity (ROP) worldwide, and its future market is promising driven by the demand in the clinical practice.

- In April 2024, its phase 3 clinical trial (a comparative study of efficacy and safety) has been completed in China.
- In July 2024, the BLA for this drug has been accepted by the CDE of NMPA in China.

BA2101: *a long-acting human monoclonal antibody of the IgG4 subtype that targets interleukin-4 receptor subunit a (IL-4Ra) independently developed by Boan Biotech.*

Compared to drugs with the same target which usually require dosing every two weeks, BA2101 can remain active for a longer period of time. Preclinical studies show that BA2101 has a longer half-life in cynomolgus monkeys than a marketed product with the same target, a feature that is expected to enable dosing once every four weeks in humans. Results of the completed phase 1 clinical trial show that BA2101 has a longer half-life and lower clearance rate than the marketed product.

- In January 2024, its phase 2 clinical trial has been initiated.

BA1301: *an ADC candidate that targets Claudin 18.2 independently developed by Boan Biotech.*

BA1301 for injection is our first novel ADC candidate that targets Claudin 18.2. It employs a site-specific conjugation technology to connect the cytotoxic payload with a monoclonal antibody that targets Claudin 18.2. This enables the cytotoxic payload to be directed to the tumor site through the targeting characteristics of the antibody. Such design reduces the toxic side effects of the cytotoxic payload, thus improving the therapeutic window, while retaining its tumor-killing effect.

- In January 2024, BA1301 was granted the Orphan Drug Designations ODD by the FDA for the treatment of gastric cancer, including cancer of gastroesophageal junction.

BA1302: *a novel CD228-directed ADC independently developed by Boan Biotech.*

BA1302 is a novel ADC drug targeting CD228. The antibody part of BA1302 is an innovative human anti-CD228 monoclonal antibody derived from Boan Biotech's proprietary human antibody transgenic mice. It binds with the membrane-bound form of CD228 only, not with sMF12, which is the soluble form of CD228. This highly binding specificity reduces the non-specific binding, to ensure higher efficacy and safety. The chemical part of BA1302 is BNLD11, an innovative linker-payload, which has remarkable in vitro and in vivo stability. Structurally, approximately four BNLD11 molecules are conjugated to each antibody molecule on average. This design enhances the drug's cell killing efficiency while minimizing the toxicity associated with payload release, thus striking a balance between therapeutic effects and toxic side effects.

Preclinical studies have shown that BA1302 is very potent in terms of internalization activity and bystander killing effect. It has the potential to treat a broad spectrum of solid tumors as evidenced by its significant cytotoxicity against three types of cancers (i.e. lung cancer, gastric cancer, and melanoma) with CD228 expression ranging from low to high, as well as robust tumor suppression in patient-derived xenograft (PDX) models for multiple types of solid tumors. BA1302 has shown a prolonged half-life, favorable pharmacokinetics, and a good safety and tolerability profile in cynomolgus monkeys, indicating great promise for clinical use.

- In July 2024, BA1302 has been approved to initiate clinical trials for treating multiple types of advanced solid tumors by the CDE of NMPA in China. This is the first CD228 targeted novel ADC drug candidate approved for clinical trials in China.

- In November 2024, the first patient has been dosed in the phase 1 clinical trial of BA1302.

- In March 2025, BA1302 was granted the ODD by the FDA for the treatment of squamous non-small-cell lung cancer and pancreatic cancer respectively.

Sales, Marketing and Business Collaborations

For global market

The business of the Group covers 80 countries or regions including the U.S., countries in the European Union, Japan, Association of Southeast Asian Nations, Latin America, Gulf Cooperation Council region and other emerging countries or regions. The Group also has strong sales partnerships with more than 50 partners throughout the world.

For China market

The Group has established an extensive nationwide sales and distribution network and sold its products to 31 provinces, autonomous regions and municipalities throughout the PRC as of 31 December 2024. The Group's sales, marketing and distribution functions are conducted through around 1,000 sales and marketing personnel, a network of approximately 1,730 distributors that collectively enabled the Group to sell its products to over 22,430 hospitals, which comprised approximately 2,310 or approximately 89.5% of all Class III hospitals, approximately 6,040 or approximately 67.0% of all Class II hospitals and approximately 14,080 or approximately 65.0% of all Class I and other hospitals and medical institutions, in the PRC as of 31 December 2024. The Group believes that its sales and marketing model, together with the extensive coverage of hospitals and other medical institutions represent a significant competitive advantage and a culmination of both academic promotions by the Group's in house personnel in different regions and partnerships with high-quality distributors across China. The Group also believes that its sales and marketing model provides a solid foundation for the Group to continue to enhance market awareness of its brand and expand the market reach of its products.

For business collaborations

During the Reporting Period, we have explored a number of cooperations with well-known domestic and foreign companies in relation to our products around the world as below:

- In January 2024, Boan Biotech has entered into a partnership with Joincare Pharmaceutical Group Industry Co., Ltd. ("Joincare") in relation to BA2101. In this partnership, Joincare is granted the exclusive right to develop and commercialize BA2101 in Chinese Mainland for treating respiratory diseases such as asthma and chronic obstructive pulmonary disease ("COPD"). The partner, Joincare, is a leading Chinese company in the therapeutic area of respiratory diseases. It boasts a wide range of respiratory products and has a dedicated marketing team covering the whole country, making it a top player in the field. Through this partnership, Boan Biotech will leverage their respective strengths in R&D and commercialization to accelerate the clinical development of BA2101 for indications such as asthma and COPD.

- In February 2024, the Group has entered into an agreement with Myung In Pharm, granting the latter the exclusive rights to commercialize Rivastigmine MD in South Korea.

- In November 2024, Boan Biotech has signed a licensing agreement for commercializing denosumab injection (BA6101 and BA1102) in the Brazilian market with a strategic partner.

- In January 2025, Boan Biotech has granted the promotion rights of denosumab injection (BA6101 and BA1102) in Hong Kong SAR and Macau SAR to Kexing Biopharm Co., Ltd. ("Kexing Biopharm").

Manufacturing

The Group is developing a global supply chain of 8 manufacturing sites around the world, with GMP quality management and control systems established in line with international standards. For the year ended 31 December 2024, the Group has been working on establishing a global quality control and quality assurance system as well as information platform to ensure the successful integration of the Group's global manufacturing facility system. Boan Biotech have received GMP certification from Brazil's Agência Nacional de Vigilância Sanitária for biological product, Boyuno, covering the drug substance and the drug product in January 2024. The manufacturing site for transdermal patches in Miesbach, Germany, is running at full capacity and is striving to increase output to address growing customer demands. Several customer audits during the Reporting Period were performed on site and confirmed compliance with GMP standards. New customers were on-boarded during the Reporting Period and their product launches were supported as per customer timelines. Still, Rotigotine patch keeps its position in the German market as the first and so far only alternative option to UCB's Neupro© patch. The product has been launched successfully in further European countries. Significant investments in additional production capacity are under way in the framework of "Project Miesbach 2027" which is running according to project timeline and budget.

Post Results Outlook

During the Reporting Period, the Group recorded a decline of 1.0% in sales of product in the first half of 2024 due to the impact of various new policies on China's domestic pharmaceutical industry. However, with the adjustment of sales strategies and sales team as well as the sales increase in new products, the Group's sales of product in the second half of 2024 achieved a growth of 3.2% compared to that of the second half of 2023 and a growth of 6.4% compared to that of the first half of 2024. The trend of product sales is positively improving.

The Group's new drug pipeline, which has been developed over many years with a focus on the core therapeutic areas of oncology and CNS, is now entering a period of fruition. With the rapid increase in sales of significant new products in recent years, the Group's overall business will entered into a high-growth phase.

The Group anticipates that the following fundamental changes and strategic adjustments will further help the Company achieve high-quality future performance growth and long-term sustainable development.

More than 10 new products approved in the past three years in various countries or regions worldwide, creating a diverse product portfolio that is expected to bring high sales growth.

In the oncology therapeutic area, the Group has five new products (Boyounuo, Baituowei, Zepzelca, Mimeixin and Boluojia) approved in China.

In 2021, the Group has received approval for the broad-spectrum anti-tumor product Boyounuo, which has been included in the NRDL. According to the data of IQVIA, the market sales of bevacizumab have already reached to RMB10.0 billion with a growth rate of 21.0% in China in 2024. In 2023, the Group's innovative formulation, Baituowei, has been approved for launch for the treatment of prostate cancer and breast cancer. Data from IQVIA shows that the total size of the market for GnRH agonists in China was approximately RMB11.1 billion in 2024. With its innovative microsphere formulation, Baituowei is able to ensure efficacy and safety while significantly improving patient experience compared to reference product. The Group and BeiGene have entered a strategic partnership for Baituowei's commercialization in China and two indications of this product have been included in the latest NRDL.

During the Reporting Period, our innovative new compound product, Zepzelca, has been approved for launch in mainland China in December 2024. Previously, it has been launched in Hong Kong SAR and Macao SAR. This product is indicated for the treatment of metastatic SCLC. Lung cancer has the highest mortality rate among all cancers, especially SCLC, which is notoriously difficult to treat because it's highly malignant and invasive. Most patients would develop drug resistance and experience a relapse after receiving the initial treatment. Meanwhile, there has been very limited progress in the treatment of this disease, with almost no substantial breakthrough in more than two decades. The approval of Lurbinectedin will provide a new treatment option for physicians.

Furthermore, Boluojia has been approved for GCTB in May 2024 and Mimeixin has been approved for the management of severe pain (cancer pain and non-cancer pain) in June 2024. These two products are medications used across multiple departments in the oncology field, and they have a strong synergistic effect with the Group's previously launched oncology products.

As a strong area for the Group, the oncology field has the potential to generate an incremental annual revenue of over RMB1.0 billion in the short term from the launch of five new products, with a long-term market potential for incremental revenue exceeding RMB5.0 billion.

In the CNS therapeutic area, the Group has five new products (Ruoxinlin, Rykindo, Meibirui, Jinyouping and Rivastigmine Transdermal Patch) approved in mainland China and four new products (Rykindo, Erzofri, Rivastigmine MD and Rotigotine Patch) approved in the U.S. or Europe.

Among them, Ruoxinlin is a new chemical entity approved for MDD in 2022. MDD affects nearly 300 million people worldwide. China has around 50 million MDD patients who require treatment with standard medications. However, developing new drugs for the treatment of mental disorders has been difficult. Meanwhile, existing drugs cannot meet the needs of patients in terms of efficacy and side effects in this therapeutic area. The launch of this product is a breakthrough for innovative drugs developed locally in China in this field. The clinical studies show that Ruoxinlin is able to comprehensively and stably improve depressive symptoms with favorable safety profile and good tolerability. In its first year on the market, Ruoxinlin has been sold rapidly and has become one of the fastest-growing new drugs in the field of CNS. The Group expects this product to become another blockbuster product with potential sales of billions RMB. The Group will also expand the research of Ruoxinlin in the adolescent population and patients with recurrent depression, and expect the product to be applied to a wider group of patients with depression.

Our blockbuster antipsychotic drug, Erzofri, has successfully received approval in the U.S. in July 2024. Erzofri is the first patented paliperidone palmitate long-acting injection developed by a Chinese company to be approved in the U.S. with independent intellectual property rights. Paliperidone Palmitate Long-acting Injection generated sales of US$3.125 billion in the U.S. market in 2024 based on publicly available information. The market potential in this field is immense, with few competing products. Erzofri, with its unique product advantages, holds significant market potential and opportunities for growth.

Focusing on Ruoxinlin and Erzofri, the CNS field of the Group also holds a long-term market potential for incremental revenue exceeding RMB5.0 billion.

Mature products are expected to experience stable growth

Focusing on the three therapeutic areas of oncology, CNS, and cardiovascular diseases, the Group has developed four core mature products: Lipusu, Seroquel, Xuezhikang, and Oukai. All four of these products are either exclusive or original innovative products. These products have all been included in the NRDL. Among them, Lipusu has been included in the regular catalogue of the 2024 NRDL in November 2024 with the original payment standard. The 2024 NRDL will officially take effect on 1 January 2025.

With the expansion of the patients, these products will bring sustained and stable growth in the future. The revenue from these products forms the cornerstone of the Group's sustainable development, laying a solid foundation for the growth of future new products.

Optimizing sales model and strategies in response to the broader pharmaceutical market environment, laying the foundation for high-quality sales growth

In line with current trends in the pharmaceutical market, the Group will continue to strengthen the management and control of grassroots sales personnel by the central sales department. The Group will also reduce sales expenses through more efficient sales models, optimize personnel structures, and establish a more comprehensive sales incentive system.

With the launch of many new products, the Group will bring in a management team with experience in sales of innovative drug and expand sales teams in core therapeutic areas. In the field of oncology, with the launch of Zepzelca and Mimeixin, the Group has set up a dedicated team to quickly cover core hospitals, and cooperate with the existing team to fully promote the coverage of the product in wide markets. In the field of CNS, the Group will continue to expand the size of Ruoxinlin's team to increase its coverage in core markets and carry out more academic clinical trials. Meanwhile, the Group will also actively expand the coverage of Ruoxinlin in multi-departments with various partners not limited to psychiatric hospitals or departments. In the field of conventional medicine, the Group will orderly expand the dedicated team of Oukai to further release the potential of this product.

Externally, the Group will keep penetrating into the domestic and international markets and actively seek for cooperation opportunities with third parties to ensure the business maintains high-quality and healthy growth.

Continue to optimize product pipeline under development, focusing on core therapeutic areas and increasing the proportion of investment in new molecular innovative drugs

As the R&D investments made over the past decade enter a period of fruition, the Group will continue to prioritize long-term sustainable development. In the short to medium term, the Group anticipates that several biologic products are expected to be launched in China and overseas. Dulaglutide (BA5101) and Aflibercept (BA9101) has filed BLA during the Reporting Period, which could be approved in China in 2025. The international multi-center phase 3 clinical study of Denosumab (BA6101 and BA1102) is progressing well and their BLAs in U.S., EU and Japan are expected to be submitted at the end 2025 or 1H of 2026.

In the long term, the Group has a pipeline of innovative biologics (BA2101, BA1106, BA1202, BA1301 and BA1302) targeting various novel bio-markers in the oncology or autoimmune diseases field, as well as a series of innovative chemical drugs (LY03014, LY03015, LY03017, LY03020 and LY03021) targeting novel bio-markers in the CNS field. Most of these candidates have entered clinical trials.

In terms of license-in, the Group will focus on high-potential products in the field of oncology and CNS that can generate sales revenue in short term and have synergetic effects with existing products. For non-core products or products that have the opportunity to obtain a larger scale of sales by commercialization of partners, the Group will actively choose to license-out.

Improving the profitability through the optimization of various expenses

With more and more high-priced new products being sold to the market, the Group's overall gross profit margin expects to gradually increase. In addition, the Group will strategically continue to improve the management efficiency, reduce non-essential expenses. The Group's governance and administrative costs could be kept at the current absolute level through optimizing the human resource structures. Marketing efficiency will continue to improve, and the selling expenses to revenue ratio expects to gradually decrease. With the reduction of interest-bearing liabilities, the financial expense to revenue ratio will also be reduced to a certain extent. R&D expenses will be controlled to a certain amount. As a result, the overall net profit margin is expected to gradually return to the industry level in the next three years.

FINANCIAL REVIEW

Revenue

For the Reporting Period, the Group's revenue amounted to approximately RMB6,061.4 million, as compared to RMB6,143.1 million for the year ended 31 December 2023, representing a decrease of approximately RMB81.7 million, or 1.3%. The decrease was mainly attributable to a decrease in sales from certain products as further elaborated below.

For the Reporting Period, the Group's revenue from sales of oncology products decreased to RMB2,084.6 million, as compared to RMB2,122.4 million for the year ended 31 December 2023, representing a decrease of approximately RMB37.8 million, or 1.8%, primarily attributable to decrease in sales of various oncology products during the year.

For the Reporting Period, revenue from sales of cardiovascular system products decreased to RMB1,660.0 million, as compared to RMB1,687.4 million for the year ended 31 December 2023, representing a decrease of approximately RMB27.4 million, or 1.6%, primarily attributable to the decrease in sales of various cardiovascular system products of the Group.

For the Reporting Period, revenue from sales of alimentary tract and metabolism products decreased to RMB388.9 million, as compared to RMB450.4 million for the year ended 31 December 2023, representing a decrease of approximately RMB61.5 million, or 13.7%, primarily attributable to the decrease in sales of various other alimentary tract and metabolism products of the Group.

For the Reporting Period, revenue from CNS products decreased to RMB1,613.3 million, as compared to RMB1,694.6 million for the year ended 31 December 2023, representing a decrease of approximately RMB81.3 million or 4.8%.

For the Reporting Period, revenue from sales of other products increased to RMB314.7 million, as compared to RMB188.3 million for the year ended 31 December 2023, representing an increase of approximately RMB126.4 million, or 67.1%, primarily attributable to the increase in sales of various other products of the Group.

Cost of Sales

The Group's cost of sales increased from RMB1,938.9 million for the year ended 31 December 2023 to approximately RMB2,017.2 million for the Reporting Period, which accounted for approximately 33.3% of the Group's total revenue for the same year. The Group's increase in cost of sales was mainly attributable to the higher sales of higher cost products for the Reporting Period, as compared to the year ended 31 December 2023.

Gross Profit

For the Reporting Period, the Group's gross profit decreased to RMB4,044.2 million, as compared to RMB4,204.2 million for the year ended 31 December 2023, representing a decrease of approximately RMB160.0 million, or 3.8%. The gross profit margin of 66.7%, decreased from 68.4% for the year ended 31 December 2023, mainly due to higher sales of lower margin products of the Group for the Reporting Period, as compared to the year ended 31 December 2023.

Other Income and Gains

The Group's other income and gains mainly comprised of government grants, interest income and investment income. For the Reporting Period, the Group's other income and gains decreased to RMB360.0 million, as compared to RMB501.8 million for the year ended 31 December 2023, representing a decrease of approximately RMB141.8 million, or 28.3%. The decrease was mainly attributable to lower bank interest income and no fair value gain adjustment of derivative instruments during the year.

Selling and Distribution Expenses

The Group's selling and distribution expenses consisted of expenses that were directly related to the Group's marketing, promotion and distribution activities. For the Reporting Period, the Group's selling and distribution expenses amounted to RMB1,816.4 million, as compared to RMB2,056.2 million for the year ended 31 December 2023, representing a decrease of RMB239.8 million, or 11.7%. The decrease was mainly attributable to lower promotion expenses. As a percentage of revenue, the Group's selling and distribution expenses decreased to 30.0%, as compared to 33.5% for the year ended 31 December 2023.

Administrative Expenses

The Group's administrative expenses primarily consisted of staff cost, general operating expense, conference and entertainment expense, travel and transportation expense, depreciation, amortisation and impairment loss, auditor's remuneration, consulting expenses, bank charges, taxation and other administrative expenses. For the Reporting Period, the Group's administrative expenses amounted to approximately RMB582.0 million, as compared to RMB644.0 million for the year ended 31 December 2023, representing a decrease of approximately RMB62.0 million, or 9.6%. The decrease was mainly due to reduce in staff cost and travelling expenses during the year.

Other Expenses

The Group's other expenses primarily consisted of R&D costs, donations, foreign exchange loss and miscellaneous expenses. For the Reporting Period, the Group's other expenses amounted to approximately RMB604.0 million, as compared to RMB631.1 million for the year ended 31 December 2023, representing a decrease of approximately RMB27.1 million, or 4.3%. The decrease was mainly due to a substantially lower R&D cost during the year.

Finance Costs

For the Reporting Period, the Group's finance costs amounted to RMB561.8 million, as compared to RMB675.5 million for the year ended 31 December 2023, representing a decrease of approximately RMB113.7 million, or 16.8%. The decrease was mainly due to the lower interest on bank and convertible bond interest for the Reporting Period, as compared to the corresponding year ended 31 December 2023.

Income Tax Expense

For the Reporting Period, the Group's income tax expense amounted to RMB194.2 million, as compared to RMB161.0 for the year ended 31 December 2023, representing an increase of RMB33.2 million, or 20.6%. The effective tax rate for the Reporting Period is 23.1%, as compared to 23.0% for the year ended 31 December 2023 mainly contributed to one off tax provision made during the year.

Net Profit

The Group's net profit for the Reporting Period was approximately RMB645.0 million, as compared to RMB539.1 million for the year ended 31 December 2023, representing an increase of approximately RMB105.9 million, or 19.6%.

Liquidity, Financial and Capital Resources

As at 31 December 2024, the Group had net current assets of approximately RMB2,539.0 million, as compared to approximately RMB2,565.5 million as at 31 December 2023. The current ratio of the Group decreased slightly to approximately 1.24 as at 31 December 2024 from approximately 1.32 as at 31 December 2023. The decrease in net current assets was mainly attributable to higher interest-bearing loans and borrowings.

Borrowings and Pledge of Assets

As at 31 December 2024, the Group had an aggregate interest-bearing loans and borrowings of approximately RMB8,294.4 million, as compared to approximately RMB7,486.1 million as at 31 December 2023. Amongst the loans and borrowings, approximately RMB6,574.0 million are repayable within one year, and approximately RMB1,720.4 million are repayable after one year. RMB5,845.7 million of the loans and borrowings of the Group carried interest at fixed interest rate. As at 31 December 2024, the Group's borrowings were primarily denominated in RMB and U.S. dollars, and the cash and cash equivalents were primarily denominated in RMB, Hong Kong dollar and U.S. dollars.

Gearing Ratio

As at 31 December 2024, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, decreased to 52.7% from 55.3% as at 31 December 2023. The decrease was primarily due to lower interest-bearing loans and borrowings during the year.

Foreign Exchange and Exchange Rate Risk

The Group primarily operates in the PRC and is exposed to foreign currency risk arising from fluctuations in exchange rate between RMB and other currencies in which the Group conducts its business. The Group is subject to foreign currency risk attributable to the bank balances, trade and other receivables and payables as well as bank loans that are denominated in currencies other than RMB. The Group seeks to limit the exposure to foreign currency risk by minimising its net foreign currency position. The Group did not enter into any hedging transactions in respect of foreign currency risk as at 31 December 2024. The Directors expect that the fluctuation of the RMB exchange rate will not have a material adverse effect on the operation of the Group.

Convertible Bonds

2022 convertible bonds

On 16 August 2022 and 13 September 2022, with the aim of providing additional funding at reasonable cost to finance the Company's ongoing business development, the Company issued the convertible bonds in the principal amount of Hong Kong dollars equivalent of RMB1,200 million and Hong Kong dollars equivalent of RMB300 million at the initial conversion price of HK$3.50 per share to an independent third party subscriber, New Leaf Biotech Holding Limited, with an interest rate of 6.50 per cent. The maturity date of the convertible bonds is 360 days after the first payment date and 24 July 2023, respectively.

The convertible bonds comprise two components:

(a) The debt component was initially measured at fair value. It was subsequently measured at amortised cost using the effective interest method after considering the effect of the transaction costs.

(b) The derivative component contains conversion options (not closely related to the debt component), which was measured at fair value with changes in fair value recognised in the statement of profit or loss.

The fair value of the debt component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option.

The total transaction costs that are related to the issuance of the convertible bonds were allocated to the debt and derivative components in proportion to their respective fair values.

The net proceed from the 2022 convertible bond issued on 16 August 2022 (the "August 2022 Convertible Bonds") approximately HK$1,371.15 million representing a net issue price of approximately HK$3.45 per converted shares. The net proceed from the 2022 convertible bond issued on 13 September 2022 (the "September 2022 Convertible Bonds", together with the August 2022 Convertible Bonds, the "2022 Convertible Bonds") (after deduction of related expenses) was approximately HK$341.63 million representing a net issue price of approximately HK$3.45 per converted shares.

As at 31 December 2024, the Company had used, and proposed to use, the proceeds from the 2022 Convertible Bonds according to the intentions previously disclosed by the Company.

August 2022 Convertible Bonds

The following table sets out the use of proceeds from the issuance of the August 2022 Convertible Bonds during the year ended 31 December 2024:

Intended use of proceeds	Approximate allocation of net proceeds as previously disclosed (HKD in million)	Approximate utilisation of proceeds as at 31 December 2023 (HKD in million)	Approximate utilisation of proceeds during the year ended 31 December 2024 (HKD in million)	Approximate amount of net proceeds unutilised as at 31 December 2024 (HKD in million)
Research and development, including preclinical studies, clinical trials and related registration and administration, of products under development including LY03010, LY03014, LY03003, LY01005, LY01610, LY01616 and other products in the pipeline	548.46	411.34	137.12	–
Repayment of debts falling due within 12 months	411.35	411.35	–	–
Marketing and commercialisation of products	274.23	233.10	41.13	–
General working capital	137.11	123.40	13.71	–
Total	1,371.15	1,179.19	191.96	–

September 2022 Convertible Bonds

The following table sets out the use of proceeds from the September 2022 Convertible Bonds during the year ended 31 December 2024:

Intended use of proceeds	Approximate allocation of net proceeds as previously disclosed (HKD in million)	Approximate utilisation of proceeds as at 31 December 2023 (HKD in million)	Approximate utilisation of proceeds during the year ended 31 December 2024 (HKD in million)	Approximate amount of net proceeds unutilised as at 31 December 2024 (HKD in million)
Update of the Group's facilities in Sichuan	147.93	103.55	44.38	–
Update of the Group's facilities in Yantai	136.65	98.39	38.26	–
Update of the Group's facilities in Nanjing	57.05	45.64	11.41	–
Total	341.63	247.58	94.05	–

Accordingly, as at 31 December 2024, (i) the Company had used the proceeds from the 2022 Convertible Bonds according to the intentions previously disclosed by the Company; and (ii) the Company had fully utilised all of the net proceeds from the 2022 Convertible Bonds according to the intentions previously disclosed.

2023 convertible bonds

On 6 July 2023, the Company issued 6.25 per cent convertible bonds with an aggregate principal amount of US$180,000,000 (the "2023 Convertible Bonds") and the listing of the bonds on the Stock Exchange was effective on 7 July 2023. The 2023 Convertible Bonds are convertible at the option of the bondholders into ordinary shares with the initial conversion price of HK$4.88 per share any time on or after 16 August 2023 and up to the close of business on the date falling ten days prior to 6 July 2028. On 6 July 2026, the holder of each bond will have the right at such holder's option, to require the Company to redeem all or some only of the bonds at their principal amount, together with interest accrued but unpaid. Any convertible bonds not converted will be redeemed on 6 July 2028 at its principal amount together with accrued but unpaid interest thereon. The bonds carry interest at a rate of 6.25 per cent per annum, which is payable semi-annually in arrears on 6 January and 6 July.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as equity component and is included in shareholders' equity.

The net proceed from the 2023 Convertible Bonds (after deduction of commission related expenses) are approximately US$176,736,000 (equivalent to HK$1,382,764,000) representing a net issue price of approximately HK$4.79 per converted shares.

Intended use of proceeds	Approximate allocation of net proceeds as previously disclosed (HKD in million)	Approximate utilisation of proceeds as at 31 December 2023 (HKD in million)	Approximate utilisation of proceeds during the year ended 31 December 2024 (HKD in million)	Approximate utilisation of proceeds as at 31 December 2024 (HKD in million)	Approximate amount of net proceeds unutilised as at 31 December 2024 (HKD in million)	Expected timeline for utilisation of unutilised proceeds
Research and development, including preclinical studies, clinical trials and related registration and administration, of products under development including LY03010, LY03003, LY01005, LY03005 and other products in the Pipeline.	276.55	62.22	80.20	142.42	134.13	2026
Repayment of debts falling due within 12 months	1,106.21	207.41	622.25	829.66	276.55	2026
Total	1,382.76	269.63	702.45	972.08	410.68	

As at 31 December 2024, the Company had used, and proposed to use, the proceeds from the 2023 Convertible Bonds according to the intentions previously disclosed by the Company.

2024 convertible bonds

On 30 October 2024 and 13 December 2024, the Company issued 5.85 per cent convertible bonds with an aggregate principal amount of US$100,000,000 and US$50,000,000 (together, the "2024 Convertible Bonds"). The 2024 Convertible Bonds are convertible at the option of the bondholders into ordinary shares with the initial conversion price of HK$3.672 per share any time on or after 10 December 2024 and 23 January 2025 and up to the close of business on the date falling ten days prior to 29 October 2025. Any convertible bonds not converted will be redeemed on 29 October 2025 at its principal amount together with accrued but unpaid interest thereon. The bonds carry interest at a rate of 5.85 per cent per annum, which is payable semi-annually in arrears on 30 January, 30 April, 30 July and 29 October.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as equity component and is included in shareholders' equity.

The net proceed from the 2024 Convertible Bonds (after deduction of commission related expenses) are approximately US$147,759,558 (equivalent to HK$1,148,505,000) representing a net issue price of approximately HK$3.62 per converted shares.

Intended use of proceeds	Approximate allocation of net proceeds as previously disclosed (HKD in million)	Approximate utilisation of proceeds during the year ended 31 December 2024 (HKD in million)	Approximate utilisation of proceeds as at 31 December 2024 (HKD in million)	Approximate amount of net proceeds unutilised as at 31 December 2024 (HKD in million)	Expected timeline for utilisation of unutilised proceeds
Refinance of existing indebtness	918.80	183.76	183.76	735.04	2025
Research and development of products	114.86	34.46	34.46	80.40	
General corporate purpose	114.85	28.71	28.71	86.14	2025
Total	1,148.51	246.93	246.93	901.58	

As at 31 December 2024, the Company had used, and proposed to use, the proceeds from the 2024 Convertible Bonds according to the intentions previously disclosed by the Company.

Placing of New Shares

On 22 February 2023, the Company completed a placing of 212,000,000 new ordinary shares of the Company (the "Placing Shares"), with the aim to raise capital and strengthen the Company's financial position, representing approximately 5.64% of the total issued shares (as enlarged by the allotment and issuance of the Placing Shares), at the placing price of HK$3.78 per share to no less than six placees who are professional, institutional or other investors selected and procured by the placing agent (the "Placing"). To the best of the knowledge, information and belief of the Directors, the placees are third parties independent of and not connected with the Company, any Director, chief executive or substantial shareholder of the Company, or any of its subsidiaries, or any of their respective associates. The aggregate nominal value of the Placing Shares was US$4,240,000. For further details of the Placing, please refer to the Company's announcements dated 15 February 2023 and 22 February 2023. The Company has received net proceeds from the Placing (after deducting all relevant fees, costs and expenses borne or incurred by the Company) of approximately HK$794.24 million. The net placing price is therefore approximately HK$3.75 per Placing Share. The closing price of each share as quoted on the Stock Exchange was HK$4.12 on 14 February 2023, the date on which the Company entered into the relevant placing agreement. The following table sets out the use of proceeds from the Placing for the year ended 31 December 2024:

Intended use of proceeds	Approximate allocation of net proceeds as previously disclosed (HKD in million)	Approximate utilisation of proceeds as at 31 December 2023 (HKD in million)	Approximate utilisation of proceeds during the year ended 31 December 2024 (HKD in million)	Approximate amount of net proceeds unutilised as at 31 December 2024 (HKD in million)
Marketing and commercialisation of products	238.27	142.96	95.31	–
Conducting overseas clinical trials of products under development including LY03003, LY03005, LY03010, and other products in the pipeline	238.27	142.96	95.31	–
Repayment of debts falling due within 12 months	158.85	142.96	15.89	–
General corporate purpose	158.85	119.14	39.71	–
Total	794.24	548.02	246.22	–

Accordingly, as at 31 December 2024, (i) the proceeds from the Placing were used according to the intentions previously disclosed by the Company; and (ii) the Company has fully utilised all of the net proceeds from the Placing.

Hedging Activities

As at 31 December 2024, the Group did not use any financial instruments for hedging purposes and did not enter into any hedging transactions in respect of foreign currency risk or interest rate risk.

Employees and Remuneration Policy

As at 31 December 2024, the Group employed a total of 5,150 employees, as compared to a total of 5,270 employees as at 31 December 2023. For the year ended 31 December 2024, the staff costs (including Directors' emoluments but excluding any contributions to pension scheme), were approximately RMB771.1 million as compared to RMB839.1 million for the year ended 31 December 2023. The objective of the Group's remuneration policy is to motivate and retain talented employees to achieve the Group's long term corporate goals and objectives. The Group's employee remuneration policy is determined by taking into account factors such as remuneration in respect of the overall remuneration standard in the industry and employee's performance. The management reviews the Group's employee remuneration policy and arrangements on a regular basis. Moreover, the social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations.

Significant Investments and Future Plans for Material Investments or Capital Assets

The Group did not hold any significant investment with a value greater than 5% of its total assets as at 31 December 2024.

The Group does not have other plans for material investments or capital assets.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in this annual report, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2024.

Subsequent Events After the Reporting Period

There were no other significant events that required additional disclosure or adjustments occurred after the end of the reporting period.

Final Dividend

No dividends were declared for the year ended 31 December 2024 (2023: Nil).

DIRECTORS AND SENIOR MANAGEMENT

Set forth below is the composition of the board of directors and senior management of the Company as at 31 December 2024.

Directors

Executive Directors

Mr. LIU Dian Bo, aged 59, Executive Chairman, is a founding member of our Group. He was appointed as a director of the Company ("Director") in July 2003. As our Executive Chairman, Mr. Liu is responsible for the overall management, operations and the charting and reviewing of corporate directions and strategies of our Group. Prior to founding our Group, Mr. Liu was a teacher at Yantai Teacher's College from 1985 to 1989. From 1989 to 1993, Mr. Liu was the general manager of Penglai Huatai Pharmaceutical Co. Ltd. From 1994 to 1999, Mr. Liu was the chairman cum general manager of 山東綠葉製藥有限公司 (Shandong Luye Pharmaceutical Co., Ltd.) ("Shandong Luye"). From 1999 to the incorporation of our Company in 2003, Mr. Liu was the chairman cum president of Shandong Luye. Mr. Liu obtained a Medical Diploma from Yishui Special Medical College (now known as Shandong Medical College) in July 1985. Mr. Liu is the chairman and general manager of Shandong Luye, and the chairman of Beijing WBL Peking University Biotech Co., Ltd. ("Beijing WPU"), and a director of the following main subsidiaries of our Company: Yantai Luye Drugs Trading Co., Ltd. ("Luye Trading"), Sichuan Luye Pharmaceutical Co., Ltd., AsiaPharm Investments Limited, AsiaPharm Biotech Pte. Ltd., Luye Biotech (Singapore) Pte. Ltd. and A-Bio Pharma Pte. Ltd. Mr. Liu is a director of each of Luye Life Sciences Group Ltd. ("Luye Group"), Luye Pharma Holdings Ltd. ("Luye Pharma Holdings"), LuYe Pharmaceutical International Co., Ltd. ("Luye Pharma Intl"), LuYe Pharmaceutical Investment Co., Ltd. ("Luye Pharma Investment"), Shorea LBG, Ginkgo (PTC) Limited (formerly known as Ginkgo Trust Limited), and Nelumbo Investment Limited.

Mr. YANG Rong Bing, aged 59, holds the office of Vice Executive Chairman and is also a founding member of our Group. Mr. Yang was appointed as an Executive Director on 1 March 2007 and was previously a Non-Executive Director from July 2003. Mr. Yang was appointed as a vice executive chairman of the Board with effect from 30 March 2015. Mr. Yang has also been a non-executive director of Shandong Luye since 2000. Prior to that, Mr. Yang was with Jiangsu Xuzhou Bio-Chemical Pharmaceutical Factory from 1988 to 1994 where he worked as an assistant factory head. In 1994, Mr. Yang joined Shandong Luye as a deputy general manager and from 1999 to 2000, he was the chief sales executive and executive director of Shandong Luye. Mr. Yang obtained a Bachelor's degree in Science from Beijing Normal University in July 1988. Mr. Yang is the chairman of Nanjing Luye Pharmaceutical Co., Ltd. ("Nanjing Luye") and a director of the following main subsidiaries of our Company: Shandong Luye, Luye Trading and Nanjing Luye. Mr. Yang is a director of each of Luye Group, Luye Pharma Holdings, Luye Pharma Intl and Luye Pharma Investment.

Mr. YUAN Hui Xian, aged 66, holds the office of Executive Director and is also a founding member of our Group. Mr. Yuan was appointed as a Director in July 2003 and is in charge of our Group's public relations. Prior to joining our Group in 1994, Mr. Yuan was a doctor with Shengli Petroleum Administrative Bureau Yantai Sanatorium from 1980 to 1994, where he was in charge of radiation diagnosis. From 1994 to 1999, Mr. Yuan was a deputy general manager with Shandong Luye. From 1999 to the incorporation of our Company in 2003, Mr. Yuan was the vice-president and executive director of Shandong Luye. He has also received a Post-graduate Certificate in National Economics from the China People's University in February 2003. Mr. Yuan is the chairman of Luye Trading and a director of the following main subsidiaries of our Company: Shandong Luye, Nanjing Luye, Shandong Luye Natural Drug R&D Co. Ltd. Mr. Yuan is a director of each of Luye Group, Luye Pharma Holdings, Luye Pharma Intl and Luye Pharma Investment.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Ms. ZHU Yuan Yuan, aged 44, has been our Executive Director since March 2014. She joined our Group in August 2009 and has 13 years of experience in corporate finance. Before joining our Group, she worked for New Asia Partners Investment Holdings Limited, a Shanghai and Hong Kong-based investment firm focused on assisting Chinese companies in accessing the international capital markets, principally by providing equity capital and corporate finance advisory services. She obtained her Master's degree in Corporate Strategy and Governance from the University of Nottingham in December 2004 and a Bachelor's degree in Finance from Southeast University, the PRC in June 2003. Ms. Zhu is a director of the following subsidiaries of our Company: Luye Pharma Hong Kong Limited, Solid Success Holdings Limited, Apex Group Holdings Limited and Kang Hai Pharmaceutical Technology Development Limited. She is a supervisor of our subsidiary, Beijing WPU. Ms. Zhu is a director of each of Luye Pharma Holdings, Luye Pharma Intl and Luye Pharma Investment.

Non-executive Directors

Mr. SONG Rui Lin, aged 62, has been our non-executive Director since March 2017. Mr. Song is the executive president of China Pharmaceutical Industry Research and Development Association* (中國醫藥創新促進會) and the executive deputy director of the Research Centre for Drug Policy and Industrial Development at China Pharmaceutical University* (中國藥科大學藥物政策與產業經濟研究中心). He is also the Expert of Talent Pool for State Affairs of Chinese People's Political Consultative Conference (CPPCC), advisor on Participation in and Deliberation of State Affairs for the Central Committee of Chinese Peasants and Workers Democratic Party, Member of TCM Strategic Expert Consultation Committee of NMPA, Biotech Advisory Panel Member of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), vice president of China Alliance of Rare Diseases (CARD), honorary director of Chinese Pharmaceutical Association (CPA), director of Chinese Pharmacist Association, director of the Bethune Charitable Foundation and Visiting Research Fellow in Shanghai Jiao Tong University. Mr. Song has extensive experience in the research of the PRC healthcare and drugs laws and policies, and was involved in the drafting and review of a number of the current PRC laws and regulations on healthcare and drugs. From 1985 to 2007, Mr. Song served as deputy director (副處長), director (處長) and deputy Director-General (副司長) at The Department of Education, Science, Culture and Public Health in Legislative Affairs Office at State Council of China* (中國國務院法制辦公室). Subsequent to 2008, Mr. Song served as deputy director of the Chinese Pharmaceutical Association* (中國藥學會) (the "Association") and executive director of the Research Centre for Drug Policies (醫藥政策研究中心) at the Association. He served as the chairman and executive editor of Chinese Journal of New Drugs* (中國新藥雜誌). Since 2011, Mr. Song has been serving as an expert at the Capital Healthcare Policy Reform Expert Group* (首都醫療衛生體制改革專家組). Mr. Song obtained a Bachelor of Laws degree from China University of Political Science and Law in 1985 and a Master in Business Administration degree from China Europe International Business School in 2004, and obtained a Doctorate in Social and Administrative Pharmacy from China Pharmaceutical University in 2018.

Mr. Song currently serves as an independent non-executive director at Shanghai Henlius Biotech, Inc. (上海復宏漢霖生物技術股份有限公司) (stock code: 2696), Simcere Pharmaceutical Group Limited (先聲藥業集團有限公司) (stock code: 2096), Mediwelcome Healthcare Management & Technology Inc. (麥迪衛康健康醫療服務科技有限公司) (stock code: 2159) and Jacobio Pharmaceuticals Group Co., Ltd. (加科思藥業集團有限公司) (stock code: 1167), all companies are listed on the Main Board of Stock Exchange.

From June 2018 to March 2024, Mr. Song served as an independent director of a company listed on the Shanghai Stock Exchange, Shenzhen Chipscreen Biosciences Co., Ltd. (深圳微芯生物科技股份有限公司) (stock code: 688321).

Mr. HUANG Liming, aged 47, has been our non-executive Director since March 2025. He is a partner at Hillhouse Investment Management, Ltd. ("Hillhouse"). Prior to joining Hillhouse in July 2017, he was a managing director of ICBC Tianjin Advisory LLP (天津工銀國際投資顧問合夥企業(有限合夥)) from April 2011 to June 2017. From June 2010 to March 2011, he served as an executive director of J.P. Morgan Securities (Asia Pacific) Limited. Before that, Mr. Huang served as a vice president of Affinity Equity Partners between March 2009 to May 2010. Mr. Huang worked as an associate in the investment banking department at Goldman Sachs (Asia) L.L.C. and later held the position of executive director of the Asia Special Situation Group from July 2003 to February 2009. Mr. Huang received his bachelor's degree in Economics and his master's degree in Economics from Fudan University (復旦大學) in the PRC in July 1999 and July 2002 respectively.

Independent Non-executive Directors

Mr. ZHANG Hua Qiao, aged 61, has been our Independent Non-Executive Director since June 2014. Mr. Zhang has 21 years of experience in working in the investment banking industry since 1994. He served as managing director and the co-head of China research team from June 1999 to April 2006 and the deputy head of China investment banking division of UBS AG, Hong Kong Branch from September 2008 to June 2011. He graduated from the Graduate School of the People's Bank of China (中國人民銀行研究生部) with a Master's degree in Economics in 1986, and from the Australian National University with a Master's degree in Economics in January 1991.

As at the date of this annual report, Mr. Zhang holds or held directorships in the following listed companies in the past three years:

Name of the listed company	Term	Position
Radiance Holdings (Group) Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 9993)	October 2020 to present	Independent non-executive director
Logan Group Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3380)	November 2013 to present	Independent non-executive director
Zhong An Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 672)	January 2013 to present	Independent non-executive director
Fosun International Limited, a company listed on the Main Board of the Stock Exchange (stock code: 656)	March 2012 to present	Independent non-executive director
Haitong International Securities Group Limited, a company formerly listed on the Main Board of the Stock Exchange (former stock code: 665)	May 2021 to March 2024[(Note)]	Independent non-executive director

Note: Haitong International Securities Group Limited has been delisted from the Stock Exchange with effect from 11 January 2024.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Professor LO Yuk Lam, aged 76, has been our Independent Non-executive Director since June 2014. Professor Lo has extensive experience in biotechnology industry, corporate management, academic research and community service.

Currently Professor Lo is serving as the President of HK Bio-Med Innotech Association, and the Honorary Founding Chairman of Hong Kong Biotechnology Organization. In the educational area, Professor Lo is serving as the Strategic Advisor to the President Office of the President and the Adjunct Professor of the division of life science of the Hong Kong University of Science and Technology. He has been elected an Honorary Fellow of the Hong Kong University of Science and Technology. He is also the Honorary Professor of several universities in China.

Professor Lo was heavily involved in several committees of the HKSAR Government. He had been served as the Chairman of the Advisory Council for Food Safety of the Food and Health Bureau HKSAR, Director of the Hong Kong Applied R&D Fund Co. Ltd., Chairman of the Biotechnology Committee of the Hong Kong Industry & Technology Development Council, and Chairman of Biotechnology Projects Vetting Committee of the Innovation and Technology Fund, HKSAR.

In Chinese Mainland, Professor Lo was a member of Chinese People's Political Consultative Conference in Jilin Province. He was also a consultant of the Centre for Disease Control and Prevention of China. In recognition of his leadership in the community and dedication to his field, Professor Lo has received many awards, such as the "Pericles International Prize" in 2019. He is the second Asian and the first person from Hong Kong to be awarded the Prize since it was founded in 1986. In 2020, Professor Lo was awarded the Bronze Bauhinia Star by the HKSAR government for his outstanding services over the past decades.

In the business sector, Professor Lo had served as the Managing Director of Asia Pacific of Bio-Rad Laboratories (NYSE: BIO) and PerkinElmer (NYSE: PKI). He is the Chairman of GT Healthcare Capital Partners, and Partner & Investment Committee Member of Hongsen Investment Management Limited. As at the date of this annual report, Professor Lo holds directorships in the following listed companies in the past three years:

Name of the listed company	Term	Position
Sinovac Biotech Ltd. (SVA: NASDAQ)	March 2006 to present	Independent Director
Zhaoke Ophthalmology Limited, a company listed on the Main Board of the Stock Exchange (stock code: 6622)	April 2021 to present	Independent non-executive director

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. LEUNG Man Kit, aged 71, has been the Independent Non-executive Director since June 2014. Mr. Leung has over 44 years of experience in project finance and corporate finance. Mr. Leung was a Responsible Officer of Grand Moore Capital Limited from 18 September 2019 to 31 October 2021. Previously, he was a director of Emerging Markets Partnership (Hong Kong) Limited (the principal adviser to the AIG Infrastructure Fund L.P.) in 1999. He also held senior positions in the Hong Kong Branch of the Swiss Bank Corporation, SG Securities (HK) Limited (formerly known as Crosby Securities (Hong Kong) Limited) and Peregrine Capital Limited.

As at the date of this annual report, Mr. Leung holds or held directorships in the following listed companies in the past three years:

Name of the listed company	Term	Position
Orange Sky Golden Harvest Entertainment (Holdings) Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1132)*	February 2008 to present	Independent non-executive director
China Ting Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3398)	November 2005 to present	Independent non-executive director
NetEase, Inc., a company listed on NASDAQ and Main Board of the Stock Exchange (stock code: NTES, 9999)*	July 2002 to present	Independent non-executive director
	July 2002 to July 2022	Chairman of the Audit Committee

* *Mr. Leung is/was also the chairman of the audit committee of these companies.*

Mr. Leung obtained a Bachelor's degree in Social Sciences from The University of Hong Kong in October 1977.

Mr. CHOY Sze Chung Jojo, aged 66, has been the Independent Non-executive Director since June 2014. Mr. Choy has extensive experience in the securities industry and business management. He is currently the vice chairman of National Resources Securities Limited and the permanent honourable president of the Institute of Securities Dealers Ltd.

Mr. Choy is a fellow member of the Hong Kong Institute of Directors, the Institute of Financial Accountants, the Institute of Public Accountants and the Institute of Compliance Officers. Mr. Choy is also a member of the Election Council for Hong Kong Deputies to the 12th, 13th and the 14th National People's Congress of the PRC, a member of the 4th, the 5th and 6th term Chief Executive Election Committee of Hong Kong and a member of 11th, 12th and 13th Chinese People's Political Consultative Conference, Shantou.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

As at the date of this annual report, Mr. Choy holds or held directorships in the following listed companies in the past three years:

Name of the listed company	Term	Position
First Credit Finance Group Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8215)	November 2017 to November 2023	Independent non-executive director
New Sparkle Roll International Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 970)	October 2007 to April 2024	Independent non-executive director
Zhaojin Mining Industry Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1818)	May 2007 to present	Independent non-executive director

Mr. Choy obtained a Master's degree in Business Administration from University of Wales, Newport in October 2004 and a Master's degree in Business Law from Monash University in April 2007, a Honorary doctorate of Management from Lincoln University in August 2018 and a Fellowship from Canadian Chartered Institute of Business Administration.

Ms. XIA Lian, aged 46, has been our Independent Non-executive Director since May 2023. Ms. Xia has over 21 years of experience in business administration and business consultancy. She holds a Bachelor's degree in marketing from the Peking University in China and a Master's degree in executive master in change from European Institute of Business Administration (INSEAD). Ms. Xia was employed by Cheung Kong Graduate School of Business from April 2007 to August 2020 with her last position as an assistant dean. She is currently an executive director and the general manager of Vista Education Technology (Shenzhen) Co., Ltd. (遠見教育科技(深圳)有限公司).

As at the date of this annual report, Ms. Xia holds or held directorships in the following listed companies in the past three years:

Name of the listed company	Term	Position
Shanying International Holding Co., Ltd. (山鷹國際控股股份公司), a company listed on the Shanghai Stock Exchange (stock code: 600567)	November 2022 to present	Independent director
ANTA Sports Products Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2020)	July 2022 to present	Independent non-executive director

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Senior Management

Our senior management comprises Executive Directors and the following persons:

Mr. LIU Yuan Chong, aged 61, joined our Group in March 1997 and is currently our Chief Financial Officer. He started as the accountant-in-charge at our finance department, and was promoted to chief of the finance department in 2005 and to our Chief Financial Officer in 2012. Prior to joining our Group, he was the head of accounting of Yantai Alternator Plant (煙台家電交電總公司). He also taught at Yantai Business Vocational Secondary School (煙台商業中專) from September 1983 until September 1986. From 1980 to 1983, he was employed by Shandong Laiyang Biochemical Pharmaceutical Factory. Mr. Liu received a Post-Graduate Certificate in Financial Management from Peking University in October 2006. He currently serves as non-executive director of Boan Biotech.

Ms. LI Li, aged 50, joined our Group in 1997 and is currently our Vice President and responsible for sales and marketing management in China. Ms. Li has over 26 years of experience in the pharmaceutical industry. Since July 1997, she has served in various positions in the Group. Ms. Li obtained a Bachelor's degree in biochemistry from Yantai University in the PRC in July 1997. She also completed a postgraduate course in applied psychology and human resources management and development at Institute of Psychology of Chinese Academy of Sciences (中國科學院心理研究所) in the PRC in February 2009 and obtained a Master's degree in business administration from China Europe International Business School (中歐國際工商學院) in the PRC in August 2021. She currently serves as non-executive director of Boan Biotech.

REPORT OF DIRECTORS

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

Corporate Information

The Company was incorporated in the Bermuda on 2 July 2003 as an exempted company with limited liability under the laws of Bermuda (the "Companies Law"). The Company's shares (the "Shares") were listed on the Main Board of the Stock Exchange on 9 July 2014.

Principal Activities

The principal activity of the Company is investment holding and the Group focuses on developing, producing, marketing and selling innovative pharmaceutical products in three of the largest and fastest growing therapeutic areas in the PRC. Details of the principal activities of the Company's subsidiaries are set out in note 1 to the consolidated financial statements of this annual report.

Business Review and Performance

A fair review of the Group's business during the year ended 31 December 2024, including an analysis where key financial key performance indicators are used, and the outlook of the Group's business are provided in the section headed "Management Discussion and Analysis" of this annual report, where discussion therein forms part of this "Report of Directors".

Results

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss on page 71 of this annual report.

Dividend Policy and Final Dividend

No dividends were declared for the year ended 31 December 2024.

It is the policy of the Board, in considering payment of dividends, to allow Shareholders to share the Company's profits whilst retaining adequate reserves for the Group's future growth.

The Board shall consider the following factors before declaring or recommending dividends:

- the Company's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity;
- general economic condition, business cycle of the Group's business and other internal or external factors that may affect the business or financial performance and position of the Company; and
- other factors that the Board considers relevant.

The payment of dividends is also subject to applicable laws and regulations including the laws and regulations of Bermuda and the bye-laws of the Company (the "Bye-laws"). The Board will review the dividend policy on a regular basis and there is no assurance that dividends will be paid in any particular amount for any given period.

Financial Summary

A summary of the Group's results, assets, liabilities for the last five financial years are set out on page 5 of this annual report. This summary does not form part of the audited consolidated financial statements.

Risks and Uncertainties Relating to the Group's Business

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to the below which are not known to the Group or which may not be material now but could turnout to be material in the future.

Market Risk

Market risk is the risk that deteriorates the Group's profitability or affects its ability to meet business objectives arising from the movement in market prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks rests with every function at divisional and departmental levels. Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. Our management will identify and assess key operational exposures regularly so that appropriate response to risk can be taken.

Investment Risk

Investment risk is the likelihood of occurrence of losses relative to the expected return on any particular investment. Key concern of investment framework will be balancing risk and return across different investments, thus risk assessment is a core aspect of the investment decision process. Proper authorisation system has been set up and detailed analysis will be made before approving investments. Regular updates on the progress of the Group's investments would be submitted to the Board.

Manpower and Retention Risk

The Group may face the risk of not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence which could meet the business objectives of the Group. The Group will provide attractive remuneration package to suitable candidates and personnel.

Financial Risk

The Group also faces financial risks relating to interest rate, foreign currency, credit risk and liquidity. Details of these financial risks are set out in note 45 to the consolidated financial statements of the Group.

In light of the above risks which are relevant to and may potentially affect the Group's business, the Group has certain risk management procedures with a view to minimise the risks and to manage, but not eliminate, the risk of failure to fulfil the Group's business objectives. Please refer to the section headed "Risk Management and Internal Control" in the Corporate Governance Report for policies concerning the Group's risk management system.

Legal Proceedings

As disclosed in the announcement of the Company dated 22 October 2021, the Group received an arbitration award in favour of the former distributor of Seroquel for its claim against Luye Pharma Hong Kong Limited, a subsidiary of the Company. In December 2021, the final amount of the arbitration award was determined to be approximately RMB253.2 million and the Company has accordingly made a provision in its financial statements, details of which are set out in note 31 to the consolidated financial statements of the Group.

Luye Hong Kong submitted the application for revoking the arbitral award to the Hong Kong High Court, and the decision was handed down that Luye Hong Kong's application for setting aside the award was dismissed ("Setting Aside Decision"). Subsequently, Luye Hong Kong applied for and was granted leave to appeal against the Setting Aside Decision. The hearing of the appeal held on 6 June 2023, and the appeal judgment is expected to be handed down by the end of April 2025.

Environmental Policies and Performance

Our Group is committed to achieving environmental sustainability. Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. Our Group's business is subject to national, provincial and local environmental laws and regulations of the PRC. During the year ended 31 December 2024, so far as our Directors are aware, there were no material breaches of applicable environmental laws and regulations of the PRC that have a significant adverse impact on the business and operations of our Group.

Our Group also encourages environmental protection and promotes awareness of the same to the employees. Our Group adheres to the principle of recycling and reducing. It implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting the use of recycled paper, and reducing energy consumption by switching off idle lightings and electrical appliances.

Our Group endeavours to comply with the relevant laws and regulations regarding environmental protection and adopts effective measures to achieve efficient use of resources, waste reduction and energy saving. Our Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of our Group's businesses to move towards adhering to the 3Rs – reduce, recycle and reuse, and enhance environmental sustainability.

In accordance with paragraph 4(1) of Appendix C2 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Company's Environmental, Social and Governance Report ("ESG Report") will be available on its website at the same time as the publication of this annual report.

The 2024 ESG Report, in electronic form only, is published on the website of the Company at www.luye.cn under the section "Investors" and the website of the Stock Exchange at www.hkexnews.hk.

Compliance with Laws and Regulations

Our Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licences. Our Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators effectively through effective communications. For the year ended 31 December 2024, the Group has complied, to the best of our knowledge, in all material respects, with all relevant rules and regulations that have a significant impact on the Company.

Key Relationships with Employees, Customers and Suppliers

Being people-oriented, our Group ensures all staffs are reasonably remunerated and our Group also continue to improve and regularly review and update its policies on remuneration and benefits, training, occupational health and safety.

Our Group maintains a good relationship with its customers. A customer complaint handling mechanism is in place to receive, analyse and study complaints and make recommendations on remedies with the aim of improving service quality.

Our Group is in good relationship with its suppliers and conducts a fair and strict appraisal of its suppliers on an annual basis.

Major Customers and Suppliers

Sales to the Group's five largest customers accounted for approximately 13.3% of the total sales for the year ended 31 December 2024 and sales to the largest customer included therein amounted to 4.6% of the total sales for the year ended 31 December 2023. Purchases from the Group's five largest suppliers accounted for approximately 21.1% of the total purchase for the year ended 31 December 2024 and purchase from the Group's largest supplier included therein amounted to 8.5% of the total purchase for the year ended 31 December 2023.

None of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2024 are set out in note 13 to the consolidated financial statements in this annual report.

Share Capital

Details of movements in the share capital of the Company during the year ended 31 December 2024 are set out in note 33 to the consolidated financial statements in this annual report.

Reserves

Details of movements in the reserves of the Group during the year are set out on pages 75 to 76 in the consolidated statement of changes in equity of this annual report and in note 34 to the consolidated financial statements in this annual report.

Distributable Reserves

As at 31 December 2024, the Company's and the Group's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, amounted to nil (as at 31 December 2023: nil) and approximately RMB6.4 billion (as at 31 December 2023: RMB6.1 billion), respectively.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as at 31 December 2024 are set out in note 27 to the consolidated financial statements in this annual report.

Directors

The Directors during the year ended 31 December 2024 and up to the date of this annual report were:

Executive Directors:

Mr. LIU Dian Bo *(Executive Chairman and Chief Executive Officer)*
Mr. YANG Rong Bing *(Vice Executive Chairman)*
Mr. YUAN Hui Xian
Ms. ZHU Yuan Yuan

Non-executive Directors:

Mr. SONG Rui Lin
Dr. LYU Dong *(resigned on 10 March 2025)*
Mr. HUANG Liming *(appointed on 10 March 2025)*

Independent non-executive Directors:

Mr. ZHANG Hua Qiao
Professor LO Yuk Lam
Mr. LEUNG Man Kit
Mr. CHOY Sze Chung Jojo
Ms. XIA Lian

As disclosed in the announcement dated 10 March 2025, Dr. LYU Dong resigned as a non-executive Director with effect from 10 March 2025 due to other work commitments. Mr. HUANG Liming has been appointed as a non-executive Director on 10 March 2025.

In accordance with the Bye-laws, all Directors are subject to retirement by rotation at least once every three years and any Director appointed by the Board to fill a casual vacancy and as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company after his appointment and shall then be eligible for re-election.

In accordance with bye-laws 84(1) and 84(2) of the Bye-laws, Mr. LIU Dian Bo, Ms. ZHU Yuan Yuan, Mr. HUANG Liming, Professor LO Yuk Lam and Ms. XIA Lian will retire and being eligible, will offer themselves for re-election as the Directors at the forthcoming annual general meeting (the "AGM").

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders.

Board of Directors and Senior Management

Biographies of the Directors and senior management of the Group are set out on pages 31 to 37 of this annual report.

Confirmation of Independence of Independent Non-executive Directors

Each of the independent non-executive Directors has confirmed their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent in accordance with Rule 3.13 of the Listing Rules.

Directors' Service Contracts

Each of the executive Directors has entered into an appointment letter with the Company for a term of three years commencing from 9 July 2023 and may be terminated in accordance with the respective terms of the appointment letters.

Mr. SONG Rui Lin and Mr. HUANG Liming, the non-executive Directors, have each entered into an appointment letter with the Company for a term of two years commencing from 29 March 2025 and 10 March 2025 respectively, which may be terminated in accordance with the respective terms of the appointment letter.

Mr. ZHANG Hua Qiao, Professor LO Yuk Lam, Mr. LEUNG Man Kit and Mr. CHOY Sze Chung Jojo, independent non-executive Directors, have each entered into an appointment letter with the Company for a term of two years commencing from 9 July 2024 and may be terminated in accordance with the respective terms of the appointment letters.

Ms. XIA Lian, an independent non-executive Director, has entered into an appointment letter with the Company for a term of two years commencing from 25 May 2023 and may be terminated in accordance with the terms of the appointment letter.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Interests in Transactions, Arrangements and Contracts

At the end of the year or at any time during the year, other than those transactions disclosed in note 39 to the consolidated financial statements and under the section headed "Connected Transaction" in this annual report, (a) no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, Company's subsidiaries, fellow subsidiaries or its parent companies was a party and in which a Director or his or her connected entity had a material interest, whether directly or indirectly, subsisted; and (b) there is no contract of significance (i) between the Company or its subsidiaries and the Company's controlling shareholder or its subsidiaries; and (ii) for the provision of services to the Company or any of its subsidiaries by the Company's controlling shareholder or its subsidiaries.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2024.

DEBENTURES

Save as disclosed in this annual report, the Company did not have any debentures in issue during the year ended 31 December 2024.

Equity-Linked Agreements

Save as disclosed in this annual report, no equity-linked agreement that will or may result in the Company issuing Shares nor require the Company to enter into an agreement that will or may result in the Company issuing Shares was entered into by the Company during the year or subsisted at the end of the year under review.

Emolument Policy

The objective of the Group's remuneration policy is to motivate and retain talented employees so as to achieve the Group's long term corporate goals and objectives. The Group's employee remuneration policy is determined by considering factors such as remuneration in respect of the overall remuneration standard in the industry and the employee's performance. The management reviews the Group's employee remuneration policy and arrangements on a regular basis. In addition, social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations. For employee retirement benefits, please refer to note 2.4 to the consolidated financial statements in this annual report.

A remuneration committee of the Board was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management, and comparable market practices. Our Group participates in the national pension schemes as defined by the laws of the countries in which it operates and our Group makes contributions to the Central Provident Fund Scheme in Singapore, a defined contribution pension scheme, for its employees in Singapore. The Company's subsidiaries established and operating in Chinese Mainland are required to provide certain staff pension benefits to their employees under existing regulations of the PRC.

Remuneration of Directors and Five Individuals with Highest Emoluments

Details of the emoluments of the Directors and the five highest paid individuals are set out in notes 8 and 9 to the consolidated financial statements in this annual report.

Share Option Scheme

During the year ended 31 December 2024 and up to the date of this annual report, the Group has no share option scheme.

Changes to Information in respect of Directors

Save as disclosed in the section headed "Directors and Senior Management" in this annual report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules for the year ended 31 December 2024.

Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures

As at 31 December 2024, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules (the "Model Code"), are as follows:

(i) Interest in the Company

Name of Director	Nature of interest	Number of securities	Approximate percentage of shareholding
Liu Dian Bo[(1)(2)]	Founder of a discretionary trust	1,261,196,703 (L) 192,317,950 (S)	33.53% 5.11%

Remark: The Letter "L" denotes long position in such securities and "S" denotes short position in such securities.

Notes:

1. *Mr. Liu Dian Bo through his controlled corporations, namely Shorea LBG, Ginkgo (PTC) Limited, Nelumbo Investments Limited, Luye Life Sciences Group Ltd., Luye Pharma Holdings Ltd., LuYe Pharmaceutical International Co., Ltd. and LuYe Pharmaceutical Investment Co., Ltd., is deemed to be interested in 1,261,196,703 ordinary shares and 192,317,950 short position in the Company held by LuYe Pharmaceutical Investment Co., Ltd. Nelumbo Investments Limited holds 70% of the issued share capital of Luye Life Sciences Group Ltd.*

2. *The entire issued share capital of Nelumbo Investments Limited is held by Ginkgo (PTC) Limited as trustee of the family trust of Mr. Liu Dian Bo, who is the founder of such trust. Ginkgo (PTC) Limited is wholly-owned by Shorea LBG whose sole shareholder is Mr. Liu Dian Bo.*

(ii) Interest in associated corporations

Name of Director	Associated Corporation	Nature of interest	Number of securities	Approximate percentage in the registered capital of the associated corporation
Liu Dian Bo	Luye Life Sciences Group Ltd.[2]	Founder of a discretionary trust	8,400 (L)	70%
Liu Dian Bo	Ginkgo (PTC) Limited[1]	Founder of a discretionary trust	1 (L)	100%
Liu Dian Bo	Luye Pharma Holdings Ltd.[2]	Founder of a discretionary trust	1,136,852 (L)	100%
Liu Dian Bo	LuYe Pharmaceutical International Co., Ltd.[2]	Founder of a discretionary trust	202,180,988 (L)	100%
Liu Dian Bo	LuYe Pharmaceutical Investment Co., Ltd.[2]	Founder of a discretionary trust	1 (L)	100%
Liu Dian Bo	Nelumbo Investments Limited[1]	Founder of a discretionary trust	1 (L)	100%
Yang Rong Bing	Luye Life Sciences Group Ltd.[2]	Beneficial interest	1,800 (L)	15%
Yuan Hui Xian	Luye Life Sciences Group Ltd.[2]	Beneficial interest	1,800 (L)	15%

Remark: The Letter "L" denotes long position in such securities.

Notes:

1. *The entire issued share capital of Nelumbo Investments Limited is held by Ginkgo (PTC) Limited as trustee of the family trust of Mr. Liu Dian Bo, who is the founder of such trust.*

2. *Luye Life Sciences Group Ltd. holds the entire issued ordinary share capital of Luye Pharma Holdings Ltd. LuYe Pharmaceutical International Co., Ltd. is wholly-owned by Luye Pharma Holdings Ltd. and LuYe Pharmaceutical Investment Co., Ltd. is wholly-owned by LuYe Pharmaceutical International Co., Ltd.*

Save as disclosed above, as at 31 December 2024, none of our Directors and chief executive of the Company has any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this annual report, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate for the year ended 31 December 2024.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2024, to the best of the Directors' knowledge, the following persons (other than the Directors and chief executives of the Company) had, or deemed to have or taken to have an interest and/or short position in the Shares or the underlying Shares which fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name	Capacity/Nature of interest	Number of securities	Approximate percentage of shareholding
LuYe Pharmaceutical Investment Co., Ltd.[1]	Beneficial owner	1,261,196,703 (L)	33.53%
		192,317,950 (S)	5.11%
LuYe Pharmaceutical International Co., Ltd.[1]	Interest in controlled corporation	1,261,196,703 (L)	33.53%
		192,317,950 (S)	5.11%
Luye Pharma Holdings Limited[1]	Interest in controlled corporation	1,261,196,703 (L)	33.53%
		192,317,950 (S)	5.11%
Luye Life Sciences Group Ltd.[2]	Interest in controlled corporation	1,261,196,703 (L)	33.53%
		192,317,950 (S)	5.11%
Nelumbo Investments Limited[2]	Interest in controlled corporation	1,261,196,703 (L)	33.53%
		192,317,950 (S)	5.11%
Ginkgo (PTC) Limited[2]	Trustee	1,261,196,703 (L)	33.53%
		192,317,950 (S)	5.11%
Shorea LBG[2]	Interest in controlled corporation	1,261,196,703 (L)	33.53%
		192,317,950 (S)	5.11%
Hillhouse Investment Management, Ltd.[3]	Investment manager	552,324,108 (L)	14.68%
Hillhouse Fund V, LP.[3]	Interest in controlled corporation	552,324,108 (L)	14.68%
Hillhouse NEV Holdings Limited[3]	Beneficial owner	552,324,108 (L)	14.68%
UBS Group AG	Interest in controlled corporation	451,269,041(L)	11.99%
		449,603,523 (S)	11.95%
Kale Asset Holding Ltd[4]	Beneficial owner	317,516,338 (L)	8.44%
Ong Tiong Sin[4]	Interest in controlled corporation	317,516,338 (L)	8.44%
RRJ Capital IV Ltd[4]	Interest in controlled corporation	317,516,338 (L)	8.44%
RRJ Capital Master Fund IV, L.P.[4]	Interest in controlled corporation	317,516,338 (L)	8.44%

Remark: The Letter "L" denotes long position in such securities and "S" denotes short position in such securities.

Notes:

1. *LuYe Pharmaceutical Investment Co., Ltd. is wholly-owned by LuYe Pharmaceutical International Co., Ltd., which is in turn wholly-owned by Luye Pharma Holdings Ltd.*

2. *Nelumbo Investments Limited holds 70% of the issued share capital of Luye Life Sciences Group Ltd. The entire issued share capital of Nelumbo Investments Limited is held by Ginkgo (PTC) Limited as trustee of the family trust of Mr. Liu Dian Bo. Ginkgo (PTC) Limited is wholly-owned by Shorea LBG whose sole shareholder is Mr. Liu Dian Bo.*

3. *Hillhouse NEV Holdings Limited is wholly-owned by Hillhouse Fund V, L.P. and Hillhouse Investment Management, Ltd. is the sole investment manager of Hillhouse NEV Holdings Limited.*

4. *Kale Asset Holding Ltd is wholly-owned by RRJ Capital Master Fund IV, L.P., which in turn is wholly-owned by RRJ Capital IV Ltd. RRJ Capital IV Ltd is wholly-owned by Ong Tiong Sin.*

Save as disclosed above, as at 31 December 2024, the Directors are not aware of any person who had interests or short positions in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO.

Purchase, Sale or Redemption of Listed Securities

Save as disclosed above, there was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries for the year ended 31 December 2024.

Tax Relief

The Company is not aware of any taxation relief available to shareholders of the Company by reason of their holding of Company's shares.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the Companies Law that would oblige the Company to offer new Shares on a pro rata basis to the existing Shareholders.

Permitted Indemnity Provision

According to the Bye-laws of the Company, among others, the Directors acting in relation to any of the affairs of the Company may be entitled to be indemnified and secured harmless out of assets and profits of the Company from and against all, among others, actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain. The Company has arranged appropriate insurance cover in respect of legal action against its Directors.

Director's and Controlling Shareholder's Interest in Competing Business

A deed of non-compete undertaking dated 19 June 2014 (the "Deed of Non-compete Undertaking") was entered into between the Company and the controlling shareholder and the executive chairman of the Company, Mr. Liu Dian Bo, who has undertaken to our Company that conditional upon Listing, he will not carry on, engage, invest, participate or otherwise be interested in any business which competes or is likely to compete with any of the existing and/or future businesses carried on by any shareholder of our Group in relation to developing, producing, marketing and selling innovative pharmaceutical products.

As disclosed in the Prospectus, except for Mr. Liu Dian Bo's interest in our Group, he is interested in the equity interest of 蕪湖綠葉製藥有限公司 (Wuhu Luye Pharmaceutical Co. Ltd.) ("Wuhu Luye"), which is owned as to 90% by 綠葉投資集團有限公司 (Luye Investment Group Co. Ltd.) ("Luye Investment Group") and 10% by 蕪湖長榮醫藥科技資訊諮詢有限責任公司 (Wuhu Changrong Pharmaceutical Technology Information Consulting Co. Ltd.), an independent third party. Luye Investment Group is owned by the founding shareholders (namely, Messrs. Liu Dian Bo, Yuan Hui Xian ("Mr. Yuan") and Yang Rong Bing ("Mr. Yang")) as to 70% by Mr. Liu Dian Bo and 15% by each of Mr. Yang and Mr. Yuan (each an executive Director). Wuhu Luye is primarily engaged in the production and sale of Chinese medicine covering a number of therapeutic areas including cardiocerebral vascular, neurology, neuropsychiatry and hepatology, which competes or is likely to compete, either directly or indirectly, with our Group's business.

By reasons of the fact that Wuhu Luye and our Group have (i) different management teams; (ii) separate production facilities and respective procurement teams to source raw materials and suppliers; (iii) independent sales and marketing activities; and (iv) independent financial and accounting systems, and that Mr. Liu Dian Bo has already given an undertaking pursuant to the Deed of Non-compete Undertaking, our Group is therefore capable of carrying on its business independently of, and at arms length from, the excluded business as described above.

The Company has received an annual written confirmation from the controlling shareholder, Mr. Liu Dian Bo, in respect of his compliance with the Deed of Non-compete Undertaking.

The independent non-executive Directors have reviewed the Deed of Non-compete Undertaking and assessed whether the controlling shareholder has abided by the non-competition undertaking. The independent non-executive Directors confirmed that the controlling shareholder has not been in breach of the non-competition undertaking during the year ended 31 December 2024.

Save as disclosed above, none of the Directors held any interests in any business that compete directly against the Company or any of its jointly controlled entities and subsidiaries during the year ended 31 December 2024.

Connected Transaction

The Company has complied with the disclosure requirements, to the extent they are not waived by the Stock Exchange, in accordance with Chapter 14A of the Listing Rules with respect to the connected transaction entered into by the Group during the year ended 31 December 2024.

A summary of the related party transactions entered into by the Group during the year ended 31 December 2024 is contained in note 39 to the consolidated financial statements in this annual report. The transactions summarised in such note do not fall under the definition of “connected transactions” or “continuing connected transactions” under Chapter 14A of the Listing Rules.

Charitable Donations

During the year ended 31 December 2024, the Group made charitable and other donations in a total amount of RMB1.5 million.

Material Events after the end of the Reporting Period

After 31 December 2024 and up to the date of this annual report, to the best of the Directors’ knowledge, there was no event occurred that has significantly affected the Group.

Audit Committee

The audit committee (the “Audit Committee”) has reviewed together with the management the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2024.

Code of Conduct regarding Directors' Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions which are no less stringent than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix C3 of the Listing Rules. Specific enquiry has been made to all the Directors and they have all confirmed compliance with the Model Code for the year ended 31 December 2024.

Corporate Governance

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report at pages 51 to 65 of this annual report.

Closure of Register of Shareholders

The Company's AGM will be held on Wednesday, 28 May 2025. For determining the entitlement to attend and vote at the AGM, the register of shareholders of the Company will be closed from Friday, 23 May 2025 to Wednesday, 28 May 2025, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 22 May 2025.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the knowledge of the Directors at the latest practicable date in relation to this annual report, there was a sufficient public float of the issued shares of the Company under the Listing Rules.

Auditor

Ernst & Young has been appointed as the auditor of the Company for the year ended 31 December 2024.

Ernst & Young shall retire at the AGM and, if eligible, will offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as independent auditor of the Company will be proposed at the AGM.

On behalf of the Board
Liu Dian Bo
Chairman

Hong Kong, 28 March 2025

CORPORATE GOVERNANCE REPORT

Corporate Governance Culture

A healthy corporate culture across the Group is integral to attaining its vision and strategy. It is the Board's role to foster a corporate culture with the following core principles and to ensure that the Company's vision, values and business strategies are aligned to it.

1. Core values

Integrity, cooperation, innovation and excellence are core values of the Group. Integrity lays the foundation of the Company, cooperation guarantees the victory of the team, innovation drives the Group's development, and excellence is the Group's ultimate pursuit. The Group strives to maintain high standards of business ethics and corporate governance across all of our activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly set out in the training materials for all new staff and embedded in various policies of the Group such as the Group's employee handbook, the anti-corruption policy and the whistleblowing policy of the Group. Trainings are conducted from time to time to reinforce the required standards in respect of core values.

2. Business Philosophy

The Group believes that customer orientation helps the Group to grasp market opportunities, efficient operation enables the Group to stay ahead of the competition, and achievement of employees promotes a long-lasting business. These are fundamentals for a strong, and productive workforce that attracts, develops, and retains the best talent and produces the highest quality of work. Moreover, the business development and management strategies of the Company seek to achieve long-term, steady and sustainable growth, while having due considerations of the environmental, social and governance aspects.

The Company is committed to ensuring that its affairs are conducted in accordance with good corporate governance practices. This ensures that the overall business risk of the Group is assessed and managed appropriately and sustainable returns can be delivered to its shareholders. The Corporate Governance Code (the "CG Code") published by the Stock Exchange sets out the principles of good corporate governance, and the Group manages its corporate affairs (such as its board composition, audit, internal control and risk management) in accordance with such principles. This corporate governance reports provides a channel through which shareholders could evaluate the Group's implementation of such principles to its business during the reporting period.

Corporate Governance Practices

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

Save for the deviation disclosed in this annual report in respect of code provision C.2.1 of the CG Code as further set out in the section headed "Chairman and Chief Executive Officer" below, during the year ended 31 December 2024, in the opinion of the Directors, the Company has complied with all the code provisions as set out in the CG Code contained in Part 2 of Appendix C1 to the Listing Rules.

The Board

Responsibilities

The Board is responsible for the overall leadership of the Group, which oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established four Board committees namely the Audit Committee, the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee") and Environmental, Social and Governance Committee ("ESG Committee") (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in the irrespective terms of reference.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Board Composition

As at the date of this annual report, the Board comprises 11 members, consisting of 4 executive Directors, 2 non-executive Directors and 5 independent non-executive Directors as set out below:

Executive Directors

Mr. LIU Dian Bo *(Executive Chairman and Chief Executive Officer)*
Mr. YANG Rong Bing *(Vice Executive Chairman)*
Mr. YUAN Hui Xian
Ms. ZHU Yuan Yuan

Non-executive Directors

Mr. SONG Rui Lin
Dr. LYU Dong *(resigned on 10 March 2025)*
Mr. HUANG Liming *(appointed on 10 March 2025)*

Independent Non-executive Directors

Mr. ZHANG Hua Qiao
Professor LO Yuk Lam
Mr. LEUNG Man Kit
Mr. CHOY Sze Chung Jojo
Ms. XIA Lian

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

During the year ended 31 December 2024, the Board has, at all times, met the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors and among which at least one of them possesses appropriate professional qualifications or accounting or related financial management expertise. The Company also complied at all times with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board which contribute to its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, the Nomination Committee and the ESG Committee.

None of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Director.

The CG Code requires directors to disclose to the Company the number and nature of offices that they hold in public companies or organisations and other significant commitments as well as the identity of those public companies or organisations and an indication of the time involved. The Directors have agreed to disclose their commitments to the Company in a timely manner.

Board Independence

The Board reviewed and considered that the following key features or mechanisms under the Company's governance structure are effective in ensuring that independent views and input are provided to the Board.

Board and committees' structure

- The Company is steered by a Board comprising a majority of non-executive Directors. The Board comprises four executive Directors, two non-executive Directors and five independent non-executive Directors.
- Members of all board committees, apart from the ESG Committee are non-executive Directors or independent non-executive Directors.

Independent non-executive Directors' tenure

- The directors' nomination policy of the Company sets a maximum tenure of nine consecutive years for independent non-executive Directors unless the Board determines that such Director is still independent.

Independent non-executive Directors' remuneration

- Independent non-executive Directors receive fixed fee(s) for their role as members of the Board and Board committee(s) as appropriate.

Appointment of independent non-executive Directors

- In assessing suitability of candidates of independent non-executive Directors, the Nomination Committee will review their profiles, including their qualification and time commitment, having regard to the Board's composition, the candidates' skill matrix, the list of selection criteria approved by the Board, its nomination policy and the board diversity policy.

Annual review of independent non-executive Directors' independence

- The Board assessed the annual independence confirmation received from each independent non-executive Director, having regard to the criteria under Rule 3.13 of the Listing Rules.

Conflict management	•	The Bye-laws and internal guidelines of the Company provide guidance to the Directors on avoiding conflicts of interest and on the circumstances under which appropriate action(s) that shall be taken by the director in case of a conflict.
Professional advice seek	•	To facilitate proper discharge of their duties, all Directors are entitled to seek advice from the company secretary or the in-house legal team as well as from independent professional advisers at the Company's expense.
Board evaluation during	•	The quality and efficiency of discussions at Board meetings are assessed during the annual evaluation of the Board's performance.

Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant laws, rules and regulations. The Company also arranges regular seminars to Directors regarding updates on the latest development and changes in the Listing Rules and other relevant legal and regulatory requirements. The Directors are also provided with regular updates on the Company's performance, position and prospects so as to enable the Board and each Director to discharge their duties. The Company has also devised a training record in order to assist the Directors to record the training they have undertaken and they are requested to provide training records to the Company.

According to C.1.4 of the CG Code, all Directors should participate in continuous professional development so as to develop and refresh their knowledge and skills, and thereby ensuring that their contribution to the Board remains to be informed and relevant. According to the records kept by the Company, each of the Directors, namely, Mr. LIU Dian Bo, Mr. YANG Rong Bing, Mr. YUAN Hui Xian, Ms. ZHU Yuan Yuan, Mr. SONG Rui Lin, Dr. LYU Dong (resigned on 10 March 2025), Mr. ZHANG Hua Qiao, Professor LO Yuk Lam, Mr. LEUNG Man Kit, Mr. CHOY Sze Chung Jojo and Ms. XIA Lian have, during the Reporting Period, (a) attended seminars and/or trainings that are relevant to the Directors' professional knowledge and skills and in performing their duties and responsibilities as Directors; and (b) read materials that are relevant to the Directors' professional knowledge and skills and in performing their duties and responsibilities as Directors.

Mr. HUANG Liming obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 24 January 2025, and has confirmed that he understood his obligations as a director of the Company.

Chairman and Chief Executive Officer

Under C.2.1 of the CG Code, the chairman and the chief executive should be separate and should not be performed by the same individual.

Under the current organization structure of the Company, Mr. LIU Dian Bo is our Executive Chairman of the Board and the Chief Executive Officer. Although the dual roles of Executive Chairman and Chief Executive Officer is a deviation from the CG Code, the Board believes that with Mr. LIU's extensive experience in the pharmaceutical industry, vesting the roles of Executive Chairman and Chief Executive Officer in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high caliber individuals.

Appointment and Re-Election of Directors

Each of the executive Directors has entered into an appointment letter with the Company for a term of three years commencing from 9 July 2023 and may be terminated in accordance with the respective terms of the appointment letters.

Mr. SONG Rui Lin, a non-executive Director, has entered into an appointment letter with the Company for a term of two years commencing from 29 March 2025 and may be terminated in accordance with the terms of the appointment letter.

Mr. HUANG Liming, a non-executive Director, has entered into an appointment letter with the Company for a term of two years commencing from 10 March 2025 which may be terminated in accordance with the terms of the appointment letter.

Each of Mr. ZHANG Hua Qiao, Professor LO Yuk Lam, Mr. LEUNG Man Kit and Mr. CHOY Sze Chung Jojo, independent non-executive Directors, has entered into an appointment letter with the Company for a term of two years commencing from 9 July 2024 and may be terminated in accordance with the respective terms of the appointment letters.

Ms. XIA Lian, an independent non-executive Director, has entered into an appointment letter with the Company for a term of two years commencing from 25 May 2023 and may be terminated in accordance with the terms of the appointment letter.

None of the Directors has a service agreement which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the Bye-laws, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by the Shareholders at the next following annual general meeting of the Company after appointment and new Directors appointed.

The procedures and process of appointment, re-election and removal of directors are set out in the Bye-laws. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

Board Meetings

The Company has adopted the practice of holding board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than 14 days will be given for all regular board meetings to provide all Directors with an opportunity to attend and propose matters to be included in the agenda for the Board meeting.

For other Board and committee meetings, reasonable notice will generally be given. The agenda and accompanying board papers are dispatched to the Directors or committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When directors or committee members are unable to attend a meeting, they will be informed on the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting.

Minutes of the board meetings and committee meetings will be recorded in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each board meeting and committee meeting will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

During the year ended 31 December 2024, six board meetings, and one AGM were held and the attendance of each individual Director at these meetings is set out in the table below:

Name of Director	Attended/Eligible to attend board meeting	AGM
Mr. LIU Dian Bo	6/6	1/1
Mr. YANG Rong Bing	3/6	1/1
Mr. YUAN Hui Xian	4/6	0/1
Ms. ZHU Yuan Yuan	6/6	1/1
Mr. SONG Rui Lin	5/6	0/1
Dr. LYU Dong(1)	5/6	0/1
Mr. ZHANG Hua Qiao	6/6	1/1
Professor LO Yuk Lam	6/6	1/1
Mr. LEUNG Man Kit	6/6	1/1
Mr. CHOY Sze Chung Jojo	6/6	1/1
Ms. XIA Lian	5/6	1/1

Note:

1. *Dr. LYU Dong resigned as a non-executive Director with effect from 10 March 2025.*

Model Code for Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions on terms meeting the required standards as set out in the Model Code. Specific enquiry has been made to the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2024.

The Company has also adopted its own code of conduct regarding employees' securities transactions on terms meeting the required standard as set out in the Model Code. This ensures compliance by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

Delegation by the Board

The Board reserves the power to decide on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors can seek independent professional advice in performing their duties at the Company's expense and are encouraged to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board before the management arranges for any significant transactions to be entered into.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of Directors which include:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Details of the remuneration of each of the Directors for the year ended 31 December 2024 are set out in note 8 to the consolidated financial statements in this annual report.

The biographies of the senior management are disclosed in the section headed "Directors and Senior Management" in this annual report. Pursuant to code provision E.1.5 of the CG Code, the annual remuneration of the members of senior management (excluding Directors) by band for the year ended 31 December 2024 are as follows:

Remuneration Band	No. of employees
RMB1,000,001 to RMB1,500,000	2

Directors' Liability Insurance

The Company has arranged for appropriate insurance coverage in respect of legal actions against its Directors.

Board Committees

Nomination Committee

The Nomination Committee currently comprises three members, namely Professor LO Yuk Lam (Chairman), Mr. ZHANG Hua Qiao and Mr. CHOY Sze Chung Jojo, all of them are independent non-executive Directors.

The principal duties of the Nomination Committee include reviewing the Board composition, making recommendation to the Board on the appointment and succession planning of Directors, reviewing the Board Diversity Policy and the director nomination policy (the "Nomination Policy") and assessing the independence of the independent non-executive Directors. The Nomination Committee has adopted certain criteria and procedure in the nomination of new directors. The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

In assessing the suitability of a proposed candidate before recommending to the Board for it to consider and make recommendations to the Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies, the Nomination Committee will consider factors including, without limitation, character and integrity of the proposed candidates, qualifications of the proposed candidates including professional qualifications, skills, knowledge and experience, accomplishments and experience of the proposed candidates in the business from time to time, commitment of the proposed candidates in respect of available time and relevant interest, diversity and balance of the Board and such other perspectives appropriate to the Company's business.

Nomination Policy

The director nomination policy (the "Nomination Policy") adopted by the Board aims to enhance transparency and accountability of the nomination process of Directors and enable the Company to ensure the Board has a balance of skills, experience, and diversity of perspectives necessary to the Company's business.

The selection criteria for assessing the suitability of proposed candidates which shall betaken as reference by the Nomination Committee includes: character and integrity, professional qualifications, skills, knowledge and experience that are relevant to the Company's business and strategy, the potential contribution to the Board from the diversity aspects (including but not limited to age, gender, international background, and professional experience), the candidate's time commitment to the Company, the candidate's service on other boards of directors of the Group or of other companies (whether listed or non-listed) and any other factors as the Nomination Committee may deem fit to consider in the best interests of the Company and its shareholders. These above selection criteria are not exhaustive or conclusive. The Nomination Committee would consider any other factors as the Nomination Committee may deem fit to consider in the best interests of the Company and shareholders of the Company.

For potential candidates who appear to meet the Board's selection criteria, the Nomination Committee shall convene a meeting to discuss and consider recommending the candidate to the Board for appointment as a Director upon obtaining the required information from the candidate. The Nomination Committee shall review whether the candidate is qualified to be appointed, elected or re-elected into the Board under the relevant Listing Rules and the policies of the Company.

The Board and the Nomination Committee intend to review the Nomination Policy at least annually and anticipate that modifications may be necessary from time to time given the Company's evolving needs, and changing circumstances which may include legal and regulatory changes in the Listing Rules or laws of Hong Kong, or Bermuda, and other relevant jurisdictions.

The written terms of reference of Nomination Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2024, one meeting of the Nomination Committee were held and the attendance record of the Nomination Committee members is set out in the table below:

Directors	**Attended/Eligible to attend**
Professor LO Yuk Lam	1/1
Mr. ZHANG Hua Qiao	0/1
Mr. CHOY Sze Chung Jojo	1/1

During the year 2024, the Nomination Committee has reviewed the Board composition and made recommendation to the Board on the re-election of retiring Directors, the Board Diversity Policy, Nomination Policy and the independence of the Independent Non-executive Directors (including the long servicing Independent Non-executive Directors). The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained and has therefore not set any measurable objective implementing the Board Diversity Policy.

Board Diversity Policy

The Company views diversity at the Board level as essential in supporting the attainment of its strategic objectives and its sustainable development. To that end, the Company has adopted a Board Diversity Policy to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Ultimately, all Board appointments are merit-based, and candidates were are assessed based on objective criteria, having due regard for the benefits of diversity on the Board.

As at the date of this annual report, the Board comprises nine male Directors and 2 female Directors, and the Company considers that there is adequate gender diversity on the Board. To ensure gender diversity of the Board in a long run, the Group will seek to identify and select several female individuals with a diverse range of skills, experience and knowledge in the field of the Group's business from time to time, and maintain a list of such female individuals who possess qualities to become the Board members in order to develop a pipeline of potential female successors to the Board to promote gender diversity of the Board.

The workforce of the Group (including its senior management) comprised approximately 47% male employees and 53% female employees as at 31 December 2024. Accordingly, the Company considers that the Group has achieved gender diversity in its overall workforce and has no specific plan to further enhance gender diversity in its workforce. Currently, the Company is not aware of any material factor which makes gender diversity across its workforce more challenging or less relevant.

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. CHOY Sze Chung Jojo (Chairman), Mr. ZHANG Hua Qiao and Professor LO Yuk Lam, all of them are independent non-executive Directors.

The primary duties of the Remuneration Committee include the following:

- to make recommendations to the Board on the Company's remuneration policy and structure for all directors, supervisors and senior management and on the establishment of formal and transparent procedures for formulating the remuneration policy;
- to review and approve the management's remuneration proposals with reference to the corporate goals and objectives set by the Board (including benefits in kind, pensions and payment of compensation (including the compensation for losing or terminating the office or appointment));
- to determine the specific terms of the remuneration package for each executive director and senior management;
- to make recommendations to the Board on the remuneration of non-executive directors and supervisors; and
- to ensure that no director or any of his or her associates is involved in determining his or her own remuneration.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2024, two meetings of the Remuneration Committee were held and the attendance record of the Remuneration Committee members is set out in the table below:

Directors	Attended/Eligible to attend
Mr. CHOY Sze Chung Jojo	2/2
Mr. ZHANG Hua Qiao	1/2
Professor LO Yuk Lam	2/2

During the year 2024, the Remuneration Committee assessed the performance of the Directors and reviewed the Company's policy and structure for all directors' and senior management remuneration.

Audit Committee

The Audit Committee comprises three members namely, Mr. LEUNG Man Kit (Chairman), Mr. ZHANG Hua Qiao and Professor LO Yuk Lam, all of them are independent non-executive Directors. The main duties of the Audit Committee include the following:

– to review the financial statements and reports before submission to the Board;

– to review and monitor the independence of the external auditor, the objectivity and effectiveness of the audit process in accordance with applicable standard and discuss with external auditor the nature and scope of the audit and reporting obligations before the audit commences;

– to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function; and

– to oversee the risk management and internal control systems of the Group, report to the Board on any material issue, and make recommendations to the Board.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2024, two meetings of the Audit Committee were held and the attendance record of the Audit Committee members is set out in the table below:

Directors	Attended/Eligible to attend
Mr. LEUNG Man Kit	2/2
Mr. ZHANG Hua Qiao	1/2
Professor LO Yuk Lam	2/2

During the year ended 31 December 2024, the Audit Committee had reviewed the annual results of the Group for the year ended 31 December 2023, interim results of Group for the period ended 30 June 2024, the risk management systems and processes for the re-appointment of the external auditor. There are proper arrangements for employees to raise concerns about possible improprieties in financial reporting, internal control and other matters in confidence.

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2024 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided the Board with necessary explanation and information in enabling the Board to conduct an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company regarding their responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on page 69 of this annual report.

ESG Committee

The ESG Committee comprises one independent non-executive Director, Professor LO Yuk Lam (Chairman), one executive Director, Mr. YANG Rong Bing, and one non-executive Director, Mr. SONG Rui Lin. The main responsibility of the ESG Committee is to identify and manage environmental, social and governance-related risks and opportunities, and to address and implement relevant governance strategies and initiatives. The ESG Committee has the following primary duties:

- to co-ordinate, identify, assess and manage the ESG matters of the Group and report to the Board on any significant issues;
- to develop and review the approach and strategy of the Group's ESG policies, and closely monitor the implementation and effectiveness of ESG policies and initiatives;
- to set ESG-related objectives according to the actual situation of the Group and to regularly review the progress and performance of the Group against these objectives;
- to assist the Board in reviewing the annual ESG Report, and coordinate the preparation of the ESG Report;
- to keep abreast of regulatory requirements and to oversee the Group's compliance with relevant laws and regulations; and
- to co-ordinate any other ESG-related work as may be assigned by the Board.

The written terms of reference of the ESG Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2024, one meeting of the ESG Committee was held and the attendance record of the ESG Committee members is set out in the table below:

Directors	Attended/Eligible to attend
Professor LO Yuk Lam	1/1
Mr. YANG Rong Bing	0/1
Mr. SONG Rui Ling	1/1

Risk Management and Internal Control

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate internal control system to safeguard shareholders investments and the Company's assets. The effectiveness of such system is examined on an annual basis. The Board also clarifies that the system is purported to manage, but not eliminate, the risk of failure to fulfil business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has established an internal audit department to review the financial condition, operational condition, risk management, compliance control and internal control of the Group. Management is responsible for performing risk assessment, and owning the implementation and maintenance of internal control. Well defined policies and procedures that are properly documented and communicated to employees are essential to the risk management and internal control systems.

At least annually, the Board, through the Audit Committee, review the effectiveness of the risk management and the internal control systems of the Company including the adequacy of resources, qualifications and experience of staff on the Company's accounting and financial reporting function, and their training programmes and budget, and considered the internal control system to be effective and adequate. For the year ended 31 December 2024, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget and considered the risk management and the internal control systems to be effective and adequate.

The Group's risk management and internal control system is embedded within our business processes so that it functions as an integral part of the overall operation of the Group. The system comprises a comprehensive organisation structure with assignment of definite accountabilities and delegation of corresponding authorities to each post. Based on our organization structure, a reporting system has been developed including reporting channels from division heads of business units to the Board.

The risk management and internal control systems and accounting system of the Group are aimed at identifying and evaluating the Group's risk and formulate risk mitigation strategies, and to provide reasonable assurance that assets are safeguarded against unauthorised use or disposition, transactions are executed in accordance with management's authorisation, and the accounting records are reliable for preparing financial information used within the business for publication, maintaining accountability for assets and liabilities and ensuring that the business operations are in accordance with relevant legislation, regulations and internal guidelines.

The Group has a defined organisational structure with clear defined lines of responsibility and authority. Each department is accountable for its daily operations and is required to report to Executive Directors on a regular basis. Policies and procedures are set for each department, which includes establishing and maintaining effective policies to enhance risks identification to which the Group are exposed and taking appropriate action to manage such risks, establishing a structure with defined authorities and proper segregation of duties; monitoring the strategic plan and performance; designing an effective accounting and information system; controlling price sensitive information; and ensuring swift actions and timely communication with our stakeholders.

Whistleblowing Policy

The Company has in place the Whistleblowing Policy for employees and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matters related to the Company.

Anti-Corruption Policy

The Company has also in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the internal audit department, which is responsible for investigating the reported incidents and taking appropriate measures.

Dissemination of Inside Information

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Group has internal policy and procedures which strictly prohibit unauthorised use of inside information and has communicated to all staff; the Board is aware of its obligations to announce any inside information in accordance with the Listing Rules and conducts the affairs with reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012. In addition, only Directors and delegated officers can act as the Group's spokesperson and respond to external enquiries about the Group's affairs.

Auditor's Remuneration

For the year ended 31 December 2024, an analysis of the remuneration paid or payable to the Company's auditor, Ernst & Young, is set out below:

Items of auditors' services	**Amount (RMB'000)**
Audit services	15,629
Non-audit services – transfer pricing advisory services	946
Non-audit services – tax advisory services	276
Total	16,851

The Audit Committee and the Board have agreed on the re-appointment of Ernst & Young as the independent auditor of the Group for 2025 and the proposal will be submitted for approval at the AGM to be held on 28 May 2025.

Company Secretary

Ms. Lee Mei Yi ("Ms. Lee") has been appointed as the company secretary of the Company since 1 December 2020. Ms. Lee is an executive director of the Company Secretarial Services of Tricor Services Limited, and she is communicating closely with Ms. Zhu Yuan Yuan, an executive Director of the Company.

During the year 2024, Ms. Lee undertook not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Communication with Shareholders and Investor Relations

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and their understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make the informed investment decisions.

The annual general meeting of the Company provides opportunity for Shareholders to communicate directly with the Directors. The Chairman of the Company and the chairman of each Board Committee of the Company will attend the AGMs to answer Shareholders' questions. The external auditor of the Company will also attend the AGMs to answer questions about the conduct of the audit, the preparation and contents of the auditor's report, the accounting policies and the independence of auditor.

To promote effective communication, the Company adopts a shareholders' communication policy which aims to establish a two-way relationship and communication between the Company and its shareholders. The Company maintains a website at www.luye.cn, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

During the year ended 31 December 2024, the Company has amended its Bye-laws for the purposes of (i) updating and bringing the Bye-laws in line with the latest regulatory requirements in relation to the expanded paperless listing regime and the electronic dissemination of corporate communications by listed issuers and the relevant amendments made to the Listing Rules that took effect on 31 December 2023; and (ii) better aligning the amendments of the Bye-laws for housekeeping purposes with the provisions of the Listing Rules and the applicable laws of Bermuda.

Details of these amendments are set out in Appendix II to the 2023 annual general meeting circular of the Company dated 30 April 2024. The altered Memorandum of Association and Bye-laws took effect immediately upon the passing of the relevant special resolution at the 2023 annual general meeting on 28 May 2024. The latest version of the altered Memorandum of Association and Bye-laws is available on the Company's website and the Stock Exchange's website.

The Board has conducted a review of the implementation and effectiveness of the shareholders' communication policy during the year ended 31 December 2024. Having considered the multiple channels of communication as described above in place, the Board is satisfied that the shareholders' communication policy has been property implemented during the year ended 31 December 2024 and is effective.

Shareholders' Rights

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at Shareholder meetings, including the election of individual directors. All resolutions put forward at Shareholder meetings will be voted on by poll in accordance with the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each Shareholder meeting.

Convening of Special General Meeting and Putting Forward Proposals

In accordance with Bye-law 58, a special general meeting shall be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the share capital of the Company having the right of voting at general meetings.

Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring a special general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition.

Shareholders may put forward proposals for consideration at a special general meeting in accordance with the Companies Act 1981 of Bermuda and Bye-law 58.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Enquiries to the Board or Proposals at Company's General Meetings

Written enquiries to the Board and proposals at general meetings of the Company may be made at the Company's principal place of business in Hong Kong at Unit 3207, 32/F, Champion Tower, 3 Garden Road, Central, Hong Kong for the attention to the Chairman of the Board. Other enquiries may be made by telephone at (852) 3523 0428 or by fax at (852) 3524 0430.

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Luye Pharma Group Ltd.
(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Luye Pharma Group Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 71 to 192, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") 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") as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill	
The carrying amount of goodwill as at 31 December 2024 was RMB1,012,456,000. The Group performs its impairment testing of goodwill annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Management's impairment testing is important to our audit because the assessment process is complex and requires significant judgement and estimates on assumptions including growth rate, gross margin and discount rate. The Group's disclosures about impairment testing of goodwill are included in note 2.4 *Material accounting policies, note 3 Significant accounting judgements and estimates* and note 15 *Goodwill*, which specifically explain the accounting policies and management's assumptions and accounting estimates.	We reviewed and tested management's future forecasted cash flows and key assumptions by comparing to the Group's development plan, budget and financial projections and analysis of the industry. We involved our valuation specialist to assist us in evaluating the key valuation parameters such as the discount rate, the growth rate applied and the valuation model with forecasted cash flows.
Capitalisation of development costs	
During the year, expenditure incurred on projects to develop new pharmaceutical products of RMB617,761,000 was capitalised in other intangible assets in the consolidated financial statements. The expenditure on development activities is capitalised when all the criteria mentioned in note 2.4 *Material accounting policies* were satisfied. Significant management estimation and judgement were required in determining whether the capitalised costs met the capitalisation criteria. The Group's disclosures about the capitalisation of development costs are included in note 2.4 *Material accounting policies*, note 3 *Significant accounting judgements* and estimates and note 16 *Other intangible assets*, which specifically explain the accounting policies and management's assumptions and accounting estimates.	We evaluated management judgement on the distinction between research and development phase and the satisfaction of capitalisation criteria in comparison to industry practice and the Group's policy. We obtained an understanding of the Group's internal approval process regarding the capitalisation of development costs by conducting interviews with key management members in charge of research, development and commercialisation of various projects. We also examined technical feasibility reports and certifications related to different stages of development activities and reviewed the expenditure documents relevant to separately accounted development costs.

Key audit matter	How our audit addressed the key audit matter
Impairment testing of other intangible assets not yet available for use	
As at 31 December 2024, other intangible assets not yet available for use amounted to RMB1,121,880,000. The Group performs its impairment test for intangible assets not yet available for use on an annual basis. The impairment reviews performed by the Group contained significant judgement and estimates on assumptions including growth rate, profit margin and discount rate. The Group's disclosures on other intangible assets not yet available for use are included in note 2.4 *Material accounting policies*, note 3 *Significant accounting judgements and estimates* and note 16 *Other intangible assets*, which specifically explain the accounting policies and management's assumptions and accounting estimates.	We checked the key assumptions including the product's projected market share, expected selling price and associated costs to be incurred against industrial analyst commentaries, consensus forecasts of certain therapeutic area and benchmark data for comparable companies where available. We involved our internal valuation specialists to assist us in evaluating the methodologies used in the impairment analysis, in particular discount rate and growth rate.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the Management Discussion and Analysis of the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Chairman's Statement, the Report of Directors and the Corporate Governance Report, which are expected to be made available to us after that date.

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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Chairman's Statement, the Report of Directors and the Corporate Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, 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 judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Hooi Wan Yee.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	5	**6,061,441**	6,143,078
Cost of sales		**(2,017,214)**	(1,938,903)
Gross profit		**4,044,227**	4,204,175
Other income and gains	5	**359,968**	501,837
Selling and distribution expenses		**(1,816,428)**	(2,056,167)
Administrative expenses		**(581,962)**	(643,967)
Other expenses	6	**(604,027)**	(631,118)
Finance costs	7	**(561,785)**	(675,454)
Share of profits and losses of associates	18	**(774)**	794
PROFIT BEFORE TAX	6	**839,219**	700,100
Income tax expense	10	**(194,211)**	(161,023)
PROFIT FOR THE YEAR		**645,008**	539,077
Attributable to:			
Owners of the parent		**471,886**	532,605
Non-controlling interests		**173,122**	6,472
		645,008	539,077
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	12	**12.54 cents**	14.29 cents
Diluted (RMB)	12	**12.54 cents**	14.29 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
PROFIT FOR THE YEAR		**645,008**	539,077
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		**18,840**	43,852
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**18,840**	43,852
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**(5,119)**	(10,875)
Income tax effect		**61**	146
		(5,058)	(10,729)
Remeasurement on defined benefit plan	*36*	**(1,871)**	(3,158)
Income tax effect		**185**	546
		(1,686)	(2,612)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**(6,744)**	(13,341)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**12,096**	30,511
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**657,104**	569,588
Attributable to:			
Owners of the parent		**483,997**	563,050
Non-controlling interests		**173,107**	6,538
		657,104	569,588

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**5,004,624**	4,751,937
Right-of-use assets	14(a)	**334,581**	336,568
Goodwill	15	**1,012,456**	1,041,930
Other intangible assets	16	**6,585,487**	6,317,880
Investment in a joint venture	17	**359,420**	—
Investments in associates	18	**1,511,687**	1,388,197
Equity investments designated at fair value through other comprehensive income	19	**2,786**	91,976
Prepayments, other receivables and other assets	22	**710,962**	66,459
Financial assets at fair value through profit or loss	23	**618,512**	488,261
Pledged deposits	24	**—**	159,640
Deferred tax assets	32	**163,578**	144,585
Total non-current assets		**16,304,093**	14,787,433
CURRENT ASSETS			
Inventories	20	**911,893**	827,863
Trade and notes receivables	21	**2,779,767**	2,354,899
Prepayments, other receivables and other assets	22	**1,939,220**	429,589
Financial assets at fair value through profit or loss	23	**1,504,067**	1,595,767
Pledged deposits	24	**1,174,015**	984,496
Time deposits with original maturity of over three months	24	**62,000**	1,271,695
Cash and cash equivalents	24	**4,937,145**	3,238,973
Total current assets		**13,308,107**	10,703,282
CURRENT LIABILITIES			
Trade and notes payables	25	**689,300**	767,187
Other payables and accruals	26	**2,182,079**	1,951,568
Interest-bearing loans and borrowings	27	**6,574,007**	5,195,754
Convertible bonds	28	**1,011,067**	—
Government grants	30	**18,302**	22,965
Tax payable		**294,387**	200,333
Total current liabilities		**10,769,142**	8,137,807
NET CURRENT ASSETS		**2,538,965**	2,565,475
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,843,058**	17,352,908

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2024

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
NON-CURRENT LIABILITIES			
Convertible bonds	*28*	**1,015,543**	937,875
Interest-bearing loans and borrowings	*27*	**1,720,437**	2,290,318
Government grants	*30*	**118,207**	103,579
Employee defined benefit obligation	*36*	**5,341**	4,100
Deferred tax liabilities	*32*	**36,479**	47,257
Other non-current liabilities	*29*	**193,381**	441,285
Total non-current liabilities		**3,089,388**	3,824,414
Net assets		**15,753,670**	13,528,494
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*33*	**486,107**	486,107
Share premium		**4,250,260**	4,159,320
Equity component of convertible bonds	*28*	**461,359**	386,362
Reserves		**8,956,803**	7,499,396
		14,154,529	12,531,185
Non-controlling interests	*37*	**1,599,141**	997,309
Total equity		**15,753,670**	13,528,494

Mr. Liu Dianbo
Director

Mr. Yuan Huixian
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Attributable to owners of the parent												
	Issued capital RMB'000 *(note 33)*	Share premium account RMB'000 *(note 33)*	Equity component of convertible bonds RMB'000 *(note 28)*	Other reserves* RMB'000	Safety production reserve* RMB'000 *(note 34)*	Statutory surplus reserve* RMB'000 *(note 34)*	Share award scheme reserve* RMB'000	Retained earnings* RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Foreign currency translation reserve* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2024	486,107	4,159,320	386,362	–	30,654	1,319,814	43,404	6,060,730	(11,731)	56,525	12,531,185	997,309	13,528,494
Profit for the year	–	–	–	–	–	–	–	471,886	–	–	471,886	173,122	645,008
Other comprehensive income for the year:													
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	–	–	(5,058)	–	(5,058)	–	(5,058)
Exchange differences related to foreign operations	–	–	–	–	–	–	–	–	–	18,855	18,855	(15)	18,840
Remeasurement on defined benefit plan, net of tax	–	–	–	–	–	–	–	(1,686)	–	–	(1,686)	–	(1,686)
Total comprehensive income for the year	–	–	–	–	–	–	–	470,200	(5,058)	18,855	483,997	173,107	657,104
Issue of convertible bonds *(note 28)*	–	–	74,997	–	–	–	–	–	–	–	74,997	–	74,997
Issue of shares by a subsidiary *(note)*	–	–	–	108,830	–	–	–	–	–	–	108,830	120,697	229,527
Disposal of a subsidiary	–	–	–	–	–	–	–	(17,706)	17,706	–	–	–	–
Equity-settled share award expense *(note 35)*	–	–	–	–	–	–	12,336	–	–	–	12,336	9,163	21,499
Transfer to statutory reserves	–	–	–	–	–	127,815	–	(127,815)	–	–	–	–	–
Appropriation to safety production reserve	–	–	–	–	9,502	–	–	(9,502)	–	–	–	–	–
Safety production reserve used	–	–	–	–	(8,105)	–	–	8,105	–	–	–	–	–
Capital contribution from non-controlling interests	–	90,940	–	670,152	–	–	–	–	–	–	761,092	270,015	1,031,107
Termination of redemption liabilities	–	–	–	182,092	–	–	–	–	–	–	182,092	29,265	211,357
Dividend declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(415)	(415)
At 31 December 2024	486,107	4,250,260	461,359	961,074	32,051	1,447,629	55,740	6,384,012	917	75,380	14,154,529	1,599,141	15,753,670

Note: On 7 August 2024, the Group's subsidiary, Shandong Boan Biotechnology Co., Ltd. ("Boan Biotech") placed a total of 26,655,600 shares at a placing price of HK$9.5 per placing share.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2024

	Attributable to owners of the parent												
	Issued capital RMB'000 *(note 33)*	Treasury shares RMB'000 *(note 33)*	Share premium account RMB'000	Equity component of convertible bonds RMB'000 *(note 28)*	Safety production reserve* RMB'000 *(note 34)*	Statutory surplus reserve* RMB'000 *(note 34)*	Share award scheme reserve* RMB'000	Retained earnings* RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Foreign currency translation reserve* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023	456,953	(279,558)	3,076,828	–	29,860	1,156,126	212,866	5,511,142	(1,002)	12,739	10,175,954	865,768	11,041,722
Profit for the year	–	–	–	–	–	–	–	532,605	–	–	532,605	6,472	539,077
Other comprehensive income for the year:													
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	–	–	(10,729)	–	(10,729)	–	(10,729)
Exchange differences related to foreign operations	–	–	–	–	–	–	–	–	–	43,786	43,786	66	43,852
Remeasurement on defined benefit plan, net of tax	–	–	–	–	–	–	–	(2,612)	–	–	(2,612)	–	(2,612)
Total comprehensive income for the year	–	–	–	–	–	–	–	529,993	(10,729)	43,786	563,050	6,538	569,588
Issue of shares *(note 33)*	29,154	–	667,151	–	–	–	–	–	–	–	696,305	–	696,305
Issue of convertible bonds *(note 28)*	–	–	–	386,362	–	–	–	–	–	–	386,362	–	386,362
Sale of shares repurchased for share award scheme *(note 33)*	–	279,558	(52,898)	–	–	–	–	–	–	–	226,660	–	226,660
Cancellation of share award scheme	–	–	–	–	–	–	(184,077)	184,077	–	–	–	–	–
Equity-settled share award expense *(note 35)*	–	–	–	–	–	–	14,615	–	–	–	14,615	6,025	20,640
Transfer to statutory reserves	–	–	–	–	–	163,688	–	(163,688)	–	–	–	–	–
Appropriation to safety production reserve	–	–	–	–	8,509	–	–	(8,509)	–	–	–	–	–
Safety production reserve used	–	–	–	–	(7,715)	–	–	7,715	–	–	–	–	–
Capital contribution from non-controlling *interests*	–	–	498,281	–	–	–	–	–	–	–	498,281	296,163	794,444
Recognition of redemption liabilities *(note 29(iii))*	–	–	(200,000)	–	–	–	–	–	–	–	(200,000)	–	(200,000)
Acquisition of non-controlling interests	–	–	169,958	–	–	–	–	–	–	–	169,958	(171,685)	(1,727)
Dividend paid to a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	–	(5,500)	(5,500)
At 31 December 2023	486,107	–	4,159,320	386,362	30,654	1,319,814	43,404	6,060,730	(11,731)	56,525	12,531,185	997,309	13,528,494

* *These reserve accounts comprise the consolidated reserves of RMB8,956,803,000 (2023: RMB7,499,396,000) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**839,219**	700,100
Adjustments for:			
Share of profits and losses of associates	*18*	**774**	(794)
Depreciation of property, plant and equipment	*13*	**374,042**	349,948
Depreciation of right-of-use assets	*14(a)*	**28,392**	28,259
Amortisation of other intangible assets	*16*	**388,238**	323,644
Bank interest income		**(84,432)**	(117,137)
Investment income from financial assets at fair value through profit or loss		**(72,760)**	(92,828)
Changes in fair value of financial assets at fair value through profit or loss		**(1,791)**	(1,938)
Gain on disposal of a subsidiary		**(3,636)**	—
Gain on disposal of items of property, plant and equipment and other intangible assets		**(14,852)**	(1,500)
Gain on a finance lease as a sublease lessor		**(548)**	(7,476)
Loss on termination of a finance lease		**7,908**	—
Loss/(gain) on lease modifications		**481**	(633)
Finance costs	*7*	**561,785**	675,454
Changes in fair value of convertible bonds — embedded derivative component		**—**	(87,705)
Equity-settled share award expense	*35*	**21,499**	20,640
Defined benefit plan		**(429)**	(1,312)
Provision for legal claims	*31*	**14,653**	14,515
		2,058,543	1,801,237
Increase in trade and notes receivables		**(424,881)**	(570,840)
(Increase)/decrease in prepayments, other receivables and other assets		**(1,054,124)**	627,736
Increase in inventories		**(84,030)**	(54,924)
Decrease in restricted cash		**—**	32,003
Decrease in pledged deposits		**188,557**	242,424
(Decrease)/increase in trade and notes payables		**(77,887)**	207,243
Increase in other payables and accruals		**264,935**	127,714
Increase/(decrease) in government grants		**9,965**	(74,870)
Decrease in other non-current liabilities		**(56,289)**	(138,498)
Cash generated from operations		**824,789**	2,199,225
Interest paid		**(450,096)**	(471,512)
Income tax paid		**(206,929)**	(132,226)
Net cash flows from operating activities		**167,764**	1,595,487

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Net cash flows from operating activities		**167,764**	1,595,487
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(594,070)**	(632,656)
Prepayments for right-of-use assets		**(1,670)**	—
Increase in other intangible assets		**(1,112,757)**	(532,605)
Purchases of financial assets at fair value through profit or loss		**(1,744,341)**	(1,602,647)
Proceeds from sale of financial assets at fair value through profit or loss		**1,705,420**	2,496,500
Receipts of investment income from financial assets at fair value through profit or loss		**77,732**	96,212
Proceeds from a finance lease as a sublease lessor		**1,865**	4,043
Purchases of shareholdings in associates and a joint venture		**(884,420)**	(1,380,000)
Withdrawal of investments in associates		**400,000**	—
Prepayment for equity investments		**(150,000)**	—
Proceeds from disposal of items of property, plant and equipment		**7,438**	3,173
Placement of time deposits with original maturity of over three months		**(645,405)**	(24,995)
Withdrawal of time deposits with original maturity of over three months		**1,855,100**	—
Interest received		**84,432**	154,717
Loans to third parties		**(469,776)**	—
Advances to a related party		**(788)**	—
Disposal of a subsidiary	*38*	**(16)**	—
Net cash flows used in investing activities		**(1,471,256)**	(1,418,258)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans		**9,045,855**	6,779,356
Repayment of loans		**(8,243,036)**	(7,031,575)
Proceeds from issue of shares		**–**	696,305
Proceeds from issue of shares by a subsidiary		**229,527**	—
Redemption of convertible bonds		**–**	(1,500,000)
Proceeds from issue of convertible bonds	*28*	**1,073,279**	1,297,764
Transaction costs for issue of convertible bonds		**(16,031)**	(23,530)
Principal portion of lease payments	*42(b)*	**(20,457)**	(23,515)
(Placement)/withdrawal of pledged deposits		**(218,436)**	563,268
Capital contribution from non-controlling interests		**1,105,556**	794,444
Dividend paid to a non-controlling shareholder		**–**	(5,500)
Advances from a related party		**–**	4,958
Repayment of advances from related parties		**–**	(15,057)
Acquisition of non-controlling interests		**–**	(921,979)
Sale of shares repurchased for share award scheme		**–**	226,660
Net cash flows from financing activities		**2,956,257**	841,599

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,652,765**	1,018,828
Effect of foreign exchange rate changes, net		**45,407**	(103,595)
Cash and cash equivalents at beginning of year		**3,238,973**	2,323,740
CASH AND CASH EQUIVALENTS AT END OF YEAR		**4,937,145**	3,238,973
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*24*	**962,207**	784,207
Time deposits	*24*	**5,210,953**	4,870,597
		6,173,160	5,654,804
Less:			
Current pledged deposits for bank loans	*24*	**(165,711)**	(61,761)
Current pledged deposits for notes payable	*24*	**(562,186)**	(591,103)
Current pledged deposits for letters of credit	*24*	**(160,118)**	(45,632)
Current pledged time deposits for a letter of guarantee	*24*	**(286,000)**	(286,000)
Non-current pledged time deposits for notes payable	*24*	**–**	(159,640)
Non-pledged time deposits with original maturity of over three months when acquired	*24*	**(62,000)**	(1,271,695)
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**4,937,145**	3,238,973

NOTES TO FINANCIAL STATEMENTS

31 December 2024

1. Corporate and group information

The Company was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act on 2 July 2003. It was listed on the Singapore Exchange Securities Trading Limited on 5 May 2004 and has been delisted since 29 November 2012. On 9 July 2014, the Company succeeded in listing on the Hong Kong Stock Exchange.

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is located at Suite 3207, Champion Tower, 3 Garden Road, Central, Hong Kong.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the development, production, marketing and sale of pharmaceutical products.

In the opinion of the directors, the Company does not have an immediate holding company or ultimate holding company. Mr. Liu Dian Bo is the controlling shareholder of the Company as defined in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

Information about subsidiaries

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

Company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Luye Pharma (USA) Ltd.	United States of America ("USA")	US$1	100	—	Research and development and manufacture and sale of pharmaceutical products
Luye Pharma Hong Kong Limited ("Luye Hong Kong")	Hong Kong	HK$2,328,930,660	—	100	Distribution and sale of pharmaceutical products and investment holding
Luye Pharma Switzerland AG	Switzerland	CHF100,000	—	100	Manufacture and sale of pharmaceutical products
Luye Pharma AG	Germany	EUR209,865	—	100	Distribution and sale of pharmaceutical products
Luye Pharma Ltd.	United Kingdom	GBP1	—	100	Distribution and sale of pharmaceutical products and investment holding

1. Corporate and group information (Continued)

Information about subsidiaries (Continued)

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

Company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Luye Pharma (Malaysia) Sdn. Bhd.	Malaysia	MYR600,000	–	100	Distribution and sale of pharmaceutical products
Yantai Luye Pharma Holdings Co., Ltd.*	People's Republic of China ("PRC")/ Mainland China	US$832,202,842	–	100	Investment holding
Shandong Luye Pharmaceutical Co., Ltd. ("Shandong Luye")**	PRC/Mainland China	RMB2,031,800,000	–	100	Manufacture and sale of pharmaceutical products
Yantai Luye Drugs Trading Co., Ltd. ("Luye Trading")**	PRC/Mainland China	RMB1,691,962,000	–	100	Distribution and sale of pharmaceutical products
Nanjing Luye Pharmaceutical Co., Ltd. ("Nanjing Luye")**	PRC/Mainland China	RMB177,042,985	–	77.25	Manufacture and sale of pharmaceutical products
Beijing WBL Peking University Biotech Co., Ltd. ("WPU")**	PRC/Mainland China	RMB80,000,000	–	59.92	Manufacture and sale of pharmaceutical products
Sichuan Luye Pharmaceutical Co., Ltd. ("Sichuan Luye")**	PRC/Mainland China	RMB36,100,000	–	86.20	Manufacture and sale of pharmaceutical products
Luye WBL (Chengdu) Biopharmaceutical Co., Ltd. ("Chengdu Luye")**	PRC/Mainland China	RMB276,545,455	–	86.15	Manufacture and sale of biopharmaceutical products
Boan Biotech**	PRC/Mainland China	RMB535,933,694	–	67.28	Development, manufacture and commercialisation of biologics
Nanjing Jimai Biological Technology Co., Ltd ("Nanjing Jimai")**	PRC/Mainland China	RMB50,000,000	–	77.25	Research and development and manufacture and sale of pharmaceutical products

1. Corporate and group information (Continued)

Information about subsidiaries (Continued)

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

Company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Jiaao Pharmaceutical (Shijiazhuang) Co., Ltd. ("Jiaao Pharma")**	PRC/Mainland China	RMB127,843,401	—	100	Research and development and manufacture and sale of pharmaceutical products
Luye Verde Pharma Limited	Hong Kong	HK$1	—	100	Distribution and sale of pharmaceutical products

* *The entity is a wholly-foreign-owned enterprise established under PRC law.*

** *These entities are limited liability enterprises established under PRC law.*

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

2. Accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 Changes in accounting policies and disclosures

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

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

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

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

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

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

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

2.3 Issued but not yet effective IFRS Accounting Standards

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

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

1 Effective for annual periods beginning on or after 1 January 2025

2 Effective for annual periods beginning on or after 1 January 2026

3 Effective for annual/reporting periods beginning on or after 1 January 2027

4 No mandatory effective date yet determined but available for adoption

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

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

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

2.3 Issued but not yet effective IFRS Accounting Standards (Continued)

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

Amendments to IFRS 9 and IFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the "own-use" requirement for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of initial application. Earlier application is permitted. The amendments to IFRS 9 and IFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

2.3 Issued but not yet effective IFRS Accounting Standards (Continued)

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

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

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

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

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

2.4 Material accounting policies

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

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

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 Material accounting policies (Continued)

Business combinations and goodwill

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

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

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

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

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

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

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

2.4 Material accounting policies (Continued)

Business combinations and goodwill (Continued)

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

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

Fair value measurement

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

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

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

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

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

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

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

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

2.4 Material accounting policies (Continued)

Impairment of non-financial assets

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

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

2.4 Material accounting policies (Continued)

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 Material accounting policies (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Buildings	10 to 40 years
Machinery and equipment	5 to 15 years
Motor vehicles	5 to 10 years
Computer and office equipment	3 to 15 years
Leasehold improvements	2 to 5 years

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

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

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

2.4 Material accounting policies (Continued)

Intangible assets (other than goodwill)

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

Intangible assets not yet available for use are tested for impairment annually either individually or at the cash-generating unit level, irrespective of whether there is any indication that they may be impaired. Such intangible assets are not amortised.

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Licences and trademarks	8 to 10 years
Patents and technology know-how	5 to 30 years
Software	2 to 20 years
Distribution right	30 years

Research and development costs

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

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

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production. During the period of development, the deferred development costs are tested for impairment annually.

Leases

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

2.4 Material accounting policies (Continued)

Leases (Continued)

Group as a lessee

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

(a) *Right-of-use assets*

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

Leasehold land	10 to 60 years
Buildings	1.5 to 5 years
Motor vehicles	2 to 3 years
Machinery	1.5 to 5 years

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

(b) *Lease liabilities*

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

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

The Group's lease liabilities are included in interest-bearing loans and borrowings.

2.4 Material accounting policies (Continued)

Leases (Continued)

Group as a lessee (Continued)

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment and buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

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

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

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

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

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

2.4 Material accounting policies (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

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

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

2.4 Material accounting policies (Continued)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss

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

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

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

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

Derecognition of financial assets

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

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

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

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

2.4 Material accounting policies (Continued)

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 180 days past due. The Group has rebutted the 90 days past due presumption of default based on reasonable and supportable information, including the Group's credit risk control practices and the historical recovery rate of financial assets over 90 days past due. However, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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

2.4 Material accounting policies (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

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

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

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables, accruals, convertible bonds, other non-current liabilities and interest-bearing loans and borrowings.

2.4 Material accounting policies (Continued)

Financial liabilities (Continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

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

Financial liabilities at amortised cost (trade and other payables, and borrowings)

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

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

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

2.4 Material accounting policies (Continued)

Financial liabilities (Continued)

Subsequent measurement (Continued)

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

Convertible bonds (Continued)

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Treasury shares

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

Inventories

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

2.4 Material accounting policies (Continued)

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

2.4 Material accounting policies (Continued)

Income tax (Continued)

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

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

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

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

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

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

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

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

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

2.4 Material accounting policies (Continued)

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

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

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

(a) *Sale of products*

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

(b) *Sale of product know-how*

Revenue from the sale of product know-how is recognised at the point in time when the control of the product know-how is transferred to the customer, generally on acceptance of the product know-how.

2.4 Material accounting policies (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(c) Provision of research and development services

Revenue from the provision of research and development services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue from the provision of research and development services is recognised over time, using an output method to measure progress by using services transferred to the customer to date, because the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

(d) Out-licensing agreements

The Group grant commercialisation licenses or intellectual property licenses of certain products. Revenue is recognised at the point in time when the control of the license is transferred to the customer. The consideration for license comprises fixed element and variable elements. The variable elements are included in the transaction price when the Group can conclude that it is highly probable there will not be a significant reversal of revenue.

Other income

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

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

Contract liabilities

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

2.4 Material accounting policies (Continued)

Contract costs

Other than the costs which are capitalised as inventories, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Group operates share award schemes. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the back-solve method and equity value allocation based on the option pricing model, further details of which are given in note 35 to the financial statements.

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

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

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

2.4 Material accounting policies (Continued)

Share-based payments (Continued)

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

This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension schemes

Contributions made to the government retirement benefit fund under defined contribution retirement plans are charged to the statement of profit or loss as incurred.

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

The Group makes contributions to the Central Provident Fund (the "CPF") Scheme in Singapore, a defined contribution pension scheme, for its employees in Singapore.

The subsidiaries established and operated in Mainland China are required to provide certain staff pension benefits to their employees under existing regulations of the PRC (the "PRC Pension Scheme"). Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiaries' employees. The Group's employer contributions to the CPF and the PRC Pension Scheme vest fully with the employees upon the contributions are made and hence no forfeited contributions arise when the employees leave the respective scheme.

2.4 Material accounting policies (Continued)

Other employee benefits (Continued)

Defined benefit plan

The Group operates a defined benefit pension plan in Switzerland, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and

- the date that the Group recognises restructuring related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "cost of sales", "selling and distribution expenses" and "administrative expenses" in the consolidated statement of profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements

- net interest expense or income

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

2.4 Material accounting policies (Continued)

Dividends

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

Foreign currencies

These financial statements are presented in RMB, which the Company adopted as the presentation currency of the Group because the Group's principal operations are carried out in Mainland China. The functional currency of the Company is the United States dollar ("US$") and certain subsidiaries incorporated outside Mainland China use Singapore dollar ("SG$"), Hong Kong dollar ("HK$"), Malaysian Ringgit ("MYR"), Great Britain Pound ("GBP") and Euro ("EUR") as their functional currencies. The functional currency of the subsidiaries established in Mainland China is RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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

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

The functional currencies of the non-Mainland China established subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

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

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

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

3. Significant accounting judgements and estimates

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

Judgements

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

Research and development costs

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions and judgements regarding to technical feasibility of completing the intangible asset, future economic benefits and so forth.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Group has tax losses of RMB3,834,134,000 (2023: RMB3,551,559,000) carried forward. These losses related to subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group had been able to recognise all unrecognised deferred tax assets, the profit and equity would have increased by RMB65,419,000 (2023: RMB94,508,000). Further details on deferred taxes are disclosed in note 32 to the financial statements.

Estimation uncertainty

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

3. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2024 was RMB1,012,456,000 (2023: RMB1,041,930,000). Further details are given in note 15 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 21 to the financial statements.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made for those identified obsolete and slow-moving inventories and inventories with a carrying amount higher than net realisable value. The assessment of the provision required involves management's judgement and estimates on which are influenced by assumptions concerning future sales and usage and judgements in determining the appropriate level of inventory provisions against identified surplus or obsolete items. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying amounts of inventories and the write-down/write-back of inventories in the period in which such estimate has been changed.

4. Operating segment information

The Group manages its businesses by type of products. The Group's chief operating decision maker is the Chief Executive Officer, who reviews the revenue from and results of the major type of products sold for the purpose of resource allocation and assessment of segment performance. Segment results are evaluated based on gross profit less selling expenses allocated. No analysis of the Group's assets and liabilities by operating segment is disclosed as it is not regularly provided to the chief operating decision maker for review.

Year ended 31 December 2024

	Oncology drugs RMB'000	Cardio-vascular system drugs RMB'000	Alimentary tract and metabolism drugs RMB'000	Central nervous system drugs RMB'000	Others RMB'000	Total RMB'000
Segment revenue *(note 5)*						
Sale of products	1,766,617	1,660,005	382,647	1,602,437	277,841	5,689,547
Sale of product know-how	250,000	–	–	–	–	250,000
Provision of research and development services	66,813	–	6,227	1,637	2,323	77,000
Out-licensing agreements	1,201	–	–	9,183	34,510	44,894
Total segment revenue	2,084,631	1,660,005	388,874	1,613,257	314,674	6,061,441
Segment results	1,057,773	529,720	128,052	456,326	55,928	2,227,799
Other income and gains						359,968
Administrative expenses						(581,962)
Other expenses						(604,027)
Finance costs						(561,785)
Share of profits and losses of associates						(774)
Profit before tax						839,219

4. Operating segment information (Continued)

Year ended 31 December 2023

	Oncology drugs RMB'000	Cardio-vascular system drugs RMB'000	Alimentary tract and metabolism drugs RMB'000	Central nervous system drugs RMB'000	Others RMB'000	Total RMB'000
Segment revenue *(note 5)*						
Sale of products	1,917,536	1,687,359	449,234	1,393,961	179,262	5,627,352
Sale of product know-how	–	–	–	200,000	–	200,000
Provision of research and development services	69,719	–	1,186	1,612	9,033	81,550
Out-licensing agreements	135,125	–	–	99,051	–	234,176
Total segment revenue	2,122,380	1,687,359	450,420	1,694,624	188,295	6,143,078
Segment results	867,461	558,908	119,606	596,350	5,683	2,148,008
Other income and gains						501,837
Administrative expenses						(643,967)
Other expenses						(631,118)
Finance costs						(675,454)
Share of profits and losses of associates						794
Profit before tax						700,100

4. Operating segment information (Continued)

Geographical information

(a) Revenue from external customers

	2024 RMB'000	2023 RMB'000
Mainland China	**4,924,621**	5,029,604
Asia (other than Mainland China)	**347,486**	446,725
European Union	**586,667**	449,975
Other countries	**202,667**	216,774
Total revenue	**6,061,441**	6,143,078

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2024 RMB'000	2023 RMB'000
Mainland China	**11,898,618**	10,108,488
Hong Kong	**2,315,882**	2,378,946
European Union	**1,242,535**	1,334,627
Other countries	**52,998**	53,115
Total non-current assets	**15,510,033**	13,875,176

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

Information about a major customer

No revenue from the Group's sales to a single customer accounted for 10% or more of the Group's revenue during the years ended 31 December 2024 and 2023.

5. Revenue, other income and gains

An analysis of revenue is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers	**6,061,441**	6,143,078

5. Revenue, other income and gains (Continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2024

	Oncology drugs RMB'000	Cardio-vascular system drugs RMB'000	Alimentary tract and metabolism drugs RMB'000	Central nervous system drugs RMB'000	Others RMB'000	Total RMB'000
Types of goods or services						
Sale of products	1,766,617	1,660,005	382,647	1,602,437	277,841	5,689,547
Sale of product know-how	250,000	–	–	–	–	250,000
Provision of research and development services	66,813	–	6,227	1,637	2,323	77,000
Out-licensing agreements	1,201	–	–	9,183	34,510	44,894
Total	2,084,631	1,660,005	388,874	1,613,257	314,674	6,061,441
Geographical markets						
Mainland China	2,052,322	1,651,032	387,351	522,200	311,716	4,924,621
Asia (other than Mainland China)	32,309	8,973	42	306,162	–	347,486
European Union	–	–	1,481	585,120	66	586,667
Other countries	–	–	–	199,775	2,892	202,667
Total	2,084,631	1,660,005	388,874	1,613,257	314,674	6,061,441
Timing of revenue recognition						
Transferred at a point in time	2,017,818	1,660,005	382,647	1,611,620	312,351	5,984,441
Transferred over time	66,813	–	6,227	1,637	2,323	77,000
Total	2,084,631	1,660,005	388,874	1,613,257	314,674	6,061,441

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2024

5. Revenue, other income and gains (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2023

	Oncology drugs RMB'000	Cardio-vascular system drugs RMB'000	Alimentary tract and metabolism drugs RMB'000	Central nervous system drugs RMB'000	Others RMB'000	Total RMB'000
Types of goods or services						
Sale of products	1,917,536	1,687,359	449,234	1,393,961	179,262	5,627,352
Sale of product know-how	–	–	–	200,000	–	200,000
Provision of research and development services	69,719	–	1,186	1,612	9,033	81,550
Out-licensing agreements	135,125	–	–	99,051	–	234,176
Total	2,122,380	1,687,359	450,420	1,694,624	188,295	6,143,078
Geographical markets						
Mainland China	2,122,380	1,676,404	446,418	605,612	178,790	5,029,604
Asia (other than Mainland China)	–	10,955	30	435,740	–	446,725
European Union	–	–	3,972	445,937	66	449,975
Other countries	–	–	–	207,335	9,439	216,774
Total	2,122,380	1,687,359	450,420	1,694,624	188,295	6,143,078
Timing of revenue recognition						
Transferred at a point in time	2,052,661	1,687,359	449,234	1,693,012	179,262	6,061,528
Transferred over time	69,719	–	1,186	1,612	9,033	81,550
Total	2,122,380	1,687,359	450,420	1,694,624	188,295	6,143,078

5. Revenue, other income and gains (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

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

	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	**73,315**	102,558
Provision of research and development services	**—**	943
Total	**73,315**	103,501

(ii) Performance obligations

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

Sale of products

The performance obligation is satisfied upon acceptance of the goods and payment is generally due within one month to three months, extending up to six months for major customers.

Sale of product know-how

The performance obligation is satisfied upon acceptance of the product know-how and payment is generally due within three months.

Provision of research and development services

The performance obligation is satisfied over time as services are rendered and payment is generally due within six months from the date of billing.

5. Revenue, other income and gains (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations (Continued)

Out-licensing agreements

The performance obligation is satisfied upon granting the license and payment is generally due within 30 days from the date of billing.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2024 **RMB'000**	2023 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**169,955**	133,584
After one year	**12,351**	68,640
Total	**182,306**	202,224

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to a supply arrangement. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

5. Revenue, other income and gains (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations (Continued)

Out-licensing agreements (Continued)

	2024 RMB'000	2023 RMB'000
Other income		
Bank interest income	**84,432**	117,137
Government grants*	**162,069**	137,335
Investment income from financial assets at fair value through profit or loss	**72,760**	92,828
Lease and property management service income	**7,027**	6,372
Compensation income	**2,649**	—
Others	**9,941**	2,599
Total other income	**338,878**	356,271
Gains		
Changes in fair value of financial assets at fair value through profit or loss	**1,791**	1,938
Foreign exchange gains, net	**—**	46,028
Changes in fair value of convertible bonds — embedded derivative component	**—**	87,705
Gain on a finance lease as a sublease lessor	**548**	7,476
Gain on disposal of items of property, plant and equipment and other intangible assets	**14,852**	1,500
Gain on disposal of a subsidiary *(note 38)*	**3,636**	—
Gain on lease modifications	**—**	633
Others	**263**	286
Total gains	**21,090**	145,566
Total other income and gains	**359,968**	501,837

* *The government grants mainly represent subsidies received from local government authorities to support the Group's research and development activities and operation and to compensate capital expenditure incurred on certain projects.*

6. Profit before tax

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

	Notes	**2024 RMB'000**	2023 RMB'000
Cost of inventories sold		**1,951,077**	1,866,830
Cost of services provided		**66,137**	72,073
Depreciation of items of property, plant and equipment	*13*	**374,042**	349,948
Depreciation of right-of-use assets	*14(a)*	**28,392**	28,259
Amortisation of other intangible assets*	*16*	**388,238**	323,644
Write-down of inventories to net realisable value**		**(1,359)**	(4,927)
Impairment/(reversal of impairment) of trade receivables, net	*21*	**1,849**	(19)
Impairment of other receivables, net	*22*	**4,323**	—
Lease payments not included in the measurement of lease liabilities	*14(b)*	**18,412**	17,927
Auditor's remuneration		**15,629**	14,675
Bank interest income		**(84,432)**	(117,137)
Government grants		**(162,069)**	(137,335)
Investment income from financial assets at fair value through profit or loss		**(72,760)**	(92,828)
Foreign exchange losses/(gains), net		**71,725**	(46,028)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2024

6. Profit before tax (Continued)

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

	2024 **RMB'000**	2023 RMB'000
Employee benefit expenses (excluding directors' and chief executive's remuneration *(note 8)*):		
Wages and salaries	**687,968**	757,499
Pension scheme contributions***	**156,871**	150,159
Pension plan costs (defined benefit plan)	**1,983**	1,653
Central Provident Fund in Singapore***	**3,145**	3,195
Staff welfare expenses	**53,129**	49,477
Equity-settled share award expense	**21,499**	20,640
Total	**924,595**	982,623
Other expenses:		
Research and development costs	**498,587**	586,157
Donation	**1,478**	2,018
Provision for legal claims	**14,653**	14,515
Surcharges for overdue tax payments	**3,611**	11,979
Loss on termination of a finance lease	**7,908**	—
Loss on lease modifications	**481**	—
Foreign exchange loss, net	**71,725**	—
Others	**5,584**	16,449
Total	**604,027**	631,118

* *The amortisation of licences and trademarks, distribution right and patents and technology know-how are included in "Cost of sales" and "Other expenses" in the consolidated statement of profit or loss. The amortisation of software is included in "Administrative expenses" and "Other expenses" in the consolidated statement of profit or loss.*

** *The write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss.*

*** *There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.*

7. Finance costs

An analysis of finance costs is as follows:

	2024 RMB'000	2023 RMB'000
Interest on bank and other loans (including convertible bonds)	**474,726**	561,191
Interest on discounted notes receivable	**58,469**	32,161
Interest on discounted letters of credit	**16,446**	8,417
Interest on lease liabilities	**4,100**	3,645
Interest on redemption liabilities	**8,044**	70,040
Total	**561,785**	675,454

8. Directors' and chief executive's remuneration

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

	Group	
	2024 RMB'000	2023 RMB'000
Fees	**1,590**	1,560
Other emoluments:		
Salaries, allowances and benefits in kind	**6,878**	7,433
Performance related bonuses	**—**	2,490
Pension scheme contributions	**316**	305
Subtotal	**7,194**	10,228
Total	**8,784**	11,788

8. Directors' and chief executive's remuneration (Continued)

Independent non-executive directors

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

	2024 RMB'000	2023 RMB'000
Leung Man Kit	**329**	322
Choy Sze Chung Jojo	**274**	269
Lo Yuk Lam	**274**	269
Zhang Hua Qiao	**274**	269
Xia Lian	**165**	162
Total	**1,316**	1,291

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

8. Directors' and chief executive's remuneration (Continued)

Executive directors, non-executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2024					
Executive directors:					
Liu Dian Bo	–	3,154	–	85	3,239
Yang Rong Bing	–	1,692	–	86	1,778
Yuan Hui Xian	–	978	–	–	978
Zhu Yuan Yuan	–	1,054	–	145	1,199
Subtotal	–	6,878	–	316	7,194
Non-executive directors:					
Song Rui Lin	274	–	–	–	274
Lyu Dong	–	–	–	–	–
Total	274	6,878	–	316	7,468

8. Directors' and chief executive's remuneration (Continued)

Executive directors, non-executive directors and the chief executive (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2023					
Executive directors:					
Liu Dian Bo	–	3,140	960	80	4,180
Yang Rong Bing	–	2,260	750	81	3,091
Yuan Hui Xian	–	978	480	–	1,458
Zhu Yuan Yuan	–	1,055	300	144	1,499
Subtotal	–	7,433	2,490	305	10,228
Non-executive directors:					
Sun Xin	–	–	–	–	–
Song Rui Lin	269	–	–	–	269
Lyu Dong	—	—	—	—	—
Total	269	7,433	2,490	305	10,497

In December 2023, Mr. Sun Xin resigned as a non-executive director and Dr. Lyu Dong was appointed as a non-executive director.

Liu Dian Bo is also the chief executive of the Company.

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

The directors did not receive any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2023: Nil).

9. Five highest paid employees

The five highest paid employees during the year included two directors (2023: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2023: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	7,239	7,239
Performance related bonuses	797	2,647
Equity-settled share award expense	6,870	7,117
Pension scheme contributions	364	480
Total	15,270	17,483

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

	Number of employees	
	2024	2023
HK$1,500,001 to HK$2,000,000	1	–
HK$2,000,001 to HK$2,500,000	–	1
HK$7,000,001 to HK$7,500,000	1	–
HK$7,500,001 to HK$8,000,000	1	–
HK$8,500,001 to HK$9,000,000	–	2
Total	3	3

In prior years, shares were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 35 to the financial statements. The fair value of such shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. Income tax

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in these jurisdictions.

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for a subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2023: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 16.5%).

Pursuant to the rules and regulations of Singapore, Malaysia, Switzerland, Germany, United Kingdom, Australia, the Group is subject to 17%, 24%, 13.5%, 29.125%, 19% and 30% of their taxable income, respectively.

Pursuant to the rules and regulations of the USA, the Group is subject to federal statutory tax at the rate of 21% (2023: 21%) of taxable income. No provision for income tax has been made as the Group did not generate any taxable income in the USA during the year (2023: Nil).

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China which are granted tax concession and are taxed at preferential tax rates.

Shandong Luye, Nanjing Luye, WPU, Sichuan Luye, Boan Biotech and Nanjing Jimai are qualified as High and New Technology Enterprises and were entitled to a preferential income tax rate of 15% (2023: 15%) during the year.

	2024 **RMB'000**	2023 RMB'000
Current tax:		
Charge for the year	**232,815**	200,813
Overprovision in prior years	**(9,106)**	(606)
Deferred tax *(note 32)*	**(29,498)**	(39,184)
Total tax charge for the year	**194,211**	161,023

10. Income tax (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate for the jurisdiction where the operations of the Group are substantially based to the tax expense at the effective tax rate is as follows:

	2024	2023
	RMB'000	RMB'000
Profit before tax	**839,219**	700,100
At the PRC's statutory income tax rate of 25%	**209,805**	175,025
Effect of tax rate differences in other jurisdictions	**32,497**	13,737
Effect of preferential income tax rates applicable to subsidiaries	**(133,771)**	(84,404)
Additional deductible allowance for research and development expenses	**(75,719)**	(77,334)
Adjustments in respect of current tax of previous years	**(9,106)**	(606)
Effect of non-deductible expenses	**92,830**	58,668
Deemed income subject to tax	**—**	267
Income not subject to tax	**(12,319)**	(21,520)
Tax losses utilised from previous years	**(2,391)**	(6,430)
Tax losses not recognised	**65,419**	94,508
Uncertain tax positions	**—**	8,882
Effect on withholding tax at 10% on sales of equity	**14,058**	—
Effect on withholding tax at 10% on the distributable profit of PRC subsidiaries	**10,785**	—
Effect of withholding tax at 10% on the interest expense of the Group's PRC subsidiaries to be paid	**2,123**	230
Tax charge at the Group's effective rate	**194,211**	161,023

The effective tax rate of the Group for the year was 23.1% (2023: 23.0%).

Pillar Two income taxes

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

The Group has performed an assessment of the potential exposure arising from Pillar Two legislation based on the information available for the financial year ended 31 December 2024. Based on the assessment carried out so far, the Group has identified potential exposure to Pillar Two income taxes mainly related to Mainland China. However, the Pillar Two legislation has not yet been enacted or substantially enacted in Mainland China or Hong Kong. Therefore, the Group does not expect potential exposures to Pillar Two "top-up" taxes in 2024 until the Pillar Two legislation will be enacted and effective in Mainland China or Hong Kong.

11. Dividends

No interim or final dividends were declared by the Company during the year ended 31 December 2024 (2023: Nil).

12. Earnings per share attributable to ordinary equity holders of the parent

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,761,670,643 (2023: 3,728,362,856) outstanding during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2023 and 2024 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

13. Property, plant and equipment

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Computer and office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024							
At 31 December 2023:							
Cost	2,012,729	3,435,858	22,201	177,857	54,977	1,381,311	7,084,933
Accumulated depreciation and impairment	(464,420)	(1,695,312)	(16,945)	(129,890)	(26,429)	–	(2,332,996)
Net carrying amount	1,548,309	1,740,546	5,256	47,967	28,548	1,381,311	4,751,937
At 1 January 2024, net of accumulated depreciation and impairment	1,548,309	1,740,546	5,256	47,967	28,548	1,381,311	4,751,937
Additions	4,542	160,700	1,123	13,532	4,483	459,265	643,645
Depreciation provided during the year	(72,513)	(278,877)	(1,419)	(12,593)	(8,640)	–	(374,042)
Transfers	604,502	335,093	–	16,248	–	(955,843)	–
Disposals	(987)	(6,379)	(134)	(568)	–	–	(8,068)
Exchange realignment	(3,645)	(5,104)	(8)	(92)	1	–	(8,848)
At 31 December 2024, net of accumulated depreciation and impairment	2,080,208	1,945,979	4,818	64,494	24,392	884,733	5,004,624
At 31 December 2024:							
Cost	2,613,078	3,895,589	21,542	202,012	59,489	884,733	7,676,443
Accumulated depreciation and impairment	(532,870)	(1,949,610)	(16,724)	(137,518)	(35,097)	–	(2,671,819)
Net carrying amount	2,080,208	1,945,979	4,818	64,494	24,392	884,733	5,004,624

13. Property, plant and equipment (Continued)

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Computer and office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023							
At 31 December 2022:							
Cost	1,707,252	3,214,933	21,598	171,447	43,933	1,081,243	6,240,406
Accumulated depreciation and impairment	(406,975)	(1,420,506)	(14,943)	(119,991)	(22,001)	–	(1,984,416)
Net carrying amount	1,300,277	1,794,427	6,655	51,456	21,932	1,081,243	4,255,990
At 1 January 2023, net of accumulated depreciation and impairment	1,300,277	1,794,427	6,655	51,456	21,932	1,081,243	4,255,990
Additions	16,311	133,459	938	11,206	1,742	726,163	889,819
Depreciation provided during the year	(54,563)	(274,054)	(2,091)	(14,832)	(4,408)	–	(349,948)
Transfers	329,681	86,688	–	443	9,283	(426,095)	–
Disposals	(48,422)	(5,683)	(259)	(703)	–	–	(55,067)
Exchange realignment	5,025	5,709	13	397	(1)	–	11,143
At 31 December 2023, net of accumulated depreciation and impairment	1,548,309	1,740,546	5,256	47,967	28,548	1,381,311	4,751,937
At 31 December 2023:							
Cost	2,012,729	3,435,858	22,201	177,857	54,977	1,381,311	7,084,933
Accumulated depreciation and impairment	(464,420)	(1,695,312)	(16,945)	(129,890)	(26,429)	–	(2,332,996)
Net carrying amount	1,548,309	1,740,546	5,256	47,967	28,548	1,381,311	4,751,937

13. Property, plant and equipment (Continued)

As at 31 December 2024, the Group was applying for the certificates of ownership for certain properties with a net book value of RMB350,280,000 (2023: RMB356,453,000). The directors of the Company are of the opinion that the use of the properties and the conduct of operating activities at those properties referred to above are not affected by the fact the Group had not yet obtained the relevant property title certificates. The Group is not able to assign, transfer or mortgage these assets until these certificates are obtained.

At 31 December 2024, certain of the Group's property, plant and equipment with net carrying amounts of approximately RMB794,133,000 (2023: RMB460,627,000) and RMB297,004,000 (2023: RMB350,227,000) were pledged to secure bank loans and other borrowings granted to the Group, respectively (note 27).

14. Leases

The Group as a lessee

The Group has lease contracts for various items of buildings, machinery and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 10 to 60 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings and machinery generally have lease terms between 1.5 and 5.5 years, while motor vehicles generally have lease terms between 2 and 3 years. Other equipment generally has lease terms of 12 months or less. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

	Leasehold land	**Buildings**	**Motor vehicles**	**Machinery**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	296,711	32,601	69	3,926	333,307
Additions	–	49,463	469	–	49,932
Depreciation charge	(9,282)	(15,251)	(130)	(3,596)	(28,259)
Disposal	(2,281)	–	–	–	(2,281)
A finance lease as a sublease lessor	–	(18,735)	–	–	(18,735)
Reassessment as a result of lease modifications	–	2,854	–	(330)	2,524
Exchange realignment	–	80	–	–	80
As at 31 December 2023 and 1 January 2024	285,148	51,012	408	–	336,568
Additions	1,670	10,352	–	–	12,022
Depreciation charge	(9,527)	(18,711)	(154)	–	(28,392)
Termination of a finance lease as a sublease lessor	–	13,979	–	–	13,979
Reassessment as a result of lease modifications	–	162	–	–	162
Exchange realignment	–	255	(13)	–	242
As at 31 December 2024	277,291	57,049	241	–	334,581

14. Leases (Continued)

The Group as a lessee (Continued)

(a) Right-of-use assets (Continued)

As at 31 December 2024, the Group's right-of-use assets with a carrying value of RMB28,950,000 (2023: RMB5,735,000) were pledged to secure the bank loans (note 27).

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year are as follows:

	2024	2023
	RMB'000	RMB'000
Carrying amount at 1 January	**70,646**	38,491
New leases	**10,352**	49,932
Accretion of interest recognised during the year	**4,100**	3,645
Payments	**(24,557)**	(27,160)
Reassessment as a result of lease modifications	**643**	1,891
Exchange realignment	**771**	3,847
Carrying amount at 31 December	**61,955**	70,646
Analysed into:		
Current portion	**19,788**	18,500
Non-current portion	**42,167**	52,146

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

14. Leases (Continued)

The Group as a lessee (Continued)

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

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	**4,100**	3,645
Depreciation charge of right-of-use assets	**28,392**	28,259
Expense relating to short-term leases (included in cost of sales, selling and distribution expenses, administrative expenses and other expenses)	**18,412**	17,927
Loss on termination of a finance lease	**7,908**	—
Gain on a finance lease as a sublease lessor	**(548)**	(7,476)
Loss/(gain) on lease modifications	**481**	(633)
Total amount recognised in profit or loss	**58,745**	41,722

(d) The total cash outflow for leases is disclosed in note 42(c) to the financial statements.

The Group as a lessor

The Group subleases certain of its right-of-use assets, which are buildings in the USA under a finance lease arrangement during the year. The finance income recognised by the Group during the year was RMB548,000 (2023: RMB1,352,000). As at 31 December 2024, the finance lease was terminated.

15. Goodwill

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	**1,041,930**	1,003,371
Exchange realignment	**(29,474)**	38,559
Carrying amount at 31 December	**1,012,456**	1,041,930

There was no impairment charge made against goodwill for the year (2023: Nil).

15. Goodwill (Continued)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to seven individual cash-generating units for impairment testing:

(a) CMNa cash-generating unit ("CMNa unit"), which relates to CMNa, one of the Group's key products;

(b) Pharmaceutical products other than the CMNa cash-generating unit ("Other products unit"), which relates to Maitongna and Lutingnuo, of which Maitongna is one of the Group's key products;

(c) Solid Success Group cash-generating unit ("SSL unit"), which relates to Lipusu and Tiandixin, of which Lipusu is one of the Group's key products;

(d) Luye Pharma (Singapore) Pte. Ltd. ("LPPL") cash-generating unit ("LPPL unit"), which relates to HypoCol;

(e) WPU cash-generating unit ("WPU unit"), which relates to Xuezhikang, one of the Group's key products;

(f) Sichuan Luye cash-generating unit ("SL unit"), which relates to Bei Xi, one of the Group's key products; and

(g) Europe cash-generating unit ("EU unit"), which relates to products of advanced transdermal drug delivery systems, one of the key products of the Group.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2024 **RMB'000**	2023 RMB'000
CMNa unit	**38,444**	38,444
Other products unit	**5,954**	5,954
SSL unit	**114,185**	114,185
LPPL unit	**7,353**	7,353
WPU unit	**22,276**	22,276
SL unit	**159,144**	159,144
EU unit	**665,100**	694,574
Total	**1,012,456**	1,041,930

The recoverable amounts of the cash-generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period for the EU unit and other units. The discount rates applied to cash flow projections were 12.0% (2023: 12.5%) for the EU unit and 14% (2023: 14%) for other units. The growth rates used to extrapolate the cash flows of the EU unit and other units beyond the five-year period were 2% (2023: 2%) and 3% (2023: 3%), respectively.

15. Goodwill (Continued)

Impairment testing of goodwill (Continued)

Key assumptions used in the value-in-use calculation

The calculation of value in use is based on assumptions of the following:

- Gross margins and operating expenses
- Discount rates
- Growth rates

Gross margins and operating expenses — Gross margins are based on the average gross margins achieved in the year immediately before the budget year and are increased over the budget period for anticipated efficiency improvements. Estimates on operating expenses reflect past experience and management's commitment to maintain them at an acceptable level.

Discount rates — the rates reflect management's estimate of the risks specific to each of the units.

Growth rates — the rates are based on published industry research.

The values assigned to the key assumptions on gross margins and operating expenses, discount rates and growth rates are consistent with management's past experience and external information sources.

16. Other intangible assets

	Licences and trademarks RMB'000	Patents and technology know-how RMB'000	Software RMB'000	Deferred development costs RMB'000	Distribution right RMB'000	Total RMB'000
31 December 2024						
At 1 January 2024:						
Cost	15,734	3,485,088	64,661	1,513,099	2,912,947	7,991,529
Accumulated amortisation	(1,913)	(1,105,744)	(31,952)	–	(534,040)	(1,673,649)
Net carrying amount	13,821	2,379,344	32,709	1,513,099	2,378,907	6,317,880
Cost at 1 January 2024, net of accumulated amortisation	13,821	2,379,344	32,709	1,513,099	2,378,907	6,317,880
Additions	–	–	5,721	617,761	–	623,482
Amortisation provided during the year	(1,941)	(281,380)	(7,284)	–	(97,633)	(388,238)
Transfers	–	1,008,372	–	(1,008,372)	–	–
Exchange realignment	(536)	(1,043)	(38)	(608)	34,588	32,363
At 31 December 2024	11,344	3,105,293	31,108	1,121,880	2,315,862	6,585,487
At 31 December 2024:						
Cost	15,198	4,451,004	69,390	1,121,880	2,956,419	8,613,891
Accumulated amortisation	(3,854)	(1,345,711)	(38,282)	–	(640,557)	(2,028,404)
Net carrying amount	11,344	3,105,293	31,108	1,121,880	2,315,862	6,585,487

16. Other intangible assets (Continued)

	Licences and trademarks RMB'000	Patents and technology know-how RMB'000	Software RMB'000	Deferred development costs RMB'000	Distribution right RMB'000	Total RMB'000
31 December 2023						
At 1 January 2023:						
Cost	14,298	2,893,367	61,570	1,536,264	2,864,375	7,369,874
Accumulated amortisation	–	(930,641)	(24,893)	–	(429,656)	(1,385,190)
Net carrying amount	14,298	1,962,726	36,677	1,536,264	2,434,719	5,984,684
Cost at 1 January 2023, net of accumulated amortisation	14,298	1,962,726	36,677	1,536,264	2,434,719	5,984,684
Additions	657	1,407	4,045	536,438	–	542,547
Amortisation provided during the year	(1,913)	(216,515)	(8,118)	–	(97,098)	(323,644)
Transfers	–	564,947	–	(564,947)	–	–
Exchange realignment	779	66,779	105	5,344	41,286	114,293
At 31 December 2023	13,821	2,379,344	32,709	1,513,099	2,378,907	6,317,880
At 31 December 2023:						
Cost	15,734	3,485,088	64,661	1,513,099	2,912,947	7,991,529
Accumulated amortisation	(1,913)	(1,105,744)	(31,952)	–	(534,040)	(1,673,649)
Net carrying amount	13,821	2,379,344	32,709	1,513,099	2,378,907	6,317,880

16. Other intangible assets (Continued)

Impairment testing of deferred development costs

The intangible assets of the Group include the deferred development costs which are the expenditure incurred in the development phase of each project. The management of the Company tests the deferred development costs which are not yet available for use for impairment at least annually, and whenever there is an indication that the unit may be impaired, by comparing their carrying amounts with their recoverable amounts.

The recoverable amounts of deferred development costs have been determined based on a value in use calculation using cash flow projections which are based on financial forecast approved by the management of the Company. The discount rate applied to the cash flow projections is 14.0% (2023: 14.0%), which is determined by reference to the average rates for research and development projects in progress with similar business risk and after taking into account the risk premium in connection with the related research and development efforts. The growth rates used to extrapolate the cash flows beyond the forecast period are from –3% to 2% (2023: –3% to 2%), which are also estimates of the rate of inflation and characteristic of pharmaceutical industry.

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

Discount rates	—	the discount rates used is before tax and reflects specific risks in respect of the related research and development efforts.
Profit margin	—	the basis used to determine the value assigned to the profit margin is the expected commercialising markets.
Growth rates	—	the growth rates used to extrapolate the cash flows beyond the forecast period is based on the estimated growth rate of the Group taking into account the industry growth rate, past experience and the medium-term or long-term growth target of the Group.

The values assigned to the key assumptions on discount rates, profit margin and growth rates are consistent with historical experience of the Group and external information sources.

17. Investment in a joint venture

	2024 RMB'000
Share of net assets	**359,420**

The Group's other receivable balance due from the joint venture is disclosed in note 39 to the financial statements.

Particulars of the Group's material joint venture are as follows:

Company	Particulars of issued shares held	Place of registration and business	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
Luye Pharma Venture Capital ("LPVC")	25 issued shares of US$500 each	Cayman Islands	25	25	25	Investment holding

Note: In December 2024, the Company and an investor entered into an investment agreement, in which they agreed to increase investments in LPVC to hold its 25% and 75% shareholdings respectively. The transaction constituted a disposal of a subsidiary and LPVC became a joint venture of the Group.

The above investment is directly held by the Company.

The following table illustrates the financial information of the Group's joint venture that is not individually material:

	2024 RMB'000
Share of the joint venture's profit for the year	**–**
Share of the joint venture's total comprehensive income	**–**
Aggregate carrying amount of the Group's investment in the joint venture	**359,420**

18. Investments in associates

	2024 RMB'000	2023 RMB'000
Share of net assets	**1,511,687**	1,388,197

The Group's other receivable balances with the associates are disclosed in notes 39 to the financial statements.

Particulars of the associates are as follows:

Company	**Place of incorporation and business**	**Nominal value of issued/registered share capital**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Steward Cross Pte. Ltd. ("Steward Cross")	Singapore	SG$620,002	36	Distribution and sale of pharmaceutical drugs
Shandong Quanzhong Biomedical Technology Co., Ltd. ("Shandong Quanzhong")	PRC/Mainland China	RMB1,000,000,000	28	Research and development of pharmaceutical products
Shenzhen Quanzhong Biomedical Technology Co., Ltd.	PRC/Mainland China	RMB500,000,000	46.2	Research and development of pharmaceutical products
Nanjing Quanzhong Biomedical Technology Co., Ltd.	PRC/Mainland China	RMB500,000,000	46.2	Research and development of pharmaceutical products
Hangzhou Quanzhong Biomedical Technology Co., Ltd.	PRC/Mainland China	RMB500,000,000	46.2	Research and development of pharmaceutical products
Chengdu Quanzhong Biomedical Technology Co., Ltd.	PRC/Mainland China	RMB500,000,000	46.2	Research and development of pharmaceutical products
Yantai Donghai Bosai Equity Investment (Limited Partnership) ("Bosai") *(note)*	PRC/Mainland China	RMB1,500,000,000	35	Investment

Note: In June 2024, Yantai Luye Pharma Holdings Co., Ltd., a wholly-owned subsidiary of the Group, entered into a share subscription agreement with other investors, to subscribe 35% shareholdings of Bosai for a total consideration of RMB525,000,000.

The Group's shareholdings in the associates comprise equity shares held through wholly-owned subsidiaries of the Company.

18. Investments in associates (Continued)

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

	2024 RMB'000	2023 RMB'000
Share of the associates' (loss)/profit for the year	**(774)**	794
Share of the associates' total comprehensive income	**(774)**	794
Aggregate carrying amount of the Group's investments in the associates	**1,511,687**	1,388,197

As at 31 December 2024, the unrealised profits from the related party transactions between Steward Cross and LPPL was RMB2,070,000 (2023: RMB2,749,000).

19. Equity investments designated at fair value through other comprehensive income

	2024 RMB'000	2023 RMB'000
Listed equity investments, at fair value	**2,786**	3,159
Unlisted equity investments, at fair value	**–**	88,817
Total	**2,786**	91,976

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

The fair value of the listed equity investments is derived from quoted price in an active market.

The fair value of the unlisted equity investments which are not quoted in an active market is valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves.

20. Inventories

	2024 RMB'000	2023 RMB'000
Raw materials	**364,055**	333,002
Work in progress	**215,279**	235,161
Finished goods	**332,559**	259,700
Total	**911,893**	827,863

21. Trade and notes receivables

	2024 RMB'000	2023 RMB'000
Trade receivables	**2,388,581**	1,980,794
Notes receivable	**395,966**	377,023
	2,784,547	2,357,817
Impairment	**(4,780)**	(2,918)
Net carrying amount	**2,779,767**	2,354,899

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month to three months, extending up to six months for major customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

As at 31 December 2024, notes receivable of RMB131,227,000 (2023: RMB377,023,000) were classified as financial assets at fair value through other comprehensive income under IFRS 9. The fair value changes of these notes receivable at fair value through other comprehensive income were insignificant in 2024. The remaining notes receivable of RMB264,739,000 (2023: Nil) were measured at amortised cost.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Within 3 months	**2,240,985**	1,748,109
3 to 6 months	**46,942**	15,927
6 to 12 months	**99,722**	215,249
1 to 2 years	**75**	748
Over 2 years	**857**	761
Total	**2,388,581**	1,980,794

21. Trade and notes receivables (Continued)

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

	2024 RMB'000	2023 RMB'000
At beginning of year	**2,918**	3,327
Impairment losses, net *(note 6)*	**1,849**	(19)
Amount written off as uncollectible	**—**	(16)
Exchange realignment	**13**	(374)
At end of year	**4,780**	2,918

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

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

As at 31 December 2024

	Less than 6 months	6 months to 1 year	1 year to 2 years	Over 2 years	Total
Expected credit loss rate	**0.17%**	**0.00%**	**22.67%**	**100.00%**	**0.20%**
Gross carrying amount (RMB'000)	**2,287,927**	**99,722**	**75**	**857**	**2,388,581**
Expected credit losses (RMB'000)	**3,906**	**—**	**17**	**857**	**4,780**

As at 31 December 2023

	Less than 6 months	6 months to 1 year	1 year to 2 years	Over 2 years	Total
Expected credit loss rate	0.10%	0.00%	50.00%	100.00%	0.15%
Gross carrying amount (RMB'000)	1,764,036	215,249	748	761	1,980,794
Expected credit losses (RMB'000)	1,783	—	374	761	2,918

21. Trade and notes receivables (Continued)

At 31 December 2024, the Group endorsed certain notes receivable accepted by banks in Mainland China (the "Endorsed Notes") to its suppliers in order to settle the trade and other payables due to such suppliers with a carrying amount in aggregate of RMB459,745,000 (2023: RMB431,164,000) (the "Endorsement"). In addition, the Group discounted certain notes receivable accepted by banks in Mainland China (the "Discounted Notes") to banks to finance its operating cash flows with carrying amounts in aggregate of RMB2,307,192,000 (2023: RMB2,291,912,000) (the "Discount"). The Endorsed Notes and the Discounted Notes had a maturity from one to twelve months as at 31 December 2024. In accordance with the Law of Negotiable Instruments and relevant discounting arrangements with certain banks in the PRC, the holders of the Endorsed Notes and the Discounted Notes have a right of recourse against the Group if certain banks default (the "Continuing Involvement").

In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to certain Endorsed Notes and Discounted Notes with amounts of RMB217,441,000 (2023: RMB365,068,000) and RMB911,032,000 (2023: RMB1,250,758,000), respectively, accepted by large and reputable banks (the "Derecognised Notes"). Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

For the remaining Endorsed Notes and Discounted Notes, the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes and Discounted Notes, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Notes and the Discounted Notes. Subsequent to the Endorsement or the Discount, the Group did not retain any rights on the use of the Endorsed Notes or the Discounted Notes, including the sale, transfer or pledge of the Endorsed Notes or the Discounted Notes to any other third parties. As at 31 December 2024, the aggregate carrying amount of the trade and other payables settled by the Endorsed Notes to which the suppliers have recourse was RMB242,304,000 (2023: RMB66,096,000), and the aggregate carrying amount financed by such Discounted Notes to which the banks have recourse was RMB1,396,160,000 (2023: RMB1,041,154,000).

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement, both during the period and cumulatively. The Endorsement and the Discount have been made evenly throughout the year.

22. Prepayments, other receivables and other assets

	2024 RMB'000	2023 RMB'000
Current		
Other receivables	**1,525,252**	232,758
Lease payments receivable	**—**	4,174
Prepaid income tax	**17,766**	14,942
Value-added tax recoverable	**76,927**	83,587
Prepayments	**323,598**	94,128
	1,943,543	429,589
Impairment allowance	**(4,323)**	—
Total — current	**1,939,220**	429,589
Non-current		
Advance payments for property, plant and equipment and other intangible assets	**551,651**	38,664
Advance payment for an equity investment	**150,000**	—
Lease payments receivable	**—**	18,903
Other long-term receivables	**9,311**	8,892
Total — non-current	**710,962**	66,459
Total	**2,650,182**	496,048

Included in the Group's prepayments, other receivables and other assets were other receivables of RMB130,112,000 (2023: RMB94,008,000) due from related parties (note 39(b)).

The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand.

Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default. As at 31 December 2024, the probability of default applied ranged from 0.10% to 3.12% and the loss given default was estimated to be 40%. As at 31 December 2023, the loss allowance of the Group was assessed to be minimal and the expected credit loss rate for other receivables was close to zero.

23. Financial assets at fair value through profit or loss

	2024 RMB'000	2023 RMB'000
Current		
Listed equity investments, at fair value	**1,092**	228
Other unlisted investments, at fair value	**1,502,975**	1,595,539
Total — current	**1,504,067**	1,595,767
Non-current		
Unlisted equity investments, at fair value	**618,512**	488,261
Total	**2,122,579**	2,084,028

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The above other unlisted investments were wealth management products issued by licensed financial institutions in Mainland China and investments in private funds. The fair values of the financial assets approximate to their costs plus expected interest. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The fair value of the listed equity investments is derived from quoted price in an active market.

The fair value of the unlisted equity investments which are not quoted in an active market is valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves.

24. Cash and cash equivalents and pledged deposits

	2024 RMB'000	2023 RMB'000
Cash and bank balances	**962,207**	784,207
Time deposits	**5,210,953**	4,870,597
Subtotal	**6,173,160**	5,654,804
Less:		
Current pledged deposits for bank loans	**(165,711)**	(61,761)
Current pledged deposits for notes payable	**(562,186)**	(591,103)
Current pledged deposits for letters of credit	**(160,118)**	(45,632)
Current pledged time deposits for a letter of guarantee	**(286,000)**	(286,000)
Non-current pledged time deposits for notes payable	**–**	(159,640)
Non-pledged time deposits with original maturity of over three months when acquired	**(62,000)**	(1,271,695)
Cash and cash equivalents	**4,937,145**	3,238,973
Denominated in RMB	**4,543,845**	3,113,177
Denominated in HK$	**298,828**	4,693
Denominated in US$	**63,791**	59,067
Denominated in EUR	**13,655**	50,089
Denominated in other currencies	**17,026**	11,947
Total	**4,937,145**	3,238,973

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of Mainland China is subject to exchange restrictions imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between seventeen days and six months depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2024, deposits of RMB165,711,000 (2023: RMB61,761,000) have been pledged to secure bank loans (note 27).

As at 31 December 2024, deposits of RMB515,815,000 (2023: RMB424,353,000) and RMB46,371,000 (2023: RMB326,390,000) have been pledged to secure intra-group notes payable and third parties notes payable (note 25), respectively.

25. Trade and notes payables

	2024 RMB'000	2023 RMB'000
Trade payables	**503,814**	427,026
Notes payable	**185,486**	340,161
Total	**689,300**	767,187

An ageing analysis of the trade and notes payables as at the end of the reporting period, based on the invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Within 3 months	**555,091**	675,331
3 to 6 months	**68,151**	46,860
6 to 12 months	**26,776**	30,033
1 to 2 years	**28,175**	9,091
Over 2 years	**11,107**	5,872
Total	**689,300**	767,187

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

The maturity of the notes payable is within twelve months.

As at 31 December 2024, the Group's notes payable were secured by certain of the Group's deposits amounting to RMB46,371,000 (2023: RMB326,390,000) (note 24).

26. Other payables and accruals

	Notes	2024 RMB'000	2023 RMB'000
Other payables	(a)	**791,216**	559,118
Accrued liabilities		**349,351**	446,865
Accrued payroll		**136,460**	205,342
Contract liabilities	(b)	**169,955**	133,584
Taxes payable other than corporate income tax		**140,293**	94,558
Payables for purchases of property, plant and equipment		**278,497**	215,935
Provision for legal claims		**315,892**	296,166
Dividend payable		**415**	—
Total		**2,182,079**	1,951,568

Included in the Group's other payables and accruals were other payables of RMB3,547,000 (2023: RMB4,161,000) due to related parties (note 39(b)).

Notes:

(a) Other payables are non-interest-bearing and have no fixed terms of repayment.

(b) Details of contract liabilities are as follows:

	31 December 2024 RMB'000	31 December 2023 RMB'000	1 January 2023 RMB'000
Advances received from customers			
Sale of products	***169,955***	*133,584*	*45,433*
Provision of research and development services	***—***	*—*	*943*
Total contract liabilities	***169,955***	*133,584*	*46,376*

Contract liabilities mainly include advances received to deliver products. The increase in contract liabilities in 2024 and 2023 was mainly due to the increase in advances received from customers in relation to the sale of products at the end of the year.

27. Interest-bearing loans and borrowings

31 December 2024

	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans — secured	3.00~4.80	2025	2,833,923
US$4,926,973 bank loan — secured	6.02	2025	35,417
JPY60,000,000 bank loan — secured	0.70	2025	27,750
Current portion of long-term bank loans — secured	3.55~5.00	2025	409,805
Current portion of long-term US$115,461,756 bank loan — secured	SOFR+3.11	2025	829,985
Current portion of long-term other borrowings — secured	4.85~6.00	2025	196,531
Discounted notes receivable	0.46~4.50	2025	1,388,428
Discounted letters of credit	1.26~3.50	2025	832,380
Lease liabilities *(note 14(b))*	3.25~7.52	2025	19,788
Subtotal — current			6,574,007
Convertible bonds — debt component *(note 28)*	5.85	2025	1,011,067
Total — current			7,585,074
Non-current			
Bank loans — secured	3.55~5.00	2026~2029	813,670
Long-term other borrowings — secured	5.10~6.00	2026~2028	864,600
Lease liabilities *(note 14(b))*	3.25~7.52	2026~2028	42,167
Subtotal — non-current			1,720,437
Convertible bonds — debt component *(note 28)*	6.25	2028	1,015,543
Total — non-current			2,735,980
Total			10,321,054

27. Interest-bearing loans and borrowings (Continued)

31 December 2023

	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans — secured	2.65~5.50	2024	3,036,965
EUR14,063,290 bank loan — secured	3.50~4.74	2024	110,526
Current portion of long-term bank loans — secured	3.55~5.40	2024	243,927
Current portion of long-term US$24,528,438 bank loan — secured	3-month LIBOR+2.85	2024	173,728
Current portion of long-term other borrowings — secured	5.10~5.40	2024	191,390
Discounted notes receivable	0.60~4.95	2024	1,032,362
Discounted letters of credit	1.35~5.00	2024	388,356
Lease liabilities *(note 14(b))*	3.76	2024	18,500
Total — current			5,195,754
Non-current			
Bank loans — secured	3.55~5.40	2025~2028	879,054
US$139,403,682 bank loan — secured	3-month LIBOR+2.85	2025	987,355
Long-term other borrowings — secured	5.10~6.00	2025~2028	171,664
Long-term other borrowings — unsecured	3.00	2026	200,099
Lease liabilities *(note 14(b))*	4.67	2028	52,146
Total — non-current			2,290,318
Convertible bonds — debt component *(note 28)*	6.25	2028	937,875
Total			8,423,947

27. Interest-bearing loans and borrowings (Continued)

	2024 RMB'000	2023 RMB'000
Analysed into:		
Bank loans and other borrowings repayable:		
Within one year or on demand	**7,585,074**	5,195,754
In the second year	**783,150**	1,321,825
In the third to fifth years, inclusive	**1,952,214**	1,845,682
After five years	**616**	60,686
Total	**10,321,054**	8,423,947

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) the pledge of certain of the Group's deposits of RMB165,711,000 (2023: RMB61,761,000) (note 24);

(ii) the pledge of certain of the Group's property, plant and equipment, which had a net carrying value at the end of the reporting period of approximately RMB794,133,000 (2023: RMB460,627,000) (note 13);

(iii) the pledge of certain of the Group's right-of-use assets, which had a net carrying value at the end of the reporting period of approximately RMB28,950,000 (2023: RMB5,735,000) (note 14); and

(iv) the pledge of certain of the Group's subsidiaries' shares.

(b) Certain of the Group's other borrowings are from independent third parties, bear interest at rates ranging from 4.85% to 6.00% per annum and are secured by the pledge of certain of the Group's property, plant and equipment, which had a net carrying value at the end of the reporting period of approximately RMB297,004,000 (2023: RMB350,227,000) (note 13).

28. Convertible bonds

2023 convertible bonds

On 6 July 2023, the Company issued 6.25 per cent convertible bonds with an aggregate principal amount of US$180,000,000. The bonds are convertible at the option of the bondholders into ordinary shares with the initial conversion price of HK$4.88 per share any time on or after 16 August 2023 and up to the close of business on the date falling ten days prior to 6 July 2028. On 6 July 2026, the holder of each bond will have the right at such holder's option, to require the Company to redeem all or some only of the bonds at their principal amount, together with interest accrued but unpaid. Any convertible bonds not converted will be redeemed on 6 July 2028 at its principal amount together with accrued but unpaid interest thereon. The bonds carry interest at a rate of 6.25 per cent per annum, which is payable semi-annually in arrears on 6 January and 6 July.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as equity component and is included in shareholders' equity.

The convertible bonds above issued during the year have been split into the liability and equity components as follows:

	RMB'000
Nominal value of convertible bonds issued during the year	1,297,764
Equity component	(386,362)
Direct transaction costs attributable to the equity component	(7,134)
Direct transaction costs attributable to the liability component	(16,396)
Liability component at the issuance date	887,872
Interest expense	65,025
Exchange realignment	(15,022)
Liability component at 31 December 2023	937,875
Interest expense	143,200
Interest paid	(79,908)
Exchange realignment	14,376
Liability component at 31 December 2024	1,015,543

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2024

28. Convertible bonds (Continued)

2024 convertible bonds

On 30 October 2024, the Company issued 5.85 per cent convertible bonds with an aggregate principal amount of US$100,000,000 ("Tranche A"). On 13 December 2024, the Company issued 5.85 per cent convertible bonds with an aggregate principal amount of US$50,000,000 ("Tranche B"). The bonds are convertible at the option of the bondholders into ordinary shares with the initial conversion price of HK$3.672 per share any time on or after 10 December 2024 for Tranche A and 23 January 2025 for Tranche B and up to the close of business on the date falling ten days prior to 29 October 2025. Any convertible bonds not converted will be redeemed on 29 October 2025 at its principal amount together with accrued but unpaid interest thereon. The bonds carry interest at a rate of 5.85 per cent per annum, which is payable quarterly in arrears on 30 January, 30 April, 30 July and 29 October.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as equity component and is included in shareholders' equity.

The convertible bonds above issued during the year have been split into the liability and equity components as follows:

	RMB'000
Nominal value of convertible bonds issued during the year	**1,073,279**
Equity component	**(74,997)**
Direct transaction costs attributable to the equity component	**(1,134)**
Direct transaction costs attributable to the liability component	**(14,897)**
Liability component at the issuance date	**982,251**
Interest expense	**24,157**
Exchange realignment	**4,659**
Liability component at 31 December 2024	**1,011,067**

29. Other non-current liabilities

	Notes	2024 RMB'000	2023 RMB'000
Payables for an asset purchase and license agreement	(i)	**57,508**	56,662
Consideration received for a collaboration arrangement	(ii)	**123,522**	112,670
Redemption liabilities	(iii)	**—**	203,313
Contract liabilities	(iv)	**12,351**	68,640
Total		**193,381**	441,285

Notes:

(i) The balance represents the remaining long-term instalments for an asset purchase and license agreement.

(ii) Boan Biotech entered into collaboration agreements with OcuMension Therapeutics (Zhejiang) Co., Ltd. ("OcuMension"), pursuant to which Boan Biotech is responsible for conducting certain initial stages of the Phase 3 clinical trial, commercial production and registration permit of BA9101 and OcuMension is responsible for completing the rest of Phase 3 clinical trial and promoting and commercialising BA9101 in Mainland China. The balance represents the consideration received for the collaboration arrangement.

(iii) In September 2023, the Group entered into a subscription agreement with a third party investor, pursuant to which the investor agreed to invest in Chengdu Luye by subscription of the increased registered capital of Chengdu Luye in an aggregate amount of RMB8,509,091 at a subscription price of RMB200,000,000. Pursuant to the subscription agreement, the investor shall have the right to terminate the agreement if the Group does not comply with the business arrangement terms as agreed, and requires the Group to redeem the equity interests at a redemption price of subscription price plus a return rate of eight per cent. The redemption obligation gives rise to financial liabilities. The balance represents the principal and accrued interest for the redemption liabilities.

In July 2024, the Group, Luye Investment Group Co., Ltd. ("LIG"), Mr. Liu Dian Bo, and the third party investor entered into a supplementary agreement, pursuant to which the obligation of the Group with regard to the redemption right of the investor was terminated. Accordingly, the carrying amount of redemption liabilities was derecognised upon the termination of the term.

A total of 15% of the equity interests in WPU, which is a subsidiary of Chengdu Luye, was pledged to secure certain performance guarantee in relation to the subscription agreement.

(iv) Contract liabilities include long-term advances received to deliver drug products.

30. Government grants

	2024 RMB'000	2023 RMB'000
At 1 January	**126,544**	201,414
Grants received during the year	**25,933**	12,715
Amount released	**(15,968)**	(87,585)
At 31 December	**136,509**	126,544
Current	**18,302**	22,965
Non-current	**118,207**	103,579
Total	**136,509**	126,544

The grants are related to the subsidies received from the government for the purpose of compensation for expenses arising from research and improvement of manufacturing facilities on certain special projects. Upon completion of the related projects and having passed the final assessment from the relevant government authorities, the grants related to the expense items would be recognised as other income directly in the statement of profit or loss and the grants related to an asset would be released to the statement of profit or loss over the expected useful life of the relevant asset.

31. Provision

Luye Hong Kong was involved in an arbitration brought by the former distributor of Seroquel in Mainland China disputing the subsidiary's basis of terminating the distribution agreement with such distributor. During the year ended 2021, Luye Hong Kong received the arbitral award from the Hong Kong International Arbitration Centre in relation to the arbitration, and the tribunal made final verdict on the amount of claim as approximately RMB273,482,000, which also included such distributor's arbitration fees and interests related. Accordingly, a provision for the claimed amount was made in the financial statements. Thereafter, Luye Hong Kong submitted the application for revoking the arbitral award to the Hong Kong High Court, and the decision was handed down that Luye Hong Kong's application for setting aside the award was dismissed ("Setting Aside Decision"). Subsequently, Luye Hong Kong applied for and was granted leave to appeal against the Setting Aside Decision. During the year, an additional provision of RMB14,653,000 was provided for the interest charged on the claim amount (2023: RMB14,515,000).

32. Deferred tax

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	2024									
	Employee defined benefit obligation RMB'000	Accrued expenses RMB'000	Decelerated depreciation for tax purposes RMB'000	Impairment of inventories RMB'000	Impairment of trade receivables RMB'000	Government grants RMB'000	Unrealised profit from inter-company transactions RMB'000	Lease liabilities RMB'000	Others RMB'000	Total deferred tax assets RMB'000
At 31 December 2023	100	93,865	7,736	3,139	630	18,237	24,158	12,654	–	160,519
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 10)*	–	12,600	(410)	(532)	2	36	9,001	(4,371)	641	16,967
Deferred tax credited to other comprehensive income during the year	185	–	–	–	–	–	–	–	–	185
Exchange realignment	64	–	(226)	–	–	–	–	–	–	(162)
Gross deferred tax assets at 31 December 2024	349	106,465	7,100	2,607	632	18,273	33,159	8,283	641	177,509

32. Deferred tax (Continued)

The movements in deferred tax assets and liabilities during the year are as follows: (Continued)

Deferred tax assets (Continued)

	2023								
	Employee defined benefit obligation RMB'000	Accrued expenses RMB'000	Decelerated depreciation for tax purposes RMB'000	Impairment of inventories RMB'000	Impairment of trade receivables RMB'000	Government grants RMB'000	Unrealised profit from inter-company transactions RMB'000	Lease liabilities RMB'000	Total deferred tax assets RMB'000
At 31 December 2022	–	54,146	7,406	5,997	726	29,741	15,931	–	113,947
Effect of adoption of amendments to IAS 12	–	–	–	–	–	–	–	4,955	4,955
At 1 January 2023 (restated)	–	54,146	7,406	5,997	726	29,741	15,931	4,955	118,902
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 10)*	–	39,719	(183)	(2,858)	(96)	(11,504)	8,227	7,699	41,004
Deferred tax credited to other comprehensive income during the year	100	–	–	–	–	–	–	–	100
Exchange realignment	–	–	513	–	–	–	–	–	513
Gross deferred tax assets at 31 December 2023	100	93,865	7,736	3,139	630	18,237	24,158	12,654	160,519

32. Deferred tax (Continued)

The movements in deferred tax assets and liabilities during the year are as follows: (Continued)

Deferred tax liabilities

2024

	Fair value adjustment on acquisition RMB'000	Accelerated depreciation and amortisation for tax purposes RMB'000	Fair value adjustments arising from financial assets at fair value through profit or loss RMB'000	Right-of-use assets and lease payments receivable RMB'000	Total deferred tax liabilities RMB'000
At 1 January 2024	34,205	9,174	5,925	13,887	63,191
Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 10)*	(7,568)	(2,249)	2,961	(5,675)	(12,531)
Exchange realignment	–	(250)	–	–	(250)
Gross deferred tax liabilities at 31 December 2024	26,637	6,675	8,886	8,212	50,410

2023

	Employee defined benefit obligation RMB'000	Fair value adjustment on acquisition RMB'000	Accelerated depreciation and amortisation for tax purposes RMB'000	Fair value adjustments arising from financial assets at fair value through profit or loss RMB'000	Right-of-use assets and lease payments receivable RMB'000	Total deferred tax liabilities RMB'000
At 31 December 2022	292	39,916	9,829	5,997	–	56,034
Effect of adoption of amendments to IAS 12	–	–	–	–	4,955	4,955
At 1 January 2023 (restated)	292	39,916	9,829	5,997	4,955	60,989
Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 10)*	–	(5,711)	(1,329)	(72)	8,932	1,820
Deferred tax credited to other comprehensive income during the year	(446)	–	–	–	–	(446)
Exchange realignment	154	–	674	–	–	828
Gross deferred tax liabilities at 31 December 2023	–	34,205	9,174	5,925	13,887	63,191

32. Deferred tax (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2024 **RMB'000**	2023 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**163,578**	144,585
Net deferred tax liabilities recognised in the consolidated statement of financial position	**36,479**	47,257

The Group has tax losses arising in Singapore, Hong Kong, Germany and Malaysia of RMB34,201,000 (2023: RMB39,996,000) that are available indefinitely for offsetting against future taxable profits.

The Group has tax losses arising in Switzerland of RMB163,441,000 (2023: RMB152,291,000) that are available for offsetting against future taxable profits in seven years.

The Group has tax losses arising in the USA of RMB497,626,000 (2023: RMB403,530,000) that are available for offsetting against future taxable profits in twenty years.

The Group has tax losses arising in Mainland China of RMB3,138,866,000 (2023: RMB2,955,742,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The applicable rate is 5% for the Group.

At 31 December 2024, no deferred tax has been recognised for withholding taxes that would be payable on unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China (2023: Nil). In the opinion of the directors, these subsidiaries' fund will be retained in Mainland China for the expansion of these subsidiaries' operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB5,593,048,000 as at 31 December 2024 (2023: RMB5,298,396,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

33. Issued capital and treasury shares

	2024	2023
Authorised:		
10,000,000,000 (2023: 10,000,000,000) ordinary shares of US$0.02 each US$'000	**200,000**	200,000
Issued and fully paid:		
3,761,670,643 (2023: 3,761,670,643) ordinary shares of US$0.02 each US$'000	**75,233**	75,233
Equivalent to RMB'000	**486,107**	486,107

A summary of movements in the Company's issued capital and treasury shares is as follows:

	Number of shares in issue	Issued capital	Treasury shares
At 1 January 2023	3,549,670,643	456,953	(279,558)
Sale of shares repurchased for share award scheme *(note a)*	—	—	279,558
Shares issued *(note b)*	212,000,000	29,154	—
At 31 December 2023, 1 January 2024 and 31 December 2024	3,761,670,643	486,107	—

Notes:

(a) During the year ended 31 December 2023, the Company disposed of all 65,498,500 shares held for the share award scheme on the Hong Kong Stock Exchange for a total consideration of HK$257,703,000 (equivalent to approximately RMB226,660,000).

(b) On 22 February 2023, a total of 212,000,000 shares were placed at the placing price of HK$3.78 per placing share. The proceeds of HK$33,254,000 (equivalent to RMB29,154,000), representing the par value, were credited to the Company's share capital. The remaining net proceeds of HK$760,980,000 (equivalent to RMB667,151,000) after deducting relevant fees of HK$7,126,000 (equivalent to RMB6,247,000) were credited to share premium account.

34. Reserves

Statutory surplus reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Safety production reserve

The Group has appropriated a certain amount of accumulated losses to the safety production reserve fund for the purposes of safety production expense as required by directives issued by the relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time an equal amount of special reserve fund was utilised and transferred back to accumulated losses.

35. Share award schemes

In December 2020, the board of directors of Boan Biotech passed a resolution to grant equity interests of Boan Biotech to the eligible employees (including directors) in order to provide incentives and rewards to participants for the business development of Boan Biotech. Subsequently, Yantai Bolian Investment Centre Limited Partnership ("Yantai Bolian"), Yantai Bosheng Investment Centre Limited Partnership ("Yantai Bosheng") and Yantai Bofa Investment Centre Limited Partnership ("Yantai Bofa"), three employee incentive platforms established in the PRC, subscribed paid-in capital of RMB21,380,000, RMB14,930,000 and RMB11,250,000 of Boan Biotech for total considerations of RMB64,140,000, RMB44,790,000 and RMB33,750,000, respectively.

On 27 January 2021, 4.4247% of the then equity interest in Boan Biotech was granted to 36 selected directors and employees of Boan Biotech for a consideration of RMB64,140,000 through Yantai Bolian. 3.0898% of the then equity interest in Boan Biotech was granted to 45 selected directors and employees of Boan Biotech for a consideration of RMB44,790,000 through Yantai Bosheng. 2.3282% of the then equity interest in Boan Biotech was granted to 47 selected directors and employees of Boan Biotech for a consideration of RMB33,750,000 through Yantai Bofa.

Pursuant to the partnership agreements of Yantai Bolian, Yantai Bosheng and Yantai Bofa (collectively referred to as the "ESOP Entity"), (i) the ESOP Entity shall not dispose of any of the shares it held within 36 months immediately following the date of the Company's listing (the "ESOP Lock-up Period"); (ii) a partner is entitled to direct the ESOP Entity to dispose of his/her share of the shares held by the ESOP Entity (based on his/her shareholding percentage in the ESOP Entity) (the "ESOP Shares") in the proportion and on the respective dates as (a) 25% of his/her ESOP Shares upon the expiry of 12 months following the day after the ESOP Lock-up Period; (b) 50% of his/her ESOP Shares upon the expiry of 24 months following the day after the ESOP Lock-up Period; (c) 75% of his/her ESOP Shares upon the expiry of 36 months following the day after the ESOP Lock-up Period; and (d) 100% of his/her ESOP Shares upon the expiry of 48 months following the day after the ESOP Lock-up Period. If the partner ceases to be qualified as a partner during the vesting period, the general partner shall have the right to purchase or appoint other eligible employees to purchase his/her share at cost or cost plus market interest. In August 2021, the lock-up period was updated as 12 months immediately following the date of the Boan Biotech's qualified listing pursuant to the updated partnership agreements.

35. Share award schemes (Continued)

The fair value of services received in return for equity interests granted is measured by reference to the fair value of the equity interests granted less the consideration received by Boan Biotech.

The fair value of the equity interests granted is determined by the back-solve method and equity value allocation based on the option pricing model at the grant date. The following table lists the inputs to the model used:

	2021
Risk-free interest rate (%)	2.9%
Volatility (%)	42.0%

The Group recognised a share-based payment expense of RMB21,499,000 during the year (2023: RMB20,640,000).

36. Pension plan

The Group has a defined benefit pension plan in Switzerland. The pension plan grants disability and death benefits which are defined as projected savings capital without interest but including future savings contribution. This projected savings capital is converted in disability or death benefits. In the event that an employee leaves his employment with the Group prior to reaching a pensionable age, the cumulative balance of the savings account is withdrawn from the pension plan and invested into the pension plan of the employee's new employer. The assets of the funded plan are held independently of those of the Group, being managed through a central trust fund.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligations were carried out on 31 December 2024 by Prevanto AG, an accredited pension actuary in Switzerland, using the projected unit credit actuarial valuation method.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2024

36. Pension plan (Continued)

The movements in the defined benefit obligation and fair value of plan assets during the year are as follows:

	Defined benefit obligation RMB'000	Fair value of plan assets RMB'000	Benefit liability RMB'000
At 1 January 2024	(27,479)	23,379	(4,100)
Pension cost charged to profit or loss			
Service cost	(1,847)	—	(1,847)
Net interest expense	(408)	272	(136)
Total	(2,255)	272	(1,983)
Remeasurement gains/(losses) in other comprehensive income			
Return on plan assets (excluding amounts included in net interest expense)	—	(96)	(96)
Actuarial changes arising from plan experience	(48)	—	(48)
Actuarial changes arising from financial assumptions	(1,727)	—	(1,727)
Total	(1,775)	(96)	(1,871)
Contributions by employer	—	2,028	2,028
Contributions by employee	(1,320)	1,320	—
Benefits paid	592	(592)	—
Plan amendment	384	—	384
Exchange differences	1,430	(1,229)	201
At 31 December 2024	(30,423)	25,082	(5,341)

36. Pension plan (Continued)

The movements in the defined benefit obligation and fair value of plan assets during the year are as follows: (Continued)

	Defined benefit obligation RMB'000	Fair value of plan assets RMB'000	Benefit liability RMB'000
At 1 January 2023	(20,383)	18,368	(2,015)
Pension cost charged to profit or loss			
Service cost	(1,526)	—	(1,526)
Net interest expense	(556)	429	(127)
Total	(2,082)	429	(1,653)
Remeasurement gains/(losses) in other comprehensive income			
Return on plan assets (excluding amounts included in net interest expense)	—	(295)	(295)
Actuarial changes arising from plan experience	(354)	—	(354)
Actuarial changes arising from financial assumptions	(2,509)	—	(2,509)
Total	(2,863)	(295)	(3,158)
Contributions by employer	—	2,089	2,089
Contributions by employee	(1,431)	1,431	—
Benefits paid	909	(909)	—
Plan amendment	876	—	876
Exchange differences	(2,505)	2,266	(239)
At 31 December 2023	(27,479)	23,379	(4,100)

The fair value of plan assets is as follows:

	2024 RMB'000	2023 RMB'000
Savings capital	**25,082**	23,379

36. Pension plan (Continued)

The principal assumptions used in determining benefit obligations for the Group's plan are shown below:

	2024	2023
Discount rate	**1.00%**	1.50%
Salary increase	**1.50%**	2.00%
Pension increase	**0.00%**	0.00%

A quantitative sensitivity analysis for significant assumptions as at 31 December is shown below:

	Impact on defined benefit obligation	
	2024	2023
	RMB'000	RMB'000
Discount rate:		
0.25% increase	**(1,000)**	(842)
0.25% decrease	**1,072**	901
Salary increase:		
0.25% increase	**136**	126
0.25% decrease	**(136)**	(126)
Pension increase:		
0.25% increase	**584**	471
0.25% decrease	**–**	–

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been used for calculating the defined benefit obligations recognised in the consolidated statement of financial position.

The following payments are expected contributions to the defined benefit plan in future years:

	2024	2023
	RMB'000	RMB'000
Less than 1 year	**–**	–
Between 1 and 5 years	**–**	–
Over 5 years	**5,341**	4,100
Total	**5,341**	4,100

37. Partly-owned subsidiaries with material non-controlling interests

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2024	2023
Percentage of equity interest held by non-controlling interests:		
WPU	**30.45%**	30.45%
Boan Biotech	**32.72%**	29.19%
Chengdu Luye	**13.85%**	13.85%
Nanjing Luye	**22.75%**	—

	2024 RMB'000	2023 RMB'000
Profit/(loss) for the year allocated to non-controlling interests:		
WPU	**62,143**	45,735
Boan Biotech	**23,015**	(34,489)
Chengdu Luye	**32,114**	5,936
Nanjing Luye	**55,850**	—
Dividends declared to non-controlling interests:		
Chengdu Luye	**415**	—
WPU	**—**	5,500
Accumulated balances of non-controlling interests at the reporting date:		
WPU	**372,346**	310,202
Boan Biotech	**537,867**	385,007
Chengdu Luye	**377,679**	302,100
Nanjing Luye	**311,249**	—
Share award scheme reserve attributable to non-controlling interests:		
Boan Biotech	**9,163**	6,025

37. Partly-owned subsidiaries with material non-controlling interests (Continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2024	WPU RMB'000	Boan Biotech RMB'000	Chengdu Luye RMB'000	Nanjing Luye RMB'000
Revenue	823,903	726,316	1,162,563	1,103,552
Total expenses	(643,398)	(653,127)	(884,594)	(767,913)
Profit for the year	180,505	73,189	277,969	335,639
Total comprehensive income for the year	180,505	73,189	277,969	335,639
Current assets	1,490,344	956,282	2,818,397	1,555,238
Non-current assets	195,052	1,895,008	1,480,060	812,548
Current liabilities	(455,280)	(648,681)	(819,091)	(1,055,823)
Non-current liabilities	(5,626)	(558,569)	(376,930)	(58,017)
Net cash flows from/(used in) operating activities	41,225	(117,936)	46,124	596,710
Net cash flows from/(used in) investing activities	(10,395)	(362,893)	(151,038)	43,138
Net cash flows from/(used in) financing activities	(15,420)	477,832	(1,219)	(493,812)
Net foreign exchange differences	—	14	23	73
Net increase/(decrease) in cash and cash equivalents	15,410	(2,983)	(106,110)	146,109

37. Partly-owned subsidiaries with material non-controlling interests (Continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations: (Continued)

2023	WPU RMB'000	Boan Biotech RMB'000	Chengdu Luye RMB'000
Revenue	954,611	618,129	1,250,493
Total expenses	(795,602)	(736,282)	(1,060,825)
Profit/(loss) for the year	159,009	(118,153)	189,668
Total comprehensive income for the year	159,009	(118,153)	189,668
Current assets	1,220,619	713,007	2,660,930
Non-current assets	297,166	1,609,479	1,260,254
Current liabilities	(456,053)	(653,349)	(707,833)
Non-current liabilities	(17,749)	(350,169)	(702,800)
Net cash flows from/(used in) operating activities	16,901	(18,568)	(363,617)
Net cash flows used in investing activities	(8,568)	(293,571)	(262,093)
Net cash flows from/(used in) financing activities	(9,037)	283,086	763,149
Net foreign exchange differences	—	(2,595)	—
Net increase/(decrease) in cash and cash equivalents	(704)	(31,648)	137,439

As at 31 December 2024, the unrealised profit from the inter-company transaction between WPU and Luye Trading was RMB1,680,000 (2023: RMB25,257,000).

38. Disposal of a subsidiary

In December 2024, the Company and an investor entered into an investment agreement, in which they agreed to increase investments in LPVC to hold its 25% and 75% shareholdings respectively. The transaction constituted a disposal of a subsidiary and LPVC became a joint venture of the Group.

	Note	**2024 RMB'000**
Net assets disposed of:		
Cash and bank balances		**16**
Financial assets at fair value through other comprehensive income		**85,635**
Other receivables		**7,183**
Other payables		**(95,192)**
Subtotal		**(2,358)**
Exchange fluctuation reserve		**(1,278)**
Gain on disposal of a subsidiary	*5*	**3,636**
Total consideration		**–**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2024 RMB'000
Cash consideration	**–**
Cash and bank balances disposed of	**16**
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	**(16)**

39. Related party transactions

Details of the Group's principal related parties are as follows:

Company	Relationship
Steward Cross	Associate
Shandong Quanzhong	Associate
LPVC	Joint venture
Luye Life Sciences Group Ltd. ("Luye Life Sciences")	Controlled by the controlling shareholder
Yantai Painuo Biotech Co., Ltd. ("Yantai Painuo")	Controlled by the controlling shareholder
Shandong International Biotechnology Development Co., Ltd. ("Biotech Park Development")	Controlled by the controlling shareholder
LIG	Controlled by the controlling shareholder
Yantai Yunyue Winery Management Co., Ltd. ("Yunyue Winery")	Controlled by the controlling shareholder
Yantai Pull Valley Winery Management Co., Ltd. ("Pull Valley Winery")	Controlled by the controlling shareholder
Yantai Cellzone Medical Diagnostics Center Co., Ltd. ("Yantai Cellzone")	Controlled by the controlling shareholder
Qingdao Luye Shanghe Pharmaceutical Technology Co., Ltd. ("Qingdao Luye")	Controlled by the controlling shareholder
Geneleap Biotech LLC ("Geneleap Biotech")	Controlled by the controlling shareholder
Sairun (Shanghai) Medical Technology Co., Ltd. ("Shanghai Sairun")	Controlled by the controlling shareholder
Shandong Asford Biotechnology Co., Ltd. ("Shandong Asford")	Controlled by the controlling shareholder

39. Related party transactions (Continued)

(a) The Group had the following transactions with related parties during the year:

	Notes	2024 RMB'000	2023 RMB'000
Sales of products to:			
Steward Cross	*(i)*	**8,279**	9,258
Qingdao Luye	*(i)*	**6,223**	13,813
Sales of materials to:			
Yantai Painuo	*(ii)*	**56**	120
Sales of properties to:			
Shandong Asford	*(ii)*	**5,373**	—
Yantai Painuo	*(ii)*	**—**	58,257
Provision of manufacturing service to:			
Yantai Painuo	*(ii)*	**2,114**	2,455
Provision of property management services to:			
Yantai Painuo	*(ii)*	**87**	722
Lease buildings to:			
Yantai Painuo	*(ii)*	**688**	636
Lease equipment to:			
Yantai Painuo	*(ii)*	**3,913**	5,014
Lease buildings and equipment from:			
Biotech Park Development	*(ii)*	**7,901**	5,849
Property management services from:			
Biotech Park Development	*(ii)*	**1,816**	2,469
Research and development services from:			
Biotech Park Development	*(ii)*	**—**	3,052
Purchase of welfare goods from:			
Pull Valley Winery	*(ii)*	**161**	—
Accommodation services from:			
Yunyue Winery	*(ii)*	**74**	74
Payment on behalf by:			
Biotech Park Development	*(iii)*	**8,053**	8,550
Repayment to:			
Biotech Park Development	*(iii)*	**10,688**	10,103
Payment on behalf of:			
Shanghai Sairun	*(iii)*	**930**	2,045
Yantai Painuo	*(iii)*	**1,386**	—
Repayment from:			
Shanghai Sairun	*(iii)*	**930**	2,045
Yantai Painuo	*(iii)*	**1,386**	—
Advances to:			
Shandong Quanzhong	*(iii)*	**788**	—
Advances from:			
Luye Life Sciences	*(iii)*	**—**	4,958
Repayment of advances from:			
Luye Life Sciences	*(iii)*	**—**	15,057

39. Related party transactions (Continued)

(a) The Group had the following transactions with related parties during the year: (Continued)

Notes:

(i) *The sales to related parties were made according to the published prices and conditions offered to the major customers of the Group.*

(ii) *The transaction prices were determined on terms mutually agreed between the parties with reference to the actual cost and fees for similar transactions in the market.*

(iii) *The payments on behalf and advances were unsecured, interest-free and repayable on demand.*

(b) Outstanding balances with related parties:

	2024 RMB'000	2023 RMB'000
Other receivables		
Yantai Painuo	**32,662**	86,088
Qingdao Luye	**1,587**	5,702
Steward Cross	**1,279**	2,218
LPVC*	**87,650**	—
Shandong Asford	**6,146**	—
Shandong Quanzhong*	**788**	—
Total	**130,112**	94,008
Other payables		
Biotech Park Development*	**2,383**	2,997
Yantai Cellzone	**1,164**	1,164
Total	**3,547**	4,161
Lease liabilities		
Biotech Park Development	**—**	1,190

* *The balances were non-trade in nature.*

Other outstanding balances with related parties were all trade in nature. The balances with related parties except for lease liabilities are unsecured, interest-free and have no fixed terms of repayment.

39. Related party transactions (Continued)

(c) Compensation of key management personnel of the Group:

	2024 RMB'000	2023 RMB'000
Short-term employee benefits	**23,666**	29,053
Pension scheme contributions	**1,133**	1,182
Equity-settled share award expense	**10,130**	11,023
Total compensation paid to key management personnel	**34,929**	41,258

Further details of directors' and the chief executive's remuneration are included in note 8 to the financial statements.

40. Contingent liabilities

The Company is currently a defendant in a lawsuit brought by a party seeking restitution of unjust enrichment against the Company. The directors, based on the advice from the Group's legal counsel, believe that the Company has a valid defence against the allegation and, accordingly, the Group has not provided for any claim arising from the litigation, other than the related legal and other costs. On 13 December 2024, the Company submitted its re-amended defence, fully denying the claims. No court hearing date had been scheduled by 31 December 2024.

41. Commitments

The Group had the following contractual commitments at the end of the reporting period:

	2024 RMB'000	2023 RMB'000
Buildings	**74,126**	242,724
Machinery and equipment	**328,911**	603,556
Other intangible assets	**66,556**	57,394
Total	**469,593**	903,674

42. Notes to the consolidated statement of cash flows

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB10,352,000 (2023: RMB49,932,000) and RMB10,352,000 (2023: RMB49,932,000), respectively, in respect of lease arrangements for leasehold land and buildings.

During the year, the Group had non-cash additions to other non-current liabilities of RMB852,000 (2023: RMB9,942,000) in respect of a collaboration arrangement.

(b) Changes in liabilities arising from financing activities

2024

	Bank and other loans RMB'000	Lease liabilities RMB'000	Convertible bonds RMB'000
At 1 January 2024	7,415,426	70,646	937,875
Changes from financing cash flows	802,819	(20,457)	1,057,248
New leases	—	10,352	—
Reassessment as a result of lease modifications	—	643	—
Foreign exchange movement	(1,951)	771	19,035
Interest expense	16,195	4,100	87,449
Changes from non-financing activities	—	(4,100)	—
Equity component of convertible bonds	—	—	(74,997)
At 31 December 2024	8,232,489	61,955	2,026,610

42. Notes to the consolidated statement of cash flows (Continued)

(b) Changes in liabilities arising from financing activities (Continued)

2023

	Bank and other loans RMB'000	Lease liabilities RMB'000	Convertible bonds RMB'000	Due to related parties RMB'000	Redemption liabilities RMB'000
At 1 January 2023	7,604,222	38,491	1,549,511	12,597	855,252
Changes from financing cash flows	(252,219)	(23,515)	(225,766)	(10,099)	(721,979)
New leases	—	49,932	—	—	—
Reassessment as a result of lease modifications	—	1,891	—	—	—
Foreign exchange movement	32,740	3,847	(15,022)	—	—
Interest expense	30,683	3,645	208,844	—	70,040
Changes from non-financing activities	—	(3,645)	(97,500)	1,663	—
Equity component of convertible bonds	—	—	(386,362)	—	—
Interest payable	—	—	(8,125)	—	—
Changes in fair value	—	—	(87,705)	—	—
At 31 December 2023	7,415,426	70,646	937,875	4,161	203,313

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2024 RMB'000	2023 RMB'000
Within operating activities	**22,512**	21,572
Within investing activities	**1,670**	—
Within financing activities	**20,457**	23,515
Total	**44,639**	45,087

43. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2024

Financial assets

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		
	Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	2,786	–	2,786
Notes receivable	–	–	131,227	264,739	395,966
Trade receivables	–	–	–	2,383,801	2,383,801
Financial assets included in prepayments, other receivables and other assets	–	–	–	1,530,113	1,530,113
Financial assets at fair value through profit or loss	1,263	2,121,316	–	–	2,122,579
Pledged deposits	–	–	–	1,174,015	1,174,015
Time deposits with original maturity of over three months	–	–	–	62,000	62,000
Cash and cash equivalents	–	–	–	4,937,145	4,937,145
Total	1,263	2,121,316	134,013	10,351,813	12,608,405

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and notes payables	689,300
Financial liabilities included in other payables and accruals	1,419,479
Convertible bonds	2,026,610
Other non-current liabilities	57,508
Interest-bearing loans and borrowings	8,294,444
Total	12,487,341

43. Financial instruments by category (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

2023

Financial assets

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		
	Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	91,976	–	91,976
Notes receivable	–	–	377,023	–	377,023
Trade receivables	–	–	–	1,977,876	1,977,876
Financial assets included in prepayments, other receivables and other assets	–	–	–	264,727	264,727
Financial assets at fair value through profit or loss	1,263	2,082,765	–	–	2,084,028
Pledged deposits	–	–	–	1,144,136	1,144,136
Time deposits with original maturity of over three months	–	–	–	1,271,695	1,271,695
Cash and cash equivalents	–	–	–	3,238,973	3,238,973
Total	1,263	2,082,765	468,999	7,897,407	10,450,434

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and notes payables	767,187
Financial liabilities included in other payables and accruals	1,221,918
Convertible bonds	937,875
Other non-current liabilities	259,975
Interest-bearing loans and borrowings	7,486,072
Total	10,673,027

44. Fair value and fair value hierarchy of financial instruments

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	2,786	—	—	2,786
Notes receivable	—	131,227	—	131,227
Financial assets at fair value through profit or loss	1,092	2,120,224	1,263	2,122,579
Total	3,878	2,251,451	1,263	2,256,592

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	3,159	88,817	—	91,976
Notes receivable	—	377,023	—	377,023
Financial assets at fair value through profit or loss	228	2,082,537	1,263	2,084,028
Total	3,387	2,548,377	1,263	2,553,027

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2024.

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

44. Fair value and fair value hierarchy of financial instruments (Continued)

Fair value hierarchy (Continued)

Financial instruments whose carrying amounts approximate to their fair values

Management has determined that the carrying amounts of cash and cash equivalents, pledged deposits, trade and notes receivables, financial assets included in prepayments, other receivables and other assets, trade and notes payables, financial liabilities included in other payables and accruals and short-term interest-bearing loans and borrowings, based on their notional amounts, reasonably approximate to their fair values because these financial instruments are mostly short-term in nature.

The fair values of the non-current portion of pledged deposits, interest-bearing loans and borrowings and other non-current liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing loans and borrowings as at 31 December 2024 were assessed to be insignificant. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income are based on recently executed transaction prices in securities of the issuer. The fair value of the unlisted equity investments at fair value through profit or loss has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires management to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, which is price to book value ("P/B") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by a book value measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to measure the fair value of the unlisted equity investments. Management believes that the estimated fair value resulting from the valuation technique, which is recorded in the consolidated statement of financial position, and the related change in fair values, which is recorded in consolidated statement of profit or loss, are reasonable, and that it was the most appropriate value at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of the notes receivable classified as debt investments at fair value through other comprehensive income as at 31 December 2024 have been calculated by discounting the expected future cash flows, which are the par values of the notes receivable. In addition, the notes receivable will mature within twelve months, and thus, their fair values approximate to their carrying values.

44. Fair value and fair value hierarchy of financial instruments (Continued)

Fair value hierarchy (Continued)

Financial instruments whose carrying amounts approximate to their fair values (Continued)

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2024 and 2023:

	Valuation technique	Significant unobservable inputs	Weighted average rate	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Market approach	Discount for lack of marketability	20% (2023: 20%)	1% (2023: 1%) increase/decrease in discount would result in decrease/increase in fair value by RMB16,000/RMB16,000 (2023: RMB14,000/RMB14,000)

45. Financial risk management objectives and policies

The Group's principal financial instruments comprise interest-bearing loans and borrowings, convertible bonds, cash and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing loans and borrowings with floating interest rates.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. The following table demonstrates the sensitivity to a reasonably possible change in the RMB and US$ interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2024			
RMB	**50**	**(4,850)**	**(3,970)**
RMB	**(50)**	**4,850**	**3,970**
US$	**50**	**(1,165)**	**(973)**
US$	**(50)**	**1,165**	**973**
2023			
RMB	50	(8,428)	(6,893)
RMB	(50)	8,428	6,893
US$	50	(4,936)	(4,122)
US$	(50)	4,936	4,122

45. Financial risk management objectives and policies (Continued)

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (arising from foreign currency denominated financial instruments) and the Group's equity (due to exchange differences on translation of foreign operations).

	Increase/ (decrease) in rate of foreign currency %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2024			
If the RMB weakens against the US$	**5**	**38,707**	**1,962**
If the RMB strengthens against the US$	**(5)**	**(38,707)**	**(1,962)**
If the RMB weakens against the EUR	**5**	**—**	**33,858**
If the RMB strengthens against the EUR	**(5)**	**—**	**(33,858)**
If the US$ weakens against the EUR	**5**	**61,428**	**56,255**
If the US$ strengthens against the EUR	**(5)**	**(61,428)**	**(56,255)**
If the US$ weakens against the HKD	**5**	**(14,389)**	**(12,896)**
If the US$ strengthens against the HKD	**(5)**	**14,389**	**12,896**
2023			
If the RMB weakens against the US$	5	1,540	(41,045)
If the RMB strengthens against the US$	(5)	(1,540)	41,045
If the RMB weakens against the EUR	5	—	34,672
If the RMB strengthens against the EUR	(5)	—	(34,672)
If the US$ weakens against the EUR	5	(5,492)	(4,584)
If the US$ strengthens against the EUR	(5)	5,492	4,584

45. Financial risk management objectives and policies (Continued)

Credit risk

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of senior management.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	—	—	—	2,388,581	2,388,581
Notes receivable	264,739	—	—	131,227	395,966
Financial assets included in prepayments, other receivables and other assets					
— Normal**	1,534,436	—	—	—	1,534,436
Pledged deposits					
— Not yet past due	1,174,015	—	—	—	1,174,015
Time deposits with original maturity of over three months					
— Not yet past due	62,000	—	—	—	62,000
Cash and cash equivalents					
— Not yet past due	4,937,145	—	—	—	4,937,145
Total	7,972,335	—	—	2,519,808	10,492,143

45. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	—	—	—	1,980,794	1,980,794
Notes receivable	377,023	—	—	—	377,023
Financial assets included in prepayments, other receivables and other assets					
— Normal**	264,727	—	—	—	264,727
Pledged deposits					
— Not yet past due	1,144,136	—	—	—	1,144,136
Time deposits with original maturity of over three months					
— Not yet past due	1,271,695	—	—	—	1,271,695
Cash and cash equivalents					
— Not yet past due	3,238,973	—	—	—	3,238,973
Total	6,296,554	—	—	1,980,794	8,277,348

* *For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the financial statements.*

** *The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".*

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different regions.

45. Financial risk management objectives and policies (Continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The Group maintains a balance between continuity of funding and flexibility through the use of interest-bearing loans and borrowings, convertible bonds and lease liabilities.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

31 December 2024

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Convertible bonds	–	53,693	1,165,828	1,501,478	–	2,720,999
Lease liabilities	–	4,273	20,521	48,977	1,638	75,409
Interest-bearing loans and borrowings (excluding lease liabilities)	–	2,923,620	3,765,143	1,809,275	–	8,498,038
Trade and notes payables	–	502,356	147,662	39,282	–	689,300
Financial liabilities included in other payables and accruals	353,315	1,066,164	–	–	–	1,419,479
Other non-current liabilities	–	–	–	57,508	–	57,508
Total	353,315	4,550,106	5,099,154	3,456,520	1,638	13,460,733

45. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

31 December 2023

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Convertible bonds	—	39,840	39,840	1,599,804	—	1,679,484
Lease liabilities	—	4,768	15,249	51,801	1,725	73,543
Interest-bearing loans and borrowings (excluding lease liabilities)	—	2,962,068	2,583,647	1,836,012	213,610	7,595,337
Trade and notes payables	91,833	378,093	297,261	—	—	767,187
Financial liabilities included in other payables and accruals	458,862	763,056	—	—	—	1,221,918
Other non-current liabilities	—	—	—	56,662	280,000	336,662
Total	550,695	4,147,825	2,935,997	3,544,279	495,335	11,674,131

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 31 December 2023.

45. Financial risk management objectives and policies (Continued)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is total borrowings divided by total equity. The gearing ratios as at the end of the reporting periods were as follows:

	2024 **RMB'000**	2023 RMB'000
Interest-bearing loans and borrowings	**8,294,444**	7,486,072
Total equity	**15,753,670**	13,528,494
Gearing ratio	**53%**	55%

46. Events after the reporting period

There were no other significant events that required additional disclosure or adjustments occurred after the end of the reporting period.

46. Statement of financial position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**369,040**	183,376
Right-of-use assets	**1,304**	2,978
Other intangible assets	**35,942**	35,414
Total non-current assets	**406,286**	221,768
CURRENT ASSETS		
Due from subsidiaries	**8,939,210**	9,613,272
Prepayments, other receivables and other assets	**89,372**	1,462
Financial assets at fair value through profit or loss	**1,092**	113,829
Cash and cash equivalents	**5,076**	2,388
Total current assets	**9,034,750**	9,730,951
CURRENT LIABILITIES		
Convertible bonds	**1,011,067**	—
Interest-bearing loans and borrowings	**137,140**	1,724
Tax payable	**828**	1,826
Other payables and accruals	**2,929,417**	4,362,580
Total current liabilities	**4,078,452**	4,366,130
NET CURRENT ASSETS	**4,956,298**	5,364,821
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,362,584**	5,586,589
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	**—**	1,461
Convertible bonds	**1,015,543**	937,875
Deferred tax liabilities	**690**	—
Total non-current liabilities	**1,016,233**	939,336
Net assets	**4,346,351**	4,647,253
EQUITY		
Issued capital	**486,107**	486,107
Share premium *(note)*	**4,343,852**	4,343,852
Equity component of convertible bonds *(note)*	**461,359**	386,362
Reserves *(note)*	**(944,967)**	(569,068)
Total equity	**4,346,351**	4,647,253

46. Statement of financial position of the Company (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Share award scheme reserve RMB'000	Accumulated losses RMB'000	Foreign currency translation reserve RMB'000	Equity component of convertible bonds RMB'000	Other reserves RMB'000	Total RMB'000
Balance at 1 January 2023	3,729,599	188,839	(1,218,089)	356,410	–	140,488	3,197,247
Loss for the year	–	–	(110,866)	–	–	–	(110,866)
Other comprehensive income for the year:							
Currency realignment	–	–	–	74,150	–	–	74,150
Total comprehensive income for the year	–	–	(110,866)	74,150	–	–	(36,716)
Issue of shares	667,151	–	–	–	–	–	667,151
Issue of convertible bonds	–	–	–	–	386,362	–	386,362
Sale of shares repurchased for the share award scheme	(52,898)	–	–	–	–	–	(52,898)
Cancellation of share award scheme	–	(16,027)	16,027	–	–	–	–
At 31 December 2023 and 1 January 2024	4,343,852	172,812	(1,312,928)	430,560	386,362	140,488	4,161,146
Loss for the year	–	–	(265,877)	–	–	–	(265,877)
Other comprehensive income for the year:							
Currency realignment	–	–	–	63,700	–	–	63,700
Total comprehensive income for the year	–	–	(265,877)	63,700	–	–	(202,177)
Elimination of share award scheme reserve	–	(172,812)	–	–	–	–	(172,812)
Issue of convertible bonds	–	–	–	–	74,997	–	74,997
Disposal of a subsidiary	–	–	3,517	–	–	(4,427)	(910)
At 31 December 2024	4,343,852	–	(1,575,288)	494,260	461,359	136,061	3,860,244

47. Approval of the consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 March 2025.

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