康哲®

CMS 康哲药业 CHINA MEDICAL SYSTEM

# 2024 ANNUAL REPORT

CHINA MEDICAL SYSTEM HOLDINGS LIMITED (STOCK CODE:867)

# CONTENTS

# CORPORATE INFORMATION

## Board of Directors

**Executive Directors**
Mr. LAM Kong
Ms. CHEN Yanling

**Non-Executive Director**
Mr. CHEN Hongbing

**Independent Non-Executive Directors**
Mr. LEUNG Chong Shun
Ms. LUO Laura Ying
Mr. FUNG Ching Simon

## Company Secretary

Ms. WU Sanyan

## Authorized Representatives

Ms. WU Sanyan
Mr. LAM Kong

## Audit Committee

Mr. FUNG Ching Simon (Chairman)
Mr. LEUNG Chong Shun
Ms. LUO Laura Ying

## Remuneration Committee

Mr. LEUNG Chong Shun (Chairman)
Ms. LUO Laura Ying
Mr. FUNG Ching Simon

## Nomination Committee

Ms. LUO Laura Ying (Chairman)
Mr. LAM Kong
Mr. LEUNG Chong Shun
Mr. FUNG Ching Simon

## Environmental, Social and Governance Committee

Ms. CHEN Yanling (Chairman)
Mr. LEUNG Chong Shun
Mr. FUNG Ching Simon

## Auditors

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

## Principal Bankers

China Merchants Bank Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
DBS Bank (Hong Kong) Limited

## Registered Office

Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

## Headquarters and Principal Place of Business in Hong Kong

Unit 2106, 21/F
Island Place Tower
510 King's Road
North Point
Hong Kong

## Principal Contact Address in the PRC

6F-8F, Block B, Majialong Chuangxin Building
198 Daxin Road
Nanshan District
Shenzhen 518052
Guangdong Province
The PRC

## Branch Share Registrar in Hong Kong

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

## Stock Code

867

## Company's Website

www.cms.net.cn

- Turnover down 6.8% to RMB7,469.0 million (2023: RMB8,013.3 million); in the case that all medicines were directly sold by the Group, turnover down 9.0% to RMB8,621.6 million (2023: RMB9,472.2 million)
- Gross profit down 11.2% to RMB5,422.2 million (2023: RMB6,109.2 million); in the case that all medicines were directly sold by the Group, gross profit down 10.7% to RMB5,405.4 million (2023: RMB6,053.7 million)
- Profit for the year down 32.3% to RMB1,613.1 million (2023: RMB2,384.4 million); normalized profit for the year* down 36.7% to RMB1,713.7 million (2023: RMB2,709.3 million)
- Basic earnings per share down 31.9% to RMB0.6673 (2023: RMB0.9792)
- As at 31 December 2024, the Group's bank balances and cash amounted to RMB3,706.5 million while readily realizable bank acceptance bills amounted to RMB198.8 million
- Proposed final dividend of RMB0.1174 per share, bringing the total dividend for the year ended 31 December 2024 to RMB0.2681 per share, representing a decrease of 31.6% over last year (2023: final dividend of RMB0.0783 and total dividend of RMB0.3917 per share)

Summary of Consolidated Statement of Financial Position

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | 2020 RMB'000 | 2021 RMB'000 | 2022 RMB'000 | 2023 RMB'000 | 2024 RMB'000 |
| Total assets | 12,701,067 | 15,807,879 | 17,753,539 | 17,730,837 | 18,047,790 |
| Total liabilities | 1,598,352 | 2,960,892 | 3,016,462 | 2,174,430 | 1,644,682 |
| Net assets | 11,102,715 | 12,846,987 | 14,737,077 | 15,556,407 | 16,403,108 |

* Normalized profit for the year represents profit for the year excluding provisions of impairment losses on related assets.

# BUSINESS HIGHLIGHTS

In 2024, the Group continued to make breakthroughs in the R&D of novel products, with one innovative drug approved for marketing, one additional indication approved, NDAs submitted for two novel drugs, three innovative drug collaborations and three medical aesthetic product collaborations established, and over 10 clinical trial projects progressing smoothly, aiming to have innovative products approved for marketing every year. The Group's business performance continued to be impacted by the implementation of the eighth batch of National VBP, resulting in a year-on-year decline. In the case that all medicines were directly sold by the Group, the three National VBP products (Deanxit, Ursofalk and Plendil) recorded a total revenue of RMB2,691.0 million, representing a year-on-year decrease of 28.8%. Excluding these three National VBP products, the majority of the Group's core products are exclusive and innovative products. During the Reporting Period, in the case that all medicines were directly sold by the Group, the total revenue of the non-national VBP exclusive products and innovative products was RMB4,551.3 million, representing a year-on-year increase of 4.1%, accounting for 52.8% of the Group's revenue.

## Accumulatively Five Innovative Drugs Entered Commercialization

- LUMEBLUE — the first Methylthioninium Chloride Enteric-coated Sustained-release Tablets in China, a novel solution that enhances diagnosis sensitivity in detecting lesions during colonoscopy, approved for marketing in China in June 2024.
- METOJECT — China's first pre-filled MTX Injection for subcutaneous administration for the treatment of psoriasis and RA. The additional RA indication was approved in China in July 2024 (psoriasis indication approved in March 2023).
- VELPHORO — the first iron-based, non-calcium PB approved in China, and filled the gap of phosphorus-lowering treatment for Chinese paediatric patients aged 12 to 18 years old with CKD stages 4–5 or CKD on dialysis. The collaboration agreement was signed in February 2024.

### Innovative Drugs Approved in 2023

- ILUMETRI — a monoclonal antibody specifically targeting to the p19 subunit of IL-23, requires only 4 administrations per year during its maintenance period for the treatment of psoriasis, which may lead to higher patient compliance.
- VALTOCO — the first Diazepam Nasal Spray approved for marketing in China, which can be administered anytime and anywhere, and meets clinical needs for accessible and convenient treatment option for seizure clusters of patients with epilepsy.

## Two Innovative Drugs Submitted for Marketing Approval

- Desidustat Tablets — a novel oral HIF-PHI for treating anaemia in non-dialysis adult, CKD patients, and its NDA was accepted in China in April 2024.
- Ruxolitinib cream — as of the end of the Reporting Period, the first and only topical JAK inhibitor approved by the U.S. FDA and the EMA for repigmentation in vitiligo. The product (vitiligo indication) was approved in Macau in April 2024 and in Hong Kong in November 2024, and was introduced to hospitals in the Greater Bay Area through the "Hong Kong and Macau Medicine and Equipment Connect" policy. Its NDA for vitiligo was accepted in China in September 2024.

## Over 10 Clinical Trials Progressing Smoothly

- Y-3 for Injection — a novel brain cytoprotectant that treats stroke, completed the Phase II clinical trial in China, and the Phase III clinical trial was advancing steadily.
- VEGFA/ANG2 Tetravalent Bispecific Antibody — intended for neovascular age-related macular degeneration (nAMD), completed the Phase I clinical trial and the dosing for the first subject in the Phase II clinical trial in China.
- Highly Selective TYK2 Inhibitor CMS-D001 Tablets — intended for psoriasis and AD, obtained approvals for China clinical trials in January 2024 and the Phase I clinical trial was advancing smoothly.
- GnRH Receptor Antagonist CMS-D002 Capsules — intended for the treatment of moderate to severe pain associated with endometriosis, obtained approvals for China clinical trials in February 2024 and the Phase I clinical trial was advancing smoothly.
- GLP-1R/GCGR Dual Agonist CMS-D005 Injection — intended for the treatment of obesity/overweight, obtained approvals for China clinical trials in November 2024 and its Phase I clinical trial was in preparation. The product may also be developed in the future to treat metabolic dysfunction-associated steatohepatitis, type 2 diabetes and other metabolism-related diseases.

## Four New Innovative Drug Collaborations

- In March 2024, the Group entered into another Collaboration and License Agreement with Incyte, for selective oral small molecule JAK1 inhibitor povorcitinib for the treatment of diseases such as non-segmental vitiligo and HS, and gained an exclusive license to research, develop, register and commercialize the product in Mainland China, Hong Kong, Macau, Taiwan Region and eleven Southeast Asian countries, and a non-exclusive license to manufacture the product in CMS' Territory.
- In December 2024, the Group entered into a collaboration with Atom Therapeutics Co., Ltd for the class 1 innovative drug ABP-671 for the treatment of gout and hyperuricemia and gained an exclusive commercialization right in Mainland China, Hong Kong and Macau.

### Subsequent Events

- In January 2025, the Group entered into a collaboration with Alpha Cognition Inc. for the improved new drug ZUNVEYL for the treatment of mild-to-moderate dementia of the Alzheimer's type, and gained an exclusive right to develop, register, manufacture, import, export and commercialize the product in Asia (excluding Japan), Australia and New Zealand.
- In January 2025, the Group entered into a collaboration with Hunan Mabgeek Biotechnology Co., Ltd. and its subsidiary for Class 1 innovative drug long-acting anti-IL-4Rα humanized monoclonal antibody injection MG-K10, and obtained the co-development right and exclusive commercialization right to the product in Mainland China, Hong Kong, Macau, Taiwan Region and Singapore.

## Three Newly-added Medical Aesthetic Products

- In addition to Poly-L-lactic Acid Microparticle Filler Injection (which is under review for its China's medical device registration application), the Group has newly obtained the exclusive licenses in Mainland China, Hong Kong, Macau and Taiwan Region for three regenerative light medical aesthetic injectable products, which were in China's registrational clinical trials, namely Polycaprolactone Microsphere Gel for Injection, Calcium Hydroxylapatite Microsphere Gel for Injection and Decellularized Extracellular Matrix Implant.

# CHAIRMAN'S STATEMENT

In 2024, the global economy demonstrated robust resilience amid a complex and volatile macro-environment characterized by geopolitical tensions, trade imbalances, and inflation. Meanwhile, technological innovation has brought new opportunities for future economic development. Driven by both exports and domestic demands, the Asian market has become the region that contributes the most to global economic growth. Faced with opportunities and challenges of this era, accelerating technological innovation and creating new quality productive forces have become increasingly crucial for achieving quality and sustainable development.

In 2024, facing the external uncertainties and favorable innovation development environment in the pharmaceutical industry, China Medical System Holdings Limited (the "Company") has adhered to its strategic core of "achieving sustainable and quality development". With the mission of "providing competitive products and services to meet unmet healthcare needs", the Company has anchored its business on the pillars of "product strength" and "commercialization capabilities" to respond to external dynamics and explore new products and opportunities.

Hereby, on behalf of the Board of Directors of the Company (the "Board of Directors" or the "Board"), I extend my heartfelt gratitude to all employees, shareholders, and partners, and gladly present the Annual Report of the Company and its subsidiaries (the "Group" or "CMS") for the year ended 31 December 2024 (the "Reporting Period").

## The New Journey of Innovation Begins

The year 2024 marked the seventh year of CMS' s innovation transformation, in which we officially entered the "New Product Era". Over the past seven years, experienced innovation strategies iteration, organizational structures optimization and intelligent tools upgrades, we have effectively linked the entire innovative product development process, from targets selection to clinical application. Based on this, a systematic innovative product management capability has been established, enabling us to continuously generate a large number of differentiated innovative products with higher efficiency.

As several innovative products have been approved for marketing and are gradually unleashing their commercial potentials, and as the impact of the National Volume Based Procurement (the "National VBP") on the Group has been well digested, we have gradually overcome the transitional pain from the "old" to the "new" CMS. We now stand at a pivotal point of robust development and breakthrough.

### Embracing the New Product Era

Four of our innovative drugs, VALTOCO, ILUMETRI, METOJECT, and VELPHORO were successively approved for marketing and included in the National Reimbursement Drug List in 2023. This marks 2024 as the first year of commercialization for our innovative drugs. In 2024, the marketing approvals for LUMEBLUE and an additional indication of METOJECT established another milestone in our innovation development.

At the dawn of the "New Product Era", we remain committed to investing in innovation with a long-term vision. Focusing on new targets, mechanisms, and therapies in the global biopharmaceutical field, we conduct both collaborative R&D and in-house R&D to enrich our portfolio of innovative products. We have gathered extensive original innovation forces with strong scientific research capabilities, forming an influential R&D ecosystem. At the same time, we have developed a keen understanding of treatment needs based on our inherited commercialization strengths. By applying a front-line clinical needs perspective into product evaluation, we have extensively deployed products with academic value, favorable competitive landscapes, and promising investment returns. We have also synergized academic resources to efficiently coordinate the clinical development and commercial value release of innovative products, creating a virtuous circle in which commercialization drives products, and products enhance commercialization.

In addition to the marketing approvals for five innovative drugs (including six indications), the Group's innovation achievements have emerged successively. Since 2024, we have successfully submitted marketing applications in China for two innovative products, including the blockbuster product ruxolitinib phosphate cream ("ruxolitinib cream"), and have also advanced three self-developed innovative drugs into clinical trials. Furthermore, we have newly introduced four innovative products with both social and commercial value, covering diseases such as gout, Alzheimer, vitiligo, atopic dermatitis, asthma, etc. This brings our innovation pipeline to approximately 40 products, mainly consisting of First-in-Class (FIC) and Best-in-Class (BIC) products.

A modern and efficient organization is the foundation for maintaining corporate vitality. To align with our transformation strategy, we have continuously optimized our cognition, talent structure, and business framework, thereby enhancing business resilience. By adopting a value-creation-oriented incentive mechanism, we have introduced share award schemes tied to new product launches and new product sales. This has not only improved team cohesion and execution, but also driven continuous breakthroughs from product development to commercialization. At the same time, we have embedded artificial intelligence (AI) tools into our operations to enable more sophisticated management, resource sharing, and analytical decision-making, thereby systematically improving organizational responsiveness.

## Strengthened Commercialization System Focused on Specialty Therapeutic Fields

We have laid a solid foundation for innovation development with a powerful commercialization platform focused on specialty therapeutical fields. By integrating the Customer Value Team (CVT) working mechanism into product strategy planning, we have implemented a commercialization strategy based on the principle of "creating value for customers". Additionally, we have optimized the cross-departmental collaboration efficiency among medical, marketing, market access and other departments, paving the way for the rapid academic brand-building of innovative products. Moreover, we have adhered to medical evidence-based academic promotion, accelerating patient and doctor education as well as channel expansion for new products. By combining extensive post-marketing real-world studies to strengthen medical evidence and large-scale patient assistance programs, we have strengthened the vitality and influence of brands from multiple dimensions.

At the same time, we have aligned academic resources, products and teams of our commercialization platform to promote both the depth and width of development in our advantageous specialty therapeutic fields. We have also expanded our products categories to include those with consumer attributes. This has formed a moderately diversified and evolving commercialization system that enhances our overall strength in cardio-cerebrovascular, central nervous system, gastroenterology, and related fields. For independently operated businesses such as dermatology/medical aesthetics and ophthalmology, we are committed to leveraging our commercialization system to develop these businesses into "leaders in specialty therapeutic markets".

Our dermatology and medical aesthetics business, "CMS Skinhealth", adheres to a rigorous medical mindset. Focusing on dermatological prescription products and supplemented by dermatology-grade skincare products and light medical aesthetics products with consumer attributes, CMS Skinhealth has developed professional skin health management solutions through both internal R&D and external collaborations. Guided by its strategy of "full coverage of major dermatologic diseases", CMS Skinhealth is committed to deepening its roots and develop into a "China leading, innovation-driven pharmaceutical company in the skin health field".

Our ophthalmology business, "CMS Vision", focuses on the full spectrum of ophthalmic diseases. Leveraging its academic platform for its prescription drugs, CMS Vision has extended its reach into the fields of medical devices and consumables. It continuously identifies, develops, and commercializes urgently needed drugs and medical devices. CMS Vision aims to drive diagnostic and therapeutic advancements in ophthalmology field and develop into a "leading ophthalmology pharmaceutical and device company in China".

## International Expansion with Resource Synergy

Seizing the unprecedented opportunities arising from the incremental demands of the global industrial restructuring and the rapid growth in emerging markets, we leverage our China market business as a foundation to drive our international expansion, starting with Southeast Asia market. We share our advantages such as successful commercialization experience and global quality products resources from our China business with emerging markets business focused on Southeast Asia, promoting the construction of a business covering R&D, manufacture and commercialization.

Our Southeast Asia business, "Rxilient Health", with a focus on introduction, R&D and commercialization of products, continued to expand its localized operation team, which has an in-depth understanding of the local ecosystem. Its operational network headquartered in Singapore, has been further expanded to multiple countries in Southeast Asia. Supported by the Group's resource advantages and the targeted medical demand gap in Southeast Asia, Rxilient Health has rapidly built a product pipeline covering multiple therapeutic areas and has successively submitted marketing applications in various countries, fully preparing for products commercialization. The Group will gradually allocate resources to the Middle East, North Africa, and other developing regions based on its successful experience in Southeast Asia. This will form a replicable "Glocalization" strategy to expand its international business and enhance its development potential.

In addition, we are actively promoting the deployment of international supply chains and manufacturing capabilities to enhance supply chain resilience and ensure product supply stability. In collaboration with experienced strategic partners, we jointly invested in the construction of the Singapore production plant, PharmaGend Global Medical Services Pte. Ltd. ("PharmaGend"). During the Reporting Period, PharmaGend received the Good Manufacturing Practice (GMP) certification from the U.S. FDA and successfully completed the on-site audit by Singapore Health Sciences Authority (HSA). It will provide Contract Development and Manufacturing Organization (CDMO) services, empowering pharmaceutical companies around the world to develop internationally with efficiency and quality.

## Taking Corporate Social Responsibilities

We shoulder our responsibilities as a pharmaceutical corporate citizen, bringing warmth to society by practical actions. In doing so, we actively respond to the United Nations Sustainable Development Goals and contribute to the prosperity of both the industry and society. We have consistently increased our R&D investment in innovative medicines and orphan drugs, ensuring that quality diagnostic and treatment technologies truly benefit patients and their families. We have also actively given back to the community through poverty alleviation, disaster relief, and drug donation programs. At the same time, we have created a safe and pleasant working environment, pursuing green, responsible and sustainable operations with all employees to create greater long-term value for our customers and stakeholders.

We have received widespread recognition from the world's leading Environmental, Social, and Governance (ESG) rating institutions. Our MSCI ESG rating was maintained at "AA", and we were successively selected for both the China and the Global editions of the S&P Global Sustainability Yearbook. Our ESG performance ranks the top of the global industry.

## Great Confidence in the New Beginnings

Farewell to the "old CMS", we welcome the "New CMS" of the innovative product era. The new era and new products require us to grow beyond and make continuous breakthroughs. Looking ahead, all CMSers will unite to do the difficult-yet-right things. With the mission of healing as our anchor, commercialization capabilities as our oars, international strategy as our rudder, and innovation as our sails, we will sail against the wind towards quality development and navigate towards the goal of becoming a "trustworthy specialty pharma rooted in Asia".

Chairman
Lam Kong
Hong Kong, China
17 March 2025

# MANAGEMENT DISCUSSION AND ANALYSIS

## Company Overview

CMS is a platform company linking pharmaceutical innovation and commercialization, with strong product lifecycle management capabilities. Upholding a "patient-oriented" operation philosophy, the Group is rooted in China's pharmaceutical market while maintaining a broader vision across Asia, dedicated to providing competitive products and services to address unmet healthcare needs.

The Group adheres to a clinical demand-oriented innovation strategy, focusing on the deployment and development of global first-in-class (FIC) and best-in-class (BIC) innovative products. Leveraging its unique product identification capabilities, efficient clinical development and commercialization capabilities, and strong financial support, CMS has established a globally competitive R&D system. This system facilitates the continuous transformation of scientific research outcomes into clinical practice. As of the end of the Reporting Period, the Group's differentiated innovation pipeline has expanded to approximately 40 products, with five innovative drugs (covering six indications) already approved for marketing in China and swiftly entering clinical applications.

Focused on specialty therapeutic areas such as cardio-cerebrovascular, central nervous system, gastroenterology, dermatology, and ophthalmology, with its mature commercialization system and extensive academic resources, the Group has gained leading academic and market positions for its major marketed products. Meanwhile, CMS continues to refine its business in Southeast Asia, which comprehensively covers "R&D, manufacturing, and commercialization", empowering global pharmaceutical companies to enter the Southeast Asian market.

## Business Review

In 2024, the reshaping of the global economic landscape intertwined with the wave of biotechnology innovation, and the pharmaceutical industry in China was undergoing profound changes as well. The evolution of disease spectra, innovation in treatment technologies, policies guidance from healthcare reform, and the updating of health concepts are all driving the development of the industry. Against this background, "new quality productive forces" have emerged as a fresh engine of growth, with the upgrading of medical needs and biotechnology innovation jointly propelling the industry towards a more agile, sustainable, and quality development path.

For CMS, 2024 was both a "year of restructuring" amidst challenges and a "year of breakthroughs" with emerging potentials. The Group's innovative drugs have entered commercialization stage, with five of them (covering six indications) making strong debuts in the market. Meanwhile, the pressure from National VBP has been gradually eased, leading to increasingly stable operational momentum.

In 2024, the Group's three original drugs were affected by National Volume Based Procurement ("National VBP"), namely, Deanxit (included in the seventh batch of National VBP), Plendil and Ursofalk (included in the eighth batch of National VBP). These batches were implemented successively in November 2022 and July 2023 respectively, and forementioned three original drugs were not selected, which had a negative impact on the Group's financial performance. In 2024, the Group recorded a turnover of RMB7,469.0 million, representing a year-on-year decrease of 6.8% (2023: RMB8,013.3 million). In the case that all medicines were directly sold by the Group, the turnover was RMB8,621.6 million, representing a year-on-year decrease of 9.0% (2023: RMB9,472.2 million). The profit for the year of 2024 was RMB1,613.1 million, representing a year-on-year decrease of 32.3% (2023: RMB2,384.4 million). Excluding the provisions for impairment loss on related assets, the normalized profit for the year decreased by 36.7% year-on-year to RMB1,713.7 million (2023: RMB2,709.3 million).

During the Reporting Period, the Group reached new milestones in novel product deployment and development. One innovative drug, LUMEBLUE, and an additional indication for METOJECT (rheumatoid arthritis) were approved in China. Additionally, three new innovative drugs were added to the pipeline: VELPHORO (Sucroferric Oxyhydroxide Chewable Tablets), povorcitinib (an oral small-molecule JAK1 inhibitor), and ABP-671 (a URAT1 inhibitor). Adhering to a "compliance-first" principle and a "patient-oriented" operating concept, the Group has continuously enhanced its specialty-focused commercialization system, and promoted the extensive coverage of its products across both hospital and out-of-hospital channels. Furthermore, CMS has embarked on an information technological transformation, fully embracing artificial intelligence (AI) to improve efficiency, decision-making, and execution capabilities. Share award schemes linked to new product launches and new product sales have been adopted to ensure that value creators are rewarded and fostering continuous innovation from the product system to the marketing system. Meanwhile, the Group's Southeast Asian business system, which comprehensively covers "R&D, manufacturing, and commercialization", has continued to be refined, injecting fresh momentum into its international expansion. Riding the wave of the new era, the bright prospects of "New CMS" are gradually unfolding.

## I. Innovative R&D

Innovation leads the way, shaping a better future. The Group drives innovation through a dual-wheeled approach of "Collaborative R&D and In-house R&D". Rooted in medical evidence and guided by clinical needs, it deploys and develops global differentiated innovative pipeline. By leveraging its innovation platform, the Group precisely selects projects and efficiently advances the full spectrum of work, from R&D project identification to large-scale clinical applications. This ensures the rapid realization and commercialization of innovation outcomes, ultimately benefiting more patients.

### 1. Entering a New Era of Innovative Products

After seven years of dedicated efforts, the Group has successfully achieved several innovation outcomes. As of the end of the Reporting Period, the Group's innovative product portfolio approved for marketing in China expanded to five products (covering six indications), among which, four innovative drugs (ILUMETRI, VELPHORO, METOJECT, and VALTOCO) have been included in the National Reimbursement Drug List (NRDL) and entered large-scale clinical applications.

Meanwhile, the Group has been steadily advancing the clinical development of its innovative pipelines. During the Reporting Period, Desidustat Tablets and ruxolitinib cream (vitiligo indication) have entered the New Drug Application (NDA) review stage in China; and a total of about ten projects have been prepared/launched for their registrational clinical trials, mainly randomized controlled trials (RCT), injecting robust momentum into the continuous iteration of future innovation outcomes.

Additionally, the Group has also made certain progress in its in-house R&D. As of the end of the Reporting Period, approximately 20 in-house R&D projects were progressing steadily, among which, four innovative drugs (VEGFA/ANG2 Tetravalent Bispecific Antibody, Highly Selective TYK2 Inhibitor CMS-D001 Tablets, GnRH Receptor Antagonist CMS-D002 Capsules, and GLP-1R/GCGR Dual Agonist CMS-D005 Injection) have entered into clinical development stage in China.

### 1.1 Innovative Drugs approved for marketing in China

- ***LUMEBLUE (Methylthioninium Chloride Enteric-coated Sustained-release Tablets) - the first Methylthioninium Chloride Enteric-coated Sustained-release Tablets in China, providing a novel solution that enhances diagnosis sensitivity in detecting lesions during colonoscopy***

In June 2024, LUMEBLUE was approved for marketing in China, which is indicated to enhance visualisation of colorectal lesions in adult patients undergoing screening or surveillance colonoscopy. The results of the Phase III clinical trial in China showed that LUMEBLUE can significantly improve the detection rate of non-polypoid colorectal lesions (the primary endpoint of the study), leading to an improved detection rate of dangerous lesions such as non-polypoid adenomas (the secondary endpoint). In addition, the product can be taken during the bowel preparation step, ensuring that colorectal staining is completed by the time colonoscopy is conducted and potentially simplifying the colonoscopy procedure.

During the Reporting Period, the Group accelerated the listing of LUMEBLUE on the procurement platforms in various provinces and cities, and rapidly established product awareness through academic promotion.

- ***METOJECT (Methotrexate Injection) - China's first pre-filled Methotrexate (MTX) Injection for subcutaneous administration for the treatment of psoriasis and RA***

In March 2023, METOJECT was approved for marketing in China for the treatment of severe recalcitrant disabling psoriasis, which is not adequately responsive to other forms of therapy such as phototherapy, PUVA, and retinoids, and subsequently included in the Category A of the NRDL. In July 2024, the NDA for an additional indication of Methotrexate Injection for the treatment of active rheumatoid arthritis (RA) in adult patients was approved for marketing in China. Methotrexate (MTX) has anti-inflammatory, anti-proliferative and immunomodulatory effects, and is currently one of the most effective traditional drugs for the treatment of psoriasis. Meanwhile, it is internationally recognized as the first-line preferred and anchor drug for the treatment of RA.

METOJECT is MTX pre-filled injection, which is available in a variety of small-capacity strengths. The bridge clinical trial of the product's RA indication in China aimed to compare the changes of DAS28-ESR score of patients with RA treated by the product and methotrexate tablets compared with the baseline, and to judge whether the non-inferiority is established. The study reached the preset primary endpoint, and the experimental group (given the product) was not inferior to the control group (given methotrexate tablets). In addition, the results of secondary efficacy indicators suggest that the efficacy of the product is significantly better than that of methotrexate tablets or there is a trend of better. The results also show that some of the curative effects that can be observed in the early stage of the product are more obvious than those of methotrexate tablets, suggesting that the curative effect of the product appears earlier. The product has some advantages over methotrexate tablets in gastrointestinal safety, and no new safety risks have been found in the study.

During the Reporting Period, the Group anchored on the core value of methotrexate as a classic medication for RA, combined with its differentiated advantages of formulation innovation in subcutaneous administration, reduction in gastrointestinal side effects, improvement in bioavailability and convenience, and actively promoted the substitution, supplementation, or co-administration of existing therapies, gradually strengthening its penetration in the market segments.

- ***VELPHORO (Sucroferric Oxyhydroxide Chewable Tablets) - the first iron-based, non-calcium phosphate binder (PB) approved in China, and filled the gap of phosphorus-lowering treatment for Chinese paediatric patients aged 12 to 18 years old with CKD stages 4–5 or CKD on dialysis***

In February 2023, VELPHORO was approved for marketing in China for the control of serum phosphorus (sP) levels in adults with chronic kidney disease (CKD) on hemodialysis (HD) or peritoneal dialysis (PD), and for the control of sP levels in paediatric patients 12 years of age and older with CKD stages 4–5 (defined as glomerular filtration rate <30mL/min/1.73 $m^2$) or CKD on dialysis. In December 2023, the product was included in the Category B of the NRDL.

In February, 2024, the Group obtained an exclusive license of VELPHORO to register, import, promote, distribute, use and sell the product in Mainland China, Hong Kong Special Administrative Region ("Hong Kong"), Macau Special Administrative Region ("Macau") and Taiwan Region, and subsequently issued its first prescription in China.

VELPHORO is a new generation of iron-based, non-calcium PB. It is demonstrated in multiple global clinical studies and real-world research data (as published in academic journals including International Urology and Nephrology, and Clinical Nephrology) and the Chinese instruction of the product that compared with other PBs, patients maintained on VELPHORO used about 50% fewer PB pills/day, and the proportion of patients achieving target sP increased by 95%. VELPHORO has characteristics of good safety and patient compliance without risk of calcium and heavy metal accumulation. In addition, the product holds the advantages of unaffected absorption of oral liposoluble vitamin D, maintaining stable iron parameters, improving the nutritional status in patients, reducing hospitalization rates, and alleviating patients' medical financial burdens.

During the Reporting Period, the Group steadily promoted the hospital and out-of-hospital coverage and brand building of VELPHORO by leveraging its status as an NRDL medicine and a pediatric drug, as well as its core advantage of "achieving target with good sP levels reduction".

- ***ILUMETRI (Tildrakizumab Injection) - a monoclonal antibody specifically targeting to the p19 subunit of IL-23, requires only 4 administrations per year during its maintenance period for the treatment of psoriasis, which may lead to higher patient compliance***

In May 2023, ILUMETRI was approved for marketing in China for the treatment of adults with moderate-to-severe plaque psoriasis who are candidates for systemic therapy or phototherapy. It was included in the NRDL's Category B in December 2023. As of the end of the Reporting Period, the product was unanimously recommended by authoritative psoriasis diagnosis and treatment guidelines in China, the United States, Europe, the United Kingdom, Germany and other countries and regions around the world, and was also included in the "Guidelines for the treatment of psoriasis with biologics and small-molecule drugs in China (2024)" published by the Chinese Journal of Dermatology.

In January 2024, the academic journal "Chinese Medical Journal" published the results from a Phase III clinical trial in China for the basic and extended study of Tildrakizumab Injection. The product's primary efficacy assessment indicator PASI 75 response rate continued to increase over treatment time. The PASI 75 response rate reached a high level after 28 weeks of treatment with ILUMETRI and maintained at 91.3% at week 52, and the product showed good long-term safety and tolerance.

During the Reporting Period, focusing on a promotion model driven by medical evidence, the Group has actively supplemented evidence-based data through real-world studies and scientific research project collaboration to improve its academic platform. The Group has also efficiently advanced the deployment in hospitals and dual-channel pharmacies to rapidly enhance product awareness.

- ***VALTOCO (Diazepam Nasal Spray) - the first Diazepam Nasal Spray approved for marketing in China, which can be administered anytime and anywhere, and meets clinical needs for accessible and convenient treatment option for seizure clusters of patients with epilepsy***

In June 2023, VALTOCO was approved for marketing in China. It is indicated for the acute treatment of intermittent, stereotypic episodes of frequent seizure activity (i.e. seizure clusters, acute repetitive seizures) that are distinct from a patient's usual seizure pattern in patients with epilepsy 6 years of age and older. In December 2023, it was included in the Category B of the NRDL. The product is administered through the nasal mucosa, with high bioavailability, outstanding absorbability, tolerability and reliability. As of the end of the Reporting Period, VALTOCO has been included in the "Chinese Expert Consensus on Diagnosis and Treatment of Dravet Syndrome" published in the "Journal of Epilepsy" and the "Clinical Diagnosis and Treatment Strategy of Dravet Syndrome" published in the "Chinese Journal of Pediatrics".

During the Reporting Period, focusing on VALTOCO's unique clinical value of "Convenient Pre-hospital Seizure Rescue", the Group has implemented an innovative "patient-oriented" promotion plan, including the establishment of the "CAAE Epilepsy Care Fund — CMS Fund", enhanced disease knowledge popularization, and improved customer awareness of pre-hospital seizure rescue.

### 1.2 Innovative Drugs in the NDA Review Stage in China

- ***Desidustat Tablets — a novel, oral Hypoxia-Inducible Factor-Prolyl Hydroxylase Inhibitor (HIF-PHI)***

In April 2024, the NDA for Desidustat Tablets was accepted by the China National Medical Products Administration (NMPA), for treating anaemia in non-dialysis adult, CKD patients. China Phase III trial of the product has demonstrated positive results. The primary endpoint of the haemoglobin (Hb) mean change from baseline to the period of Week 7–9 has indicated that, Desidustat is more effective than placebo in increasing Hb level. The product is administrated orally, thus expecting to improve the treatment compliance of patients and to meet the unmet treatment needs in the field of CKD anaemia, including both dialysis and non-dialysis patients.

- ***Ruxolitinib cream — as of the end of the Reporting Period, the product is the first and only topical JAK inhibitor approved by the U.S. FDA and the European Medicines Agency (EMA) for repigmentation in vitiligo***

In September 2024, the NDA for ruxolitinib cream (vitiligo indication) was accepted by the China NMPA.

In accordance with the relevant regulations of the drug real-world data application pilot program in the Hainan Boao Lecheng International Medical Tourism Pilot Zone (the "Lecheng Pilot Zone"), a real-world study on ruxolitinib cream has been conducted in China. The results have shown positive efficacy, which is consistent with the key outcomes of global pivotal clinical studies. All secondary efficacy endpoints showed a trend of benefit consistent with the primary efficacy endpoint, and the treatment effect for vitiligo continued to improve with longer treatment duration. Meanwhile, through the safety monitoring data of the Lecheng Pilot Zone, no new safety events have been identified. Adverse events mostly had severity levels of grade 1 or 2. No adverse event (AE) leading to discontinuation or withdrawal, and no serious adverse event (SAE) related to the study drug occurred.

Additionally, the product was approved for marketing in Macau in April 2024, and also approved for marketing in Hong Kong in November 2024, for the treatment of non-segmental vitiligo with facial involvement in adults and adolescents from 12 years of age. Benefiting from the "Hong Kong and Macau Medicine and Equipment Connect" policy, the product was approved by the Guangdong Provincial Medical Products Administration and was officially introduced into designated medical institutions in Guangdong Province of the Greater Bay Area. As of the end of the Reporting Period, prescriptions for the product had been issued at a total of five hospitals in Zhongshan, Foshan, Dongguan, Guangzhou and Shenzhen.

Previously, benefiting from the Early and Pilot Implementation Policy granted by the state to Hainan Free Trade Port and the Lecheng Pilot Zone, ruxolitinib cream was approved by Hainan Medical Products Administration for Urgent Clinical Import in August 2023, and officially became available to applicable patients in the Lecheng Pilot Zone, for the topical treatment of non-segmental vitiligo in adults and adolescents aged 12 and above with facial involvement.

During the Reporting Period, ruxolitinib cream was included in the "Consensus on the Diagnosis and Treatment of Vitiligo (2024 version)" published by the "Chinese Journal of Dermatology", and has been recommended by "Expert Recommendations on Use of Topical Therapeutics for Vitiligo in Pediatric, Adolescent, and Young Adult Patients" published by the "JAMA Dermatology".

In March 2024, China NMPA approved the application to conduct a phase III clinical trial evaluating ruxolitinib cream for the treatment of atopic dermatitis (AD). This trial is a randomized, double-blind, placebo-controlled phase III clinical trial evaluating the efficacy and safety of ruxolitinib cream in the treatment of atopic dermatitis in Chinese patients. As of the end of the Reporting Period, the enrollment of all subjects had been completed.

The transfer of ruxolitinib cream from overseas production to domestic production (localization technology transfer) was being advanced in an orderly manner by the Contract Development Manufacturing Organization (CDMO).

As of the end of the Reporting Period, ruxolitinib cream was the first and only topical JAK inhibitor approved by the U.S. FDA and the EMA, indicated for the topical treatment of nonsegmental vitiligo in adult and pediatric patients 12 years of age and older and for the topical short-term and non-continuous chronic treatment of mild to moderate AD in non-immunocompromised adult and pediatric patients 12 years of age and older whose disease is not adequately controlled with topical prescription therapies, or when those therapies are not advisable.

### 1.3 Innovative Drugs in China's Clinical Development

- ***Y-3 for Injection - a novel brain cytoprotectant that treats stroke***

As of the end of the Reporting Period, Y-3 for Injection had completed its Phase II clinical trial, and its Phase III clinical trial was progressing steadily.

Y-3 for Injection is a Class 1 innovative drug — small molecule compound, which is used to alleviate neurological symptoms and dysfunction of daily activities caused by acute ischemic stroke. The mechanism of action of the product is to dissociate PSD-95 and nNOS coupling and activate α2-GABAA receptors. With its clear mechanism of action, the product is conducive to exerting brain cytoprotection effects. The results of Phase II clinical trial of the product for the treatment of acute ischemic stroke indicate that among patients with ischemic stroke within 48 hours of onset, compared to placebo, Y-3 (20mg, 40mg, 60mg, qd) demonstrated an increased proportion of patients achieving a favorable functional outcome at 90 days.

- ***VEGFA/ANG2 Tetravalent Bispecific Antibody***

The product is a Class I innovative biological agent for the treatment of ocular fundus neovascular diseases. As of the end of the Reporting Period, the product had completed the Phase I clinical trial for the indication of neovascular age-related macular degeneration (nAMD), and completed the dosing for the first subject in the Phase II clinical trial.

- ***CMS-D001 Tablets (Highly Selective TYK2 Inhibitor)***

In January 2024, the product was granted approvals for drug clinical trials in China to conduct a randomized, double-blind, placebo-controlled phase I clinical study of single or multiple dose escalation and food effects (open) to evaluate the safety, tolerability, pharmacokinetics and efficacy of the product in healthy subjects and patients with plaque psoriasis. As of the end of the Reporting Period, the Phase I clinical trial of the product was progressing smoothly. The product may also be developed in the future for the treatment of immune-inflammatory diseases such as AD, and systemic lupus erythematosus.

- ***CMS-D002 Capsules (GnRH Receptor Antagonist)***

In February 2024, the product was granted approvals for drug clinical trials in China to conduct a randomized, double-blind, placebo-controlled phase I clinical study of single or multiple dose escalation to evaluate the safety, tolerability, pharmacokinetics and pharmacodynamics of the product in healthy adult premenopausal female subjects. As of the end of the Reporting Period, the Phase I clinical trial of the product was progressing smoothly. The product may be developed in the future to treat endometriosis, uterine fibroids, prostate cancer and other diseases.

- ***CMS-D005 Injection (GLP-1R/GCGR Dual Agonist)***

In November 2024, the product was granted approvals for drug clinical trials in China to conduct a clinical trial to evaluate the safety, tolerability, pharmacokinetic and pharmacodynamic profile of the product in healthy and overweight/obese adult subjects in China. As of the end of the Reporting Period, the Phase I clinical trial of the product was in preparation. The product may also be developed in the future to treat metabolic dysfunction-associated steatohepatitis, type 2 diabetes and other metabolism-related diseases.

**2. Replenishment of Pipeline**

- ***Povorcitinib - a selective small-molecule JAK1 Inhibitor, with the potential to provide a new treatment option for patients suffering from autoimmune and inflammatory dermatologic diseases***

In March 2024, the Group entered into a Collaboration and License Agreement with Incyte, a global biopharmaceutical company, for selective oral small molecule JAK1 inhibitor povorcitinib for the treatment of non-segmental vitiligo, hidradenitis suppurativa (HS), prurigo nodularis (PN) and asthma and chronic spontaneous urticaria, and gained an exclusive license to research, develop, register and commercialize the product in Mainland China, Hong Kong, Macau, Taiwan Region and eleven Southeast Asian countries and a non-exclusive license to manufacture the product in CMS' Territory.

During the Reporting Period, the Group continued to prepare for clinical development of povorcitinib in China for the treatment of non-segmental vitiligo and HS. Currently, therapeutic options for vitiligo are limited and the condition is difficult to treat, especially for patients with extensive vitiligo, povorcitinib offers a potential oral dosing therapeutic option for patients with non-segmental vitiligo, particularly those suffering from extensive vitiligo. HS has been included in the second batch of the Rare Disease List in China. As a chronic inflammatory and recurrent dermatologic disease, it can have a profoundly negative impact on patients' quality of life. However, as of the end of the Reporting Period, there were no biologics or small molecule medicines approved by the China NMPA for the treatment of HS in China.

Meanwhile, as of the end of the Reporting Period, Incyte was advancing the Phase III clinical trials of povorcitinib for non-segmental vitiligo, HS and PN in several countries outside of China. Additionally, Phase II clinical trials of povorcitinib for asthma and chronic spontaneous urticaria were also ongoing. Previously, Incyte announced that povorcitinib had met the primary endpoint in a global multi-centre Phase IIb clinical trial for non-segmental vitiligo, and it was well tolerated at all doses. The product also met the primary endpoint in a global multi-centre Phase II clinical trial for HS, demonstrating good overall tolerability and a safety profile consistent with previously reported data. In September 2024, Incyte announced that povorcitinib had met the primary endpoint in a global multi-centre Phase IIb clinical trial for PN, with minimal grade ≥3 treatment-emergent adverse events (AEs) or serious AEs, and it was well tolerated with no new safety signals.

- ***ABP-671 - a URAT1 inhibitor, anticipated to offer more effective and safer treatment alternatives for patients suffering from gout and hyperuricemia***

In December 2024, the Group entered into an Exclusive Commercialization Agreement with Atom Therapeutics Co., Ltd. of class 1 innovative drug ABP-671 for the treatment of gout and hyperuricemia and gained an exclusive commercialization right in Mainland China, Hong Kong and Macau.

As of the end of the Reporting Period, ABP-671 was in Phase 2b/3 clinical trials for gout in China and overseas. The product reduces renal re-absorption of uric acid by inhibiting Urate Anion Transporter 1 (URAT1). The results of two completed phase 2 clinical trials demonstrated favorable efficacy and safety profiles across multiple dose groups (ranging from 1 mg to 12 mg) of ABP-671. The 2 mg once-daily dosage of the product was proved to be as effective as, or even better than, benzbromarone or febuxostat (maximum dosage of 80mg). The reduction in uric acid levels was sustained throughout the 24-hour period, with no significant safety concerns identified. ABP-671 is anticipated to offer more effective and safer treatment alternatives for patients suffering from gout and hyperuricemia.

## 3. Innovative Pipeline

### *Launched Overseas/China or Under Marketing Application Review*

| Product | Rights Authorized Region* | Indication | Clinical Trial Approval | Clinical Trial for Registration | Marketing Application | Marketed | Major Marketed Regions* | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | CN | US | EU | JP |
| Diazepam Nasal Spray | | For the acute treatment of intermittent, stereotypic episodes of frequent seizure activity (i.e. seizure clusters, acute repetitive seizures) that are distinct from a patient's usual seizure pattern in patients with epilepsy 6 years of age and older | | | | | 2023.6 | ✓ | | |
| Tildrakizumab Injection (Biological Agent) | | For the treatment of adults with moderate-to-severe plaque psoriasis who are candidates for systemic therapy or phototherapy | | | | | 2023.5 | ✓ | ✓ | ✓ |
| Methotrexate Injection | | Severe recalcitrant disabling psoriasis, which is not adequately responsive to other forms of therapy such as phototherapy, PUVA, and retinoids | | | | | 2023.3 | | ✓ | |
| | | Active rheumatoid arthritis in adult patients | | | | | 2024.7 | | ✓ | ✓ |
| Methylthioninium Chloride Enteric-coated Sustained-release Tablets | | A diagnostic agent to enhance visualisation of colorectal lesions in adult patients undergoing screening or surveillance colonoscopy | | | | | 2024.6 | | ✓ | |
| Ruxolitinib cream | | Topical treatment of nonsegmental vitiligo in adult and pediatric patients 12 years of age and older | | | | | Marketing Approval in Macau (2024.4) and HK (2024.11) | ✓ | ✓ | |
| | | Topical short-term and non-continuous chronic treatment of mild to moderate atopic dermatitis in non-immunocompromised adult and pediatric patients 12 years of age and older whose disease is not adequately controlled with topical prescription therapies, or when those therapies are not advisable | | | | | | ✓ | | |
| Desidustat Tablets | | For treating anaemia in non-dialysis adult, Chronic Kidney Disease (CKD) patients | | | | | | | | |
| Cyclosporine Eye Drops 0.09% | | Increasing tear secretion in patients with keratoconjunctivitis sicca (dry eye) | | | | | | ✓ | ✓ | |
| Latanoprost Eye Drops | | Reduction of elevated intraocular pressure in patients with open-angle glaucoma or ocular hypertension | | | | | | ✓ | | |
| ZUNVEYL | ** | For treating mild to moderate dementia of the Alzheimer's type | | | | | | ✓ | | |
| Levetiracetam XR Tablet | | Adjunctive therapy for the treatment of partial-onset seizures | | | | | | ✓ | | |
| BCG for Intravesical Instillation (Biological Agent) | *** | Non-invasive urothelial bladder carcinoma, including curative treatment of carcinoma in situ and prophylactic treatment of recurrence | | | | | | | ✓ | |

Marketed in China · Under R&D in China · Overseas · Designated Asian Regions · Mainland China, Hong Kong, Macau and Taiwan · Designated Asia-Pacific Regions

* Major Marketed Regions indicate where products are approved. CMS' s rights are stated by Rights Authorized Region, CMS has NO development, commercialization or other product rights in unauthorized regions.

** ZUNVEYL was licensed after the Reporting Period, with the authorized region covering Asia (excluding Japan), Australia, and New Zealand.

*** Taiwan is not included in the rights authorized region of BCG for Intravesical Instillation.

Please refer to local prescribing information for more information, including full safety information, on CMS' s marketed medicines, or on medicines marketed by CMS' s collaboration partners.

## Under R&D Stages

| Product | Rights Authorized Region* | Indication | Pre-clinical | Clinical Trial Approval | Phase I | Phase II | Phase III | Marketing Application* |
|---|---|---|---|---|---|---|---|---|
| SDN-037 | | Eye pain and inflammation after cataract surgery | | | | | | |
| PDP-716 | | Reduction of elevated intraocular pressure in patients with open-angle glaucoma or ocular hypertension | | | | | | |
| CF101 | | Psoriasis | | | | | | |
| povorcitinib | | Non-segmental vitiligo, Hidradenitis suppurativa, Atopic Dermatitis | | | | | | |
| | | Asthma, Chronic spontaneous urticaria | | | | | | |
| CF102 | | Hepatocellular carcinoma | | | | | | |
| | | Non-alcoholic fatty liver disease / non-alcoholic steatohepatitis | | | | | | |
| XF-73 | | Prevention of post-surgical staphylococcal infections | | | | | | |
| Y-3 for Injection | ** | Used to alleviate neurological symptoms and dysfunction of daily activities caused by acute ischemic stroke | | | | | | |
| ABP-671 | ** | Gout | | | | | | |
| Anti-IL-4Rα Humanized Monoclonal Antibody Injection (MG-K10) | *** | Atopic Dermatitis, Asthma, Prurigo Nodularis | | | | | | |
| | | Allergic Rhinitis, Chronic Rhinosinusitis with Nasal Polyps, Eosinophilic Esophagitis | | | | | | |
| VEGFA/ANG2 Tetravalent Bispecific Antibody (Biological Agent) | | Intended for ocular fundus neovascular diseases | | | | | | |
| TYK2 Inhibitor (CMS-D001) | | Intended for psoriasis, Atopic Dermatitis | | | | | | |
| GnRH Receptor Antagonist (CMS-D002) | | Intended for the treatment of moderate to severe pain associated with endometriosis | | | | | | |
| GLP-1R/GCGR Dual Agonist (CMS-D005) | | Intended for obesity/overweight | | | | | | |
| ~15 Self-developed Innovative Drugs | | | | | | | | |

China  Overseas  Global  Designated Asian Regions  Mainland China, Hong Kong, Macau and Taiwan

* Major Marketed Regions indicate where products are approved. CMS' s rights are stated by Rights Authorized Region, CMS has NO development, commercialization or other product rights in unauthorized regions.
** Taiwan is not included in the rights authorized region.
*** Anti-IL-4Ra humanized Monoclonal Antibody Injection (MG-K10) was licensed after the Reporting Period, with the authorized region covering Mainland China, Hong Kong, Macau, Taiwan and Singapore.
Please refer to local prescribing information for more information, including full safety information, on CMS' s marketed medicines, or on medicines marketed by CMS's collaboration partners.

## II. Commercialization System

The Group adheres to the principle of "compliance first", focusing on unmet clinical needs while continuously upgrading its specialty-focused commercialization system amidst industry evolution. A professional promotion team with strong execution capabilities has been established, achieving extensive coverage across both hospital and out-of-hospital channels. During the Reporting Period, the Group implemented refined academic promotion strategies, deepened digital-intelligent operations, and concentrated on the in-depth development of the cardio-cerebrovascular/gastroenterology, dermatology/medical aesthetics, and ophthalmology fields, while also vigorously pursuing opportunities for horizontal expansion in related fields.

For the five innovative drugs that have entered the commercialization stage, as well as the Group's core exclusive branded drugs, a dedicated Customer Value Team (CVT) mechanism has been established to integrate cross-departmental resources for efficient collaboration. This mechanism facilitates product potential insights and analysis, identifies market opportunities from a strategic perspective, and regularly reviews key product issues to dynamically adjust macro-level promotion strategies. At the same time, the Group has initiated a number of real-world studies and post-marketing clinical trials to continuously supplement academic evidence and advance expert guidelines and consensus recommendations in relevant areas. Adhering to the "patient-oriented" philosophy, the Group actively engages in patient education, popular science outreach, and assistance programs to enhance disease awareness and diagnosis rates. The Group also leverages its extensive specialty channels and platforms, which have been accumulated over the years, to conduct multi-level academic exchanges, thereby rapidly enhancing market recognition.

The Group continues to strengthen its development in the out-of-hospital market, expanding the breadth, precision, and depth of coverage in hospital-adjacent pharmacies and chain pharmacies. Through the training system for chain pharmacies, the Group enhances the professionalism of pharmacy services to benefit patients. Meanwhile, by leveraging comprehensive coverage across online, offline, and new retail channels, the Group enhances terminal penetration and improves out-of-hospital prescription traffic diversion.

As of the end of the Reporting Period, the Group had approximately 4,700 professional marketing and promotion related employees, with a promotion network covering over 50,000 hospitals and medical institutions, and approximately 300,000 retail pharmacies in China.

## 1. Marketed Products

The Group's major marketed products have covered the cardio-cerebrovascular, gastroenterology, dermatology and medical aesthetic, ophthalmology and other related areas. A summary of the information of major products as of the end of the Reporting Period is as follows:

| Product line | Product | Indication/Function | Product Advantage |
|---|---|---|---|
| Cardio-cerebrovascular Related Field Line | VELPHORO (Sucroferric Oxyhydroxide Chewable Tablets) (innovative drug) | For the control of sP levels in adults with CKD on hemodialysis or peritoneal dialysis, and for the control of sP levels in paediatric patients 12 years of age and older with CKD stages 4–5 or CKD on dialysis | The first iron-based, non-calcium phosphate binder (PB) approved by China NMPA, and filled the gap of phosphorus-lowering treatment for Chinese paediatric patients aged 12–18 years old with CKD stages 4–5 or CKD on dialysis |
| | VALTOCO (Diazepam Nasal Spray) (innovative drug) | For the acute treatment of intermittent, stereotypic episodes of frequent seizure activity (i.e. seizure clusters, acute repetitive seizures) that are distinct from a patient's usual seizure pattern in patients with epilepsy 6 years of age and older | The first diazepam nasal spray approved by China NMPA, that can be administered anytime and anywhere, meeting the clinical needs for accessible and convenient treatment option for epilepsy patients with seizures cluster |
| | XinHuoSu (Recombinant Human Brain Natriuretic Peptide for Injection) (exclusive product) | Acute decompensated heart failure | As of the end of the Reporting Period, the only Recombinant Human Brain Natriuretic Peptide (rhBNP) medicine approved by China NMPA |
| | Plendil (Felodipine Sustained Release Tablets) | Hypertension and stable angina pectoris | The Calcium Channel Blocker (CCB) medicine suitable for Chinese patients, providing cardio-cerebrovascular protection and high vascular selectivity |
| | Deanxit (Flupentixol and Melitracen Tablets) | Mild-to-moderate depression, anxiety and psychosomatic affections | Original reference preparation, the preferred medicine for mild to moderate anxiety and depression |

| Product line | Product | Indication/Function | Product Advantage |
|---|---|---|---|
| **Gastroenterology/ Autoimmune Related Field Line** | METOJECT (Methotrexate Injection) (innovative drug) | For the treatment of severe recalcitrant disabling psoriasis, which is not adequately responsive to other forms of therapy such as phototherapy, PUVA, and retinoids; Active rheumatoid arthritis in adult patients | The first MTX pre-filled injection for subcutaneous administration for the treatment of psoriasis and RA has been approved by China NMPA |
| | LUMEBLUE (Methylthioninium Chloride Enteric-coated Sustained-release Tablets) (innovative drug) | A diagnostic drug used for enhancing visualisation of colorectal lesions in adult patients undergoing screening or surveillance colonoscopy | The first Methylthioninium Chloride Enteric-coated Sustained-release Tablets has been approved by China NMPA, and a novel solution that enhances diagnosis sensitivity in detecting lesions during colonoscopy |
| | Salofalk (Mesalazine) | Ulcerative colitis, including the treatment of acute exacerbations and the maintenance treatment to prevent recurrence, as well as the treatment of acute exacerbations of Crohn's disease | Ranking the first in the market share of aminosalicylic acid, a first-line treatment for inflammatory bowel disease in China according to 2024 IQVIA data |
| | Bioflor (Saccharomyces Boulardii Sachets) (exclusive product) | Diarrhea in adults and children, as well as diarrhea symptoms induced by intestinal flora disturbance | Probiotics preparations with abundant medical evidence and high-level recommendations from authoritative domestic and overseas guidelines |
| | Combizym (Oryz-aspergillus Enzyme and Pancreatin Tablets) (exclusive product) | Dyspepsia caused by a decrease in digestive enzymes | Effective in both stomach and intestines, the recommended digestive enzyme preparation for the replacement therapy of pancreatic exocrine insufficiency |
| | Cidine (Cinitapride Hydrogen Tartrate Tablets) (exclusive product) | Improve the symptoms of early satiety, postprandial fullness discomfort, and abdominal distension in mild to moderate functional dyspepsia | Dual target prokinetic agent, first-line drugs for functional dyspepsia |
| | Ursofalk (Ursodeoxycholic Acid Capsules) | Cholesterol gallstones in the gallbladder, cholestatic liver disease and biliary reflux gastritis | Original reference preparation, the preferred first-line medicine for cholestatic liver disease |

| Product line | Product | Indication/Function | Product Advantage |
|---|---|---|---|
| **Dermatology Related** | ILUMETRI (Tildrakizumab Injection) (innovative drug) | For the treatment of adults with moderate-to-severe plaque psoriasis who are candidates for systemic therapy or phototherapy | The monoclonal antibody that specifically targets to the p19 subunit of IL-23, and only requires 4 administrations per year during its maintenance period, which may lead to higher patient compliance |
| | Aethoxysklerol (Polidocanol Injection) | Different specifications for sclerotherapy of different varicose veins, including spider veins, central veins of spider veins, and medium to large varicose veins | A German original brand for the treatment of sclerotherapy of varicose veins with years of clinical application |
| | Hirudoid (Mucopolysaccharide Polysulfate Cream) (exclusive product) | Blunt traumata with and without hematomas, and superficial phlebitis that cannot be treated by compression | Repair agent for skin barrier with multiple functions |
| **Dermatology - Grade Skincare Product** | Heling Soothing Product Series (including 4 products) | Skin soothing with a combination of cleansing and moisturizing which is suitable for sensitive skin | Composed of four core ingredients that can moisturize and soothe the skin, helping to repair the skin barrier |
| | Hirudoid® Azelaic Acid Skincare Series (including 5 products) | Acne-prone skin care, prevention, and improvement of acne | Extension of the Hirudoid brand, to create a professional acne-care portfolio |
| **Light Medical Aesthetic Product** | Vmonalisa (Modified Sodium Hyaluronate Filler for Injection) | Used for mid to deep dermal implantation for the correction of moderate to severe nasolabial folds (medium and macro particle); Used for the deep dermal to subcutaneous implantation for the correction of moderate to severe nasolabial folds (small particle) | Painless, fashionable and accessible luxury HA filler with multiple particle sizes from South Korea, featured with safety and natural looking |

| Product line | Product | Indication/Function | Product Advantage |
|---|---|---|---|
| **Ophthalmology Line** | Augentropfen Stulln Mono Eye Drops (Esculin and Digitalisglycosides Eye Drops) (exclusive product) | Senile macular degeneration and all forms of asthenopia | The representative medicine for the treatment of asthenopia and the safe and convenient treatment option of senile macular degeneration |
| | EyeOP1 Glaucoma Treatment Device (exclusive product) | Glaucoma with intraocular pressure that cannot be controlled by drugs and surgery | Using high-focused ultrasound technology, which is a non-invasive procedure with precise targeting and convenient operations, providing a safe and effective innovative treatment for glaucoma |
| **Other Major Products** | Elcitonin (Elcatonin Injection) | Osteoporosis pain | Quick onset, with long-term use and good safety, for the treatment of osteoporosis pain |

During the Reporting Period, the revenue of major products by product line was as follows:

- The products under cardio-cerebrovascular related field line recorded a revenue of RMB2,917.7 million, a decrease of 17.1% compared with the same period last year. In the case that all medicines were directly sold by the Group, the revenue of products under cardio-cerebrovascular related field line would decrease by 18.8% to RMB4,086.9 million compared with the same period last year, accounting for 47.4% of the Group's revenue in the case that all medicines were directly sold by the Group.

- The revenue of products under gastroenterology/autoimmune related field line decreased by 6.7% to RMB2,875.0 million compared with the same period last year, accounting for 33.3% of the Group's revenue in the case that all medicines were directly sold by the Group.

- The revenue of the products under dermatology and medical aesthetic line increased by 18.2% to RMB672.6 million compared with the same period last year, accounting for 7.8% of the Group's revenue in the case that all medicines were directly sold by the Group.

- The revenue of the products under ophthalmology line increased by 24.3% to RMB627.1 million compared with the same period last year, accounting for 7.3% of the Group's revenue in the case that all medicines were directly sold by the Group.

- Other products recorded a revenue of RMB376.7 million, an increase of 10.9% compared with the same period last year. In case that all medicines were directly sold by the Group, the revenue would increase by 26.5% to RMB360.0 million compared with the same period last year, accounting for 4.2% of the Group's revenue in the case that all medicines were directly sold by the Group.

During the Reporting Period, the Group's three products, namely, Deanxit, Ursofalk and Plendil, have been affected by the implementation of National VBP, and none of them have been selected in the National VBP. In case that all medicines were directly sold by the Group, three National VBP products recorded a total revenue of RMB2,691.0 million (2023: RMB3,778.0 million), a decrease of 28.8% compared with the same period last year. During the Reporting Period, in the case that all medicines were directly sold by the Group, the total revenue of non-national VBP exclusive products and innovative products was RMB4,551.3 million, accounting for 52.8% of the Group's revenue.

## III. Dermatology and Medical Aesthetic Business

Since its independent operation in 2021, "CMS Skinhealth", the dermatology and medical aesthetics business of the Group, has been following the trend of global biotechnology frontiers. Through endogenous development and external collaboration, CMS Skinhealth has extensively deployed and developed first-in-class (FIC) and best-in-class (BIC) innovative products. Centered on dermatology treatment products, CMS Skinhealth has gradually established a differentiated product matrix. Its portfolio covers dermatology prescription drugs, dermatology-grade skincare products, and light medical aesthetic products, catering to diverse dermatological health and beauty needs. Leveraging its professional marketing and promotion team along with a robust academic network, CMS Skinhealth is developing into a "leading, innovation-driven pharmaceutical company in China, specializing in skin health".

CMS Skinhealth has developed a diverse product matrix for skin health to achieve full coverage of major disease areas, and provide comprehensive and integrated solutions for patients at different stages of disease.

| | Treatment | | | | Skincare |
|---|---|---|---|---|---|
| | Topical External Preparations | Oral Small Molecule Targeted Drugs | Injectable Biologics | Topical Injection | Dermatology-Grade Skincare Products |
| Psoriasis | | CMS-D001 | ILUMETRI | | |
| AD | Ruxolitinib cream | CMS-D001 | MG-K10 | | Heling Soothing Product Series |
| Vitiligo | Ruxolitinib cream | povorcitinib | | | |
| Phlebitis | Hirudoid | | | | |
| Varicose veins | | | | Aethoxysklerol | |
| Prurigo nodularis | | povorcitinib | MG-K10 | | |
| Hidradenitis suppurativa | | povorcitinib | | | |
| Spontaneous urticaria | | povorcitinib | | | |
| Acne papules | | | | | Hirudoid® Azelaic Acid Skincare Series |

Marketed

Under R&D

During the Reporting Period, the three major business divisions of CMS Skinhealth, dermatology prescription drugs, new retail, and light medical aesthetics developed in synergy, sharing resources and promoting the deep integration and complementarity of academic promotion, brand building and new media promotion. Driven by medical science, CMS Skinhealth continuously strengthens the academic evidence framework of its dermatology prescription products through real-world studies and post-marketing clinical studies while improving treatment standardization via participation in academic conferences at all levels. For dermatology-grade skincare products, CMS Skinhealth integrates dermatology academic resources with diverse new media platforms, developing a science-based dermatological health concept that combines treatment and care, to achieve improvements in both brand value and end-user sales. For light medical aesthetic products, CMS Skinhealth actively conducts professional training programs for the medical aesthetics institutions to empower clinical applications of the product, facilitating the scale application of creative aesthetic concepts.

As of the end of the Reporting Period, CMS Skinhealth had more than 750 employees.

## 1. Continuous Optimization of Dermatology Prescription Portfolio, Steady Progress in Innovation Drug Development and Commercialization

The dermatology prescription portfolio of CMS Skinhealth has comprehensively covered dermatology diseases, such as vitiligo, psoriasis, AD, phlebitis, varicose veins, and HS. During the Reporting Period, CMS Skinhealth continued to expand its innovative pipeline, advancing clinical development in an orderly manner while steadily enhancing market awareness and brand influence for marketed innovative products.

During the Reporting Period, CMS Skinhealth collaborated with Incyte once again, and has obtained exclusive license of povorcitinib, a selective oral small-molecule JAK1 inhibitor, in countries/territories including Mainland China, Hong Kong, Macau, Taiwan Region and eleven Southeast Asian countries. This significantly strengthened the product deployment of CMS Skinhealth in the treatment of vitiligo and other immune-mediated dermatology diseases. Meanwhile, the innovative product ruxolitinib cream (vitiligo indication) was approved for marketing in Macau and Hong Kong, and its NDA in China was formally accepted by the NMPA. Additionally, its Phase III bridging trial for AD in China has completed the enrollment of all subjects. In January 2025, CMS Skinhealth obtained MG-K10, a Class 1 innovative drug in clinical development, as a long-acting anti-IL-4Rα monoclonal antibody for the treatment of type 2 inflammatory diseases such as AD and prurigo nodularis, further enriching its differentiated innovative pipeline in dermatological treatment.

For the marketed innovative product, ILUMETRI (Tildrakizumab Injection), the positioning is a "four doses per year, long-lasting relief for psoriasis" therapy, demonstrating differentiated advantages such as low injection frequency, good long-term efficacy, and excellent safety. Meanwhile, CMS Skinhealth leveraged the accumulated academic platform of Hirudoid (the repair agent for skin barrier with multiple functions) and Aethoxysklerol (a German original product for the treatment of sclerotherapy of varicose veins) to accelerate the development of hospital access and prescription circulation into dual-channel pharmacies through precise academic promotion strategies. CMS Skinhealth also actively engaged in disease popularization and public health initiatives, raising awareness of psoriasis diagnosis and daily care.

## 2. Rapid Growth in Dermatology-Grade Skincare Products

During the Reporting Period, CMS Skinhealth adhered to evidence-based medicine principles, closely aligned with consumer needs, and continued to deploy dermatology-grade skincare products with efficacy. Building on the enhanced medical efficacy of its products, CMS Skinhealth continued to develop a brand image that highlights professionalism and effectiveness, aiming to accelerate market penetration and foster positive word-of-mouth.

In July 2024, CMS Skinhealth's dermatology-grade skincare R&D platform, "Heling", successfully launched the lipid-protective cleansing gel, which together with the soothing moisturizing and repair cream, soothing repair lotion, and soothing moisturizing shower oil, formed the "Heling Soothing Product Series", further perfecting sensitive skin care solutions.

Additionally, leveraging the strong brand reputation of Hirudoid®, CMS Skinhealth successfully developed and launched the Hirudoid® Azelaic Acid Skincare Series, establishing a comprehensive acne-care solution that includes anti-acne essence cream, serum, facial cleanser, toner, and moisturizer. The product line has completed efficacy testing in collaboration with the Dermatology Hospital of Southern Medical University. As of the end of the Reporting Period, the "Azelaic Acid Anti-Acne Essence Cream" had rapidly gained influence among brands in the same price range.

## 3. Expansion of Light Medical Aesthetic Product Portfolio

Guided by the philosophy of "originating from medicine, with a further exploration in aesthetics", CMS Skinhealth applies a pharmaceutical research mindset to identify cutting-edge medical aesthetics products, continuously refining its medical aesthetics product portfolio to enhance its competitive edges in the aesthetics sector.

CMS Skinhealth's marketed product is the Korean hyaluronic acid (HA) product Vmonalisa (a painless, fashionable and accessible luxury HA filler with mid-to-large and small particle sizes from South Korea, featured with safety and natural effect). During the Reporting Period, the China's medical device registration application of the Poly-L-lactic Acid Microparticle Filler Injection has been accepted by the NMPA; and the Group has newly obtained exclusive licenses of three products (Polycaprolactone Microsphere Gel for Injection, Calcium Hydroxylapatite Microsphere Gel for Injection, and Decellularized Extracellular Matrix Implant), which are currently under the registrational clinical trial stage in China, respectively, for their commercialization in Mainland China, Hong Kong, Macau, and Taiwan. As of the end of the Reporting Period, clinical trials for these three products were ongoing. All four aforementioned products are classified as Class III medical devices, and developed for injection into the subcutaneous layer or facial dermal tissue for the correction of nasolabial fold wrinkles.

## IV. Ophthalmology Business

The Group's ophthalmology business, "CMS Vision", leverages its extensive academic network and resources in the ophthalmology field, focusing on the development and commercialization of ophthalmic prescription drugs, medical devices, and consumables. It is actively exploring innovative products that address urgent clinical needs worldwide, providing more comprehensive and advanced treatment options for ophthalmic patients. CMS Vision is committed to becoming the "leading ophthalmology pharmaceutical and device company in China".

During the Reporting Period, CMS Vision continuously strengthened its product brand power and academic position through refined academic promotion, creative marketing, and professional team development, contributing to the advancement of ophthalmic diagnosis, treatment recognition, and technological breakthroughs.

### 1. Major Marketed Products

As of the end of the Reporting Period, CMS Vision had two major marketed products: the exclusive medicine Augentropfen Stulln Mono Eye Drops (the representative for the treatment of asthenopia, and the safe and convenient treatment option for senile macular degeneration) and the innovative medical device EyeOP1 Glaucoma Treatment Device (using high-focused ultrasound technology, which is a safe and effective innovative treatment for glaucoma utilizing a non-invasive procedure with precise targeting and convenient operations).

During the Reporting Period, CMS Vision conducted precise academic promotions focusing on targeted subspecialties for Augentropfen Stulln Mono Eye Drops. CMS Vision also facilitated the inclusion of its active ingredient, Esculin and Digitalisglycosides, in the "Chinese Expert Consensus on the Diagnosis and Treatment of Asthenopia (2024)" and "Chinese Expert Consensus on the Perioperative Medication in Laser Corneal Refractive Surgery (2024)" published by the "Chinese Journal of Ophthalmology". For the EyeOP1 Glaucoma Treatment Device, CMS Vision reinforced its core brand advantage of "bladeless and minimally invasive", and continuously promoted the advancement of treatment concepts and awareness of the innovative Ultrasonic Cyclo Plasticity (UCP) through broad and multi-level academic activities.

As of the end of the Reporting Period, CMS Vision had more than 400 employees.

### 2. Major Pipeline Products

CMS Vision's lead pipeline product is the Class I Innovative Biological Product for the treatment of ocular fundus neovascular diseases — VEGFA (vascular endothelial growth factor A)/ANG2 (angiopoietin 2) Tetravalent Bispecific Antibody. With a unique nano-antibody design, this product can effectively inhibit abnormal neovascularization through two different pathways, offering the potential for stronger efficacy and lower dosing frequency compared to existing anti-VEGF drugs. During the Reporting Period, the product was undergoing multi-center Phase I/II clinical trial in China to evaluate the safety, tolerability, pharmacokinetics, and efficacy of intravitreal injections of the VEGFA/ANG2 Tetravalent Bispecific Antibody in patients with neovascular age-related macular degeneration (nAMD). As of the end of the Reporting Period, the product had completed its Phase I clinical trial, demonstrating overall promising safety and efficacy, and the first subject had been dosed in the Phase II clinical trial.

## V. Southeast Asia Business

Southeast Asia, with a population of nearly 700 million, is experiencing surging pharmaceutical demand due to rapid economic growth, the rise of the middle class, an aging population, and the increasing burden of non-infectious diseases, and its pharmaceutical market is entering a golden period of growth. The Group has seized this market opportunity by establishing Rxilient Health, a new pharma focused on emerging markets in Southeast Asia. Additionally, the Group has acquired a manufacturing plant in Singapore through its associate company PharmaGend Global Medical Services Pte. Ltd. ("PharmaGend"), thus achieving full coverage of "R&D, manufacturing, and commercialization" value chain. The Group implements a "Glocalization" strategy in the Southeast Asia, aiming to build a "bridgehead" for global pharmaceutical companies entering the Southeast Asian market and to provide local patients with quality and affordable treatment options.

### 1. Medicine Introduction, Development, and Marketing Platform

Rxilient Health continues to refine its systematic, platform-based operating model, integrating medicine introduction, development, and marketing promotion. Headquartered in Singapore, it has established subsidiaries or offices in Malaysia, Vietnam, the Philippines, Indonesia, and Thailand, forming a professional team with extensive local industry experience to effectively facilitate global innovative drugs penetrating into local markets.

Rxilient Health is continuously expanding its product portfolio. During the Reporting Period, it obtained exclusive license of povorcitinib (a selective small molecule oral JAK1 inhibitor, expected to offer new treatment options for patients with autoimmune and inflammatory skin diseases) in eleven Southeast Asian countries. As of the end of the Reporting Period, Rxilient Health had a differentiated product portfolio of over ten products, covering therapeutic areas such as oncology, dermatology, central nervous system, gastroenterology, autoimmune, and ophthalmology.

Additionally, Rxilient Health is actively advancing the registration of several innovative products in Southeast Asia, and/or in Hong Kong, Macau, and Taiwan, including ruxolitinib cream, Tildrakizumab Injection, Methylthioninium Chloride Enteric-coated Sustained-release Tablets, Diazepam Nasal Spray, Sucroferric Oxyhydroxide Chewable Tablets and so on. Among them, the blockbuster product ruxolitinib cream (for which Rxilient Health holds exclusive license in eleven Southeast Asian countries and in Hong Kong, Macau, and Taiwan) has been approved for marketing in Macau and Hong Kong for the treatment of non-segmental vitiligo with facial involvement in adults and adolescents from 12 years of age. The product's registration applications have also been submitted in Singapore and Taiwan.

Rxilient Health has also collaborated with Shanghai Junshi Biosciences Co., Ltd. ("Junshi Biosciences") through the joint venture, Excellmab Pte. Ltd., to promote the registration process of the strategic collaborative product, intravenous toripalimab (the first China-originated anti-PD-1 monoclonal antibody drug that has been approved by China NMPA and the U.S. FDA) in several Southeast Asian countries. During the Reporting Period, registration applications were submitted in Malaysia, the Philippines, Indonesia, Thailand, and Vietnam.

### 2. Singapore Joint Venture PharmaGend — CDMO Business

As of the end of the Reporting Period, the resumption and equipment optimization of the associate company PharmaGend's manufacturing plant in Tuas, Singapore was well underway. The plant has received the U.S. FDA GMP certification and successfully passed an on-site inspection by the Singapore HSA. It will provide CDMO services to global pharmaceutical companies. It will also play a critical role in ensuring the safety and stability of the Group's overseas manufacturing supply chain.

## Subsequent Events

### Signing a License, Collaboration and Distribution Agreement of Improved New Drug ZUNVEYL for the Treatment of Mild-to-Moderate Dementia of the Alzheimer's Type

After the Reporting Period, on 8 January 2025, the Group through a wholly-owned subsidiary of the Company entered into a License, Collaboration and Distribution Agreement ("ZUNVEYL Agreement") with Alpha Cognition Inc. ("Alpha") of the improved new drug ZUNVEYL (benzgalantamine delayed-release tablets) ("ZUNVEYL") for the treatment of mild-to-moderate dementia of the Alzheimer's type. In accordance with ZUNVEYL Agreement, the Group is entitled to an exclusive right to develop, register, manufacture, import, export and commercialize ZUNVEYL in Asia (excluding Japan), Australia and New Zealand ("ZUNVEYL Territory"), Alpha reserves the right to manufacture and supply in the Territory. The term of cooperation commences on the effective date of the Agreement and extends for twenty years (the "Initial Term"), it may be automatically renewed every five years upon the expiration of the Initial Term unless terminated by notice from either party.

As a new generation of acetylcholinesterase inhibitor (AChEI), ZUNVEYL can inhibit the acetylcholinesterase from breaking down the neurotransmitter acetylcholine, increase the level of acetylcholine in the central nervous system, and therefore alleviate cognition and memory impairment in Alzheimer's disease patients. As a prodrug of galantamine, ZUNVEYL remains inert as it passes through the stomach and the intestine, and eventually releases the active drug into the bloodstream after being metabolized by the liver. With such a mechanism of action, ZUNVEYL is expected to have equivalent efficacy as galantamine with the potential of reducing gastrointestinal (GI) side effects and addressing certain tolerability issues. Moreover, GI adverse events documented across all studies for ZUNVEYL were less than 2% and no insomnia was observed.

### Signing a Collaboration Agreement for Class 1 Innovative Drug MG-K10 Humanized Monoclonal Antibody Injection

On 24 January 2025, the Group through subsidiaries of the Company entered into a Collaboration Agreement ("MG-K10 Agreement") with Hunan Mabgeek Biotechnology Co., Ltd. ("Mabgeek Biotechnology") and its subsidiary for Class 1 innovative drug anti-IL-4Rα humanized monoclonal antibody injection MG-K10 ("MG-K10"). In accordance with MG-K10 Agreement, the Group has obtained the co-development right as specifically agreed upon in the Agreement and exclusive commercialization right to MG-K10 in Mainland China, Hong Kong, Macao, Taiwan Region and Singapore; Mabgeek Biotechnology will support the commercialization activities and is responsible for the sale and supply of MG-K10. The collaboration term is perpetual.

MG-K10 is an innovative long-acting anti-IL-4Rα humanized monoclonal antibody that simultaneously blocks the signaling of key type 2 inflammatory cytokines IL-4 and IL-13 and is used for the treatment of type 2 inflammatory diseases, including AD, asthma, prurigo nodularis, allergic rhinitis, chronic rhinosinusitis with nasal polyps, eosinophilic esophagitis, chronic obstructive pulmonary disease and so on.

In January 2025, MG-K10 was announced to have entered Phase III clinical trials for adult AD in China. Additionally, MG-K10 was also registered for Phase III clinical trials for asthma and prurigo nodularis in China. In the completed Phase II clinical trials for adult moderate-to-severe AD and moderate-to-severe asthma, MG-K10 has demonstrated good efficacy and safety. Additionally, the product has obtained IND approvals for eosinophilic esophagitis, chronic rhinosinusitis with nasal polyps, and seasonal allergic rhinitis in China. Following Fc mutation, MG-K10 allows long dosing interval owing to its prolonged half-life. Currently marketed anti-IL-4Rα drugs require dosing every two weeks, whereas MG-K10 only requires dosing every four weeks, demonstrating good efficacy and safety. MG-K10 has the potential to be the Best-in-Class (BIC).

### Approval of Drug Clinical Trials for Innovative Drug Cardiac Myosin Inhibitor CMS-D003

NMPA has approved the Group to conduct a clinical trial evaluating the safety, tolerability, pharmacokinetics and pharmacodynamics of CMS-D003 in both healthy adults and adult patients with symptomatic obstructive hypertrophic cardiomyopathy in China.

## Impact of Significant Industrial Policies

In 2024, China continued to deepen healthcare system reforms, with compliant operations as the foundation and quality improvement and efficiency enhancement as the further goals, accelerating quality development. Under the impact of National VBP, the Group's three major original drugs were affected to some extent: Deanxit (included in the seventh batch of National VBP), Plendil and Ursofalk (included in the eighth batch of National VBP). These batches were implemented successively in November 2022 and July 2023 respectively, and Deanxit, Plendil and Ursofalk were not selected, which had a negative impact on the Group's financial performance during the Reporting Period.

During the Reporting Period, despite these challenges, the Group continued to optimize its marketed product portfolio, establishing a product matrix centered on exclusive and innovative products with longer life cycles. The Group will proactively respond to policy changes, advance the deployment and commercialization of innovative drugs, enhance overall risk resilience and market competitiveness, and pursue a path of higher-quality and more sustainable development.

## Future Development

The pharmaceutical industry, as a cornerstone of public well-being, is undergoing accelerated transformation driven by factors such as policy guidance, technology innovation, and evolving demand. In response to these changes, pharmaceutical companies must adopt agile strategic thinking and strong execution to proactively address challenges and seize new opportunities. Standing at a new starting point, CMS will focus on "innovation-driven, efficiency-priority, specialty breakthrough, and international expansion", striving to build a more resilient and dynamic "New CMS", so as to better address urgent clinical needs, benefit patients, and achieve quality and sustainable growth.

The Group firmly believes that "Product Power" and "Commercialization Capability" are the strongest pillars of our development strategy. In the future, we will focus on innovative products as our growth engine while actively deploy products with consumer and self-diagnostic attributes. By catering to diverse patient needs, we aim to introduce more differentiated and affordable healthcare solutions. At the same time, we will achieve precise penetration into the incremental market through a multi-dimensional, patient-centric promotion model driven by medical evidence, academic promotion and access strategies, so as to benefit more patients.

The Group will continue to put effort into the "information technology construction", leveraging artificial intelligence and digital tools to enhance operational efficiency across the entire business process. Meanwhile, we will continue to optimize our international supply chain, streamline business operations, and implement refined management practices to maximize value, thereby laying a solid foundation for sustainable profitability.

Specialization is the way to make breakthroughs in the pharmaceutical field and focusing is the key to success. With the strategic direction of "specialty breakthrough", the Group will solidify its comprehensive strength in specialty areas such as cardio-cerebrovascular system, central nervous system, and gastroenterology. Additionally, the Group will stimulate the endogenous potential of its dermatology and ophthalmology businesses through a flexible and independent mode of operation, to promote precise allocation of resources and efficient decision-making. Our goal is to become "leaders in specialty therapeutic markets", creating significant value in targeted markets.

Expanding globally is the path to a broader vision. The Group will take Southeast Asia as the starting point for its internationalization strategy, continuously improving its business system that comprehensively covers "R&D, manufacturing, and commercialization", and establishing a bridge for global novel drugs to enter the Southeast Asian market. By cultivating in emerging markets and promoting resource sharing, the Group will empower domestic and overseas pharmaceutical enterprises to expand internationally.

With unwavering commitment, CMS is driving a comprehensive transformation and upgrade. Aiming to be a "trustworthy specialty pharma rooted in Asia", we are willing to join hands with our global partners to write a new chapter in the pharmaceutical business, so that more people can share the joys of good health.

## Financial Review

In reading the following discussion and analysis, please also refer to the audited consolidated financial statements and notes to the financial statements in the Annual Report.

The Group prepared its consolidated financial statements in accordance with the International Financial Reporting Standards. The Group's financial performance is summarized as follows:

### Turnover

Turnover decreased by 6.8% from RMB8,013.3 million for the year ended 31 December 2023 to RMB7,469.0 million for the year ended 31 December 2024. In the case that all medicines were directly sold by the Group, turnover decreased by 9.0% to RMB8,621.6 million for the year ended 31 December 2024 from RMB9,472.2 million for the year ended 31 December 2023, mainly due to a decrease of RMB1,086.9 million or 28.8% in sales of three pharmaceutical products resulted from the impact of implementation of the National Volume Based Procurement ("National VBP").

### Gross Profit and Gross Profit Margin

Gross profit decreased by 11.2% from RMB6,109.2 million for the year ended 31 December 2023 to RMB5,422.2 million for the year ended 31 December 2024; in the case that all medicines were directly sold by the Group, gross profit decreased by 10.7% to RMB5,405.4 million for the year ended 31 December 2024 from RMB6,053.7 million for the year ended 31 December 2023, primarily reflecting a decrease in turnover. Gross profit margin decreased by 3.6 percentage points to 72.6% for the year ended 31 December 2024 from 76.2% for the year ended 31 December 2023; in the case that all medicines were directly sold by the Group, gross profit margin decreased by 1.2 percentage points to 62.7% for the year ended 31 December 2024 from 63.9% for the year ended 31 December 2023, primarily reflecting a decrease in selling prices of three pharmaceutical products resulted from the impact of implementation of the National VBP.

## Selling Expenses

Selling expenses increased by 6.0% from RMB2,511.3 million for the year ended 31 December 2023 to RMB2,661.6 million for the year ended 31 December 2024; selling expenses as a percentage of turnover increased by 4.3 percentage points to 35.6% for the year ended 31 December 2024 from 31.3% for the year ended 31 December 2023. In the case that all medicines were directly sold by the Group, selling expenses as a percentage of turnover increased by 4.8 percentage points to 30.7% for the year ended 31 December 2024 from 25.9% for the year ended 31 December 2023, mainly due to an increase in resources injected to develop new products, and a decrease in sales of three pharmaceutical products resulted from the impact of implementation of the National VBP.

## Administrative Expenses

Administrative expenses increased by 18.8% from RMB656.6 million for the year ended 31 December 2023 to RMB780.1 million for the year ended 31 December 2024; administrative expenses as a percentage of turnover increased by 2.2 percentage points to 10.4% for the year ended 31 December 2024 from 8.2% for the year ended 31 December 2023. In the case that all medicines were directly sold by the Group, administrative expenses as a percentage of turnover increased by 2.1 percentage points to 9.0% for the year ended 31 December 2024 from 6.9% for the year ended 31 December 2023, primarily reflecting an increase in administrative maintenance expenses required by the development of new businesses, and a decrease in sales of three pharmaceutical products resulted from the impact of implementation of the National VBP.

## Research and Development Expenditures

The Group's research and development expenditures included investments for the continuous expansion of innovative product pipelines, expenditures on development, registration and clinical trial of new products, salaries and related expenses of staff who were engaged in the aforesaid affairs. Research and development expenditures included the expensed research and development expenditures (i.e. research and development expenses) and capital payments (including payments for acquisition of equity investments in research and development companies and payment for acquisition and development of product rights).

Total research and development expenditures increased by 8.9% from RMB815.9 million for the year ended 31 December 2023 to RMB888.3 million for the year ended 31 December 2024. Total research and development expenditures as a percentage of turnover for the year ended 31 December 2024 was 11.9%, representing an increase of 1.7 percentage points from 10.2% for the year ended 31 December 2023. In the case that all medicines were directly sold by the Group, total research and development expenditures as a percentage of turnover increased by 1.7 percentage points to 10.3% for the year ended 31 December 2024 from 8.6% for the year ended 31 December 2023, primarily reflecting increases in investments related to innovative products and research and development activities.

Research and development expenses increased by 69.1% from RMB195.1 million for the year ended 31 December 2023 to RMB330.0 million for the year ended 31 December 2024. Research and development expenses as a percentage of turnover for the year ended 31 December 2024 was 4.4%, representing an increase of 2.0 percentage points from 2.4% for the year ended 31 December 2023. In the case that all medicines were directly sold by the Group, research and development expenses as a percentage of turnover for the year ended 31 December 2024 was 3.8%, representing an increase of 1.7 percentage points from 2.1% for the year ended 31 December 2023, mainly due to increases in research and clinical trial expenses.

Capital payments (set out in the table below) decreased by 10.1% from RMB620.7 million for the year ended 31 December 2023 to RMB558.4 million for the year ended 31 December 2024. Such capital payments as a percentage of turnover for the year ended 31 December 2024 was 7.5%, representing a decrease of 0.2 percentage point from 7.7% for the year ended 31 December 2023. In the case that all medicines were directly sold by the Group, such capital payments as a percentage of turnover decreased by 0.1 percentage point to 6.5% for the year ended 31 December 2024 from 6.6% for the year ended 31 December 2023.

| | For the year ended 31 December | |
|---|---|---|
| | 2024<br>RMB'000 | 2023<br>RMB'000 |
| Payment for acquisition of equity investments in research and development companies | 135,063 | 344,975 |
| Payment for acquisition and development of product rights | 423,289 | 275,769 |
| | 558,352 | 620,744 |

## Other Income

Other income decreased by 10.2% from RMB232.1 million for the year ended 31 December 2023 to RMB208.4 million for the year ended 31 December 2024, mainly due to a decrease in interest income.

## Other Gains and Losses

Other gains and losses increased by 55.0% from a loss of RMB336.0 million for the year ended 31 December 2023 to a loss of RMB151.2 million for the year ended 31 December 2024, mainly due to a decrease in provisions of impairment losses on related assets.

## Share of Result of Associates

Share of result of associates increased by 23.1% from RMB275.0 million for the year ended 31 December 2023 to RMB338.5 million for year ended 31 December 2024, mainly reflecting an increase in profit of associates.

## Finance Costs

Finance costs decreased by 16.5% from RMB46.3 million for the year ended 31 December 2023 to RMB38.6 million for the year ended 31 December 2024, mainly due to a decrease in bank borrowings used.

## Income Tax Expense

Income tax expense decreased by 18.8% from RMB489.3 million for the year ended 31 December 2023 to RMB397.2 million for the year ended 31 December 2024, mainly due to a decrease in profit.

## Profit for the Year

Profit for the year decreased by 32.3% from RMB2,384.4 million for the year ended 31 December 2023 to RMB1,613.1 million for the year ended 31 December 2024; normalized profit for the year decreased by 36.7% from RMB2,709.3 million for the year ended 31 December 2023 to RMB1,713.7 million for the year ended 31 December 2024, mainly due to a decrease in sales of three pharmaceutical products resulted from the impact of implementation of the National VBP and an increase in expenses.

## Inventories

Inventories increased by 20.5% from RMB637.6 million as at 31 December 2023 to RMB768.1 million as at 31 December 2024. Average inventory turnover days increased from 107 days for the year ended 31 December 2023 to 125 days for the year ended 31 December 2024, mainly due to an increase in stock.

## Trade Receivables

Trade receivables increased by 6.6% from RMB1,146.7 million as at 31 December 2023 to RMB1,222.5 million as at 31 December 2024. Average trade receivables turnover days decreased to 75 days for the year ended 31 December 2024 from 76 days for the year ended 31 December 2023, mainly reflecting the maintenance of good payment collection management of the Group.

## Trade Payables

Trade payables increased by 0.5% from RMB141.7 million as at 31 December 2023 to RMB142.4 million as at 31 December 2024. Average trade payables turnover days decreased to 25 days for the year ended 31 December 2024 from 31 days for the year ended 31 December 2023, mainly reflecting a difference in time points of settlement with suppliers.

## Liquidity and Financial Resources

As at 31 December 2024, the Group's bank balances and cash amounted to RMB3,706.5 million while readily realizable bank acceptance bills amounted to RMB198.8 million. As at 31 December 2023, the bank balances and cash amounted to RMB4,311.1 million while readily realizable bank acceptance bills amounted to RMB181.0 million.

As at 31 December 2024, the cash and cash equivalents of the Group were mainly denominated in RMB, United States Dollar ("US$"), Euro ("EUR") and Hong Kong Dollars ("HK$").

The following table is a summary of our consolidated statements of cash flows:

| | For the year ended 31 December | |
|---|---|---|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| Net cash from operating activities | 1,268,547 | 2,502,853 |
| Net cash used in investing activities | (615,096) | (442,276) |
| Net cash used in financing activities | (1,261,046) | (2,125,024) |
| Net decrease in cash and cash equivalent | (607,595) | (64,447) |
| Cash and cash equivalent at beginning of the year | 4,311,058 | 4,376,376 |
| Effect of foreign exchange rate changes | 3,038 | (871) |
| Cash and cash equivalent at end of the year | 3,706,501 | 4,311,058 |

### *Net cash from operating activities*

For the year ended 31 December 2024, the Group's net cash generated from operating activities was RMB1,268.5 million compared with RMB2,502.9 million for the year ended 31 December 2023, a decrease of 49.3% mainly due to a decrease in operating profit resulted from the impact of implementation of the National VBP on three pharmaceutical products, and an increase in occupancy of working capital.

### *Net cash used in investing activities*

For the year ended 31 December 2024, the Group's net cash used in investing activities was RMB615.1 million compared with RMB442.3 million for the year ended 31 December 2023, an increase of 39.1% mainly due to an increase in purchase of product rights.

### *Net cash used in financing activities*

For the year ended 31 December 2024, the Group's net cash used in financing activities was RMB1,261.0 million compared with RMB2,125.0 million for the year ended 31 December 2023, a decrease of 40.7% mainly due to a decrease in payment of dividends.

## Net Current Assets

| | As at 31 December | |
|---|---|---|
| | 2024<br>RMB'000 | 2023<br>RMB'000 |
| Current Assets | | |
| Inventories | 768,139 | 637,636 |
| Financial assets at fair value through profit or loss | 2,160,097 | 1,832,258 |
| Trade receivables | 1,222,479 | 1,146,738 |
| Other receivables and prepayments | 558,004 | 421,849 |
| Loan receivable | — | 35,945 |
| Tax recoverable | 5,553 | 784 |
| Amount due from associates | 284,088 | 408,167 |
| Bank balances and cash | 3,706,501 | 4,311,058 |
| | 8,704,861 | 8,794,435 |
| Current Liabilities | | |
| Trade payables | 142,432 | 141,664 |
| Other payables | 342,365 | 295,312 |
| Lease liabilities | 16,933 | 15,416 |
| Contract liabilities | 16,610 | 12,733 |
| Bank borrowings | 831,300 | 1,269,650 |
| Derivative financial instruments | — | 17,227 |
| Deferred consideration payables | — | 1,000 |
| Tax liabilities | 166,423 | 295,784 |
| | 1,516,063 | 2,048,786 |
| Net current assets | 7,188,798 | 6,745,649 |

The Group's liquidity requirements will be satisfied by a combination of cash flow generated from operating activities, long-term bank loans and other financing means, according to the corporate development strategy.

## Capital Expenditures

The following table shows the Group's capital expenditure:

| | For the year ended 31 December | |
|---|---|---|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| Deposits for acquisition of intangible assets | 423,289 | 275,769 |
| Purchase of land use right | — | 14,701 |
| Purchase of property, plant and equipment | 32,619 | 27,490 |
| | 455,908 | 317,960 |

## Capital Structure and Gearing Ratio

The Company reviews the capital structure on a regular basis, and considers the cost of capital and the risks associated with each class of capital, for maximizing the return to shareholders of the Company.

The following table shows the Group's debts:

| | As at 31 December | |
|---|---|---|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| Interest bearing bank borrowings | 831,300 | 1,269,650 |

The Group had bank borrowings of RMB831.3 million as at 31 December 2024 (31 December 2023: RMB1,269.7 million). The details of bank borrowings are set out in note 29 to the consolidated financial statements.

As said above, along with an increase in the Group's bank borrowings, the Group's gearing ratio, calculated as bank borrowings divided by total assets, decreased by 2.6 percentage points to 4.6% as at 31 December 2024 from 7.2% as at 31 December 2023.

## Market Risks

We are exposed to various types of market risks, including interest rate risks, foreign exchange risks, policy risks and inflation risks in the normal course of business. These risks are set out in note 35 to the consolidated financial statements.

The Group is mainly exposed to currency risk of the US$, EUR and HK$. For the Group's subsidiaries in China, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. Any significant exchange rate fluctuations of foreign currencies against RMB may have a financial impact on the Group. The Group closely monitors the fluctuation of exchange rates and reviews the foreign currency risk management strategy from time to time, the management will consider hedging foreign currency exposure as appropriate.

The Group will closely monitor movements of interest rate and foreign currencies market so as to mitigate the expected risk on interest rate and foreign currencies.

## Pledge of Assets

As at 31 December 2024, the Group had no pledge of assets.

## Contingent Liabilities

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

## Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

There has been no acquisition or disposal of subsidiaries, associates or joint ventures by the Group during the year ended 31 December 2024.

## Dividend

During the year ended 31 December 2024, the Group paid an interim dividend for 2024 and a final dividend for 2023 of RMB364.2 million and RMB192.0 million, respectively. For the year ended 31 December 2023, the Group paid an interim dividend for 2023 and a final dividend for 2022 of RMB768.5 million and RMB591.9 million, respectively.

# DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

**Mr. Lam Kong**, aged 60, is the Chairman, Chief Executive and President of the Group and was appointed as an executive Director on 18 December 2006. Mr. Lam is responsible for the creation, implementation and management of the Group's development and growth strategy. Mr. Lam has clinician experience and deep understanding and knowledge of China's pharmaceutical industry, possessing unique insight and extensive experience in R&D, marketing, promotion, sales and other value-added services. He received his bachelor's degree in clinical medicine from Zhanjiang Medical College in 1986, which was renamed guangdong Medical University. Mr. Lam is a member of the Nomination Committee of the Company and the sole director of Treasure Sea Limited, the controlling shareholder of the Company.

Mr. Lam is the controlling shareholder of the Company and is interested or deemed to be interested in the Shares and underlying Shares of the Company for the purpose of Part XV of the Securities and Futures Ordinance ("SFO"), the details of which are set out on page 53 of this Annual Report.

**Ms. Chen Yanling (former Chinese name as 陳艷玲)**, aged 54, is the Chief Financial Officer and Vice-president of the Group and was appointed as an executive Director on 18 December 2006. She joined the Group in 1995 and has remained with the Group since then. Ms. Chen is responsible for the Group's finance, accounting, investor relations, government affairs and administration management. She holds an EMBA degree and is a senior accountant with extensive experience in financial management, fund raising, auditing and investor relations, etc. As at the end of the year 2024, Ms. Chen was awarded eight times the "Best CFO" in Healthcare and Pharmaceuticals by the Institutional Investor Magazine. Ms. Chen is the chairman of the Environmental, Social and Governance Committee of the Company.

Ms. Chen is interested or deemed to be interested in the Shares and underlying Shares of the Company for the purpose of Part XV of SFO, the details of which are set out on page 53 of this Annual Report.

### Non-Executive Director

**Mr. Chen Hongbing**, aged 58, was appointed as an executive Director on 18 December 2006 and re-designated as a non-executive Director on 15 August 2024. He joined the Group in 1995 and has remained with the Group since then. Mr. Chen was the Chief Operating Officer and Vice President of the Group and resigned on 15 August 2024. Mr. Chen was responsible for the business operation of the Group, including marketing, promotion, supply chain management, product manufacturing management and human resources management, etc. Mr. Chen possesses extensive experience in business operations of pharmaceutical companies and corporate management. Mr. Chen had acquired about 4 years' experience as a public hospital doctor with Nanjing Gulou Hospital from 1990 to 1994. He received his bachelor's degree in clinical medicine from Nanjing Medical College in 1990, which was renamed Nanjing Medical University.

Mr. Chen is the sole director of Viewell Limited (a shareholder of the Company) and is interested or deemed to be interested in the Shares and underlying Shares of the Company for the purpose of Part XV of SFO, the details of which are set out on page 53 of this Annual Report.

## Independent Non-Executive Directors

**Mr. Leung Chong Shun**, aged 59, was appointed as an independent non-executive Director on 13 December 2017. Mr. Leung became a practicing lawyer since 1991 and was the chief representative of Woo Kwan Lee & Lo Beijing Office. He is currently a partner of Woo Kwan Lee & Lo. Mr. Leung is familiar with corporate finance, M&A and IPO legal services and has been involved in various listing and acquisition transactions of Chinese H-share companies and red chip companies. Mr. Leung is currently a China-Appointed Attesting Officer appointed by the Ministry of Justice of the PRC and a lawyer in the Guangdong-Hongkong-Macao Greater Bay Area. Mr. Leung was an independent non-executive director of several companies listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including China Coal Energy Company Limited (stock code: 01898), China Communications Construction Company Limited (stock code: 01800), China National Materials Company Limited (the listing with stock code: 01893 was withdrawn on the Stock Exchange) and SSY Group Limited (stock code: 02005). He is currently an independent non-executive director of Min Xin Holdings Limited (stock code: 00222).

Mr. Leung graduated from the University of Hong Kong in 1988 and obtained a bachelor's degree in laws with honors. He is qualified as a solicitor in Hong Kong and England. Mr. Leung is the chairman of the Remuneration Committee, a member of the Audit Committee, a member of the Nomination Committee and a member of the Environmental, Social and Governance Committee of the Company.

**Ms. Luo Laura Ying (formerly known as Ying Luo)**, aged 60, was appointed as an independent non-executive Director on 31 March 2020. Ms. Luo has 30 years of investment experience. Ms. Luo currently works as investment director of GL China Equity HK Management Limited and director of Pawo Foundation Limited, and previously has worked as consultant of GL China Equity HK Management Limited and consultant of GL Capital Management Limited. Ms. Luo is an independent non-executive director of companies listed on the Stock Exchange, including Central China New Life Limited (stock code: 09983) and Tianjin Port Development Holdings Limited (stock code: 03382). Ms. Luo successively served in Morgan Stanley and Goldman Sachs (Asia) LLC, Hong Kong as an equity research analyst, SG Securities as head of China Research and Strategist, Schroder Investment Management (HK) Limited and Barings Asset Management (Asia) Limited as a managing director and head of Hong Kong China Equities.

Ms. Luo obtained her Bachelor of Arts in International Economics from Peking University in 1987 and Master of Business Administration from the University of Toronto in 1991. She is a Chartered Financial Analyst (CFA) and Chartered Professional Accountant (CPA) (Canada) charterholder. Ms. Luo is the chairman of the Nomination Committee, a member of the Audit Committee and a member of the Remuneration Committee of the Company.

**Mr. Fung Ching Simon**, aged 56, was appointed as an independent non-executive Director on 6 October 2021. Mr. Fung has 10 years of experience in auditing, accounting and business advisory and has over 20 years of experience in managing finance and accounting functions, mergers and acquisitions, fund raising and investor relations for companies listed in Hong Kong. Mr. Fung is currently serving as the chief financial officer of Chow Tai Fook Enterprises Limited. Mr. Fung worked in PricewaterhouseCoopers and several companies listed on the Stock Exchange successively, including Baoye Group Company Limited (stock code: 02355) as the chief financial officer and secretary to the board of directors, Greentown China Holdings Limited (stock code: 03900) as the chief financial officer and company secretary and Logan Group Company Limited (stock code: 03380) as chief financial officer. Mr. Fung worked for China Logistics Property Holdings Co., Ltd (the listing with stock code: 01589 was withdrawn on the Stock Exchange) as an independent non-executive director. Mr. Fung is also an independent non-executive director of companies listed on the Stock Exchange, including Hainan Meilan International Airport Company Limited (stock code: 00357) and Baoye Group Company Limited (stock code: 02355).

Mr. Fung graduated from the Queensland University of Technology in Australia with a bachelor's degree, majoring in accountancy. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the CPA Australia. Mr. Fung is the chairman of the Audit Committee, a member of the Remuneration Committee, a member of the Nomination Committee and a member of the Environmental, Social and Governance Committee of the Company.

## SENIOR MANAGEMENT

**Mr. Ma Lieyi**, aged 55, is the General Manager of the Operations and Management Center of the Group. Mr. Ma joined the Group in 1995 and remained with the Group since then. Mr. Ma has been engaged in sales and marketing management in the Group, possessing over 20 years of sales and marketing management experience. Mr. Ma graduated from Shenzhen University in 1990, majoring in business administration. He obtained the degree of Executive Master of Business Administration (EMBA) from University of Macau in 2022.

**Mr. Jiang Qingfu**, aged 49, is the General Manager of Cardio-cerebrovascular/Digestion Business (Shenzhen Kangzhe) of the Group. Mr. Jiang joined the Group in 1999 after receiving his bachelor's degree from college and remained with the Group since then. He was promoted to managerial positions rapidly after training at junior positions, having made outstanding sales contribution during the period. Mr. Jiang is currently responsible for the overall operations and management of Shenzhen Kangzhe, possessing over 20 years of sales and marketing experience and rich experience in operations and management. Mr. Jiang obtained a bachelor's degree in clinical medicine from Anhui Medical University in 1999.

**Ms. Li Yufang**, aged 46, is the General Manager of the Finance Center of the Group. Ms. Li joined the Group in 2003 and remained with the Group since then. Ms. Li was the Director of the Compliance Department of the Group. Ms. Li possesses over 10 years of finance, tax and pharmaceutical companies' compliance experience. Ms. Li obtained a bachelor's degree of management in electronic data processing accounting from Jilin University of Finance and Economics in 2001.

**Mr. Fan Jie**, aged 53, is the Deputy General Manager and General Manager of the Channel and Off-hospital Business of the Group. Mr. Fan, joined the Group in August 2024. Mr. Fan has over 25 years of management experience in pharmaceutical companies, including drug market promotion, channel management, supply chain management, bidding standards entry, and digital marketing. Prior to joining the Group, Mr. Fan worked in several pharmaceutical companies. Mr. Fan obtained a bachelor's degree in business administration and an EMBA degree from South China University of Technology in January 2012 and June 2014, respectively. He graduated from Qinghai Minzu University with a major in Politics and History in 1992.

**Mr. Cai Ping**, aged 54, is the Deputy General Manager and General Manager of the Strategic Market of the Group. Mr. Cai joined the Group in August 2024. Mr. Cai has 20 years of sales and market management experience in the pharmaceutical field, as well as seven years of experience in commercialization management of tumour, infection IVD, and LDT. Mr. Cai has rich experience in building commercial teams and consistently achieving performance targets. He is skilled in team management and breakthroughs in new business ventures, with expertise in systematic business planning and implementation. Prior to joining the Group, Mr. Cai worked in a number of pharmaceutical companies. Mr. Cai worked as a resident physician at Qingdao the People's Liberation Army 141 Hospital from 1994 to 1996 and had approximately two years of experience as a physician in a public hospital. Mr. Cai obtained a bachelor's degree in clinical medicine from the First Military Medical University of the People's Liberation Army (renamed Southern Medical University) in 1994.

**Mr. Huang Anjun**, aged 48, is the General Manager of Dermatology and Medical Aesthetic Business of the Group. Mr. Huang joined the Group in 2005 after receiving his master's degree from college and remained with the Group since then. Mr. Huang is currently responsible for the overall operations and management of Dermatology and Medical Aesthetic Business, possessing over 10 years of sales and marketing experience and rich experience in operations and management. Mr. Huang obtained a master's degree in pediatrics in traditional Chinese medicine from Shandong University of Traditional Chinese Medicine in 2005.

**Dr. Peng Huaizheng**, aged 63, is the Chief Business Officer of the Group. Dr. Peng was appointed as an independent non-executive Director of the Company for the period from 4 May 2010 to 9 October 2013 and has remained with the Group since then. Prior to joining the Group, he held the positions of partner, director or senior portfolio manager at several multinational financial corporations in the UK and Canada, mainly engaged in investments in the global life science field. Dr. Peng possesses over 18 years of investment experience. Dr. Peng obtained a bachelor's degree and a master's degree in clinical medicine from Hunan Medical College in 1984 and 1989 respectively, and his doctoral degree of philosophy in molecular pathology from University College London Medical School, UK in 1998. Prior to entering into the financial investment and pharmaceutical industries, Dr. Peng was a clinical instructor of histopathology at the University College London Medical School.

**Mr. Jiang Fei, aged 48**, is the Chief Investment Officer (greater China) of the Group. Mr. Jiang joined the Group in January 2022. Prior to joining the Group, Mr. Jiang was engaged in R&D and business expansion in several domestic and foreign pharmaceutical companies, and held the positions including executive director and managing director at several venture capital firms and private equity funds. He possesses over 10 years of work experience in China's pharmaceutical industry and approximately six years of investment experience. Mr. Jiang obtained a bachelor's degree in chemical engineering from East China University of Science and Technology in 1998 and his doctoral degree of philosophy in chemical engineering from Syracuse University, U.S. in 2006.

**Mr. James Stearns**, aged 45, is the Chief Investment Officer (Europe and America) of the Group. Mr. Stearns joined the Group in April 2021. Prior to joining the Group, he was a director of an England investment bank and the investment director of an independent private equity firm, possessing over 20 years of experience in investment and finance in Europe and America's pharmaceutical industries. Mr. Stearns obtained a bachelor's degree in economics and accounting from University of Bristol in 2000.

**Ms. Wang Linlang**, aged 47, is the General Manager of Ophthalmology Business of the Group. Ms. Wang joined the Group in 2004 after receiving her master's degree from college and remained with the Group since then. Ms. Wang is currently responsible for the overall operations and management of Ophthalmology Business, possessing over 10 years of sales and marketing experience and rich experience in operations and management. Ms. Wang obtained a bachelor's degree in preventive medicine and a master's degree in epidemiology and health statistics from West China Medical Center, Sichuan University in 2001 and 2004 respectively.

## Company Secretary

**Ms. Wu Sanyan**, aged 43, is the Company Secretary and director of the Legal Department of the Group. Ms. Wu joined the Group in 2009 and remained with the Group since then. Ms. Wu is primarily responsible for overseeing the legal and regulatory compliance matters of the Group (including compliance with the Listing Rules), possessing over 10 years of legal and corporate governance experience. Ms. Wu obtained a double bachelor's degree in history and law in 2004, and a master's degree in international law in 2008, both from Wuhan University. During the Reporting Period, Ms. Wu received professional training for no less than 15 hours to promote her skill and knowledge.

The Board of the Company is pleased to present the "Directors' Report" and audited consolidated financial statements of the Group for the year ended 31 December 2024.

## Principal Activities

The Company is a holding company, the subsidiaries' principal activities are set out in note 42 to the consolidated financial statements.

## Results

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on page 83.

## Business Review

Business review of the Group for the year ended 31 December 2024 can be found in the section headed "Management Discussion and Analysis" of this Annual Report, the discussion of which forms part of this "Directors' Report".

## Reserves

Movements in reserves for the year ended 31 December 2024 are set out in the consolidated statement of changes in equity on page 86 and note 33 to the consolidated financial statements.

## Distributable Reserves

As at 31 December 2024, the Company had distributable reserves of RMB2,694.2 million available for distribution to the shareholders.

## Property, Plant and Equipment

Details of changes in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

## Share Capital

Movements in the share capital of the Company are set out in note 32 to the consolidated financial statements.

## Final Dividend

The Board is pleased to recommend a final dividend of RMB0.1174 (equivalent to HK$0.127) per Share for the year ended 31 December 2024 to shareholders whose names appear on the register of members of the Company after market closes on Tuesday, 29 April 2025. The register of members of the Company will be closed on Wednesday, 30 April 2025. The final dividend will be paid to shareholders on about Friday, 9 May 2025 after the shareholders' approval at the annual general meeting of the Company scheduled on Thursday, 24 April 2025 (the "AGM").

## Dividend Policy

The Board has adopted a dividend policy (the "Dividend Policy"). Under the Dividend Policy, the Company does not have any pre-determined dividend payout ratio. Although the Company intends to declare and pay dividends in the future, the declaration, payment and amount of any dividends are subject to the Board's discretion having regard to the following factors: (a) the Group's actual and expected financial performance; (b) the Group's expected working capital requirements and future development plans; (c) the Group's liquidity position; (d) the economic outlook; (e) contractual restrictions or obligations; (f) shareholders' interests; and (g) any other factors the Board may consider relevant.

Such payment of the dividend by the Company is also subject to any restrictions under any applicable laws, rules and regulations and the Company's fourth amended and restated Memorandum and Articles of Association (the "Articles of Association"). The Company endeavors to strike a balance between the shareholders' interest and prudent capital management with a sustainable dividend policy. The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as the Board deems fit and necessary. There is no assurance that the Company will pay dividends in any particular amount for any given period.

## Pre-emptive Rights

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

## Purchase, Sale or Redemption of the Company's Listed Securities

For the year ended 31 December 2024, the Company and its subsidiaries had repurchased an aggregate of 12,460,000 ordinary shares with a nominal value of US$0.005 each on the Stock Exchange at an aggregate consideration of HK$91,613,640. All of the purchased shares were cancelled on 31 May 2024. The Board believes that given the current financial resources of the Company, the share repurchase would not affect the Company's solid financial position in any material respect, and it would lead to an enhancement of the net asset value per share and/or earnings per share, which is in the interest of the shareholders as a whole.

Details of the repurchase are as follows:

| Date of Repurchase | Number of Shares Repurchased | Price per Share (HK$) | | Aggregate Consideration Paid (HK$) |
|---|---|---|---|---|
| | | Highest Price | Lowest Price | |
| 2 April 2024 | 2,100,000 | 7.67 | 7.26 | 15,642,180 |
| 3 April 2024 | 1,470,000 | 7.59 | 7.41 | 11,018,370 |
| 8 April 2024 | 1,550,000 | 7.63 | 7.53 | 11,755,420 |
| 9 April 2024 | 1,000,000 | 7.70 | 7.59 | 7,636,600 |
| 10 April 2024 | 1,030,000 | 7.56 | 7.36 | 7,670,420 |
| 11 April 2024 | 1,100,000 | 7.34 | 7.16 | 7,992,990 |
| 12 April 2024 | 1,050,000 | 7.35 | 7.21 | 7,642,680 |
| 15 April 2024 | 1,050,000 | 7.16 | 7.04 | 7,444,020 |
| 17 April 2024 | 1,060,000 | 7.04 | 6.95 | 7,423,760 |
| 24 April 2024 | 1,050,000 | 7.05 | 7.01 | 7,387,200 |
| Total | 12,460,000 | — | — | 91,613,640 |

Save as disclosed above, none of the Company or any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

## Directors

The Directors of the Company during the year and up to the date of this Annual Report were:

### Executive Directors:

Mr. LAM Kong (Chairman and Chief Executive, President)
Ms. CHEN Yanling (Chief Financial Officer, Vice President)

**Non-Executive Director:**

Mr. CHEN Hongbing

**Independent Non-Executive Directors:**

Mr. LEUNG Chong Shun
Ms. LUO Laura Ying
Mr. FUNG Ching Simon

Pursuant to Article 16.18 of the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director required to stand for re-election pursuant to Article 16.2 shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. Accordingly, Ms. CHEN Yanling, Mr. LEUNG Chong Shun and Ms. LUO Laura Ying will retire from their offices at the AGM and, being eligible, offer themselves for re-election at the AGM.

At the AGM, separate ordinary resolutions will be proposed for each of the re-elections of Ms. CHEN Yanling, Mr. LEUNG Chong Shun and Ms. LUO Laura Ying. Details of these retiring Directors will be set out in the circular expected to be issued by the Company on 2 April 2025.

## Annual Confirmation of Independence

The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with each and every guideline set out in rule 3.13 of the Listing Rules.

## Biographical Details of the Directors and the Senior Management

The biographical details of the Directors and the senior management are set out on pages 42 to 46 of this Annual Report.

## Directors' service Contracts

Each of the Directors of the Company has respectively entered into an appointment letter with the Company. The executive Directors were appointed for a three-year term and the non-executive Director and independent non-executive Directors were appointed for a one-year term. Their appointments are subject to retirement from office by rotation and re-election in accordance with the relevant terms of the Articles of Association. Save as disclosed above, none of the Directors has entered or intended to enter into any service contracts which cannot be determinable by the Company or any of its subsidiaries within one year without payment of compensation (except for statutory compensation).

## 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 Reporting Period.

## Employee Benefit Scheme

During the Reporting Period, approved by the Benefit Scheme Executive Committee of the Company, there were eight employees participating in the CMS Key Employee Benefit Scheme. Details of the Employee Benefit Scheme are set out in note 40 to the consolidated financial statements.

## Share Award Scheme

The Company adopted the CMS share award scheme ("Share Award Scheme") on 17 January 2024 to encourage the Group's core management team and key personnel to continue to make outstanding contributions to the marketing and sales of new products, through an award ("Award") of shares of the Company ("Shares"). Further details regarding the Share Award Scheme are set out in the announcement of the Company dated 27 March 2024.

### *Participants of the Share Award Scheme*

Eligible participants ("Eligible Participants") comprise the Group's core management, key employees in the product team (including employees responsible for product launch, research and development, and registration), key employees in the sales team (including employees responsible for marketing and promotion), and key employees in the operations team.

### *Maximum number of Share Award Scheme Shares*

Pursuant to the rules of the Share Award Scheme, the aggregate maximum number of Shares to be purchased by the Trustee shall not exceed 100,000,000 Shares, representing approximately 4% of the issued share capital of the Company as at the date of this report.

### *Remaining life of the Share Award Scheme*

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on 17 January 2024. As at the date of this report, the remaining life of the Share Award Scheme is 8 years and 10 months.

### *Grant of share awards pursuant to the Share Award Scheme*

On 28 March 2025, the Company granted 3,973,400 Award Shares representing approximately 0.16% of the total issued Shares as at the date of this annual report, to the Eligible Participants who have made outstanding contributions to the launch of new products, under the Share Award Scheme (the "Award Grants").

Details of the Award Grants are set out below:

Name of the Award Grants: The first batch of share award for the launch of new products.
Period of the first batch of share award for the launch of new products: From 28 March 2025 to 17 January 2034.
Date of grant: 28 March 2025.
Form of grant: Non-cash subscription.
Number of Award grantees: 130 Eligible Participants.
Number of Award Shares granted: 3,973,400 shares.
Closing price of the Shares on the date of grant: HK$7.91 per Share.
Consideration for the Award Shares granted: Nil.
Vesting date of the Award Shares: 31 March 2025.
Performance target: The performance requirement set by the Company has been achieved.
Lock-up period: subject to the lock-up requirements during the black-out period, i.e., within 60 days before the publication date of the annual result announcement and within 30 days before the publication date of the interim result announcement.
The procedure for addressing the equity interests held by resigning employees: sell the Shares they hold prior to their departure date.

## Directors' interests in Transactions, Arrangements or Contracts of Significance

Except as disclosed in this report, there was no transaction, arrangement or contract of significance subsisting during or at the end of the financial year ended 31 December 2024 in which a director or an entity connected with a director is or was materially interested.

## Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at 31 December 2024, the interests or short positions of the Directors and Chief Executive in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules were as follows:

| Name of Directors | Name of Corporations | Nature of Interest | Class of Shares and Total Number of Shares Held (Note 1) | Approximate Percentage of Interest in the Company |
|---|---|---|---|---|
| Mr. Lam Kong | The Company | Interest in controlled corporation | 1,167,564,000 (L) (Note 2) | 47.86% |
| Mr. Chen Hongbing | The Company | Beneficial owner | 20,038,225 (L) | 0.82% |
| | | Interest in controlled corporation | 50,225,000 (L) (Note 3) | 2.06% |
| Ms. Chen Yanling | The Company | Beneficial owner | 7,246,250 (L) | 0.30% |

Notes:

1. The letter "L" denotes long positions in the Shares.
2. These Shares are held by Mr. Lam Kong through Treasure Sea Limited, a company wholly owned by him.
3. These Shares are held by Mr. Chen Hongbing through Viewell Limited, a company wholly owned by him.

## Directors' Right to Acquire Shares or Debentures

At no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouses or minor children to acquire such rights in any other body corporate.

## Substantial Shareholders' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

Saved as disclosed above, as at 31 December 2024, the Directors were not aware of any other person (other than the Directors or the Chief Executive of the Company) who held interests and short positions in the shares or underlying shares or debentures of the Company which would have to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## Connected Transactions

During the year ended 31 December 2024, details of the Group's continuing connected transaction subject to the reporting, annual review, announcement requirements are set out as follows:

| Continuing connected transaction | Date | Connected person | Description and purpose of the transaction | Annual cap for the year ended 31 December 2024 | Actual transaction amount (royalty fee) for the year ended 31 December 2024 |
|---|---|---|---|---|---|
| Asset Assignment Agreements related to Diazepam Nasal Spray (VALTOCO) ("Diazepam Asset Assignment Agreements") and Amendment Agreements for Diazepam Asset Assignment Agreements ("Diazepam Asset Assignment Amendment Agreements") | Diazepam Asset Assignment Agreements:28 August 2023;<br><br>Diazepam Asset Assignment Amendment Agreements:12 September 2023 | A&B (HK) Company Limited ("A&B"), a company wholly-owned by Mr. Lam Kong, an executive Director and the chairman of the Board, and a controlling shareholder of the Company | the CMS Parties, each a subsidiary of the Company, and A&B entered into the Diazepam Asset Assignment Agreements on 28 August 2023 and the Diazepam Asset Assignment Amendment Agreements on 12 September 2023 to specify detailed terms of the transfer and the assignment of all the assets related to any pharmaceutical preparation, formulation, dosage form, or delivery vehicle relating to the Diazepam Nasal Spray (VALTOCO) and/or its line extensions in the territories (being Mainland China, Hong Kong, Macau, Taiwan and Singapore) to the Group | RMB66.65 million | RMB2.699million |

The detailed terms of the non-exempt continuing connected transaction mentioned above are as follows:

## Diazepam Asset Assignment Agreements and Diazepam Asset Assignment Amendment Agreements

On 28 August 2023, CMS Bridging Limited, CMS International Development and Management Limited, PharmaGend (formerly known as Rxilient Biotech Pte. Ltd.) and Rxilient Medical Pte. Ltd. (collectively, the "CMS Parties"), each a subsidiary of the Company, and A&B entered into the Diazepam Asset Assignment Agreements (for details, please refer to the announcement published by the Company on the websites of the SEHK and the Company on 28 August 2023); on 12 September 2023, the CMS Parties, and A&B entered into the Diazepam Asset Assignment Amendment Agreements to amend certain terms of the Diazepam Asset Assignment Agreements (for details, please refer to the announcement published by the Company on the websites of the SEHK and the Company on 12 September 2023). Pursuant to the Diazepam Asset Assignment Agreements and the Diazepam Asset Assignment Amendment Agreements, A&B transferred and assigned all the assets related to any pharmaceutical preparation, formulation, dosage form, or delivery vehicle relating to the Diazepam Nasal Spray (VALTOCO) and/or its line extensions in the territories (being mainland China, Hong Kong, Macau, Taiwan and Singapore) to the Group.

### *Assets acquired*

The CMS Parties have agreed to acquire from A&B, and A&B has agreed to transfer and assign to the relevant CMS Parties all the assets related to the product in the territories, being mainland China, Hong Kong, Macau, Taiwan and Singapore (the "Territories"). The product refers to any pharmaceutical preparation, formulation, dosage form, or delivery vehicle, relating to the Diazepam Nasal Spray (VALTOCO) and/or its line extensions (the "Product"). The assets include the marketing authorization, manufacture rights, intellectual property and all commercial information, medical information, know-how and records related to the product in and for the territories. Accordingly, following the acquisition the Group owns the exclusive right to promote, distribute, market and sell the product in the territories.

### *Consideration*

The Assets were originally acquired by Prime West Global Limited ("PWG") from Neurelis pursuant to an asset assignment and exclusive licence agreement (the "Upstream Agreement"). In February 2016, A&B entered into an assignment agreement with PWG whereby A&B acquired the Assets for US$5.0 million. In addition, A&B has agreed to assume the liabilities of PWG under the Upstream Agreement, which include the agreement to pay to Neurelis royalty payments of up to US$0.6 per Unit of Diazepam Nasal Spray (VALTOCO) imported into or sold in the Territories ("Royalty I"), subject to such adjustments to reflect the final pricing scheme adopted in the relevant jurisdiction of the Territories.

Pursuant to the Diazepam Asset Assignment Agreements, the CMS Parties have agreed to pay A&B a royalty payment of 9.0% on the net sales of Diazepam Nasal Spray (VALTOCO) sold by the Group in the Territories ("Royalty II"). Further, the CMS Parties have agreed to assume the liabilities of A&B under the Upstream Agreement. Accordingly, the CMS Parties will be responsible for the payment of any Royalty I due to Neurelis under the Upstream Agreement in relation to the Diazepam Nasal Spray (VALTOCO) imported into or sold in the Territories. Pursuant to the Asset Assignment Amendment Agreements, the CMS Parties and A&B agreed that the CMS Parties will pay the Royalty I to A&B instead of paying the Royalty I directly to Neurelis. The amount of the Royalty I payable to A&B by the CMS Parties will be equal to the royalty that A&B is required to pay Neurelis under the Upstream Agreement, as determined by the formula in the Upstream Agreement.

The above consideration is determined by the Group and A&B after arm's length negotiations taking into account factors including the original acquisition cost of the product by A&B, the competitiveness of the Product in the Territories, the Group's business plans, and the results of clinical trials and status of new drug application of the product in different jurisdictions within the territories. The Directors confirmed that the price and terms of Diazepam Asset Assignment Agreements followed the pricing policies of the Group during the Reporting Period.

### *Term*

The initial payment term of the Royalty II payments is fixed for a period ending 31 December 2047 (the "Royalty Term"), and the term may be extended for further periods subject to the parties' agreement and compliance with any requirements under the Listing Rules; the CMS Parties currently expect that the Royalty I will be payable until the end of 2032.

Rule 14A.52 of the Listing Rules stipulates that the period for an agreement for continuing connected transactions must have a fixed period of no more than three years, unless special circumstances justify a longer period based on the nature of the transaction. The Company considers that a long term or indefinite period is customary in the pharmaceutical industry for asset assignment agreements or in-license agreements similar to the Asset Assignment Agreements, because the parties invest significant time and capital in marketing and promoting the drugs. Accordingly, the Royalty Term of up to 25 years reflects the market practice. In this regard, the Company has appointed Anglo Chinese Corporate Finance, Limited ("Anglo Chinese") as the independent financial adviser as required by Rule 14A.52 of the Listing Rules to explain why the Asset Assignment Agreements require a period longer than three years and to confirm that it is normal business practice for agreements of this type to be of such duration. Anglo Chinese is of the opinion that (i) a term of longer than three years is required for the Asset Assignment Agreements; and (ii) it is normal business practice for agreements of this type to be of such duration.

### *Annual Caps*

| | RMB '000 |
|---|---|
| For each year during the five-year period ending 31 December 2027 | 66,650 |
| For each year during the five-year period ending 31 December 2032 | 111,080 |
| For each year during the remaining period of the Royalty Term | 150,000 |

The Annual Caps are the sum of Royalty I and Royalty II payments. The Annual Caps have been determined based on, among other things, the following considerations: (a) the market size and growth potential of the product for the acute treatment of intermittent, stereotypic episodes of frequent seizure activity in the epilepsy patient population in China and other markets in the territories; (b) the prevalence and incidence of epilepsy and seizure clusters in the territories, as well as the unmet medical need and treatment gap for this condition, which may affect the demand and adoption of the product among patients, caregivers, and physicians; (c) the pricing and reimbursement strategy of the product in the territories, taking into account the affordability, accessibility, and value proposition of the product compared to existing or emerging therapies; (d) the competitive landscape and positioning of the product in the territories, considering the strengths, weaknesses, opportunities, and threats of the product relative to other products or devices for the acute treatment of seizure clusters, as well as the potential market share and penetration of the product in the territories; and (e) the sales and marketing efforts and resources of the Group in the territories, including the launch and commercialization plans, the promotional and educational activities, the distribution and supply chain management, and the post-marketing surveillance and pharmacovigilance of the product in the territories.

## Review by and Confirmation of the Independent Non-executive Directors of the Company

The independent non-executive Directors have reviewed the above continuing connected transactions, and after due and careful enquiry with the management of the Group and consideration, confirmed that such transactions have been entered into:

(1) in the ordinary and usual course of business of the Group ;
(2) on normal commercial terms or better; and
(3) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The independent non-executive Directors are satisfied that they have received and reviewed sufficient information to give the confirmations above.

## Confirmation of the Auditor

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the above mentioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

The auditors of the Group had informed the Board and confirmed nothing has come to their attention that cause them to believe that the continuing connected transactions:

(1) have not been approved by the Board;
(2) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
(3) have exceeded the relevant annual cap.

In respect of the above mentioned non-exempt connected transactions, the Directors also confirmed that the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

Save as disclosed above, during the Reporting Period, there were no connected transactions or continuing connected transactions of the Company which are subject to any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the related party transactions of the Group during the Reporting Period are set out in note 38 and 40 to the consolidated financial statements in this Annual Report. Save as disclosed in the section of "Connected Transactions" of this Annual Report, these related party transactions either fall outside the definitions of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules or are "connected transactions" fully exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## Employees

As at 31 December 2024, the Group had 6,141 employees. To meet the talents development needs of the Group, the Group has established the Group control and management team to optimize the Group's strategy, organizational structure, improve the Group's performance management and salary incentive system, etc., further stimulate the organizational vitality and improve organizational operation efficiency, enabling the Group's human resource management to fully match with the Group's development strategy. The Group provides employees with competitive remuneration packages including medium-and long-term share award scheme, salaries, bonuses, insurance and benefits. Salaries and bonuses are based on employees' performance and are measured against specific objective criteria. Additionally, the Group is committed to providing equal opportunities to all employees in all respects and has made efforts in employees' continuing education and training programs, such as orientation programs for new employees, regulation-related trainings and job skills trainings, to continuously enhance their knowledge, skills and teamwork spirit.

## Directors' and Senior Management's Emoluments

The remuneration committee determines and proposes to the Board (as the case may be) on the remuneration and other benefits payable to the Directors and Management. The committee, on a routine basis, supervises the remuneration of all Directors and Management to ensure that their remuneration and compensation are appropriate and reasonable. The Group adopts competitive remuneration packages with reference to the industry standard and in the light of the business advancement of the Group, and determines remuneration of the Directors and Management after taking into account their qualifications, experience and contributions, so as to attract and retain its Directors and Management.

Particulars of directors' emoluments and the five highest paid individuals of the Group are set out in note 9 and note 10 to the consolidated financial statements, respectively.

For the year ended 31 December 2024, the emoluments of the Group's senior management (including the Company Secretary but not directors) are disclosed below:

| Band of Emolument | Number of Senior Management |
|---|---|
| HK$1,000,001 - HK$1,500,000 | 1 |
| HK$1,500,001 - HK$2,000,000 | 3 |
| HK$2,000,001 - HK$2,500,000 | 1 |
| HK$2,500,001 - HK$3,000,000 | 2 |
| HK$3,000,001 - HK$3,500,000 | 4 |
| Total | 11 |

## Key Relationship with Employees, Customers and Suppliers

The Company maintains good relationships with its employees by taking all practicable measures, including but not limited to improving, reviewing and updating its policies on remuneration and benefits, training, occupational health and safety, to ensure that all the staff are reasonably remunerated.

The Company has good relationships with its customers and is always improving the communication mechanism with customers to ensure all complaints or feedback from customers can be fed to the Company in a timely manner and the customers can receive service of high quality.

The Company maintains long-term good cooperation with domestic and overseas suppliers, which are reputable in the industry.

## Tax Relief and Exemption

The Group is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Shares.

## Environmental Policies and Performance

The Group has fully complied with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), Law of the People's Republic of China on Prevention and Control of Noise Pollution (《中華人民共和國噪聲污染防治法》), and relevant environmental laws and regulations. The Group rigorously prevents environmental risk accidents in business management and production activities, and has set up environmental management structures including the Environmental, Social and Governance Committee, assigned full-time environmental management personnel, established and improved the environmental management system, and developed comprehensive risk-defensive measures and emergency responses plans for accidents. We also require our suppliers to operate in strict compliance with the pertinent environmental regulations and rules and obtain all necessary permission and approval from the relevant government authorities.

## Compliance with Laws and Regulations

During the Reporting Period, the Group had complied with the relevant laws and regulations that have a significant impact on the operations of the Group.

## Principal Risks and Uncertainties

There are a number of risks and uncertainties which may affect the performance and operation of the Group. The following is a summary of principal risks and uncertainties identified by the Company:

## Compliance with GMP and GSP Standards

In accordance with applicable laws and regulations, certain subsidiaries of the Company are required to comply with Good Manufacturing Practice ("GMP") standards and Good Supplying Practice ("GSP") standards constantly and strictly. The Group has established a sound quality management system for the production and operation of pharmaceuticals, and accepts continuous supervision and inspection by regulatory agencies to ensure compliance with current GMP and GSP standards. In the event that those subsidiaries fail to strictly comply with the requirements of GMP and/or GSP standards and are penalized by the regulatory authorities, the Group's business may still be largely and adversely affected after taking related remedies.

## Product Liability

As insurance is not mandatorily required, the Group has not covered valid product liability insurance in respect of the manufacture and distribution of pharmaceutical products in the PRC. In the event of any product liability claim or proceedings pertaining to the products of the Group, which could not be solved through negotiation or any other methods, the Group may suffer material cost and damage to its relationship with customers.

## Healthcare Reform in China

The government regulation and governance over the healthcare system in the PRC is undergoing a crucial reform period, where (i) the applicable laws, regulations and policies pertaining to the healthcare, medical and pharmaceutical industry are constantly evolving, and (ii) governmental authorities in the PRC may regularly or unexpectedly amend their implementation practices. Enforcement action taken by the government against the Group may affect us materially and adversely. Significant adverse consequences may therefore be incurred if our Group did not optimize its strategy to adapt to the variation of the Chinese medical system in time. Moreover, the scope and the extent of application of the government regulation and governance are continually changing, which leads to more risks and uncertainties in respect of the performance and operation of the Group. The National VBP is an industrial policy that has significant impact on the Group. Details of the impacts of the National VBP are set out in the section headed "Impacts of Significant Industrial Policies" in "Management Discussion and Analysis" on page 33 of this Annual Report.

## Tender and Price Control

The Company and its subsidiaries have to participate in a government-led tender process every year or every few years. Any failure in bidding in a provincial tender process will affect the Group's ability to sell products in the respective province. Moreover, the product price, our market share, revenue and profitability may be affected due to certain new methods adopted in the provincial tender process.

### R&D, Regulatory Approval and Commercialization of Innovative Patented Products

The successful development of innovative patented products, the obtaining of regulatory approval and the realization of commercialization are affected by a number of factors. These include but are not limited to the sufficiency of resources to acquire or discover more drug candidates, pre-clinical studies and clinical trial delays or failures, uncertainties brought about by the duration of the approval and regulatory approval process, and, if regulatory approval is obtained, whether the products can be promoted successfully and their acceptance level in the market. If the R&D of innovative patented products fails, the Group is unable to obtain regulatory approval, or market acceptance of our products is not promising, the Group's future development may be affected adversely.

Furthermore, there may be other principal risks and uncertainties that are not known to the Company or may not be material now but could turn out to be material in the future.

## Major Customers and Suppliers

For the year ended 31 December 2024, the percentage of sales to the Group's five largest customers was approximately 31.2% of the Group's total sales, and sales to the top customer accounted for approximately 18.7% of the total sales.

For the year ended 31 December 2024, the percentage of purchases from the Group's five largest suppliers was approximately 70.2% of the Group's total purchases, and purchase from the top supplier accounted for approximately 24.1% of the total purchases.

Except as disclosed in note 38 to the consolidated financial statement, none of the Group's directors, their close associates or shareholders had an interest in the Group's suppliers or customers.

## Corporate Governance

A report for the corporate governance principles and practices adopted by the Company is set out on pages 64 to 77 of this Annual Report.

## Sufficiency of Public Float

According to publicly available information and as far as the Directors were aware of, as at the date of this Annual Report, at least 25% of the Company's total issued share capital was held by the public in compliance with the public float requirement under the Listing Rules.

## Non-competition and Indemnity Agreements

The Company entered into a deed of non-competition with Mr. Lam Kong and his wholly owned company registered in the British Virgin Islands — Treasure Sea Limited ("Treasure Sea") on 14 September 2010 (the "Non-competition Deed"). Mr. Lam Kong and Treasure Sea jointly undertook not to carry on businesses that are in competition with the business of the Group.

Mr. Lam Kong and Treasure Sea stated that they had complied with the relevant clauses of the Non-competition Deed, and did not engage in businesses that are in competition or may compete with the businesses of the Group, and also did not directly or indirectly hold any business interest that is in competition with the businesses of the Group during the Reporting Period.

The independent non-executive Directors have reviewed the compliance of the Non-competition Deed by Mr. Lam Kong and Treasure Sea during the Reporting Period, and reviewed the relevant business information provided by the Group. The independent non-executive Directors were of the opinion that Mr. Lam Kong and Treasure Sea complied with the relevant terms of the Non-competition Deed during the Reporting Period and did not cause any competition with the Group. The Board of Directors operated and managed the Group's businesses independently in the interests of the Company and its shareholders as a whole.

## Donation

During the Reporting Period, the Group had made donations of RMB1.1 million for public services in communities, for details please refer to "Undertaking Community Responsibilities" on page 60 of the Group's 2024 Environmental, Social and Governance Report.

## Permitted Indemnity Provision

According to the Articles of Association, among others, every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favor, or in which he is acquitted.

During the year ended 31 December 2024, pursuant to the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong), appropriate insurance coverage for the Directors' and senior management's liabilities in respect of legal actions against the Directors and senior management of the Company arising out of corporate activities of the Group has been arranged by the Company.

## Equity-Linked Agreements

The Company has not entered into any equity-linked agreement during the year ended 31 December 2024.

## Compliance with the Corporate Governance Code

The Company has complied with the applicable principles and code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Listing Rules from 1 January 2024 to 31 December 2024, except for a deviation from the Code Provision C.2.1 in respect of the roles of Chairman and Chief Executive which shall not be performed by the same individual. The details of the Company's compliance with the CG Code are set out on pages 64 to 77 of this Annual Report.

## Competing Interests

None of the Directors or management and their respective associates (as defined in the Listing Rules) has an interest in a business which competes or may compete with the businesses of the Company or any of its subsidiaries or has any other conflict of interest with the Company during the Reporting Period.

## Audit Committee

The details of the Audit Committee are set out on pages 68 to 69 of the Corporate Governance Report of this Annual Report.

## Auditors

The Company has appointed Deloitte Touche Tohmatsu as auditors since the listing of the Company on the Main Board of the Stock Exchange on 28 September 2010. The financial statements in the Annual Report for the year have been audited by Deloitte Touche Tohmatsu. A resolution will be submitted at the AGM of the Company to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

By order of the Board
China Medical System Holdings Limited
**Lam Kong**
*Chairman*

Hong Kong, 17 March 2025

## Corporate Governance Report

The Company is committed to upholding high standards of corporate governance and has adopted sound governance and disclosure practices. The Company believes that continuously improving corporate governance can increase the Group's accountability and transparency so as to maximize the long-term level shareholder value.

## Corporate Strategy, Business Model and Culture

The details of Corporate Strategy, Business Model and Culture are set out in Business Highlights, Chairman's Statement and Management Discussion and Analysis of this Annual Report.

## Corporate Governance Practices

The Company has complied with and applied the applicable principles and code provisions of the CG Code as set out in Appendix C1 to the Listing Rules from 1 January 2024 to 31 December 2024, except for a deviation from the Code Provision C.2.1 in respect of the roles of Chairman and Chief Executive which shall not be performed by the same individual.

Mr. Lam Kong has been both the Chairman and Chief Executive of the Company and his responsibilities are clearly established and set out in writing and approved by the Board. Given the Group's current stage of development, the Board considers that vesting the roles of Chairman and Chief Executive in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operations. The Board shall nevertheless review the Group's management structure from time to time and shall consider any appropriate adjustments should new circumstances arise.

## Directors' securities Transactions

The Company adopted the Written Guidelines for Securities Transactions by Directors and Relevant Employees (the "Written Guidelines") on no less exacting terms than the Model Code as the code of conduct for Directors' securities transactions. Having made specific inquiries of all Directors in relation to the compliance with the Written Guidelines for securities transactions by Directors, the Company confirmed that all the Directors have complied with the relevant standards for securities transactions by directors set out in the Written Guidelines for the year ended 31 December 2024. The Written Guidelines also apply to other specified senior management of the Company.

Employees who are likely to be in possession of unpublished price-sensitive information about the Company are also subject to compliance with the Written Guidelines. No incident of non-compliance with the Written Guidelines by such employees was noted by the Company during the Reporting Period.

## Operation of the Board

In accordance with good corporate governance principles, the Board convened regular meetings in accordance with statutory procedures, and complied strictly with the applicable laws, regulations and the Articles of Association in the exercise of its authority, with an emphasis on protecting the interests of the Company and its shareholders as a whole.

The role and responsibilities of the Board broadly cover reviewing and approving corporate mission and broad strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate measures and control systems to manage these risks; and reviewing and approving important matters such as financial results, investments and divestments and other material transactions. All Directors and Board Committees have access to external legal counsel and other professionals for independent advice to better perform their duties at the Group's expense if necessary.

The Board has performed the strategic decision-making function in accordance with the long-term interest of the Group as well as the interest of shareholders and relevant parties, and has been subject to effective supervision and assessment in maintaining corporate resources and conducting operation management. The Board is responsible for making effective incentives and constraints for the management when duly delegating powers to them. Meanwhile, as the core of the Company's corporate governance framework, the Board has clearly separated its functions and duties from that of the management. Differentiating itself from the functions and duties of the Board, the specific responsibilities and duties of the management of the Company mainly include running the Company's day-to-day business; drafting and proposing the Company's annual business plan and investment plan; working out the human resource policy and arranging an appropriate organizational structure of the Company; drafting plans for the establishment of the Company's branch offices; creating and upgrading the Company's basic internal management system and mandates for Company management; within the authority delegated by the Board, appointing, changing or recommending shareholder representatives, directors and supervisors in its holding subsidiary or joint stock subsidiary; and other powers delegated by the Board.

The Company has established four committees, namely, the Audit Committee, the Nomination Committee, the Remuneration Committee and the Environmental, Social and Governance Committee, which mainly comprise independent non-executive Directors and are responsible for overseeing particular aspects of the Group's business and providing the Group with recommendations for improvements. Please see below for the work scope of these committees. The Board has delegated the responsibilities of the day-to-day management and operation of the Group's businesses to the management of the Company and its subsidiaries and has given clear directions as to the management's powers including where management should report back and obtain prior approval of the Board before making decisions or entering into any commitments on the Company's behalf.

## Composition of the Board

As at the date of this Annual Report, the Board consists of six Directors, including two executive Directors, including the Chairman, Mr. Lam Kong and Ms. Chen Yanling; one non-executive Director, namely Mr. Chen Hongbing; three independent non-executive Directors, namely Mr. Leung Chong Shun, Ms. Luo Laura Ying and Mr. Fung Ching Simon. Biographical details of the Directors are set out on pages 42 to 43 of this Annual Report. Save as disclosed in the section headed "Directors and Senior Management" of this Annual Report, none of the Directors has any financial, business, family or other material or relevant relationships among members of the Board. The Chairman shall promote a culture of openness and debate by facilitating the effective contribution of non-executive Directors in particular and ensuring constructive relations between executive Directors and non-executive Directors. The Chairman of a meeting shall ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.

## Board Attendances and Time Commitment

During the Reporting Period, the Company held five Board meetings and one annual general meeting. The following is the attendance record of the Directors at such meetings held during the Reporting Period.

| Name | Title | Attendance Rate | |
|---|---|---|---|
| | | Board Meeting | Annual General Meeting |
| Mr. Lam Kong | Chairman and Chief Executive, President | 5/5 | 1/1 |
| Ms. Chen Yanling | Chief Financial Officer, Vice President | 5/5 | 1/1 |
| Mr. Chen Hongbing | Non-Executive Director | 5/5 | 1/1 |
| Mr. Leung Chong Shun | Independent Non-Executive Director | 5/5 | 1/1 |
| Ms. Luo Laura Ying | Independent Non-Executive Director | 5/5 | 1/1 |
| Mr. Fung Ching Simon | Independent Non-Executive Director | 5/5 | 1/1 |

During the Reporting Period, the Board had passed one set of written resolutions of the Board.

Upon reviewing (i) the annual confirmation of the time commitment given by each Director; (ii) the directorships and major commitments of each Director; and (iii) the attendance rate of each Director for the Board meetings and the general meetings, the Board is satisfied that all Directors have spent sufficient time in performing their responsibilities during the Reporting Period.

## Independent Non-executive Directors and Mechanisms Ensuring Independent Views and Input Available to the Board

The Nomination Committee is authorized to identify individuals suitably qualified to become independent non-executive Directors through various ways and channels, including recommendation by Directors, engaging external agencies and any other way or channel that the Nomination Committee considers appropriate. The Nomination Committee will request the candidates to provide their biographies and other information that the Nomination Committee considers necessary, and will comprehensively consider the factors including the character and integrity, the achievements and experience in the industries involved in the business of the Group, other professional qualifications, diversity factors, the time devoted to the affairs of the Board, the undertaking of the duties of the Board, and the independence requirement of independent non-executive Directors under the Listing Rules to evaluate and select candidates for independent non-executive Directors and propose one or several of them to the Board.

For the year ended 31 December 2024, there were three independent non-executive Directors, representing one-half of the Board, at least one of whom has appropriate professional accounting qualifications. The Company has received from each independent non-executive Director an annual confirmation of his/her independence, and the Company considers such Directors to be independent in accordance with each and every guideline set out under the Listing Rules.

The independent non-executive Directors are appointed for a period of one year. All of them are subject to retirement by rotation and re-election by shareholders at the annual general meeting in accordance with the Articles of Association. The responsibilities of the independent non-executive Directors include, without limitation: regular attendance at meetings of the Board and of Board Committees of which they are members; provision of independent opinion at meetings of the Board and other Board Committees; service on the Audit Committee, the Remuneration Committee, the Nomination Committee and the Environmental, Social and Governance Committee; and scrutinizing and monitoring the performance of the Company as a whole.

All independent non-executive Directors have spent sufficient time in performing their responsibilities during the Reporting Period. They monitored and ensured that the Group implemented good corporate governance. They applied their professional skills, knowledge and experience in the areas of accounting, finance, law and investment and made sufficient contributions to the Company.

All Directors and Board Committees have access to external legal counsel and other professionals for independent advice to better perform their duties at the Group's expense if necessary. The Directors shall receive a comprehensive, formal and tailored induction on appointment, and subsequently any briefing and professional development necessary to ensure that they have a proper understanding of the Company's operations and business and are fully aware of their responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

During the Reporting Period, the Board had reviewed the implementation and effectiveness of the mechanisms ensuring independent views and input available to the Board and is of the view that the mechanisms worked well to ensure that the Board had access to independent views and input.

## Directors' Continuous Professional Development

On appointment to the Board, each newly appointed Director has received training from professional lawyer covering the general, statutory and regulatory obligations of being a director of a listed company to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant legal requirements.

From time to time, the Directors are provided with written materials to develop and refresh their professional skills. The Company Secretary also organizes and arranges seminars on the latest development of the applicable laws, rules and regulations for the Directors to assist them in discharging their duties.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the CG Code on continuous professional development during the Reporting Period.

| Directors | Corporate Governance/Updates on Laws, Rules and Regulations/Updates on Industry Specific | |
|---|---|---|
| | Written Materials | Briefings/Seminars |
| **Executive Directors** | | |
| Mr. Lam Kong | √ | √ |
| Ms. Chen Yanling | √ | √ |
| **Non-executive Director** | | |
| Mr. Chen Hongbing | √ | √ |
| **Independent Non-executive Directors** | | |
| Mr. Leung Chong Shun | √ | √ |
| Ms. Luo Laura Ying | √ | √ |
| Mr. Fung Ching Simon | √ | √ |

## Committees

The Company has established the Audit Committee, the Remuneration Committee, the Nomination Committee and the Environmental, Social and Governance Committee. The function of each of these committees is to study pertinent issues in its area of expertise and to provide opinions and recommendations for consideration by the Board under its own defined terms of reference.

## Audit Committee

The Company established the Audit Committee in 2007. The Audit Committee comprises three independent non-executive Directors, and is currently chaired by Mr. Fung Ching Simon, with Mr. Leung Chong Shun and Ms. Luo Laura Ying as the committee members.

The primary duties of the Audit Committee are to provide the Directors with an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Company, and to oversee the audit process and to perform other duties and responsibilities as assigned by the Directors. The Audit Committee also oversees the Company's appointment of external auditors. The annual results announcement and annual report for the year ended 31 December 2024 of the Company have been reviewed by the Audit Committee and approved by the Board with recommendation of the Audit Committee. The Audit Committee meets at least twice a year with the external auditors in absence of the executive Directors. The terms of reference of the Audit Committee are posted on the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://www.cms.net.cn).

For the year ended 31 December 2024, the Audit Committee held three meetings. At the meetings, the Audit Committee reviewed the annual results for 2023, the interim results for 2024, the activities of the Group's risk management and internal control functions and also discussed and approved the arrangement of the annual audit work and then proposed the recommendations to the Board. Below is the attendance rate of the committee members:

| **Committee Members** | **Attendance Rate of the Meetings for the Year Ended 31 December 2024** |
|---|---|
| Mr. Fung Ching Simon (Chairman) | 3/3 |
| Mr. Leung Chong Shun | 3/3 |
| Ms. Luo Laura Ying | 3/3 |

## Remuneration Committee

The Company established a Remuneration Committee in 2007. The Remuneration Committee comprises three independent non-executive Directors, and is currently chaired by Mr. Leung Chong Shun, with Ms. Luo Laura Ying and Mr. Fung Ching Simon as the committee members.

The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Board on the policy and structure for remunerations of all Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of the Directors and senior management; (iii) approving the terms of Directors' service contracts; (iv) assessing performance of executive Directors; and (v) reviewing and approving performance-based remuneration (including share schemes) by reference to corporate goals and objectives resolved by the Directors from time to time. The terms of reference of the Remuneration Committee are posted on the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://www.cms.net.cn).

For the year ended 31 December 2024, the Remuneration Committee held two meetings. At the meetings, the Remuneration Committee reviewed and recommended adjusting remuneration of the Directors and senior management with reference to the industry standard, in light of the business advancement of the Group and according to their qualifications, experience and contributions, and considered that the proposed remunerations of whom were reasonable and appropriate. Below is the attendance rate of the committee members:

| Committee Members | Attendance Rate of the Meetings for the Year ended 31 December 2024 |
|---|---|
| Mr. Leung Chong Shun (Chairman) | 2/2 |
| Ms. Luo Laura Ying | 2/2 |
| Mr. Fung Ching Simon | 2/2 |

## Nomination Committee

The Company established the Nomination Committee in 2007. The Nomination Committee comprises one executive Director and three independent non-executive Directors, and is currently chaired by Ms. Luo Laura Ying, with Mr. Lam Kong, Mr. Leung Chong Shun and Mr. Fung Ching Simon as the committee members.

The primary duties of the Nomination Committee are to make recommendations to the Directors on all new appointments of Directors and senior management, interview nominees, and to take up references and to consider related matters. The terms of reference of the Nomination Committee are posted on the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://www.cms.net.cn).

For the year ended 31 December 2024, the Nomination Committee held two meetings. At the meetings, the Nomination Committee reviewed the composition and structure of the Board in order to determine whether it is in compliance with requirements under the relevant laws, regulations and rules and whether the diversity on the Board has been achieved and maintained, considered and made recommendations to the Board on the re-appointment of the retiring Directors at the 2023 annual general meeting, and also assessed whether the independent non-executive Directors had spent enough time in fulfilling their duties and their independence. The Nomination Committee is of the view that the current composition and structure of the Board comply with the applicable regulations and the Board is experienced and has diversified perspectives and views. Below is the attendance rate of the committee members:

| Committee Members | Attendance Rate of the Meeting for the Year ended 31 December 2024 |
|---|---|
| Ms. Luo Laura Ying (Chairman) | 2/2 |
| Mr. Lam Kong | 2/2 |
| Mr. Leung Chong Shun | 2/2 |
| Mr. Fung Ching Simon | 2/2 |

## Policy for the Nomination of Directors

The Company has adopted the Policy for the Nomination of Directors (the "Nomination Policy"). During the Reporting Period, the Nomination Committee had reviewed the Nomination Policy and recommend certain housekeeping changes to the Nomination Policy.

The Nomination Policy sets out the selection criteria and the nomination procedures of Directors.

The Nomination Committee is authorized to identify individuals suitably qualified to become Board members through various ways and channels, including recommendation by Directors, engaging external agencies and any other way or channel that the Nomination Committee considers appropriate. The Nomination Committee will request the candidates to provide their biographies and other information that the Nomination Committee considers necessary, and will comprehensively consider the factors including the character and integrity, the achievements and experience in the industries involved in the business of the Group, other professional qualifications, diversity factors, the time devoted to the affairs of the Board, the undertaking of the duties of the Board, and the independence requirement of independent non-executive Directors under the Listing Rules to evaluate and select candidates. After considering the suitability of a candidate to become a Director, the Nomination Committee will call a meeting and/or pass a written resolution to recommend appointment of Director to the Board. The Board will make a final decision based on the recommendation of the Nomination Committee. The Company may from time to time increase the number of Directors by ordinary resolution at general meetings pursuant to Article 16.3 of the Articles of Association. Shareholders may also nominate persons to be elected as Directors at general meetings pursuant to Article 16.4 of the Articles of Association.

The Nomination Committee and the Board shall, in accordance with the Listing Rules and Article 16.18 of the Articles of Association, determine the candidates for re-election of Directors at the general meetings through the following procedures: the Nomination Committee shall review the retiring Directors' overall contribution and service to the Company and their participation and performance in Board affairs, and take into account the Company's strategy at that time and the structure, size and composition of the Board, to consider the suitability of the retiring Directors to be re-appointed. The Nomination Committee shall submit its recommendations to the Board for consideration based on the above consideration. The Board shall, as appropriate, make recommendations to the shareholders that the retiring Directors be re-elected at the general meetings.

## Board Diversity Policy and Gender Diversity

The Company views the increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives, maintaining competitive advantages and keeping sustainable development. Therefore, the Company has adopted a Board Diversity Policy (the "Board Diversity Policy") to set out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to professional skills, experience, culture and education background, ethnicity, gender, age, etc. In introducing its perspective on diversity, the Company will also take into account factors based on its own business model and specific needs from time to time. Ultimately, all Board appointments will be based on merit, and candidates will be considered against objective criteria, fully having due regard to the benefits diversity brings to the Board. The Board shall continue to maintain the gender diversity among the Board members. The Nomination Committee and the Board review the Board Diversity Policy and its implementation and effectiveness on a regular basis to ensure its continued effectiveness. During the Reporting Period, the Nomination Committee and the Board had reviewed the Board Diversity Policy and its implementation and effectiveness and considers it to be effective.

As at the date of this Annual Report, the Board's composition from a board diversity perspective is summarized as follows:

| **Designation** | Executive Directors | Non-executive Director | Independent Non-executive Directors | |
|---|---|---|---|---|
| | 2 | 1 | 3 | |
| **Gender** | Male | | Female | |
| | 4 | | 2 | |
| **Age Group** | 51–55 years old | | 56–60 years old | |
| | 1 | | 5 | |
| **Length of Service** | 2 years and below | 3–4 years | 5–9 years | 10 years and above |
| | 0 | 2 | 1 | 3 |
| **Professional Background** | Pharmaceuticals, Accounting, Investment, Law | | | |

As at 31 December 2024, the Board consists of six members, including two female members. Female Board members represent 33.3% of the Board. The Board considers that it has achieved gender diversity. The Board wishes to at least maintain its current female ratio (33.3%). The Nomination Committee shall continue to consider and implement the Board Diversity Policy in future selection and recommendation of Board member candidates. The Board shall continue to introduce female members if it considers the candidates suitable with the ultimate goal of achieving gender parity within the Board.

Female senior management members represent 29.41% of the senior management of the Company. Female middle-senior management members represent 37.30% of the middle-senior management of the Group. Female employees represent 55.33% of the employees of the Group. The Group wishes to keep the ratio of its female employees not lower than 50%.

## Environmental, Social and Governance Committee

The Company established the Environmental, Social and Governance Committee in 2020. The Environmental, Social and Governance Committee comprises one executive Director and two independent non-executive Directors, and is currently chaired by Ms. Chen Yanling, with Mr. Leung Chong Shun and Mr. Fung Ching Simon as the committee members.

The primary duties of the Environmental, Social and Governance Committee are to comprehensively formulate and review the administrative policies, strategies and structures of the Group's environmental, social and governance; to review environmental, social and governance-related policies, regulations and trends and provide decision-making advice to the Board of Directors regarding the Group's environmental, social and governance strategies and operations; to ensure the Company to comply with requirements of applicable laws and regulations; to monitor and supervise the formulation and implementation of the Group's environmental, social and governance objectives; to identify external environmental, social and governance trends, risks and opportunities; and to promote a positive culture throughout the Group and actively incorporate environmental, social and governance considerations into the business decision-making processes, etc. The terms of reference of the Environmental, Social and Governance Committee are posted on the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://www.cms.net.cn).

For the year ended 31 December 2024, the Environmental, Social and Governance Committee held four meetings. At the meetings, the Environmental, Social and Governance Committee reviewed the Group's overall environmental, social and governance (the "ESG") performance, reviewed the implementation progress of the Group's ESG objectives, reported the important trends affecting the Group's ESG strategies, assessed the impact of ESG risks and opportunities on the Group, guided and reviewed the Group's ESG materiality analysis, and reviewed and reported to the Board the 2023 ESG Report of the Company. Below is the attendance rate of the committee members:

| Committee Members | Attendance Rate of the Meeting for the Year ended 31 December 2024 |
|---|---|
| Ms. Chen Yanling (Chairman) | 4/4 |
| Mr. Leung Chong Shun | 4/4 |
| Mr. Fung Ching Simon | 4/4 |

## Corporate Governance Functions

No corporate governance committee has been established, and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies and practices on corporate governance, providing training and continuous professional development for Directors and senior management, and ensuring the Company's policies and practices are in compliance with legal and regulatory requirements, etc.

## Auditor's Remuneration

For the year ended 31 December 2024, the Company has appointed Deloitte Touche Tohmatsu as our independent external auditor to provide the annual performance auditing service, the remuneration for its auditing and non-auditing service was HK$5.8 million and HK$1.9 million, respectively. The non-auditing services covered tax advisory service, due diligence service and ESG related assurance service.

## Directors' and Auditor's Responsibilities for Accounts

The Board acknowledges their responsibility for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other financial disclosures required under the Listing Rules and other regulatory requirements. The Directors confirm that they are responsible for the preparation of financial reports, and to give a true and fair view of the Company's and the Group's financial status and operating results for the year ended 31 December 2024. In preparing these financial statements, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable; and have prepared the consolidated financial statements on a going concern basis.

The responsibility of auditor is set out on pages 81 to 82 of the independent auditor's report.

## Risk Management and Internal Controls

The Group has established and designed appropriate policies and controls to ensure that assets are safeguarded against unauthorized use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and main risks that may impact on the Group's performance are appropriately identified and managed. The systems and internal controls can only provide reasonable but not absolute assurance to prevent material misstatement or losses, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Board confirms its responsibility for supervising the Group's risk management and internal control systems and reviewing their effectiveness at least annually through the Audit Committee. The Group's finance department, compliance department, audit department, legal department and various operating departments are responsible for the implementation of risk management policies and routine risk management work. The Group's Internal Audit and the Audit Committee assist the Board in the review of the effectiveness of the Group's risk management and internal control systems on the basis of continuity. The Directors through these committees are kept regularly appraised of significant risks that may impact on the Group's performance.

The Group has a strict reporting system and specified the reporting channels, treatment procedure, whistleblower protection and other related issues in the CMS Anti-fraud Management Policy to ensure that all reporting can be properly handled. Regarding the procedure and internal control over handling and propagation of the inside information, the Group has adopted an Inside Information Management Policy which has been disseminated to all the staff. Based on the policy and in order to ensure that the inside information would be processed and propagated in compliance, the Group has established monitoring measures to ensure that the potential inside information could be promptly recognized, assessed and then provided to the Board for their decision that whether a disclosure is required.

The Audit Committee assists the Board in performing its supervision over the recourses and corporate governance roles in the Group's financial, operational, compliance, risk management, internal controls, internal audit, ESG performance and reporting related functions by reviewing the working report from internal audit and external audit. The risk management and internal controls of the Group are reviewed annually by the Board. During the Reporting Period, the Group's internal audit conducted selective reviews of the effectiveness of the systems of risk management and internal controls of the Group in respect of financial, operational and compliance controls with emphasis on control over business continuity, compliance risks and fraud risks. The Group's Internal Audit reported such results to the Audit Committee, which then reviewed and reported the same to the Board. The Audit Committee and the Board were not aware of any areas of concern that would have a significant impact on the Group's financial position or results of operations and considered the risk management and internal control systems to be generally adequate and effective with adequate resources, staff qualifications and experience, training programs for the staff and budget for the accounting, internal audit, financial reporting and ESG performance and reporting functions, etc.

In addition to the review of risk management and internal controls executed within the Group, the external auditor appointed by the Group also assessed the adequacy and effectiveness of certain main risk management and internal controls as part of their regulatory audits. The external auditor's related recommendation will be adopted under appropriate circumstances to strengthen the risk management and internal controls.

## Shareholders' Rights

### Convening an Extraordinary General Meeting

Pursuant to article 12.3 of the Articles of Association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times has the right, by written requisition specifying the objects of the meeting and signed by the requisitionists to the Company's headquarters and principal place of business in Hong Kong at Unit 2106, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. The same requirement and procedure also apply to any proposal to be tabled at shareholders' meetings for adoption.

### Shareholders' Enquiries

Shareholders should direct their questions about their shareholdings to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited (Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong). Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publicly available. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's headquarters and principal place of business in Hong Kong at Unit 2106, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong.

## Articles of Association

The fourth amended and restated memorandum and articles of association of the Company were adopted by special resolution at the AGM held on 9 May 2024 to, inter alia, (i) bring the Existing Memorandum and Articles of Association up to date and better apply 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 which took effect on 31 December 2023; and (ii) to incorporate certain housekeeping changes.

Save as disclosed, there were no changes made to the Articles of Association during the year ended 31 December 2024.

The Company proposes to revise the existing Articles of Association to (i) align the Articles of Association of the Company with the requirements under the Listing Rules primarily to allow for the use of electronic means for matters such as providing notices, proxying instructions and voting; and (ii) to incorporate certain housekeeping changes. The proposed amendments are subject to the passing of a special resolution by the shareholders of the Company at the forthcoming AGM of the Company to be held on 24 April 2025.

A circular containing, among others, details of the proposed amendments and a notice convening the AGM will be dispatched to the shareholders of the Company.

## Communications with Shareholders and Investors

The Group has proactively fulfilled the information disclosure obligation of a listed company, and has been attaching a great importance to the communication and interaction with shareholders and investors. Through diverse communication channels, the Group has disclosed important information such as business updates, development strategies and other significant matters promptly, effectively, transparently, and objectively, fully protecting the right to know and vital interests of all shareholders and investors. Meanwhile, the Group has earnestly listened to the valuable feedback from the capital market to continuously improve our corporate governance.

The Group has established *Investors (Shareholders Included) Communication Policy* with an aim to effectively regulate the relevant practices, ensuring that all the shareholders and investors have fair and timely access to the company's public information. During the Reporting Period, the Board has reviewed the implementation and effectiveness of the above communication policy. After considering the availability of multiple communication channels and the handling of investor inquiries as described below, the Group confirmed that the policy has been effective and properly implemented.

The Group has established a multi-channel communication and interaction mechanism to maintain close interaction with the capital market, and proactively solicited and responded to the opinions of shareholders and investors: (i) holding Annual General Meetings and Extraordinary General Meetings to promote constructive communication between shareholders and the Board; (ii) publishing Annual and Interim Reports, and proactively issuing various Voluntary Announcements on its official website and the Hong Kong Stock Exchange website, to update its business in a timely manner; (iii) releasing latest news and updates of the Group on its official website, WeChat accounts and financial media platforms, to enhance information transparency by disseminating the business updates via multiple channels; (iv) disclosing the contact information of investor relations department and offering an interaction function on the Group's official website to collect valuable feedback from investors and provide detailed responses to their inquiries; (v) organizing online and offline Interim and Annual Results Announcement Conferences; (vi) organizing and receiving investors visits and conference calls, etc.; (vii) actively participating in various conferences organized by sell-sides, such as investment summits, roadshows, and others. During the Reporting Period, the management and the investor relations team of the Group have proactively communicated with existing and potential investors, and received over 1,500 representatives of domestic and overseas individuals and institutional investors.

The Group's excellent corporate governance, as well as active and persistent communication with shareholders and investors has been recognized by third parties. During the Reporting Period, the Group was once again awarded the "Pioneer in Corporate Governance", selected as the "TOP 20 Chinese Pharmaceutical Listed Companies in ESG Competitiveness" for the third consecutive year, and included in the first "Top 10 Low-Carbon Pioneers of Chinese Pharmaceutical Listed Companies". In addition, the Group was once again included in the S&P Global Sustainability Yearbook (China Edition), and was included in the global edition of S&P Global Sustainability Yearbook in February 2025.

In the future, the Group will achieve a more comprehensive understanding of investors' needs and continue to refine its investor relations efforts. Through diverse communication channels, the Group will continuously maintain effective communication with domestic and overseas investors, highlight the investment value of the company, and further enhance investors' understanding of and confidence in the company's business, establishing long-term and stable relationships with investors.

Deloitte. 德勤

TO THE SHAREHOLDERS OF
CHINA MEDICAL SYSTEM HOLDINGS LIMITED
康哲藥業控股有限公司
(incorporated in the Cayman Islands with limited liability)

## Opinion

We have audited the consolidated financial statements of China Medical System Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 83 to 197, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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") 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 judgment, 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.

TO THE SHAREHOLDERS OF
CHINA MEDICAL SYSTEM HOLDINGS LIMITED
康哲藥業控股有限公司
(incorporated in the Cayman Islands with limited liability)

## Key Audit Matters - continued

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Impairment of Goodwill*** | |
| We identified the impairment of goodwill allocated to the cash generating unit of Tianjin Kangzhe Vision Pharmaceutical Technology Development Co., Ltd. ("Tianjin Kangzhe") as a key audit matter due to the involvement of significant judgment of the management in determining the impairment of goodwill.<br><br>The impairment of goodwill is determined based on the higher of fair value less costs of disposal and value in use of the cash generating unit. The recoverable amount has been determined based on value in use calculation, which is based on the cash flow forecasts prepared by management. The impairment model is sensitive to changes in the key assumptions including growth rates, discount rate and the forecast performance based on management's view of future business prospects.<br><br>As at 31 December 2024, the carrying value of goodwill was RMB990,333,000. Details relating to the Group's goodwill and key sources of estimation uncertainty are set out in Note 19 and Note 4 to the consolidated financial statements, respectively. | Our procedures in relation to the impairment of goodwill included:<br><br>• Making inquiries with management on their bases and assumptions used in relation to the preparation of the value in use calculation;<br><br>• Checking the mathematical accuracy of the value in use calculation;<br><br>• Evaluating the reasonableness of the key assumptions including growth rates, discount rate and the forecast performance used by the management with reference to the historical performance;<br><br>• Checking the inputs used in the cash flow forecast against supporting documentation, on a sample basis;<br><br>• Evaluating the sensitivity analysis prepared by the management on discount rate and growth rates to assess the extent of impact on the value in use calculation;<br><br>• Evaluating the independent professional external valuer's competence, capabilities and objectivity; and<br><br>• Involving our internal valuation specialists to assess the appropriateness of valuation methodology and discount rate adopted. |

TO THE SHAREHOLDERS OF
CHINA MEDICAL SYSTEM HOLDINGS LIMITED
康哲藥業控股有限公司
(incorporated in the Cayman Islands with limited liability)

## Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

## Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with 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 are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

TO THE SHAREHOLDERS OF
CHINA MEDICAL SYSTEM HOLDINGS LIMITED
康哲藥業控股有限公司
(incorporated in the Cayman Islands with limited liability)

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

TO THE SHAREHOLDERS OF
CHINA MEDICAL SYSTEM HOLDINGS LIMITED
康哲藥業控股有限公司
(incorporated in the Cayman Islands with limited liability)

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued**

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

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

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

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

From the matters communicated with those charged with governance, 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 the independent auditor's report is Sy, Sunnie.

**Deloitte Touche Tohmatsu**
Certified Public Accountants
Hong Kong
17 March 2025

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

| | NOTES | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|---|
| Revenue | 5 | 7,468,990 | 8,013,285 |
| Cost of goods sold | | (2,046,796) | (1,904,119) |
| Gross profit | | 5,422,194 | 6,109,166 |
| Other income | 6 | 208,387 | 232,091 |
| Other gains and losses | 7 | (151,244) | (335,997) |
| Selling expenses | | (2,661,648) | (2,511,341) |
| Administrative expenses | | (780,093) | (656,628) |
| Finance costs | 8 | (38,610) | (46,251) |
| Research and development expenses | | (329,982) | (195,134) |
| Share of results of associates | | 338,548 | 274,977 |
| Share of result of a joint venture | | 2,755 | 2,888 |
| Profit before tax | | 2,010,307 | 2,873,771 |
| Income tax expense | 11 | (397,227) | (489,341) |
| Profit for the year | 12 | 1,613,080 | 2,384,430 |
| Other comprehensive (expense) income | | | |
| *Item that will not be reclassified to profit or loss:* | | | |
| Fair value loss on investments in equity instruments at fair value through other comprehensive income | | (34,110) | (133,155) |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Share of other comprehensive income of associates | | 6,162 | 5,507 |
| Exchange differences arising on translation of foreign operations | | 3,038 | 1,074 |
| Exchange differences arising on translation of interests in associates | | (9,061) | 14,589 |
| Change in fair value on cash flow hedges | | | |
| — fair value loss | | — | (8,902) |
| — deferred tax relating to change in fair value | | — | 652 |
| Other comprehensive expense for the year, net of income tax | | (33,971) | (120,235) |
| Total comprehensive income for the year | | 1,579,109 | 2,264,195 |
| Profit (loss) for the year attributable to: | | | |
| Owners of the Company | | 1,619,788 | 2,400,940 |
| Non-controlling interests | | (6,708) | (16,510) |
| | | 1,613,080 | 2,384,430 |
| Total comprehensive income (expense) for the year attributable to: | | | |
| Owners of the Company | | 1,585,817 | 2,280,705 |
| Non-controlling interests | | (6,708) | (16,510) |
| | | 1,579,109 | 2,264,195 |
| | | RMB | RMB |
| Earnings per share | 14 | | |
| Basic | | 0.6673 | 0.9792 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2024

| | NOTES | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 15 | 375,893 | 397,616 |
| Right-of-use assets | 16 | 72,197 | 76,124 |
| Interests in associates | 17(a) | 3,389,827 | 3,271,934 |
| Interest in a joint venture | 17(b) | 181,804 | 179,049 |
| Intangible assets | 18 | 2,301,346 | 2,216,092 |
| Goodwill | 19 | 1,547,903 | 1,547,903 |
| Equity instruments at fair value through other comprehensive income | 20(b) | 129,783 | 163,893 |
| Deposits paid for acquisition of intangible assets | 23 | 1,189,256 | 1,013,395 |
| Amounts due from associates | 24 | 30,000 | 30,000 |
| Deferred tax assets | 30 | 52,693 | 40,396 |
| Loan receivable | | 72,227 | — |
| | | 9,342,929 | 8,936,402 |
| Current assets | | | |
| Inventories | 21 | 768,139 | 637,636 |
| Financial assets at fair value through profit or loss | 20(a) | 2,160,097 | 1,832,258 |
| Trade and other receivables and prepayments | 22 | 1,780,483 | 1,568,587 |
| Loan receivable | | — | 35,945 |
| Tax recoverable | | 5,553 | 784 |
| Amounts due from associates | 24 | 284,088 | 408,167 |
| Bank balances and cash | 25 | 3,706,501 | 4,311,058 |
| | | 8,704,861 | 8,794,435 |
| Current liabilities | | | |
| Trade and other payables | 26 | 484,797 | 436,976 |
| Lease liabilities | 27 | 16,933 | 15,416 |
| Contract liabilities | 28 | 16,610 | 12,733 |
| Bank borrowings | 29 | 831,300 | 1,269,650 |
| Derivative financial instruments | 31 | — | 17,227 |
| Deferred consideration payables | | — | 1,000 |
| Tax liabilities | | 166,423 | 295,784 |
| | | 1,516,063 | 2,048,786 |
| Net current assets | | 7,188,798 | 6,745,649 |
| Total assets less current liabilities | | 16,531,727 | 15,682,051 |

| | NOTES | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|---|
| Capital and reserves | | | |
| Share capital | 32 | 83,564 | 83,991 |
| Reserves | 33 | 16,227,905 | 15,436,217 |
| Equity attributable to owners of the Company | | 16,311,469 | 15,520,208 |
| Non-controlling interests | | 91,639 | 36,199 |
| | | 16,403,108 | 15,556,407 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 30 | 116,109 | 108,973 |
| Lease liabilities | 27 | 12,510 | 16,671 |
| | | 128,619 | 125,644 |
| | | 16,531,727 | 15,682,051 |

The consolidated financial statements on pages 83 to 197 were approved and authorised for issue by the Board of Directors on 17 March 2025 and are signed on its behalf by:

**LAM Kong**
*DIRECTOR*

**CHEN Yanling**
*DIRECTOR*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

| | Attributable to owners of the Company | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | Capital reserve RMB'000 (Note 33) | Surplus reserve fund RMB'000 (Note 33) | Translation reserve RMB'000 | Hedging reserve RMB'000 | Investments revaluation reserve RMB'000 | Share-based payments reserve RMB'000 | Other reserve RMB'000 | Accumulated profits RMB'000 | Dividend reserve RMB'000 | Treasury Stock RMB'000 | Sub-total RMB'000 | Attributable to non-controlling interests RMB'000 | Total RMB'000 |
| Balance at 1 January 2023 | 83,991 | 2,105,621 | 19,545 | 394,885 | 43,882 | 8,250 | (242,023) | (18,716) | 76,352 | 11,525,370 | 591,910 | – | 14,589,067 | 148,010 | 14,737,077 |
| Profit (loss) for the year | – | – | – | – | – | – | – | – | – | 2,400,940 | – | – | 2,400,940 | (16,510) | 2,384,430 |
| Share of other comprehensive income of associates | – | – | – | – | 5,507 | – | – | – | – | – | – | – | 5,507 | – | 5,507 |
| Exchange differences arising on translation of foreign operations | – | – | – | – | 1,074 | – | – | – | – | – | – | – | 1,074 | – | 1,074 |
| Exchange differences arising on translation of interests in associates | – | – | – | – | 14,589 | – | – | – | – | – | – | – | 14,589 | – | 14,589 |
| Fair value loss on investments in equity instruments at fair value through other comprehensive income | – | – | – | – | – | – | (133,155) | – | – | – | – | – | (133,155) | – | (133,155) |
| Change in fair value on cash flow hedges | | | | | | | | | | | | | | | |
| – fair value loss | – | – | – | – | – | (8,902) | – | – | – | – | – | – | (8,902) | – | (8,902) |
| – deferred tax relating to change in fair value | – | – | – | – | – | 652 | – | – | – | – | – | – | 652 | – | 652 |
| Total comprehensive income (expense) for the year | – | – | – | – | 21,170 | (8,250) | (133,155) | – | – | 2,400,940 | – | – | 2,280,705 | (16,510) | 2,264,195 |
| Recognition of equity-settled share-based payments | – | – | – | – | – | – | – | 1,560 | – | – | – | – | 1,560 | – | 1,560 |
| Repurchase of shares from non-controlling interests | – | – | – | – | – | – | – | 54,588 | (76,352) | 68,435 | – | – | 46,671 | 1,749 | 48,420 |
| Share-based payment forfeited | – | – | – | – | – | – | – | (37,432) | – | – | – | – | (37,432) | – | (37,432) |
| Dividends paid to non-controlling interests | – | – | – | – | – | – | – | – | – | – | – | – | – | (73,886) | (73,886) |
| Deemed disposal of a subsidiary | – | – | – | – | – | – | – | – | – | – | – | – | – | (23,164) | (23,164) |
| Dividends paid (Note 13) | – | – | – | – | – | – | – | – | – | (768,453) | (591,910) | – | (1,360,363) | – | (1,360,363) |
| Dividends proposed (Note 13) | – | – | – | – | – | – | – | – | – | (191,991) | 191,991 | – | – | – | – |
| Disposal of investments in equity instruments at fair value through other comprehensive income | – | – | – | – | – | – | 3,222 | – | – | (3,222) | – | – | – | – | – |
| Transfer of reserves | – | – | – | 30,750 | – | – | – | – | – | (30,750) | – | – | – | – | – |
| Balance at 31 December 2023 | 83,991 | 2,105,621 | 19,545 | 425,635 | 65,052 | – | (371,956) | – | – | 13,000,329 | 191,991 | – | 15,520,208 | 36,199 | 15,556,407 |
| Profit (loss) for the year | – | – | – | – | – | – | – | – | – | 1,619,788 | – | – | 1,619,788 | (6,708) | 1,613,080 |
| Share of other comprehensive income of associates | – | – | – | – | 6,162 | – | – | – | – | – | – | – | 6,162 | – | 6,162 |
| Exchange differences arising on translation of foreign operations | – | – | – | – | 3,038 | – | – | – | – | – | – | – | 3,038 | – | 3,038 |
| Exchange differences arising on translation of interests in associates | – | – | – | – | (9,061) | – | – | – | – | – | – | – | (9,061) | – | (9,061) |
| Fair value loss on investments in equity instruments at fair value through other comprehensive income | – | – | – | – | – | – | (34,110) | – | – | – | – | – | (34,110) | – | (34,110) |
| Total comprehensive income (expense) for the year | – | – | – | – | 139 | – | (34,110) | – | – | 1,619,788 | – | – | 1,585,817 | (6,708) | 1,579,109 |
| Repurchase of ordinary shares in treasury stock (Note 32) | – | – | – | – | – | – | – | – | – | – | – | (238,394) | (238,394) | – | (238,394) |
| Cancellation of ordinary shares (Note 32) | (427) | (80,020) | – | – | – | – | – | – | – | – | – | 80,447 | – | – | – |
| Capital contribution from non-controlling interests | – | – | – | – | – | – | – | – | – | – | – | – | – | 62,148 | 62,148 |
| Dividends paid (Note 13) | – | – | – | – | – | – | – | – | – | (364,171) | (191,991) | – | (556,162) | – | (556,162) |
| Dividends proposed (Note 13) | – | – | – | – | – | – | – | – | – | (283,700) | 283,700 | – | – | – | – |
| Transfer of reserves | – | – | – | 13,237 | – | – | – | – | – | (13,237) | – | – | – | – | – |
| Balance at 31 December 2024 | 83,564 | 2,025,601 | 19,545 | 438,872 | 65,191 | – | (406,066) | – | – | 13,959,009 | 283,700 | (157,947) | 16,311,469 | 91,639 | 16,403,108 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

| | NOTES | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Profit before tax | | 2,010,307 | 2,873,771 |
| Adjustments for: | | | |
| Amortisation of intangible assets | 18 | 184,983 | 163,504 |
| Impairment loss on interest in a joint venture | | — | 44,000 |
| Impairment loss on interest in an associate | | 100,000 | — |
| Impairment loss on intangible assets | | — | 8,025 |
| Impairment loss on inventories | | — | 33,215 |
| Impairment loss on prepayment | | — | 23,450 |
| (Reversal of) impairment loss on financial assets under expected credit loss model, net of reversal | | (499) | 52,723 |
| Impairment loss on deposit paid for acquisition of intangible assets | | 1,152 | 163,462 |
| Interest expenses | | 38,610 | 45,213 |
| Depreciation of property, plant and equipment | 15 | 50,755 | 45,797 |
| Depreciation of right-of-use assets | 16 | 23,500 | 20,264 |
| (Gain) loss on disposal of property, plant and equipment | | (500) | 265 |
| Imputed interest expense on deferred consideration payables | | — | 91 |
| Imputed interest expense on obligation rising from put options | | — | 947 |
| Share of results of associates | | (338,548) | (274,977) |
| Share of result of a joint venture | | (2,755) | (2,888) |
| Interest income | | (126,344) | (146,475) |
| Dividends from financial assets at FVTPL | | (1,716) | (30,620) |
| Net foreign exchange loss (gain) | | 4,500 | (3,494) |
| Change in fair value of derivative financial instruments | | (17,227) | 49,785 |
| Change in fair value of financial assets at fair value through profit or loss | | 9,025 | 16,750 |
| Reversal of share-based payments | | — | (35,872) |
| Operating cash flows before movements in working capital | | 1,935,243 | 3,046,936 |
| Increase in inventories | | (130,503) | (235,767) |
| (Increase) decrease in trade and other receivables and prepayments | | (173,422) | 410,558 |
| Decrease (increase) in amounts due from associates | | 124,079 | (80,095) |
| Increase (decrease) in trade and other payables | | 47,821 | (82,845) |
| Increase (decrease) in contract liabilities | | 3,877 | (8,881) |

| | NOTES | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|---|
| Cash generated from operations | | 1,807,095 | 3,049,906 |
| People's Republic of China (the "PRC") Enterprise Income Tax paid | | (386,506) | (391,922) |
| Hong Kong Profits Tax paid | | (79,100) | (569) |
| Macau Complementary Income Tax paid | | (72,942) | (154,562) |
| NET CASH FROM OPERATING ACTIVITIES | | 1,268,547 | 2,502,853 |
| INVESTING ACTIVITIES | | | |
| Interest received | | 126,344 | 146,475 |
| Dividend received from an associate | | 184,691 | 180,421 |
| Dividends received from financial assets at FVTPL | | 1,716 | 30,620 |
| Purchase of property, plant and equipment | | (32,619) | (27,490) |
| Payments for right-of-use assets | | — | (14,701) |
| Proceeds from disposal of property, plant and equipment | | 4,087 | 318 |
| Disposal of financial assets at FVTPL | | 6,007 | 20,343 |
| Purchase of financial assets at FVTPL | | (342,871) | (378,015) |
| Purchase of intangible assets | | (114,674) | (6,604) |
| Payments for rental deposits | | — | (859) |
| Deposits paid for acquisition of intangible assets | | (308,615) | (269,165) |
| Capital injection to associates | | (66,935) | (112,464) |
| Net cash outflow on deemed disposal of a subsidiary | 41 | — | (11,155) |
| Loan to third parties | | (72,227) | — |
| NET CASH USED IN INVESTING ACTIVITIES | | (615,096) | (442,276) |

| | NOTES | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|---|
| FINANCING ACTIVITIES | | | |
| New bank borrowings raised | | 831,300 | 1,276,535 |
| Repayment for deferred consideration payable | | (1,000) | (1,000) |
| Interest paid | | (38,610) | (45,213) |
| Dividends paid | 13 | (556,162) | (1,360,363) |
| Repayment of bank borrowings | | (1,274,150) | (1,786,728) |
| Repayments of lease liabilities | | (22,217) | (18,069) |
| Repurchase of shares from non-controlling interest | | — | (116,300) |
| Dividends paid to non-controlling interest | | — | (73,886) |
| Payment on repurchase of shares | | (238,394) | — |
| Capital contribution from non-controlling interests | | 38,187 | — |
| NET CASH USED IN FINANCING ACTIVITIES | | (1,261,046) | (2,125,024) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (607,595) | (64,447) |
| CASH AND CASH EQUIVALENT AT THE BEGINNING OF YEAR | | 4,311,058 | 4,376,376 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | 3,038 | (871) |
| CASH AND CASH EQUIVALENT AT THE END OF YEAR REPRESENTED BY BANK BALANCES AND CASH | | 3,706,501 | 4,311,058 |

## 1. GENERAL INFORMATION

China Medical System Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 18 December 2006. On 26 June 2007, the Company was listed on the Alternative Investment Market ("AIM") operated by the London Stock Exchange plc. The Company was listed on the Main Board operated by The Stock Exchange of Hong Kong Limited on 28 September 2010 and it was delisted from the AIM on the same date. The Company's ultimate holding company and immediate holding company is Treasure Sea Limited, a company incorporated in the British Virgin Islands. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business is Unit 2106, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are research and development, production, promotion and sale of medicines.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and majority of its subsidiaries.

## 2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

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

In the current year, the Group has applied the following amendments to IFRS Accounting Standards for the first time, which are mandatorily effective for the annual periods beginning on 1 January 2024 for the preparation of the consolidated 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 |
| Amendments to IAS 1 | Non-current Liabilities with Covenants |
| Amendments to IAS 7 and IFRS 7 | Supplier Finance Arrangements |

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

## 2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS - continued

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

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

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

[1] Effective for annual periods beginning on or after a date to be determined

[2] Effective for annual periods beginning on or after 1 January 2025

[3] Effective for annual periods beginning on or after 1 January 2026

[4] Effective for annual periods beginning on or after 1 January 2027

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

### IFRS 18 Presentation and Disclosure in Financial Statements

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

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

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

## 3.1 Basis of preparation of consolidated financial statements

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

## 3.2 Material accounting policy information

### *Basis of consolidation*

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

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

## 3.2 Material accounting policy information - continued

### *Basis of consolidation - continued*

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

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

*Changes in the Group's interests in existing subsidiaries*

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

### *Goodwill*

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

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

## 3.2 Material accounting policy information - continued

### *Goodwill - continued*

The Group's policy for goodwill arising on the acquisition of an associate is described below.

### *Interests in associates and a joint venture*

An associate is an entity over which the Group 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 joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An interest in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the interest in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

## 3.2 Material accounting policy information - continued

### *Interests in associates and a joint venture - continued*

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

### *Revenue from contracts with customers*

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

### *Property, plant and equipment*

Property, plant and equipment including buildings are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

## 3.2 Material accounting policy information - continued

### *Property, plant and equipment - continued*

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of IAS 2 *Inventories*. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

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

## 3.2 Material accounting policy information - continued

### *Intangible assets*

*Intangible assets acquired separately*

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

*Internally-generated intangible assets-research and development expenditure*

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

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

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

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

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

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

## 3.2 Material accounting policy information - continued

### *Intangible assets - continued*

*Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination and recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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

### *Impairment on property, plant and equipment, right-of-use assets, deposits paid for acquisition of intangible assets and intangible assets other than goodwill*

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, deposits paid for acquisition of intangible assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

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

## 3.2 Material accounting policy information - continued

***Impairment on property, plant and equipment, right-of-use assets, deposits paid for acquisition of intangible assets and intangible assets other than goodwill - continued***

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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

## 3.2 Material accounting policy information - continued

### *Cash and cash equivalents*

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

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

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

### *Inventories*

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

### *Financial instruments*

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

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

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

## 3.2 Material accounting policy information - continued

### *Financial instruments - continued*

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

*Financial assets*

Classification and subsequent measurement of financial assets

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is not a contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies, and except derivative designated in a qualifying hedging relationship.

In addition, the Group may irrevocably designate financial assets that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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

## 3.2 Material accounting policy information - continued

### *Financial instruments - continued*

*Financial assets - continued*

Classification and subsequent measurement of financial assets - continued

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

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

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

## 3.2 Material accounting policy information - continued

### *Financial instruments - continued*

*Financial assets - continued*

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, loan receivable, amounts due from associates and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables.

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

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

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

## 3.2 Material accounting policy information - continued

### *Financial instruments - continued*

*Financial assets - continued*

Impairment of financial assets subject to impairment assessment under IFRS 9 - continued

(i) Significant increase in credit risk - continued

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

(ii) Definition of default

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

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

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

## 3.2 Material accounting policy information - continued

### *Financial instruments - continued*

*Financial assets - continued*

Impairment of financial assets subject to impairment assessment under IFRS 9 - continued

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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

## 3.2 Material accounting policy information - continued

### *Financial instruments - continued*

*Financial assets - continued*

Impairment of financial assets subject to impairment assessment under IFRS 9 - continued

(v) Measurement and recognition of ECL - continued

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

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

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

- Past-due status; and
- Nature, size and industry of debtors.

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

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

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

Foreign exchange gains and losses

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

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

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

## 3.2 Material accounting policy information - continued

### *Financial instruments - continued*

*Financial assets - continued*

Foreign exchange gains and losses - continued

- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other gains and losses" line item (Note 7) as part of changes in fair value of financial assets;
- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investment revaluation reserve.

Derecognition of financial assets

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

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

*Financial liabilities and equity instruments*

Classification as debts or equity

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

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

## 3.2 Material accounting policy information - continued

### *Financial instruments - continued*

*Financial liabilities and equity instruments - continued*

Equity instruments

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

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

Financial liabilities

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, or (ii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

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

## 3.2 Material accounting policy information - continued

### *Financial instruments - continued*

*Financial liabilities and equity instruments - continued*

Financial liabilities at FVTPL - continued

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated profits upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities, including trade and other payables and bank borrowings and deferred consideration payables, are subsequently measured at amortised cost, using the effective interest method.

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

## 3.2 Material accounting policy information - continued

### *Financial instruments - continued*

*Financial liabilities and equity instruments - continued*

Bank borrowings

Bank borrowings are recognised initially at fair value of proceeds received, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition or issue of a financial liability. Bank borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is amortised to profit or loss over the period of the bank borrowings using the effective interest method.

Foreign exchange gains and losses

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

Derecognition of financial liabilities

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

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

## 3.2 Material accounting policy information - continued

### *Taxation*

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

## 3.2 Material accounting policy information - continued

### *Taxation - continued*

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

## 3.2 Material accounting policy information - continued

### *Foreign currencies*

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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

## 3.2 Material accounting policy information - continued

### *Employee benefits*

*Retirement benefit costs*

Payment to defined contribution retirement benefit plans including schemes registered under the Mandatory Provident Fund Schemes Ordinance in Hong Kong, Social Security Fund Schemes in Macau and government retirement benefit scheme in the PRC and retirement benefit scheme in Dubai are recognised as an expense when employees have rendered service entitling them to the contributions.

Payments to employee benefit schemes including key employee benefit scheme (the "2009 Scheme"), CMS key employee benefit scheme (the "New KEB Scheme") and CMS Employee Incentive Scheme (the "Bonus Scheme"), which are classified as a defined contribution scheme, are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group operates defined contribution retirement schemes in Hong Kong, Macau, the PRC and Dubai.

In respect of the non-mandatory provident fund schemes, contributions payable by the Group are reduced by the amount of contributions forfeited by those employees who leave the schemes prior to vesting fully in the Group's contributions.

*Short-term employee benefits*

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS Accounting standards requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

# 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

## Estimated impairment of goodwill

For the purpose of impairment testing, the entire amount of goodwill has been allocated to eight (2023: eight) cash generating units ("CGUs") (see Note 19). The impairment assessment is based on the higher of fair value less costs of disposal and value in use of the CGUs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. The value in use calculation is sensitive to changes in the key assumptions including growth rates, discount rate and the forecast performance based on management's view of future business prospects. Where the actual future cash flows are less than expected or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss/further impairment loss may arise.

During the years ended 31 December 2024 and 2023, no impairment on goodwill was recognised in profit or loss. As at 31 December 2024, the carrying amount of goodwill is approximately RMB1,547,903,000 (2023: RMB1,547,903,000) (net of accumulated impairment loss of RMB170,000,000 (2023: RMB170,000,000)).

# 4. KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

## Estimated impairment of intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is determined as the higher of its fair value less costs of disposal and its value in use. The recoverable amount is estimated with reference to the value in use calculation in order to determine the extent of the impairment loss, if any. The value in use calculation is sensitive to changes in the key assumptions including growth rates, discount rate and the forecast performance based on management's view of future business prospects. If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. During the year ended 31 December 2024, no impairment (2023: impairment loss of RMB8,025,000) was recognised in profit or loss. As at 31 December 2024, the carrying amount of intangible assets is approximately RMB2,301,346,000 (2023: RMB2,216,092,000).

## Provision of ECL for trade receivables

Trade receivables with credit-impaired are assessed for ECL individually. In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on internal credit ratings as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable, supportable and available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. As at 31 December 2024, the carrying amount of trade receivables amounted to RMB1,222,479,000 (2023: RMB1,146,738,000) were net of impairment allowance under ECL model. The information about the ECL and the Group's trade receivables are disclosed in Notes 35 and 22, respectively.

## Fair value measurement of financial instruments

As at 31 December 2024, the Group's unquoted equity instruments at FVTOCI amounting to RMB129,763,000 (2023: RMB125,344,000) and financial assets, being unlisted investments at FVTPL amounting to RMB2,157,623,000 (2023: RMB1,829,656,000), are measured at fair values with fair values being determined based on significant unobservable inputs using valuation techniques and the relevant inputs thereof. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See Note 20 for further disclosures.

# 4. KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

## Estimated impairment of deposits paid for acquisition of intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its deposits paid for acquisition of intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated with reference to the value in use calculation in order to determine the extent of the impairment loss, if any. The value in use calculation is sensitive to changes in the key assumptions including growth rates, discount rate and the forecast performance based on management's view of future business prospects. If the recoverable amount of the deposits paid for acquisition of intangible assets is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. During the year ended 31 December 2024, an impairment loss of RMB1,152,000 (2023: RMB163,462,000) was recognised in profit or loss. As at 31 December 2024, the carrying amount of the deposits paid for acquisition of intangible assets is approximately RMB1,189,256,000 (2023: RMB1,013,395,000).

## Estimated impairment of interest in an associate

Determining whether interest in Eye Tech Care ("ETC") is impaired requires an estimation of the recoverable amount of the cash-generating unit, which is the higher of the value in use and fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties due to uncertainty on volatility in macro and microeconomic factors of the operation of ETC. As at 31 December 2024, the carrying amount of interest in ETC is approximately RMB125,400,000 (2023: RMB247,233,000) (net of accumulated impairment loss of RMB100,000,000 (2023: nil)). Details of the recoverable amount calculation are disclosed in Note 17(a).

# 5. REVENUE AND SEGMENT INFORMATION

## (i) Disaggregation of revenue from contracts with customers

The following is an analysis of the Group's revenue from its major products and services:

| At a point in time | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Sales of pharmaceutical products | 5,887,214 | 5,936,515 |
| Promotion income | 1,581,776 | 2,076,770 |
| Total revenue | 7,468,990 | 8,013,285 |

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

The Group mainly sells pharmaceutical products to distributors which would then further be sold to hospital and medical institutions throughout the PRC and provides promotion services to certain pharmaceutical manufacturers.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

# 5. REVENUE AND SEGMENT INFORMATION - continued

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

### *Variable consideration*

For contracts that contain variable consideration (e.g. sales returns or volume rebates), the Group estimates the amount of consideration to which it will be entitled using the expected value method, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

### *Principal versus agent*

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group has acted as principal for transactions of pharmaceutical products and acted as agent for the promotion services. In assessing whether the Group acted as principal or agent, the Group has considered whether it controls the pharmaceutical products and promotion services before such products and/or services are transferred to customers, indicators including but not limited to whether the Group has primary responsibility in providing the goods and services to the customers, inventory risk before the customers' order and whether it has discretion in establishing price.

## 5. REVENUE AND SEGMENT INFORMATION - continued

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

***Principal versus agent - continued***

For sales of pharmaceutical products to customers, revenue is recognised at a point in time when control of the pharmaceutical products is passed to customers, i.e. when the products are delivered and titles have passed to customers upon receipt by customers. Sales rebates will be granted to customers by the Group for qualified purchases at a pre-determined amount per unit.

For promotion of pharmaceutical products, revenue is recognised at a point in time when the Group satisfies its obligation to arrange for the pharmaceutical products to be provided by suppliers to distributors.

The Group's research and development, production, promotion and sale of medicines are primarily in the PRC. Almost all revenue from external customers is attributed to the PRC, 99% and 1% (2023: 86% and 14%) of non-current assets excluding amounts due from associates, derivative financial instruments and deferred tax assets of the Group are located in the PRC and Dubai, respectively.

Sales to the largest customer of the Group account for 18.7% (2023: 20.2%) of the Group's sales and no other single customers contribute over 10% of the total revenue of the Group for the year ended 31 December 2024.

## 6. OTHER INCOME

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Interest income | 126,344 | 146,475 |
| Government subsidies (Note) | 82,043 | 85,616 |
| | 208,387 | 232,091 |

Note: The amounts for both years mainly represented the incentive subsidies provided by the PRC local authorities to the Group to encourage business operation in the PRC. Such government grants were pertinent to income and aim to give immediate financial support to the Group with no future related costs. There were no unfulfilled conditions attached to these grants and, the Group has recognised the grants upon receipts.

## 7. OTHER GAINS AND LOSSES

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Impairment loss on interest in an associate (Note 17(a)) | (100,000) | — |
| Impairment loss on interest in a joint venture | — | (44,000) |
| Impairment loss on deposit paid for acquisition of intangible assets | (1,152) | (163,462) |
| Impairment loss on intangible assets | — | (8,025) |
| Impairment loss on prepayment | — | (23,450) |
| Impairment loss on inventories | — | (33,215) |
| Impairment losses under ECL model, net of reversal | 499 | (52,723) |
| Gain (loss) on disposal of property, plant and equipment | 500 | (265) |
| Net foreign exchange (loss) gain | (53,147) | 31,540 |
| Change in fair value of derivative financial instruments | 17,227 | (49,785) |
| Change in fair value of financial assets at FVTPL | (9,025) | (16,750) |
| Dividends from financial assets at FVTPL | 1,716 | 30,620 |
| Others | (7,862) | (6,482) |
| | (151,244) | (335,997) |

## 8. FINANCE COSTS

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Interest on bank borrowings | 36,398 | 42,997 |
| Interest on lease liabilities | 2,212 | 2,216 |
| Interest on obligation arising from put options | — | 947 |
| Imputed interest on deferred consideration payables | — | 91 |
| | 38,610 | 46,251 |

# 9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

| | Year ended 31 December 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Executive Director (Note b) | Non-executive Director (Notes b and d) | Independent Non-executive Directors (Note c) | | | Executive Director and chief executive (Note b) | |
| | Chen Yan Ling | Chen Hong Bing | Fung Ching, Simon | Leung Chong Shun | Luo, Laura Ying | Lam Kong | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 (Note a) | RMB'000 |
| Fees | 330 | 330 | 330 | 330 | 330 | 330 | 1,980 |
| Other emoluments | | | | | | | |
| Salaries and other benefits | 4,521 | 4,777 | – | – | – | 5,806 | 15,104 |
| Contributions to retirement benefits schemes | 34 | 76 | – | – | – | 50 | 160 |
| Total emoluments | 4,885 | 5,183 | 330 | 330 | 330 | 6,186 | 17,244 |

| | Year ended 31 December 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Executive Directors (Note b) | | Independent Non-executive Directors (Note c) | | | Executive Director and chief executive (Note b) | |
| | Chen Hong Bing | Chen Yan Ling | Fung Ching, Simon | Leung Chong Shun | Luo, Laura Ying | Lam Kong | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 (Note a) | RMB'000 |
| Fees | 323 | 323 | 323 | 323 | 323 | 323 | 1,938 |
| Other emoluments | | | | | | | |
| Salaries and other benefits | 4,610 | 4,072 | – | – | – | 5,088 | 13,770 |
| Contributions to retirement benefits schemes | 106 | 33 | – | – | – | 32 | 171 |
| Total emoluments | 5,039 | 4,428 | 323 | 323 | 323 | 5,443 | 15,879 |

## 9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS - continued

Notes:

(a) Mr. Lam Kong is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

(b) The executive directors' and non-executive director's emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

(c) The independent non-executive director's emoluments shown above were mainly for their services as directors of the Company.

(d) Mr. Chen Hong Bing was re-designated as a non-executive director of the Company on 15 August 2024.

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

## 10. EMPLOYEES' EMOLUMENTS

The five highest paid individuals for the year ended 31 December 2024 included three directors (2023: three directors), details of whose emoluments are set out in Note 9 above. The emoluments of the remaining two (2023: two) individuals for the year ended 31 December 2024 were as follows:

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Employees | | |
| — basic salaries and allowances | 5,656 | 4,979 |
| — retirement benefits scheme contributions | 239 | 109 |
| | 5,895 | 5,088 |

The number of the highest paid individuals who are not the directors of the Company whose remuneration fell within the following bands is as follows:

| | Number of employees | |
|---|---|---|
| | 2024 | 2023 |
| HK$2,500,001 to HK$3,000,000 | — | 2 |
| HK$3,000,001 to HK$3,500,000 | 2 | — |

During both years, no emoluments were paid by the Group to the directors or the highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

# 11. INCOME TAX EXPENSE

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Current tax: | | |
| The PRC Enterprise Income Tax ("EIT") | 249,610 | 265,088 |
| Hong Kong Profits Tax | 5,470 | 63,744 |
| Macau Complementary Income Tax | 42,917 | 69,287 |
| Dubai Income Tax | 14,664 | — |
| Withholding tax | 85,000 | 83,198 |
| | 397,661 | 481,317 |
| Under (over) provision in prior years: | | |
| The PRC EIT | 2,936 | 8,590 |
| Hong Kong Profits Tax | 2,524 | 579 |
| Macau Complementary Income Tax | (733) | — |
| | 4,727 | 9,169 |
| Deferred taxation (Note 30): | | |
| — Current year | (5,161) | (1,145) |
| | 397,227 | 489,341 |

Notes:

(a) The PRC Enterprise Income Tax

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for the PRC taxation purposes at the applicable rates for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except for those described below.

天津康哲維盛醫藥科技發展有限公司 (Formerly known as天津康哲醫藥科技發展有限公司) (Tianjin Kangzhe Vision Pharmaceutical Technology Development Co., Ltd.) ("Tianjin Kangzhe") is entitled to a reduced tax rate of 15% (2023: 15%) granted by the local tax authority until 2027. 康哲(湖南)制藥有限公司 (Kangzhe (Hunan) Medical Co., Ltd.) ("Kangzhe Hunan") is entitled to a reduced tax rate of 15% (2023: 15%) granted by local tax authority until 2025. 西藏康哲藥業發展有限公司 (Tibet Kangzhe Pharmaceutical Development Co., Ltd) ("Tibet Kangzhe Development") is entitled to a reduced tax rate of 9% (2023: 9%) granted by local tax authority until 2025. 海南康哲美麗科技有限公司 (Hainan Kangzhe Aesthetics Technology Co., Ltd) and 海南康哲維盛科技有限公司 (Hainan Kangzhe Weishen Technology Co., Ltd) are entitled to a reduced tax rate of 15% (2023: 15%) granted by local tax authority.

## 11. INCOME TAX EXPENSE - continued

Notes: - continued

(b) Hong Kong Profits Tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%, while only one entity nominated by a group of "connected" entities will be entitled to select the lower tax rate. The profits of group entities not elected/qualified for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

(c) PRC Withholding Income Tax

PRC withholding income tax of 10% shall be levied on the dividend declared by the companies established in the PRC to their foreign investors out of their profits earned after 1 January 2008. A lower 5% withholding rate may be applied when the immediate holding company of the PRC subsidiaries are incorporated or operated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong.

(d) Overseas Income tax

The company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap.22 of Cayman Islands and accordingly, is exempted from the Cayman Islands Income Tax.

(e) Macau Complementary Income Tax

Macau Complementary Income Tax is calculated at the progressive rate on the estimated assessable profits. The maximum tax rate is 12% for the years ended 31 December 2024 and 2023.

(f) Dubai Tax

United Arab Emirates Corporate Tax is calculated at 9% on assessable profits exceeding 375,000 United Arab Emirate Dirham ("AED") for the year ended 31 December 2024. For the year ended 31 December 2023, no income tax is imposed on the Company's subsidiaries in Dubai according to prevailing regulations in Dubai.

## 11. INCOME TAX EXPENSE - continued

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

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Profit before tax | 2,010,307 | 2,873,771 |
| Tax at PRC EIT rate of 25% | 502,577 | 718,443 |
| Tax effect of share of results of associates | (84,637) | (68,744) |
| Tax effect of share of result of a joint venture | (689) | (722) |
| Tax effect of expenses that are not deductible in determining taxable profit | 99,177 | 138,053 |
| Tax effect of income that is not taxable in determining taxable profit | (11,633) | (14,783) |
| Tax effect of tax losses not recognised | 21,295 | 22,251 |
| Tax effect of deductible temporary differences not recognised | (547) | (2,717) |
| Tax effect of tax concession | (186,472) | (231,162) |
| Effect on different applicable tax rates of subsidiaries | (34,186) | (90,031) |
| Effect of taxable profit that is not taxable in Dubai | — | (75,770) |
| Under provision in prior years | 4,727 | 9,169 |
| Withholding tax | 85,000 | 83,198 |
| Others | 2,615 | 2,156 |
| Income tax expense for the year | 397,227 | 489,341 |

## 12. PROFIT FOR THE YEAR

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Profit for the year has been arrived at after charging: | | |
| Directors' remuneration (Note 9) | | |
| Fees | 1,980 | 1,938 |
| Salaries and other benefits | 15,104 | 13,770 |
| Contribution to retirement benefits schemes | 160 | 171 |
| | 17,244 | 15,879 |
| Other staff costs | 1,338,076 | 1,252,100 |
| Equity-settled share-based expense, net of reversal upon cancellation | — | (35,872) |
| Contribution to retirement benefits schemes | 301,007 | 279,850 |
| Employee benefits expense (Note 40) | 7,680 | 5,160 |
| Total staff costs | 1,664,007 | 1,517,117 |
| Auditor's remuneration | 3,938 | 4,211 |
| Depreciation of property, plant and equipment | 50,755 | 45,797 |
| Depreciation of right-of-use assets | 23,500 | 20,264 |
| Amortisation of intangible assets (included in cost of goods sold) | 184,983 | 163,504 |
| Cost of inventories recognised as an expense | 1,826,933 | 1,732,806 |

## 13. DIVIDENDS

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Dividends paid | | |
| Dividends recognised as distributions during the year: | | |
| 2024 Interim — RMB0.1507 (2023: 2023 Interim dividend RMB0.3134) per share | 364,171 | 768,453 |
| 2023 Final - RMB0.0783 (2023: 2022 final dividend RMB0.2414) per share | 191,991 | 591,910 |
| | 556,162 | 1,360,363 |
| Dividends proposed | | |
| Dividends proposed during the year: | | |
| 2024 final — RMB0.1174 (2023: 2023 final — RMB0.0783) per share | 283,700 | 191,991 |

Subsequent to the end of the reporting period, the Board of Directors have declared a final dividend of RMB0.1174 per ordinary share for the year ended 31 December 2024 (2023: RMB0.0783 per ordinary share).

## 14. EARNINGS PER SHARE

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

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company) | 1,619,788 | 2,400,940 |

| | Number of ordinary shares as at 31 December | |
|---|---|---|
| | 2024 | 2023 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 2,427,382,419 | 2,451,988,512 |

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

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Leasehold improvement | Plant and machinery | Motor vehicles | Furniture, fixtures and equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| COST | | | | | | | |
| At 1 January 2023 | 329,990 | 66,093 | 185,695 | 33,846 | 42,572 | 12,748 | 670,944 |
| Additions | 255 | 11,548 | 3,051 | 68 | 12,157 | 411 | 27,490 |
| Disposals | – | (117) | (255) | (393) | (1,864) | – | (2,629) |
| Deemed disposal of a subsidiary (Note 41) | (19,484) | – | (15,117) | (201) | (2,738) | (434) | (37,974) |
| Transfer | 103 | 3,989 | 5,633 | – | 3,000 | (12,725) | – |
| At 31 December 2023 | 310,864 | 81,513 | 179,007 | 33,320 | 53,127 | – | 657,831 |
| Additions | 75 | 8,701 | 2,159 | 1,840 | 19,272 | 572 | 32,619 |
| Disposals | – | – | (609) | (2,311) | (7,985) | – | (10,905) |
| Transfer | 430 | – | 142 | – | – | (572) | – |
| At 31 December 2024 | 311,369 | 90,214 | 180,699 | 32,849 | 64,414 | – | 679,545 |
| ACCUMULATED DEPRECIATION | | | | | | | |
| At 1 January 2023 | 87,388 | 27,160 | 83,654 | 29,775 | 17,487 | – | 245,464 |
| Provided for the year | 14,697 | 10,744 | 11,875 | 2,187 | 6,294 | – | 45,797 |
| Eliminated on disposals | – | – | (227) | (185) | (1,634) | – | (2,046) |
| Eliminated on deemed disposal of a subsidiary (Note 41) | (13,199) | – | (13,057) | (185) | (2,559) | – | (29,000) |
| At 31 December 2023 | 88,886 | 37,904 | 82,245 | 31,592 | 19,588 | – | 260,215 |
| Provided for the year | 15,131 | 13,205 | 12,389 | 2,388 | 7,642 | – | 50,755 |
| Eliminated on disposals | – | – | (548) | (2,010) | (4,760) | – | (7,318) |
| At 31 December 2024 | 104,017 | 51,109 | 94,086 | 31,970 | 22,470 | – | 303,652 |
| CARRYING VALUES | | | | | | | |
| At 31 December 2024 | 207,352 | 39,105 | 86,613 | 879 | 41,944 | – | 375,893 |
| At 31 December 2023 | 221,978 | 43,609 | 96,762 | 1,728 | 33,539 | – | 397,616 |

## 15. PROPERTY, PLANT AND EQUIPMENT - continued

The above items of property, plant and equipment are depreciated over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | Over the shorter of the lease terms, or 20/40 years |
| Leasehold improvement | Over the shorter of the lease terms, or 10 years |
| Plant and machinery | 5 to 10 years |
| Motor vehicles | 5 years |
| Furniture, fixtures and equipment | 5 years |

As at 31 December 2024 and 2023, the Group had no pledged property, plant and equipment to source bank borrowing and banking facilities granted to the Group.

## 16. RIGHT-OF-USE ASSETS

| | Leasehold land | Building | Total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| **As at 31 December 2024** | | | |
| Carrying amount | 44,699 | 27,498 | 72,197 |
| **As at 31 December 2023** | | | |
| Carrying amount | 45,890 | 30,234 | 76,124 |
| **For the year ended 31 December 2024** | | | |
| Depreciation charge | 1,191 | 22,309 | 23,500 |
| **For the year ended 31 December 2023** | | | |
| Depreciation charge | 996 | 19,268 | 20,264 |

| | Year ended 31/12/2024 RMB'000 | Year ended 31/12/2023 RMB'000 |
|---|---|---|
| Expense relating to short-term leases | 21,134 | 26,780 |
| Total cash outflow for leases | (45,563) | (47,065) |
| Additions to right-of-use assets | 19,573 | 35,562 |

## 16. RIGHT-OF-USE ASSETS - continued

For both years, the Group leases offices premises and warehouses for its operations. For the year ended 31 December 2024, lease contracts are entered into for fixed term of 1 year to 20 years with fixed payment. The Group does not have the option to purchase the leased properties for a nominal amount at the end of the relevant lease terms or any extension/termination options which are solely at the Group's discretion. The Group's obligations are secured by the rental deposits for such leases. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group determines the lease period to be the non-cancellable period based on the contractual terms of the contract.

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

As at 31 December 2024 and 2023, the Group had no pledged right-of-use assets to secure general banking facilities granted to the Group.

The Group regularly entered into short-term leases for offices premises and warehouses. As at 31 December 2024 and 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

During the year ended 31 December 2024, no payment for leasehold land was made. All the Group's leasehold lands represented prepaid land use right, are located in the PRC.

## 17. INTERESTS IN ASSOCIATES/A JOINT VENTURE

### (a) Interests in associates

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Cost of investments in associates | | |
| Listed outside Hong Kong | 2,304,356 | 2,304,356 |
| Unlisted | 479,229 | 412,294 |
| Impairment loss recognised (Note iii) | (100,000) | — |
| Share of post-acquisition profits and other comprehensive income, net of dividends received | 682,399 | 522,380 |
| Exchange adjustments | 23,843 | 32,904 |
| | 3,389,827 | 3,271,934 |
| Fair value of listed investment (Note) | 4,416,423 | 4,519,786 |

# 17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

## (a) Interests in associates - continued

Note: As at 31 December 2024, the fair value of the Group's interest in its listed associate, Tibet Rhodiola Pharmaceutical Holding Company ("Tibet Pharmaceutical"), of which its shares are listed on the Shanghai Stock Exchange (the "SSE"), was approximately RMB4,416 million (2023: approximately RMB4,520 million) based on the quoted market price available on the SSE, which is a level 1 input in terms of IFRS 13 *Fair Value Measurement.*

As at 31 December 2024 and 2023, details of the associates are as follows:

| Names of associates | Place of establishment/ incorporation | Principal place of business | Proportion of ownership interest /voting rights held by the Group | | Principal activities |
|---|---|---|---|---|---|
| | | | 2024 | 2023 | |
| Tibet Pharmaceutical (Note i) | PRC | PRC | 37.36% | 37.36% | Production of medicines and sale of drugs |
| Shenzhen Kangmai Biotechnology Co., Ltd. (Note ii) | PRC | PRC | 50.00% | 50.00% | Research and development of antibodies medicines |
| Eye Tech Care (Note iii) | France | France | 36.17% | 36.17% | Research and development of therapeutic ultrasound device |
| PharmaGend Global Medical Services Pte. Ltd (formerly known as Rxilient Biohub Pte. Ltd (Note iv) | Singapore | Singapore | 45.00% | 45.00% | Production of medicines and sale of drugs |

Notes:

(i) As the Group is able to exercise significant influence over Tibet Pharmaceutical in both years, it is accounted for as an associate of the Group. Included in the cost of investment in Tibet Pharmaceutical as at 31 December 2024, there is a goodwill of approximately RMB1,654,481,000 (2023: RMB1,654,481,000).

As at 31 December 2024 and 2023, no impairment indicator on interest in Tibet Pharmaceutical and no impairment assessment was carried out.

(ii) The Group owns 50.00% of equity interest in Shenzhen Kangmai Biotechnology Co., Ltd ("Shenzhen Kangmai"), however, the Group appointed one director out of three directors and is able to exercise significant influence over Shenzhen Kangmai.

# 17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

## (a) Interests in associates - continued

Notes: - continued

(iii) As the Group is able to exercise significant influence over Eye Tech Care ("ETC") in both years, it is accounted for as an associate of the Group. As at 31 December 2024, included in the investment cost, there is a goodwill of approximately RMB68,075,000 (2023: RMB168,075,000) arising from the investment in ETC.

The Group performed impairment assessment on the interest in ETC, an associate of the Group. As at 31 December 2024 impairment indicator was observed and the Group engaged a third party qualified valuer to perform the valuation. Determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the relevant associate which is the higher of value in use and fair value less costs of disposal. The recoverable amount of the Group's interest in ETC has been determined based on a value in use calculation. The recoverable amount is based on certain key assumptions including discount rate and the estimated cash flows. The value in use calculation uses cash flow projections based on financial forecasts approved by management covering a 5-year period with a pre-tax discount rate of 21.2%. Cash flow projections beyond the 5-year period are extrapolated using a steady 2% growth rate. This growth rate does not exceed the average long-term growth rate for the relevant industry in which the business of ETC operates. Cash flow projections during the forecast period for ETC are also based on management's estimation of cash inflows/outflows including gross revenue, gross margin, operating expenses and working capital requirements during the forecast period. The assumptions and estimations are based on ETC's past performance, management's expectations of the market development. Due to the continuing unfavourable market conditions, ETC faced a lower than expected demand during the year ended 31 December 2024, its financial performance is less satisfactory than expected. As a result, an impairment loss of RMB100,000,000 has been recognised in respect of the Group's interest in ETC during the year ended 31 December 2024.

(iv) On 20 October 2023, Rxilient Biohub Pte. Ltd ("Rxilient Biohub"), originally a wholly-owned subsidiary of the Group, entered into a share subscription agreement with its shareholders, pursuant to which the registered capital of Rxilient Biohub was increased from US$200,000 to US$30,000,000, and upon the completion of the subscription, the Group owns 45.00% of the enlarged registered capital of Rxilient Biohub, and therefore, the investment in Rxilient Biohub was accounted for as an investment in an associate using the equity method. On 20 December 2023, Rxilient Biohub was renamed as PharmaGend Global Medical Services Pte. Ltd. During the year ended 31 December 2024, PharmaGend has increased its share capital to US$50,000,000 and the Group and other shareholders of PharmaGend have made capital injection into PharmaGend in proportion to the original equity interest held by them.

### *Summarised financial information of associates*

Summarised financial information in respect of each of the Group's associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRS Accounting Standards. All of these associates are accounted for using the equity method in these consolidated financial statements.

## 17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

### (a) Interests in associates - continued

***Summarised financial information of associates - continued***

*Tibet Pharmaceutical*

| | 31.12.2024 RMB'000 | 31.12.2023 RMB'000 |
|---|---|---|
| Current assets | 3,569,908 | 3,402,862 |
| Non-current assets | 1,177,430 | 1,184,495 |
| Current liabilities | (766,571) | (1,184,470) |
| Non-current liabilities | (28,662) | (29,266) |

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Revenue | 2,806,713 | 3,134,328 |
| Profit for the year | 1,051,288 | 800,914 |
| Other comprehensive income for the year | 16,352 | 18,236 |
| Total comprehensive income for the year | 1,067,640 | 819,150 |
| Dividends received from the associate during the year | 184,691 | 180,421 |

# 17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

## (a) Interests in associates - continued

### *Summarised financial information of associates - continued*

*Tibet Pharmaceutical - continued*

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

| | 31.12.2024<br>RMB'000 | 31.12.2023<br>RMB'000 |
|---|---|---|
| Net assets of Tibet Pharmaceutical | 3,952,105 | 3,373,621 |
| Non-controlling interests | (34,289) | (29,032) |
| | 3,917,816 | 3,344,589 |
| Proportion of the Group's ownership interest in Tibet Pharmaceutical | 37.36% | 37.36% |
| | 1,463,696 | 1,249,538 |
| Goodwill | 1,654,481 | 1,654,481 |
| Effect of fair value adjustment at acquisition | 32,861 | 32,861 |
| Effect of deferred tax relating to fair value adjustment at acquisition | (8,215) | (8,215) |
| Other adjustments | (11,357) | (8,989) |
| Carrying amount of the Group's interest in Tibet Pharmaceutical | 3,131,466 | 2,919,676 |

*ETC*

| | 31.12.2024<br>RMB'000 | 31.12.2023<br>RMB'000 |
|---|---|---|
| Current assets | 85,417 | 128,844 |
| Non-current assets | 13,870 | 7,718 |
| Current liabilities | (22,253) | (28,835) |
| Non-current liabilities | (12,530) | (19,302) |

# 17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

## (a) Interests in associates - continued

### *Summarised financial information of associates - continued*

*ETC - continued*

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Revenue | 1,604 | 1,604 |
| Loss for the year | (31,272) | (39,351) |
| Other comprehensive income (expense) for the year | 146 | (153) |
| Total comprehensive loss for the year | (31,126) | (39,504) |

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

| | 31.12.2024<br>RMB'000 | 31.12.2023<br>RMB'000 |
|---|---|---|
| Net assets of ETC | 64,504 | 88,425 |
| Proportion of the Group's ownership interest in ETC | 36.17% | 36.17% |
| | 23,331 | 31,983 |
| Goodwill | 168,075 | 168,075 |
| Impairment loss recognised | (100,000) | — |
| Exchange adjustment of Goodwill | 16,441 | 24,618 |
| Effect of fair value adjustment at acquisition | 24,841 | 24,841 |
| Others | (7,288) | (2,284) |
| Carrying amount of the Group's interest in ETC | 125,400 | 247,233 |

# 17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

## (a) Interests in associates - continued

### *Summarised financial information of associates - continued*

**Aggregate information of associates that are nor individually material**

| | 31.12.2024 RMB'000 | 31.12.2023 RMB'000 |
|---|---|---|
| The Group's share of losses and total comprehensive expense for the year | (40,513) | (7,622) |
| Unrecognised shares of losses of associates for the year | — | — |
| Cumulative unrecognised share of losses of associates | — | — |

## (b) Interest in a joint venture

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Cost of investment in a joint venture (Note 41) | 220,161 | 220,161 |
| Share of post-acquisition profits and other comprehension income | 5,643 | 2,888 |
| Impairment loss on interest in a joint venture | (44,000) | (44,000) |
| | 181,804 | 179,049 |

Details of the Group's joint venture at the end of the reporting period are as follows:

| Name of joint venture | Place of establishment/ incorporation | Principal place of business | ownership interest /voting rights held by the Group | | Principal activities |
|---|---|---|---|---|---|
| | | | 2024 | 2023 | |
| Hebei Xinglong Xili Pharmaceutical Co., Ltd. ("Xili Pharmaceutical") (Note) | PRC | PRC | 52.01% | 52.01% | Production of medicines and sale of drugs |

Note: In February 2023, the Group entered into a shareholder agreement with the other shareholders of Xili Pharmaceutical, which was a subsidiary of the Group at the time, pursuant to which the Articles of Association of Xili Pharmaceutical was amended in which unanimous consent from the board of directors of Xili Pharmaceutical is required for all operating decisions. Accordingly, the directors of the Company concluded that the control over Xili Pharmaceutical was given up on that date. The investment on Xili Pharmaceutical was considered deemed disposed and was accounted for as an investment in a joint venture using the equity method afterward. Further details of the deemed disposal of Xili Pharmaceutical are set out in Note 41.

# 17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

## (b) Interest in a joint venture - continued

### *Summarised financial information of a joint venture*

Summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRS Accounting Standards.

The joint venture is accounted for using the equity method in these consolidated financial statements.

*Xili Pharmaceutical*

| | 31.12.2024<br>RMB'000 | 31.12.2023<br>RMB'000 |
|---|---|---|
| Current assets | 100,646 | 109,874 |
| Non-current assets | 69,807 | 76,422 |
| Current liabilities | (20,745) | (40,165) |
| Non-current liabilities | (13,622) | (15,343) |

The above amounts of assets and liabilities include the following:

| | 31.12.2024<br>RMB'000 | 31.12.2023<br>RMB'000 |
|---|---|---|
| Cash and cash equivalents | 40,057 | 9,442 |

| | 31.12.2024<br>RMB'000 | 31.12.2023<br>RMB'000 |
|---|---|---|
| Current financial liabilities (excluding trade and other payables and provisions) | — | — |
| Non-current financial liabilities (excluding trade and other payables and provisions) | — | (15,343) |

## 17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

### (b) Interest in a joint venture - continued

***Summarised financial information of a joint venture - continued***

*Xili Pharmaceutical - continued*

| | 31.12.2024 RMB'000 | For the period from February 2023 (date of disposal) to 31 December 2023 RMB'000 |
|---|---|---|
| Revenue | 130,535 | 111,972 |
| Profit for the period | 5,297 | 5,552 |
| Total comprehensive income for the period | 5,297 | 5,552 |
| Dividends received from the joint venture during the period | — | — |
| The above profit for the period includes the following: | | |
| Depreciation and amortisation | 6,882 | 5,852 |
| Interest income | 26 | 94 |
| Interest expense | — | — |
| Income tax expense | (1,766) | (1,850) |

# 17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

## (b) Interest in a joint venture - continued

### *Summarised financial information of a joint venture - continued*

*Xili Pharmaceutical - continued*

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

| | 31.12.2024<br>RMB'000 | 31.12.2023<br>RMB'000 |
|---|---|---|
| Net assets of Xili Pharmaceutical | 136,086 | 130,788 |
| Proportion of the Group's ownership interest in Xili Pharmaceutical | 52.01% | 52.01% |
| | 70,778 | 68,023 |
| Goodwill | 155,026 | 155,026 |
| Impairment loss recognised | (44,000) | (44,000) |
| Carrying amount of the Group's interest in Xili Pharmaceutical | 181,804 | 179,049 |

## 18. INTANGIBLE ASSETS

| | Exclusive distribution rights | Patent rights | Product rights | Others | Total |
|---|---|---|---|---|---|
| | RMB'000 (Note a & Note b(i)) | RMB'000 (Note b) | RMB'000 (Note c) | RMB'000 | RMB'000 |
| COST | | | | | |
| At 1 January 2023 | 2,228,327 | 359,137 | 872,656 | 1,687 | 3,461,807 |
| Transfer from deposits paid for acquisition of intangible assets | 358,936 | – | 18,787 | – | 377,723 |
| Additions | 2,830 | – | 3,774 | – | 6,604 |
| Deemed disposal of a subsidiary (Note 41) | – | (114,489) | – | – | (114,489) |
| At 31 December 2023 | 2,590,093 | 244,648 | 895,217 | 1,687 | 3,731,645 |
| Transfer from deposits paid for acquisition of intangible assets | 152,636 | – | 2,927 | – | 155,563 |
| Additions | 114,674 | – | – | – | 114,674 |
| At 31 December 2024 | 2,857,403 | 244,648 | 898,144 | 1,687 | 4,001,882 |
| AMORTISATION | | | | | |
| At 1 January 2023 | 772,611 | 181,324 | 358,966 | 155 | 1,313,056 |
| Charge for the year | 116,562 | 5,184 | 41,582 | 176 | 163,504 |
| Eliminated on deemed disposal of a subsidiary (Note 41) | – | (51,360) | – | – | (51,360) |
| At 31 December 2023 | 889,173 | 135,148 | 400,548 | 331 | 1,425,200 |
| Charge for the year | 138,064 | 4,001 | 42,750 | 168 | 184,983 |
| At 31 December 2024 | 1,027,237 | 139,149 | 443,298 | 499 | 1,610,183 |
| IMPAIRMENT LOSS | | | | | |
| At 1 January 2023, 31 December 2023 and 2024 | 32,755 | 57,598 | – | – | 90,353 |
| CARRYING VALUES | | | | | |
| At 31 December 2024 | 1,797,411 | 47,901 | 454,846 | 1,188 | 2,301,346 |
| At 31 December 2023 | 1,668,165 | 51,902 | 494,669 | 1,356 | 2,216,092 |

## 18. INTANGIBLE ASSETS - continued

Notes:

(a) Exclusive distribution rights

(i) On 9 March 2008, the Group entered into an exclusive distribution agreement and a supplementary agreement (the "XinHuoSu Agreements") with Tibet Pharmaceutical in connection to a finished drug product (Lyophilized Recombinant Human Brain Natriuretic Peptide) which was distributed in the PRC market under the trade name of XinHuoSu for a term of three years with effect from 1 July 2008 to 30 June 2011.

Pursuant to the XinHuoSu Agreements, the Group obtained the exclusive distribution right of XinHuoSu for nil consideration and committed to handle the Phase IV clinical trials of XinHuoSu for 2,000 cases in the PRC to meet the drug safety standards set by the China Food and Drug Administration. The drug, XinHuoSu, to be used in the 2,000 case clinical trials would be provided by Tibet Pharmaceutical free of charge. All other costs of the 2,000 case clinical trials should be borne by the Group.

In the opinion of the directors of the Company, the Group obtained the exclusive distribution right of XinHuoSu on the basis that the Group should complete the clinical trials of XinHuoSu and would bear all the costs of the clinical trials. Therefore, the costs incurred in clinical trials of approximately RMB4,745,000 were capitalised as an intangible asset.

As at 31 December 2011, the exclusive distribution right was fully amortised.

(ii) On 23 August 2012, the Group entered into a product rights transfer agreement with 北京亞東生物製藥有限公司 (Beijing Yadong Biopharmaceutical Co., Ltd.) ("Beijing Yadong"), an independent third party. According to the Agreement, Tianjin Kangzhe purchased from Beijing Yadong the exclusive distribution rights of three Traditional Chinese Medicinal Products — Yin Lian Qing Gan Ke Li, Xiang Fu Yi Xue Kou Fu Ye, Ma Jiang Jiao Nang (collectively referred to as the "Three Products") for a term of 20 years with effect from 23 August 2012 at a consideration of RMB33,000,000. Tianjin Kangzhe exclusively promotes and sells the Three Products in the PRC and Beijing Yadong is responsible for the production of the Three Products as required by Tianjin Kangzhe and sells the Three Products exclusively to Tianjin Kangzhe.

During the year ended 31 December 2016, as the market base of the Three Products was relatively weak and the actual sales of the Three Products was lower than previously expected, there was an impairment indicator. Management performed an impairment assessment by estimating the recoverable amount of the Three Products. The recoverable amount of the Three Products had been determined from a value in use, based on the expected free cash flow up to the end of the exclusive distribution right at a discount rate of 11%. The recoverable amount of approximately RMB5,850,000 was lower than the carrying amount of approximately RMB25,850,000, an impairment loss of RMB20,000,000 was recognised for the year ended 31 December 2016.

## 18. INTANGIBLE ASSETS - continued

Notes: - continued

(a) Exclusive distribution rights - continued

(ii) - continued

During the year ended 31 December 2019, the management considered that there is an impairment indicator on the carrying amount of the Three Products as the actual sales of the Three Products was lower than previously expected. Management performed an impairment assessment by estimating the recoverable amount of Three Products. The recoverable amount of the Three products has been determined from a value in use, based on the expected free cash flow up to the end of the exclusive distribution right as at a discount rate of 11% and an impairment loss of RMB4,730,000 was recognised for the year ended 31 December 2019.

During the years ended 31 December 2024 and 2023, management reviews the performance of the Three Products and concludes that there is no indication that the impairment losses previously recognised no longer exist or have decreased.

As at 31 December 2024 and 2023, the exclusive distribution rights are fully impaired.

(iii) On 26 February 2016, the Group entered into an exclusive license agreement with AstraZeneca AB, an independent third party, pursuant to which AstraZeneca AB granted an exclusive license to the Group for the commercialisation of Plendil (Felodipine Sustained Release Tablet) in the PRC, at a consideration of US$310,000,000 (equivalent to approximately RMB2,029,012,000). US$155,000,000 had been paid in 2016 and the remaining balance of US$155,000,000 had been paid in 2017. As at 31 December 2024, the carrying amount of the exclusive distribution right was approximately RMB1,132,865,000 (2023: RMB1,234,316,000).

Under the exclusive license agreement, the Group has agreed to meet certain pre-agreed annual sales target in relation to the sales of Pendil in the PRC for the first three years of the term of the exclusive license agreement from years ended 31 December 2016 to 2018 and the annual sales target of respective years has been met. No additional annual sales target is required under the exclusive license agreement during the years ended 31 December 2024 and 2023.

The expected useful life of the exclusive license right is 20 years.

## 18. INTANGIBLE ASSETS - continued

Notes: - continued

(a) Exclusive distribution rights - continued

(iv) The Group acquired 100% of equity interest in Luqa Ventures Co., Limited ("Luqa") on 1 February 2021. This included the acquisition of the exclusive agency rights of prescription medical aesthetic products including Aethoxysklerol and other aesthetic medical drugs. The exclusive agency rights were measured at their fair values at the date of acquisition and the valuation of the intangible assets was performed by Vigers Appraisal & Consulting Limited, an independent valuer.

The fair value of the exclusive agency rights at the date of acquisition was determined based on the royalty rate method by capitalising future royalty income which a market participant would be willing to pay to use the exclusive agency rights for the remaining term of the exclusive agency rights. As at the acquisition date, the exclusive agency rights of prescription medical aesthetic products owned by Luqa amounted to RMB101,509,000. As at 31 December 2024, the carrying amount was approximately RMB52,365,000 (2023: RMB61,081,000).

The expected useful lives of the exclusive agency rights are ranging from 2 years to 10 years.

(v) On 27 June 2019, the Group entered into an exclusive license agreement with Sun Pharmaceutical Industrial Ltd., an independent third party, pursuant to which Sun Pharmaceutical Industrial Ltd. granted an exclusive license to the Group for the commercialisation of Tildrakizumab Injection in the PRC, at a consideration of US$32,000,000 (equivalent to approximately RMB221,687,000). During the year ended 31 December 2023, regulatory approval of Tildrakizumab Injection has been obtained from the National Medical Products Administration of the People's Republic of China ("NMPA") and the related deposits paid for acquisition of the exclusive distribution right has been transferred to intangible assets accordingly. As at 31 December 2024, the carrying amount of the exclusive distribution right under intangible assets was of approximately RMB280,331,000 (2023: RMB295,150,000).

(vi) On 3 December 2020, the Group entered into an exclusive license agreement with Cosmo Technologies Ltd., an independent third party, pursuant to which Cosmo Technologies Ltd. granted an exclusive license to the Group for the commercialisation of Methylthioninium Chloride Cosmo in the PRC, at a consideration of approximately RMB105,291,000. During the year ended 31 December 2024, regulatory approval of Methylthioninium Chloride Cosmo has been obtained from the NMPA. The related deposits paid for acquisition of the exclusive distribution right of approximately RMB105,291,000 has been transferred to intangible assets accordingly. As at 31 December 2024, the carrying amount of the exclusive distribution right under intangible assets was of approximately RMB104,414,000.

## 18. INTANGIBLE ASSETS - continued

Notes: - continued

(a) Exclusive distribution rights - continued

(vii) On 2 February 2024, the Group entered into a novation agreement with Vifor Fresenius Medical Care Renal Pharma Ltd. and Winhealth Investment (HK) Limited, both are independent third parties to the Group, pursuant to which Winhealth Investment (HK) Limited novated an exclusive license to the Group for the commercialisation of sucroferric oxyhydroxide chewable tablets in the PRC, at a consideration of USD15,000,000 and CHF1,000,000 (equivalent to approximately RMB114,674,000). As at 31 December 2024, the carrying amount of the exclusive distribution right under intangible assets was of approximately RMB110,372,000.

(b) Acquisition of exclusive distribution rights and patent rights

(i) The Group acquired 100% of equity interest in Great Move Enterprises Limited ("Great Move") and 51% of equity interest in Guangxi Kangzhe Guangming Pharmaceutical Co., Ltd. ("Kangzhe Guangming") on 3 April 2011 and 30 April 2011, respectively. This included the acquisition of exclusive distribution rights and patent rights for the sales of several products. The exclusive distribution rights and patent rights were measured at their fair values at the date of acquisition and the valuation of the intangible assets was performed by Vigers Appraisal & Consulting Limited, an independent valuer.

The fair value of the patent rights at the date of acquisition was determined based on the royalty rate method by capitalising future royalty income which a market participant would be willing to pay to use the patents for the remaining term of the patent right. The fair value of the exclusive distribution rights at the date of acquisition was determined based on the multi-period excess earnings method by capitalising future cash flows derived from the intangible assets for the remaining term of the distribution rights.

As at the acquisition date, the major patent rights owned by Tianjin Kangzhe, the wholly owned subsidiary of Great Move, represented YiNuoShu and ShaDuoLiKa amounting to RMB137,917,000 and RMB8,287,000, respectively and the exclusive distribution rights owned by Tianjin Kangzhe amounted to RMB39,350,000.

During the year ended 31 December 2020, the management considers that there is an impairment indicator on the carrying amount of YiNuoShu as there is adverse change in the Group's market shares in selling YiNuoShu. Therefore, a full impairment loss of RMB57,598,000 was recognised for the year ended 31 December 2020.

During the year ended 31 December 2024 and 2023, management reviews the performance of YiNuoShu and concludes that there is no indication that the impairment loss previously recognised no longer exist or have decreased.

## 18. INTANGIBLE ASSETS - continued

Notes: - continued

(b) Acquisition of exclusive distribution rights and patent rights - continued

(i) - continued

As at 31 December 2024 and 2023, the carrying amounts of patent rights of YiNuoShu, ShaDuoLiKa and other exclusive distribution rights owned by Tianjin Kangzhe were RMB nil, nil and nil, respectively.

The Group also acquired the exclusive distribution right and patent right of XiDaKang amounting to RMB5,813,000 and RMB7,715,000, respectively through the acquisition of a former subsidiary, Kangzhe Guangming. As at 31 December 2024, the carrying amount of the exclusive distribution right and patent right of XiDaKang were approximately RMB1,000,000 and RMB787,000, respectively (2023: RMB1,298,000 and RMB1,018,000).

The expected useful lives of the exclusive distribution rights and patent rights are ranging from 1 year to 17 years.

(ii) On 27 December 2013, the Group entered into a transfer agreement with the shareholders of non-controlling interests of Kangzhe Guangming (the "Sellers") in connection with the transfer of the patent right of XiDaKang at a consideration of RMB40,000,000. The Sellers, who directly held 49% equity interest of Kangzhe Guangming, agreed to transfer the 49% interest in the patent right of XiDaKang to Kangzhe Hunan, a wholly-owned subsidiary of the Company. The consideration will be settled by the first payment of RMB30,000,000 and annual payment of RMB1,000,000 to the Kangzhe Guangming over the next ten years. The directors of the Company recognised the payable as a deferred consideration payable in the amount of RMB6,145,000 at initial recognition which represents the present value of the annual consideration of RMB1,000,000 over next ten years discounted at 10%.

Pursuant to the transfer agreement, the 51% interest in the patent right of XiDaKang was also transferred from Kangzhe Guangming to Kangzhe Hunan. Starting from 27 December 2013, Kangzhe Hunan has replaced Kangzhe Guangming as the patent right owner of XiDaKang. As at 31 December 2024, the carrying amount of the patent right was approximately RMB8,405,000 (2023: RMB10,929,000).

The expected useful lives of the patent right is 14 years.

## 18. INTANGIBLE ASSETS - continued

Notes: - continued

(b) Acquisition of exclusive distribution rights and patent rights - continued

(iii) The Group acquired 100% of equity interest in Kangzhe Lengshuijiang Pharmaceutical Co., Ltd. (formerly known as Sinopharm Traditional Chinese Medicine Lengshuijiang Pharmaceutical Co., Ltd.) ("Kangzhe Lengshuijiang") on February 2013. This included the acquisition of the patent right of GanFuLe. The patent right was measured at their fair values at the date of acquisition and the valuation of the intangible assets was performed by Vigers Appraisal & Consulting Limited, an independent valuer.

The fair value of the patent right at the date of acquisition was determined based on the royalty rate method by capitalising future royalty income which a market participant would be willing to pay to use the patents for the remaining term of the patent right. As at the acquisition date, the patent right of GanFule owned by Kangzhe Lengshuijiang amounted to RMB16,005,000.

During the year ended 31 December 2016, Kangzhe Lengshuijiang was deregistered and merged with Kangzhe Hunan. The assets and liabilities held by Kangzhe Lengshuijiang were transferred to Kangzhe Hunan at the time of merger and Kangzhe Hunan is responsible for the production of GanFuLe after the merger. As at 31 November 2024, the carrying amount of the patent right of GanFuLe was fully amortised.

(iv) The Group acquired 52.01% of equity interest in Xili Pharmaceutical on 16 February 2015. This included the acquisition of the patent right of DanShenTong. The patent right was measured at their fair values at the date of acquisition and the valuation of the intangible assets was performed by Vigers Appraisal & Consulting Limited, an independent valuer.

The fair value of the patent right at the date of acquisition was determined based on the royalty rate method by capitalising future royalty income which a market participant would be willing to pay to use the patents for the remaining term of the patent right. As at the acquisition date, the patent right of DanShenTong owned by Xili Pharmaceutical, amounted to RMB114,489,000. The expected useful live of the patent right is 18 years.

In February 2023, the patent right of DanShenTong was disposed through the deemed disposal of Xili Pharmaceutical. Please refer to Note 41 for the details of deemed disposal of Xili Pharmaceutical.

## 18. INTANGIBLE ASSETS - continued

Notes: - continued

(b) Acquisition of exclusive distribution rights and patent rights - continued

(v) The Group acquired 64.81% of equity interest in Shanghai Carnation Medical Technology Co., Ltd. ("Carnation") on 8 June 2021. This included the acquisition of the patent right of a medical aesthetic device, FUBA5200 Focused Ultrasound Body Contouring System. The patent right was measured at its fair value at the date of acquisition and the valuation of the intangible assets was performed by Vigers Appraisal & Consulting Limited, an independent valuer.

The fair value of the patent right at the date of acquisition was determined based on the royalty rate method by capitalising future royalty income which a market participant would be willing to pay to use the patent right for the remaining term of the patent right. As at the acquisition date, the patent right of the medical aesthetic device owned by Carnation amounted to RMB38,706,000. As at 31 December 2024, the related patent is not yet available for use and are not amortised. The expected useful life of the patent rights is 10 years.

(c) Acquisition of product rights

(i) On 1 July 2014, the Group entered into a series of agreements related to Stulln with an independent third party, Pharma Stulln GmbH ("Pharma") in connection with the transfer of all assets related to Stulln for the Chinese market (including Hong Kong and Macau Special Administration Regions ("SAR")), including but not limited to the right of manufacturing Stulln for the Chinese market, marketing authorisation for the Chinese market and relevant intellectual property rights, including trademark in Chinese characters and know-how of Stulln, and has been licensed the exclusive right to utilise the trademark in English characters, at a consideration of EUR10,000,000 (equivalent to approximately RMB72,317,000). During the year ended 31 December 2014, the residual balance of the exclusive agency right of Stulln of approximately RMB14,625,000 was transferred to product right accordingly. As at 31 December 2024, the carrying amount of the product right was approximately RMB36,253,000 (2023: RMB40,071,000).The expected useful life of the product right is 20 years.

## 18. INTANGIBLE ASSETS - continued

*Notes:* - continued

(c) Acquisition of product rights - continued

(ii) On 17 December 2014, the Group entered into a series of agreements related to Lamisil Tablet and Parlodel Tablet (the "Products") with two independent third parties, Novartis AG and Novartis Pharma AG, the suppliers of the Products in Switzerland in connection with the transfer of all assets related to the Products, including the drug production license of Lamisil Tablet, co-marketing authorisation in Switzerland and imported drug license in China of Parlodel Tablet, all know-how, books and records, commercial and medical information exclusively to the Products for Chinese market (For Lamisil Tablet, Chinese market refers to Chinese Mainland; For Parlodel Tablet, Chinese market refers to Chinese Mainland and Hong Kong SAR and Taiwan), at a consideration of US$25,000,000 (equivalent to approximately RMB152,972,000). As at 31 December 2024, the carrying amount was approximately RMB81,170,000 (2023: RMB89,287,000).

The expected useful life of the product rights is 20 years.

(iii) On 25 March 2015, the Group entered into a series of agreements related to Combizym and Hirudoid (the "Purchased Products") with an independent third party, DKSH International AG, in connection with the purchase of (i) all trademarks regarding the Purchased Products; (ii) all market authorisations or similar licenses, certificates or approvals regarding the Purchased Products and all rights, benefits or other interests obtained; (iii) the exclusive right and title to develop, manufacture, register, apply for registration, import, market, distribute, sell or otherwise use and/or exploit the Purchased Products; and (iv) all books and records, commercial information and medical information related to the Purchased Products, with respect to Combizym in China, Hong Kong and Switzerland, and certain other designated countries or areas in Asia, and with respect to Hirudoid in China, at a consideration of Swiss Franc ("CHF") 76,600,000 (equivalent to approximately RMB486,019,000). As at 31 December 2024, the carrying amount was approximately RMB263,335,000 (2023: RMB289,026,000).

The expected useful life of the product rights is 20 years.

(iv) On 30 December 2014, the Group entered into an agreement related to Movicol (the "Product") with an independent third party, Norgine B.V., in connection with the purchase of the right to import, register, market, distribute, promote and sell the Product in the PRC including Hong Kong and Macau (the "Product Right"), at a consideration of EUR9,000,000 (equivalent to approximately RMB72,100,000), and such consideration has been recognised as deposit paid for acquisition of intangible asset as the Product is still under approval by the regulatory body. During the year ended 31 December 2019, the commercialisation of the Product has been approved by relevant regulatory body and therefore, the deposit has been transferred to intangible assets as it is probable that the expected future economic benefits that are attributable to the Product Right will flow to the Group. As at 31 December 2024, the carrying amount was approximately RMB50,470,000 (2023: RMB54,075,000).

The expected useful life of the product rights is 20 years.

## 19. GOODWILL

| | RMB'000 |
|---|---|
| COST | |
| At 1 January 2023 | 1,915,993 |
| Deemed disposal of a subsidiary (Note 41) | (198,090) |
| At 31 December 2023 and 2024 | 1,717,903 |
| IMPAIRMENT LOSS | |
| At 1 January 2023 | 250,000 |
| Eliminated on deemed disposal of a subsidiary (Note 41) | (80,000) |
| At 31 December 2023 and 2024 | 170,000 |
| CARRYING VALUES | |
| At 31 December 2023 and 2024 | 1,547,903 |

For the purposes of impairment testing, the entire amount of goodwill has been allocated to eight (2023: eight) CGUs, representing eight (2023: eight) subsidiaries, namely Tianjin Kangzhe, Kangzhe Hunan, Sky United Trading Limited ("Sky United"), Tibet Kangzhe Development, Luqa, Carnation, Xuli and Heling Medical (Guangzhou) Company Limited ("Heling"). Tianjin Kangzhe is engaged in marketing, promotion and sale of drugs. Sky United and Tibet Kangzhe Development are engaged in trading of drugs. Kangzhe Hunan is engaged in production of medicines. Luqa and Xuli are engaged in sales of medical aesthetic products. Carnation is engaged in research and development and manufacture of energy-based medical aesthetic devices. Heling is engaged in research, development and production of skincare products. The carrying amounts of goodwill (net of accumulated impairment losses) allocated to these units are as follows:

## 19. GOODWILL - continued

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Tianjin Kangzhe | 990,333 | 990,333 |
| Kangzhe Hunan | 21,295 | 21,295 |
| Sky United | 2,963 | 2,963 |
| Tibet Kangzhe Development | 1,854 | 1,854 |
| Luqa | 460,002 | 460,002 |
| Carnation | 36,642 | 36,642 |
| Xuli | 30,576 | 30,576 |
| Heling | 4,238 | 4,238 |
| | 1,547,903 | 1,547,903 |

The recoverable amounts of Tianjin Kangzhe, Kangzhe Hunan, Sky United, Tibet Kangzhe Development, Luqa, Carnation, Xuli and Heling are determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past performance and expectations of future changes in the market.

### Tianjin Kangzhe

At 31 December 2024, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 12.6% (2023: 13.6%). Tianjin Kangzhe's cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2023: 2%). This growth rate is based on management's best estimate and past experience on the industry.

During the year ended 31 December 2024 and 2023, no impairment loss was recognised.

## 19. GOODWILL - continued

### Kangzhe Hunan

At 31 December 2024, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 11.0% (2023: 13.0%). Kangzhe Hunan's cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2023: 2%). This growth rate is based on management's best estimate and past experience on the industry.

During the years ended 31 December 2024 and 2023, no impairment loss was recognised.

### Luqa

At 31 December 2024, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 14.8% (2023: 14.6%). Luqa's cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2023: 2%). This growth rate is based on management's best estimate and past experience on the industry. During the year ended 31 December 2024 and 2023, no impairment loss was recognised.

### Carnation

At 31 December 2024, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 24.4% (2023: 23.8%). Carnation's cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2023: 2%). This growth rate is based on management's best estimate and past experience on the industry. During the year ended 31 December 2024 and 2023, no impairment loss was recognised.

### Xuli

At 31 December 2024, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 13.3% (2023: 13.1%). Xuli's cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2023: 2%). This growth rate is based on management's best estimate and past experience on the industry. During the year ended 31 December 2024 and 2023, no impairment loss was recognised.

The goodwill of Sky United, Tibet Kangzhe Development and Heling was immaterial as at the end of both reporting periods. No impairment loss was recognised for both years.

# 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

## (a) Financial assets at FVTPL

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **Listed investments:** | | |
| Equity securities listed on the Hong Kong Stock Exchange (the "HKEX") (Note i) | 2,474 | 2,602 |
| **Unlisted investments:** | | |
| Capital funds (Note ii) | 926,124 | 843,190 |
| Equity securities (Note iii) | 1,231,499 | 986,466 |
| | 2,157,623 | 1,829,656 |
| Total | 2,160,097 | 1,832,258 |

Notes:

(i) The listed equity investment represents ordinary shares of one entity listed on the HKEX.(2023: one entity) The investment is held for trading and its fair value is based on the quoted market price. During the year ended 31 December 2023, the Group invested RMB4,784,000 into listed equity investment (2024: Nil). As at 31 December 2024, the fair values of the equity investments amounted to RMB2,474,000, and a loss on change in fair value of RMB128,000 has been recognised in profit and loss (2023: a fair value loss of RMB2,182,000).

(ii) During the year ended 31 December 2024, the Group further invested approximately RMB97,145,000 (2023: RMB145,505,000) into various capital funds. During the year ended 31 December 2024, the Group disposed investment in a capital fund amounted to RMB6,007,000 (2023: RMB20,343,000). As at 31 December 2024, the fair values of these capital funds amounted to RMB926,124,000 (2023: RMB843,190,000), and a loss on change in fair value of RMB8,204,000 (2023: a gain of RMB16,074,000) has been recognised in profit and loss.

(iii) During the year ended 31 December 2024, the Group further invested approximately RMB245,726,000 (2023: RMB227,726,000) in various unlisted equity investments. As at 31 December 2024, the fair values of the equity investments amounted to RMB1,231,499,000 (2023: RMB986,466,000), and a loss on change in fair value of RMB693,000 (2023: a gain of RMB1,506,000) has been recognised in profit and loss.

## 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - continued

### (b) Equity instruments at FVTOCI

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **Listed investments:** | | |
| Equity securities listed on | | |
| London Stock Exchange Plc (the "LSE") (Note i) | — | 21,830 |
| Euronext N.V. (the "ENV") (Note ii) | — | 16,707 |
| National Association of Securities Dealers Automated Quotations (the "NASDAQ") (Note iii) | 20 | 12 |
| | 20 | 38,549 |
| **Unlisted investments:** | | |
| Equity securities (Note iv) | 129,763 | 125,344 |
| Total | 129,783 | 163,893 |

The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

# 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - continued

## (b) Equity instruments at FVTOCI - continued

Notes:

(i) The listed equity investment represents ordinary shares of Destiny Pharma Plc ("Destiny") listed on LSE. The investments are denominated in Great British Pound ("GBP") and the fair values are based on the quoted market price. The Group first invested approximately GBP3,000,000 (equivalent to RMB26,291,000) in Destiny during the year ended 31 December 2017. The Group further invested GBP1,000,000 (equivalent to RMB8,435,000) in Destiny during the year ended 31 December 2020.

During the year ended 31 December 2024, Destiny has cancelled the admission of its ordinary shares from trading on LSE. As at 31 December 2024, the fair value of Destiny was determined by making reference to the latest share price of Destiny before the cancellation which amounted to nil (2023: RMB21,830,000), and a loss on change in fair value of RMB21,830,000 (2023: a fair value gain of RMB6,340,000) has been recognised in other comprehensive income.

(ii) The listed equity investment represents ordinary shares of Acticor Biotech ("Acticor"), which became listed on ENV on 1 November 2021. The Group first invested approximately EUR4,000,000 (equivalent to RMB30,607,000) in Acticor during the year ended 31 December 2018. The Group further invested EUR 1,000,000 (equivalent to RMB7,595,000) in Acticor during the year ended 31 December 2021. The investment is denominated in EUR and the fair value is based on the quoted market price.

As at 31 December 2024, the fair value of the equity investment amounted to Nil (2023: RMB16,707,000), and a loss on change in fair value of RMB16,707,000 (2023: a fair value loss of RMB21,709,000) has been recognised in other comprehensive income.

(iii) The listed equity investment represents ordinary shares of Biodexa Pharmaceuticals PLC ("Biodexa") listed on NASDAQ. The fair values are based on the quoted market price. The Group invested approximately GBP4,000,000 (equivalent to RMB34,705,000) in Biodexa during year ended 31 December 2019. During the year ended 31 December 2023, Biodexa transferred its listing from LSE to NASDAQ. As at 31 December 2024, the fair value of Biodexa amounted to RMB20,000 (2023: RMB12,000), and a gain on change in fair value of RMB8,000 (2023: a fair value loss of RMB991,000) has been recognised in other comprehensive income.

## 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - continued

### (b) Equity instruments at FVTOCI - continued

Notes: - continued

(iv) The unlisted equity investments represent the Group's equity interests in the various biotech/pharmaceutical companies.

As at 31 December 2024, the fair values of the equity investments amounted to RMB129,763,000 (2023: RMB125,344,000). The fair values of the above unlisted equity investments were performed by a professional independent valuer. During the year ended 31 December 2024, a gain on change in fair value of RMB4,419,000 (2023: a loss of RMB107,703,000) has been recognised in other comprehensive income.

## 21. INVENTORIES

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Raw materials | 56,024 | 31,497 |
| Work in progress | 3,595 | 8,888 |
| Finished goods | 708,520 | 597,251 |
| | 768,139 | 637,636 |

## 22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Trade receivables | 1,232,012 | 1,156,770 |
| Less: Allowance for credit losses | (9,533) | (10,032) |
| | 1,222,479 | 1,146,738 |
| Bills receivables | 198,805 | 180,960 |
| Purchase prepayments | 204,617 | 148,939 |
| Other receivables and deposits | 154,582 | 91,950 |
| | 1,780,483 | 1,568,587 |

As at 1 January 2023, trade receivables from contracts with customers amounted to RMB1,442,035,000.

The Group normally allows a credit period ranging from 0 to 90 days to its trade customers, but longer credit period up to four months is allowed to some selected customers.

The following is an analysis of trade receivables by age, net of allowance for credit losses presented based on the dates of receipt of goods at the respective reporting dates, which approximate the revenue recognition dates and an analysis of bills receivables by age, net of allowance for credit losses, presented based on the bills issuance date at the end of the reporting period:

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Trade receivables | | |
| 0–90 days | 1,186,892 | 1,127,469 |
| 91–365 days | 35,587 | 19,269 |
| | 1,222,479 | 1,146,738 |
| Bills receivables | | |
| 0–90 days | 133,854 | 105,719 |
| 91–120 days | 32,616 | 19,380 |
| 121–180 days | 32,335 | 55,861 |
| | 198,805 | 180,960 |

## 22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS - continued

As at 31 December 2024, total bills receivables amounting to RMB198,805,000 (2023: RMB180,960,000) are held by the Group. All bills receivables by the Group are accepted by banks with a maturity period of less than six months.

As at 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB4,243,000 (2023: RMB18,039,000) which are past due at the reporting date. RMB525,000 (2023: RMB4,588,000) was more than 90 days past due and is not considered as in default. Based on the historical experiences of the Group, trade receivables past due are generally recoverable due to the long-term relationship and good repayment record.

The Group does not hold any collateral over these balances. Details of impairment assessment of trade and other receivables as at 31 December 2024 and 2023 are set out in Note 35.

## 23. DEPOSITS PAID FOR ACQUISITION OF INTANGIBLE ASSETS

These deposits were paid to independent third parties not connected with the Group for certain exclusive distribution or product rights of medical products to be approved by relevant regulatory bodies for the sales in specific territories. During the year ended 31 December 2024, the Group made approximately RMB308,615,000 (2023: RMB269,165,000) additional deposits in various medical products. During the year ended 31 December 2024, amount of RMB155,563,000 (2023: RMB377,723,000) of certain exclusive distribution or product rights have been transferred to intangible assets when regulatory approvals of the products have been obtained. During the year ended 31 December 2024, an impairment loss of RMB1,152,000 (2023: RMB163,462,000) was recognised in profit or loss.

## 24. AMOUNTS DUE FROM ASSOCIATES

As at 31 December 2024, the balance of approximately RMB30,000,000 (2023: RMB30,000,000) was non-trade nature and non-interest bearing, represented deposit to Tibet Pharmaceutical for exclusive distribution right.

As at 31 December 2024, the balance of approximately RMB284,088,000 (2023: RMB408,167,000) was trade nature and non-interest bearing, represented promotion income receivables from Tibet Pharmaceutical and associates. The Group allows a credit period of 90 days to Tibet Pharmaceutical. The balance as at 31 December 2024 was aged within three months (2023: within three months) based on the invoice date.

## 25. BANK BALANCES AND CASH

### Cash and cash equivalents/pledged/restricted bank deposits

Cash and cash equivalents include short term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.0001% to 4.47% (2023: 0.25% to 5.45%). Included in bank balances mainly are the following amounts denominated in currencies other than functional currency of the relevant group entities:

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Euro ("EUR") | 116,671 | 516,647 |
| Hong Kong Dollar ("HK$") | 22,384 | 18,833 |
| United States Dollar ("US$") | 1,457,783 | 1,473,920 |

Details of the impairment of bank balances are set out in Note 35.

## 26. TRADE AND OTHER PAYABLES

An aging analysis of the trade payables presented based on the invoice date at the end of the reporting periods is as follows:

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| 0–90 days | 135,883 | 136,568 |
| 91–365 days | 4,212 | 4,171 |
| Over 365 days | 2,337 | 925 |
| Trade payables | 142,432 | 141,664 |
| Payroll and welfare payables | 214,922 | 178,074 |
| Other tax payables | 27,416 | 21,222 |
| Accrued promotion expenses | 26,315 | 39,177 |
| Accruals | 61,232 | 42,609 |
| Other payables | 12,480 | 14,230 |
| | 484,797 | 436,976 |

The credit period on purchases of goods is ranging from 0 to 120 days.

## 27. LEASE LIABILITIES

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| **Lease liabilities payable:** | | |
| Within one year | 16,933 | 15,416 |
| Within a period of more than one year but not more than two years | 7,192 | 7,536 |
| Within a period of more than two years but not more than five years | 5,318 | 9,135 |
| | 29,443 | 32,087 |
| Less: Amount due for settlement with 12 months shown under current liabilities | (16,933) | (15,416) |
| Amount due for settlement after 12 months shown under non-current liabilities | 12,510 | 16,671 |

The weighted average incremental borrowing rate applied to lease liabilities is 4.75% for both years.

## 28. CONTRACT LIABILITIES

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Receipts in advance from customers — finished goods | 16,610 | 12,733 |

As at 1 January 2023, contract liabilities amounted to RMB21,614,000.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Revenue recognised that was included in the contract liabilities balance at the beginning of the year | 12,733 | 21,614 |

When the Group receives a deposit from customers before the goods are delivered to and received by the customers, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

## 29. BANK BORROWINGS

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Bank loans | 831,300 | 1,269,650 |
| Analysed as: | | |
| Unsecured | 831,300 | 1,269,650 |

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| The carrying amounts of the above borrowings are repayable*: | | |
| Within one year | 831,300 | 1,269,650 |
| | 831,300 | 1,269,650 |
| Less: Amounts due within one year shown under current liabilities | (831,300) | (1,269,650) |
| Amounts shown under non-current liabilities | — | — |

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

## 29. BANK BORROWINGS - continued

The ranges of effective interest rates (which are also equal to contractual interest rate) on the Group's borrowings and their carrying values are as follows:

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Variable-rate borrowings | | |
| Denominated in HK$ range from 5.27% to 5.87% per annum as at 31 December 2023 (Notes a & b) | — | 679,650 |
| Fixed-rate borrowing | | |
| Denominated in RMB at fixed rate of 1.10% per annum as at 31 December 2024 | 40,300 | — |
| Denominated in RMB at fixed rate of 1.35% per annum as at 31 December 2024 | 19,000 | — |
| Denominated in RMB at fixed rate of 2.40% per annum as at 31 December 2024 | 185,000 | — |
| Denominated in RMB at fixed rate of 2.50% per annum as at 31 December 2024 | 500,000 | — |
| Denominated in RMB at fixed rate of 2.60% per annum as at 31 December 2024 | 87,000 | — |
| Denominated in RMB at fixed rate of 2.65% per annum as at 31 December 2023 | — | 590,000 |
| Total | 831,300 | 1,269,650 |

Notes:

(a) Variable rates range from Hong Kong Interbank Offered Rate ("HIBOR") plus 0.60% as at 31 December 2023.

(b) As at 31 December 2023, the Group uses interest rate swaps to minimise its exposure to interest rate movements on the variable-rate bank borrowings of approximately RMB679,650,000. The principal amount of the variable-rate bank borrowings was repaid on 13 September 2024. Details of the interest rate swaps are disclosed in Note 31.

As at 31 December 2024, the Group had unutilised banking facilities of approximately RMB1,880,341,000 (2023: RMB2,550,000).

## 30. DEFERRED TAX

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

| | Unrealised profits on inventories | Fair value adjustments to assets acquired in business combinations | Unrealised profit of equity instruments at FVTOCI | Fair value change on cash flow hedges | Unrealised profit of equity instruments at FVTPL | Tax losses | Others | Total |
|---|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2023 | 23,078 | (30,037) | (63,964) | (652) | (30,306) | 14,728 | 1,201 | (85,952) |
| Credit (charge) to profit or loss for the year (Note 11) | 1,966 | 3,055 | – | – | (4,498) | 622 | – | 1,145 |
| Credit to other comprehensive income | – | – | – | 652 | – | – | – | 652 |
| Deemed disposal of a subsidiary (Note 41) | – | 16,777 | – | – | – | (1,199) | – | 15,578 |
| At 31 December 2023 | 25,044 | (10,205) | (63,964) | – | (34,804) | 14,151 | 1,201 | (68,577) |
| Credit (charge) to profit or loss for the year (Note 11) | 6,566 | 1,255 | – | – | (8,391) | 5,731 | – | 5,161 |
| At 31 December 2024 | 31,610 | (8,950) | (63,964) | – | (43,195) | 19,882 | 1,201 | (63,416) |

The following is the analysis of the deferred tax assets (liabilities) for financial reporting purposes:

| | 2024 | 2023 |
|---|---|---|
| | RMB'000 | RMB'000 |
| Deferred tax assets | 52,693 | 40,396 |
| Deferred tax liabilities | (116,109) | (108,973) |
| | (63,416) | (68,577) |

## 30. DEFERRED TAX - continued

At 31 December 2024, the Group had unused tax losses of approximately RMB455,987,000 (2023: RMB310,006,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB138,603,000 (2023: RMB89,682,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately RMB317,384,000 (2023: RMB220,324,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses at 31 December 2024 are tax losses of approximately RMB73,650,000 (2023: RMB60,196,000) that will expire within 5 years from the year of originating. Other tax losses may be carried forward indefinitely. During the year ended 31 December 2024, tax losses of approximately RMB1,364,000 (2023: RMB4,795,000) was expired.

As at 31 December 2024, the Group had deductible temporary differences of RMB844,095,000 (2023: RMB820,023,000) available for offsetting against future profits. A deferred tax asset has been recognised in respect of RMB126,436,000 (2023: RMB100,176,000) of such deductible temporary difference. No deferred tax asset has been recognised in respect of the remaining balance of RMB717,659,000 (2023: RMB719,847,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiary, from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB7,753,081,000 (2023: RMB8,125,080,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

# 31. DERIVATIVE FINANCIAL INSTRUMENTS

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **Current liability:** | | |
| Foreign exchange forward contract with interest rate Swap | — | (17,227) |

## Foreign exchange forward contracts

The Group uses foreign exchange forward contracts to minimise its exposure to exchange rate change on its bank borrowings. The foreign exchange forward contracts and the corresponding bank borrowings have the same principal amounts and maturity dates. The foreign exchange forward contract carried forward from 31 December 2023 was matured and settled during the year end 31 December 2024. As of 31 December 2024, the Group had no outstanding foreign exchange forward contracts. Major terms of the foreign exchange forward contracts as at 31 December 2023 are set out below:

**At 31 December 2023**

| Notional amount | Maturity date | Exchange rate range agreed |
|---|---|---|
| HK$750,000,000 | 13 September 2024 | HK$1: RMB0.9280 |

During the year ended 31 December 2024, the fair value gain of approximately RMB17,227,000 (2023: the fair value loss of RMB49,785,000) has been recognised in "other gains and losses" line item (see Note 7).

## Interest rate swaps

The Group uses interest rate swaps to minimise its exposure to interest rate movements on its variable-rate bank borrowings. The interest rate swaps and the corresponding bank borrowings have the same terms, such as principal amounts, interest rate spread, start dates, repayment data, maturity and counterparties, and the directors of the Company consider that the interest rate swaps are highly effective hedging instruments. The interest rate swaps carried forward from 31 December 2023 was matured and settled during the year end 31 December 2024. As of 31 December 2024, the Group has no outstanding interest rate swaps. Major terms of the interest rate swaps as at 31 December 2023 set out below:

# 31. DERIVATIVE FINANCIAL INSTRUMENTS - continued

## Interest rate swaps - continued

**At 31 December 2023**

| Notional amount | Liability at carrying amount | Contract date | Maturity date | Receive | Pay |
|---|---|---|---|---|---|
| HK$750,000,000 | RMB17,227,000 | 15 September 2023 | 13 September 2024 | HIBOR + 0.60% | 3.80% |

The fair values of interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. All of the above interest rate swaps are designated and effective as cash flow hedges. During the year ended 31 December 2024, no fair value change (2023: fair value loss of approximately RMB8,902,000, income tax of approximately RMB652,000), no net amount has been recognised in other comprehensive income and accumulated in equity (2023: net amount of approximately RMB8,250,000).

# 32. SHARE CAPITAL

| | Number of shares '000 | Amount RMB'000 |
|---|---|---|
| Ordinary shares of US$0.005 each | | |
| **Authorised** | | |
| At 1 January 2023, 31 December 2023 and 31 December 2024 | 20,000,000 | 765,218 |
| **Issued and fully paid** | | |
| At 1 January 2023 and 31 December 2023 | 2,451,989 | 83,991 |
| Shares repurchased and cancelled (Note) | (12,460) | (427) |
| At 31 December 2024 | 2,439,529 | 83,564 |

Note: During the year ended 31 December 2024, the Company repurchased its own ordinary shares through The Stock Exchange of Hong Kong Limited as follows:

## 32. SHARE CAPITAL - continued

| Month of repurchase | No. of ordinary shares of US$0.005 each | Price per share | | Aggregated consideration paid |
|---|---|---|---|---|
| | | Highest | Lowest | |
| | | HK$ | HK$ | HK$ |
| March 2024 | 1,180,000 | 8.43 | 8.24 | 9,841,438 |
| April 2024 | 21,780,000 | 8.00 | 6.95 | 161,037,720 |
| May 2024 | 12,500,000 | 7.63 | 7.09 | 91,913,310 |
| Total | 35,460,000 | | | 262,792,468 |

During the year ended 31 December 2024, 12,460,000 shares were cancelled, the rest of 23,000,000 shares were repurchased by the trustee of the Company and were not cancelled and remained as treasury stock as at 31 December 2024 at a cost of HK$171,810,000 (equivalent to RMB157,947,000) in equity.

## 33. RESERVES

### Capital reserve

Capital reserve resulted from transactions between the Group and its shareholders. It mainly represents equity shares of Shenzhen Kangzhe granted by Mr. Lam Kong, a director and former shareholder of Shenzhen Kangzhe, to certain employees for their services rendered in prior year, rights granted by Mr. Lam Kong to certain employees to receive cash at a pre-determined formula for their services rendered in prior year, waiver of an advance to the Company by Mr. Lam Kong in 2006, discount on acquisitions of additional interest in subsidiaries from Mr. Lam Kong in 2004 and 2005, the difference between the transfer of the entire interest in Shenzhen Kangzhe to Sino Talent Limited ("Sino Talent") pursuant to the group restructuring in 2005 and the nominal value of Shenzhen Kangzhe's share capital, and difference between the par value of shares issued by the Company for the entire interest in CMS International Limited ("CMS International") and Healthlink Consultancy Inc. ("Healthlink") pursuant to the group reorganisation in 2006 and the nominal value of the issued share capital of CMS International and Healthlink in preparation for the listing of the Company's shares. The balance was reduced by the capitalisation issue in 2007. The equity shares and rights granted by Mr. Lam Kong to certain employees had been terminated on or before 2006.

On 19 April 2010, the Group acquired an additional interest in Sky United. An amount of approximately RMB15,026,000, representing the excess of the fair value of the new ordinary shares issued by the Company over the decrease in the carrying value of the non-controlling interests is charged to capital reserve.

During the year ended 31 December 2010, a deemed distribution to a shareholder was charged to capital reserve in respect of expenses incurred for a shareholder during the initial public offering exercise by the Company.

## 33. RESERVES - continued

### Surplus reserve fund

Articles of Association of the Group's subsidiaries established in the PRC require the appropriation of certain percentage of their profit after taxation each year to the surplus reserve fund until the balance reaches 50% of the registered capital of the relevant subsidiaries. In normal circumstances, the surplus reserve fund shall only be used for making up losses, capitalisation into registered capital and expansion of the subsidiaries' production and operation. For the capitalisation of surplus reserve fund into registered capital, the remaining amount of such reserve shall not be less than 25% of the registered capital.

## 34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of cash and cash equivalents, bank borrowings and equity attributable to owners of the Company, comprising issued share capital and reserves including accumulated profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs.

# 35. FINANCIAL INSTRUMENTS

## Categories of financial instruments

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **Financial assets** | | |
| Financial assets at amortised cost | 5,668,682 | 6,204,818 |
| Equity instruments at FVTOCI | 129,783 | 163,893 |
| Financial assets at FVTPL | 2,160,097 | 1,832,258 |
| **Financial liabilities** | | |
| At amortised cost | (1,201,134) | (1,604,618) |
| Derivative financial instruments | | |
| -foreign exchange forward contracts | — | (17,227) |

## Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, equity instruments at FVTOCI, trade and other receivables, loan receivable, amounts due from associates, derivative financial instruments, bank balances and cash, trade and other payables, lease liabilities and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk, foreign currency risk and other price risk), credit risk, liquidity risk and risks arising from the interest rate benchmark reform. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

## 35. FINANCIAL INSTRUMENTS - continued

### Financial risk management objectives and policies - continued

#### *Market risk*

*Interest rate risk management*

The Group is exposed to fair value interest rate risk in relation to lease liabilities (see Note 27). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 25) and variable-rate bank borrowings (see Note 29). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates at HIBOR arising from the Group's HK$ denominated borrowings. The Group aims at keeping borrowings at fixed rates. In order to achieve this result, the Group entered into interest rate swaps to hedge against its exposures to changes in cash flow of the HIBOR bank borrowings. The critical terms of these interest rate swaps are similar to those of hedged borrowings. These interest rates swaps are designated as effective hedging instruments and hedge accounting is used (see Note 31).

Interest income of RMB126,344,000 was earned (2023: RMB146,475,000) from financial assets that are measured at amortised cost (including cash and cash equivalents) for the year ended 31 December 2024.

Interest expense of RMB38,610,000 was incurred (2023: RMB46,251,000) on financial liabilities not measured at FVTPL that are measured at amortised cost for the year ended 31 December 2024.

*Sensitivity analysis*

The directors of the Company consider that the interest rate risk in relation to bank balances is not significant as the fluctuation of the interest rates on bank balances is minimal and therefore, bank balances are not included in the sensitivity analysis.

The sensitivity analyses below have been determined based on the exposure to interest rates, including derivatives which are designated as effective hedging instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2023: 50 basis point) increase or decrease in variable-rate bank borrowings and interest rate swaps designed to hedge cash flow interest rate risk are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

# 35. FINANCIAL INSTRUMENTS - continued

## Financial risk management objectives and policies - continued

### *Market risk - continued*

*Sensitivity analysis - continued*

If interest rates had been 50 basis points (2023: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2024 would decrease/increase by Nil (2023: RMB2,549,000). This is mainly attributable to the Group's exposure to interest rates on certain of its HIBOR bank borrowings.

*Foreign currency risk management*

Some subsidiaries of the Company have foreign currency purchases, which expose the Group to foreign currency risk. Approximately 67% (2023: 56%) of the Group's purchases are denominated in currencies other than the functional currencies of the group entities making the purchase. All sales of the Group are denominated in functional currency of the group entities making the sale. Management conducts periodic review of exposure and settlements of various currencies and will consider hedging significant foreign currency exposures should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets (representing financial assets at FVTPL, trade and other receivables, loan receivable and bank balances and cash) and monetary liabilities (representing trade and other payables and bank borrowings) at the reporting date are as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2024<br>RMB'000 | 2023<br>RMB'000 | 2024<br>RMB'000 | 2023<br>RMB'000 |
| US$ | 2,380,684 | 2,368,814 | 2,130 | 3,543 |
| EUR | 214,648 | 531,007 | 5,182 | 17,530 |
| HK$ | 31,085 | 28,815 | 1,530 | 683,412 |

## 35. FINANCIAL INSTRUMENTS - continued

### Financial risk management objectives and policies - continued

#### *Market risk - continued*

*Foreign currency risk management - continued*

The Group is mainly exposed to currency risk of the US$, EUR and HK$. The following table details the Group's sensitivity to a 5% (2023: 5%) increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2023: 5%) change in foreign currency rates. The sensitivity analysis includes financial assets at FVTPL, derivative financial instruments, loan receivable, bank balances, trade and other payables and bank borrowings of which the foreign currency exposures are not hedged with hedging instruments. A positive/negative number below indicates an increase/decrease in post-tax profit for the year where the functional currencies of the relevant group entities strengthen 5% (2023: 5%) against the relevant foreign currencies. If there is a 5% (2023: 5%) weakening in functional currencies of the relevant group entities against the relevant foreign currencies, there would be an equal and opposite impact on the profit for the year:

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| RMB (as functional currency of the relevant group entities) against US$ | (89,196) | (88,698) |
| RMB (as functional currency of the relevant group entities) against EUR | (7,855) | (19,255) |
| RMB (as functional currency of the relevant group entities) against HK$ | (1,108) | 24,547 |

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during both years.

# 35. FINANCIAL INSTRUMENTS - continued

## Financial risk management objectives and policies - continued

### *Market risk - continued*

*Other price risk management*

The Group is exposed to equity price risk through its investments in equity securities. The Group's equity price risk is mainly concentrated on equity instruments operating in pharmaceutical industry sector quoted in the LSE, ENV and NYSE.

*Sensitivity analysis*

The following details the Group's sensitivity to a 10% (2023: 10%) increase and decrease in the quoted market price of the equity securities. 10% (2023: 10%) is the sensitivity rate used when reporting other price risk internally to key management personnel and represents management's assessment of the reasonably possible change in the quoted market price of the equity securities measured at FVTOCI. If there is a 10% (2023:10%) higher/lower in the quoted market price of the equity securities, the other comprehensive income would be increased/decreased by RMB2,000 (2023: RMB3,855,000).

The management considers that the other price risk in respect of financial assets at FVTPL is minimal due to the insignificant balance as at 31 December 2024 and 2023.

### *Credit risk and impairment assessment*

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, bank balances, amounts due from associates and loan receivable. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix based on share credit risk characteristics by reference to repayment history for recurring customers and current past due exposure for the new customers.

Except for the derivative financial instruments, financial assets at FVTPL and equity instruments at FVTOCI, the Group performed impairment assessment for financial assets and other items under ECL model.

# 35. FINANCIAL INSTRUMENTS - continued

## Financial risk management objectives and policies - continued

### *Credit risk and impairment assessment - continued*

*Trade receivables arising from contracts with customers*

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed every year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The Group only accepts bills issued or guaranteed by reputable PRC banks, if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the endorsed or discounted bills is insignificant.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which almost accounted for 100% (2023: 100%) of the total trade receivables as at 31 December 2024. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. Except for credit-impaired trade receivables, the remaining trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for new customers and forward-looking information. Net reverse of impairment of RMB499,000 (2023:an impairment of RMB82,000) is recognised for the year ended 31 December 2024. Details of the quantitative disclosures are set out below in this note.

*Bank balances*

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on this, the 12m ECL on bank balances is considered to be insignificant.

# 35. FINANCIAL INSTRUMENTS - continued

## Financial risk management objectives and policies - continued

### *Credit risk and impairment assessment - continued*

*Amounts due from associates*

The Group regularly monitors the business performance of the associate. The Group's credit risk in this balance is mitigated through the value of the assets held by this entity and the power to participate in the financial and operating policy decision of this entity. The Group assessed the loss allowance for trade related balance with the associate on lifetime ECL basis and non-trade related balance with the associate on 12m ECL basis. The Group performs impairment assessment under ECL model on this trade balance individually and the directors of the Company believe that there are no significant increases in credit risk at the reporting date of these amounts and the trade receivables due from the associates have been subsequently settled. For the years ended 31 December 2024 and 2023, the Group assessed the ECL for amounts due from associates to be insignificant and thus no loss allowance was recognised.

*Other receivables and deposits*

For other receivables and deposits, the directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportable and forward-looking information available without undue costs or effort. The directors of the Company believe that there is no significant increase in credit risk at the reporting date of these amounts since initial recognition. During the year ended 31 December 2024, no impairment has been recognised (2023: impairment loss of RMB6,713,000).

*Loan receivable*

The Group has a policy for assessing the impairment on loans receivable on individual basis. These debtors include a supplier of the Group and an entity in which the Group has invested in its equity interest and accounted for as equity instrument at FVTOCI. The ECL rates are estimated based on the credit quality classification and forward-looking information, including but not limited to the financial status of each borrower. During the year ended 31 December 2024, no impairment has been recognised (2023: impairment loss of RMB35,414,000).

# 35. FINANCIAL INSTRUMENTS - continued

## Financial risk management objectives and policies - continued

### *Credit risk and impairment assessment - continued*

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

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

# 35. FINANCIAL INSTRUMENTS - continued

## Financial risk management objectives and policies - continued

### *Credit risk and impairment assessment - continued*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

| | Notes | Internal credit rating | 12m or lifetime ECL | 2024 Gross carrying amount | | 2023 Gross carrying amount | |
|---|---|---|---|---|---|---|---|
| | | | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Financial assets at amortised cost** | | | | | | | |
| Trade receivables | 22 | Note 1 | Lifetime ECL - not credit-impairment Provision matrix | 1,225,639 | | 1,150,397 | |
| | | Loss | Credit-impaired | 6,373 | 1,232,012 | 6,373 | 1,156,770 |
| Bills receivables (Note 2) | 22 | Low risk | 12m ECL | 198,805 | | 180,960 | |
| Amounts due from associates (Notes 2 and 3) | 24 | Low risk | 12m ECL | 30,000 | | 30,000 | |
| | | | Lifetime ECL - Not credit-impaired | 284,088 | 314,088 | 408,167 | 438,167 |
| Bank balances (Note 2) | 25 | Low risk | 12m ECL | 3,706,501 | | 4,311,058 | |
| Other receivables and deposits (Note 2) | 22 | Low risk | 12m ECL | 154,582 | | 98,663 | |
| Loan receivable (Note 2) | | Low risk | 12m ECL | 72,227 | | 35,945 | |
| | | Loss | Credit-impaired | 35,414 | 107,641 | 35,414 | 71,359 |

# 35. FINANCIAL INSTRUMENTS - continued

## Financial risk management objectives and policies - continued

### *Credit risk and impairment assessment - continued*

Notes:

(1) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for credit-impaired balances, the Group determines the ECL on these items by using a provision matrix, grouped by internal credit rating.

**Provision matrix — internal credit rating**

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2024 and 2023 within lifetime ECL (not credit-impaired). Debtors with credit-impaired with gross carrying amount of RMB6,373,000 as at 31 December 2024 (2023: RMB6,373,000) were assessed individually.

**Gross carrying amount**

| | 2024 | | 2023 | |
|---|---|---|---|---|
| Internal credit rating | Average loss rate | Trade receivables | Average loss rate | Trade receivables |
| | | RMB'000 | | RMB'000 |
| Normal risk | 0.2% | 1,214,804 | 0.3% | 1,135,568 |
| Doubtful | 6.3% | 10,835 | 3.3% | 14,829 |
| | | 1,225,639 | | 1,150,397 |

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

# 35. FINANCIAL INSTRUMENTS - continued

## Financial risk management objectives and policies - continued

### *Credit risk and impairment assessment - continued*

(1) - continued

During the year ended 31 December 2024, a reversal of impairment of RMB499,000 was recognised (2023:impairment loss of RMB82,000) impairment allowance for trade receivables based on provision matrix. Impairment allowance of RMB6,373,000 (2023: RMB6,373,000) were made on credit-impaired debtors.

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

| | Lifetime ECL (not credit-impaired) | Lifetime ECL (credit-impaired) | Total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| As at 1 January 2023 | 3,577 | 6,066 | 9,643 |
| Impairment losses recognised | 82 | 10,514 | 10,596 |
| Write-offs | — | (10,207) | (10,207) |
| As at 31 December 2023 | 3,659 | 6,373 | 10,032 |
| Impairment losses reversed | (499) | — | (499) |
| As at 31 December 2024 | 3,160 | 6,373 | 9,533 |

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

# 35. FINANCIAL INSTRUMENTS - continued

## Financial risk management objectives and policies - continued

### *Credit risk and impairment assessment - continued*

(2) The Group assessed the loss allowance for bills receivables, other receivables, bank balances, amounts due from associates and loan receivable on 12m ECL basis. In determining the ECL of the bank balances, the Group has taken into account the counterparties are reputable banks with high credit ratings assigned by international credit agencies and forward-looking information as appropriate. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies and the management considers that the ECL on the bank balances is immaterial. In determining the ECL other than the bank balances, the Group has taken into account the historical default experience and forward-looking information as appropriate, including changes in growth rate of gross domestic product of the PRC. There had been no significant increase in credit risk since initial recognition. The Group has considered the consistently low historical default rate in connection with payments and concluded that the ECL on these balances is immaterial.

(3) The Group assessed the loss allowance for amounts due from associates with trade nature on lifetime ECL basis. In determining the ECL, the Group has taken into account the value of the assets held by this entity and the power to participate in the financial and operating policy decision of this entity. There had been no significant increase in credit risk since initial recognition. The Group has considered the consistently low historical default rate in connection with payments and concluded that the ECL on these balances is immaterial.

The Group rebuts the presumption of default under ECL for trade receivables over 90 days past due based on the strong financial position with good repayment records of those customers and continuous business relationship with the Group.

# 35. FINANCIAL INSTRUMENTS - continued

## Financial risk management objectives and policies - continued

### *Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2024, the Group has available unutilised banking facilities of approximately RMB1,880,341,000 (2023: RMB2,550,000) respectively. Details of which are set out in Note 29.

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from current interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments, The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management of the Group considers that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

# 35. FINANCIAL INSTRUMENTS - continued

## Financial risk management objectives and policies - continued

### *Liquidity risk - continued*

| | Weighted average interest rate | Repayable on demand or less than 1 year | 1 to 5 years | Total undiscounted cash flows | Carrying amount at 31 December 2024 |
|---|---|---|---|---|---|
| | % | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As at 31 December 2024 | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Trade and other payables | | 369,834 | – | 369,834 | 369,834 |
| Fixed-rate bank borrowings | 2.39 | 851,202 | – | 851,202 | 831,300 |
| Lease liabilities | 4.75 | 17,737 | 13,727 | 31,464 | 29,443 |
| | | 1,238,773 | 13,727 | 1,252,500 | 1,230,577 |

| | Weighted average interest rate | Repayable on demand or less than 1 year | 1 to 5 years | Total undiscounted cash flows | Carrying amount at 31 December 2023 |
|---|---|---|---|---|---|
| | % | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As at 31 December 2023 | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Trade and other payables | – | 333,968 | – | 333,968 | 333,968 |
| Deferred consideration payables | 10.00 | 1,000 | – | 1,000 | 1,000 |
| Variable-rate bank borrowings | 3.80 | 705,477 | – | 705,477 | 679,650 |
| Fixed-rate bank borrowings | 2.65 | 605,635 | – | 605,635 | 590,000 |
| Lease liabilities | 4.75 | 16,736 | 17,676 | 34,412 | 32,087 |
| | | 1,662,816 | 17,676 | 1,680,492 | 1,636,705 |
| **Derivative financial liabilities** | | | | | |
| Foreign exchange forward contracts | | 17,227 | – | 17,227 | 17,227 |

# 35. FINANCIAL INSTRUMENTS - continued

## Fair value measurements of financial instruments

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

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

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities at measurement date;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| Financial assets/liabilities | Fair value as at | | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable inputs |
|---|---|---|---|---|---|
| | 31/12/2024 | 31/12/2023 | | | |
| 1) Foreign exchange forward contracts classified as derivative financial instruments | Nil | Liabilities – RMB17,227,000 | Level 2 | Discounted cash flow. Future cash flows are estimated based on forward exchange rate and contracted exchange rate, discounted at a rate that reflects the credit risk of various counterparties | Nil |
| 2) Equity instruments at FVTOCI – listed equity securities | Listed equity securities on the LSE, ENV, NYSE and NASDAQ – RMB20,000 | Listed equity securities on the LSE, ENV, NYSE and NASDAQ – RMB38,549,000 | Level 1 | Quoted bid prices in an active market | Nil |

## 35. FINANCIAL INSTRUMENTS - continued

### Fair value measurements of financial instruments - continued

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis - continued

| Financial assets/liabilities | Fair value as at | | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable inputs |
|---|---|---|---|---|---|
| | 31/12/2024 | 31/12/2023 | | | |
| 3) Equity instruments at FVTOCI – unlisted equity securities | Unlisted equity investments – RMB129,763,000 | Unlisted equity investments – RMB125,344,000 | Level 3 | Market approach by applying market multiples such as the ratio of market capital to net book value from comparable companies | The ratio of market capital to net book value from comparable companies |
| 4) Financial asset at FVTPL – listed equity securities | Listed equity securities on the HKEX – RMB2,474,000 | Listed equity securities on the HKEX – RMB2,602,000 | Level 1 | Quoted bid prices in an active market | Nil |
| 5) Financial assets at FVTPL – capital funds | Assets – RMB926,124,000 | Assets – RMB843,190,000 | Level 3 | Direct comparison - reference to market evidence of recent transaction prices of the underlying investments | Recent transaction prices of underlying investments |
| 6) Financial assets at FVTPL – unlisted equity securities | Assets – RMB981,291,000 | Assets – RMB510,536,000 | Level 2 | Recent Transaction method, quoted bid prices in an inactive market | Nil |
| 7) Financial assets at FVTPL – unlisted equity securities | Assets – RMB250,208,000 | Assets – RMB475,930,000 | Level 3 | Market approach by applying market multiples such as the ratio of market capital to net book value from comparable companies | The ratio of market capital to net book value from comparable companies |

## 35. FINANCIAL INSTRUMENTS - continued

### Fair value measurements of financial instruments - continued

(ii) Reconciliation of Level 3 fair value measurements

| | Equity instruments at FVTOCI | Financial assets at FVTPL | Total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| As at 1 January 2023 | 233,047 | 1,045,401 | 1,278,448 |
| Purchases | — | 145,505 | 145,505 |
| Disposal | — | (20,343) | (20,343) |
| Transfers into level 3 from level 2 | — | 131,879 | 131,879 |
| Total gains | | | |
| — in profit | — | 16,678 | 16,678 |
| — in other comprehensive income | (107,703) | — | (107,703) |
| As at 31 December 2023 | 125,344 | 1,319,120 | 1,444,464 |
| Purchases | — | 97,145 | 97,145 |
| Disposal | — | (6,007) | (6,007) |
| Transfers into level 2 from level 3 | — | (87,740) | (87,740) |
| Total gains | | | |
| — in profit | — | (146,186) | (146,186) |
| — in other comprehensive income | 4,419 | — | 4,419 |
| As at 31 December 2024 | 129,763 | 1,176,332 | 1,306,095 |

(iii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

## 36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

| | Bank borrowings | Deferred consideration payables | Dividend payables | Lease liabilities | Obligation rising from put options | Total |
|---|---|---|---|---|---|---|
| | RMB'000 (Note 29) | RMB'000 | RMB'000 (Note 13) | RMB'000 (Note 27) | RMB'000 | RMB'000 |
| At 1 January 2023 | 1,783,337 | 1,909 | – | 29,295 | 163,773 | 1,978,314 |
| Financing cash flows | (553,190) | (1,000) | (1,360,363) | (20,285) | (116,300) | (2,051,138) |
| Dividends declared | – | – | 1,360,363 | – | – | 1,360,363 |
| Finance costs | 42,997 | 91 | – | 2,216 | 947 | 46,251 |
| Net foreign exchange gain | (3,494) | – | – | – | – | (3,494) |
| Commencement of new leases | – | – | – | 20,861 | – | 20,861 |
| Repurchase shares from non-controlling interests | – | – | – | – | (48,420) | (48,420) |
| At 31 December 2023 | 1,269,650 | 1,000 | – | 32,087 | – | 1,302,737 |
| Financing cash flows | (479,248) | (1,000) | (556,162) | (24,429) | – | (1,060,839) |
| Dividends declared | – | – | 556,162 | – | – | 556,162 |
| Finance costs | 36,398 | – | – | 2,212 | – | 38,610 |
| Net foreign exchange loss | 4,500 | – | – | – | – | 4,500 |
| Commencement of new leases | – | – | – | 19,573 | – | 19,573 |
| At 31 December 2024 | 831,300 | – | – | 29,443 | – | 860,743 |

## 37. CAPITAL COMMITMENTS

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Capital expenditure in respect of the acquisition of below items contracted for but not provided in the consolidated financial statements | | |
| — financial assets at FVTPL | 576,499 | 669,080 |
| — interests in an associate | 34,541 | 37,466 |

## 38. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related financial parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below, in addition to the transactions and balances disclosed elsewhere in the consolidated financial statements.

(a) The Group entered into the following transactions with related parties during the year:

| Name of related company | Relationship | Nature of transactions | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|---|---|
| Tibet Pharmaceutical | Associate | Promotion income | 1,395,476 | 1,618,832 |
| Tibet Pharmaceutical | Associate | Purchase of goods | — | 36 |
| ETC | Associate | Purchase of goods | 9,337 | 8,131 |
| ETC | Associate | Promotion income | 9,110 | 13,183 |
| Shenzhen Mediportal Health Medical Internet Limited | Related party | Service fee | 6,904 | 5,173 |
| Shenzhen Mediportal Health Technology Co. Ltd. | Related party | Service fee | 1,030 | — |
| A&B (HK) Company Limited | Related party | Royalty expenses | 2,699 | 352 |

## 38. RELATED PARTY TRANSACTIONS - continued

(b) On 8 May 2015, A&B entered into agreements with Faron Pharmaceuticals, Ltd ("Faron"), to acquire 15.72% of the shareholding of Faron, assets related to a drug, Traumakine in China (including Hong Kong SAR, Macau SAR and Taiwan) (the "Territory"), intellectual properties related to Traumakine from the Territory and the right to exchange Traumakine information with Faron.

On 19 May 2015, the Group entered into agreements with A&B and/or Faron respectively, to acquire the assets related to Traumakine in the Territory (the "Acquisition of Assets"). On 31 December 2024, the Group entered into a termination agreement with A&B for the acquisition of asset.

The Group has not paid any consideration to A&B in respect of this acquisition as at 31 December 2024 and 2023.

(c) On 14 August 2018, the Group entered into an asset transfer and license agreement with Blueberry Therapeutics Limited ("Blueberry"), which is one of Group's unlisted equity investments under Note 20(b)(iii). According to the terms of such agreement, the Group has acquired all related assets of Blueberry's leading product BB2603 (for the treatment of onychomycosis and tinea pedis) in China (including Hong Kong SAR Macau SAR and Taiwan), Republic of Korea and Mongolia (the "Asia Territory") and the Group further acquired access to all related assets of other pipeline products being or to be developed subsequently by Blueberry utilizing its unique nano formulation delivery system in dermatology and other fields (such as products used for treating atopic dermatitis and acne, etc., together with the product BB2603 as the "Product of BB2603") in the Asia Territory in consideration of (1) an upfront payment of USD600,000 (equivalent to RMB4,090,000), (2) fixed lump sum payments upon the achievement of the pre-determined milestones stipulated in the agreement and (3) a royalty at a fixed rate on the basis of the net sales of Product of BB2603 in Asia Territory. The aforementioned assets include, among others, all the national patents covering the development, commercialization and formulation of the Product of BB2603, national trademarks and necessary regulatory approvals in or for the Asia Territory.

As the milestone as well as the commercialisation of Product of BB2603 has not yet been achieved as at 31 December 2024 and 2023, the Group has only paid the upfront payment of USD600,000 (equivalent to RMB4,090,000) as the consideration for Product of BB2603 during year ended 31 December 2018. Such amount has been included in deposits paid for acquisition of intangible assets (see Note 23) as at 31 December 2024 and 2023. During the year ended 31 December 2023, the amount of RMB4,090,000 was fully impaired.

## 38. RELATED PARTY TRANSACTIONS - continued

(d) On 20 August 2018, the Group entered into a framework asset transfer agreement with A&B relating to the portable neurostimulation devices (the "Product of PoNS") developed by or for Helius Medical Technologies group ("Helius"), which is one of Group's unlisted equity investments under Note 20(b)(iii). According to the terms of such agreement, the Group has agreed to acquire from A&B all assets related to the Product of PoNS (the "Assets of PoNS") in the Territory (the "Transaction of PoNS"). The Assets were originally purchased by A&B from Helius, in which A&B has equity interest. Both the Group and A&B have not agreed on the definitive terms and conditions of the Transaction, including the consideration for the transfer of the Assets of PoNS under the agreement. On 31 December 2024, the Group entered into a termination agreement with A&B for the Transaction of PoNS. The Group has not paid any consideration to A&B in respect of the Transaction of PoNS as of 31 December 2024 and 2023.

(e) On 20 August 2018, the Group entered into a framework asset transfer agreement with A&B relating to the pharmaceutical preparation, formulation, dosage form, or delivery vehicle, containing or comprising NRL-1 etc. and/or line extensions developed by or for Neurelis, Inc. ("Neurelis") (collectively, the "Product of NRL-1"). Neurelis is one of Group's unlisted equity investments under Note 20(b)(iii). According to terms of such agreement, the Group has agreed to acquire from A&B all assets related to the Product of NRL-1 (the "Assets of NRL-1") in the Territory (the "Transaction of NRL-1"). A&B obtained the Assets of NRL-1 from its related entity which in turn obtained the Assets of NRL-1 from Neurelis. During the year ended 31 December 2023, the Group and A&B had negotiated and agreed on the terms of the Transaction of NRL-1, the Group has agreed to pay A&B a royalty payment of up to US$0.6 per Unit of NRL-1 imported into or sold in the Territories, and the Group has agreed to pay A&B a royalty payment of 9.0% on the net sales of NRL-1 sold by the Group in the Territories. Royalty expenses of RMB2,699,000 was recognised during the year ended 31 December 2024 (2023: RMB352,000).

(f) The key management personnel includes solely the directors of the Company and the compensation paid to them as disclosed in Note 9.

## 39. RETIREMENT BENEFITS SCHEMES

The employees of the Group's subsidiary in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The employees employed in Hong Kong are required to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). Contributions to the MPF Scheme are made in accordance with the statutory limits prescribed by the Mandatory Provident Fund Ordinance of Hong Kong.

The employees employed in Macau are required to join the Social Security Fund (the "FSS"). Contributions to FSS are made in accordance with the statutory limits prescribed by the Social Security System of Macau.

The employees employed in Dubai are required to be entitled to gratuity based on the years of services under the labour law of United Arab Emirates Ministry of Human Resources and Emiratisation.

During the year, the total expense recognised in the profit or loss for the above schemes amounted to RMB301,167,000 (2023: RMB280,021,000).

## 40. EMPLOYEE BENEFIT SCHEME

The 2009 Scheme was adopted by the Board on 31 July 2009 ("Adoption Date"). Unless terminated earlier by the Board, the 2009 Scheme shall be valid and effective for a term of 20 years commencing on the Adoption Date. Pursuant to the rules of the 2009 Scheme, the Company set up a trust through a trustee (the "Trustee"), Fully Profit Management (PTC) Limited, for the purpose of administration the 2009 Scheme. A summary of some of the principal terms of the 2009 Scheme is set out in below.

(a) The purpose of the 2009 Scheme is to recognise the contributions by certain employees who have been actively involved in the business development of the Group and to establish and maintain a superannuation fund for the purpose of providing retiring allowances for certain employees (including without limitation employees who are also directors) of the Group, and to give incentive in order to retain them for the continual operation and development of the Group.

(b) Under the 2009 Scheme, the Board of Directors (the "Board") may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think appropriate select an employee (the "Member") who completed 10 years' services in the Group (subject to consent of the Board if the employee completed 5 years' services in the Group) for participation in the 2009 Scheme for 10 years after retirement (the "Payment Year") (subject to adjustment set out in (d) below).

## 40. EMPLOYEE BENEFIT SCHEME - continued

(c) The Company will, on a yearly basis, contribute the sum equal to an amount not less than 0.5%, but no more than 3% of its after tax profits shown on the audited consolidated financial statements of the Group, or issue such number of shares of the Company to the Trustee in consideration of payment of such amount as the Board may determine with reference to the aforesaid contribution as against the then market value of the shares of the Company (the "Yearly Contributions"), subject to the Board's approval.

(d) The amount payable to the Members depends on the value of the assets held by the Trustee (the "Fund"). If the value of the Fund is less than the aggregate amount of contributions previously made by the Company, the amount payable to the Members and the Payment Year will be adjusted by a factor derived from the value of the Fund and the aggregate amount of contributions previously made by the Company. The only obligation of the Company is to make the Yearly Contributions to the Fund. As such, the 2009 Scheme is classified as defined contribution scheme.

On 22 December 2016, the Board has resolved to adopt two new employee incentive schemes, with details as follows:

(a) The Bonus Scheme

i. This scheme is for the purpose of providing discretionary cash bonuses to selected employees of the Group to recognise their contribution to the Group.

ii. This scheme is open to the employees employed by the Group, except for the directors of the Company.

(b) The New KEB Scheme

i. The New KEB Scheme will replace the 2009 Scheme and shall comprise terms which are substantially similar to the 2009 Scheme, except for the ratio of contribution, which was determined by the audited consolidated financial performance.

ii. The subsisting rights of all participants under 2009 Scheme will be rolled over to the New KEB Scheme.

## 40. EMPLOYEE BENEFIT SCHEME - continued

For the purposes of effecting the merger and facilitating the administration of the Bonus Scheme and the New KEB Scheme, the Company has resolved to set up a new trust comprising the Bonus Scheme and KEB Scheme (collectively referred to as the "Master Scheme"). Unless terminated earlier by the Board, the Master Scheme shall be valid and effective until the later of the termination of the Bonus Scheme or the New KEB Scheme. The term of each of the Bonus Scheme and the New KEB Scheme is 20 years subject to the terms of their respective scheme rules. TMF Trust (HK) Limited ("TMF"), a company incorporated in Hong Kong, is appointed as the initial trustee of the new trust (the "New Trustee").

The amount payable to the members of the Bonus Scheme in a financial year depends on a variety of factors, including the value of the assets held by the New Trustee (the "New Fund"), the appreciation in the value of the assets held under the New Fund, the financial performance of the Group and the performances of individual employees during the year. The New Fund is independent from the Company and the change in value of the New Fund has no impact on the Group's financial performance and financial position. The only obligation of the Company is to make the Annual Contributions to the New Fund subject to the terms of the scheme rules of the Bonus Scheme. The Bonus Scheme is classified as a discretionary scheme of the Company. No employee benefit expenses were recognised by the Company and the Group for both years.

During the year ended 31 December 2024, the Company recognised an expense of RMB7,680,000 (2023: RMB5,160,000) on the Master Scheme based on the Group's financial performance, in which such amount was recognised as employee benefit expenses in the consolidated statement of profit or loss and other comprehensive income.

## 41. DEEMED DISPOSAL OF A SUBSIDIARY

**For the year ended 31 December 2023**

In February 2023, the Group entered into a shareholder agreement with the other shareholders of Xili Pharmaceutical, which was a subsidiary of the Group at the time, pursuant to which the Articles of Association of Xili Pharmaceutical was amended in which unanimous consent from the board of directors of Xili Pharmaceutical is required for all operating decisions. Accordingly, the directors of the Company concluded that the control over Xili Pharmaceutical was given up on that date. The investment on Xili Pharmaceutical was considered deemed disposed and was accounted for as an investment in a joint venture using the equity method afterward. The net assets of Xili Pharmaceutical at the date of deemed disposal were as follows:

## 41. DEEMED DISPOSAL OF A SUBSIDIARY - continued

**Analysis of assets and liabilities over which control was given up:**

| | RMB'000 |
|---|---|
| Property, plant and equipment (Note 15) | 8,974 |
| Right-of-use assets | 9,906 |
| Intangible assets (Note 18) | 63,129 |
| Goodwill (Note 19) | 118,090 |
| Deferred tax assets (Note 30) | 1,199 |
| Inventories | 42,122 |
| Trade and other receivables | 49,257 |
| Cash and cash equivalents | 11,155 |
| Trade and other payables | (43,373) |
| Tax payable | (357) |
| Deferred tax liabilities (Note 30) | (16,777) |
| | 243,325 |

**Gain on deemed disposal of a subsidiary:**

| | RMB'000 |
|---|---|
| Net assets disposed of | (243,325) |
| Non-controlling interests | 23,164 |
| Fair value of equity interest retained in Xili Pharmaceutical at the date of deemed disposal (Note 17(b)) | 220,161 |
| Gain on deemed disposal | — |

## 42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

As at 31 December 2024 and 2023, the details of the Company's principal subsidiaries are set as follows:

| Name of subsidiaries | Place of incorporation/ establishment and operation | Issue and fully paid share capital/ registered capital | | Equity interest held by the Group | | | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | 31 December 2024 | 31 December 2023 | 31 December 2024 | | 31 December 2023 | | |
| | | | | Directly | Indirectly | Directly | Indirectly | |
| Kangzhe Hunan (wholly-owned domestic enterprise) | PRC | RMB36,750,000 | RMB36,750,000 | – | 100% | – | 100% | Production of medicines |
| Tibet Kangzhe Enterprise Management Co. Ltd. (wholly-owned domestic enterprise) | PRC | RMB10,000,000 | RMB10,000,000 | – | 100% | – | 100% | Investment holding |
| Shenzhen Kangzhe (wholly foreign-owned enterprise) | PRC | RMB355,000,000 | RMB350,000,000 | – | 100% | – | 100% | Marketing, promotion and sale of drugs |
| Sino Talent | Hong Kong | HK$1 | HK$1 | – | 100% | – | 100% | Investment holding |
| Sky United | Hong Kong | HK$10 | HK$10 | – | 100% | – | 100% | Trading of drugs |
| Kangzhe Pharmaceutical Investment Co., Ltd. (wholly-owned domestic enterprise) | PRC | RMB50,000,000 | RMB50,000,000 | – | 100% | – | 100% | Investment holding |
| Tianjin Kangzhe (wholly foreign-owned enterprise) | PRC | RMB500,000,000 | RMB500,000,000 | – | 100% | – | 100% | Marketing, promotion and sale of drugs |
| Tibet Kangzhe Development (wholly-owned domestic enterprise) | PRC | RMB100,000,000 | RMB100,000,000 | – | 100% | – | 100% | Marketing, promotion and sale of drugs |
| CMS Bridging Limited | Hong Kong | HK$1,000,000,000 | HK$1,000,000,000 | – | 100% | – | 100% | Investment holding |
| CMS Medical Venture Investment (HK) Limited | Hong Kong | HK$2,268,542,500 | HK$2,268,542,500 | – | 100% | – | 100% | Investment holding |
| CMS International Development and Management Limited | Macau | MOP$113,340,100 | MOP$113,340,100 | – | 100% | – | 100% | Trading of drugs |

## 42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY - continued

| Name of subsidiaries | Place of incorporation/ establishment and operation | Issue and fully paid share capital/ registered capital | | Equity interest held by the Group | | | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | 31 December 2024 | 31 December 2023 | 31 December 2024 | | 31 December 2023 | | |
| | | | | Directly | Indirectly | Directly | Indirectly | |
| CMS Pharma DMCC | Dubai | AED104,490,000 | AED104,490,000 | – | 100% | – | 100% | Trading of drugs |
| Shanghai Carnation Medical Technology Co., Ltd (wholly foreign-owned enterprise) | PRC | RMB2,842,105 | RMB2,842,105 | – | 64.81% | – | 64.81% | Research and development of medical aesthetics devices |
| Shanghai Kangzhe Aesthetics Pharmaceutical Co., Ltd (wholly foreign-owned enterprise) | PRC | RMB10,000,000 | RMB10,000,000 | – | 100% | – | 100% | Marketing and promotion of drugs |
| Hainan Kangzhe Aesthetics Technology Co., Ltd (wholly foreign-owned enterprise) | PRC | RMB345,000,000 | RMB145,000,000 | – | 100% | – | 100% | Marketing, promotion and sale of drugs |
| Hainan Kangzhe Venture Capital Co. Ltd (wholly foreign-owned enterprise) | PRC | RMB807,050,000 | RMB787,050,000 | – | 100% | – | 100% | Investment holding |
| CMS Skinhealth Limited (formerly known as CMS Aesthetics Limited) | Hong Kong | HK$1 | HK$1 | – | 100% | – | 100% | Trading of drugs |
| Luqa Business Development Limited | Hong Kong | HK$1 | HK$1 | – | 100% | – | 100% | Trading of drugs |
| Heling Medical (Guangzhou) Company Limited (wholly-owned domestics enterprise) | PRC | RMB3,000,000 | RMB3,000,000 | – | 60% | – | 60% | Production of skincare products |
| Hainan Kangzhe Vision Technology Co., Ltd (wholly foreign-owned enterprise) | PRC | RMB130,000,000 | RMB90,000,000 | – | 100% | – | 100% | Marketing, promotion and sale of drugs |

## 42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY - continued

| Name of subsidiaries | Place of incorporation/ establishment and operation | Issue and fully paid share capital/ registered capital | | Equity interest held by the Group | | | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | 31 December 2024 | 31 December 2023 | 31 December 2024 | | 31 December 2023 | | |
| | | | | Directly | Indirectly | Directly | Indirectly | |
| CMS Visition International Management Limited | Macau | MOP25,000 | MOP22,500 | – | 100% | – | 100% | Trading of drugs |
| CMS Skinhealth International Business Limited | Macau | MOP25,000 | MOP22,500 | – | 100% | – | 100% | Trading of drugs |

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

None of the subsidiaries had issued any debt securities at the end of the year.

## 43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Non-current asset | | |
| Interests in subsidiaries | 3,554,735 | 4,950,359 |
| Current assets | | |
| Other receivable | 3,695 | — |
| Bank balances and cash | 14,470 | 5,754 |
| | 18,165 | 5,754 |
| Current liabilities | | |
| Amount due to a subsidiary | 2,958 | 2,958 |
| Other payables and accruals | 20,172 | 13,122 |
| Bank borrowings | 772,000 | 1,269,650 |
| Derivative financial instruments | — | 17,227 |
| | 795,130 | 1,302,957 |
| Net current liabilities | (776,965) | (1,297,203) |
| Total assets less current liabilities | 2,777,770 | 3,653,156 |
| Capital and reserves | | |
| Share capital (Note 32) | 83,564 | 83,991 |
| Reserves | 2,694,206 | 3,569,165 |
| Total equity | 2,777,770 | 3,653,156 |

## 43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY - continued

### Movement in reserves

| | Share premium | Capital reserve | Accumulated profits | Dividend reserve | Treasury stock | Total |
|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance at 1 January 2023 | 2,105,621 | 6,960 | 2,273,661 | 591,910 | – | 4,978,152 |
| Loss and total comprehensive expense for the year | – | – | (48,624) | – | – | (48,624) |
| Dividends paid | – | – | (768,453) | (591,910) | – | (1,360,363) |
| Dividends proposed | – | – | (191,991) | 191,991 | – | – |
| Balance at 31 December 2023 | 2,105,621 | 6,960 | 1,264,593 | 191,991 | – | 3,569,165 |
| Repurchase of ordinary shares | – | – | – | – | (237,967) | (237,967) |
| Cancellation of ordinary shares | (80,020) | – | – | – | 80,020 | – |
| Loss and total comprehensive expense for the year | – | – | (80,830) | – | – | (80,830) |
| Dividends paid | – | – | (364,171) | (191,991) | – | (556,162) |
| Dividends proposed | – | – | (283,700) | 283,700 | – | – |
| Balance at 31 December 2024 | 2,025,601 | 6,960 | 535,892 | 283,700 | (157,947) | 2,694,206 |