石四藥集團有限公司
SSY Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2005)

2024

Annual Report

CONTENTS

CORPORATE INFORMATION

STOCK CODE

2005

EXECUTIVE DIRECTORS

Mr. Qu Jiguang *(Chairman)*
Mr. Su Xuejun
Mr. Meng Guo
Mr. Chow Hing Yeung
Ms. Qu Wanrong *(appointed on 28 August 2024)*

NON-EXECUTIVE DIRECTOR

Mr. Liu Wenjun *(appointed on 19 January 2024)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Yibing
Mr. Chow Kwok Wai
Mr. Jiang Guangce

COMPANY SECRETARY

Mr. Chow Hing Yeung

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 4902-03, 49th Floor
Central Plaza, 18 Harbour Road
Wanchai, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Meng Guo
Mr. Chow Hing Yeung

AUDIT COMMITTEE

Mr. Chow Kwok Wai *(Chairman)*
Mr. Wang Yibing
Mr. Jiang Guangce

REMUNERATION COMMITTEE

Mr. Jiang Guangce *(Chairman)*
Mr. Wang Yibing
Mr. Chow Kwok Wai

NOMINATION COMMITTEE

Mr. Wang Yibing *(Chairman)*
Mr. Chow Kwok Wai
Mr. Jiang Guangce

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China
Bank of China (Hong Kong)
Bank of Communications
China CITIC Bank International
China Construction Bank
China Construction Bank (Asia)
Hang Seng Bank
Hongkong and Shanghai Banking Corporation
Industrial and Commercial Bank of China

LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW

DLA Piper Hong Kong

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

WEBSITE

http://www.ssygroup.com.hk

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of SSY Group Limited (the "Company"), I hereby present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2024.

I. RESULT AND DIVIDEND DISTRIBUTION

In 2024, the internal and external business environment remained severe and complex. Faced with multiple challenges and impacts such as sluggish economic recovery, intensified trade protectionism, and tightening medical insurance policies, the Group overcame difficulties and implemented comprehensive measures, facing difficulties and challenges with a positive attitude and proactive actions. By adopting an accelerated stance, we focused on innovation, optimized production and sales mix, expanded market coverage in a targeted manner, promoted the dominant and key preparations products, and expanded business scope as well as improved quality and efficiency of commodity bulk pharmaceuticals and medical materials. The Group's overall business maintained a trend of stable development.

In 2024, the Group achieved a revenue of approximately Renminbi 5,266 million, representing a decrease of approximately 9.6% as compared to last year; in terms of Hong Kong dollars, the Group's revenue was approximately HK$5,773 million this year, representing a decrease of 10.7% as compared to last year, and the gross profit margin for this year was 50.4%, representing a decrease of 5.6 percentage points as compared to last year. The Group achieved a net profit of approximately HK$1,061 million, representing a decrease of approximately 19.5% as compared to last year.

The Directors resolved to pay a final dividend of HK$0.095 per share on 3 June 2025 to the shareholders named in the register of members of the Company on 21 May 2025. Total dividend for the year were HK$0.175 per share, representing an increase of approximately 2.9% as compared to last year.

II. BUSINESS REVIEW

(1) Sales of Products

In 2024, the pharmaceutical market underwent multi-dimensional and profound changes, presenting more challenges and difficulties for the enterprises on sales of products. With regards to this, the Group promptly adjusting its marketing strategy. Through proactive measures such as optimizing cost structure, expanding product accessibility, and enhancing service quality and efficiency, the Group strived to cope with the continuously changing market environment, and the integrated operation of "bulk pharmaceuticals + preparations" achieved progress amidst stability. Throughout the year, the Group continued to deepen its presence in its dominant products which are intravenous infusion solutions market, focused on increasing the market share of oral preparations and liquid injections, and kept increasing the sales proportion of high-value-added preparations, ensuring steady progress in core businesses. Meanwhile, the bulk pharmaceuticals and medical materials products business actively explored business opportunities and speeded up their breakthrough through "going out" and "bringing in" strategies.

During the year, the Group has continuously improved the market accessibility of its products. In 2024, the Group overcame the impact of adverse factors, effectively bridged between the approval and market entry of new products across various regions, and timely participated in the successive National Centralized Medicines Procurement and various drug tendering activities at inter-provincial and local levels. Throughout the year, a total of 44 generic names with 56 specifications were approved for market access. Among them, 13 generic names with 14 specifications, including Nicorandil for Injection, have achieved access in 30 or more provinces, while 29 generic names with 35 specifications, including Ropivacaine Hydrochloride and Sodium Chloride Injection, have achieved access in more than 20 provinces. At the same time, throughout the year, the Group participated in over a thousand drug tenders, including successive National Centralized Medicines Procurement, inter-provincial and local joint procurement, and by medical institutions, achieving outstanding performance and a clear advantage in winning tenders in the inter-provincial joint procurement, such as the 19-province (including autonomous regions and corps) joint procurement led by Henan Province, the Beijing-Tianjin-Hebei "3+N" centralized volume-based procurement the Guangdong Alliance's centralized volume-based procurement such as Apixaban tablets, and the Jiangsu Alliance's 4th-5th batch of successive National Centralized Medicines Procurement, which further consolidated the market foundation of the key regions. The Group's products which were included in the National Medical Insurance Catalog continued to expand, with the first generic exclusive new product Stiripentol for Suspension successfully selected as a new variety in the new version of the 2024 National Medical Insurance Catalog through the medical insurance negotiation, and the new product, Etomidate Medium and Long Chain Fat Emulsion Injection, has also been selected. Currently, the Group has 162 products included in the National Medical Insurance Catalog.

II. **BUSINESS REVIEW** *(Continued)*

(1) **Sales of Products** *(Continued)*

The intravenous infusion solution and ampoule injection businesses remained stable. In 2024, the overall infusion solution of the Group achieved an aggregate sales volume of 2,036 million bottles (bags), representing an increase of 6.7% as compared to last year with a revenue of HK$3,735 million, representing a decrease of 7.6% as compared to last year. This was mainly due to sluggish demand and price decline in the basic infusion existing market as affected by a combination of policy and market factors, which resulted in weaker-than-expected growth. Nevertheless, in 2024, some therapeutic infusion solution products of the Group still achieved growth, among which, the sales volume of Peritoneal Dialysis Solution reached 8.55 million bags, representing an increase of 81% as compared to last year; the sales volume of Moxifloxacin Hydrochloride and Sodium Chloride Injection was approximately 17.98 million bags, representing an increase of 5% as compared to last year. During the year, the aggregated sales volume of ampoule injection products reached 313 million pieces, representing an increase of 1.3% as compared to last year. Among which, the sales volume of Glucose Injection was 32.40 million pieces, representing an increase of 128% as compared to last year; the sales volume of Ipratropium Bromide was 12.14 million pieces, representing an increase of 163% as compared to last year; the sales volume of Doxofylline was 31.68 million pieces, representing an increase of 57% as compared to last year.

The Group experienced further growth in the production and sales scale of its oral preparations business segment. Through proactively adjusting market layout and stepping up professional promotion, the Group strengthened the business cooperation with the top 100 chain pharmacies and pushed forward the commercial chain to speed up the development of end market. Oral preparations products such as Felodipine Sustained-release Tablets, Rosuvastatin Calcium Tablets, Azithromycin Tablets, Azithromycin Dispersible Tablets, and Moxifloxacin Hydrochloride Tablets achieved relatively fast growth. Among them, the sales volume of Rosuvastatin Calcium Tablets was 191.19 million tablets, representing an increase of approximately 194% as compared to last year; the sales volume of Cefaclor for Suspension was 92.37 million bags, representing an increase of approximately 34% as compared to last year. In 2024, the revenue of oral preparations products reached approximately HK$502 million, representing an increase of approximately 4.9% as compared to last year.

The overall business of the bulk pharmaceuticals segment was affected by the international market and pricing factors. In 2024, sales revenue of bulk pharmaceuticals reaching approximately HK$785 million, representing a decrease of 11.7% as compared to last year. Among them, caffeine actively expanded its international market business, achieving stable sales growth, with a sales volume of 5,478 tons, representing an increase of 44% compared to the previous year. The external sales volume of Metronidazole reached 163 tons, representing a decrease of 43% compared to the previous year. The external sales volume of Azithromycin was approximately 295 tons, remaining roughly unchanged compared to the previous year. We expect that the bulk pharmaceuticals business is likely to bottom out and stabilize next year, with a recovery in prosperity and achieving recovery growth.

II. **BUSINESS REVIEW** *(Continued)*

(1) **Sales of Products** *(Continued)*

Production and sales of medical materials have achieved steady improvement. Jiangsu Best New Medical Material has focused on product technology updates, continued to step up efforts in the research and development of and marketing promotion for high-end and high-quality pharmaceutical packaging materials with special application scenarios and industry foresight, strengthened the complementarity between its key products and the industrial chain, and proactively enhanced the partnerships with several large domestic pharmaceutical enterprises. The market penetration capability and coverage rate of key packaging material products such as butyl rubber stoppers, gaskets, and multi-layer co-extrusion films have been effectively improved. The multi-layer co-extrusion bioprocessing film has achieved bulk supply, and the newly developed products such as butyl rubber pistons for pre-filled syringes, laminated series butyl rubber stoppers, specialized films for peritoneal dialysis solution, specialized films for peritoneal drainage bags, and non-PVC infusion soft tubes have started sales, becoming new highlights of the business. In 2024, the external sales volume of Jiangsu Best New Medical Material outside the Group reached HK$188 million, an increase of HK$26 million compared to 2023, representing a growth of 16.4%. While maintaining growth in the domestic market, we actively explore overseas markets. The export of liquid storage bag bioreactor film products achieved a breakthrough from "nil" and the export volume of rubber stopper products also increased.

The export of preparations continues to grow steadily. During the year, the Asian market, a key export region, experienced a significant surge, with sales volume growing 23% as compared to last year. In 2024, the export sales volume of infusion solutions reached approximately 118 million bottles (bags), representing an increase of approximately 11% compared to last year. The export sales revenue of infusion solutions reached approximately HK$178 million, representing an increase of approximately 9% compared to last year. Meanwhile, the Group developed 28 new customers, with preparations products exported to over 100 countries and regions worldwide. During the year, the Group obtained 47 product registration certificates in 19 countries including the United Arab Emirates, Costa Rica, the Philippines, Nigeria, and Uruguay. To date, the Group has accumulated 435 product registration certificates in nearly a hundred countries and has passed official audits in more than 10 countries, including the Philippines, Pakistan, Peru, Madagascar, Kenya, and Cameroon.

II. **BUSINESS REVIEW** *(Continued)*

(2) Research and Development of New Products

During the year, the Group has continuously intensified the development of new products such as specialized generic drugs, drugs in shortage, orphan drugs, innovative drugs, and bulk pharmaceuticals, maintaining a leading position in the industry in terms of the number of submissions and approvals. During the year, the Group was once again awarded the titles of "Best Industrial Enterprise for Pharmaceutical R&D Product Line in China" and "Provincial Enterprise Technology Innovation Award". Three products, including Sodium Bicarbonate Injection, were recognized as the first batch of national patent-intensive products. The "application based on parametric release under the 21235 risk management and control model" established during the production process of the core product infusion preparations has been successfully selected as a typical case of quality improvement and brand building by the Ministry of Industry and Information Technology.

The research and development of new products has achieved significant results. The Group focuses on market demand and strives to strategically deploy in the fields of antiviral, antibacterial, neurological system, cardiovascular, digestive, anesthesia and analgesia, and anti-tumor products. During the year, 112 production approvals and 7 clinical approvals were obtained, among which there were 81 production approvals for preparations and 24 for bulk pharmaceuticals. Among them, 22 specifications were the first three approvals, in particular the anti-infective drug Linezolid for Oral Suspension, the Parkinson's disease treatment drug Levodopa-Carbidopa Sustained-release Tablets, Entacapone, Levodopa and Carbidopa Tablets (II), and Betahistine Mesilate Tablets for the treatment of Meniere's syndrome and vertigo are all the first generic drug in China. The analgesic drug Nefopam Hydrochloride Injection is the first in China to pass consistency evaluation. Sodium Bicarbonate Injection 50ml, Cefuroxime Axetil for Suspension 0.25g, Chlorphenamine Maleate Injection 2ml, and Potassium Chloride Injection 20ml are all the first specification to pass the evaluation in China.

II. BUSINESS REVIEW *(Continued)*

(2) Research and Development of New Products *(Continued)*

During the year, 131 projects for product approvals were submitted, of which 76 were new liquid and solid preparations as well as 27 were bulk pharmaceuticals. There were 19 product specifications being the first three submitted applications, in particular the antihypertensive drug Urapidil Sustained-release Capsules and Nicardipine Hydrochloride and Sodium Chloride Injection, the nutrition and electrolyte drug Lipid-Soluble Vitamin Injection and Potassium Chloride and Sodium Chloride Injection, the drug for treatment of respiratory failure Doxapram Hydrochloride Injection, and the surgical irrigation drug Sodium Lactated Ringer's Irrigation Solution are all the first submitted. The continuous enrichment of the product development pipeline strongly promotes the Group's quality and efficiency improvement and industrial upgrading.

Positive progress has been made in the research of innovative drugs. The self-developed Type I new drug SYN045 has received approval for clinical trials and is currently undergoing Phase I clinical trials. Type 1 chemical innovative drug ADN-9 for anti-liver fibrosis has completed preclinical research, aiming to submit the clinical trial application in 2025.

Phased results have been achieved in the Group's development of complex preparations. For the development of solid preparations, the Group has established a technology platform for slow-release and osmotic pumps, leading to the development layout of several preparations with high technical requirements and high industrialization thresholds. Levodopa-Carbidopa Sustained-release Tablets, Entacapone, Levodopa and Carbidopa Tablets (II), and Bisoprolol Fumarate and Amlodipine Besilate Tablets have been successively approved for production. Doxazosin Mesylate Extended-Release Tablets, Tolterodine L-Tartrate Sustained-Release Capsules, Dapagliflozin and Metformin Extended-Release Tablets (I), and Urapidil Sustained-release Capsules are being successively submitted for registration. For liquid preparations, the Group has established a therapeutic emulsion technology platform and a liposome technology platform. Propofol Medium and Long Chain Fat Emulsion Injection as well as Etomidate Medium and Long Chain Fat Emulsion Injection have been approved for production. The registration applications for Lipid-Soluble Vitamin Injection and Water-soluble Progesterone Injection have been submitted and are currently under review. The pilot-scale study on Doxorubicin Hydrochloride Liposome Injection has been completed, and in vivo bioequivalence study is planned. Meanwhile, the Group is actively developing various liposome projects in the areas of anti-tumor and mental diseases, followed by laying out the research of several complex preparations, including sustained-release microspheres, microcrystals, and long-acting injections. These endeavors highlighted the Group's growing technological influence in the field of complex preparations.

The consistency evaluation of generic drugs has fruitful results. In 2024, Nefopam Hydrochloride Injection became the first in the industry to pass the consistency evaluation. Chlorphenamine Maleate Injection (1ml) and Multiple Electrolytes Injection were the second to pass the consistency evaluation. To date, the aggregated number of the Group's products that have passed the consistency evaluation or been regarded as passing the consistency evaluation reached 117 types with 156 specifications. The increasingly rich matrix of products which passed consistency evaluation has created favorable conditions for optimizing product mix, exploring diversified markets, and enhancing product accessibility.

II. BUSINESS REVIEW *(Continued)*

(2) Research and Development of New Products *(Continued)*

The effectiveness of intellectual property rights protection efforts is remarkable. In 2024, the Group applied for 88 patents and obtained 51 authorizations. Currently, the Group has cumulatively applied for 552 patents and obtained 340 authorizations. Currently, the Group owns 315 valid patents, including 155 invention patents.

(3) Infrastructure Development of Projects

During the year, the Group coordinated the progress of industrial infrastructure construction projects, including plastic bottle injection production line, ready-made double-chamber bags for large-volume injection production line, and sterile preparations of hormones production line. Additionally, the Group has made progress in the construction of new and ongoing projects, including Pharmaceutical Integration and Innovation Development Demonstration Project, and high-end bulk pharmaceuticals construction project. All projects have been completed except for Pharmaceutical Integration and Innovation Development Demonstration Project, which is progressing in an orderly manner as planned. Among them, the construction project of the plastic bottle injection production line passed the GMP compliance inspection in November 2024 and has been formally put into production.

III. PROSPECTS FOR DEVELOPMENT

Currently, adverse effects brought by changes in external environment have deepened, and pharmaceutical industry both domestically and internationally still faces numerous difficulties and challenges. Various risks and challenges such as insufficient demand, low prices, rising costs, trade protectionism, and intensified internal competition remain prevalent. Facing the new situation and changes in pharmaceutical industry, the Group will confront difficulties with confidence, adhere to innovation, and coordinate efforts to improve new market and revitalize existing market. The Group aims to comprehensively enhance resource allocation efficiency, manage the transition between new and old growth drivers, and develop new quality productivity tailored to local conditions. We will continuously promote the deep integration of the innovation chain, supply chain and value chain, facilitate the domestic-international dual circulation, and achieve the goals of solid expectations and steady growth.

1. To establish and improve operational mechanisms that better adapt to current policies and market conditions. Focusing on market, quality and cost control, we carry on traditional advantageous business forms to actively plan and establish business models which take into account both innovation and compliant continuously optimizing organizational structure and management mechanisms, expanding business scope, and strengthening business capabilities. We actively prevent and mitigate market risks (such as internal competition) and external shocks, driving the enhancement of R&D and production efficiency from the marketing end, further reducing costs, solidifying expectations, stimulating vitality and continuously improving operational quality of the Group.

III. PROSPECTS FOR DEVELOPMENT *(Continued)*

2. On the preparations business, the Group will focus on quality improvement and efficiency enhancement. The Group adheres to the balanced development of traditional dominant products and new product markets, further promotes the optimization and upgrading of the production and sales mix, and strives to transform innovation advantages into market advantages and development advantages. Focus on the difficulties, blockages, and bottlenecks in the preparations business, we will establish and implement a differentiated assessment mechanism to quantify tasks and assign responsibilities to individuals. While further expanding the market share of basic infusion solutions in classified hospitals, we are extending the end market downward and increasing efforts to develop primary community medical institutions. We are striving to stabilize existing market, expanding new markets, and improving quality, ensuring continuous growth in the production and sales of infusions. For 2025, the sales volume target for infusion solutions products is expected to be 2.15 billion bottles (bags), representing an increase of 6% compared to 2024. At the same time, we will strengthen the clinical business team that meets its own development and market requirements, and use professional and compliance marketing strategies to focus on the market development of products such as Azithromycin Tablets, Azithromycin Dry Suspension, Pitavastatin Calcium Tablets, Rosuvastatin Calcium Tablets, Ornidazole Tablets, Epalrestat Tablets, Valsartan and Amlodipine Tablets (I), and Felodipine Sustained-release Tablets. At the same time, we will optimize marketing channels and accelerate the market layout of new products such as Lurasidone Hydrochloride Tablets, Cinacalcet Hydrochloride Tablets, Pentoxifylline Sustained-release Tablets, Thioctic Acid Injection, Ropivacaine Hydrochloride and Sodium Chloride Injection, Compound Potassium Phosphate Injection, Clonoxacin for Injection, Phenylephrine Hydrochloride Injection, Isoprenaline Hydrochloride Injection, and Hemofiltration Basic Solution. We will deeply explore the market potential of new products in forms of such as oral, ampoule injection and lyophilized powder to promote the continuous expansion of the sales proportion of non-infusion products. Relying on international certification, we will promote the Group's preparations for export business to achieve increases in both volume and price, and "set sail" overseas. We will strengthen compliance in operations, implement customer credit management, increase efforts in the collection and turnover of accounts receivable to avoid operational risks as much as possible.

3. On the bulk pharmaceuticals business, the Group will continuously improve the product mix of Guangxiang Pharmaceutical and Guolong Pharmaceutical, accelerate the implementation and transformation of new high-value-added specialised products, and pursue integrated development in high-end, intelligent and green to continuously empower the resilience and vitality of bulk pharmaceuticals development. We will focus on the export of commodity bulk pharmaceuticals such as caffeine, while stabilizing the customer base in regions including America, Europe, South Asia and Southeast Asia, actively planning sales branches in Europe and America to further expand the sales channels for core products like caffeine. We will strive to extend service reach, and aim for a year-on-year revenue growth rate of 20% in 2025. At the same time, the Group will strengthen efforts to develop domestic customers, broaden the associated review mechanism with downstream preparation enterprises, and explore the specialized bulk pharmaceuticals market through multiple channels.

III. **PROSPECTS FOR DEVELOPMENT** *(Continued)*

4. To continue promoting enterprise innovation. The Group will firmly adhere to the strategy of "combination of generic and innovative drugs", closely integrating the development of "bulk pharmaceuticals + preparations". We will focus on accelerating the development and layout of product pipeline in improved innovative drugs, specialized generic drugs, high-end complex preparations, and specialized high-end bulk pharmaceuticals and medical packaging materials. The Group will continuously explore high-quality research projects, and enhance R&D capabilities. By fully leveraging the innovation mechanism of industry-academia-research-application and technologies such as "AI+", we aim to accelerate the market launch of innovative achievements, continuously optimize the innovation ecosystem, and create new advantages in R&D approval and application efficiency. In 2025, we aim to obtain 98 various national approvals, including 33 for liquid preparations, 26 for solid preparation products, 19 for bulk pharmaceuticals, and 20 for supplementary applications (including consistency evaluation), continuously empowering the enterprise to ascend to the mid-to-high end of the value chain with innovation achievements.

5. To systematically advance the construction progress of new and ongoing projects. Keep on advancing the ongoing pharmaceutical integration and innovation development demonstration projects, and establishing new production lines for oral liquid formulations of new drugs and cephalosporin powder injection formulations. Based on the industrial development and scale enhancement of the Group, starting with the industrialization of innovative achievements, we will focus on the integration of results conversion and digital transformation, striving for early completion, early production and early effectiveness, and continuously accumulate momentum and energy for the sustainable development of the Group.

The Group will leverage its own strengths to actively seek opportunities for mergers and acquisitions as well as investments in the pharmaceutical industry, with the aim of enhancing and strengthening the supply chain, creating new growth poles, and reinforcing the Group's position in the product and capital markets to increase the return on investment. Despite the tough road ahead, we are foreseeing positive results and bright prospects with a higher courage to overcome difficulties. In this new year, the Group will unite as one, stick to new targets, and apply self-pressure to seek breakthroughs and rooms through innovation and transformation. By seeking innovation amid change and advancing with breakthroughs, the Group will rise to the challenges with a strong confidence, and strive to implement and achieve the key task and targets for year 2025. We firmly believe that with our advantages in scale, quality, management and branding built up in the industry over the years, and with our continuous innovative momentum, we will bring satisfactory returns to our investors with more solid development results.

I would like to take this opportunity to express our sincere gratitude to our investors and all staff of the Group for their support in the development of the Group.

Qu Jiguang
Chairman

Hong Kong, 28 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

SSY Group Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the research, development, manufacturing and selling of pharmaceutical products, which includes finished medicines of mainly intravenous infusion solution and ampoule injection to hospitals and distributors, bulk pharmaceuticals and medical materials. The Group has manufacturing plants in Hebei Province and Jiangsu Province, the People's Republic of China (the "PRC"), and sells to customers mainly in the PRC.

For the year ended 31 December 2024, the review on the Group's business performance and financial performance are contained in the Chairman's statement under section headed "BUSINESS REVIEW" and in this Management Discussion and Analysis under section headed "FINANCIAL PERFORMANCE REVIEW" respectively. The future development in the Group's business is discussed in the Chairman's statement under section headed "PROSPECTS FOR DEVELOPMENT".

Principal risks and uncertainties

As a pharmaceutical enterprise in the PRC, the Group faces certain risks and uncertainties which affect its business operation and performance, some of which are inherent to pharmaceutical industry such as government policies on pharmaceutical enterprises and pharmaceutical products in the PRC.

The Group's sales and profits in finished medicines are affected by the selection results and tender prices of our products in the National Centralised Medicines Procurement (the "National Centralised Procurement") and other forms of drug tenders in the PRC. To address such risk, the Group has a designated team responsible for these drug tenders including the National Centralised Procurement. The Group has also obtained registration approvals for more products which have passed or been regarded as passing the consistency evaluations and thus qualified for these drug tenders including the National Centralised Procurement. Currently, only a small portion of the Group's overall revenue were from sales conducted through the National Centralised Procurement. On the other hand, the Group has committed in product diversification in recent years by introducing new products in bulk pharmaceuticals and medical materials. The Group will keep continuous attention on the change of the relevant situation and make timely responses.

Save as the abovementioned principal risks and uncertainties, other risks and uncertainties had been evaluated by the Company as set out in the Chairman Statement and note 28 to the financial statements.

Relationships with stakeholders

The Group believes that employees are valuable assets. The Group provides competitive remuneration package to employees which is periodically reviewed with reference to industry practice. Apart from social insurance and in–house training programmes, other kinds of remuneration such as discretionary bonuses, share options and grant of shares may be awarded to employees according to the assessment of individual performance.

BUSINESS REVIEW *(Continued)*

Relationships with stakeholders *(Continued)*

The Group also understands that it is important to maintain good relationship with its suppliers, customers and the PRC's group purchasing organisations ("GPO(s)") to fulfil its immediate and long-term goals. The Group has been working continuously with its suppliers to improve the standard of raw materials, and aiming at delivering products with high quality to its customers. The Group is aware of changing market conditions regarding the drug pricing practice in the PRC and the impact on the stakeholders of the drug supply industry. For one tender of Bromhexine Hydrochloride Injection awarded under the National Centralised Procurement, starting from the first half of 2024, the Group has been compromising with the respective GPOs on tender price adjustment and has made refunds of approximately HK$77 million to them, followed by notices received from some provincial GPOs which ranked the credit rating of such tender as under serious breach of trust (details are set out in the Company's announcement dated 14 August 2024) and a public statement published by a national GPO which put Shijiazhuang No. 4 Pharmaceutical Co., Ltd. ("Shijiazhuang No.4 Pharma") onto the "List of Contravention of Provision" and suspended the subsidiary for eligibility for participating in the National Centralised Procurement for a period of six months ended 20 February 2025 (details are set out in the Company's announcement dated 21 August 2024). Subsequently, several customers commenced legal proceedings against Shijiazhuang No. 4 Pharma and one of its subsidiaries in Anhui, the PRC (the "Case") for claims in a total amount of approximately RMB33.5 million (the "Claimed Amount"). As at the date of this report, the Case has not been heard by the court in the PRC. For prudence sake, the Claimed Amount have been fully recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024. The Company considers that these incidents and the Claimed Amount have had no material adverse effect on the operations or financial position of the Group as a whole. The Company will continue to strengthen its compliance standards, including but not limited to monitoring and control of its operational practices under its established anti-corruption policies, so as to ensure that the operations of the Group will be guided by the principles of fairness and integrity. The Company will continue to watch out for any further development of the changing market conditions in the PRC, and will take proactive measures to address any possible adverse impacts that the changing market conditions may bring.

During the year ended 31 December 2024 and up to date of this report, save as disclosed above, there was no material and significant dispute between the Group and its suppliers, customers and/or GPOs. Please refer details of the Group's relationships with employees, suppliers and customers to the respective sections in the Environmental, Social and Governance Report.

Compliance with laws and regulations

During the year ended 31 December 2024 and up to date of this report, save as disclosed above in the section headed "Relationships with stakeholders", the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

Environmental policies and performance

As a pharmaceutical enterprise, the Group understand the importance of environmental sustainability and green manufacturing and is committed to generating a positive impact on the society and the environment. The investors and stakeholders are placing more emphasis on the performance of the environmental, social and governance ("ESG") aspect. In addition to achieving our business objectives, we recognize our responsibility to operate in a more responsible and sustainable manner by integrating ESG considerations into our day-to-day operations. Please refer details of the Group's environmental policies and performance to the respective sections in the Environmental, Social and Governance Report.

BUSINESS REVIEW *(Continued)*

Impairment of goodwill attributable to the acquisition of Youyi Chemical

According to the Group's accounting policies, goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. During the year ended 31 December 2024, management noted a market price decline in methylamine which is the key product of Cangzhou Lingang Youyi Chemical Co., Ltd. ("Youyi Chemical", a 100% owned subsidiary acquired by the Group in March 2022), and hence performed an assessment on the carrying value including the goodwill of the bulk pharmaceuticals CGU (i.e. Youyi Chemical) as compared to its recoverable amount which is based on value-in-use calculations. As a result of the assessment, management considered a full impairment of approximately HK$10.6 million on the goodwill attributable to the acquisition of Youyi Chemical as appropriate. The goodwill impairment will not affect the cash flow position of the Group, and management believe the Youyi Chemical's bulk pharmaceuticals business will still make positive contribution to the Group.

FINANCIAL PERFORMANCE REVIEW

Revenue

	2024		2023		
	Revenue *HK$'000*	**Percentage of revenue** %	Revenue *HK$'000*	Percentage of revenue %	Increase/ (Decrease) %
Intravenous infusion solution and others	**5,585,094**	**96.7**	6,301,380	97.5	(11.4)
(Including: Non-PVC soft bag & upright soft bag infusion solution	**2,763,135**	**47.8**	2,975,403	46.0	(7.1)
PP plastic bottle infusion solution	**792,329**	**13.7**	827,264	12.8	(4.2)
Glass bottle infusion solution	**179,225**	**3.1**	238,076	3.7	(24.7)
Ampoule injection	**500,950**	**8.7**	826,103	12.8	(39.4)
Bulk pharmaceuticals	**784,583**	**13.6**	888,867	13.8	(11.7)
Oral preparations	**501,695**	**8.7**	478,195	7.4	4.9
Others)	**63,177**	**1.1**	67,472	1.0	(6.4)
Medical materials	**188,157**	**3.3**	161,629	2.5	16.4
Total	**5,773,251**	**100**	6,463,009	100	(10.7)

FINANCIAL PERFORMANCE REVIEW *(Continued)*

Revenue *(Continued)*

The Group's intravenous infusion solution and ampoule injection products are mainly manufactured and sold by Shijiazhuang No. 4 Pharma, a wholly-owned subsidiary in the Group. There are different forms of packing in intravenous infusion solution products, including Non-PVC Soft Bag, Upright Soft Bag, PP Plastic Bottle and Glass Bottle, while ampoule injection products are mainly small liquid injections in forms of PP plastic and glass. The Group's bulk pharmaceuticals products are mainly manufactured and sold by Hebei Guolong Pharmaceutical Co., Ltd. ("Hebei Guolong"), Hebei Guangxiang Pharmaceutical Co., Ltd. ("Hebei Guangxiang") and Cangzhou Lingang Youyi Chemical Co., Ltd. ("Youyi Chemical"), all being subsidiaries in the Group. The Group's medical materials are mainly manufactured and sold by Jiangsu Best New Medical Material Co., Ltd. ("Jiangsu Best"), a subsidiary in the Group.

Majority of the Group's sales are conducted in the PRC and are denominated in Renminbi ("RMB"), which depreciated by approximately 1.2% when translated into Hong Kong dollars ("HK$") for the year ended 31 December 2024 as compared with last year on average. In terms of HK$, revenue of the Group decreased to HK$5,773,251,000 for the year ended 31 December 2024 (2023: HK$6,463,009,000), representing a decrease of 10.7% on a year-to-year basis, mainly due to a drop in revenue from Non-PVC Soft Bag infusion solution and from ampoule injections.

For the year ended 31 December 2024, despite an overall volume growth of 6.7% in intravenous infusion solution ("IV"), the average selling price has dropped amid changes in drug tenders and product mix during the year. As a result, revenue from IV accounted for HK$3,734,689,000 (2023: HK$4,040,743,000), representing a decrease of 7.6% on a year-to-year basis. Among which, revenue from Non-PVC Soft Bag infusion solution was HK$1,751,834,000, representing 46.9% of the revenue from IV and a decrease of 16.4% compared with last year arising from drop in both volume and price; on the other hand, revenue from Upright Soft Bag infusion solution was HK$1,011,301,000, representing 27.1% of the revenue from IV and an increase of 14.8% compared with last year as contributed by new production lines; revenue from PP Plastic Bottle infusion solution was HK$792,329,000, representing 21.2% of the revenue from IV and a decrease of 4.2% compared with last year; revenue from Glass Bottle infusion solution was HK$179,225,000, representing 4.8% of the revenue from IV and a decrease of 24.7% compared with last year due to a significant drop in volume.

For the year ended 31 December 2024, revenue from ampoule injections accounted for HK$500,950,000 (2023: HK$826,103,000). Despite of an overall increase in sales volume of ampoule products, revenue dropped by 39.4% as compared with last year mainly due to drop in average selling price of ampoule products and significant reduction in sales of Bromehexine Hydrochloride Injection which was no longer conducted through the National Centralised Procurement (details are set out in the Company's 2024 Interim Report under the section headed "Relationship with stakeholders"). Revenue from bulk pharmaceuticals accounted for HK$784,583,000 (2023: HK$888,867,000), representing a decrease of 11.7% as compared with last year as market prices have not yet fully recovered from the drop during last year. On the other hand, revenue from oral preparations accounted for HK$501,695,000 (2023: HK$478,195,000), representing a growth of 4.9% as compared to last year which was contributed by growth in Cefdinir Capsules, Rosuvastatin Calcium Tablets, Cefaclor and Azithromycin Dry Suspension and other new products of oral preparations.

For the year ended 31 December 2024, revenue from medical materials products contributed HK$188,157,000 (2023: HK$161,629,000) to the Group, representing a increase of 16.4% as compared with last year due to a recovery in medical materials market. The Group will keep focusing its production in high quality intravenous infusion solution products such as therapeutic infusion solution. The Group will also keep introducing new products in ampoule injections, bulk pharmaceuticals, oral preparations and medical materials to drive revenue growth.

FINANCIAL PERFORMANCE REVIEW *(Continued)*

Cost of Sales

The Group has been adopting various cost control measures such as production process optimization, equipment modification and energy conservation. For the year ended 31 December 2024, the Group's cost of sales slightly increased by 0.8% to HK$2,864,989,000 as compared to last year of HK$2,843,370,000 amid an overall growth in sales volume. The cost of direct materials, direct labour and other costs represented approximately 60.7%, 14.2% and 25.1% of the total cost of sales respectively for the year ended 31 December 2024 while their comparative percentages for 2023 were 59.7%, 13.8% and 26.5% respectively.

Gross Profit Margin

For the year ended 31 December 2024, the Group recorded a total gross profit of HK$2,908,262,000 (2023: HK$3,619,639,000). As compared with last year, there were a larger proportion of revenue from finished medicines being sold through centralised procurement and drop in average selling prices of existing IV and ampoule injections products during the year, but meanwhile they contributed to the reduction of selling and distribution costs. As a result, overall gross profit margin decreased by 5.6 percentage points to 50.4% for the year ended 31 December 2024 from 56.0% of last year.

Other Net Income

For the year ended 31 December 2024, the Group's other net income increased to HK$160,943,000 (2023: HK$148,762,000) which mainly represented government grants.

Selling and Distribution Costs

For the year ended 31 December 2024, selling and distribution costs amounted to approximately HK$1,143,425,000 (2023: HK$1,532,591,000), which was mainly consisted of advertising, marketing and promotion expenses of approximately HK$650,184,000 (2023: HK$1,017,254,000), transportation cost of approximately HK$297,799,000 (2023: HK$338,154,000) as well as salary expenses for sales and marketing staff of approximately HK$106,531,000 (2023: HK$93,963,000).

Selling and distribution costs significantly reduced by 25.4% for the year ended 31 December 2024 as compared with last year. The Group has keep optimizing the efficiency of its sales channel and a higher proportion of finished medicines were sold through centralised procurement which resulted in a drop in advertising, marketing and promotion expenses from last year.

General and Administrative Expenses

For the year ended 31 December 2024, general and administrative expenses was approximately HK$299,210,000 (2023: HK$308,321,000) which mainly comprised salaries expenses for administrative staff of approximately HK$147,297,000 (2023: HK$122,424,000), depreciation and amortisation (other than research and development) expenses of approximately HK$62,139,000 (2023: HK$94,867,000) as well as utility expenses of approximately HK$20,715,000 (2023: HK$18,972,000).

While the Group had an overall expansion in business, there was a slight decrease of 3.0% in general and administrative expenses for the year ended 31 December 2024 as compared with last year mainly due to lower depreciation and amortisation expenses.

FINANCIAL PERFORMANCE REVIEW *(Continued)*

Research and Development Costs

For the year ended 31 December 2024, research and development ("R&D") costs was approximately HK$265,969,000 (2023: HK$289,748,000), which comprised salaries expenses for R&D staff of approximately HK$113,749,000 (2023: HK$108,080,000), depreciation and amortisation expenses of approximately HK$33,896,000 (2023: HK$35,593,000) as well as other costs (such as raw materials and consumables) directly expensed of approximately HK$118,324,000 (2023: HK$146,075,000).

R&D costs decreased by 8.2% for the year ended 31 December 2024 as compared with last year mainly due to cost savings in raw materials, consumables and other direct expense in R&D activities.

Profit from Operations

For the year ended 31 December 2024, the Group's profit from operations amounted to HK$1,343,500,000, representing a decrease of 18.0% as compared to HK$1,638,901,000 of last year, and the Group's operating profit margin (defined as profit from operations divided by total revenue) was lowered to 23.3% as compared to 25.4% of last year mainly driven by a lower gross profit margin as compared to last year.

Net Finance Costs

The Group's net finance costs, which represented mainly interest expenses of bank borrowings less interest income on bank deposits and foreign exchange gain, slightly increased by 2.8% to HK$88,390,000 for the year ended 31 December 2024 (2023: HK$85,942,000).

Income Tax Expense

The Group believes that Shijiazhuang No. 4 Pharma, Jiangsu Best, Hebei Guangxiang, Hebei Guolong and Youyi Chemical have been certified as High and New Technology Enterprises and thus subject to a reduced corporate income tax of 15% in the PRC for year 2024. For the year ended 31 December 2024, the income tax expense of the Group decreased by 19.0% to HK$205,995,000 (2023: HK$254,281,000) mainly due to a lower profit before taxation of the Group.

Profit Attributable to Equity Shareholders

For the year ended 31 December 2024, profit attributable to equity shareholders of the Company decreased by 19.5% to HK$1,061,150,000 (2023: HK$1,318,616,000), with net profit margin (defined as profit attributable to equity shareholders of the Company divided by total revenue) decreased from 20.4% last year to 18.4% this year.

Dividends

For the year ended 31 December 2024, an interim dividend of HK$0.08 per share was declared on 28 August 2024 and paid on 27 September 2024 (2023: HK$0.07 per share). The Board recommended a final dividend of HK$0.095 per share (2023: HK$0.10 per share) which, together with the interim dividend, will result in total dividends of HK$0.175 per share for the year ended 31 December 2024 (2023: HK$0.17 per share). The payment of the final dividend is subject to the approval in the forthcoming annual general meeting.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group primarily finances its working capital and other capital requirements by net cash generated from operating activities and resorts to external financing including both long-term and short-term bank borrowings from time to time in case the projected operating cash flow is insufficient to meet the capital requirements.

As at 31 December 2024, the Group's cash and cash equivalents decreased to HK$1,257,702,000 (31 December 2023: HK$1,615,208,000), mostly were denominated in RMB.

As at 31 December 2024, the Group's bank borrowings increased to HK$3,635,931,000 (31 December 2023: HK$3,368,141,000), comprising HK$2,435,487,000 (31 December 2023: HK$2,118,141,000) of borrowings denominated in RMB and HK$1,200,444,000 (31 December 2023: HK$1,250,000,000) in Hong Kong dollars. The increase in onshore bank borrowing denominated in RMB is considered beneficial to the Group due to a lower cost of fund in China. As at 31 December 2024, all of the Group's bank borrowings were repayable within 5 years, mostly bearing interest at variable rates. Please refer to note 21 to the financial statements for details of repayment, security and fulfilment of covenants.

Gearing ratio (defined as net debt, which is bank borrowings and lease liabilities less cash and cash equivalents, divided by total capital less non-controlling interests) was 24.8% as at 31 December 2024 which was higher than 20.2% as at 31 December 2023 due to increase in net debt of the Group. Current ratio (defined as current assets divided by current liabilities) further improved from 2.03 as at 31 December 2023 to 2.78 as at 31 December 2024.

As at 31 December 2024, the Group's total capital commitments outstanding but not provided for was HK$561,838,000 (31 December 2023: HK$691,843,000).

Overall, the Group continued to maintain a sound liquidity position, a sufficient working capital level and a low-risk capital structure in view of the Group's operation needs and capital commitments.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2024, the Group had approximately 6,100 employees (31 December 2023: approximately 5,600 employees), most of whom were based in the PRC. The remuneration policy of employees other than executive Directors and senior management is based on industry practice and is periodically reviewed by executive Directors or senior management. Apart from social insurance and in-house training programmes, other kinds of remuneration such as discretionary bonuses, share options under the share option schemes of the Company and shares granted under the Restricted Share Award Scheme may be awarded to eligible employees according to the assessment of individual performance. Please refer details of the share option schemes of the Company and the Restricted Share Award Scheme to the respective sections in the Report of the Directors.

The overriding objective of the remuneration policy of executive Directors and senior management is to provide the packages needed to attract, retain and motivate executive Directors and senior management of the quality required to run the Company successfully, without paying more than necessary. The remuneration policy of executive Directors and senior management are reviewed and recommended for the Board's approval by the Remuneration Committee. In addition, share options may be granted under the share option schemes of the Company and shares may be granted under the Restricted Share Award Scheme to the executive Directors and senior management. The remuneration package is reviewed with reference to the Board's corporate goals and objectives, prevailing market practice, duties and responsibilities of the individual executive Director or senior management and his/her contribution to the Group. The objective of remunerating non-executive Directors is to ensure that they are remunerated sufficiently but not excessively for their efforts and time dedicated to the Company.

EMPLOYEES AND REMUNERATION POLICY *(Continued)*

The total remuneration cost incurred by the Group for year ended 31 December 2024 was approximately HK$774,835,000 (2023: HK$717,031,000), representing an increase of 8.1% as compared with last year mainly due to an increased number of employees.

PLEDGE OF ASSETS

As at 31 December 2024, certain bank deposits of HK$84,152,000 (31 December 2023: HK$50,955,000) were pledged for letters of credit facilities and bank acceptance notes issued by the Group, and bank deposits of HK$19,019,000 (31 December 2023: HK$Nil) were the restricted cash. Please refer to note 19 to the financial statements for details of pledged and restrict bank deposits. As at 31 December 2024, none of the Group's right-of-use assets were pledged as collateral for the Group's bank borrowings. As at 31 December 2023, the Group's right-of-use assets with a carrying amount of HK$47,229,000 were pledged as collateral for the Group's certain bank borrowings.

FOREIGN EXCHANGE RISK

Majority of the Group's businesses are operated in the PRC and are denominated in RMB. Except for the foreign currency translation risk arising from the translation into Hong Kong dollars for the financial statements of subsidiaries with the functional currencies of RMB, the Group does not expect any materially adverse effects of the exchange rate fluctuation. Hence, no financial instrument for hedging was employed. Nevertheless, the Group is closely monitoring the financial market and would consider appropriate measures if required.

As at the dates below, the exchange rates of converting HK$ into RMB (as calculated in HK$) were:

1 January 2023	0.89327
31 December 2023	0.90622
31 December 2024	0.92604

MATERIAL ACQUISITIONS AND DISPOSALS

There was no material acquisition or disposal of subsidiary or associate for the year ended 31 December 2024.

CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any significant contingent liabilities.

DIRECTORS

Executive directors

Mr. Qu Jiguang (曲繼廣先生), aged 70, an executive director, the chairman of the Board and chief executive officer of the Company. Mr. Qu is responsible for the strategic planning, business development and overall management of the Group. Mr. Qu is also the chief executive officer of the Company who is responsible to lead the management implementing the business strategies of the Group. Mr. Qu joined Shijiazhuang No. 1 Pharmaceutical Factory ("No. 1 Pharma") as deputy factory manager in 1995. He later became a director and the vice general manager of Shijiazhuang Pharmaceutical Group. From December 2004, Mr. Qu has been the chairman of New Orient Investments Pharmaceutical Holding (Hong Kong) Limited, a wholly owned subsidiary of the Company ("New Orient"), the chairman of China Pharmaceutical Company Limited, a controlling shareholder of the Company ("CPCL") and the chairman of CMP Group Limited ("CMP"). Mr. Qu was an independent non-executive Director of the Company and was an executive director of China Pharmaceutical Group Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), from February 2001 to September 2004. Mr. Qu graduated from Tianjin Finance College with a postgraduate degree in Finance in 1999. He is also an economist accredited by The Ministry of Personnel of China. Mr. Qu has over 30 years of experience in pharmaceutical industry. He has key roles in China Pharmaceutical Industry Association (中國化學製藥協會), Hebei Provincial Association of Enterprise (河北省企業聯合會) and Hebei Pharmaceutical Industry Association (河北省醫藥行業協會).

Mr. Su Xuejun (蘇學軍先生), aged 57, an executive director. Mr. Su is currently the chairman of the Board of Shijiazhuang No. 4 Pharmaceutical Co., Ltd. ("Shijiazhuang No. 4 Pharma"), the Company's indirectly wholly-owned subsidiary. Mr. Su focuses in the pharmaceutical market development, operations and management. He has extensive understanding and experience in sales and marketing as well as the policy in pharmaceutical related industries. Mr. Su joined No.1 Pharma as assistant to factory manager in 1990. And afterwards he served as deputy general manager of a subsidiary of the Shijiazhuang Pharmaceutical Group selling preparations, deputy general manager of Shijiazhuang No.4 Pharma and general manager of Shijiazhuang No.4 Pharma. Since January 2007, Mr. Su acts as executive director of Shijiazhuang No.4 Pharma and New Orient. Mr. Su graduated from Hebei Normal University, majoring in biology, with a bachelor's degree.

Mr. Meng Guo (孟國先生), aged 51, an executive director. Mr. Meng is currently the deputy general manager of the Company, a director of New Orient and Shijiazhuang No. 4 Pharma and Hebei Guolong Pharmaceutical Co., Ltd, all being wholly-owned subsidiaries of the Company, and the executive president in charge of finance and information-based operations of Shijiazhuang No. 4. After joining Shijiazhuang No. 4 Pharma in year 2001, Mr. Meng held the positions of deputy head and manager of the finance department of Shijiazhuang No. 4 Pharma, and has over 20 years of experience in corporate finance, tax and information technology management. Mr. Meng has consistently participated in investors' relations duties of the Company. Mr. Meng holds a Bachelor's degree in Mathematics from Lanzhou University and a Master's degree in Software Engineering from Beijing University of Technology. He also holds the qualification of senior accountant in the People's Republic of China.

Mr. Chow Hing Yeung (周興揚先生), aged 46, an executive director. Mr. Chow is currently the Chief Financial Officer and Company Secretary of the Company. Mr. Chow obtained a Bachelor's degree of Business Administration from the Chinese University of Hong Kong. Before joining the Company in August 2011, he worked in PricewaterhouseCoopers and financial department of listed companies in Hong Kong, and has over 20 years of experience in audit, accounting and financial management. Mr. Chow has consistently participated in investors' relations duties of the Company. He is a member of the Hong Kong Institute of Certified Public Accountants.

Ms. Qu Wanrong (曲婉蓉女士), aged 41, an executive director. Ms. Qu is currently the deputy general manager of the Company, responsible for public relations and corporate communications. Ms. Qu graduated from Massey University of New Zealand with a Bachelor of Business Studies degree. Before joining the Company in 2014, she worked as an auditor at PwC China from 2012 to 2013. Ms. Qu has extensive experience in financial audit, public relations and corporate communications. She is a daughter of Mr. Qu Jiguang.

Non-executive director

Mr. Liu Wenjun（劉文軍先生）, aged 53, a non-executive Director. Mr. Liu currently serves as the general manager of the Xindu Base of Sichuan Kelun Pharmaceutical Company Limited ("Sichuan Kelun"), a position he has taken since 2013. He was the general manager of Kunming Nanjiang Pharmaceutical Co., Ltd.（昆明南疆製藥有限公司）from 2005 to 2013. He served as a workshop supervisor of Sichuan Kelun from 2002 to 2005, and a technician at the Sichuan Antibiotics Laboratory of the National Medical Products Administration（國家醫藥管理局四川抗菌素研究所）from 1996 to 2002. Mr. Liu graduated from Chengdu University of Traditional Chinese Medicine with a Bachelor of Science degree and holds the qualification of a Senior Engineer in the People's Republic of China.

Independent non-executive directors

Mr. Wang Yibing（王亦兵先生）, aged 62, an independent non-executive Director. Mr. Wang graduated from Shenyang Pharmaceutical University, majored in pharmacy（瀋陽藥科大學藥學）. Mr. Wang joined Heibei Provincial Pharmaceutical Research Centre（河北省藥物研究所）in July 1983 and became supervisor in research centre of pharmacodynamics, research centre of preparations, the pharmaceutical factory and scientific research management centre successively. In 1991, Mr. Wang joined the General Economics Division of Hebei Provincial Administration of Medicine（河北省醫藥管理局綜合經濟處）as vice supervisor and was promoted to supervisor and the deputy director successively. From April 2000 to July 2005, he was the Director of Division of Drug Registration and Division of Drug Safety and Inspection of Hebei Food and Drug Administration（河北省食品藥品監督管理局藥品註冊處，藥品安全監管處）. Mr. Wang possesses over 30 years' experience in pharmaceutical research, production and industry regulation, is familiar with pharmaceutical laws and regulations and drug inspection procedures. He has profound exposure in the areas of pharmaceutical research, production, circulation and application, while comprehends and provides insights into the overall situation and trend of development of the pharmaceutical industry at both the provincial and state levels.

Mr. Chow Kwok Wai（周國偉先生）, aged 58, an independent non-executive Director. Mr. Chow served as a non-executive director of Cinda International Holdings Limited (stock code: 111) from November 2008 to November 2022 and as an executive director of Silver Grant International Holdings Group Limited (stock code: 171) from April 2004 to December 2012, both companies being listed on the Stock Exchange. Mr. Chow served as an independent non-executive director of Youyuan International Holdings Limited (a company incorporated in the Cayman Islands with limited liability and been cancelled of listing on the Stock Exchange with effect from 22 March 2021) from May 2010 to October 2019. Mr. Chow has worked in Price Waterhouse, which is now known as PricewaterhouseCoopers, and has accumulated valuable audit experience there. Mr. Chow has over 30 years of experience in accounting, financial management and corporate finance. Mr. Chow received his bachelor degree in Social Sciences from the University of Hong Kong in 1990. Mr. Chow is a Fellow member of the Association of Chartered Certified Accountants and a Fellow CPA of the Hong Kong Institute of Certified Public Accountants. He is also a Chartered Tax Adviser and a Fellow member of the Taxation Institute of Hong Kong.

Mr. Jiang Guangce（姜廣策先生）, aged 53, an independent non-executive Director. Mr. Jiang has over 20 years of experience in the field of healthcare and investment. He is currently the chairman of Tibet DeChuan Investment Management Co., Ltd. ("Tibet DeChuan"). Mr. Jiang obtained the doctor's degree from the School of Chemistry, Sun Yat-sen University in year 2000, and completed the post-doctoral research in biopharmaceutical area at the College of Biological Engineering, South China University of Technology in year 2002. Mr. Jiang was the general manager of Guangzhou Baiji Health Management Co., Ltd.（廣州百濟健康管理有限公司）, the healthcare analyst of KGI Securities and the chief analyst of pharmaceutical industry in Greater China of Yuanta Securities. Mr. Jiang served as an independent director of Shanghai Rongtai Health Technology Corporation Limited, the shares of which are listed on the Shanghai Stock Exchange (stock code: 603579), from October 2016 to October 2019. Mr. Jiang has been the chairman of Tibet DeChuan since December 2012.

CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") of SSY Group Limited (the "Company") is pleased to present this corporate governance report for the year ended 31 December 2024 (the "Corporate Governance Report").

The Board is committed to maintaining a high standard of corporate governance. The Board believes that good corporate governance practices are essential for the growth of the Group and for safeguarding and maximizing shareholders' interests. The Board reviews its corporate governance practices from time to time in order to meet the stakeholders' expectations and comply with the latest regulatory requirements, and to fulfill its commitment to a high standard of corporate governance.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all applicable code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2024, except for the deviation from code provision C.2.1 of the CG code as follows:

Under code provision C.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Qu Jiguang has been appointed as the chairman of the Board, who has the principal role of providing the leadership for and effective running of the Board. In view of the present composition of the Board and the in-depth knowledge of Mr. Qu Jiguang in the Company's operations and pharmaceutical industry, Mr. Qu Jiguang has also assumed the role as the chief executive officer of the Company, who was delegated with the responsibilities to lead the management implementing the business strategies of the Group. The Board believes that it is in the best interest of the Company to vest both roles in Mr. Qu Jiguang, which allows for more effective planning and execution of business strategies. As all major decisions are made in consultation with members of the Board, the Company believes that there is adequate balance of power and authority in place.

BOARD OF DIRECTORS

As at 31 December 2024, the Board comprises five executive Directors, namely, Mr. Qu Jiguang (Chairman), Mr. Su Xuejun, Mr. Meng Guo, Mr. Chow Hing Yeung and Ms. Qu Wanrong, a non-executive Director, namely, Mr. Liu Wenjun and three independent non-executive Directors, namely, Mr. Wang Yibing, Mr. Chow Kwok Wai and Mr. Jiang Guangce (the "Directors").

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic direction and performance. All policy matters of the Group, material transactions or transactions where there is conflict of interests are reserved for the Board's decisions. The Board is responsible for reviewing and monitoring the training and continuous professional development of directors and senior management, and the code of conduct applicable to employees and the Directors. The Board is also responsible for reviewing and monitoring the policies and practices on compliance with legal and regulatory requirements of the Company, the compliance with the CG code and disclosure in the Corporate Governance Report, and the effective governance and oversight of the Environmental, Social and Governance ("ESG") matters including assessment and management of material environmental and social risks as well as the disclosure in the ESG Report in accordance with the ESG Reporting Guide set out in Appendix C2 to the Listing Rules.

The Board appointed Mr. Qu Jiguang as the Chairman, who has the principal role of providing the leadership for and effective running of the Board. Other roles and responsibilities of the Chairman include approving the agenda of board meetings, ensuring all Directors are properly briefed on issues arising at board meetings and have received information which is adequate, accurate and complete in a timely manner, ensuring good corporate governance and effective shareholder communication practices and procedures, encouraging all Directors to make full and active contributions to the Board's affairs as well as promoting a culture of openness for contribution by non-executive Directors.

BOARD OF DIRECTORS *(Continued)*

The Board has delegated the day-to-day responsibility for the management of the Group's business to the management. The Board has given clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. As explained above under the heading "CORPORATE GOVERNANCE PRACTICES", Mr. Qu Jiguang, the Chairman of the Board, also assumed the role as the chief executive officer of the Company who was delegated with the responsibilities to lead the management implementing the business strategies of the Group.

In addition, the Board has also delegated various responsibilities to the Nomination Committee, the Remuneration Committee and the Audit Committee of the Company (the "Board Committees"). Further details of the Board Committees, among others, their roles and functions are set out in the later parts of this report. The Company reviews the appropriateness of these delegation arrangements periodically in view of the Company's needs.

The Directors are considered to have a balance of skill and experience appropriate for the requirements of the business of the Company and have devoted sufficient time and make contributions to the Company based on their roles and responsibilities, details of the Directors are shown under the section headed "Biographical Details of Directors and Senior Management".

There are sufficient numbers of independent non-executive Directors in the Company, among which, Mr. Chow Kwok Wai is a certified public accountant. During the year ended 31 December 2024 and up to date of this Corporate Governance Report, there was no change which may affect the independence of independent non-executive Directors of the Company.

Appropriate directors' and officers' liability insurance has been arranged for the Directors and Officers of the Company.

There are no financial, business, family and other material or relevant relationships among members of the Board.

BOARD OF DIRECTORS *(Continued)*

During the year ended 31 December 2024, a total of four board meetings and one annual general meeting ("AGM") were held and the attendance of each Director was in the table below. All the independent non-executive Directors, being the chairmen of the Board Committees, and the non– executive Director have attended the AGM held during the year ended 31 December 2024.

	Number of meetings attended/ held within Director's service period	
Name of Director	**Board meetings**	**AGM**
Executive Directors		
Mr. Qu Jiguang *(Chairman)*	4/4	1/1
Mr. Su Xuejun	4/4	1/1
Mr. Meng Guo	4/4	1/1
Mr. Chow Hing Yeung	4/4	1/1
Ms. Qu Wanrong *(appointed on 28 August 2024)*	2/2	0/0
Non-executive Director		
Mr. Liu Wenjun *(appointed on 19 January 2024)*	4/4	1/1
Independent non-executive Directors		
Mr. Wang Yibing	4/4	1/1
Mr. Chow Kwok Wai	4/4	1/1
Mr. Jiang Guangce	4/4	1/1

During the year, Mr. Qu Jiguang, the Chairman of the Board, held one meeting with all independent non-executive Directors without the presence of other directors.

The Company ensures that all Directors are participating in board proceedings in a meaningful and effective manner. Notice of at least 14 days are served to all Directors of a regular board meeting. For all other board meetings and committee meetings, reasonable notice is generally given. Agendas and accompanying board papers and related materials are normally sent to all Directors at reasonable time before the intended date of meetings to enable them to make informed decisions and perform their duties. All Directors are given the opportunity to contact the Company Secretary to include matters in the agenda for regular board meeting, and have separate and independent access to the senior management of the Company whenever necessary.

Minutes of board meetings and meetings of board committees (i.e. Nomination Committee, Remuneration Committee and Audit Committee) of the Company were kept by Company Secretary and such minutes are open for inspection at reasonable time and on reasonable notice by any Director. Such minutes were recorded in sufficient detail the matters considered by the board and decisions reached. Draft and final versions of such minutes were sent to all directors for their comment and record respectively within a reasonable time after the board meeting was held.

All directors have access to the advice and services of the Company Secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed. The Company has a procedure to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense.

BOARD OF DIRECTORS *(Continued)*

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter shall be discussed by a physical board meeting rather than a written resolution. Independent non-executive Directors who, and whose close associates, have no material interest in the transaction shall be present at such Board meeting.

NOMINATION, APPOINTMENTS AND RE-ELECTION OF DIRECTORS

The appointment and re-election of Directors shall be made in accordance with the Company's Articles of Association and other applicable rules and regulations, including but not limited to the Listing Rules. In addition, the Company has established a nomination policy with the objectives of setting out the key selection criteria, principles and procedures of appointments and re-election of directors. The factors used as reference by the Nomination Committee in assessing the suitability of a proposed candidate includes reputation for integrity, skills and knowledge, experience in pharmaceutical industry, commitment in respect of available time as well as age, culture, ethnicity and gender diversity of the Board. The candidate to be nominated as an independent non-executive Director must satisfy the independence criteria set out in the Listing Rules. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated for filling the office of an independent non-executive Director. All these criteria are for reference only and are not meant to be exhaustive or decisive, and the Board shall take into consideration the board diversity policy of the Company when selecting Board candidates. The Nomination Committee will monitor the implementation of and from time to time review the nomination policy, as appropriate, to ensure the effectiveness of it.

Regarding nomination procedures, the Company Secretary shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee. The Nomination Committee may also put forward candidates who are not nominated by Board members. After the Nomination Committee makes its recommendations to the Board, the Board has the authority on approving the nomination of the candidate and the appointment of Directors. Details of the candidate including the names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information should be provided for consideration by the Nomination Committee, the Board and/or the shareholders in the general meeting. For shareholders' nomination of any proposed person for election as a Director, shareholders should lodge a notice with the Company proposing a person for election as a Director at a general meeting and please refer its procedures to the section headed "Shareholders' Rights" in this report.

Subject to the requirement of retirement from office by rotation pursuant to the Articles of Association of the Company as set out in the next paragraph, each of non-executive Director and independent non-executive Directors has entered into a service contract with the Company for a term of three years, and executive Directors has entered into a service contract with the Company for a specific term (usually three years) which may be extended as each Director and the Company may agree. Key terms and conditions of the Director's appointment are set out in the service contract or formal letter of appointment for the Director.

At each annual general meeting, one-third of the Directors (including non-executive Director and independent non-executive Directors) for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that each Director shall be subject to retirement at least once every three years. Also, the Directors appointed as an addition to the Board shall be subject to re-election by the shareholders at the first general meeting after their appointment.

TRAINING FOR DIRECTORS

All Directors have participated in continuous professional development to develop and refresh their knowledge and skills. Each year, the Company provided all Directors materials and directors training seminar for updates on the latest developments regarding corporate governance, the Listing Rules and other applicable regulatory requirements. The Directors also have opportunities to attend other seminars, conferences or briefings, and conduct site visits to the operation base of the Group. For newly appointed directors, a comprehensive induction on appointment and subsequent continuous professional development are arranged to ensure that they properly understand the Group's business and their responsibilities. All the existing Directors as at 31 December 2024 of the Company have provided the records of training they received during the year ended 31 December 2024 to the Company Secretary of the Company (the "Company Secretary") and the participation by each of them in the continuous professional development was as follows:

Name of Director	Reading materials	Attending seminars/ conferences/ briefings	Site visits
Executive Directors			
Mr. Qu Jiguang *(Chairman)*	✔	✔	✔
Mr. Su Xuejun	✔	✔	✔
Mr. Meng Guo	✔	✔	✔
Mr. Chow Hing Yeung	✔	✔	✔
Ms. Qu Wanrong	✔	✔	✔
Non-executive Director			
Mr. Liu Wenjun	✔	✔	–
Independent non-executive Directors			
Mr. Wang Yibing	✔	✔	✔
Mr. Chow Kwok Wai	✔	✔	–
Mr. Jiang Guangce	✔	✔	–

COMPANY SECRETARY

All directors have access to the advice and services of the Company Secretary who is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. During the year, the Company Secretary had taken no less than 15 hours of relevant professional training requirement, in compliance with Rule 3.29 of the Listing Rules.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. Pursuant to the policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service.

Taking into account the characteristics of the pharmaceutical industry, the Group's current situation and the feasibility of measurable objectives related to various factors, the Board has set out the measurable objectives as follows:

1. the Board comprises director(s) who has/have professional qualifications or relevant experience in one of non-pharmaceutical fields such as accounting, legal or investment industry;

2. the Board comprises executive director, non-executive director and independent non-executive director; and

3. at least one director with a gender different from the existing single gender board will be appointed no later than 31 December 2024.

At present, all of the above measurable objectives have been achieved.

To ascertain the progress made towards achieving the objective of Board diversity, the Board has delegated the responsibility to the Nomination Committee to review of the implementation and effectiveness of the board diversity policy, including but limited to ensuring the measurable objectives' appropriateness and considering any new measurable objectives, from time to time with at least once a year to ensure its continued effectiveness and its compliance with all applicable rules and regulations, including but not limited to the Listing Rules, and the Nomination Committee is responsible for making recommendations on any proposed changes to the Board.

NOMINATION COMMITTEE

The Board has established the Nomination Committee. As at 31 December 2024, the Nomination Committee is chaired by Mr. Wang Yibing and with committee members of Mr. Chow Kwok Wai and Mr. Jiang Guangce, all of them being independent non-executive Directors. The terms of reference of the Nomination Committee are available at the Company's website and the website of The Stock Exchange of Hong Kong Limited.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board taking into account the Company's board diversity policy, making recommendations on any proposed changes to the Board, identifying candidates and/or making recommendations to the Board on candidates nominated for directorships taking into account the Company's nomination policy as well as reviewing the Company's board diversity policy and nomination policy from time to time to ensure their continued effectiveness and their compliance with all applicable rules and regulations.

NOMINATION COMMITTEE *(Continued)*

Meeting of the Nomination Committee shall be held at least once a year. Two meetings were held during the year ended 31 December 2024. Appointment of Mr. Liu Wenjun as a non-executive Director and Ms. Qu Wanrong as an executive Director were discussed and recommended to the Board in the first and the second meeting respectively, and the Board composition, the Company's board diversity policy and nomination policy were reviewed. The attendance of each member was as follows:

Name of committee members	Number of meetings attended/ held within Director's service period
Mr. Wang Yibing	2/2
Mr. Chow Kwok Wai	2/2
Mr. Jiang Guangce	2/2

REMUNERATION COMMITTEE

The Board has established the Remuneration Committee. As at 31 December 2024, the Remuneration Committee is chaired by Mr. Jiang Guangce and with committee members of Mr. Wang Yibing and Mr. Chow Kwok Wai, all of them being independent non-executive Directors. The terms of reference of the Remuneration Committee are available at the Company's website and the website of The Stock Exchange of Hong Kong Limited.

The principal roles and functions of the Remuneration Committee is the formulation, review and recommendation to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent policy on their remuneration.

Other roles and functions of the Remuneration Committee include consulting the Chairman of the Board about their remuneration proposals for other executive Directors and senior management, reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives, making recommendations to the Board on the remuneration packages of individual executive Director and senior management (including benefits in kind, pension rights and compensation payments), making recommendations to the Board on the remuneration of non-executive Directors, reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules, approving the grant of share options and share awards to eligible participants pursuant to the share schemes of the Company, approving and making recommendations to the Board on the terms of the Directors' service contracts and compensation arrangement relating to termination, dismissal or removal of the Directors, and ensuring that no Director or his/her associates is involved in deciding that Director's own remuneration.

REMUNERATION COMMITTEE *(Continued)*

Meeting of the Remuneration Committee shall be held at least once a year. Three meetings had been held during the year ended 31 December 2024. During the meetings, remuneration paid to the newly appointed Directors, or remuneration paid to the existing Directors and the remuneration policy of the Directors and senior management of the Company, have been reviewed. The attendance of each member was as follows:

Name of committee members	Number of meetings attended/ held within Director's service period
Mr. Jiang Guangce	3/3
Mr. Wang Yibing	3/3
Mr. Chow Kwok Wai	3/3

The overriding objective of the remuneration policy of executive Directors and senior management is to provide the packages needed to attract, retain and motivate executive Directors and senior management of the quality required to run the Company successfully, without paying more than necessary. The remuneration policy of executive Directors and senior management are reviewed and recommended for the Board's approval by the Remuneration Committee. In addition, share options may be granted under the Share Option Scheme of the Company and shares may be granted under the Restricted Share Award Scheme to the executive Directors and senior management. The remuneration package is reviewed with reference to the Board's corporate goals and objectives, prevailing market practice, duties and responsibilities of the individual executive Director or senior management and his/her contribution to the Group. Remuneration packages of executive Directors comprise base salary, performance bonus and fringe benefits including the provident fund, medical insurance and other miscellaneous benefits. All the Directors are entitled to participate in the Share Option Scheme of the Company. The emolument payable to Directors depends on their respective contractual terms under the service contract with the Company, and as recommended by the Remuneration Committee. Details of the remuneration of the Directors and individuals with highest emoluments are set out in note 8 and note 9 to the financial statement respectively.

The objective of remunerating non-executive Directors is to ensure that they are remunerated sufficiently but not excessively for their efforts and time dedicated to the Company. Every of the non-executive Directors has entered into a service contract with the Company for an initial term of 3 years commencing from the appointment date. The annual emolument is HK$228,000 for each of the independent non-executive Directors, namely Mr. Wang Yibing, Mr. Chow Kwok Wai and Mr. Jiang Guangce, and for the non-executive Director, namely Mr. Liu Wenjun.

AUDIT COMMITTEE

The Board has established the Audit Committee and its terms of reference are available at the Company's website and the website of The Stock Exchange of Hong Kong Limited. In compliance with Rule 3.21 of the Listing Rules, the Audit Committee comprises three independent non-executive Directors. As at 31 December 2024, the Audit Committee is chaired by Mr. Chow Kwok Wai who is a certificated public accountant and the committee members are Mr. Wang Yibing and Mr. Jiang Guangce. No member of the Audit Committee is a member of the former or the existing auditor of the Company.

The principal roles and functions of the Audit Committee are to provide the Board an independent oversight of the financial reporting, internal control and risk management systems of the Group and to maintain an appropriate relationship of the Company's external auditors.

AUDIT COMMITTEE *(Continued)*

Other roles and functions of the Audit Committee include reviewing the Group's financial information, financial controls as well as the internal control and risk management systems, making recommendations to the Board on the appointment, reappointment and removal of the external auditor, reviewing and monitoring the external audit and internal control review processes, and reviewing the Company's policies and practices on corporate governance, anti-corruption and anti-bribery as well as whistleblowing for making recommendations on any proposed changes to the Board.

According to its terms of reference, meetings of the Audit Committee shall be held at least twice a year. Two meetings had been held during the year ended 31 December 2024. The attendance of each member was as follows:

Name of committee members	Number of meetings attended/ held within Director's service period
Mr. Chow Kwok Wai	2/2
Mr. Wang Yibing	2/2
Mr. Jiang Guangce	2/2

During the above meetings and throughout the year ended 31 December 2024 in performing its duties, the work performed by the Audit Committee included:

(a) reviewed, among other things, the report by the internal control consultant and the financial statements, significant accounting policies and judgements of the Group contained in the Annual Report and the Interim Report with liaison with the Company's senior management and/or the external auditor before submission to the Board;

(b) met with the external auditor to discuss the audit approach and audit findings twice a year; and

(c) reviewed the external auditor's independence and effectiveness of its audit service, and recommended to the Board, for the approval by shareholders, of the re-appointment of the external auditor and approval of its remuneration.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities (as set out in page 78 of this Annual Report under the section headed "Independent Auditor's Report") for overseeing the preparation of the financial statements of the Group that give a true and fair view of the state of affairs of the Group and of the financial results and cash flows for that reporting period. The management provides to the Board monthly updates of the Group's financial position and any other supplementary information giving a balanced and understandable assessment of the Group's performance, position and prospects so as to enable the Board to discharge its duties. The management also provides to the Board sufficient explanation and information so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by the auditor about their reporting responsibilities is included in the Independent Auditor's Report.

AUDITOR'S REMUNERATION

The fees paid and payable to the Company's auditor, KPMG, in respect of audit services and non-audit services for the year ended 31 December 2024 amounted to approximately HK$3,297,000 (2023: HK$2,996,000) and HK$Nil (2023: HK$Nil) respectively.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for overseeing the risk management and internal control systems of the Group. The systems include a defined management structure with limits of authority, and are designed to enable the Board to identify, evaluate and manage significant risks (including ESG risks) so as to manage rather than eliminate the risk of failure to achieve its business objectives, provide reasonable but not absolute assurance against material misstatement or loss, safeguard its assets and shareholders' interests, and ensure compliance with applicable laws and regulations. The Group has established policies which set out internal control procedures in respect of inside information (as set out below under the heading "HANDLING OF INSIDE INFORMATION") anti-corruption, anti-bribery and whistleblowing (as set out below under the heading "ANTI-CORRUPTION AND WHISTLEBLOWING"), connected transactions/continuing connected transactions and other key risk areas. Detailed policies and/or procedures in individual departments and functions are established for, including but limited to budgeting, information reporting, performance monitoring, whistleblowing by employees and stakeholders as well as anti-corruption and fraud prevention, so as to implement the Group's risk and internal control systems and achieve their objectives.

The Board conducts annual review of the effectiveness of the risk management and internal control systems of the Company and its subsidiaries and, in particular, ensures the adequacy of financial and human resources in performance and reporting of the Company's accounting, financial and ESG functions. Having assessed the current situation of the Group including the changes in its operation size, business nature, industry environment and other significant risks (including ESG risks) since last annual review, and resources required for setting up in-house internal audit, the Board considered so far the engagement of one of the big four accounting firms as internal control consultant is in the best interests of the Company. The internal control consultant identifies and examines key issues in relation to the control environment, risk management, control activities, information and communication, compliance management, and selected key operational and financial processes based on risk assessment results. The internal consultant then provides findings and recommendations for improvement in the form of a review report, which is reported to the Audit Committee for making recommendation to the Board on the effectiveness of the risk management and internal control systems. Suggestions proposed in the review are also considered by the Board for improving the Company's internal control measures and resolve material internal control defects, if any.

For the year ended 31 December 2024, a review on the effectiveness of the risk management and internal control systems of the Company has been conducted by the Board. Based on the information provided by the internal control consultant and its own observations and assessments, the Board concluded that the risk management and internal control systems are effective and adequate.

HANDLING OF INSIDE INFORMATION

The Group has established policy and procedures on handling and dissemination of inside information which sets out guidelines to the directors, officers and all relevant employees of the Group to ensure inside information of the Company is to be disseminated to the public in equal and timely manner in accordance with the Securities and Futures Ordinance, the Listing Rule and all other applicable laws and regulations. The Company has established written guidelines to the directors, officers and all relevant employees of the Company and its subsidiaries on assessing whether material information that comes to their knowledge is inside information and escalating such information for the attention of the Board promptly. The Company discloses information and publish announcements in compliance with the Listing Rules and other relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, accurate and complete.

ANTI-CORRUPTION AND WHISTLEBLOWING

The Group strictly prohibits any form of bribery or corruption, and is committed to acting professionally, fairly and with integrity in all of its business dealings and relationships wherever the Group operates and implementing and enforcing effective systems to counter bribery and corruption. The Group is committed to conduct all of its business in an honest, transparent and ethical manner. The Group has established policies and systems that promote and support the applicable laws and regulations on anti-corruption including but not limited to the Criminal Law and the Anti-Unfair Competition Law of the People's Republic of China and the Prevention of Bribery Ordinance (Cap. 201) of the Laws of Hong Kong. The Company's anti-corruption and anti-bribery policy aims to (i) set out the Group's responsibilities and of those working for and on the Group's behalf, in observing and upholding the Group's position, and (ii) provide information and guidance on how to recognise and deal with bribery and corruption issues. The Group has also established whistleblowing policy which aims to (i) provide reporting channels and guidance on reporting possible improprieties, and reassurance to persons reporting his/her concerns (the "Whistle-blowers") of the protection against unfair disciplinary action or victimization for any genuine reports made, and (ii) allow fair and independent investigation of the above-mentioned matters and appropriate follow-up actions. Under the Company's whistleblowing policy, every report shall be made in person or in writing either by email accessed by the audit committee of the Company (the "Audit Committee") or by post to the Audit Committee. Based on different scenarios, the Audit Committee shall then determine the course of action to pursue, with power to delegate, with respect to the report. If the concern involves the Audit Committee, the Whistle-blowers may take the complaint direct to the chairman of the board of directors of the Company.

The above policies on anti-corruption and whistleblowing of the Company applies to all employees (including temporary or contract staff), officers and directors of the Group as well as external third parties who deal with the Group (including but not limited to customers, suppliers and consultants).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "Model Code"). Having made specific enquiry by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2024.

The Company has also established written guidelines to the Directors, officers and all relevant employees of the Company and its subsidiaries on securities transactions by those who may possess or have access to inside Information of the Company.

SHAREHOLDERS' RIGHTS

(1) Procedures for shareholders to convene an EGM

In accordance with the Company's Article 58, the shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting ("EGM") to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionists and deposit it to the Board or the Company Secretary at the Company's principal place of business in Hong Kong at Rooms 4902-03, 49th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionists concerned at EGM varies according to the nature of the proposal, as follows:

— At least 14 clear days' notice in writing if the proposal constitutes an ordinary resolution of the Company;

— At least 21 clear days' notice in writing if calling for an AGM or the proposal constitutes a special resolution of the Company at EGM.

If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

(2) Procedures for putting forward proposals at shareholders' meeting

Shareholders are welcomed to make enquires and suggestions to the Board in the general meeting. Shareholders who wish to put forward a proposal, including nomination of directors, should convene an EGM by submitting a written requisition to move a resolution at EGM. The requirements and procedures are set out in "(1) Procedures for shareholders to convene an EGM" above.

(3) Procedures for sending shareholders' enquiries to the Board

Shareholders may send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Mailing address:	Rooms 4902-03, 49th Floor Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
E-mail:	henrychow@ssygroup.com.hk
Fax:	(852) 2787 3338

Shareholders may also direct their questions about their shareholdings to Computershare Hong Kong Investor Services Limited, the Company's Hong Kong branch share registrar.

DIVIDEND POLICY

The Company has adopted a dividend policy in which the Board considers paying dividends twice a year, which are interim dividend and final dividend. From time to time, the Board may declare interim dividend. Under normal business conditions, and subject to the approval by the shareholders in a general meeting, the Board may recommend final dividend to maintain a stable dividend payout ratio (defined as the aggregated amount of interim dividend and final dividend in each financial year divided by the Group's audited net profits attributable to the shareholders in that year) but there is no assurance that dividends will be paid in any particular amount for any given period. The Board may also declare special dividends in addition to such dividends, or consider the issuance of bonus shares on a basis permitted by the applicable laws and regulations as it considers appropriate.

COMMUNICATIONS WITH INVESTORS

The Company believes that effective communication is essential for enhancing investor relations and investors' understanding of the Group. The Company also recognises the importance of transparency and timely disclosure of its corporate information, which enables shareholders and potential investors to make informed decisions.

The Company has established a mechanism of using a number of channels for communications with its shareholders, investors and other stakeholders to ensure independent views and input are available to the Board. These include the AGM and the general meetings, annual and interim reports and quarterly statements, announcements, circulars to shareholders, press releases, investors meetings and the Company's website www.ssygroup.com.hk. The Board reviews the implementation and effectiveness of such mechanism from time to time with at least once a year.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2024, there was no change in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

As a pharmaceutical enterprise, SSY Group Limited (the "Company") and its subsidiaries (collectively, the "Group") understand the importance of environmental sustainability and green manufacturing and is committed to generating a positive impact on the society and the environment. The investors and stakeholders are placing more emphasis on the performance of the environmental, social and governance ("ESG") aspect. In addition to achieving our business objectives, we recognize our responsibility to operate in a more responsible and sustainable manner by integrating ESG considerations into our day-to-day operations.

In accordance with the "Environmental, Social and Governance Reporting Guide" as set out in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), the Group has established the principles and benchmarks for the preparation of this report, and has incorporated its own experience in order to build up a complete and efficient ESG governance framework. This ESG Report (the "Report") summarizes in detail the Group's strategies and practices in both environmental and social areas, and provides an opportunity for shareholders, investors and the general public to gain an in-depth understanding of the Group's governance structure and corporate culture. This Report not only demonstrates the Group's efforts and achievements in ESG, but also further highlights its commitment and actions towards sustainable development.

REPORTING SCOPE

The purpose of this Report is to provide a comprehensive overview of the Group's sustainability performance by summarizing the policies, management practices and performance of the Group's core businesses, namely research, development, manufacturing and sales of a wide range of pharmaceutical products to hospitals and distributors, in relation to corporate social responsibility. The Group's manufacturing plants are located in Hebei Province and Jiangsu Province of the People's Republic of China (the "PRC") and the sales are mainly to customers in the PRC. In accordance with the "materiality" principle, this Report covers the relevant data of three major subsidiaries, namely Shijiazhuang No. 4 Pharmaceutical Co., Ltd. ("Shijiazhuang No. 4 Pharma"), Jiangsu Best New Medical Material Co., Ltd. ("Jiangsu Best") and Hebei Guangxiang Pharmaceutical Co., Ltd. ("Hebei Guangxiang"), and discloses the Group's policy on ESG in the PRC.

REPORTING PERIOD

The Report illustrates and highlights the environmental and social performance of the Group in China for the reporting period from 1 January 2024 to 31 December 2024 (the "Reporting Period").

REPORTING FRAMEWORK

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Guide") contained in Appendix C2 to the Listing Rules.

REPORTING PRINCIPLES

This Report has been compiled based on the reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency".

- Materiality: This Report identifies and reports on important matters relating to ESG issues that have a material impact on investors and other stakeholders.
- Quantitative: This Report discloses key quantitative performance indicators to assess and validate the effectiveness of ESG policies and management systems, and describes the meaning, purpose and impact of the indicators.
- Balance: This Report reflects objective facts and discloses both positive and negative information.
- Consistency: In order to ensure the continuity and comparability of reported data, this report adopts a consistent disclosure of statistical methods and calculation standards. If there are any changes in the methodology, the Group will explain them accordingly.

STATEMENT OF THE BOARD

The Board of Directors of the Company (the "Board") assumes full responsibility for and ensures the effectiveness of the ESG strategy and reporting of the Company, and the Group operates its core and material businesses in a sustainable manner.

The Board takes overall responsibilities for the ESG performance and reporting. The Board assesses the materiality of effects of the respective ESG issues on the businesses and stakeholders of the Company through regular review of the Company's operation by the business and function departments of the Company, and reports to the management and the Board from time to time.

In order to improve the awareness and capability of the members of the Board in relation to ESG management, the Company arranged related knowledge training for the Board, with an aim to learn the latest regulatory requirements and initiatives and work together to explore the direction to enhance their skills. Meanwhile, the members of the Board participated in the materiality assessment of the ESG issues and prioritised such issues from the perspective of risks imposed on the businesses of the Company. By combining such assessment results and the opinions of the stakeholders, the Company identified the most significant ESG issues.

The Board is committed to improving the setting and tracking mechanism of ESG objectives, so as to promote the continuous enhancement of the Company's ESG standards. The Company's finance, compliance and investor relation department is responsible for researching and formulating ESG objectives related to the operations of the Company after consolidating the feedback of the Group's business and functional departments, and subsequently for reviewing and monitoring the progress of the ESG objectives and preparing the Report for the Board's review.

This Report was reviewed and approved by the Board of the Company on 28 March 2025.

FEEDBACK MECHANISM

Stakeholders' opinions and suggestions play a key role in the formulation and enhancement of the Group's future sustainability strategy. In this regard, the Group welcomes stakeholders to contact the team responsible for the preparation of this Report via e-mail (ronaldchak@ssygroup.com.hk) to provide valuable opinions and suggestions to jointly promote the Group's sustainable development objectives.

STAKEHOLDERS' ENGAGEMENT AND MATERIALITY

Stakeholders' Engagement

Based on the practical experiences of the Group and results of communications with internal and external organizations, we consolidated seven different groups of stakeholders that are relevant to the Group's business. These are the management, general staff, community and the public, shareholders and investors, suppliers and business partners, customers, and the government and regulators, respectively. To foster collaborative relationship with its stakeholders, the Group proactively promoted communication with the stakeholders through various channels to exchange thoughts and ideas during the Reporting Period. The engagement from the stakeholders enables the Group to ensure the alignment between the strategies for business and sustainable development and the stakeholders' views and expectations. The following specific stakeholder engagement activities undertaken by the Group were conducted during the Reporting Period:

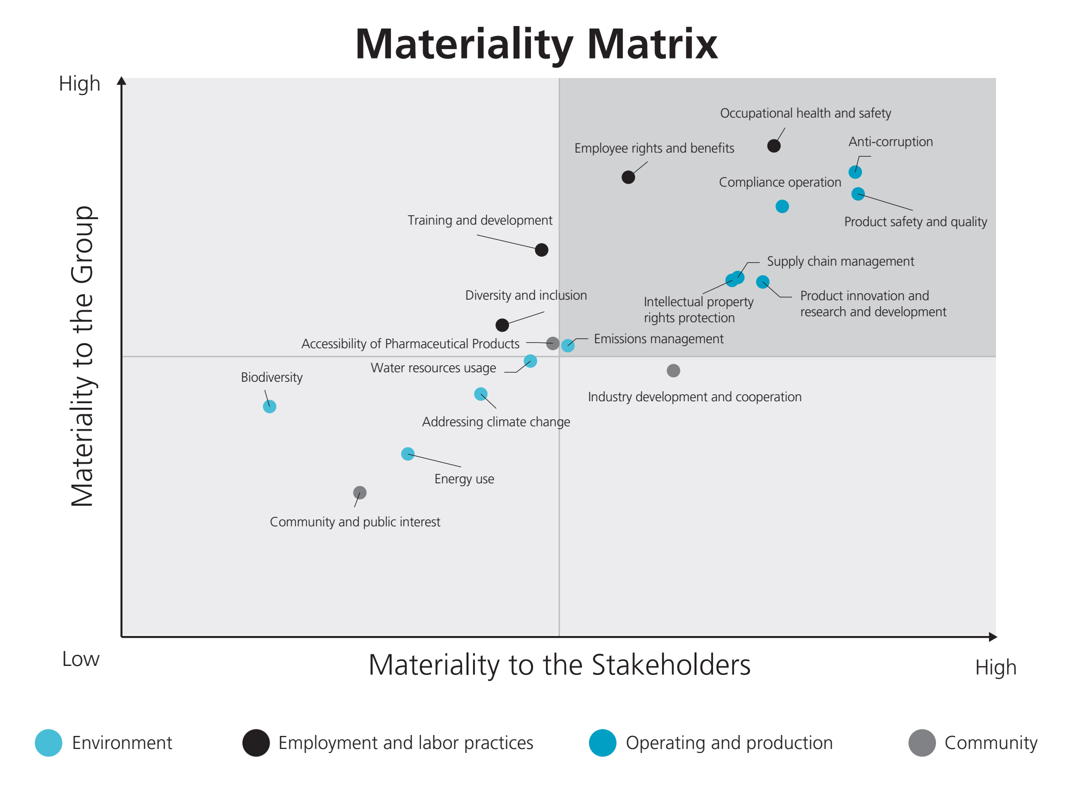
	STAKEHOLDER GROUP ENGAGED	ENGAGEMENT METHODS
Internal Stakeholders	Management	— Regular meetings
	General Staff	— Regular meetings — Training and workshops — Annual appraisal meetings — Company magazine and intranet
External Stakeholders	Community and the Public	— Joint community activities — Cooperation with Public Interest Organizations
	Shareholders and Investors	— General meetings — Investor information sessions — Site visits — Regular information disclosure of the listed company — Investor visits and meetings — Telephone and email enquiries
	Suppliers and Business Partners	— Tender meetings — Supplier management procedure — Supplier appraisal and assessment
	Customers	— Customer opinion surveys — Customer communication meetings — Day-to-day communication with frontline staff — Customer feedback mechanism
	The Government and Regulators	— On-site inspection and work reports preparation, submission and approval — Conversations with regulatory authorities — Regular communication with local environmental departments — Consultation and information disclosure — Industry exchange and collaboration

STAKEHOLDERS' ENGAGEMENT AND MATERIALITY *(Continued)*

Materiality Analysis

In order to identify the ESG issues that are most relevant to our business and stakeholders, the Group conducts regular ESG materiality assessments and analyses to ensure that the objectives and direction of its business are in line with the expectations and requirements of its stakeholders. During the Reporting Period, the Group assessed the materiality of each ESG dimension through the following steps:

Step 1 Identification	A total of 18 ESG issues relevant to the Group's business were identified based on the Environmental, Social and Governance Reporting Guide as well as disclosures from peers.
Step 2 Prioritization	Stakeholders' views on the importance of each ESG issue were collected through an online questionnaire survey to prioritize the issues and derive a prioritized list. Internal stakeholders cover general staff and management, while external stakeholders cover customers, suppliers and business partners, as well as shareholders and investors.
Step 3 Verification	The results of the above steps are presented to the Board for discussion and confirmation to ensure that the Group's business strategy is aligned with the relevant material issues. During the Reporting Period, a total of 9 highly significant ESG issues were identified as shown in top-right section of matrix below.



MANAGEMENT OF ESG OBJECTIVES AND PERFORMANCE

The Board is committed to promoting the implementation of the sustainability strategy and has set the following annual directional and quantitative ESG-related targets. The Group has made clear planning on the division of tasks and the timeframe for the completion of the targets by each functional department, and regularly evaluates the achievement of the targets to ensure that the targets are realized on schedule. In order to more accurately reflect the status of achievement of the targets, data on pollutant emissions and energy usage are summarized by major products (finished medicines, bulk pharmaceuticals and medical materials). The Board is responsible for reviewing the progress and performance of the Group's environmentally oriented targets and has monitored the implementation of the targets during the year to ensure that the sustainability efforts are steadily progressed.

TARGETS	INDICATORS AND ACTION PLANS	IMPLEMENTATION DURING THE CURRENT YEAR	PROGRESS OF COMPLETION
Reduction of Major Pollutant Emissions	The average emission intensity over the decade between 2023 and 2032 is targeted to be lower than that in 2022	Please refer to *Types of emissions and amount of emissions* for emission figure	Ongoing
	To constantly adopt new equipment and technology to optimize the production process	Building a new sewage treatment station which applied advanced treatment process of low-temperature wet oxidation	Ongoing
Reduction of Major Energy Use	The average consumption intensity over the decade between 2023 and 2032 is targeted to be lower than that in 2022	Please refer to *Types of resource and energy use and consumption* for consumption figure	Ongoing
	To establish an energy management system	Completed the construction of the management system to achieve constant optimization and improvement in energy efficiency to ensure the accomplishment of the energy conservation targets	Completed
	To optimise the of equipment combination	Tapping energy saving potential and improving production flows through management	Ongoing

ENVIRONMENTAL PERFORMANCE

The Group has established clear policies to ensure that its companies in the PRC (the "Companies") comply with the environmental requirements under the GMP standard in their production processes and fully comply with the relevant PRC environmental protection laws and regulations. In the Group's actual operations, the Companies implement low energy consumption and low pollution production measures and encourage their staff to emphasize environmental protection in their daily work.

The Companies adhere to the concept of "Green" Pharmaceuticals and regards environmental protection and resource conservation as its historical responsibility, which is carried out in every aspect of technical improvement and product design. In balancing the relationship between production and environmental protection, the Companies have always been guided by the harmonious development of society and refused to pursue short-term benefits in a way that is detrimental to the environment and resources. In recent years, the Companies have actively implemented the energy saving and emission reduction program, making energy saving and environmental protection the core objectives. With the help of technological innovation, the application of new materials and processes, and the popularization of energy-saving equipment, the Companies have continuously improved the efficiency of energy use and relied on scientific and technological innovation to achieve sustainable development, fully reflecting the sense of social responsibility and ethical awareness of the pharmaceutical industry.

EMISSIONS MANAGEMENT

The Companies strictly comply with GMP standard and relevant laws and regulations in the PRC, and actively enhance their capabilities in pollution prevention and ecological protection. They are equipped with various pollution prevention and control facilities to ensure compliance with the enforcement standards of the total sewage outlet and air exhaust vents as well as the emission requirements by the emission license. During the year 2024, the Group did not violate any relevant emission laws and regulations. During the year 2024, the Group did not violate any emission laws and regulations.

In respect of sewage treatment, the Companies have built and operated three highly efficient sewage treatment stations, adopting advanced treatment techniques combining biochemistry and physicochemistry, which not only improved the efficiency of sewage treatment, but also ensured that the quality of the discharged water complied with the standards set by the local government. In addition, the Companies regularly inspect and maintain these facilities to ensure their continuous and stable operation.

In terms of exhaust gas management, the Companies have installed four sets of advanced treatment facilities to provide professional treatment for different pollutants. They include:

- "bag filter + 25m high exhaust gas pipe", which can effectively filter the dust in the workshop;
- "alkali wash + multimedia catalytic oxidation absorption tower + 25m high exhaust pipe", which is used to absorb odors generated in the workshop;
- "bio-filter + 15m high exhaust pipe", which is used to remove odors emitted from various pools and wells.

As regards solid waste, we have implemented a stringent waste categorization and management system to classify industrial waste into two major categories, namely general industrial waste and hazardous waste. For hazardous waste, we monitor the entire process from generation, storage, transfer to final disposal to ensure that it is handled safely and appropriately to avoid secondary pollution of the environment.

EMISSIONS MANAGEMENT *(Continued)*

The Companies continue to invest in the upgrading and expansion of environmental protection facilities, and optimizes production processes by introducing non-polluting or low-polluting new technologies, techniques and products to reduce energy consumption and waste generation. For example, at our bulk pharmaceutical production base in Cangzhou, we utilize advanced synthesis, reduction, separation and extraction technologies to convert waste materials from other projects into useful raw materials, thereby realizing the reduction, reuse and maximization of the benefits of resources and constructing a circular economy industrial chain. At the same time, the sewage treatment station at the base adopts the low-temperature wet oxidation deep treatment technology to further enhance the sewage treatment capacity and ensure that the discharge standards are met. The Companies have also upgraded the original exhaust gas treatment facilities by adding two sets of catalytic combustion system to treat the process exhaust gas in the workshop, and equipped with activated carbon adsorption and regeneration device to collect the methylene chloride exhaust gas involved in the workshop, and after adsorption and desorption, to realize the recycling of hazardous substances in the exhaust gas.

Types of emissions and amount of emissions

	2024 Finished medicines	**2024 Bulk pharmaceuticals and medical materials**	2023 Finished medicines	2023 Bulk pharmaceuticals and medical materials
Air emissions *(Note 1)*				
Nitrogen oxides (NOx) (kg)	**274**	**40**	245	26
Sulfur oxides (SOx) (kg)	**0.93**	**0.49**	1	0.40
Suspended particles (PM) (kg)	**27**	**3**	24	2
Greenhouse gases emissions *(Note 2)*				
Direct emissions (Scope 1) (ton) *(Note 3)*	**40,091**	**14,566**	29,383	20,207
Indirect emissions (Scope 2) (ton) *(Note 4)*	**193,598**	**80,877**	252,483	118,790
Greenhouse gases (Scope 1 and 2) emissions (ton)	**233,689**	**95,443**	281,866	138,997
Greenhouse gases (Scope 1 and 2) emissions intensity (ton/100 million)	**4,868**	**9,812**	5,208	13,232
Other indirect greenhouse gas emissions (Scope 3) (ton) *(Note 5)*	**3,376**	**1,828**	N/A	N/A
Category 6: Business travel	**520**	**242**	N/A	N/A
Category 7: Employees commute	**2,856**	**1,586**	N/A	N/A
Wastewater emissions (ton)	**690,000**	**550,483**	1,006,662	530,615
Wastewater emissions intensity (ton/100 million)	**14,373**	**56,591**	18,601	50,572
Biochemical oxygen demand (BOD_5) (ton)	**51**	**18**	34	3
Hazardous waste (ton)	**113**	**30**	93	17
Hazardous waste intensity (ton/100 million)	**2**	**3**	2	2
Non-hazardous waste (ton)	**2,232**	**24**	2,203	35
Non-hazardous waste intensity (ton/100 million)	**46**	**3**	41	3

Note 1: The calculation of emissions refers to the methods and emission factors in the *Reporting Guidance on Environmental KPIs* published by the Stock Exchange. Due to updates in the calculation methods, the data for 2023 has been restated.

Note 2: Greenhouse gases emissions data are presented in terms of tCO_2 equivalent. Scope 1 covers the emissions from stationary combustion sources and mobile combustion sources as well as refrigerant emissions, Scope 2 covers the emissions from purchased electricity and steam.

Note 3: The energy conversion emission factors refer to the greenhouse gas emission accounting methods and reporting guidelines (trial version) for other industrial sectors. Due to updates in the calculation methods, the data for 2023 has been restated.

Note 4: The indirect greenhouse gas emissions (Scope 2) for the year 2024 are calculated based on the power carbon dioxide emission factors of *Announcement on Issuing the CO_2 Emission Factor for Electricity in 2022* published by the Ministry of Ecology and Environment in 2024 (Hebei provincial grid 0.7252 kilograms of carbon dioxide per kilowatt-hour; Jiangsu provincial grid 0.5978 kilograms of carbon dioxide per kilowatt-hour). The data for 2023 has been restated to reflect the actual situation.

Note 5: Other indirect greenhouse gas emissions (Scope 3) are new data added in 2024, estimated with reference to the *GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard* of the Greenhouse Gas Protocol. The emissions generated from business travel and employee commuting are calculated by collecting employee sample data through surveys and applying emission factors from the UK Department for Environment, Food and Rural Affairs (DEFRA) and the US Environmentally-Extended Input-Output Models (USEEIO).

RESOURCE MANAGEMENT

Use of Energy

The Companies adhere to the energy management approach of "conserving energy to increase efficiency, reducing consumption to increase production, reducing emission to improve environment and implementing green practices to develop pharmaceutical", and is committed to pursuing the economic growth model of "high growth, low consumption". In order to achieve this, the Companies have initiated a number of energy saving and consumption reduction projects in resource regeneration and circular economy, and completed the construction of the "energy management system". Through the "four mechanisms" of "planning, implementation, inspection and improvement" of energy conservation management, the Companies further improve the energy conservation and emission reduction management system, realize continuous improvement of energy conservation work, optimization of energy conservation management, and continuous enhancement of energy efficiency level, and ensure that the targets of energy conservation and emission reduction are fully achieved. The Companies have set up a comprehensive energy management system to strictly monitor and manage resources and energy usage data to further strengthen the overall management efficiency and environmental responsibility.

In terms of energy efficiency, the Companies have set clear targets and adopted a number of specific measures to achieve the energy saving targets. The Companies mainly utilize heat and power as their main energy sources, and explore energy saving potentials from various angles to reduce production costs and energy consumption. To this end, the Companies have built an advanced energy management center to achieve real-time monitoring of power and energy supply, consumption and equipment operation, covering systems such as general water, steam, electricity, compressed air, cooling, circulating water, heat supply and waste heat recovery. The system is equipped with real-time monitoring of pressure, flow, temperature and other measurement signals, as well as historical data query functions, which further enhance the transparency of energy use and management efficiency.

In addition, the Companies employ a wide range of energy-saving equipment and technologies to further enhance energy efficiency. Specific machines and equipment include:

- High-efficiency energy-saving equipments: The Companies extensively adopt energy-saving products, such as high-efficiency energy-saving motors, inverter and servo motor control technologies, and high-voltage motors for large energy-consuming equipments to minimize energy consumption.

- Intelligent lighting system: The Companies fully implement energy-saving LED green lighting equipment, replacing traditional fluorescent lamps, energy-saving lamps and incandescent lamps to further save electricity.

- Air compressor modification: Screw air compressors are modified into centrifugal air compressors to significantly reduce the gas-to-electricity ratio, and the dryers are modified into desiccant dryers to reduce air loss and increase the output of compressed air to further save electricity.

- Bottle blowing equipment production line improvement: The Companies carry out reasonable deployment of the production line to improve the production and transportation capacity, increase the daily output per unit space and reduce the public electricity consumption of products.

- Optimization of large-scale equipment: Large-scale hot-pressure water injection machines optimize energy utilization through multiple internal heat exchanges and variable frequency control, resulting in a steam saving rate of about 60%.

- Renewable energy use: The cafeteria is equipped with a solar water heating station, which uses low-carbon and clean new energy for cooking, cleaning and hand-washing by dining staff.

RESOURCE MANAGEMENT *(Continued)*

Use of Water Resources

In terms of the efficiency of using water, the Companies strive to reduce the use of water resources and increase the reuse rate of recycled water. The Companies strictly comply with the *Water Law of the People's Republic of China, the Measures for the Administration of Industrial Water Conservation* and the *Opinions on Strengthening Industrial Water Conservation* issued by the State Economic and Trade Commission as well as other relevant laws and regulations, and continuously improve the management of water resources, and actively practice and promote water-saving technologies and equipment to increase the reuse rate of water resources. At the same time, the Companies organize water conservation publicity and education training for its employees to enhance their awareness of water conservation. The Group's water is obtained from municipal water supply networks and metered, and is mainly used for production and domestic purposes, without any problems in obtaining water sources.

In order to achieve the water efficiency target, the Companies adopt a variety of water-saving appliances and equipment, including:

- Condensation recycling: condensation is recycled from steam after use and reused as a heat source for preheating raw water for water injection production. Condensate is replenished to the recirculation basin, significantly reducing the amount of fresh water replenishment.

- Water-saving technological transformation: adding a set of concentrated water recovery device in the water production system, and changing the bottle washing of plastic bottles for large infusion solution from water washing to clean air rinsing, which greatly reduces the consumption of water resources.

- Optimization of equipment combination: adopting centralized, large-volume allocation for multiple production lines, changing the traditional method of individual, small-volume allocation for each production line to reduce water consumption.

- Establishment of recycling system: establish four sets of recycling system for sterilization, cold water, cooling water and air compressor cooling water to reduce one-off water consumption.

- Waste water reuse: the fine cleaning water is reused for rough cleaning in the glass bottle production line; reverse-osmosis first-stage concentrated water in the water-making station is recycled for secondary use, and second-stage concentrated water is recycled for cleaning and sanitation, so as to make effective use of the limited water resources.

RESOURCE MANAGEMENT *(Continued)*

Use of Water Resources *(Continued)*

Types of resources and energy used and their consumption

	2024 Finished medicines	**2024 Bulk pharmaceuticals and medical materials**	2023 Finished medicines	2023 Bulk pharmaceuticals and medical materials
Water consumption (ton)	**998,337**	**647,227**	1,309,430	601,487
Water consumption intensity (ton/100 million)	**20,796**	**66,536**	24,193	57,257
Indirect energy consumption				
Electricity consumption (thousand kWh) *(Note 1)*	**185,545**	**86,707**	182,969	99,199
Steam consumption (million kJ)	**536,736**	**191,825**	679,519	245,725
Total indirect energy consumption (million kJ)	**1,204,698**	**503,970**	1,338,207	602,843
Indirect energy consumption intensity (million kJ/100 million)	**25,095**	**51,809**	27,876	57,366
Direct Energy Consumption				
Gasoline (million kJ) *(Note 2)*	**1,170**	**1,058**	1,664	860
Diesel (million kJ) *(Note 2)*	**927**	**221**	1,046	49
Liquefied petroleum gas (million kJ) *(Note 2)*	**0**	**117**	N/A	N/A
Natural gas consumption (million kJ)	**667,457**	**70,286**	516,009	164,169
Total direct energy consumption (million kJ)	**669,554**	**71,682**	518,719	165,078
Direct energy consumption intensity (million kJ/100 million)	**13,948**	**7,369**	9,584	15,714
Total amount of packaging materials used on finished products (ton)	**106,402**	**1,034**	104,476	619

Note 1: The electricity consumption for 2023 has been restated to reflect the actual consumption.

Note 2: The data for gasoline, diesel, and liquefied petroleum gas are newly disclosed in 2024.

Land Resources Utilization

Regarding the use of land resources, the Companies highly focus on the intensive use of land. On top of its scientific planning, reasonable layouts and sophisticated designs are orderly implemented, enabling its factories to create greater economic and social benefits despite having limited land resources. In the past few years, the Companies are committed to increase land utilisation and adopted an "up and down" combined approach through the full utilisation of aboveground and underground space resources. For example, the Companies have successively established a three-dimensional logistics centre which meets advanced international standards, which has once been the largest of and earliest of its kind in Northern China with the highest standard of automation. Such warehouse is larger than that of a flat warehouse in capacity by seven times. Currently, the Companies have five three-dimensional logistics centres, The Companies' land saving practice has been highly praised by the Ministry of Land and Resources of the People's Republic of China.

Apart from this, the Companies' bulk pharmaceutical production base in Cangzhou has built a garden-style "Green Park" that contains multiple dedicated production lines, research and development experiment building, environmental protection centre and ancillary power facilities on the premise of intensive land use, environmental protection, energy saving, safe production and greener environment, so as to set a model for others in the industry.

CLIMATE CHANGE

Climate change has become a focus of global concern and is highly emphasized by various governments. In order to identify the impact of climate change on the Group and formulate a comprehensive risk response and business opportunity strategy, the Group makes reference to guidance of the Task Force on Climate-Related Financial Disclosures (TCFD) and the Stock Exchange's Guidance on *Climate Disclosures*, to identify the risks and opportunities that may be brought about by climate change, and at the same time, analyze the potential financial impacts thereof, as well as to formulate corresponding countermeasures and action plans to minimize or eliminate the relevant risks. Climate-related risks are mainly categorized into physical risks and transformation risks. Among which, physical risks include direct losses caused by extreme weather events and indirect impacts arising from long-term changes in climate conditions. Transformation risk covers factors such as changes in policies and regulations, demand for technological transformation and shifts in market preferences.

Financial Impact Analysis of Climate-Related Risks

Risks	Risk Level	Results and Potential Financial Impacts	Measures and Plans
Policy and Regulations	High	Stricter greenhouse gas emission management policies; increased compliance risk for the Group; increased energy adjustment and carbon emission costs, lead to increased production costs	To establish a comprehensive emergency management program for extreme weather To coordinate matters relating to the occurrence of extreme weather events by the management To explore the Group's carbon reduction potential, and formulate greenhouse gas reduction targets and plans to carry out orderly and efficient greenhouse gas reduction work
Technology	Medium	Increased investment costs arising from the transformation to low-carbon technology, the low-carbon adaptation of production processes and the introduction of energy-saving and consumption-reducing equipment in accordance with policy requirements	
Physical (Acute)	Low	Extreme weather conditions, such as typhoons, extreme precipitation and extreme cold waves, may lead to production stoppages and supply chain disruptions, affecting production capacity, and may cause damage to production equipment and storage facilities, disruptions to transportation, and other property losses, as well as threaten the health and safety of employees	

CLIMATE CHANGE *(Continued)*

Financial Impact Analysis of Climate-Related Risks *(Continued)*

Risks	Risk Level	Results and Potential Financial Impacts	Measures and Plans
Physical (Chronic)	Low	Long-term changes in natural patterns, such as sea level rise, changes in rainfall, an increase in average temperature, which may have an impact on normal operations, and leads to an increase in energy consumption for temperature control in production, warehousing facilities, etc., resulting in increased operating costs	
Reputation	Low	Failure to meet stakeholder expectations in greening operations and reputational damage from inadequate disclosure of climate change mitigation information, affecting product demand and capital market attractiveness	

Financial Impact Analysis of Climate-Related Opportunities

Opportunities	Opportunity Level	Results and Potential Financial Impacts	Measures and Plans
Resource Efficiency	High	Promote energy saving and emission reduction by improving resource efficiency, and reducing energy and water consumption, which is conducive to lowering production and operating costs	To promote the research, development and innovation of energy-saving and consumption-reducing technologies, with a focus on the latest development and application of energy-saving technologies and the introduction of advanced energy-saving equipment To incorporate energy management into supplier assessment requirements
Energy Source	High	Adopt clean energy and low-carbon energy to replace traditional high-carbon energy and participate in the carbon trading market to reduce operating costs, minimize carbon emission risks and enhance the Group's reputation	
Products	Medium	Climate change may lead to the emergence of more disease types that have not been addressed before, and research and development may lead to operating revenue growth for the Companies	
Markets	Low	Climate change may lead to the emergence of more disease types that have not been addressed before, leading to increased market interest in the pharmaceutical industry	

SOCIAL RESPONSIBILITY

Employment relationship

The Group appreciates its employees as valuable asset. The Group provides competitive remuneration package to employees and periodically reviewed such packages with reference to industry practice. Discretionary bonuses and share options might be granted to employees based on the assessment of individual performance of the employees. The Group's companies in the PRC annually reviewed remuneration package of employees based on the development of the society, increase in consumer prices and corporate results to maintain the employee remuneration at reasonable level. In addition, pensions, work-related injury insurances, medical insurances, maternity insurances, unemployment insurances and housing provident funds are paid for employees as required by the laws to ensure various legitimate interests of its employees. At the same time, the Companies advocate for fair competition and are against discrimination to ensure equal starting salary for different genders and equal pay for equal work.

In terms of employment management, the Group strictly complies with relevant laws and regulations such as the Labour Law, the Labour Contract Law, the Law on the Protection of Women's Rights and Interests and Special Provisions on Labour Protection for Female Workers in the PRC to ensure the legitimate rights and interests of employees. The Group has not only established a comprehensive labour relations management system, but also put in place a stringent recruitment system and procedures to prevent the occurrence of irregularities such as child labour and forced labour. If any problem is found, it will be immediately investigated and appropriate measures will be taken to prevent its recurrence in the future. During the year 2024, the Group has not violated any laws and regulations relating to the employment of employees, labour standards or health and safety.

In respect of remuneration and benefits, the Group regularly reviews the remuneration structure with reference to industry practices and may grant incentives and/or share options to employees based on their individual performance evaluation, in order to motivate employees and encourage their loyalty. The Group adjusts the level of overall remuneration annually in accordance with the development of society, rising prices and corporate efficiency, and strives to keep the remuneration of its employees at a reasonable level. In addition, the Group pays pension insurance, work injury insurance, medical insurance, maternity insurance, unemployment insurance and housing fund for its employees in accordance with the law. The Group also advocates fair competition, opposes any form of discrimination, and realizes equal pay for equal work for both male and female employees to protect the equal rights and interests of all employees.

Total workforce

As at 31 December 2024, the Group had 6,146 employees. Details of employees from three subsidiaries under reporting scope are set out below.

		31 December 2024	31 December 2023
Total		**5,857**	5,640
By gender	Male	**3,272**	3,201
	Female	**2,585**	2,439
By age	18-30	**2,775**	2,435
	31-50	**2,729**	2,845
	Over 50	**353**	360
By education level	Doctorate	**20**	17
	Post graduate	**184**	151
	Bachelor	**1,246**	1,090
	Tertiary	**2,044**	1,929
	Technical secondary school and below high school	**2,363**	2,453
By region	Mainland China	**5,857**	5,640
By employment type	Full-time	**5,857**	5,608
	Part-time	**0**	32

SOCIAL RESPONSIBILITY *(Continued)*

Employment relationship *(Continued)*

Employee turnover rate

		2024 Number of employees	2024 %	2023 Number of employees	2023 %
Total		**858**	**14.6%**	931	16.5%
By gender	Male	**473**	**14.5%**	510	15.9%
	Female	**385**	**14.9%**	421	17.3%
By age	18-30	**574**	**20.7%**	826	33.9%
	31-50	**255**	**9.3%**	92	3.2%
	Over 50	**29**	**8.2%**	13	3.6%

The Group actively organized employee care activities to enhance the well-being of employees through various means. During the Reporting Period, Shijiazhuang No.4 Pharma organized a "Warmth Delivery" sympathy activity during the Chinese New Year to visit the employees in need and retired staffs and bring them heartfelt Chinese New Year blessings and care. In addition, Shijiazhuang No.4 Pharma also launched the "Sending Coolness in Summer（夏送清涼）" encouragement program, providing cooling items and expressing support to outdoor workers in warehouse, logistics and security roles. These activities not only demonstrated that the Companies profound commitment the health and well-being of its employees, but also further enhanced employees' workplace satisfaction and sense of belonging.

Occupational Health and Safety

The Companies strictly comply with GMP standard and relevant regulations of the Order of the Ministry of Human Resources and Social Security, Social Insurance Law, Prevention and Control of Occupational Diseases and the Regulation on Work-Related Injury Insurances, and has established a comprehensive occupational health and safety management system and implemented comprehensive safety management measures. In order to enhance the effectiveness of occupational health management, the Companies have set up a health and safety committee and formulated a number of systems for staff at all levels, including the production safety responsibility system, performance assessment, safety inspections, risk assessment, emergency drills, personal protection and safe operation, etc., to continuously improve the health and safety management system. At the same time, the Companies have set up full-time and part-time environmental, occupational health and safety management (EHS) management staff, and regularly implement the continuous improvement model of "Plan, Do, Check and Act (PDCA)" to strengthen the work of occupational health management.

SOCIAL RESPONSIBILITY *(Continued)*

Employment relationship *(Continued)*

Occupational Health and Safety *(Continued)*

The Companies are committed to providing a safe and reliable working environment for their employees. The Companies not only regularly evaluate and upgrade fire-fighting facilities, safety and medical emergency equipment in each workshop, but also provide employees with a good environment for office and production. The Companies strictly comply with the relevant laws and regulations such as the Fire Control Law, the Code for Fire Protection and Prevention of Buildings, the Work Safety Law and the Regulation on the Safety Management of Hazardous Chemicals, and regularly evaluate and upgrade the fire service facilities, safety and emergency equipment in the workshops, and carry out rigorous hardware modifications and risk control especially for the premises where flammable and explosive chemicals are used. In order to further improve the safety management level, the Companies clarify the main responsibility of the departments, and carries out a comprehensive mechanical protection assessment of mechanical equipment, installations and production lines in the plant, especially for the equipment with higher risk of personal injury, and installs the corresponding protective devices, so as to fundamentally reduce the possibility of accidents, and at the same time, improve the safety performance of the equipment. The Companies regularly carry out safety risk classification and control, and potential danger investigation and management, to identify and assess risks from the source, and discover blind spots and loopholes in risk control in time through potential danger investigation, so as to realize effective risk management and control. The Companies have launched a series of process optimization and improvement work focusing on key aspects such as process safety management, machinery protection, padlocking, work safety analysis, emergency preparedness and response, fire management, visual management, 5S organization, high-risk operation, road traffic safety and health and safety knowledge education, so as to promote the steady improvement of the overall level of enterprise safety management. The Companies take the personal health of its employees seriously and provide corresponding resources and support. On the production line, the Companies have installed effective dust removal equipment, ventilation systems and soundproofing devices in places where dust, odor or noise may be involved, and have also equipped the necessary personal protective equipment, such as earplugs, ear muffs, goggles, dust masks and protective clothing, to minimize the potential impact of occupational hazards on the health of employees. In addition, the Companies provide regular health checkups and occupational health checkups for employees who are directly or indirectly in contact with the production process. For those who are engaged in positions with occupational hazards, the Companies regularly commission occupational disease control organizations to conduct professional health checkups, and establish a complete occupational health file for each employee undergoing the checkups, to ensure that his/her rights and interests in respect of occupational health are adequately safeguarded. In order to enhance the awareness of occupational health and safety of all employees, the Companies regularly organize relevant training according to the Occupational Health Training Program, which effectively enhances the employees' awareness of self-health protection. In addition, in response to the government's call, the Companies launched the "One Day Donation（一日捐）" employee mutual aiding activity to help employees and their family members who suffer from family difficulties due to major illnesses or accidents, demonstrating the Companies' high regard and humanistic care for the well-being of their employees. In 2024, Jiangsu Best passed the certification of the Level Three Enterprise for Standardization of Production Safety.

SOCIAL RESPONSIBILITY *(Continued)*

Employment relationship *(Continued)*

Occupational health and safety data

	2024	2023	2022
Work-related fatalities	**0**	0	0
Rate of work-related fatalities (by number of employees)	**N/A**	N/A	N/A
Lost days due to work-related injury	**3,106**	1,404	1,028

Development and Training

In terms of staff development, the Group pays special attention to the enhancement of employees' capabilities and career development, and is committed to providing employees with a full range of opportunities for capability enhancement and career development. Every year, the Group invests resources in systematic staff training, including new employee training, professional skills training and leadership training in order to ensure that employees can achieve comprehensive growth in terms of professional knowledge, vocational skills and overall quality.

During the Reporting Period, all employees participated in the training, with the percentage of trained employees reaching 100% and the average training hours per employee amounting to approximately 88 hours, fully demonstrating a high level of emphasis on talent cultivation.

Percentage of employees trained

		2024	2023
By gender	Male	**100%**	99.0%
	Female	**100%**	98.0%
By category	Management	**100%**	84.6%
	Executive	**100%**	93.1%
	Non-Executive	**100%**	99.0%

Average number of training hours per employee

		2024	2023
By gender	Male	**87.0 hours**	66.5 hours
	Female	**89.6 hours**	70.2 hours
By category	Management	**51.0 hours**	27.9 hours
	Executive	**40.7 hours**	58.7 hours
	Non-Executive	**91.1 hours**	69.4 hours

SOCIAL RESPONSIBILITY *(Continued)*

Supply Chain Risk Management

The Companies have implemented the "management system of tenders for material procurement" and "evaluation and management system of suppliers' quality" to specify the approval of suppliers for materials procurement and the staff duties of each segment to facilitate the use of environmentally friendly materials and suppliers. At the supply chain risk management level, by specifying the procedures such as the filing of material suppliers' quality, quality standard, on- site quality audit, quality assessment, inspections and trials as well as the handing of quality problems, the identification and management of major raw materials and the environmental or social risk caused by suppliers have been stepped up, and environmentally friendly materials and suppliers would be adopted, which has in turn strengthened the quality management of material supply. For quality audits, the Companies conduct regular on-site or written audits on suppliers based on material categories, including personnel organizations, factory facilities and equipment, materials management, process flows and production management, equipment and instruments in quality control laboratories, document management, and other aspects, to comprehensively assess their quality assurance systems. During 2024, the Group cooperated with approximately 1,378 suppliers, of which 99% were from the PRC and the rest were mainly from Korea and Germany.

Intellectual Property Protection

The Group places emphasis on the management and protection of intellectual property rights and has established a complete intellectual property rights management system and protection procedures covering patent layout, application and maintenance to ensure effective protection of technology research and development and production.

In terms of patent management, the Companies have established a Patent Affairs Department as the intellectual property management department, responsible for the implementation of the overall intellectual property strategy in other departments. In addition, the Companies have established a comprehensive intellectual property management system document based on the requirements of the "Requirements for Corporate Intellectual Property Rights Compliance Management System" (GB/T29490-2023) standard, combined with its operational characteristics. This includes core systems such as the "Patent Management Rules"(專利管理規則), "Invention Reward Measures"(職務發明獎勵辦法), "Trademark Management Specifications"(商標管理規範) and "Intellectual Property Confidentiality Clauses"(知識產權保密條款), as well as specific operational guidelines such as the "Patent Application Procedure"(專利申請程序), "Patent Payment Procedure"(專利繳費程序), and "Patent Search Procedure"(專利檢索程序). The establishment of these systems provides clear norms and guidelines for intellectual property management, ensuring that intellectual property work follows established procedures.

In terms of patent maintenance, the Companies have established a patent infringement early warning and risk monitoring mechanism that covers the entire production and operation process. It regularly assesses the risks associated with intellectual property and ensures thorough technical and intellectual property reviews can be conducted before project initiation and patent applications through the implementation of the "Patent Search Report" system. As of 31 December 2024, the Group had a total of 552 valid patent applications, including 326 patent applications for inventions, 198 patent applications for utility models, 9 patent applications for designs and 19 international invention patents. During the Reporting Period, the Group did not experience any patent infringement incidents or disputes.

Research and Development Ethics

In the course of research and development, the Companies have always taken compliance with relevant laws and regulations as a basic criterion, and recognize the significance of the ethical principles of animal welfare, respecting the life contribution of laboratory animals for research purposes. The Companies strictly abide by the relevant laws and regulations such as the Regulation on the Administration of Laboratory Animals of the PRC, and have developed a series of animal experiment management systems and operational guidelines such as Laboratory Animals Welfare Ethical Review Management System and Laboratory Animal Welfare Ethical Review Operating Procedures, in order to ensure that all experiments are carried out legally and in compliance with regulations, and minimize the unnecessary harm to the laboratory animals.

SOCIAL RESPONSIBILITY *(Continued)*

Accessibility of Pharmaceutical Products

The Companies are committed to enhancing the accessibility of their pharmaceutical products in a variety of ways to help more patients obtain the treatment solutions they need. In product development and production, the Companies continue to optimize the production process, reduce production costs, improve production efficiency and further narrow the price gap through economies of scale, so that more patients can afford high-quality pharmaceutical products. Currently, 16 products have been included in the National Centralised Medicines Procurement list, and 62 products in the provincial list, significantly reducing the out-of-pocket expenses for patients. In addition, 58 generic drugs have been included in the National List of Essential Drugs (2018 Edition), ensuring the supply of medicines in primary healthcare institutions. The Companies have made comprehensive reference to the production costs of enterprises and the prices of similar drugs in the market, taking into account the economic conditions of different regions, and making reasonable adjustments in light of the disposable incomes of local residents, so as to ensure that the prices are affordable.

Products & Services

Product Quality and Safety

The Companies have implemented a comprehensive product quality management system. In accordance with GMP standard, the Companies conduct internal audits on a regular basis to identify and resolve potential problems in the production process in a timely manner, and formulate effective corrective and preventive measures to ensure stable and reliable product quality. In order to strengthen the after-sales service and quality tracking capability, the Companies have set up a professional quality service department, which is responsible for dealing with customers' opinions and queries on product quality, covering the whole process of quality support from production, distribution and marketing to clinical use. The department has further established a complete after-sales service framework, which includes core functions such as a traceable product system, a quality information feedback mechanism, assistance in product recall, tracking of substandard products and monitoring of adverse reactions, and has formulated a detailed management system and standardized operating procedures to ensure that it can promptly respond to various complaints and quality enquiries from the market. During the Reporting Period, the Group received a total of 78 cases of complaints relating to product quality and service, and responded to and handled 100% of the customer complaints.

In response to the update of product quality standards or regulations, the Companies organize staff training in a timely manner to ensure that the production and operation processes are in compliance with the latest regulations and to provide accurate information to customers. During the year 2024, the Group did not recall any sold or shipped products for safety and health reasons.

SOCIAL RESPONSIBILITY *(Continued)*

Products & Services *(Continued)*

Product Quality and Safety *(Continued)*

In addition, for drugs that have exceeded their expiry dates, the Companies will follow the "Substandard Pharmaceutical Products Management System" for proper disposal, including quality appraisal, registration for scrapping and destruction, to ensure that the drugs will not enter the market and pose safety risks. The Companies actively collaborate with their customers in managing inventory levels to avoid large-scale returns or exchanges due to overstocking or poor sales. During the year 2024, save as legal proceedings disclosed in the Management Discussion and Analysis of this Annual Report under section headed "Relationships with stakeholders", the Group was not claimed for violation of any laws and regulations relating to product return and product liability.

Customer Privacy Protection

The Companies strictly adhere to relevant laws and regulations regarding the customer information and privacy protection. They only collect relevant information with the customer's knowledge and consent, and uses it only in business transactions. The Companies have established a comprehensive customer information security management system, creating full-process management regulations for the collection, storage, use, archiving, and destruction of customer information. This includes the archiving and use of both paper documents and electronic data and information, and regular supervision and inspection are implemented to prevent the leakage or misuse of personal data. In addition, by enhancing employees' awareness of privacy protection and operational standards through internal training, we further ensure the security of personal information.

Anti-Corruption

The Companies implement and enforces effective systems to prevent bribery and corruption wherever it operates, including but not limited to the "Criminal Law of the PRC", the "Anti-Corruption and Bribery Law of the PRC" and the "Anti-Unfair Competition Law of the PRC" and the "Prevention of Bribery Ordinance" (Cap. 201 of the Law of Hong Kong). The Companies' anti-corruption and anti-bribery policy aims to (i) set out the Group's obligations and the responsibilities of those working on behalf of the Group in complying with and upholding the Group's position; and (ii) provide information and guidance on how to identify and deal with bribery and corruption issues. The Companies strictly comply with anti-corruption laws and regulations and conduct all business activities in an honest, transparent and ethical manner in order to maintain a healthy competitive environment in the pharmaceutical distribution industry. The Group rejects any form of commercial bribery and other unfair competition practices in both sales and procurement, and imposes strict supervision, management and training on all staff to ensure that every employee understands and complies with the relevant anti-corruption requirements. Board members also receive from time to time anti-corruption information prepared by the directors' training and the Independent Commission Against Corruption in Hong Kong to further enhance their knowledge and practice of clean business practices.

SOCIAL RESPONSIBILITY *(Continued)*

Anti-Corruption *(Continued)*

The Group has also formulated a whistleblowing policy which aims to (i) provide reporting channels and guidelines for reporting possible misconduct and to assure persons reporting their concerns under this policy (the "Whistle-blower") that they will not be unfairly disciplined or victimized for making any truthful reports; and (ii) allow fair and independent investigations into the above matters and take appropriate follow-up actions.

During the year 2024, the Group has not violated any of the above anti-corruption laws and regulations.

Community and Public Welfare

As a socially responsible enterprise, the Group is actively involved in social welfare endeavors while pursuing corporate growth and protecting the interests of its shareholders and investors. Based on the business philosophy of "Openness basing on sincerity helps people by quality", the Group always puts the interests of the pharmaceutical market and end-patients in the first place while pursuing its own development, and actively fulfills its corporate social responsibilities, so as to inject more energy into the sustainable development of the society, the economy and the environment.

During the Reporting Period, the Group's donations to social welfare causes amounted to approximately RMB1.38 million (2023: RMB0.73 million), which were mainly used for education and medical construction projects. These funds were used to promote academic research and improve medical treatment in urban and rural areas, benefiting organizations such as Red Cross Society of Hebei province, China Primary Health Care Foundation and other public welfare organizations.

The Companies actively promote cooperation in education, and are committed to nurturing more professional talents for the community through school-enterprise cooperation, academic practice and international exchanges, as well as promoting technological innovation and cooperation among regions. In the area of education, the Companies have a long-term and friendly school-enterprise partnership with Lanzhou University, a national "double first-class" university. In August 2024, a group of doctoral, master's and undergraduate students from the School of Chemistry and Chemical Engineering of Lanzhou University went to Shijiazhuang No. 4 Pharma for a one-week field trip and professional practice, going deep into the front line of pharmaceutical research & development and production. This activity not only stimulated their enthusiasm and interest in the pharmaceutical industry, but also actively responded to the demand for practical teaching in higher education. In July of the same year, Peking University's "Take Action Program（力行計劃）" service team from Hebei Changzhou came to Hebei Guangxiang to conduct a research and study on the topic of "Comprehensive Development and Construction of Huangwang Harbor and Promotion of the Development of the Entire Industry Chain of Lingang Port（黃嬴港綜合開發建設與推進臨港全產業鏈發）", aiming at promoting the in-depth integration of industry, academia and research, and contributing wisdom and strength to the high-quality development of the local economy.

APPENDIX: ESG REPORTING CONTENT INDEX

Subject Areas and Aspects	General Disclosure and KPIs	Chapter in the Report
Environmental		
A1 Emissions	General Disclosure	Emissions management
	KPI A1.1	Types of emissions and amount of emissions
	KPI A1.2	Types of emissions and amount of emissions
	KPI A1.3	Types of emissions and amount of emissions
	KPI A1.4	Types of emissions and amount of emissions
	KPI A1.5	Management of ESG objectives and performance, types of emissions and amount of emissions
	KPI A1.6	Management of ESG objectives and performance, emissions management
A2 Use of Resources	General Disclosure	Resource management
	KPI A2.1	Types of resources and energy used and their consumption
	KPI A2.2	Types of resources and energy used and their consumption
	KPI A2.3	Management of ESG objectives and performance, Use of energy
	KPI A2.4	Management of ESG objectives and performance, Use of water resources
	KPI A2.5	Types of resources and energy used and their consumption
A3 Environment and Natural Resources	General Disclosure	Resource management
	KPI A3.1	Resource management
A4 Climate Change	General Disclosure	Climate change
	KPI A4.1	Financial impact analysis of climate-related risks and opportunities

APPENDIX: ESG REPORTING CONTENT INDEX *(Continued)*

Subject Areas and Aspects	General Disclosure and KPIs	Chapter in the Report
Social		
B1 Employment	General Disclosure	Employment relationship
	KPI B1.1	Total workforce
	KPI B1.2	Employee turnover rate
B2 Health and Safety	General Disclosure	Employment relationship
	KPI B2.1	Occupational health and safety
	KPI B2.2	Occupational health and safety
	KPI B2.3	Employment relationship
B3 Development and Training	General Disclosure	Development and training
	KPI B3.1	Percentage of employees trained
	KPI B3.2	Average number of training hours per employee
B4 Labour Standards	General Disclosure	Employment relationship
	KPI B4.1	Employment relationship
	KPI B4.2	Employment relationship
B5 Supply Chain Management	General Disclosure	Supply chain risk management
	KPI B5.1	Supply chain risk management
	KPI B5.2	Supply chain risk management
	KPI B5.3	Supply chain risk management
	KPI B5.4	Supply chain risk management

APPENDIX: ESG REPORTING CONTENT INDEX *(Continued)*

Subject Areas and Aspects	General Disclosure and KPIs	Chapter in the Report
B6 Product Responsibility	General Disclosure	Operating and production
	KPI B6.1	Product quality and safety
	KPI B6.2	Product quality and safety
	KPI B6.3	Intellectual property protection
	KPI B6.4	Product quality and safety
	KPI B6.5	Customer privacy protection
B7 Anti-corruption	General Disclosure	Anti-corruption
	KPI B7.1	Anti-corruption
	KPI B7.2	Anti-corruption
	KPI B7.3	Anti-corruption
B8 Community Investment	General Disclosure	Community and public welfare
	KPI B8.1	Community and public welfare
	KPI B8.2	Community and public welfare

REPORT OF THE DIRECTORS

The Board of Directors (the "Board") of SSY Group Limited (the "Company") present their report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 13 to the financial statements.

BUSINESS REVIEW

Discussions and reviews of the Group's business are contained in the Management Discussion and Analysis as set out on pages 12 to 19. These discussions form part of this Report of the Directors.

SEGMENT INFORMATION

An analysis of the Group's revenue and results by business segments for the year ended 31 December 2024 is set out in note 4 to the financial statements.

RESULTS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 81 to 82.

DIVIDENDS

For the year ended 31 December 2024, an interim dividend of HK$0.08 per share was declared on 28 August 2024 and paid on 27 September 2024 (2023: HK$0.07 per share). The Board recommended a final dividend of HK$0.095 per share (2023: HK$0.10 per share) which, together with the interim dividend, will result in total dividends of HK$0.175 per share for the year ended 31 December 2024 (2023: HK$0.17 per share). The payment of the final dividend is subject to the approval in the forthcoming annual general meeting.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 168.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in the consolidated statement of changes in equity and in note 27(c) to the financial statements.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and note 27(a) to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company had distributable reserves of approximately HK$433,318,000 (2023: HK$320,247,000) calculated in accordance with the Companies Law of the Cayman Islands. The Company's share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares. As at 31 December 2024, the share premium account was nil balance (2023: HK$9,462,000).

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Board considers that purchase of its shares by the Company under suitable market condition and funding arrangement will enhance net asset value and/or earnings per share of the Company, and thus will benefit the Company and the shareholders as a whole. Save for the purchase of 11,830,000 shares which details are set out in the next paragraph, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities for the year ended 31 December 2024.

During the year ended 31 December 2024, the Company acquired an aggregate of 11,830,000 ordinary shares through purchases on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of approximately HK$44,563,000 which details are set out below. Among all of the above shares, 11,084,000 shares have been cancelled as at 31 December 2024, and the remaining 746,000 shares were cancelled on 5 February 2025.

Date of the purchases	**Total number of the ordinary shares purchased**	**Highest price paid per share** *(HK$)*	**Lowest price paid per share** *(HK$)*	**Aggregate consideration** (inclusive of fees and charges) *(HK$)*
29 August 2024	3,770,000	3.80	3.70	14,339,000
12 September 2024	2,700,000	3.77	3.65	10,006,000
13 September 2024	320,000	3.80	3.77	1,216,000
16 September 2024	368,000	3.83	3.77	1,407,000
17 September 2024	426,000	3.84	3.80	1,634,000
19 September 2024	1,700,000	3.90	3.78	6,561,000
20 September 2024	1,800,000	3.90	3.78	6,906,000
20 December 2024	746,000	3.35	3.30	2,494,000
	11,830,000			44,563,000

SHARE SCHEMES

2012 Share Option Scheme

As approved by an ordinary resolution passed by the shareholders at the Extraordinary General Meeting held on 20 September 2012, the Board adopted a share option scheme which, unless otherwise cancelled or amended, was valid and remained in force for a period of 10 years from 20 September 2012 (the "2012 Share Option Scheme"). The 2012 Share Option Scheme has expired on 19 September 2022. No further options can be offered or granted upon the expiration of the 2012 Share Option Scheme. As at date of this Annual Report, granted and unexercised share options to subscribe for 100,000,000 Shares remains outstanding under the 2012 Share Option Scheme which details are set out in the next paragraph.

On 12 January 2021 (the "Date of Grant"), the Company granted 100,000,000 share options to certain management staff of the Group who were not the Directors of the Company at the Date of Grant pursuant to the 2012 Share Option Scheme, representing approximately 3.285% of the issued share capital as at the date immediately before share options were granted. The closing price of the Shares immediately before the Date of Grant (i.e. 11 January 2021) was HK$4.00 per Share. The exercise price was HK$4.218. The exercisable period was from 12 January 2021 to 11 January 2026. Subsequent to the Date of Grant, two grantees namely Mr. Meng Guo and Mr. Chow Hing Yeung were appointed as executive directors of the Company on 27 August 2021. During the year ended 31 December 2024 and up to date of this Annual Report, all of the 100,000,000 share options remain outstanding and exercisable.

The movement of total number of share options granted under the 2012 Share Option Scheme and remaining outstanding is shown as follows:

	2024	2023
Outstanding at the beginning of the year	**100,000,000**	100,000,000
Granted during the year	**–**	–
Exercised during the year	**–**	–
Lapsed during the year	**–**	–
Outstanding and exercisable at the end of the year	**100,000,000**	100,000,000

The details of share options movements during the year ended 31 December 2024 are shown as follows:

Directors of the Company

				Number of share options			
Name of Director	**Date of grant**	**Exercise price per share**	**Exercisable period**	**Outstanding at 1 Jan 2024**	**Granted during the year**	**Exercised during the year**	**Outstanding at 31 Dec 2024**
Mr. Meng Guo	12 Jan 2021	HK$4.218	12 Jan 2021 – 11 Jan 2026	20,000,000	–	–	20,000,000
Mr. Chow Hing Yeung	12 Jan 2021	HK$4.218	12 Jan 2021 – 11 Jan 2026	2,000,000	–	–	2,000,000

SHARE SCHEMES *(Continued)*

2012 Share Option Scheme *(Continued)*

Employees (not directors of the Company)

			Number of share options			
Date of grant	**Exercise price per share**	**Exercisable period**	**Outstanding at 1 Jan 2024**	**Granted during the year**	**Exercised during the year**	**Outstanding at 31 Dec 2024**
12 Jan 2021	HK$4.218	12 Jan 2021 – 11 Jan 2026	78,000,000	–	–	78,000,000

As at 31 December 2024, the share options granted under the 2012 Share Option Scheme and remained outstanding had an weighted average exercise price of HK$4.218 and a remaining contractual life of approximately 1.03 years. Assuming that all share options outstanding as at 31 December 2024 are exercised, the Company will receive proceeds of HK$421,800,000.

2023 Share Option Scheme

On 28 October 2022, in view of the expiration of the 2012 Share Option Scheme, the Board proposed to adopt a new share option scheme (the "2023 Share Option Scheme") in accordance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") effective on 1 January 2023 to grant option(s) subscribe for ordinary share(s) of the Company (the "Share Option(s)") to the Eligible Participants including Employee Participant(s), Related Entity Participant(s) and Service Provider(s), all as defined in the 2023 Share Option Scheme, as incentives or rewards for their contribution or potential contribution to the Group. The 2023 Share Option Scheme was adopted by an ordinary resolution passed by the shareholders at the Extraordinary General Meeting held on 13 January 2023. The 2023 Share Option Scheme is valid and effective for a period of ten (10) years commencing on the Adoption Date (i.e. 13 January 2023), after which period, no further Share Options shall be offered or granted but the provisions of the 2023 Share Option Scheme shall remain in full force and effect in all other respects. Share Options granted during the life of the 2023 Share Option Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the 10-year period.

The basis of eligibility of any of the Eligible Participants to the grant of Share Options shall be determined by the Board from time to time on the basis of the Board's opinion as to his contribution or potential contribution to the development and growth of the Group. The eligibility of any of the Eligible Participants to an Offer shall be determined by the Board from time to time on the basis of the Board's opinion as to the Eligible Participant's contribution to the development and growth of the Group. In assessing whether Share Options are to be granted to any Eligible Participant, the Board shall take into account various factors, including but not limited to, the nature and extent of contributions provided by such Eligible Participant to the Group, the special skills or technical knowledge possessed by them which is beneficial to the continuing development of the Group, the positive impacts which such Eligible Participant has brought to the Group's business and development and whether granting Share Options to such Eligible Participant is an appropriate incentive to motivate such Eligible Participant to continue to contribute towards the betterment of the Group.

SHARE SCHEMES *(Continued)*

2023 Share Option Scheme *(Continued)*

Pursuant to the 2023 Share Option Scheme, offer for the grant of Share Options ("Offer") is open for acceptance by the Eligible Participant concerned (and by no other person) for a period of up to 30 days from the date on which the Board resolves to make an Offer of a Share Option to an Eligible Participant (the "Offer Date"), with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant. A grantee is required to hold a Share Option for not less than twelve (12) months from the Offer Date before it can be exercised. The exercise price in respect of any Share Option shall be at the discretion of the Directors, provided that it must be at least the highest of (a) the closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the Offer Date; (b) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) Business Days immediately preceding the Offer Date; and (c) the nominal value of the Shares on the Offer Date. The period during which such Share Option can be exercised is determined and notified by the Board to the grantee, save that such period shall not be more than ten (10) years from the Offer Date.

The total number of Shares which may be allotted and issued upon exercise of all Share Options or share options or share awards to be granted under the 2023 Share Option Scheme and any other share option scheme(s) or share award scheme(s) of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Adoption Date (the "Scheme Limit"). The total number of Shares which may be allotted and issued in respect of all Share Options or share options or share awards to be granted to Service Providers under the 2023 Share Option Scheme and any other share option scheme(s) or share award scheme(s) of the Company must not in aggregate exceed 1% of the total number of Shares in issue as at the Adoption Date (the "Service Provider Sublimit"). The Scheme Limit and the Service Provider Sublimit may be refreshed at any time by obtaining approval of the Shareholders in general meeting after three years from Adoption Date or the date of Shareholders' approval for the last refreshment provided that the total number of Shares which may be issued in respect of all share options and shares awards to be granted under all of the share option scheme(s) or share award scheme(s) of the Company under the Scheme Limit as refreshed must not exceed 10% and the Service Provider Sublimit as refreshed must not exceed 1% of the Shares in issue at the date of the Shareholders' approval.

The total number of Shares issued and which may fall to be issued upon exercise of the Share Options and the share options and share awards granted under the 2023 Share Option Scheme or any other share option scheme(s) or share award scheme(s) of the Company (including both exercised or outstanding Share Options) to each Eligible Participant in any 12-month period shall not exceed 1% of the total number of Shares in issue unless, among other things, it is separately approved by the Shareholders in general meeting with such Eligible Participant and his/her close associates (or associates if the Eligible Participant is a connected person) abstaining from voting. Each grant of Share Options to a Director, chief executive of the Company or Substantial Shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding independent non-executive Director who is the proposed Grantee of a Share Option). Any grant of Share Options to an independent non-executive Director or a Substantial Shareholder (or any of their respective associates) would result in the Shares issued and to be issued in respect of all share options or share awards granted (excluding any share options or share awards lapsed) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue, such further grant of Share Options shall be subject to approval by the Shareholders in general meeting at which the Grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour at such general meeting, and in accordance with the Listing Rules.

SHARE SCHEMES *(Continued)*

2023 Share Option Scheme *(Continued)*

Since the adoption of the 2023 Share Option Scheme and as at date of this Annual Report, no share option has been granted under the 2023 Share Option Scheme. As at 31 December 2024, the number of share options available for grant under the scheme mandate is 297,268,338 (31 December 2023: 297,268,338) and the Service Provider Sublimit is 29,726,833 (31 December 2023: 29,726,833).

As at 31 December 2024, the total number of Shares available for issue in respect of share options available for grant under all of the share option scheme(s) of the Company (being the 2023 Share Option Scheme only as the 2012 Share Option Scheme has expired) is 297,268,338 (31 December 2023: 297,268,338), which represented approximately 10.05% (31 December 2023: 10.01%) of the issued shares of the Company as at 31 December 2024 (being 2,957,959,385 Shares) (31 December 2023: 2,969,043,385 Shares).

As at 31 December 2024, the number of Shares that may be issued in respect of share options granted under all of the share option scheme(s) of the Company (being the 2012 Share Option Scheme only) is 100,000,000 (31 December 2023: 100,000,000), which represented approximately 3.38% (31 December 2023: 3.37%) of the weighted average number of issued shares of the Company for the year ended 31 December 2024 (being approximately 2,962,512,000 Shares) (2023: approximately 2,969,386,000 Shares).

Restricted Share Award Scheme

The Company has adopted the Restricted Share Award Scheme on 27 December 2018, pursuant to which existing Shares will be purchased by the trustee from the market out of cash contributed by the Group and be held on trust for the participants selected by the Board (the "Selected Participants") until such Shares are vested in the relevant Selected Participants in accordance with the terms of the Restricted Share Award Scheme. The Restricted Share Award Scheme shall terminate upon the expiry of the period of 10 years from 27 December 2018 unless it is early terminated pursuant to this Scheme Rules by board resolution. The purpose and objective of the Restricted Share Award Scheme are to provide the Selected Participants with an opportunity to acquire a proprietary interest in the Company, to encourage and retain such individuals to work with the Company, and to provide additional incentive for them to achieve performance goals. The Selected Participants of the Restricted Share Award Scheme include any individual being an executive director, employee, officer of the Company or any subsidiary.

The Board may, from time to time, at its absolute discretion determine the number of restricted Shares to be granted and select any participant to be a Selected Participant with such vesting conditions as it may deem appropriate under the Restricted Share Award Scheme. The Board shall pay to the Trustee the sum of the price of the Shares together with all related purchase expenses required for the completion of the purchase of all the Shares to be granted (the "Referable Amount") from the Company's resources as soon as possible. Within 20 business days (or such longer period as the Trustee and the Board may agree from time to time) of receiving the Referable Amount, the Trustee shall apply the same towards the purchase of the Shares on the Stock Exchange. After the Board has determined the number of Shares to be granted and the Selected Participants, it shall notify the trustee and the Selected Participants in writing on the proposed Grant Date. Upon receipt of the notification, the Selected Participants are required to confirm their acceptance by returning to the Board a notice of acceptance duly executed by them within 28 days after the Grant Date. The vesting of the Shares is subject to the Selected Participant remaining at all times after the Grant Date and on the Vesting Date a Participant of the Company or any subsidiary. Subject to the vesting conditions set out in the Restricted Share Award Scheme, any Share held by the Trustee on behalf of a Selected Participant pursuant to the Restricted Share Award Scheme would vest in such Selected Participant in accordance with the vesting schedule as determined by the Board from time to time.

SHARE SCHEMES *(Continued)*

Restricted Share Award Scheme *(Continued)*

The maximum number of shares which the trustee may purchase with funds contributed by the Group amounts to 60,280,507 Shares, representing 2% of the issued shares of the Company as at 27 December 2018 and approximately 2.04% (31 December 2023: 2.03%) of the issued shares of the Company as at 31 December 2024 (being 2,957,959,385 Shares) (31 December 2023: 2,969,043,385 Shares). The maximum number of shares which may be granted to a Selected Participant at any one time or in aggregate may not exceed 1% of the issued shares of the Company as at 27 December 2018, and the transactions involved shall be in compliance with the requirements of Chapter 14A of the Listing Rules if they fell under the definition of "connected transactions" in Chapter 14A of the Listing Rules.

During the year ended 31 December 2024, no Shares (2023: 3,300,000 Shares) has been purchased by the Trustee pursuant to the Restricted Share Award Scheme as restricted shares, and no restricted share (2023: nil) has been granted to any Selected Participants. Hence, as at 31 December 2024 and date of this Annual Report, the number of restricted shares available for grant under the Restricted Share Award Scheme is 3,300,000 Shares (31 December 2023: 3,300,000 Shares), which represented approximately 0.11% (31 December 2023: 0.11%) of the issued shares of the Company as at 31 December 2024 (being 2,957,959,385 Shares) (31 December 2023: 2,969,043,385 Shares). No restricted shares were vested, cancelled or lapsed pursuant to the Restricted Share Award Scheme during the years ended 31 December 2024 and 2023.

Pursuant to the Restricted Share Award Scheme, the restricted Shares will only be comprised of existing Shares to be purchased by the trustee from the market, and no new Shares will be issued to the trustee nor the Selected Participants by the Company.

DIRECTORS

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

Executive Directors

Mr. Qu Jiguang
Mr. Su Xuejun
Mr. Meng Guo
Mr. Chow Hing Yeung
Ms. Qu Wanrong *(appointed on 28 August 2024)*

Non-executive Director

Mr. Liu Wenjun *(appointed on 19 January 2024)*

Independent Non-executive Directors

Mr. Wang Yibing
Mr. Chow Kwok Wai
Mr. Jiang Guangce

DIRECTORS *(Continued)*

During the year 2024, Mr. Liu Wenjun and Ms. Qu Wanrong obtained the legal advice as regards the requirements under the Listing Rules that are applicable to them as a director of a listed issuer on 16 January 2024 and 25 July 2024 respectively before their appointments as the Directors, and both of them have confirmed they understood their obligations as a director of a listed issuer.

Pursuant to Article 83(3) of the Company's Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, as an addition to the existing Board. Any Director so appointed shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. Pursuant to Article 84 of the Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any Director appointed pursuant to Article 83(3) of the Company's Articles of Association shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. The Board has recommended the re-appointment of the Directors for re-election at the forthcoming annual general meeting of the Company with the circular containing the details of retiring Directors to be re-elected.

The Company has received from each of the independent non-executive Directors a confirmation of his independence, and has not been informed by any of the independent non-executive Director about any subsequent change of circumstances which may affect his independence. The Company considers the independent non-executive Directors to be independent based on the factors set out in Rule 3.13 of the Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management are set out on pages 20 to 21.

PERMITTED INDEMNITY

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and Senior Management arising out of corporate activities. Every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company for an initial term of 3 years commencing from the appointment date renewable for successive terms of 3 years commencing from the day next after the expiry of the then current term of the appointment.

Save as disclosed above, none of the Directors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 30 to the financial statements, no transaction, arrangement or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interests, whether directly or indirectly, subsisted as at 31 December 2024 or at any time during the year ended 31 December 2024.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the interest of Directors of the Company in businesses which was likely to compete with the Group during the year ended 31 December 2024 and up to date of this Annual Report were as follows:

As Mr. Liu Wenjun, the non-executive Director of the Company, holds position(s) in Sichuan Kelun Pharmaceutical Co., Ltd. ("Sichuan Kelun", a substantial shareholder of the Company), he is deemed or may be perceived to have an interest in competing business. Sichuan Kelun is engaged in the same industry of manufacturing and selling of intravenous infusion solution as the Group. Although some of the business conducted by Sichuan Kelun are similar to those conducted by the Group, most of them are of different kinds of products and/or at different locations. The Group has been operating independently of, and at the arm's length from, the businesses of Sichuan Kelun. Furthermore, all Directors of the Company are reminded of their fiduciary duties to the Group and that they must, in the performance of their duties of directors, avoid actual and potential conflicts of interest and duty. There are three Independent non-executive Directors in the Board to ensure that the interests of the general shareholders are adequately represented. Therefore, the Board is of the view that the interests of the Group and of the shareholders as a whole are properly safeguarded.

Save as disclosed above, as at 31 December 2024 and up to date of this Annual Report, none of the Directors are considered to be in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES

As at 31 December 2024, the interests of the Directors in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company 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 ("Model Code") as set out in Appendix C3 to the Listing Rules once the shares are listed, were as follows:

Name of Director	Capacity	Long/short position	Number of shares and underlying shares held	Approximate percentage of the issued share capital of the Company
Mr. Qu Jiguang	Beneficial owner	Long	289,238,000	9.78%
	Interest in a controlled corporation *(Note 1)*	Long	854,828,000	28.90%
Mr. Su Xuejun	Beneficial owner	Long	24,416,000	0.83%
Mr. Meng Guo	Beneficial owner *(Note 2)*	Long	20,000,000	0.68%
Mr. Chow Hing Yeung	Beneficial owner *(Note 2)*	Long	2,000,000	0.07%

Note:

1. These shares were registered in the name of and beneficially owned by China Pharmaceutical Company Limited ("CPCL"). CPCL is a corporation which Mr. Qu Jiguang controls (i.e. a controlled corporation as defined in Part XV of the SFO) as Mr. Qu Jiguang beneficially holds the majority (i.e. over 50%) of the shares of CPCL. By virtue of Part XV of the SFO, Mr. Qu Jiguang is deemed to be interested in the shares held by CPCL.

2. These represent the underlying interest in shares of the Company pursuant to share options granted, among others, to Mr. Meng Guo and Mr. Chow Hing Yeung on 12 January 2021 under the 2012 Share Option Scheme. As at 31 December 2024 and up to date of this Annual Report, all of these share options remain outstanding and exercisable.

Save as disclosed above, as at 31 December 2024, none of the Directors or chief executives of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company or the Stock Exchange pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (b) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed under the sections headed "Directors' and chief executives' interests in the shares" and "Share option scheme", at no time during the year ended 31 December 2024 were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN THE SHARES

As at 31 December 2024, the register of substantial shareholders required to be kept by the Company under section 336 of the SFO shows that the Company had been notified of the following interests, being 5% or more in the issued share capital and underlying shares of the Company.

Name of Shareholder	Capacity	Long/short position	Number of shares and underlying shares held	Approximate percentage of the issued share capital of the Company
Mr. Qu Jiguang	Beneficial owner	Long	289,238,000	9.78%
	Interest in a controlled corporation *(Note 1)*	Long	854,828,000	28.90%
CPCL *(Note 1)*	Beneficial owner	Long	854,828,000	28.90%
Sichuan Kelun Pharmaceutical Co., Ltd (四川科倫藥業股份有限公司)	Interest in a controlled corporation *(Note 2)*	Long	446,852,000	15.11%
	Beneficial owner	Long	181,924,000	6.15%
Kelun International Development Co., Ltd (科倫國際發展有限公司) *(Note 2)*	Beneficial owner	Long	446,852,000	15.11%
UBS Group AG	Interest in a controlled corporation	Long	295,795,721	10.00%

Notes:

1. These shares were registered in the name of and beneficially owned by CPCL. CPCL is a corporation which Mr. Qu Jiguang controls (i.e. a controlled corporation as defined in Part XV of the SFO) as Mr. Qu Jiguang beneficially holds the majority (i.e. over 50%) of the shares of CPCL. By virtue of Part XV of the SFO, Mr. Qu Jiguang is deemed to be interested in the shares held by CPCL.

2. These shares were registered in the name of and beneficially owned by Kelun International Development Co., Ltd. (科倫國際發展有限公司). Kelun International Development Co., Ltd. (科倫國際發展有限公司) is held as to 100% by Sichuan Kelun Pharmaceutical Co., Ltd. (四川科倫藥業股份有限公司).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "Model Code"). Having made specific enquiry by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2024.

The Company has also established written guidelines to the Directors, officers and all relevant employees of the Company and its subsidiaries on securities transactions by those who may possess or have access to inside Information of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2024, the Group's revenue attributable to its largest customer and its five largest customers are less than 10% and 30% respectively of its total revenue, and the Group's purchases attributable to its largest supplier and its five largest suppliers are less than 10% and 30% respectively of its total purchases.

None of the Directors, their associates or any shareholders (which owns more than 5% of the Company's shareholding to the knowledge of the Directors) has interests in the Group's five largest customers and suppliers during the year.

CONNECTED TRANSACTIONS

During the year ended 31 December 2024, certain related party transactions as disclosed in note 30 to the financial statements also fell under the definition of "connected transactions" or "continuing connected transaction" in Chapter 14A of the Listing Rules, details of which are set out below in compliance with the requirements of Chapter 14A of the Listing Rules.

Continuing connected transactions with Sichuan Kelun for the year ended 31 December 2024

The Company has entered into the Master Sale and Purchase Agreement with Sichuan Kelun on 13 December 2023 to renew the sale and purchase of pharmaceutical materials for a term commencing from 1 January 2024 and ending on 31 December 2024 (the "2024 Master Sale and Purchase Agreement"). Pursuant to the terms of the 2024 Master Sale and Purchase Agreement, (i) members of the Group shall purchase pharmaceutical materials used for manufacturing of products of the Group (including but not limited to erythromycin thiocyanate, Dextran 40, aseptic bag and rubberised fabric) from members of the Kelun Group; and (ii) members of the Kelun Group shall purchase pharmaceutical materials used for manufacturing of products of the Kelun Group (including but not limited to coextrusion films, rubber plugs and gaskets, and various types of bulk drugs such as azithromycin) from members of the Group, on a non-exclusive basis, subject to the entering into of individual implementation contracts as agreed between members of the Group and members of the Kelun Group. On 26 July 2024, the Board has resolved to revise the annual cap to be paid by the Kelun Group for the purchase of pharmaceutical materials from the Group under the 2024 Master Sale and Purchase Agreement for the year ending 31 December 2024. The terms of the 2024 Master Sale and Purchase Agreement remained unchanged and in full force and effect.

The unit prices of pharmaceutical materials purchased by the Group are determined based on the prevailing market prices from time to time for relevant materials of similar quantities and specifications to ensure that such prices and terms for pharmaceutical materials to be offered by the Kelun Group are no less favourable to the Group than those offered by other independent third-party suppliers. The unit prices of pharmaceutical materials sold by the Group and purchased by the Kelun Group shall be determined with reference to the prices of relevant comparable materials in the price lists adopted by the Group and generally applicable to all customers of the Group, and shall be no less favourable than those offered by the Group to other independent third-party purchasers in accordance with its price lists generally applicable to all customers.

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions with Sichuan Kelun for the year ended 31 December 2024 *(Continued)*

The Company has also entered into the 2024 Master Products Manufacturing and Transportation Services Agreement and the 2024 Master Research & Development Services Agreement with Sichuan Kelun on 13 December 2023 for a term commencing from 1 January 2024 and ending on 31 December 2024.

Pursuant to the 2024 Master Products Manufacturing and Transportation Services Agreement, members of the Group shall engage members of the Kelun Group for (i) products manufacturing and ancillary services and (ii) products transportation services, on a non-exclusive basis, subject to the entering into of individual contracts as agreed between members of the Group and members of the Kelun Group. The Products Manufacturing Services and Transportation Services shall be conducted on normal commercial terms, among which, on terms no less favourable to the Group than terms available from independent third parties. The service fees for the Products Manufacturing Services payable by the Group to the Kelun Group are determined based on the prevailing market prices from time to time for relevant manufacturing services in respect of products of similar type, quantity and quality.

Pursuant to the 2024 Master Research & Development Services Agreement, (i) members of the Group shall provide research and development services to the members of Kelun Group; and (ii) members of the Group shall engage members of the Kelun Group for research and development services, on a non-exclusive basis, subject to the entering into of individual contracts as agreed between members of the Group and members of the Kelun Group. The Engagement of R&D Services and Provision of R&D Services shall be conducted on normal commercial terms, among which, on terms no less favourable to the Group than terms available from independent third parties based on its internal control measures. The service fees for the Engagement of R&D Services payable by the Group to the Kelun Group are determined based on the prevailing market prices from time to time for relevant research and development services of similar nature.

As one or more of the applicable percentage ratios in respect of the annual cap for each of the above continuing connected transactions for the year ending 31 December 2024 are less than 5%, they are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 13 December 2023 for the full particulars of the above continuing connected transactions for the year ending 31 December 2024.

For the year ended 31 December 2024, (i) total purchase of pharmaceutical materials from the Kelun Group by the Group and total sales of pharmaceutical materials to the Kelun Group by the Group were RMB163,866,000 and RMB73,152,000 respectively, which did not exceed the annual caps of RMB278,670,000 and RMB88,720,000 respectively under the 2024 Master Sale and Purchase Agreement; (ii) total amounts paid by the Group to the Kelun Group in respect of the Products Manufacturing Services and the Products Transportation Services provided by the Kelun Group were RMB18,986,000 and RMB4,575,000 respectively, which did not exceed the annual caps of RMB20,430,000 and RMB5,000,000 respectively under the 2024 Master Products Manufacturing and Transportation Services Agreement; and (iii) total amounts paid by the Group to the Kelun Group in respect of the research and development services provided by the Kelun Group and paid by the Kelun Group to the Group in respect of the research and development services provided by the Group were RMB4,298,000 and RMB472,000 respectively, which did not exceed the annual caps of RMB5,990,000 and RMB5,000,000 respectively under the 2024 Master Research & Development Services Agreement.

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions with Sichuan Kelun for the year ended 31 December 2024 *(Continued)*

The independent non-executive Directors have confirmed that the aforesaid Continuing Connected Transactions were conducted (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms; (c) in accordance with the 2024 Master Sale and Purchase Agreement, the 2024 Master Products Manufacturing and Transportation Services Agreement and the 2024 Master Research & Development Services Agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole and (d) with adequate and effective internal control procedures put in place.

The Board of Directors engaged the auditors of the Company to perform certain agreed upon procedures on the above 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 auditors have issued an assurance report containing their findings and conclusions to the Board of Directors.

Continuing connected transactions with Sichuan Kelun for the year ending 31 December 2025

As the term of the 2024 Master Sale and Purchase Agreement and the 2024 Master Products Manufacturing and Transportation Services Agreement will expire on 31 December 2024, on 19 December 2024, the Company has entered into (i) the Master Sale and Purchase Agreement and (ii) the Master Products Manufacturing and Transportation Services Agreement with Sichuan Kelun to renew (i) sale and purchase of pharmaceutical materials and (ii) products manufacturing and transportation services for a term commencing from 1 January 2025 and ending on 31 December 2025 (both days inclusive).

Pursuant to the terms of the Master Sale and Purchase Agreement, (i) members of the Group shall purchase pharmaceutical materials used for manufacturing of products of the Company and its subsidiaries (including but not limited to erythromycin thiocyanate, Dextran 40, aseptic bag and rubberised fabric) from members of the Kelun Group; and (ii) members of the Kelun Group shall purchase pharmaceutical materials used for manufacturing of products of the Kelun Group (including but not limited to coextrusion films, rubber plugs and gaskets, and various types of bulk drugs such as azithromycin) from members of the Group, on a non-exclusive basis, subject to the entering into of individual implementation contracts as agreed between members of the Group and members of the Kelun Group. The unit prices of pharmaceutical materials purchased by the Group are determined based on the prevailing market prices from time to time for relevant materials of similar quantities and specifications to ensure that such prices and terms for pharmaceutical materials to be offered by the Kelun Group are no less favourable to the Group than those offered by other independent third-party suppliers. The unit prices of pharmaceutical materials sold by the Group and purchased by the Kelun Group shall be determined with reference to the prices of relevant comparable materials in the price lists adopted by the Company and generally applicable to all customers of the Company, and shall be no less favourable than those offered by the Group to other independent third-party purchasers in accordance with its price lists generally applicable to all customers.

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions with Sichuan Kelun for the year ending 31 December 2025 *(Continued)*

Pursuant to the Master Products Manufacturing and Transportation Services Agreement, members of the Group shall engage members of the Kelun Group for (i) products manufacturing and ancillary services and (ii) products transportation services, on a non-exclusive basis, subject to the entering into of individual contracts as agreed between members of the Group and members of the Kelun Group. The Products Manufacturing Services and Products Transportation Services shall be conducted on normal commercial terms, in particular, the Products Manufacturing Services and Products Transportation Services will be (i) on terms no less favourable to the Group than terms available from independent third parties based on its internal control measures; (ii) conducted in the ordinary and usual course of business of the Group and after arm's length negotiations; and (iii) conducted within the ambit of the annual caps. The service fees for the Products Manufacturing Services and/or Products Transportation Services payable by the Group to the Kelun Group are determined based on the prevailing market prices from time to time for relevant manufacturing services in respect of products of similar type, quantity and quality.

As one or more of the applicable percentage ratios in respect of the annual cap for each of the above continuing connected transactions for the year ending 31 December 2025 are less than 5%, each of them are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 19 December 2024 for the full particulars of the above continuing connected transactions for the year ending 31 December 2025.

MANAGEMENT CONTRACT

No contract for management and administration of the whole or any substantial part of any business of the Group was entered into or existed during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that a sufficient public float of more than 25% of the issued capital of the Company has been maintained as at the latest practicable date, being 28 March 2025, and at all times during the year ended 31 December 2024.

CORPORATE GOVERNANCE

The Board is committed to maintaining a high standard of corporate governance. The Board believes that good corporate governance practices are essential for the growth of the Group and for safeguarding and maximizing shareholders' interests. The Board reviews its corporate governance practices from time to time in order to meet the stakeholders' expectations and comply with the latest regulatory requirements, and to fulfill its commitment to a high standard of corporate governance. The Company's corporate governance practices are set out in the Corporate Governance Report on pages 22 to 34.

AUDITOR

The consolidated financial statements for the year have been audited by KPMG. The audited consolidated financial statements have been reviewed by the Audit Committee of the Company.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held at 2:00 p.m. on 16 May 2025 at Rooms 4902-03, 49th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. A notice of annual general meeting will be published and despatched in accordance with the requirement of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 13 May 2025 to Friday, 16 May 2025, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify to attend and vote at the forthcoming annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m., Monday, 12 May 2025.

RECORD DATE FOR FINAL DIVIDEND

In order to qualify for the proposed final dividend to be approved at the forthcoming annual general meeting, all properly completed transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m., Wednesday, 21 May 2025 which is the Record Date for the proposed final dividend. The proposed final dividend is expected to be paid on or about Tuesday, 3 June 2025.

On behalf of the Board

Qu Jiguang
Chairman

Hong Kong, 28 March 2025

Independent auditor's report
to the shareholders of SSY Group Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of SSY Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 81 to 167, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

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

Basis for opinion

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

Key audit matters

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

KPMG

Timing of revenue recognition

Refer to note 4 to the consolidated financial statements and the accounting policies on pages 113 to 114.

The Key Audit Matter

The Group's revenue principally comprises sales of pharmaceutical products to a significant number of customers.

The Group enters into framework sales agreements with certain of its major customers which specify the terms of sales relating to pricing, goods acceptance and return, as well as credit terms. Sales to the remainder of the Group's customers are based on terms and conditions included in purchase orders. The Group's sales contracts do not include terms relating to discounts or rebates and do not permit sales returns except for where the products are damaged or defective.

The Group recognises revenue when control of the goods is transferred to the customers, which is generally at the point in time when the goods are delivered to the customer's premises or a location designated by the customer for domestic sales, or in accordance with the terms and conditions of sales for export sales.

We identified the timing of revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and is, therefore, subject to an inherent risk of manipulation by management to meet targets or expectations and because errors in the recognition of revenue could have a material impact on the Group's profit for the year.

How the matter was addressed in our audit

Our audit procedures to assess the timing of revenue recognition included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition;

- inspecting, on a sample basis, framework sales agreements and purchase orders with key customers to identify terms and conditions relating to goods acceptance and the right of return and assessing the Group's policies in respect of the timing of revenue recognition with reference to the requirements of the prevailing accounting standards;

- comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end with underlying documentation, including shipping documents and goods acceptance notes, to assess whether revenue had been recognised in the appropriate financial period on the basis of the terms of sale as set out in the framework sales agreements or purchase orders;

- confirming, on a sample basis, the amount of sales transactions during the year and, for unreturned confirmations, performing alternative procedures by comparing details of the transactions with underlying documentation; and

- inspecting manual journal entries of adjustments relating to revenue raised during the year which met specific risk-based criteria, enquiring of management the reasons for such adjustments and comparing the details of the adjustments with underlying documentation.

KPMG

Expected credit loss ("ECL") allowance for trade receivables

Refer to notes 17 and 28(a) to the consolidated financial statements and the accounting policies on pages 102 to 104.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2024, the gross carrying amount of the Group's trade receivables totalled HK$2,110 million, against which an allowance of HK$18.8 million for ECLs was made. The net carrying amount of the Group's trade receivables represented approximately 16.7% of the total assets as at 31 December 2024. The Group measures the ECL allowance based on the estimated loss rates for each category of trade receivables which are grouped according to the shared credit risk characteristics. The estimated loss rates take into account the aging of the trade receivable balances and the repayment history of the Group's customers. We identified the ECL allowance for trade receivables as a key audit matter because determining the level of the ECL allowance requires the exercise of significant management judgement which is inherently subjective.	Our audit procedures to assess the ECL allowance for trade receivables included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and the estimation of the ECL allowance; • evaluating the Group's policy for and the method of estimating the ECL allowance with reference to the requirements of the applicable accounting standard; • assessing the reasonableness of the grouping of trade receivables; • examining the information used by management to derive the loss rate, including testing, on a sample basis, whether trade receivables are categorised in the appropriate time band and the accuracy of the historical credit loss data; and • performing the calculation of the expected credit loss allowance as at 31 December 2024 based on the Group's accounting policy to evaluate the expected credit loss allowance made by management.

KPMG

Assessing potential impairment of capitalised development costs

Refer to note 12 to the consolidated financial statements and the accounting policies on pages 99 and 100.

The Key Audit Matter	How the matter was addressed in our audit
The carrying value of the Group's capitalised development costs totalled HK$903 million as at 31 December 2024. Management performs annual impairment assessment for its capitalised development costs that were not yet available for use. For capitalised development costs available for use, management performs impairment assessment when impairment indicators are identified. Management performs impairment assessment by comparing the carrying value of the cash-generating unit ("CGU") against its recoverable amount, which is the higher of fair value less costs of disposal and value in use based on discounted cashflow forecast to determine the amount of impairment which should be recognised, if any. The preparation of discounted cash flow forecasts in assessing value in use involves the exercise of significant management judgment, in particular in assessing future revenue growth, future gross margins, forecast operating expenses and appropriate discount rates. We identified the assessment of impairment of capitalised development costs as a key audit matter because such assessment, if any, involves a significant degree of management judgement, which can be inherently uncertain and subject to management bias.	Our audit procedures to assessing potential impairment of capitalised development costs included the following: • assessing the design and implementation of key internal controls relating to impairment assessment in respect of capitalised development costs; • comparing the data in discounted cash flow forecasts prepared in the prior year with the current year's performance to assess how accurate the prior year's discounted cash flow forecasts were and making enquiries of management as to the reasons for any significant variations identified; • evaluating management's identification of the impairment indicators related to the capitalised development costs and the appropriateness of the methodology adopted with reference to the requirements of the prevailing accounting standards; • evaluating reasonableness of the forecast revenue growth, future gross margins, and forecast operating expenses by comparing with the Group's business plan and available market data; • involving our internal valuation specialists in assessing the reasonableness of the discount rate applied by comparing with those of comparable companies; and • performing a sensitivity analysis of the key assumptions and considering the resulting impact on the impairment assessment and whether there were any indications of management bias.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

KPMG

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

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

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the 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.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is FRANKIE C.Y. LAI.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2024
(Expressed in Hong Kong dollars)

	Note	**2024** **HK$'000**	2023 HK$'000
Revenue	*4*	**5,773,251**	6,463,009
Cost of sales		**(2,864,989)**	(2,843,370)
Gross profit		**2,908,262**	3,619,639
Other net income	*5*	**160,943**	148,762
Selling and distribution costs		**(1,143,425)**	(1,532,591)
General and administrative expenses		**(299,210)**	(308,321)
Research and development costs		**(265,969)**	(289,748)
(Provision for)/reversal of impairment loss on trade and other receivables		**(6,492)**	1,160
Other operating expenses	*12*	**(10,609)**	–
Profit from operations		**1,343,500**	1,638,901
Finance income		**38,491**	39,471
Finance costs		**(126,881)**	(125,413)
Finance costs – net	*6(a)*	**(88,390)**	(85,942)
Share of profit of an associate		**26,493**	30,610
Profit before taxation	*6*	**1,281,603**	1,583,569
Income tax	*7*	**(205,995)**	(254,281)
Profit for the year		**1,075,608**	1,329,288
Other comprehensive income for the year, net of nil tax			
Item that is or may be reclassified subsequently to profit or loss:			
Exchange differences on translation to presentation currency		**(197,635)**	(126,947)
Other comprehensive income for the year		**(197,635)**	(126,947)
Total comprehensive income for the year		**877,973**	1,202,341

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2024
(Expressed in Hong Kong dollars)

	Note	2024 *HK$'000*	2023 *HK$'000*
Profit attributable to:			
Equity shareholders of the Company		**1,061,150**	1,318,616
Non-controlling interests		**14,458**	10,672
Profit for the year		**1,075,608**	1,329,288
Total comprehensive income attributable to:			
Equity shareholders of the Company		**870,411**	1,196,504
Non-controlling interests		**7,562**	5,837
Total comprehensive income for the year		**877,973**	1,202,341
Earnings per share	*10*		
– Basic		**HK$0.3582**	HK$0.4441
– Diluted		**HK$0.3581**	HK$0.4426

The notes on pages 87 to 167 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 27(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2024
(Expressed in Hong Kong dollars)

	Note	**31 December 2024** *HK$'000*	31 December 2023 *HK$'000*
Non-current assets			
Property, plant and equipment	*11*	**5,348,764**	4,667,750
Right-of-use assets	*11*	**392,580**	385,362
Intangible assets	*12*	**1,247,089**	1,157,425
Interests in an associate	*14*	**420,137**	422,681
Deferred tax assets	*25(b)*	**50,179**	37,880
Pledged bank deposits and fixed deposits	*19*	**84,010**	171,121
		7,542,759	6,842,219
Current assets			
Inventories	*16*	**1,109,462**	1,086,282
Trade and bills receivables	*17*	**2,226,355**	2,177,050
Prepayments, deposits and other receivables	*18*	**220,590**	199,117
Trading securities	*15*	**34,999**	-
Pledged bank deposits and time deposits	*19*	**211,813**	46,460
Cash and cash equivalents	*20*	**1,257,702**	1,615,208
		5,060,921	5,124,117
Current liabilities			
Borrowings	*21*	**654,927**	1,420,573
Trade and bills payables	*22*	**547,618**	407,929
Contract liabilities		**50,426**	70,378
Lease liabilities	*24*	**2,283**	2,188
Accruals and other payables	*23*	**552,349**	543,211
Income tax payable	*25(a)*	**13,347**	77,161
		1,820,950	2,521,440
Net current assets		**3,239,971**	2,602,677
Total assets less current liabilities		**10,782,730**	9,444,896

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2024
(Expressed in Hong Kong dollars)

	Note	**31 December 2024** ***HK$'000***	31 December 2023 *HK$'000*
Non-current liabilities			
Borrowings	*21*	**2,981,004**	1,947,568
Lease liabilities	*24*	**1,476**	3,759
Deferred tax liabilities	*25(b)*	**17,571**	21,163
Deferred revenue	*26*	**247,029**	203,714
		3,247,080	2,176,204
NET ASSETS		**7,535,650**	7,268,692
CAPITAL AND RESERVES			
Share capital	*27(c)*	**65,966**	66,188
Reserves		**7,154,274**	6,866,346
Total equity attributable to equity shareholders of the Company		**7,220,240**	6,932,534
Non-controlling interests		**315,410**	336,158
TOTAL EQUITY		**7,535,650**	7,268,692

Approved and authorised for issue by the board of directors on 28 March 2025.

Qu Jiguang
Director

Su Xuejun
Director

The notes on pages 87 to 167 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2024
(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company									
		Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share-based payment reserve HK$'000	Currency translation differences HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2023		66,285	32,655	177,330	492,571	67,050	(409,285)	5,786,994	6,213,600	332,224	6,545,824
Changes in equity for 2023:											
Profit for the year		–	–	–	–	–	–	1,318,616	1,318,616	10,672	1,329,288
Other comprehensive income		–	–	–	–	–	(122,112)	–	(122,112)	(4,835)	(126,947)
Total comprehensive income		–	–	–	–	–	(122,112)	1,318,616	1,196,504	5,837	1,202,341
Dividends paid to equity shareholders of the Company	27(b)	–	–	–	–	–	–	(445,507)	(445,507)	–	(445,507)
Dividends paid by subsidiaries to non-controlling interests		–	–	–	–	–	–	–	–	(1,903)	(1,903)
Purchase and cancellation of own shares	27(c)(ii)	(97)	(23,193)	(9,679)	–	–	–	–	(32,969)	–	(32,969)
Acquisition of non-controlling interests in a subsidiary		–	–	906	–	–	–	–	906	–	906
Appropriation of reserve		–	–	–	107,024	–	–	(107,024)	–	–	–
Balance at 31 December 2023		66,188	9,462	168,557	599,595	67,050	(531,397)	6,553,079	6,932,534	336,158	7,268,692

	Note	**Attributable to equity shareholders of the Company**									
		Share capital HK$'000	**Share premium HK$'000**	**Capital reserve HK$'000**	**Statutory reserve HK$'000**	**Share-based payment reserve HK$'000**	**Currency translation differences HK$'000**	**Retained earnings HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total equity HK$'000**
Balance at 1 January 2024		**66,188**	**9,462**	**168,557**	**599,595**	**67,050**	**(531,397)**	**6,553,079**	**6,932,534**	**336,158**	**7,268,692**
Changes in equity for 2024:											
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**1,061,150**	**1,061,150**	**14,458**	**1,075,608**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**(190,739)**	**–**	**(190,739)**	**(6,896)**	**(197,635)**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**(190,739)**	**1,061,150**	**870,411**	**7,562**	**877,973**
Dividends paid to equity shareholders of the Company	27(b)	**–**	**–**	**–**	**–**	**–**	**–**	**(534,126)**	**(534,126)**	**–**	**(534,126)**
Dividends paid by subsidiaries to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(32,326)**	**(32,326)**
Purchase and cancellation of own shares	27(c)(ii)	**(222)**	**(9,462)**	**(2,494)**	**–**	**–**	**–**	**(32,385)**	**(44,563)**	**–**	**(44,563)**
Acquisition of non-controlling interests in a subsidiary		**–**	**–**	**(4,016)**	**–**	**–**	**–**	**–**	**(4,016)**	**4,016**	**–**
Appropriation of reserve		**–**	**–**	**–**	**61,103**	**–**	**–**	**(61,103)**	**–**	**–**	**–**
Balance at 31 December 2024		**65,966**	**–**	**162,047**	**660,698**	**67,050**	**(722,136)**	**6,986,615**	**7,220,240**	**315,410**	**7,535,650**

The notes on pages 87 to 167 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2024
(Expressed in Hong Kong dollars)

	Note	2024 HK$'000	2023 HK$'000
Operating activities			
Cash generated from operations	20(b)	**902,649**	1,290,066
Interest paid		**(125,599)**	(121,664)
Income tax paid	25(a)	**(286,019)**	(242,655)
Net cash generated from operating activities		**491,031**	925,747
Investing activities			
Purchase of property, plant and equipment		**(318,850)**	(436,873)
Purchase of right-of-use assets		**(27,278)**	(91,596)
Payment for additions to intangible assets		**(194,297)**	(175,402)
Proceeds from disposal of property, plant and equipment		**1,840**	909
Government grant received related to property, plant and equipment	26	**70,879**	62,486
Dividends received from associate	14	**19,750**	10,052
Interest received		**21,403**	34,690
Increase of time deposits and fixed deposits		**(49,222)**	(44,460)
Payment for purchase of trading securities		**(45,985)**	–
Net cash used in investing activities		**(521,760)**	(640,194)
Financing activities			
Payments for repurchase of own shares of the Company	27(c)(ii)	**(44,563)**	(32,969)
Capital element of lease rentals paid	20(c)	**(2,188)**	(2,437)
Interest element of lease rentals paid	20(c)	**(202)**	(248)
Proceeds from borrowings	20(c)	**1,447,061**	1,533,973
Repayments of borrowings	20(c)	**(1,129,076)**	(1,348,300)
Payments of bank loan arrangement fees		**–**	(7,180)
Dividends paid to equity shareholders of the Company	27(b)	**(534,126)**	(445,507)
Dividends paid by subsidiaries to non-controlling interests		**(32,326)**	(1,903)
Net cash used in financing activities		**(295,420)**	(304,571)
Net decrease in cash and cash equivalents		**(326,149)**	(19,018)
Cash and cash equivalents at 1 January		**1,615,208**	1,667,547
Effect of foreign exchange rate changes		**(31,357)**	(33,321)
Cash and cash equivalents at 31 December	20(a)	**1,257,702**	1,615,208

The notes on pages 87 to 167 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL INFORMATION

SSY Group Limited (the "Company") and its subsidiaries (together, the "Group") are engaged in the research, development, manufacturing and sale of pharmaceutical products, which include finished medicines, bulk pharmaceuticals and medical materials. The Group has manufacturing plants in Hebei Province and Jiangsu Province, the People's Republic of China (the "PRC"), and sells to customers mainly in the PRC.

The Company is an exempted company with limited liability established under the Companies Law, Cap.22 (Law 3 of 1961, as combined and revised) of Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 20 December 2005.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2024 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as set out in the accounting policies hereunder.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

The estimates and underlying assumptions are reviewed on an ongoing 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

New and amended HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements – Classification of liabilities as current or non-current* ("2020 amendments") and amendments to HKAS 1, *Presentation of financial statements – Non-current liabilities with covenants* ("2022 amendments")
- Amendments to HKFRS 16, *Leases – Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial instruments: Disclosures – Supplier finance arrangements*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended HKFRSs are discussed below:

Amendments to HKAS 1, *Presentation of financial statements* (the 2020 and 2022 amendments, collectively the "HKAS 1 amendments")

The HKAS 1 amendments impact the classification of a liability as current or non-current, and have been applied retrospectively as a package.

The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions.

The policy does not have a material impact on the Group's financial statements.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

New and amended HKFRSs *(Continued)*

Amendments to HKFRS 16, *Leases – Lease liability in a sale and leaseback*

The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right of use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application. The amendments do not have a material impact on these financial statements as the Group has not entered into any sale and leaseback transactions.

Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial instruments: disclosures – Supplier finance arrangements*

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments do not have a material impact on these financial statements as the Group has not entered into any supplier finance arrangements.

(d) Subsidiaries and non-controlling interests

(i) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

– *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

(i) Consolidation *(Continued)*

– *Business combinations (Continued)*

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts represented by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 **MATERIAL ACCOUNTING POLICIES** *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

(i) Consolidation *(Continued)*

– *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transaction that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

– *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(ii) Company's statement of financial position

Investments in subsidiaries are accounted for at cost less impairment (see note 2(k)). Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required when there is any indication that the investment is impaired or upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's most senior executive management for the purpose of allocating resources and assessing performance of the operating segments.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(f) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(k)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees, any impairment losses for the year and the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income are recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate, after applying the ECL model to such other long-term interests where applicable (see note 2(n)).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(g) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company and New Orient Investments Pharmaceutical Holding (Hong Kong) Limited is HK dollars ("HK$") and the functional currency of other Group's companies is Renminbi ("RMB"). The consolidated financial statements are presented in HK$.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss and other comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within 'other income'.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each financial position presented are translated at the closing rate at the end of the reporting period;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

2 **MATERIAL ACCOUNTING POLICIES** *(Continued)*

(g) Foreign currency translation *(Continued)*

(iii) Group companies *(Continued)*

– all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. Currency translation differences arising are recognised in other comprehensive income.

(h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

– Buildings	10 – 50 years
– Plant, machinery and tools	5 – 10 years
– Furniture, fixtures, office equipment and others	3 – 10 years
– Vehicles	4 – 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 2(k)).

Items may be 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. The proceeds from selling any such items and the related costs are recognised in profit or loss.

2 **MATERIAL ACCOUNTING POLICIES** *(Continued)*

(h) Property, plant and equipment *(Continued)*

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income', in the consolidated statement of profit or loss and other comprehensive income.

Construction-in-progress ("CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, costs of plant and machinery, and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for the intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(i) Leased assets *(Continued)*

(i) As a lessee *(Continued)*

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(k)).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see notes 2(l)(i), 2(bb) and 2(n)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(i) Leased assets *(Continued)*

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised on a straight-line basis over the period of the lease.

(j) Intangible assets

(i) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGUs containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Intangible assets *(Continued)*

(ii) Trademarks and patents

Separately acquired trademarks and patents are shown at historical cost less accumulated amortisation and accumulated impairment losses, if any. Trademarks and patents acquired in a business combination are recognised at fair value at the date of acquisition. Trademarks and patents have finite useful lives. Amortisation is calculated using the straight-line method to allocate the costs over their estimated useful lives, as follows:

– Trademarks	50 years
– Patents	6 – 10 years

(iii) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date attributable to customer base or existing contractual bids with customers taken over in connection with business combinations. Customer relationships have finite useful lives. Amortisation is calculated using the straight-line method to allocate their costs over their estimated useful lives of 5 – 5.25 years.

(iv) Software

Acquired software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

(v) Research and development costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

– it is technically feasible to complete the intangible asset so that it will be available for use;

– management intends to complete the intangible asset and use it;

– there is an ability to use the intangible asset;

– it can be demonstrated how the intangible asset will generate probable future economic benefits;

– adequate technical, financial and other resources to complete the development and to use the intangible asset are available; and

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Intangible assets *(Continued)*

(v) Research and development costs *(Continued)*

– the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding ten years.

(k) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– intangible assets;

– goodwill;

– interest in an associate; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(k) Impairment of non-financial assets *(Continued)*

– ***Recognition of impairment losses***

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– ***Reversals of impairment losses***

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 28(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(bb)).

2 **MATERIAL ACCOUNTING POLICIES** *(Continued)*

(l) Other investments in debt and equity securities *(Continued)*

(i) Investments other than equity investments *(Continued)*

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(cc).

(m) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(n) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for ECLs on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, which are held for the collection of contractual cash flows which represent solely payments of principal and interest);

– contract assets as defined in HKFRS 15 (see note 2(p)); and

– lease receivables.

Other financial assets measured at fair value, including units in bond funds, equity and debt securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– lease receivables: discount rate used in the measurement of the lease receivable;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(n) Credit losses from financial instruments, contract assets and lease receivables *(Continued)*

Measurement of ECLs *(Continued)*

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. 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 since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(n) Credit losses from financial instruments, contract assets and lease receivables *(Continued)*

Significant increases in credit risk *(Continued)*

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 2(bb) 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 the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the asset becomes 90 days past due or when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(o) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

A right to recover returned goods is recognised for the right to recover products from customers sold with a right of return. It is measured in accordance with the policy set out in note 2(aa).

(p) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(aa)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 2(n) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(q)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(aa)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(q)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(bb)).

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(q) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(p)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 2(n)).

(r) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(n).

(s) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(t) Trade and other payables (other than refund liabilities)

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

Refund liabilities arising from rights of returns and volume rebates are recognised in accordance with the policy set out in note 2(aa).

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(u) Borrowings

Borrowings are measured initially at fair value less transaction costs. Borrowings are subsequently stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(v)).

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(v) Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Borrowing costs include interest expense and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(w) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the places where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

– *Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

– *Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(w) Current and deferred income tax *(Continued)*

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(x) Employee benefits

(i) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined contribution and defined benefit plans.

– *Defined contribution plan*

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group has arranged for its Hong Kong employees to join the Hong Kong Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its Hong Kong employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation, subject to a cap of HK$1,500 per person per month and any excess contributions are voluntary.

Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution. The Group has no further obligations for post-retirement benefit beyond the contributions.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(x) Employee benefits *(Continued)*

(i) Pension obligations *(Continued)*

– *Defined contribution plan (Continued)*

As stipulated by the rules and regulations in the PRC, the Group has participated in state-sponsored defined contribution retirement schemes for its employees in the PRC. The Group's employees make monthly contributions to the schemes at approximately 8% of the relevant income (comprising wages, salaries, allowances and bonus, and subject to a cap), while the Group contributes approximately 16% of such income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

– *Post-employment benefits*

Some group companies provide post-employment benefits to their employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

The liability recognised in the financial position in respect of post-employment benefits is the present value of these benefits obligations at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past service costs. These obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of these obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related benefit obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in profit or loss in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of profit or loss and other comprehensive income.

Remeasurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

2 **MATERIAL ACCOUNTING POLICIES** *(Continued)*

(x) Employee benefits *(Continued)*

(i) Pension obligations *(Continued)*

– *Post-employment benefits (Continued)*

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Share-based compensation

– *Equity-settled share-based payment transactions*

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(x) Employee benefits *(Continued)*

(ii) Share-based compensation *(Continued)*

– *Share-based payment transactions among group entities*

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(iii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they are accrued to employees. A provision is made for the estimated liability for annual leave as a result of service rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(iv) Bonus plan

The Group recognises a provision for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(y) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(y) Provisions, contingent liabilities and onerous contracts *(Continued)*

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

(z) Government grants

Government grants in the form of subsidy or financial refund are recognised when there is a reasonable assurance that the Group will comply with the conditions attached to the grants and that the grants will be received.

Grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Grants relating to assets are presented in the statement of financial position by setting up the grant as deferred revenue and recognised in profit or loss on a systematic basis over the useful life of the asset.

(aa) Revenue

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products or the services before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Further details of the Group's revenue and other income recognition policies are as follows:

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(aa) Revenue *(Continued)*

– Revenue from the sale of goods is recognised when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but the Group generally provides credit terms to customers within one to three months upon customer acceptance. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

– Rental income is recognised on a straight-line basis over the terms of the leases; and

– Services income is recognised over time in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided.

(bb) Interest income

Interest income is recognised using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(n)).

(cc) Dividend income

Dividend income is recognised when the right to receive payment is established.

(dd) Dividend distributions

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

(ee) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(ee) Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. As the future is inherently uncertain, actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or for its assets that were not yet available for use. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgments and estimates.

3 ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

(a) Impairment of property, plant and equipment and intangible assets *(Continued)*

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related assets values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

(b) Impairment of trade and other receivables

The Group's management determines the provision for expected credit losses on trade and other receivables based on an assessment of the present value of all expected cash shortfalls. These estimates take into account the aging of the trade receivable balances and the repayment history of the Group's customers. The Group's management reassesses the provision at each reporting period end.

(c) Impairment of goodwill

The Group's management tests annually whether goodwill has suffered any impairment. In accordance with the accounting policy stated in note 2(k), the recoverable amount of CGUs has been determined based on the higher of value in use and fair value less costs of disposal.

The Group measured the value in use by discounting the future estimated cash flow deriving from the CGUs. These calculations required the Group to estimate the expected future cash flows from the CGUs and also to apply a suitable discount rate in order to calculate the present value of those cash flows.

There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budgets. Key assumptions include the growth rates and selection of discount rates to reflect the risks involved. Management prepares the financial budgets reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of changes in industry environment and competitor actions. Management reassesses the estimates at each reporting period end.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group derives revenue principally from the sale of a wide range of pharmaceutical products, which includes finished medicines of mainly intravenous infusion solution and ampoule injection, bulk pharmaceutical products and medical materials.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2024 ***HK$'000***	2023 *HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregation by major products or service lines		
– Sales of pharmaceutical products	**5,548,885**	6,258,527
– Sales of medical materials	**185,013**	158,745
– Services income	**10,700**	13,848
– Sales of raw materials and by-products	**28,533**	31,773
	5,773,131	6,462,893
Revenue from other source		
– Rental income	**120**	116
	5,773,251	6,463,009
Disaggregated by geographical location of customers		
– The PRC (place of domicile)	**5,048,646**	5,801,367
– Other countries	**724,605**	661,642
	5,773,251	6,463,009

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 4(b).

The directors have determined that no geographical segment information of specified non-current assets is presented as over 95% (2023: 95%) of the non-current assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

For the year ended 31 December 2024, no customer with whom transactions have exceeded 10% of the Group's revenue. Details of concentrations of credit risk arising from the Group's largest customers are set out in note 28(a).

4 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments, namely intravenous infusion solution and others and medical materials. No operating segments have been aggregated to form the reportable segments.

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets. Unallocated assets mainly comprise corporate cash. Segment liabilities include operating liabilities. Unallocated liabilities mainly comprise corporate borrowings.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is profit from operations.

4 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2024 and 2023 is set out below.

	2024			
	Intravenous infusion solution and others *HK$'000*	Medical materials *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Disaggregated by timing of revenue recognition				
Point in time	5,584,717	188,037	–	5,772,754
Over time	377	120	–	497
Revenue from external customers	5,585,094	188,157	–	5,773,251
Inter-segment revenue	–	216,908	–	216,908
Reportable segment revenue	5,585,094	405,065	–	5,990,159
Operating profit or loss/ segment results	1,345,740	18,843	(21,083)	1,343,500
Finance income	37,607	542	342	38,491
Finance costs	(66,382)	–	(60,499)	(126,881)
Share of profit of an associate	26,493	–	–	26,493
Profit/(loss) before taxation	1,343,458	19,385	(81,240)	1,281,603
Income tax	(196,287)	(9,708)	–	(205,995)
Reportable segment profit/ (loss) for the year	1,147,171	9,677	(81,240)	1,075,608
Depreciation and amortisation for the year	433,583	19,783	2,285	455,651
Provision for/(reversal of) impairment of receivables	7,013	(521)	–	6,492
Impairment of internally generated capitalised development costs	16,304	–	–	16,304
Impairment of goodwill	10,609	–	–	10,609
Total assets/reportable segment assets (including interests in an associate)	11,979,257	546,603	77,820	12,603,680
Additions to non-current assets	1,413,854	50,097	102	1,464,053
Total liabilities/reportable segment liabilities	3,980,629	48,721	1,038,680	5,068,030

4 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

	2023			
	Intravenous infusion solution and others *HK$'000*	Medical materials *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Disaggregated by timing of revenue recognition				
Point in time	6,295,630	161,513	–	6,457,143
Over time	5,750	116	–	5,866
Revenue from external customers	6,301,380	161,629	–	6,463,009
Inter-segment revenue	–	225,824	–	225,824
Reportable segment revenue	6,301,380	387,453	–	6,688,833
Operating profit or loss/ segment results	1,641,613	17,651	(20,363)	1,638,901
Finance income	34,677	605	4,189	39,471
Finance costs	(64,427)	–	(60,986)	(125,413)
Share of profit of an associate	30,610	–	–	30,610
Profit/(loss) before taxation	1,642,473	18,256	(77,160)	1,583,569
Income tax	(247,585)	(6,696)	–	(254,281)
Reportable segment profit/ (loss) for the year	1,394,888	11,560	(77,160)	1,329,288
Depreciation and amortisation for the year	383,086	20,108	2,380	405,574
Reversal of impairment of receivables	(577)	(583)	–	(1,160)
Impairment and write-off of internally generated capitalised development costs	10,617	–	–	10,617
Total assets/reportable segment assets (including interests in an associate)	11,323,223	522,535	120,578	11,966,336
Additions to non-current assets	1,160,123	38,537	6,583	1,205,243
Total liabilities/reportable segment liabilities	3,596,223	48,040	1,053,381	4,697,644

5 OTHER NET INCOME

	2024 *HK$'000*	2023 *HK$'000*
Government grants	**126,258**	106,829
Additional deduction of input Value-added tax	**34,990**	31,226
Net gain on disposal of property, plant and equipment	**1,124**	798
Unrealised loss on trading securities *(note 15)*	**(10,479)**	–
Others	**9,050**	9,909
	160,943	148,762

Government grants mainly represent subsidy income received from various government organisations to compensate the Group's research and development expenditures, and other incentives to support the operations of the Group.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after (crediting)/charging:

(a) Finance income and costs

	2024 *HK$'000*	2023 *HK$'000*
Finance income:		
– Interest income on bank deposits	**(29,546)**	(33,924)
– Net foreign exchange gain	**(8,945)**	(5,547)
Finance income	**(38,491)**	(39,471)
Finance costs:		
– Interest expense of borrowings	**126,679**	125,165
– Interest on lease liabilities	**202**	248
Finance costs	**126,881**	125,413
Finance costs – net	**88,390**	85,942

6 PROFIT BEFORE TAXATION *(Continued)*

(b) Staff costs

	2024	2023
	HK$'000	*HK$'000*
Contributions to defined contribution retirement plan	**65,836**	55,813
Salaries, wages and other benefits	**708,999**	661,218
	774,835	717,031

(c) Other items

	2024	2023
	HK$'000	*HK$'000*
Research and development costs	**466,925**	471,076
Less: Costs capitalised into intangible assets	**(200,956)**	(181,328)
	265,969	289,748
Amortisation#		
– intangible assets *(note 12)*	**64,704**	43,614
Less: Amount capitalised as development costs	**(82)**	(66)
	64,622	43,548
Depreciation charges#		
– owned property, plant and equipment	**395,067**	365,096
– right-of-use assets	**11,672**	10,673
Less: Amount capitalised as property, plant and equipment and development costs	**(15,710)**	(13,743)
	391,029	362,026
Provision for/(reversal of) impairment losses		
– trade receivables *(note 17)*	**6,181**	(1,211)
– other receivables	**311**	51
Auditors' remuneration – audit services	**3,297**	2,996
Cost of inventories# *(note 16(b))*	**2,860,353**	2,878,283
Other expenses		
– transportation expenses	**309,435**	344,826
– utility expenses	**344,285**	462,144
– advertising expenses	**172,777**	259,116
– marketing and promotion service expenses	**477,407**	758,138
– travelling, meeting and entertainment expenses	**77,569**	72,420
– surcharges and other tax expenses	**66,017**	67,124

Cost of inventories includes HK$710,687,000 (2023: HK$640,886,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 INCOME TAX

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2024	2023
	HK$'000	*HK$'000*
Current tax – the PRC Corporate Income Tax ("CIT")	**222,463**	264,184
Deferred tax – origination and reversal of temporary differences	**(16,468)**	(9,903)
	205,995	254,281

The Company is incorporated in the Cayman Islands as an exempted company and, accordingly, is exempted from payment of the Cayman Islands income tax.

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2024 and 2023 as the Group did not have any profits assessable to Hong Kong Profits Tax during the current and prior years.

Shijiazhuang No. 4 Pharmaceutical Co., Ltd. ("Shijiazhuang No.4"), Jiangsu Best New Medical Material Co., Ltd. ("Jiangsu Best"), Hebei Guangxiang Pharmaceutical Co., Ltd. ("Hebei Guangxiang"), Cangzhou Lingang Youyi Chemical Co., Ltd. ("Youyi Chemical") and Hebei Guolong Pharmaceutical Co., Ltd. have been certified as High and New Technology Enterprises ("HNTE") in 2024, 2023, 2023, 2022 and 2023, respectively. According to the tax incentives rules of the CIT Law of the PRC (the "CIT Law") for HNTE, these entities are subject to a reduced corporate income tax rate of 15% for three years. According to the PRC income tax law and its relevant regulations, an additional 100% of qualified research and development expenses incurred is allowed to be deducted from taxable income.

All other subsidiaries of the Company established and operated in the PRC are subject to the PRC CIT at an applicable rate of 25%.

The CIT Law and its relevant regulations also impose a withholding tax at 10% on the foreign investors with respect to dividend distributions made out of the PRC entities from earnings accumulated from 1 January 2008, unless the foreign investors meet certain requirements specified in the relevant tax regulations in the PRC and accordingly are entitled to a preferential rate of 5%. Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

7 INCOME TAX *(Continued)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2024	2023
	HK$'000	*HK$'000*
Profit before taxation	**1,281,603**	1,583,569
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**325,994**	401,989
Effect of the PRC preferential tax rates	**(133,614)**	(161,980)
Effect of non-deductible expenses	**21,658**	17,400
Additional deduction of research and development expenditures	**(37,116)**	(36,324)
Withholding tax on profit distributions	**34,088**	32,914
Others	**(5,015)**	282
Actual tax expense	**205,995**	254,281

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2024					
Name	**Directors' fees** *HK$'000*	**Salaries** *HK$'000*	**Discretionary bonuses** *HK$'000*	**Estimated money value of other benefits (a)** *HK$'000*	**Retirement scheme contributions** *HK$'000*	**Total** *HK$'000*
Executive directors						
Mr. Qu Jiguang	–	6,690	9,000	–	–	15,690
Mr. Su Xuejun	–	1,457	263	45	59	1,824
Mr. Meng Guo	–	1,075	137	45	59	1,316
Mr. Chow Hing Yeung	–	1,197	–	–	18	1,215
Ms. Qu Wanrong (Appointed on 28 August 2024)	–	372	–	–	18	390
Independent non-executive directors						
Mr. Wang Yibing	228	–	–	–	–	228
Mr. Chow Kwok Wai	228	–	–	–	–	228
Mr. Jiang Guangce	228	–	–	–	–	228
Non-executive director						
Mr. Liu Wenjun (Appointed on 19 January 2024)	217	–	–	–	–	217
	901	10,791	9,400	90	154	21,336

8 DIRECTORS' EMOLUMENTS *(Continued)*

	2023					
Name	Directors' fees *HK$'000*	Salaries *HK$'000*	Discretionary bonuses *HK$'000*	Estimated money value of other benefits (a) *HK$'000*	Retirement scheme contributions *HK$'000*	Total *HK$'000*
Executive directors						
Mr. Qu Jiguang	–	6,690	–	–	–	6,690
Mr. Su Xuejun	–	1,317	249	92	58	1,716
Mr. Meng Guo	–	982	126	58	58	1,224
Mr. Chow Hing Yeung	–	1,082	–	–	18	1,100
Independent non-executive directors						
Mr. Wang Yibing	228	–	–	–	–	228
Mr. Leung Chong Shun (Retired on 19 May 2023)	95	–	–	–	–	95
Mr. Chow Kwok Wai	228	–	–	–	–	228
Mr. Jiang Guangce (Appointed on 1 January 2023)	228	–	–	–	–	228
Non-executive director						
Mr. Feng Hao (Resigned on 1 November 2023)	190	–	–	–	–	190
	969	10,071	375	150	134	11,699

(a) Other benefits include leave pay and medical insurance, etc.

(b) On 19 January 2024, Mr. Liu Wenjun was appointed as a non-executive director of the Group, with effect from 19 January 2024.

(c) On 28 August 2024, Ms. Qu Wanrong was appointed as an executive director of the Group, with effect from 28 August 2024.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2023: four) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other one (2023: one) individual are as follows:

	2024	2023
	HK$'000	*HK$'000*
Salaries and other benefits	**1,007**	925
Discretionary bonuses	**230**	225
Retirement scheme contributions	**41**	40
	1,278	1,190

The emoluments of the one (2023: one) individual with the highest emoluments are within the following bands:

	2024	2023
	Number of individuals	*Number of individuals*
Nil – HK$1,000,000	**–**	–
HK$1,000,001 – HK$1,500,000	**1**	1

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$1,061,150,000 (2023: HK$1,318,616,000) and the weighted average of 2,962,512,000 ordinary shares (2023: 2,969,386,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2024 **'000**	2023 *'000*
Issued ordinary shares at 1 January	**2,965,743**	2,972,683
Effect of purchase and cancellation of own shares *(note 27(c)(ii))*	**(3,231)**	(3,297)
Weighted average number of ordinary shares at 31 December	**2,962,512**	2,969,386

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$1,061,150,000 (2023: HK$1,318,616,000) and the weighted average of 2,963,122,000 ordinary shares (2023: 2,978,999,000 ordinary shares) after adjusting the effect of dilutive potential ordinary shares under the Company's share option scheme, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2024 **'000**	2023 *'000*
Weighted average number of ordinary shares at 31 December (basic)	**2,962,512**	2,969,386
Effect of deemed issue of shares under the Company's share option scheme	**610**	9,613
Weighted average number of ordinary shares at 31 December (diluted)	**2,963,122**	2,978,999

11 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF USE ASSETS

(a) Reconciliation of carrying amount

	Buildings HK$'000	Plant, machinery and tools HK$'000	Furniture, fixtures, office equipment and others HK$'000	Vehicles HK$'000	Construction-in-progress HK$'000	Sub-total HK$'000	Right-of-use assets HK$'000	Total HK$'000
Cost:								
1 January 2023	2,674,717	2,571,532	402,771	60,816	809,262	6,519,098	373,859	6,892,957
Transfers	571,919	302,992	36,164	–	(911,075)	–	–	–
Additions	25,118	171,654	17,620	9,420	664,511	888,323	98,179	986,502
Disposals	–	(26,245)	(8,049)	(7,061)	–	(41,355)	(3,089)	(44,444)
Exchange adjustments	(40,660)	(39,048)	(5,960)	(782)	(10,169)	(96,619)	(5,714)	(102,333)
31 December 2023 and 1 January 2024	**3,231,094**	**2,980,885**	**442,546**	**62,393**	**552,529**	**7,269,447**	**463,235**	**7,732,682**
Transfers	**185,889**	**214,512**	**5,229**	**–**	**(405,630)**	**–**	**–**	**–**
Additions	**12,877**	**261,045**	**16,841**	**9,485**	**902,283**	**1,202,531**	**27,278**	**1,229,809**
Disposals	**–**	**(46,471)**	**(9,035)**	**(1,451)**	**(12)**	**(56,969)**	**–**	**(56,969)**
Exchange adjustments	**(73,717)**	**(69,629)**	**(8,580)**	**(1,394)**	**(19,242)**	**(172,562)**	**(9,987)**	**(182,549)**
At 31 December 2024	**3,356,143**	**3,340,342**	**447,001**	**69,033**	**1,029,928**	**8,242,447**	**480,526**	**8,722,973**

11 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF USE ASSETS *(Continued)*

(a) Reconciliation of carrying amount *(Continued)*

	Buildings	Plant, machinery and tools	Furniture, fixtures, office equipment and others	Vehicles	Construction-in-progress	Sub-total	Right-of-use assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accumulated amortisation and depreciation:								
1 January 2023	(712,724)	(1,294,457)	(258,231)	(39,467)	–	(2,304,879)	(71,232)	(2,376,111)
Charge for the year	(125,796)	(198,446)	(35,397)	(5,457)	–	(365,096)	(10,673)	(375,769)
Written back on disposals	–	20,262	7,270	6,321	–	33,853	3,089	36,942
Exchange adjustments	10,811	19,303	3,852	459	–	34,425	943	35,368
31 December 2023 and 1 January 2024	**(827,709)**	**(1,453,338)**	**(282,506)**	**(38,144)**	**–**	**(2,601,697)**	**(77,873)**	**(2,679,570)**
Charge for the year	**(136,390)**	**(216,511)**	**(36,578)**	**(5,588)**	**–**	**(395,067)**	**(11,672)**	**(406,739)**
Written back on disposals	**–**	**34,084**	**7,992**	**955**	**–**	**43,031**	**–**	**43,031**
Exchange adjustments	**17,853**	**34,145**	**7,212**	**840**	**–**	**60,050**	**1,599**	**61,649**
At 31 December 2024	**(946,246)**	**(1,601,620)**	**(303,880)**	**(41,937)**	**–**	**(2,893,683)**	**(87,946)**	**(2,981,629)**
Net book value:								
At 31 December 2024	**2,409,897**	**1,738,722**	**143,121**	**27,096**	**1,029,928**	**5,348,764**	**392,580**	**5,741,344**
At 31 December 2023	2,403,385	1,527,547	160,040	24,249	552,529	4,667,750	385,362	5,053,112

As at 31 December 2023, the Group's right-of-use assets with a carrying amount of HK$47,229,000 were pledged as collateral for the Group's bank borrowings.

As at 31 December 2024, no right-of-use asset was pledged as collateral (see note 21).

11 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF USE ASSETS *(Continued)*

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	2024 HK$'000	2023 HK$'000
Properties leased for own use, carried at depreciated cost	*(i)*	**3,734**	5,975
Land use rights, carried at depreciated cost	*(ii)*	**388,846**	379,387
		392,580	385,362

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2024 HK$'000	2023 HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use, carried at depreciated cost	**2,240**	2,312
Land use rights, carried at depreciated cost	**9,432**	8,361
	11,672	10,673
Interest on lease liabilities *(note 6(a))*	**202**	248
Expense relating to short-term leases	**3,226**	2,174

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 20(d) and 24, respectively.

11 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF USE ASSETS *(Continued)*

(b) Right-of-use assets *(Continued)*

(i) Properties leased for own use, carried at depreciated cost

The Group leases office premises under leases expiring from 1 to 3 years. None of the leases include an option to renew the lease when all terms are renegotiated or variable lease payments.

(ii) Land use rights

Land use rights are located in Hebei Province and Jiangsu Province, the PRC, and are held on medium-term leases of 35 to 50 years from the dates of acquisition.

(c) Assets leased out under operating leases

The Group leases out certain office premise in the PRC under operating leases. The lease typically run for an initial period of one year with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals. In 2024, the rental income is insignificant (see note 4(a)).

12 INTANGIBLE ASSETS

	Goodwill HK$'000	Trademark and patents HK$'000	Software HK$'000	Customer relationships HK$'000	Internally generated capitalised development costs HK$'000	Total HK$'000
Cost:						
At 1 January 2023	487,437	424,931	28,727	77,866	468,332	1,487,293
Additions	–	4,439	2,363	–	181,328	188,130
Transfers	–	201,612	–	–	(201,612)	–
Written-off of impairment	–	–	–	–	(10,617)	(10,617)
Exchange adjustments	(6,965)	(6,097)	(424)	(1,113)	(7,658)	(22,257)
At 31 December 2023 and 1 January 2024	**480,472**	**624,885**	**30,666**	**76,753**	**429,773**	**1,642,549**
Additions	**–**	**–**	**6,793**	**–**	**200,956**	**207,749**
Transfers	**–**	**221,664**	**–**	**–**	**(221,664)**	**–**
Exchange adjustments	**(10,284)**	**(13,200)**	**(757)**	**(1,643)**	**(12,131)**	**(38,015)**
At 31 December 2024	**470,188**	**833,349**	**36,702**	**75,110**	**396,934**	**1,812,283**
Accumulated amortisation and impairment losses:						
At 1 January 2023	(230,033)	(116,507)	(23,754)	(77,866)	–	(448,160)
Amortisation charge for the year	–	(41,151)	(2,463)	–	–	(43,614)
Impairment loss	–	–	–	–	(10,617)	(10,617)
Written-back of impairment	–	–	–	–	10,617	10,617
Exchange adjustments	3,287	1,897	353	1,113	–	6,650
At 31 December 2023 and 1 January 2024	**(226,746)**	**(155,761)**	**(25,864)**	**(76,753)**	**–**	**(485,124)**
Amortisation charge for the year	**–**	**(62,740)**	**(1,964)**	**–**	**–**	**(64,704)**
Impairment loss	**(10,609)**	**(11,705)**	**–**	**–**	**(4,599)**	**(26,913)**
Exchange adjustments	**5,051**	**4,270**	**583**	**1,643**	**–**	**11,547**
At 31 December 2024	**(232,304)**	**(225,936)**	**(27,245)**	**(75,110)**	**(4,599)**	**(565,194)**
Net book value:						
At 31 December 2024	**237,884**	**607,413**	**9,457**	**–**	**392,335**	**1,247,089**
At 31 December 2023	253,726	469,124	4,802	–	429,773	1,157,425

12 INTANGIBLE ASSETS *(Continued)*

Majority of amortisation of intangible assets is recognised in cost of sales, general and administrative expenses and research and development costs.

As at 31 December 2024, the carrying amount of trademark and patents include internally generated capitalised development costs of HK$510,678,000 (31 December 2023: HK$362,517,000).

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's CGUs identified according to country of operation and operating segment as follows:

	2024	2023
	HK$'000	*HK$'000*
Intravenous infusion solution and others	**217,646**	222,406
Medical materials	**20,238**	20,681
Bulk pharmaceuticals	**–**	10,639
	237,884	253,726

The recoverable amount of each CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period with the final year representing a steady state in the development of the business. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate. The key assumptions for the value-in-use calculations are as follows, which are based on either the past experience or external sources of information:

	Intravenous infusion solution and others		**Medical materials**		**Bulk pharmaceuticals**	
	2024	2023	**2024**	2023	**2024**	2023
Gross profit margin in the next five years	**45.66%-50.22%**	50.8%-54.1%	**26.1%**	25.9%	**0.7%-5.98%**	14.6%-29.8%
Growth rate in the next five years	**9%-31%**	26%-35%	**3%-14.19%**	3%-17%	**10%-15%**	-8.9%-63.82%
Other operating cost (as of revenue)	**25%**	30%	**9%**	8%	**9%**	9%
Perpetual growth rate	**3%**	3%	**3%**	3%	**3%**	3%
Pre-tax discount rate	**14.0%**	16.0%	**14.0%**	13.2%	**13%**	15.2%

Management determined the budgeted growth rate and gross margin based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

The recoverable amount of the CGU of Intravenous infusion solution and others and Medical materials is estimated to exceed the carrying amount of the CGU at 31 December 2024 and 2023. Management has not identified that a reasonably possible change in key assumptions could cause the carrying amount to exceed the recoverable amount for CGUs with significant goodwill.

The impairment loss of HK$10,609,000 recognised in "Other operating expenses" during the year solely relates to the Group's bulk pharmaceuticals activities. As the CGU has been reduced to zero, any adverse change in the assumptions used in the calculation of recoverable amount would not result in further impairment losses.

(Expressed in Hong Kong dollars unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES

The following list contains all subsidiaries of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Issued/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities	Type of legal entity
New Orient Investments Pharmaceutical Holding (Hong Kong) Limited	Samoa/ Hong Kong	United States Dollar ("USD") 1	100%	100%	–	Investment holding	Limited liability company
Shijiazhuang No. 4 Pharmaceutical Co., Ltd. ("Shijiazhuang No. 4")	The PRC	RMB950,000,000	100%	–	100%	Manufacturing and sale of pharmaceutical products	Limited liability company
Hebei Guolong Pharmaceutical Co., Ltd.	The PRC	RMB450,000,000	100%	–	100%	Manufacturing and sale of pharmaceutical products	Limited liability company
Hebei Jinmen Pharmaceutical Import and Export Co., Ltd.	The PRC	RMB5,000,000	100%	–	100%	Trading of pharmaceutical products	Limited liability company
Hebei Guangxiang Pharmaceutical Technology Co., Ltd.	The PRC	RMB20,000,000	100%	–	100%	Pharmaceutical technology research and development and consulting	Limited liability company
Hebei Guangxiang Logistics Co., Ltd.	The PRC	RMB3,000,000	86%	–	86%	Logistics of pharmaceutical products	Limited liability company
Shijiazhuang Guangxiang Catering Co., Ltd.	The PRC	RMB500,000	100%	–	100%	Provision of food, beverages and catering	Limited liability company
Jiangsu Best New Medical Material Co., Ltd. ("Jiangsu Best")	The PRC	RMB270,077,500	94%	39%	55%	Manufacturing and sale of pharmaceutical products	Limited liability company
Hebei Hanlin Biotechnology Co., Ltd. ("Hebei Hanlin")	The PRC	RMB25,000,000	88%	–	88%	Research and development of biotechnology and related products	Limited liability company

(Expressed in Hong Kong dollars unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and business	Issued/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities	Type of legal entity
Hebei Guangxiang Pharmaceutical Co., Ltd. ("Hebei Guangxiang")	The PRC	RMB930,000,000	78%	–	78%	Manufacturing and sale of pharmaceutical products	Limited liability company
Anhui Guangxiang Pharmaceutical Co., Ltd. ("Anhui Guangxiang")	The PRC	RMB10,000,000	96%	–	96%	Trading of pharmaceutical products	Limited liability company
Cangzhou Lingang Youyi Chemical Co., Ltd. ("Youyi Chemical")	The PRC	RMB70,000,000	100%	–	100%	Production and sales of methylamine	Limited liability company
Shandong Guangxiang Pharmaceutical Co., Ltd. ("Shandong Guangxiang")	The PRC	RMB100,000,000	100%	–	100%	Manufacturing and sale of pharmaceutical products	Limited liability company

The directors are of the view that the Group has no individually material non-controlling interests for the years ended 31 December 2024 and 2023.

14 INTERESTS IN AN ASSOCIATE

As at 31 December 2024, the following list contains the particulars of the associate, which is a listed corporate entity whose quoted market price is available:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Cisen Pharmaceutical Co., Ltd.* ("Cisen") *(Note)* 辰欣藥業股份有限公司	Incorporated	The PRC	452,754,129 ordinary shares	6.11%	–	6.11%	Production, sales and research and development of pharmaceuticals

* The English translation of the entity is for reference only. The official names of the entity established in the PRC are in Chinese.

Note: Cisen is listed on the Main Board of the Shanghai Stock Exchange. The Group has significant influence over Cisen as the Group appointed one director into the Board of Directors of Cisen. As at 31 December 2024, the quoted market price of Cisen was RMB13.74 (31 December 2023: RMB14.64) per share and the market value of the investment in Cisen was RMB380 million (equivalent to HK$410 million) (2023: RMB405 million (equivalent to HK$447 million).

14 INTERESTS IN AN ASSOCIATE *(Continued)*

The above associate is accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statement, are disclosed below:

	Cisen Pharmaceutical Co., Ltd.	
	2024	2023
	HK$'000	*HK$'000*
Gross amounts of the associate		
Current assets	**5,352,468**	5,912,856
Non-current assets	**3,203,377**	2,620,166
Current liabilities	**1,594,678**	1,385,849
Non-current liabilities	**84,491**	228,537
Equity	**6,876,676**	6,918,636
Revenue	**4,365,358**	4,722,706
Profit from operations	**559,009**	574,469
Other comprehensive income	**(23)**	(5,118)
Total comprehensive income	**558,986**	569,351
Dividend received from the associate	**19,750**	10,052
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	**6,876,676**	6,918,636
Group's effective interest	**6.1096%**	6.1093%
Group's share of net assets of the associate	**420,137**	422,681
Carrying amount in the consolidated financial statements	**420,137**	422,681

15 TRADING SECURITIES

	2024 HK$'000	2023 HK$'000
Trading securities		
– Equity securities listed in PRC	**34,999**	–

As at 31 December 2024, financial assets classified as FVPL represent trading securities of HK$34,999,000 (31 December 2023: Nil). During the year, the unrealised loss of trading securities held by the Group of HK$10,479,000 were recognized as a loss in other net income (2023: Nil).

16 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2024 HK$'000	2023 HK$'000
Raw materials	**506,042**	478,798
Work in progress	**38,724**	30,713
Finished goods	**564,696**	576,771
	1,109,462	1,086,282

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2024 HK$'000	2023 HK$'000
Cost of inventories sold	**2,764,504**	2,769,412
Cost of inventories directly recognised as research and development costs and selling and distribution costs	**94,570**	107,976
Write-down of inventories	**1,279**	895
	2,860,353	2,878,283

17 TRADE AND BILLS RECEIVABLES

	2024	2023
	HK$'000	*HK$'000*
Trade receivables	**2,109,727**	1,987,818
Bills receivable	**135,461**	201,961
	2,245,188	2,189,779
Less: Loss allowance	**(18,833)**	(12,729)
	2,226,355	2,177,050

All of the trade and bills receivables are expected to be recovered within one year.

Bills receivable represent short-term bank acceptance notes receivable that entitle the Group to receive the full face amount from the banks at maturity, which generally ranges from 3 to 12 months from the date of issuance. Historically, the Group had experienced no credit losses on bills receivable. The Group from time to time endorses bills receivable to suppliers in order to settle payables.

As at 31 December 2024, the Group endorsed certain bank acceptance bills to suppliers for settling payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the end of the reporting period. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations, should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable. Bills receivable were therefore derecognised.

As at 31 December 2024, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to HK$730 million (31 December 2023: HK$612 million).

17 TRADE AND BILLS RECEIVABLES *(Continued)*

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bills receivables, based on the invoice date is as follows:

	2024	2023
	HK$'000	*HK$'000*
Within 1 year	**2,227,244**	2,187,785
1 to 2 years	**17,607**	1,541
More than 2 years	**337**	453
	2,245,188	2,189,779

Further details on the Group's credit policy and credit risk arising from trade and bills receivables are set out in note 28(a).

18 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024	2023
	HK$'000	*HK$'000*
Withholding individual income tax recoverable	**90,610**	90,610
Prepayments for purchases of inventories	**25,285**	27,896
Other deposits	**13,548**	8,225
Value-added tax recoverable	**40,333**	7,334
Staff advances	**1,760**	3,233
Prepaid professional service fees	**4,754**	13,063
Others	**44,529**	48,971
	220,819	199,332
Less: Loss allowance	**(229)**	(215)
	220,590	199,117

19 PLEDGED BANK DEPOSITS, TIME DEPOSITS AND FIXED DEPOSITS

	2024 HK$'000	2023 HK$'000
Current		
Time deposits with original maturities over three months	**114,525**	1,103
Pledged and restricted bank deposits	**97,288**	45,357
	211,813	46,460
Non-current		
Pledged and restricted bank deposits	**5,883**	5,598
Fixed deposits with original maturities over one year	**78,127**	165,523
	84,010	171,121

Pledged bank deposits as at 31 December 2024 were pledged for letters of credit facilities, bank acceptance notes issued by the Group, and the restricted bank deposits of HK$19,019,000 are the restricted cash that have been frozen in the PRC in relation to legal proceedings commenced by one customer of the Group.

As at 31 December 2024, fixed deposits with original maturities over one year have guaranteed repayment of principal, fixed returns and maturity periods of three years from the date of issue.

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2024 HK$'000	2023 HK$'000
Cash on hand	**20**	19
Cash at bank	**1,257,682**	1,615,189
Cash and cash equivalents in the consolidated cash flow statement	**1,257,702**	1,615,208

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	**2024** **HK$'000**	2023 HK$'000
Profit before taxation		**1,281,603**	1,583,569
Adjustments for:			
Provision for/(reversal of) impairment of trade receivables	*6(c)*	**6,181**	(1,211)
Provision for impairment of other receivables	*6(c)*	**311**	51
Write down of inventories	*16(b)*	**1,279**	895
Impairment of intangible assets	*12*	**26,913**	10,617
Amortisation of intangible assets	*6(c)*	**64,622**	43,548
Amortisation of deferred revenue	*26*	**(22,482)**	(16,610)
Depreciation	*6(c)*	**391,029**	362,026
Finance costs	*6(a)*	**126,881**	125,413
Interest income	*6(a)*	**(29,546)**	(33,924)
Share of profit of an associate		**(26,493)**	(30,610)
Net gain on disposal of property, plant and equipment	*5*	**(1,124)**	(798)
Unrealised loss on trading securities	*5*	**10,479**	–
Changes in working capital:			
Increase in inventories		**(44,063)**	(286,171)
Increase in trade and bills receivables		**(964,953)**	(485,397)
(Increase)/decrease in prepayments, deposits and other receivables		**(25,350)**	8,026
Increase in trade and bills payables		**144,305**	31,333
Decrease in contract liabilities		**(18,726)**	(10,238)
Increase/(decrease) in accruals and other payables		**16,717**	(15,312)
(Increase)/decrease in pledged bank deposits		**(34,934)**	4,859
Cash generated from operations		**902,649**	1,290,066

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(c) Reconciliation of liabilities arising from financing activities

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

	Lease liabilities *(note 24)* *HK$'000*	Borrowings *(note 21)* *HK$'000*
At 1 January 2024	5,947	3,368,141
Changes from financing cash flows:		
Proceeds from new bank loans	–	1,447,061
Repayment of bank loans	–	(1,129,076)
Capital element of lease rentals paid	(2,188)	–
Interest element of lease rentals paid	(202)	–
Total changes from financing cash flows	(2,390)	317,985
Exchange adjustments	–	(51,275)
Other change:		
Interest expense	202	1,080
At 31 December 2024	3,759	3,635,931

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(c) Reconciliation of liabilities arising from financing activities *(Continued)*

	Lease liabilities *(note 24)* *HK$'000*	Borrowings *(note 21)* *HK$'000*
At 1 January 2023	1,801	3,207,648
Changes from financing cash flows:		
Proceeds from new bank loans	–	1,533,973
Repayment of bank loans	–	(1,348,300)
Capital element of lease rentals paid	(2,437)	–
Interest element of lease rentals paid	(248)	–
Total changes from financing cash flows	(2,685)	185,673
Exchange adjustments	–	(28,336)
Other changes:		
Lease modifications	6,583	–
Interest expense	248	3,156
Total other changes	6,831	3,156
At 31 December 2023	5,947	3,368,141

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2024 ***HK$'000***	2023 *HK$'000*
Within operating cash flows	**3,226**	2,174
Within financing cash flows	**2,390**	2,685
	5,616	4,859

21 BORROWINGS

(a) The analysis of the repayment schedule of bank borrowings is as follows:

	2024	2023
	HK$'000	*HK$'000*
Within 1 year or on demand	**654,927**	1,420,573
After 1 year but within 2 years	**1,379,828**	1,088,494
After 2 years but within 5 years	**1,601,176**	859,074
	2,981,004	1,947,568
	3,635,931	3,368,141

(b) Assets pledged as security and covenants for bank borrowings

At 31 December 2024 and 2023, the Group's bank borrowings were secured as follows:

	2024	2023
	HK$'000	*HK$'000*
Bank borrowings		
– secured	**–**	70,623
– unsecured	**3,635,931**	3,297,518
	3,635,931	3,368,141

As at 31 December 2024, none of the Group's borrowings were secured. As at 31 December 2023, the Group's borrowings of HK$70,623,000 were secured by the Group's right-of-use assets with a carrying amount of HK$47,229,000.

The Group's bank facilities of HK$2,594,501,000 (2023: HK$2,823,922,000) are subject to the fulfilment of covenants relating to certain specific performance requirements on the Group. If the Group were to breach the covenants, these drawn down bank facilities would become payable on demand. The Group regularly monitors its compliance with covenants. The Group did not identify any difficulties complying with the covenants. Further details of the covenants and the Group's management of liquidity risk are set out in note 28(b).

As at 31 December 2024, the Group did not breach any covenants relating to these drawn down bank facilities.

22 TRADE AND BILLS PAYABLES

As of the end of the reporting period, the ageing analysis of trade and bills payables, based on the invoice date is as follows:

	2024	2023
	HK$'000	*HK$'000*
Within 3 months	**284,273**	320,548
4 to 6 months	**244,241**	73,022
7 to 12 months	**11,328**	8,896
More than 1 year	**7,776**	5,463
	547,618	407,929

23 ACCRUALS AND OTHER PAYABLES

	2024	2023
	HK$'000	*HK$'000*
Payables for purchase of property, plant and equipment	**269,423**	260,162
Withholding individual income tax payables	**90,418**	90,610
Accrued salaries and wages	**38,810**	59,298
Deposits from constructors	**84,431**	68,524
Value-added tax payable	**1,174**	14,154
Welfare payables	**6,044**	5,811
Professional fee payables	**12,534**	13,741
Travelling, meeting and entertainment expenses	**10,440**	16,410
Others	**39,075**	14,501
	552,349	543,211

24 LEASE LIABILITIES

At 31 December 2024, the lease liabilities were repayable as follows:

	2024	2023
	HK$'000	*HK$'000*
Within 1 year	**2,283**	2,188
After 1 year but within 2 years	**1,476**	2,283
After 2 years	**–**	1,476
	1,476	3,759
	3,759	5,947

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2024	2023
	HK$'000	*HK$'000*
At beginning of the year	**77,161**	56,561
Provision for the year *(note 7(a))*	**222,463**	264,184
Tax paid	**(286,019)**	(242,655)
Exchange adjustments	**(258)**	(929)
At end of the year	**13,347**	77,161

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Deferred revenue	Provision for asset impairment	Amortisation and depreciation of assets	Accrued expenses and others	Lease liabilities	Revaluation of assets on acquisition	Right-of-use assets	Withholding tax	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2023	(19,673)	(4,821)	8,995	(12,300)	–	12,380	–	8,466	(6,953)
(Credited)/charged to profit or loss	(7,198)	1,439	(510)	(4,249)	(981)	(420)	986	1,030	(9,903)
Exchange adjustments	322	59	(126)	182	–	(170)	–	(128)	139
At 31 December 2023 and 1 January 2024	**(26,549)**	**(3,323)**	**8,359**	**(16,367)**	**(981)**	**11,790**	**986**	**9,368**	**(16,717)**
(Credited)/charged to profit or loss	**(7,572)**	**(3,197)**	**(492)**	**(2,020)**	**361**	**(417)**	**(370)**	**(2,761)**	**(16,468)**
Exchange adjustments	**681**	**118**	**(171)**	**354**	**–**	**(246)**	**–**	**(159)**	**577**
At 31 December 2024	**(33,440)**	**(6,402)**	**7,696**	**(18,033)**	**(620)**	**11,127**	**616**	**6,448**	**(32,608)**

Reconciliation to the consolidated statement of financial position:

	2024	2023
	HK$'000	*HK$'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**(50,179)**	(37,880)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**17,571**	21,163
	(32,608)	(16,717)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(w), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$101,904,000 (2023: HK$91,335,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses incurred by the Group's subsidiaries in the PRC will expire in 5 years from the respective balance sheet date and the tax losses incurred in other tax jurisdiction do not expire.

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(d) Deferred tax liabilities not recognised

At 31 December 2024, temporary differences relating to the undistributed profits of subsidiaries in the PRC amounted to HK$7,403,032,000 (2023: HK$6,974,266,000). Deferred tax liabilities of HK$370,152,000 (2023: HK$348,713,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

26 DEFERRED REVENUE

Deferred revenue represented subsidies received from municipal governments for the construction of laboratories and plants of the Group, and are recognised in profit or loss when the depreciation expense of the laboratories and plants are recognised in profit or loss.

The movements of deferred revenue are as follows:

	2024	2023
	HK$'000	*HK$'000*
At 1 January	**203,714**	160,390
Additions	**70,879**	62,486
Recognised as other revenue	**(22,482)**	(16,610)
Exchange adjustments	**(5,082)**	(2,552)
At 31 December	**247,029**	203,714

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Share-based payment reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2023		66,285	32,655	168,449	67,050	218,462	552,901
Changes in equity for 2023:							
Dividends paid to equity shareholders of the Company	27(b)	–	–	–	–	(445,507)	(445,507)
Purchase and cancellation of own shares	27(c)(ii)	(97)	(23,193)	(9,679)	–	–	(32,969)
Total comprehensive income for the year		–	–	–	–	537,830	537,830
Balance at 31 December 2023 and 1 January 2024		**66,188**	**9,462**	**158,770**	**67,050**	**310,785**	**612,255**
Changes in equity for 2024:							
Dividends paid to equity shareholders of the Company	27(b)	**–**	**–**	**–**	**–**	**(534,126)**	**(534,126)**
Purchase and cancellation of own shares	27(c)(ii)	**(222)**	**(9,462)**	**(2,494)**	**–**	**(32,385)**	**(44,563)**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**689,044**	**689,044**
Balance at 31 December 2024		**65,966**	**–**	**156,276**	**67,050**	**433,318**	**722,610**

27 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2024 **HK$'000**	2023 *HK$'000*
Interim dividend declared and paid of HK8.0 cents per ordinary share (2023: HK7.0 cents per ordinary share)	**237,222**	207,903
Final dividend proposed after the end of the reporting period of HK9.5 cents per ordinary share (2023: HK10.0 cents per ordinary share)	**280,622**	296,904
	517,844	504,807

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2024 **HK$'000**	2023 *HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK10.0 cents per share (2023: HK8.0 cents per share)	**296,904**	237,604

27 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital

(i) Issued share capital

	2024 No. of shares ('000)	2024 HK$'000	2023 No. of shares ('000)	2023 HK$'000
Ordinary shares of HK$0.02 each, issued and fully paid:				
At 1 January	**2,969,043**	**66,188**	2,973,883	66,285
Repurchase and cancellation of own shares *(note 27(c)(ii))*	**(11,084)**	**(222)**	(4,840)	(97)
	2,957,959	**65,966**	2,969,043	66,188

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Purchase and cancellation of own shares

In 2024, the Company repurchased a total of 11,830,000 (2023: 3,640,000) ordinary shares of the Company through the Stock Exchange of Hong Kong Limited at an aggregate consideration of approximately HK$44,563,000 (2023: HK$18,036,000). The Company cancelled 11,084,000 (2023: 4,840,000) ordinary shares in accordance with the Companies Law of the Cayman Islands.

The remaining 746,000 repurchased ordinary shares were subsequently cancelled in February 2025 and treated as treasury shares as at 31 December 2024. The consideration paid on such repurchase of HK$2,494,000 was charged to capital reserve for the year ended 31 December 2024.

27 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital *(Continued)*

(ii) Purchase and cancellation of own shares *(Continued)*

On 27 December 2018, the board meeting approved the Company to adopt the restricted share award scheme ("Restricted Share Award Scheme") to eligible employees. A trust deed has been entered into between the Company and BOCI-Prudential Trustee Limited ("the Trustee"). Pursuant to the trust deed, the trust will be constituted to service the Restricted Share Award Scheme whereby the Trustee shall assist with the administration of the Restricted Share Award Scheme and shall, subject to the relevant provisions of the trust deed and upon the instruction of the Company, acquire such underlying shares of the Restricted Share Award Scheme through on-market transactions with funds to be transferred by the Group to the Trust. Such underlying shares of the Restricted Share Award Scheme shall not exceed 2% of the ordinary issued share capital as at the adoption date.

In 2023, the Trust acquired 3,300,000 shares from the market at an average prevailing market price of approximately HK$4.525 per share at an aggregate consideration of approximately HK$14,933,000. The restricted shares held at the end of reporting period were classified as treasury shares and presented as a deduction in equity. No restricted shares were granted, vested, cancelled or lapsed under the Restricted Share Award Scheme during the years ended 31 December 2024 and 2023.

(iii) Shares issued under share option scheme

No share options were exercised during 2024 and 2023.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. The share premium account may be applied by the Company to pay distributions or dividends to the equity shareholders of the Company.

(ii) Statutory reserve

In accordance with the relevant PRC accounting rules and regulations, the PRC subsidiaries of the Company are required to make appropriation of its retained earnings to statutory general reserve at the rate of 10% of its net profit each year, until the reserve balance reaches 50% of its paid up capital. The transfer to this reserve must be made before distribution of dividend to equity owners. The statutory reserve fund can be utilised to offset prior year's losses or converted into paid up capital.

27 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(iii) Share-based payment reserve

In 2021, 100,000,000 share options were granted to seven employees of the Group, at a consideration of HK$1.00 in sum for each employee with a total fair value of HK$67,050,000 recorded in share-based payment reserve. The number and weighted average exercise prices of share options are as follows:

	2024		2023	
	Average exercise price *(HK$ per share)*	**Number of options *('000)***	Average exercise price *(HK$ per share)*	Number of options *('000)*
Outstanding at 1 January and at 31 December	**4.218**	**100,000**	4.218	100,000

No share options were exercised during 2024 and 2023.

As at 31 December 2024, the total number of share options outstanding and exercisable was 100,000,000 (31 December 2023: 100,000,000).

The options outstanding at 31 December 2024 had an exercise price of HK$4.218 (2023: HK$4.218) and a weighted average remaining contractual life of 1.03 years (2023: 2.03 years).

(iv) Currency translation differences

The currency translation differences comprise all foreign exchange differences arising from the translation of the financial statements of certain subsidiaries within the Group. The reserve is dealt with in accordance with the accounting policies set out in note 2(g).

(e) Distributability of reserves

At 31 December 2024, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$433,318,000 (2023: HK$320,247,000).

27 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital less non-controlling interests. Net debt is calculated as total borrowings (including current and non-current borrowings) and lease liabilities less cash and cash equivalents. Total capital less non-controlling interests is calculated as total equity less non-controlling interests plus net debt.

The gearing ratios at 31 December 2024 and 2023 were as follows:

	2024 ***HK$'000***	2023 *HK$'000*
Borrowings *(note 21)*	**3,635,931**	3,368,141
Lease liabilities *(note 24)*	**3,759**	5,947
Less: Cash and cash equivalents *(note 20)*	**(1,257,702)**	(1,615,208)
Net debt	**2,381,988**	1,758,880
Total equity less non-controlling interests	**7,220,240**	6,932,534
Total capital less non-controlling interests	**9,602,228**	8,691,414
Gearing ratio	**24.8%**	20.2%

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents, pledged bank deposits, time deposits, fixed deposits and bills receivable is limited. The Group's exposure to credit risk arising from refundable rental deposits is considered to be low, taking into account the remaining lease term and the period covered by the rental deposits.

As at 31 December 2024, 96% (2023: 99%) of the Group's bank deposits are placed in major financial institutions located in the Mainland China and Hong Kong, which management believes are of high credit quality without significant credit risk. The Group also has policies that limit the amount of credit exposure to any financial institution, subject to periodic review.

	2024	2023
	HK$'000	*HK$'000*
State-owned and listed banks	**1,489,761**	1,825,825
Other financial institutions	**63,743**	6,945
Total	**1,553,504**	1,832,770

As at 31 December 2024, all of the Group's bills receivables are bank acceptance notes, the credit risks of which rest with the issuing banks. The directors of the Company are satisfied that the risks arising from those notes are minimal considering the credit quality of the issuing banks. The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 0.00% (2023: 0.61%), 3.50% (2023: 0.91%) and 5.71% (2023: 6.00%) of the total trade receivables was due from the Group's largest customer, the second largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. A regular review is carried out and follow up actions are taken on long ageing amounts to minimise the Group's exposure to credit risk. Normally, the Group does not obtain collateral from customers.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Trade receivables *(Continued)*

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2024		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	***HK$'000***	***HK$'000***
Within 3 months	**0.67%**	**1,333,581**	**(8,889)**
4 to 6 months	**0.87%**	**430,992**	**(3,750)**
7 to 12 months	**1.21%**	**327,210**	**(3,959)**
over 1 year	**12.46%**	**17,944**	**(2,235)**
		2,109,727	**(18,833)**

	2023		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*HK$'000*	*HK$'000*
Within 3 months	0.61%	1,287,895	(8,248)
4 to 6 months	0.58%	487,266	(2,811)
7 to 12 months	0.57%	210,663	(1,209)
over 1 year	23.12%	1,994	(461)
		1,987,818	(12,729)

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Trade receivables *(Continued)*

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2024	2023
	HK$'000	*HK$'000*
Balance at 1 January	**12,729**	14,136
Provision for/(reversal of) impairment losses recognised during the year	**6,181**	(1,211)
Exchange adjustments	**(77)**	(196)
Balance at 31 December	**18,833**	12,729

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants and its relationship with finance providers, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on:

– contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the date the Group is contractually required to pay, or if the counterparty has the choice of when the amount should be paid (irrespective of the fulfilment of covenants), the earliest date the Group can be required to pay; and

– expected undiscounted cash flows provided to the Group's key management personnel and the date the Group is expected to pay, shown as adjustments to the contractual undiscounted cash flows if the timing and/or amount to the cash flows are expected to be different from the contractual undiscounted cash flows.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

	2024 Contractual undiscounted cash outflow				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount at 31 December**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Borrowings	**756,054**	**1,472,836**	**1,618,524**	**3,847,414**	**3,635,931**
Trade and bills payables	**547,618**	**–**	**–**	**547,618**	**547,618**
Accruals and other payables	**460,756**	**–**	**–**	**460,756**	**460,757**
Lease liabilities	**2,390**	**1,493**	**–**	**3,883**	**3,759**
	1,766,818	**1,474,329**	**1,618,524**	**4,859,671**	**4,648,065**

	2023 Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount at 31 December
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Borrowings	1,475,183	1,120,208	870,849	3,466,240	3,368,141
Trade and bills payables	407,929	–	–	407,929	407,929
Accruals and other payables	438,447	–	–	438,447	438,447
Lease liabilities	2,390	2,390	1,493	6,273	5,947
	2,323,949	1,122,598	872,342	4,318,889	4,220,464

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at banks, deposits with banks, interest-bearing borrowings and lease liabilities. Borrowings issued at variable rates and cash at banks expose the Group to cash flow interest rate risk. Deposits with banks and borrowings issued at floating rates expose the Group to fair value interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

(i) Interest rate profile

The following table details the interest rate profile of the Group's total borrowings, cash at banks, deposits with banks and lease liabilities at the end of the reporting period.

	2024		2023	
	Effective interest rate %	***HK$'000***	Effective interest rate %	*HK$'000*
Fixed rate instruments:				
Deposits	**0.01~3.25**	**271,298**	0.01~3.25	217,581
Cash at banks	**1.30~3.55**	**34,060**	1.85~5.36	192,818
Borrowings	**1.80~2.50**	**(532,920)**	0.49~2.50	(732,914)
Lease liabilities	**4.00**	**(3,759)**	4.00	(5,947)
		(231,321)		(328,462)
Variable rate instruments:				
Deposits	**0.10~1.05**	**24,525**	–	–
Cash at banks	**0.01~2.10**	**1,223,622**	0.01~1.75	1,422,371
Borrowings	**2.05~5.79**	**(3,103,011)**	2.20~5.43	(2,635,227)
		(1,854,864)		(1,212,856)
		(2,086,185)		(1,541,318)

(ii) Sensitivity analysis

At 31 December 2024, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately HK$16,442,000 (2023: HK$11,970,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained earnings) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained earnings) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2023.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Renminbi, United States dollars and Euros. The Group manages this risk as follows:

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HK$, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of the entities into the Group's presentation currency is excluded.

		2024			2023	
	RMB	**USD**	**Euro**	RMB	USD	Euro
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other receivables	**–**	**157,907**	**–**	–	160,803	–
Cash and cash equivalents	**788**	**29,944**	**3,077**	9,944	216,622	4,453
Trade and other payables	**–**	**(11,615)**	**(636)**	–	(6,557)	–
Net exposure arising from recognised assets and liabilities	**788**	**176,236**	**2,441**	9,944	370,868	4,453

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained earnings) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	2024		2023	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained earnings** ***HK$'000***	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings *HK$'000*
USD (against HKD)	**3%**	**4,502**	3%	9,465
	-3%	**(4,502)**	-3%	(9,465)
EUR (against HKD)	**3%**	**62**	3%	114
	-3%	**(62)**	-3%	(114)
RMB (against HKD)	**3%**	**24**	3%	298
	-3%	**(24)**	-3%	(298)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2023.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value measurement

The three-level fair value hierarchy of financial instruments are defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2024	**Fair value measurements as at 31 December 2024**		
		Level 1	**Level 2**	**Level 3**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurements				
Financial assets:				
Fair value through profit or loss				
– Trading securities	**34,999**	**34,999**	**–**	**–**
Fair value through other comprehensive income				
– Bank acceptance bills receivable	**135,461**	**–**	**135,461**	**–**

	Fair value at 31 December 2023	Fair value measurements as at 31 December 2023		
		Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements				
Financial assets:				
Fair value through other comprehensive income				
– Bank acceptance bills receivable	201,961	–	201,961	–

During the years ended 31 December 2024 and 2023, there were no transfers between Level 1 and Level 2, nor transfers into or out of Level 3 (2023: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The carrying values of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2024 and 2023.

29 COMMITMENTS

Capital commitments in regard of property, plant and equipment and intangible assets outstanding at 31 December 2024 not provided for in the financial statements were as follows:

	2024	2023
	HK$'000	*HK$'000*
Contracted for	**561,838**	691,843

30 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2024	2023
	HK$'000	*HK$'000*
Salaries, bonus, allowance and other benefits	**22,614**	12,889

Total remuneration is included in "staff costs" (see note 6(b)).

(b) Related party transactions

During the years ended 31 December 2024 and 2023, the directors are of the view that the following companies are related parties:

Name of party	**Relationship**
Sichuan Kelun and its subsidiaries (together as "Kelun Group")	The party whose parent has a significant influence on the Company
Cisen Pharmaceutical Co., Ltd. ("Cisen")	Associate of the Group

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party transactions *(Continued)*

Particulars of the Group's transactions with these parties are as follows:

	2024	2023
	HK$'000	*HK$'000*
Sales of goods to Kelun Group	**80,192**	60,074
Provision of research and development services to Kelun Group	**517**	1,047
Sales of goods to Cisen	**13,604**	4,845
Purchase of pharmaceutical materials from Kelun Group	**179,636**	271,944
Purchase of products manufacturing and transportation services from Kelun Group	**25,828**	8,042
Purchase of research and development services from Kelun Group	**4,712**	3,691

(c) Related party balances

		2024	2023
	Note	***HK$'000***	*HK$'000*
Amounts due from related parties	*(i)*		
– Kelun Group		**22,310**	10,858
– Cisen		**1,188**	200
Amounts due to related parties	*(ii)*		
– Kelun Group		**11,329**	11,480

(i) The outstanding balances are trading balances related to the sale of pharmaceuticals and medical materials, which is included in "Trade and bills receivables" (See note 17).

(ii) The outstanding balances are trading balances related to the purchase of pharmaceutical materials, the purchase of research and development services, and the sale of pharmaceuticals and medical materials, which is included in "Trade and bills payables" (See note 22), "Accruals and other payables" (See note 23) and "Contract liabilities".

Amounts due from/to related parties are unsecured, interest-free and expected to be recovered within one year.

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions with Kelun Group constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Report of the Directors.

31 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2024		2023	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment		**335**		279
Right-of-use assets		**3,734**		5,975
Investments in subsidiaries		**944,179**		944,179
		948,248		950,433
Current assets				
Dividends receivable	**130,336**		130,336	
Prepayments, deposits and other receivables	**1,317**		1,887	
Amounts due from subsidiaries	**83,580**		83,580	
Cash and cash equivalents	**33,438**		73,441	
	248,671		289,244	
Current liabilities				
Lease liabilities	**2,283**		2,188	
Accruals and other payables	**94**		8,094	
Amounts due to subsidiaries	**470,456**		613,381	
	472,833		623,663	
Net current liabilities		**(224,162)**		(334,419)
Total assets less current liabilities		**724,086**		616,014
Non-current liabilities				
Lease liabilities	**1,476**		3,759	
	1,476		3,759	
NET ASSETS		**722,610**		612,255
Capital and reserves *(note 27(a))*				
Share capital		**65,966**		66,188
Reserves		**656,644**		546,067
TOTAL EQUITY		**722,610**		612,255

Approved and authorised for issue by the board of directors on 28 March 2025.

Qu Jiguang
Director

Su Xuejun
Director

(Expressed in Hong Kong dollars unless otherwise indicated)

32 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 27(b).

(b) After the end of the reporting period, 746,000 repurchased ordinary shares treated as treasury shares as at 31 December 2024 were cancelled on 5 February 2025 (see note 27(c)(ii)).

No adjustment has been made in this financial report in this regard.

33 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2024, the directors consider the immediate parent and ultimate controlling party of the Group to be China Pharmaceutical Co., Ltd., which is controlled by Mr. Qu Jiguang and incorporated in Samoa. This entity does not produce financial statements available for public use.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2024

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability*	1 January 2025
Amendments to HKFRS 9, *Financial instruments and HKFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to HKFRSs – Volume 11	1 January 2026
HKFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
HKFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 December				
	2020	2021	2022	2023	**2024**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue	4,260,898	5,356,763	6,434,025	6,463,009	**5,773,251**
Profit before taxation	725,215	948,397	1,399,152	1,583,569	**1,281,603**
Profit attributable to equity shareholders	611,971	785,533	1,122,837	1,318,616	**1,061,150**

	As at 31 December				
	2020	2021	2022	2023	**2024**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	9,253,707	10,708,720	10,966,512	11,966,336	**12,603,680**
Total liabilities	(3,338,496)	(4,216,012)	(4,420,688)	(4,697,644)	**(5,068,030)**
Non-controlling interests	(263,175)	(273,845)	(332,224)	(336,158)	**(315,410)**
Equity attributable to equity shareholders	5,652,036	6,218,863	6,213,600	6,932,534	**7,220,240**