HANGZHOU JIUYUAN GENETIC BIOPHARMACEUTICAL CO., LTD.

杭 州 九 源 基 因 生 物 醫 藥 股 份 有 限 公 司

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock code : 2566

ANNUAL REPORT 2024

CONTENT

Definitions

In this annual report, the following expressions have the meanings set out below unless the context otherwise requires.

"AGM"	the annual general meeting of the Company to be held on Wednesday, June 11, 2025
"API"	active pharmaceutical ingredient, the substance in a pharmaceutical drug that is biologically active
"Articles of Association"	the articles of association of the Company, as amended, supplemented or otherwise modified from time to time
"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of the Company
"CAGR"	Compound Annual Growth Rate
"CDE"	Center for Drug Evaluation of NMPA (國家藥品監督管理局藥品審評中心), a division of the NMPA mainly responsible for review and approval of IND and NDA
"CG Code"	Corporate Governance Code set out in Appendix C1 to the Listing Rules
"Chairman" or "Chairman of the Board"	the chairman of the Board
"China" or the "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only, unless the context otherwise requires, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company," "our Company," "the Company," or "Jiuyuan Gene"	Hangzhou Jiuyuan Genetic Biopharmaceutical Co., Ltd. (杭州九源基因生物醫藥股份有限公司) (previously known as Hangzhou Jiuyuan Gene Engineering Co., Ltd. (杭州九源基因工程股份有限公司)), a limited liability company established under the laws of the PRC on December 31, 1993 and converted into a joint stock company with limited liability on December 5, 2023
"Corresponding Period"	for the year ended December 31, 2023
"Cosmotrust Biopharmaceutical"	Hangzhou Cosmotrust Biopharmaceutical Co., Ltd. (杭州宇信生物醫藥有限公司), a limited liability company established under the laws of the PRC on June 24, 2020

Definitions

"CQFE"	Corporacion Quimico-farmaceutica Esteve, Sociedad Anónima, a corporation organized under the laws of the Kingdom of Spain on June 6, 1986
"Director(s)"	the director(s) of our Company
"Domestic Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are subscribed for and paid up in Renminbi by domestic investors and are not listed or traded on any stock exchange
"Global Offering"	the offer of Shares for subscription as described in the Prospectus
"Group," "our Group," "we," "us," or "our"	the Company and its subsidiary from time to time
"H Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are traded in Hong Kong dollars and listed on the Stock Exchange
"Hangzhou Huasheng"	Hangzhou Huasheng Pharmaceutical Group Co., Ltd. (杭州華昇醫藥集團有限公司, formerly known successively as 杭州華東醫藥集團控股有限公司, 杭州華東醫藥集團投資有限公司 and 杭州博華投資有限公司), a limited liability company established under the laws of the PRC on March 25, 2002
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"HK$" or "HKD"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Huadong Medicine"	Huadong Medicine Co., Ltd. (華東醫藥股份有限公司), a limited liability company established under the laws of the PRC on March 31, 1993, the A shares of which are listed on the Shenzhen Stock Exchange (stock code: 000963.SZ)
"Internal Rules"	collectively, the Rules of Procedures for the Board of Directors (《董事會議事規則》) and the Rules of Procedures for the General Meeting of Shareholders (《股東會議事規則》)
"Listing"	the listing of the H Shares on the Main Board of the Stock Exchange
"Listing Date"	November 28, 2024, on which the H Shares were listed and dealings in the H Shares first commenced on the Stock Exchange

Definitions

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Nanbeiju"	Hangzhou Nanbeiju Enterprise Management Partnership (杭州南北聚企業管理合夥企業), a limited liability partnership established under the laws of the PRC on July 21, 2023, one of the employee shareholding platforms of the Company
"Nomination Committee"	the nomination committee of our Board
"PRC Company Law"	Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
"Prospectus"	the prospectus of the Company dated November 20, 2024
"Qingfanghao"	Hangzhou Qingfanghao Enterprise Management Partnership (杭州晴方好企業管理合夥企業), a limited liability partnership established under the laws of the PRC on July 21, 2023, one of the employee shareholding platforms of the Company
"R&D"	research and development
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of our Board
"Reporting Period"	for the year ended December 31, 2024
"RMB" or "Renminbi"	the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising the Unlisted Share(s) and H Share(s)
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

Definitions

"Supervisor(s)"	member(s) of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of the Company
"Tax Measures"	Announcement of the State Taxation Administration on Issuing the Measures for Non-resident Taxpayers' Enjoyment of Treaty Benefits (Announcement No. 35 [2019] of the State Taxation Administration)
"treasury Shares"	the meaning as defined under the Listing Rules
"T2DM"	type 2 diabetes mellitus, a metabolic disorder marked by insulin resistance and relative insulin deficiency, often associated with obesity and lifestyle factors
"U.S." or "United States"	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"Unlisted Foreign Share(s)"	ordinary share(s) issued by the Company with a nominal value of RMB1.00 each which is/are subscribed for and paid for in currency other than RMB by foreign investors and not listed on any stock exchange
"Unlisted Shares"	Domestic Shares and Unlisted Foreign Shares
"US$"	United States dollar, the lawful currency of the United States
"Zhongmei Huadong"	Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. (杭州中美華東製藥有限公司), a limited liability company established under the laws of the PRC on December 31, 1992, which is a wholly-owned subsidiary of Huadong Medicine
"%"	per cent

In this annual report, unless otherwise indicated, the terms "associate", "associated corporation", "connected person", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules.

Corporate Information

BOARD

Executive Directors

Mr. Fu Hang (傅航)
(Chairman of the Board and general manager)
Mr. Zhou Wei (周偉)

Non-executive Directors

Ms. Ma Honglan (馬紅蘭)
Mr. Wu Shihang (吳詩航)
Mr. Albert Esteve Cruella
Mr. Fei Junjie (費俊傑)

Independent Non-executive Directors

Mr. Zhou Zhihui (周智慧)
Ms. Ho Mei Yi (何美儀)
Dr. Zhou Demin (周德敏)

SUPERVISORS

Mr. Ye Jiancai (葉建才)
Mr. Xu Feihu (徐飛虎)
Ms. Zhao Fei (趙飛)

REGISTERED OFFICE, HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 23, Eighth Street
Baiyang Street, Qiantang District
Hangzhou, Zhejiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

46/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

H SHARE REGISTRAR

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

COMPLIANCE ADVISER

Maxa Capital Limited
Unit 2602, 26/F, Golden Centre
188 Des Voeux Road Central, Sheung Wan
Hong Kong

JOINT COMPANY SECRETARIES

Ms. Huang Xiu (黃秀)
Ms. Ho Wing Nga (何詠雅)
(fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute)

AUTHORIZED REPRESENTATIVES

Mr. Fu Hang (傅航)
Ms. Ho Wing Nga (何詠雅)

AUDIT COMMITTEE

Mr. Zhou Zhihui (周智慧) *(Chairman)*
Ms. Ho Mei Yi (何美儀)
Dr. Zhou Demin (周德敏)

NOMINATION COMMITTEE

Ms. Ho Mei Yi (何美儀) *(Chairwoman)*
Mr. Fu Hang (傅航)
Dr. Zhou Demin (周德敏)

Corporate Information

REMUNERATION AND APPRAISAL COMMITTEE

Dr. Zhou Demin (周德敏) *(Chairman)*
Mr. Zhou Wei (周偉)
Mr. Zhou Zhihui (周智慧)

STOCK CODE

2566

PRINCIPAL BANKS

China Merchants Bank
Hangzhou Shenlan Sub-branch
1-2F, No. 332 Wangjiang East Road Shangcheng District
Hangzhou, Zhejiang Province
PRC

Bank of China
Hangzhou Qiantang New District Sub-branch
No. 17, No. 3 Street, Baiyang Street
Qiantang District
Hangzhou, Zhejiang Province
PRC

China CITIC Bank
Hangzhou Economic and
Technological Development Zone Sub-branch
No. 2, Science and Technology Park Road, Baiyang Street
Qiantang District
Hangzhou, Zhejiang Province
PRC

AUDITOR

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

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong law:
Cooley HK
35/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC law:
Zhejiang T&C Law Firm
11/F, Block A, Dragon Century Square No. 1 Hangda Road
Hangzhou, Zhejiang
PRC

COMPANY'S WEBSITE

www.china-gene.com

Chairman's Statement

Dear Shareholders,

The year 2024 marked a milestone in the development journey of Jiuyuan Gene. Despite the challenging macroeconomic and capital market environment in this year, Jiuyuan Gene successfully listed on the Hong Kong Stock Exchange on November 28, 2024. Facing the profound adjustments in the global pharmaceutical industry and the compounded impact of domestic policies, we have responded to challenges with strategic determination and seized opportunities through innovative breakthroughs, delivering a result that demonstrated both resilience and vitality.

During the past year, we have provided solid support for our innovation strategy with a robust financial foundation. In 2024, the Company achieved a sales revenue of RMB1.369 billion, with a year-on-year increase of 6.4%; realized a profit of RMB0.14 billion, with the net cash flow from operating activities maintaining positive growth. Behind these figures lies testament to the effective execution of commercial strategies and value realization by all our members.

In 2024, amidst the transformation of industry, we adhered to the clear strategic approach. The breakthrough progress of our core products has injected strong momentum for our future development. In the orthopedic field, we have achieved a breakthrough with rhBMP-2 technology as our core focus. Our product Guyoudao®, as China's first recombinant human bone morphogenetic protein product, has filled a domestic technological gap. In 2024, revenue over orthopedics products has reached a new historical high, achieving over 19 % year-on-year growth in revenue. In the metabolic disease field, we have established semaglutide as a strategic pivot, building a comprehensive ecosystem for whole-course management of diabetes and obesity. Since we initiated research on GLP-1 receptor agonist in 2005, we have accumulated 18 years of expertise in metabolic disease drug development. In 2024, our Jiyoutai® successfully became the first domestically filed semaglutide biosimilar for market approval in China, leading in R&D progress. According to China Insights Industry Consultancy Limited, it is positioned as the potential first domestically-produced semaglutide biosimilar to be approved for commercialization.

Meanwhile, several highly competitive product candidates have achieved major milestones: JY06 PEGylated human granulocyte colony-stimulating factor (Jixinifen®) was approved for sale in January 2025; JY23 (rhBMP-2- integrated pluripotent biological bone) completed pilot-scale development and entered animal testing and regulatory inspection phases; JY53 (recombinant hyaluronidase) obtained CDE pharmaceutical excipient registration, continuing to expand our subcutaneous injection capability.

Usher into a new chapter since the Listing, there are no doubts that the year 2025 will mark a pivotal year in the transition of our new three-year plan, and even more importantly, it will be a decisive year to determine whether we can deliver a leapfrogging development in our strategies. Confronted with increasingly fierce industrial competition, we will remain committed to the vision of "innovation-orientation with market support" by focusing on the four fast-growing segments, namely oncology, hematology, orthopedics, and metabolism, thus to lay a solid foundation for the product development with on-going competitive edge.

Chairman's Statement

On the oncology front, we will continue to increase the sales revenue of Guyoudao and enhance its market share. By expanding the grass-root market, improving the post-operative follow-up system, establishing an alliance for multidisciplinary diagnosis and treatment, as well as other innovative measures, more patients will benefit from such groundbreaking technology. Meanwhile, based on Guyoudao®, we will further develop the next generation of products and establish a product matrix in orthopedics, thus to underpin the growth and development of orthopedic products.

On the metabolism front, we aim to "become a pioneer in domestic GLP-1 drugs" and we will be fully committed to securing domestic semaglutide for hypoglycemics indication to be approved for marketing in the first place. In 2025, we will further increase our R&D investment and refine our R&D system, with aim to facilitate the R&D progress in GLP-1 series products. Taking into account the enormous demands on simepaglutide for domestic and global clinical patients, which are not yet satisfied, we expect to leverage our potential first-mover advantage to the fullest extent and achieve strong sales performance.

The pharmaceutical innovations have vast potential with no boundaries, which always echo with the pioneers who will bravely stand at the forefront. As we gaze upon the everlasting lights in laboratory all night, bear witness the smiles of rebirths on the operating tables, and feel the vibrant rhythm from the capital markets, we are ever more cognizant of the weighty responsibilities upon our shoulders. Moving forward, we will continue to pursue our mission of "guided by genetic engineering, we contribute to human health", continuing to deepen its development and forging ahead against twists and turns. We will harness innovation to pen the epoch-defining chapter for Chinese biopharmaceutical enterprises in this era.

Mr. Fu Hang
Chairman of the Board, Executive Director and General Manager
March 26, 2025

Financial Highlights and Summary

FINANCIAL HIGHLIGHTS

For the Reporting Period, the Group recorded the following financial results:

- Revenue was RMB1,369.2 million, representing an increase of 6.4% as compared to RMB1,287.4 million for 2023.
- Profit for the year attributable to owners of the Company was RMB138.6 million, representing an increase of RMB18.8 million as compared to RMB119.8 million for 2023.
- Basic earnings per share was approximately RMB0.68, representing an increase as compared to RMB0.60 for 2023.

FINANCIAL SUMMARY

	For the year ended December 31,			
	2021	2022	2023	**2024**
	RMB'000 (except percentage)			
Results of operations:				
Revenue	1,307,251	1,125,405	1,287,408	**1,369,184**
Gross profit	950,407	854,262	990,669	**1,081,679**
Profit for the year	119,413	59,867	119,775	**138,601**
Net profit attributable to shareholders of the parent	119,413	59,867	119,775	**138,601**
Profitability:				
Gross profit margin	72.7%	75.9%	77.0%	**79.0%**
Net profit margin attributable to shareholders of the parent	9.1%	5.3%	9.3%	**10.1%**
Earnings per share (RMB):				
Basic and diluted	0.60	0.30	0.60	**0.68**

Management Discussion and Analysis

BUSINESS OVERVIEW

As of the date of this annual report, the Group has achieved the following key milestones and achievements:

Commercialization

In 2024, our total revenue reached RMB1,369.2 million, representing a 6.4% year-on-year increase. Revenue from biological and medical device products amounted to RMB1,077.3 million, accounting for over 78% of the total revenue. Revenue from our orthopedics products achieved over 19% year-on-year growth at a CAGR exceeding 33% from 2021 to 2024, with continue rapid revenue growth. For the year ended December 31, 2024, the coverage rate in targeted medical institutions reached 32.5% in the China market, demonstrating continuously increasing product penetration of Guyoudao.

The strong growth momentum of Guyoudao in 2024 was primarily attributable to our persistently advanced professional academic promotion by organizing orthopedic accelerated rehabilitation training exchanges, academic salons, and inter-hospital exchange meetings. Further standardized and educated on the clinical usage methods of Guyoudao, enabling more patients to benefit from its exceptional clinical treatment efficacy. We accelerated the expansion and training of the academic promotion team of Guyoudao, enhancing staff professionalism through a multilevel professional training system. Continuous efforts were made to develop untapped prefectural and county-level markets, achieving complete provincial market coverage nationwide and significantly improving the coverage rate in Class II and Class III targeted hospitals at prefecture and county levels.

In 2024, we advanced the internationalization strategy for its core products and achieved substantive progress in overseas operations: we signed an exclusive licensing collaboration agreement with Kexing Biopharm Co., Ltd. for overseas market rights of semaglutide in major Latin American countries, with planned New Drug Application ("**NDA**") submission to Brazil's ANVISA in 2025; we entered into key terms of a product licensing agreement with Shanghai Fosun Pharmaceutical (Group) Co., Ltd., granting exclusive rights for clinical development, registration and commercialization of semaglutide, Guyoudao and JY-23 across all Middle East and North Africa countries, Sub-Saharan African countries and selected ASEAN countries, with planned NDA submission to Saudi Arabia's SFDA in 2025; we entered into a collaboration agreement with Nanjing King-Friend Biochemical Pharmaceutical Co., Ltd. on pegfilgrastim (PEGylated human granulocyte colony-stimulating factor) for joint BLA submission to the U.S. FDA.

Management Discussion and Analysis

Research and Development

Established product portfolios across four therapeutic areas: orthopedics, metabolic diseases, oncology, and hematology. Adhering to a research philosophy integrating generic development with innovation transformation, and centering on gene engineering technology, we focus on developing biopharmaceuticals including polypeptides, recombinant proteins, antibody-based drugs, and biopharmaceutical-device combination products. In recent years, new product development has increasingly concentrated on orthopedics and metabolic therapeutic areas, with progressively heightened research and development investment yielding active progress in 2024. In metabolic diseases, JY29-2 became the first domestic product to submit a production license application for the treatment of diabetes treatment in April 2024, while entered the Phase III clinical trial for the treatment of obesity and overweight. The Class I innovative drug JY54 (long-acting amylin analog) has finalized molecular structure and advanced to pilot-scale development and animal testing. In orthopedics, JY23 (rhBMP-2-integrated pluripotent biological bone) completed pilot-scale development and entered animal testing and regulatory inspection phases. In oncology and hematology, new product JY06, 吉新芬® (PEGylated human granulocyte colony-stimulating factor), a long-acting biologic for chemotherapy-induced neutropenia, completed NMPA review (received marketing approval on January 14, 2025); JY53 (recombinant hyaluronidase) obtained CDE pharmaceutical excipient registration and established collaboration with Suzhou Novoprotein Scientific Co., Ltd. for nationwide promotion of subcutaneous drug delivery technology; JY43-2, an upgraded formulation of JY43 daratumumab injection (IND approval received), achieved subcutaneous administration through incorporation of novel recombinant hyaluronidase excipient, now entering pilot-scale development.

Operation

In 2024, we achieved a net profit of RMB138.6 million, representing a 15.7% year-on-year increase, with gross profit margin reaching 79.00% (increased by 2.05% year-on-year) and net profit margin reaching 10.12% (increased by 0.82% year-on-year), demonstrating steady improvements in operational quality and efficiency. To support the internationalization of core products and the expansion in both domestic and overseas market, we completed feasibility studies for production line expansion of Guyoudao and finalized production line planning for semaglutide and related series products in 2024. We continuously improved its quality management system covering the entire product lifecycle. Through optimized measures and stringent controls, quality management capabilities have been steadily enhanced, ensuring effective system operations. This well-functioning system not only provides robust safeguards for product safety and stability but also further strengthens the comprehensive market competitiveness of our products. Complementing core and new product development, we attracted high-end talent, optimized talent echelons, expanded talent reserves, and refined employee training programs alongside talent echelon development.

Management Discussion and Analysis

BUSINESS PROSPECTS

Following our successful listing on the Main Board of the Hong Kong Stock Exchange on November 28, 2024, 2025 will mark a pivotal inaugural year for us in capital markets as we advance strategic initiatives across core therapeutic areas.

In orthopedics, building on our innovative product Guyoudao (rhBMP-2-containing bone repair material), we are developing a series of innovative drug-device combination products candidates including rhBMP-2-integrated pluripotent biological bone and injectable rhBMP-2-containing bone repair materials. We anticipate completing registration-related testing and animal studies for JY23 (rhBMP-2-integrated pluripotent biological bone) in 2025, followed by clinical trial initiation in China.

In metabolic diseases, leveraging our NDA submitted semaglutide biosimilar JY29-2 (for the treatment of diabetes, obesity and overweight), we are developing novel product candidates such as the combination therapies of JY54 (long-acting amylin analog) with semaglutide. In 2025, the Company will continue to follow up on the NDA review progress of JY29-2 (Jiyoutai), which JY29-2 is expected to become the first approved domestic produced semaglutide product; continue to conduct the Phase III clinical trial of JY29-2 (Jikeqin) for the treatment of obesity and overweight. We also plan to submit the IND application for our innovative drug candidate, JY54 (long-acting amylin analog), in 2025.

In oncology and hematology, in 2025, the Company will continue to follow-up on the NDA review progress for JY49 (avatrombopag) and expects its market approval; JY47 (a novel SIRPα monoclonal antibody) will initiate the Phase I clinical trial and conduct indication expansion studies. The Company will also accelerate preclinical studies for biosimilars JY43-2 (daratumumab subcutaneous injection) and JY56 (emicizumab) in 2025, which are expected to strengthen our oncology and hematology treatment portfolios.

Aligned with our R&D strategy, we are intensifying commercialization preparedness through capacity expansion for near-launch products, enhancing GMP standards via new/upgraded production lines for Guyoudao, semaglutide, existing and pipeline products, while strengthening quality systems and expanding domestic/international markets. This includes optimizing production quality assurance, supply chain management, compliance oversight, and industrial capabilities.

PRODUCT PORTFOLIO AND PIPELINE

As of the date of this annual report, we have built a diversified product portfolio comprising nine marketed products and nine product candidates which spans across our focused therapeutic areas. The following table sets forth selected information of our major product candidates as of the date of this annual report:

Product Candidates[1]																	
Product Candidate	Generic Name	Product Type	Expected Classification	Dosage Form	Target/MoA	Intended Indications	Pre-clinical	IND	Phase I	Phase II	Phase III	NDA	Commer-cialization	Next Milestone (Expected time)	Competent Authority	Source	Expiry Date of the Originator Drug's Key Patent
Metabolic Diseases Drugs																	
JY29-2 吉优泰® Jiyoutai	Semaglutide[3]	Peptide	Biosimilar[4]	Subcutaneous injection	Glucagon-like peptide-1 (GLP-1) receptor agonist	T2DM				Filed NDA on Mar 24, 2024				Approval from NMPA (2025H2)	NMPA	Self-developed	Mar 20, 2026
JY29-2 吉可亲® Jikeqin[2]	Semaglutide[3]	Peptide	Biosimilar[4]	Subcutaneous injection	Glucagon-like peptide-1 (GLP-1) receptor agonist	Obesity and overweight								File NDA (2026H1)	NMPA	Self-developed	Mar 20, 2026
JY29-2 (Oral)	Semaglutide[3]	Peptide	Biosimilar[4]	Tablets	Glucagon-like peptide-1 (GLP-1) receptor agonist	Obesity and overweight								IND application (2027)	NMPA	Self-developed	Mar 20, 2033
JY54	Amylin analog	Peptide	Category I innovative drug	Subcutaneous injection	DACRAs receptor agonist	Obesity and overweight								IND application (2025Q4)	NMPA	Self-developed	N/A
Orthopedics																	
JY23[7]	rhBMP-2-integrated pluripotent biological bone injection	Drug-device combination	Drug-device combination	Bone graft	Bone Morphogenetic Protein and Biomaterials	Bone repair								Initiate clinical trial (2025H2)	NMPA	Self-developed	N/A
JY23-2	Injectable rhBMP-2-integrated bone repair material	Drug-device combination	Drug-device combination	Bone graft	Bone Morphogenetic Protein and Biomaterials	Bone repair								IND application (2026)	NMPA	Self-developed	N/A
Oncology																	
JY49[5]	Avatrombopag	Small molecule drug	Generic small molecule drug	Tablets	Thrombopoietin receptor agonist	Thrombocytopenia induced by chronic liver diseases				Filed NDA on Mar 15, 2024				Commercialization (2025H2)	NMPA	Self-developed	Jan 15, 2023
JY47	SIRPα monoclonal antibody	Monoclonal antibody	Category I innovative drug	Intravenous injection	CD47-SIRPα blockade	Solid tumors								Phase I clinical trial (2025H2)	NMPA	Self-developed	N/A
JY43	Daratumumab	Monoclonal antibody	Biosimilar[4]	Intravenous injection	CD38 inhibitor	Multiple myeloma								Phase I clinical trial (2025 or later)	NMPA	Self-developed	Mar 23, 2026
JY43-2	Daratumumab (with recombinant human hyaluronidase)	Monoclonal antibody	Biosimilar[4]	Subcutaneous injection	CD38 inhibitor with recombinant human hyaluronidase	Multiple myeloma								IND application (2026)	NMPA	Self-developed	Mar 23, 2026
Hematology																	
JY56	Emicizumab	Bispecific antibody	Biosimilar[4]	Subcutaneous injection	Bridging coagulation factor IX and coagulation factor X	Hemophilia								IND application (2026)	NMPA	Self-developed	Nov 17, 2031

Notes:

(1) As of the date of this annual report, we expected to conduct all the clinical trials of our product candidates in China and hold the exclusive rights to develop and commercialize such drug candidates worldwide.

(2) After communicating with the CDE, it has agreed that we can directly enter the Phase III clinical trial on JY29-2 (Jikeqin) as we have completed the Phase I clinical trial of JY29-2 (Jiyoutai). We have completed the enrollment for the Phase III clinical trial of JY29-2 (Jikeqin) on December 19, 2024.

(3) We plan to collaborate with global pharmaceutical companies in the future to develop JY29-2 for markets outside of China where our partners will be responsible for clinical trials overseas.

(4) According to the "Technical Guidelines for the Development and Evaluation of Biosimilars (Trial)" (《生物類似藥研發與評價技術指導原則（試行）》) issued by the CDE in 2015, biosimilars are only required to undergo Phase I and Phase III clinical trials.

(5) We have completed the bioequivalence studies on JY49 as of the date of this annual report, and no additional clinical trials are required for this drug candidate as a generic small molecule drug. We filed the NDA with the NMPA on March 15, 2024.

Our Marketed Products

The following table sets forth selected information of our marketed products as of the date of this annual report:

Marketed Products											
Product	**Generic Name**	**Classification**	**Description**	**Indications**	**Approval Date**	**Product Type**	**Inclusion in NRDL**	**Inclusion in VBP**	**Regulator**	**Source**	**Whether the Originator Drug Holds Patents in China**
Orthopedics											
骨优导® Guyoudao	Bone repair material (recombinant human bone morphogenetic protein-2)	Drug-device combination	First marketed rhBMP-2 bone repair product in China	Filling and repair of bone defects, bone nonunion, bone delayed union, and graft repair of spinal fusion, joint fusion, and orthopedic bone graft	Oct 10, 2009	Class 3 medical device (drug-device combination)	N/A	No	NMPA	Transferred from shareholder	N/A
Oncology											
吉粒芬® Jilifen	Human granulocyte colony stimulating factor injection	Biologics	First marketed rhG-CSF product in China	Neutropenia	Nov 7, 1996	Recombinant protein	Yes, Part B	No	NMPA	Self-developed	No
吉巨芬® Jijufen	Human interleukin-11 Injection	Biologics	A platelet-derived growth factor product produced through recombinant DNA technology	Chemotherapy-induced thrombocytopenia	Sep 18, 2003	Recombinant protein	Yes, Part B	No	NMPA	Self-developed	No
吉欧停® Jiouting	Palonosetron hydrochloride injection	Generic small molecule drug	Long-acting 5-HT3 receptor antagonist	Nausea and vomiting induced by radiation therapy, chemotherapy or postoperatively	Dec 19, 2008	Small molecule drug	Yes, Part B	Yes	NMPA	Self-developed	No
吉芙惟® Jifuwei	Fulvestrant injection	Generic small molecule drug	Estrogen receptor antagonist	Advanced breast cancer	Jun 28, 2022	Small molecule drug	Yes, Part B	Yes	NMPA	Self-developed	No
吉坦苏® Jitansu	Fosaprepitant dimeglumine injection	Generic small molecule drug	Neurokinin-1 receptor antagonists	Chemotherapy-induced nausea and vomiting	Aug 1, 2023	Small molecule drug	Yes, Part B	No	NMPA	Self-developed	Yes, the patent expired on Apr 23, 2003.
吉新芬® Jixinfen	PEG-G – CSF Injection	Biologics	long-acting human granulocyte colony-stimulating factor	Neutropenia	Jan 14, 2025	Recombinant protein	Yes, Part B	No	NMPA	Self-developed	Yes, the patent expired on February 8, 2015.
Hematology											
吉派林® Jipailin	Low molecular weight heparin sodium injection	Generic small molecule drug	First low molecular weight heparin sodium injection product marketed in China	Venous thromboembolic diseases	Sep 5, 1997	Small molecule drug	Yes, Part B	No	NMPA	Self-developed	No
亿喏佳® Yinuojia	Enoxaparin sodium injection	Generic small molecule drug	Enoxaparin sodium	Venous thromboembolic diseases	Mar 18, 2006	Small molecule drug	Yes, Part B	Yes	NMPA	Self-developed	No

Orthopedic Product

Guyoudao 骨优导® (rhBMP-2 Bone Repair Material): Drug-device combination product, China's first approved rhBMP-2 bone repair material

Guyoudao is a drug-device combination product and a bone repair material with rhBMP-2, which can be used for the filling and repair of bone defects, bone nonunion, bone delayed union, spinal fusion, joint fusion, and other orthopedic conditions that require grafting. Guyoudao consists of rhBMP-2 as an active agent and medicinal gelatin, soy lecithin and hydroxyapatite as carrier. The marketing approval for Guyoudao was obtained in October 2009 and it was subsequently launched in 2010. Guyoudao is the first bone repair material with rhBMP-2 approved for sale in China, making us the second company in the world with a commercialized rhBMP-2 product. Guyoudao is designed for hospital use and is applied during surgeries by licensed orthopedic surgeons, and our target end-customers are hospitals which are qualified to carry out orthopedic surgeries.

In the bone repair material market, bone morphogenetic proteins are recognized for their role in inducing bone tissue formation. Among these proteins, BMP-2 stands out as one of the factors with the strongest osteoinductive ability and has been recommended by a number of osteonecrosis of the femoral head (ONFH) clinical practice guidelines and expert consensus in China as a recommended therapy for ONFH patients. In particular, it has been recommended by the "2022 Expert Consensus on Clinical Diagnosis and Treatment Techniques for ONFH" (《股骨頭壞死臨床診療技術專家共識(2022年)》), the "2022 Expert Consensus on Clinical Drug Prevention and Treatment of ONFH" (《股骨頭壞死臨床藥物防治專家共識(2022年)》), both issued by the Bone Microcirculation Professional Committee of Chinese Microcirculation Society, and the "Clinical Diagnosis and Treatment Standards for ONFH" (《股骨頭壞死臨床診療規範》) issued by the Chinese Medical Association in both 2015 and 2016.

Oncology Products

Jilifen 吉粒芬® (hG-CSF Injection): China's first domestically developed hG-CSF product

With the approval for sale obtained in October 1996, Jilifen is the first domestically developed human granulocyte colony stimulating factor (hG-CSF) in China. Jilifen is primarily used for the treatment for neutropenia (low white blood cells), whether it is congenital, idiopathic, or induced by chemotherapy, aplastic anemia, myelodysplastic syndrome, or bone marrow transplantation. The level of bioactivity of the protein in Jilifen is equivalent to human G-CSF. G-CSF stimulates the survival and proliferation of myeloid progenitor cells, as well as their differentiation towards neutrophilic granulocytes. In addition, G-CSF stimulates the release of mature neutrophils from bone marrow and brings about their activation. According to publicly available information of certain clinical studies, G-CSF has demonstrated that it is useful in treating patients suffering from neutropenia during or after chemotherapy and in mobilizing peripheral blood progenitor cells for harvesting and transplantation.

G-CSF has been recommended by a number of clinical practice guidelines and expert consensus as a recommended therapy for preventing and treating neutropenia caused by tumor radiotherapy and chemotherapy. In particular, G-CSF has been recommended by the "NCCN Clinical Practice Guidelines in Oncology: Hematopoietic Growth Factors (2024)", "NCCN Guidelines: Hematopoietic Growth Factors Version 1 (2023)" issued by the National Comprehensive Cancer Network (NCCN) as well as the "Guidelines for the Standardized Management of Neutropenia Associated with Tumor Radiotherapy and Chemotherapy" (《腫瘤放化療相關中性粒細胞減少症規範化管理指南》) issued by the Chinese Society of Clinical Oncology (CSCO) in 2021.

Further, Jilifen was designated as National Key New Product (國家重點新產品) by the State Scientific and Technological Commission and included in the National Torch Program Project (國家級火炬計劃項目). Additionally, it was recognized as a National Torch Program Industrialization Demonstration Project (國家火炬計劃產業化示範項目) and achieved International GMP Certification. Jilifen also received the Zhejiang Provincial Science and Technology Progress Second Prize (浙江省科技進步二等獎) by the Department of Science and Technology of Zhejiang Province and was recognized as a Zhejiang Famous Trademark (浙江省著名商標) and was listed as a Zhejiang Manufacturing Boutique in 2020 (2020年度浙江製造精品). Additionally, Jilifen was included in the Hangzhou Innovation and Quality Local Pharmaceutical and Medical Device Recommended Directory in 2021 and 2022 (2021年及2022年杭州市創新優質杭產藥械推薦目錄) and the Hangzhou Quality Product Recommended Directory in 2024 (2024年杭州市優質產品推薦目錄).

Management Discussion and Analysis

Jijufen 吉巨芬® (Human Interleukin-11 Injection)

With the approval for sale obtained in September 2003, Jijufen is among the first few domestically developed biological products of interleukin-11 (IL-11) injection. It is produced through recombinant DNA technology and can be used to prevent and treat low platelet count in patients who are undergoing chemotherapy. IL-11 stimulates platelet production. The primary hematopoietic activity of IL-11 is stimulation of megakaryocytopoiesis and thrombopoiesis. At the molecular level, IL-11 binds to the IL-11 receptor (IL-11Rα) on various cells involved in hematopoiesis, including hematopoietic stem cells, megakaryocyte progenitor cells and megakaryocytes. Binding of IL-11 to IL-11Rα stimulates the proliferation of hematopoietic stem cells and megakaryocyte progenitor cells and induces megakaryocyte maturation resulting in increased platelet production.

IL-11 has been recommended by a number of expert consensuses as a recommended therapy for preventing and treating low platelet count in patients who are undergoing chemotherapy. In particular, IL-11 has been recommended by the "2024 Guidelines of Chinese Society of Clinical Oncology: Cancer Therapy Induced Thrombocytopenia" (《2024中國臨床腫瘤學會腫瘤治療所致血小板減少症診療指南》) issued by the CSCO, "Consensus on the Clinical Diagnosis, Treatment and Prevention of Cancer Treatment-induced Thrombocytopenia in China (2023 edition)" (《中國腫瘤藥物相關血小板減少診療專家共識(2023版)》) issued by the Society of Chemotherapy, China Anti-Cancer Association, and the "Expert Consensus on the Clinical Application of hIL-11 in the Prevention and Treatment of Thrombocytopenia" (《重組人白介素–11防治血小板減少症臨床應用中國專家共識》) issued by certain expert committees including the Anti-tumor Drug Safety Management Expert Committee of the Chinese Society of Clinical Oncology in 2021.

Further, Jijufen was awarded the Excellent Award of Chinese Patent for Invention (中國發明專利優秀獎) by the China National Intellectual Property Administration and was included in the Hangzhou Innovation and Quality Local Pharmaceutical and Medical Device Recommended Directory in 2021 and 2022 (2021年及2022年杭州市創新優質杭產藥械推薦目錄).

Jiouting 吉欧停® (Palonosetron Hydrochloride Injection)

With the approval for sale obtained in December 2008, Jiouting is among the first few domestically developed generic products of palonosetron hydrochloride injection that can be used to prevent and treat nausea and vomiting induced by radiation therapy, chemotherapy or postoperatively. Chemotherapeutic agents produce nausea and vomiting by releasing serotonin from the enterochromaffin cells of the small intestine. The released serotonin then activates 5-HT3 receptors, which have been demonstrated to selectively participate in the emetic response, located on vagal afferents to initiate the vomiting reflex. Palonosetron is a 5-HT3 receptor antagonist with a strong binding affinity for the receptors and little or no affinity for other receptors, which enables it to inhibit vomiting reflux.

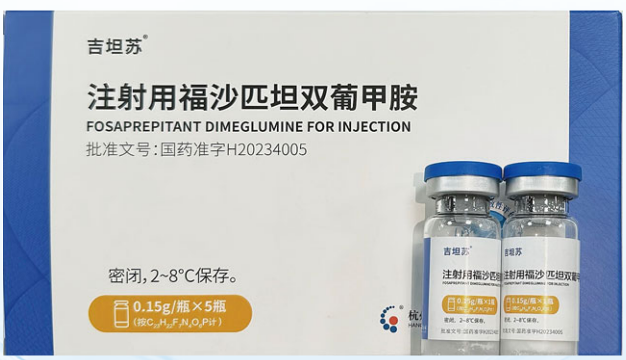
Palonosetron has been recommended by a number of clinical practice guidelines and expert consensuses as a recommended therapy for antiemesis. In particular, palonosetron has been recommended by the "NCCN Guidelines: Antiemesis" issued by the NCCN in 2023, "Antiemetics: American Society of Clinical Oncology Clinical Practice Guideline" published by the American Society of Clinical Oncology, "2023 MASCC and ESMO Guideline for the Prevention of Chemotherapy – and Radiotherapy-induced Nausea and Vomiting" issued by the Multinational Association of Supportive Care in Cancer and the European Society for Medical Oncology, "Expert Consensus on the Prevention and Treatment of Nausea and Vomiting Related to Cancer Drug Therapy" (《腫瘤藥物治療相關噁心嘔吐防治專家共識》) issued by the China Anti-Cancer Association in 2022, and the "Consensus Guidelines for the Management of Postoperative Nausea and Vomiting" (《術後噁心嘔吐管理的共識性指南》) by the American Society for Enhanced Recovery. Further, Jiouting was included in the 2023 Hangzhou Innovation and Quality Local Pharmaceutical and Medical Device Recommended Directory (2023年杭州市創新優質杭產藥械推薦目錄) and the Hangzhou Quality Product Recommended Directory in 2024 (2024年杭州市優質產品推薦目錄).

Jifuwei 吉芙惟® (Fulvestrant Injection): China's third domestically developed fulvestrant product

Jifuwei was developed by us in-house with its approval for sale obtained in June 2022. Jifuwei, a generic fulvestrant injection, is an estrogen receptor antagonist used as a treatment of advanced breast cancer. Fulvestrant competitively and reversibly binds to estrogen receptors present in cells. When fulvestrant binds to estrogen receptor monomers, it inhibits receptor dimerization, activation functions are rendered inactive, translocation of receptor to the nucleus is reduced, and degradation of the estrogen receptor is accelerated. This results in anti-estrogenic effects and inhibits the growth of estrogen-sensitive human breast cancer cell lines.

Fulvestrant has been recommended by a number of clinical practice guidelines as a recommended therapy for breast cancer. In particular, fulvestrant has been recommended by the "Guidelines for Breast Cancer Diagnosis and Treatment by China Anti-cancer Association (2025 edition)" (《中國抗癌協會乳腺癌診治指南與規範(2025年版)》) published by the China Anti-cancer Association, "NCCN Guidelines: Breast Cancer (2025)" issued by the NCCN, and the "2024 Guidelines of Chinese Society of Clinical Oncology: Breast Cancer" (《2024中國臨床腫瘤學會乳腺癌診療指南》) issued by the CSCO. Further, Jifuwei was included in the 2023 Hangzhou Innovation and Quality Local Pharmaceutical and Medical Device Recommended Directory (2023年杭州市創新優質杭產藥械推薦目錄).

Jitansu 吉坦苏® (Fosaprepitant Dimeglumine Injection)



Jitansu is a generic fosaprepitant dimeglumine injection used to treat chemotherapy-induced nausea and vomiting. Fosaprepitant is a phosphorylated analog of aprepitant with water-solubility, enabling it to convert to aprepitant after intravenous injection. Aprepitant is a selective high-affinity antagonist of human substance P/neurokinin 1 (NK1) receptors present in both the central and peripheral nervous systems which play roles in the vomiting reflex. The binding of the aprepitant to NK-1 receptors may attenuate vagal afferent signals and contribute to the antiemetic effect. Jitansu was developed by us in-house with its approval for sale obtained in August 2023.

Management Discussion and Analysis

Fosaprepitant has been recommended by a number of clinical practice guidelines and expert consensuses as a recommended therapy for antiemesis. In particular, fosaprepitant has been recommended by the "NCCN Guidelines: Antiemesis Version 2 (2023)" issued by the NCCN in 2023, "Antiemetics: American Society of Clinical Oncology Clinical Practice Guideline" published by the American Society of Clinical Oncology, "2023 MASCC and ESMO Guideline for the Prevention of Chemotherapy – and Radiotherapy-induced Nausea and Vomiting" issued by the Multinational Association of Supportive Care in Cancer and the European Society for Medical Oncology, and the "Expert Consensus on the Prevention and Treatment of Nausea and Vomiting Related to Cancer Drug Therapy (2022)" (《腫瘤藥物治療相關噁心嘔吐防治專家共識(2022年版)》) issued by the China Anti-Cancer Association in 2022, and the "Consensus Guidelines for the Management of Postoperative Nausea and Vomiting" (《術後噁心嘔吐管理的共識性指南》) by the American Society for Enhanced Recovery.

Jixinfen 吉新芬® (PEG-G – CSF Injection)

Jixinfen, a Category III biological product, is a polyethylene glycol-modified human granulocyte colony-stimulating factor (PEG-G-CSF) for the prevention of chemotherapy-induced febrile neutropenia in adult patients with non-myeloid malignancies. Jixinfen was developed by us in-house with its approval for sale obtained in January 2025.

Jixinfen is a long-acting G-CSF developed using PEG modification technology. It functions by binding to specific cell surface receptors on hematopoietic stem cells, stimulating the proliferation, differentiation, maturation, and activation of these stem cells. This ultimately leads to their conversion into white blood cells, elevating patients' white blood cell levels and treating neutropenia resulting from chemotherapy. In Phase I and Phase III clinical trials, Jixinfen demonstrated a favorable efficacy and safety profile similar to its originator, Neulastim® (PEG-G – CSF).

PEG-G – CSF has been recommended by multiple clinical practice guidelines and expert consensuses for the prevention and treatment of neutropenia caused by cancer chemoradiotherapy. Notably, PEG-G – CSF is endorsed in the "NCCN Clinical Practice Guidelines in Oncology: Hematopoietic Growth Factors (2024)", "Expert Consensus on the Diagnosis and Treatment of Tumor Chemotherapy-induced Neutropenia (2023)" (《中國腫瘤化療導致的中性粒細胞減少診治專家共識(2023版)》), and the "Guidelines of Chinese Society of Clinical Oncology: Standardized Management of Neutropenia Induced by Chemotherapy and Radiotherapy (2021)" (《中國臨床腫瘤學會腫瘤放化療相關中性粒細胞減少症規範化管理指南(2021版)》) issued by the CSCO.

Hematology Products

Yinuojia 亿喏佳® (Enoxaparin Sodium Injection): China's second domestically developed enoxaparin sodium product

Yinuojia is the second domestically developed enoxaparin sodium generic drug commercialized in China. Yinuojia is a low molecular weight heparin sodium product that has strong anti-factor Xa effect and relatively weak anti-factor IIa effect. It can be used to prevent and treat deep vein thrombosis and thrombus formation during hemodialysis. When administered concurrently with aspirin, Yinuojia can be used to treat unstable angina and non-ST myocardial infarction. Yinuojia was developed by us in-house with its approval for sale obtained in March 2006.

Jipailin 吉派林® (Low Molecular Weight Heparin Sodium Injection): China's first domestically developed low molecular weight heparin sodium product

Jipailin was developed by us in-house and is the first domestically developed low molecular weight heparin sodium product commercialized in China and was approved for sale in China in 1997. Jipailin inhibits clotting of blood in blood vessels by inhibiting the activity of factor Xa. Therefore, Jipailin can be used to prevent and treat deep vein thrombosis, in particular postoperatively, and thrombus formation during hemodialysis. Jipailin can also be administered concurrently with aspirin to treat unstable angina and non-Q-wave myocardial infarction.

Metabolic Disease Product

Beyond our offerings in orthopedics, oncology and hematology, we have nearly 18 years of experience in metabolic disease drug development. We initiated our research into the agonists to GLP-1 receptor, a key therapeutic target in metabolic disease, in 2005. Based on our peptide drug technology platform, we developed the first biosimilar candidate to liraglutide, a GLP-1 receptor agonist, to have obtained IND approval in China.

We transferred this product candidate to Zhongmei Huadong between 2017 and 2019 and entered into agreements with Zhongmei Huadong, pursuant to which, we transferred the biosimilar formulation of the liraglutide product (which later came to be known as Liluping) to Zhongmei Huadong and collaborate with Zhongmei Huadong in preparing samples, conducting clinical trials, developing the technology for commercial production and filing for NDA, until Zhongmei Huadong obtained approval for sale. Through our collaborative efforts with Zhongmei Huadong, this candidate became the first liraglutide biosimilar approved for sale in China in March 2023.

APIs and Excipients

Leveraging our manufacturing infrastructure, we also produce various APIs and sell to a range of overseas markets. The following table sets forth selected information about our APIs and excipients as of the date of this annual report.

APIs and Excipients				
Product	Generic Name	Product Type	Description	Status
JY16	Fulvestrant	API	• Fulvestrant is an estrogen receptor antagonist that binds to estrogen receptors in breast cancer cells.	Marketed
JY07	Enoxaparin sodium	API	• Low molecular weight heparin, an anticoagulant drug, is mainly used for the prevention and treatment of thrombosis-related diseases, such as deep vein thrombosis, pulmonary embolism, myocardial infarction.	Marketed
JY14	G-CSF	API	• G-CSF stimulates the neutrophil development, production and release from the bone marrow by binding to its cognate cell surface receptor. G-CSF is commonly used in preventing and treating chemoradiotherapy-induced neutropenia.	Marketed
JY06	PEG-G-CSF	API	• Compared to ordinary G-CSF drugs, PEG-G-CSF has extended circulating half-life which allows for reduced dose frequency and improved patient compliance.	Marketed
JY29-2	Semaglutide	API	• Semaglutide is a long-acting GLP-1 receptor agonist for the treatment of type 2 diabetes and obesity and overweight.	Under development
JY23	rhBMP-2	API	• rhBMP-2 effectively induces the differentiation of mesenchymal stem cells and bone progenitor cells into osteoblasts.	Marketed
JY53	Recombinant human hyaluronidase	Excipient	• By breaking down hyaluronic acid in skin tissue, hyaluronidase can increase membrane permeability and improve the absorption and dispersion of parenterally administered fluids and drugs into tissue. • As an excipient, hyaluronidase can be administered concurrently with antibodies and enables the shift from intravenous injection to subcutaneous injection and dose optimization.	Drug master file number granted

Our Product Candidates Under Development

Our diversified candidate pipeline spans across metabolic disease, orthopedics, and oncology. In the metabolic disease domain, our candidates include JY29-2, injectable semaglutide biosimilar for the treatment of T2DM under the brand name of Jiyoutai, for the treatment of obesity and overweight under the brand name of Jikeqin, and oral tablet of semaglutide; and JY54, a long-acting amylin analog for the treatment of obesity and overweight-related metabolic disorders which is expected to be Category I innovative drug. In orthopedics, we are developing JY23, rhBMP-2 – integrated pluripotent biological bone and JY23-2, rhBMP-2-integrated bone repair material injection. In oncology and hematology, JY49 is a small molecule generic drug for treating thrombocytopenia; JY47 is a Category I innovative antibody drug targeting solid tumors; and both JY43 and JY43-2 are biosimilars developed to address multiple myeloma, and our newly initiated JY56 (emapalumab analog) is a bispecific antibody drug used for the treatment of hemophilia. Each of these candidates underlines our commitment to innovation and addressing diverse medical challenges.

Metabolic Disease Product Candidates

JY29-2 (Jiyoutai 吉优泰® and Jikeqin 吉可亲®) Semaglutide Injection

We are developing JY29-2, a semaglutide biosimilar, under the brand name of Jiyoutai for the treatment of T2DM and under the brand name of Jikeqin for the treatment of obesity and overweight. JY29-2 (Jiyoutai) is the first semaglutide biosimilar in China to have submitted the NDA.

In January 2024, we obtained the IND approval from the NMPA to evaluate JY29-2 (Jikeqin) for the treatment of obesity and overweight. We have initiated the Phase III clinical trial to evaluate JY29-2 (Jikeqin) for this indication in October 2024 and have completed patient enrollment in December 2024 with 370 participants enrolled in total. In addition, we are developing the oral tablet of semaglutide for the treatment of obesity and overweight.

Semaglutide is a peptide akin to the hormone glucagon-like peptide-1 (GLP-1) but is modified with a fatty acid side chain. Semaglutide employs the following dual mechanisms to combat diabetes. By emulating the actions of the hormone GLP-1, it augments the production of insulin, the hormone responsible for reducing blood sugar levels. Moreover, it curtails the production of glucagon, a hormone that facilitates the release of stored carbohydrates from the liver and prompts the creation of new glucose. Additionally, semaglutide diminishes food intake by suppressing appetite and decelerating digestion in the stomach, aiding in the reduction of hunger, food cravings, and body fat, thus ameliorating obesity and being overweight.

We obtained the IND approval for JY29-2 (Jiyoutai) for the treatment of T2DM in September 2021, making it the first semaglutide biosimilar to have obtained IND approval in China. The Phase I clinical trial of JY29-2 (Jiyoutai) was completed in January 2022, demonstrating pharmacokinetic similarity between JY29-2 (Jiyoutai) and the control drug (Ozempic®) in healthy subjects. The Phase III clinical trial of JY29-2 (Jiyoutai) was completed in October 2023, which demonstrated, together with the Phase I clinical trial, that JY29-2 (Jiyoutai) and the control drug (Ozempic®) had similar clinical efficacy and safety profile. We submitted the NDA for JY29-2 (Jiyoutai) in March 2024 and it is currently under review by the NMPA. For JY29-2 (Jikeqin), we plan to submit the NDA application in the first half of 2026. We also plan to develop an oral form of semaglutide for the treatment of obesity and overweight.

JY54 Amylin Analog

JY54 is a long-acting amylin analog product we developed in-house and intended for the treatment of obesity and overweight. It is expected to be a Category I innovative drug pursuant to the drug categorizations promulgated by NMPA. JY54 is currently undergoing CMC development and animal studies, and we expect to submit an IND application for JY54 in the fourth quarter of 2025.

This medication's multifaceted mechanisms of action ensure its therapeutic effectiveness. It acts directly on the brain to suppress appetite, while slowing down intestinal digestion and emptying. Additionally, it inhibits the production of glucagon, the hormone responsible for increasing the release of stored carbohydrates from the liver and the synthesis of new glucose.

Orthopedic Product Candidates

JY23 rhBMP-2 – integrated Pluripotent Biological Bone

JY23 is a next-generation bone repair material developed by combining rhBMP-2 with biomaterials. JY23 further enhances sustained release capability and osteoconduction performance based on existing products. JY23 is currently undergoing process validation, registration testing, and animal studies. We expect to initiate the clinical trial of JY23 in the second half of 2025.

The multifunctional biological bone material, JY23, which contains rhBMP-2, operates through a synergistic triple mechanism to achieve efficient bone repair. Firstly, it fills bone defect spaces, preventing the invasion of fibrous tissue and creating a clean microenvironment conducive to bone regeneration. Secondly, its gelatin scaffold, with high porosity, supports the ingrowth of new blood vessels, nutrient exchange, and cell migration, forming channels for bone regeneration. Thirdly, rhBMP-2 is slowly released as the material degrades, continuously inducing the differentiation of mesenchymal stem cells into osteoblasts, thereby accelerating new bone formation. JY23 is highly adaptable, suitable for irregular bone defects, spinal fusion, and other complex scenarios.

JY23-2, rhBMP-2-integrated Bone Repair Material Injection

We are also developing JY23-2 (injectable rhBMP-2-integrated bonerepair material), a next-generation BMP-2 product that is minimally invasive, injectable, and offers customizable shaping and fixed support. We expect to submit an IND application with the NMPA in 2026.

Oncology and Hematology Product Candidates

JY49 Avatrombopag Maleate

JY49 is a chemical generic avatrombopag maleate for treating thrombocytopenia. We completed the bioequivalence study for JY49 in October 2023 and submitted the NDA in March 2024. In this bioequivalence study, JY49 has showed a favorable safety profile that is similar to its originator, Doptelet® (avatrombopag). We expect to obtain marketing approval in 2025.

JY47 SIRPα Monoclonal Antibody Injection

JY47 is a humanized IgG1 Signal Regulatory Protein α (SIRPα)-specific monoclonal antibody injection and is classified as a Category I innovative drug, intended for the treatment of solid tumors. We received an IND approval for JY47 in December 2022 and expect to initiate a Phase I clinical trial in the second half of 2025.

SIRPα is a typical inhibitory immune receptor within the SIRP family. Its binding to the ligand CD47 that produces a "don't eat me" signal, preventing macrophages from phagocytosing healthy cells. JY47 binds with high affinity and specificity to the SIRPα protein on the surface of cancer cells, obstructing the interaction between SIRPα and CD47. This inhibits the CD47-SIRPα signaling pathway, amplifying the phagocytic activity of macrophages towards cancer cells and potentially enhancing the cytotoxic activity of NK cells and T cells against cancer cells, thereby exerting an anti-tumor effect.

JY43 Daratumumab Intravenous Injection and JY43-2 Daratumumab Subcutaneous Injection

JY43 and JY43-2 are biosimilars to daratumumab intravenous injection and daratumumab subcutaneous injection, respectively. Both are used for the treatment of multiple myeloma. As a monoclonal antibody targeting CD38, JY43 binds to the tumor cell surface receptor CD38 and induces tumor cell apoptosis through various immune-related mechanisms, including complement-dependent cytotoxicity (CDC), antibody-dependent cellular cytotoxicity (ADCC), antibody-dependent cellular phagocytosis (ADCP), Fcγ receptor-mediated responses, the depletion of CD38+ immunosuppressive cells, and the activation of killer T cells CD38+ and helper T cells CD4+.

We received an IND approval for JY43 in April 2023 and expect to initiate a Phase I clinical trial in 2025 or later. We also plan to submit an IND application for JY43-2 with the NMPA in 2026.

JY56 Emicizumab Injection

JY56, a biosimilar of emicizumab, is designed to address coagulation disorders in hemophilia A patients by simultaneously binding to activated factor IX (FIX) and factor X (FX) through its dual-targeting domains, forming a stable ternary complex. This mechanism enables FX activation independent of factor VIII (FVIII), thereby restoring the natural coagulation cascade and correcting the impaired clotting process caused by FVIII deficiency. By reconstituting the physiological pathway for thrombin generation, JY56 effectively prevents or reduces bleeding episodes in hemophilia A patients. JY56 is currently under pre-clinical study stage and we expect to submit IND application with the NMPA in 2026.

FINANCIAL REVIEW

Revenue

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Revenue from Sale of Goods	**1,298,951**	1,218,477
Revenue from Pharmaceutical Services	**70,233**	68,931
	1,369,184	1,287,408

During the Reporting Period, our revenue was RMB1,369.2 million, representing an increase of 6.4% as compared to RMB1,287.4 million for the same period of 2023. The increase in revenue was mainly attributable to an increase of RMB80.5 million in revenue from sales of goods.

Sale of goods

Revenue from sales of goods increased by 6.6% from RMB1,218.5 million in the year ended December 31, 2023 to RMB1,299.0 million in the year ended December 31, 2024, in line with the increase in sales revenue from Guyoudao. Our revenue generated from sales of Guyoudao increased by 19.1% from RMB708.9 million in the year ended December 31, 2023 to RMB844.0 million in the year ended December 31, 2024, mainly due to the continuous growth of its sales volume.

Pharmaceutical services

Revenue from pharmaceutical services remained relatively stable at RMB68.9 million in the year ended December 31, 2023 and at RMB70.2 million in the year ended December 31, 2024.

Cost of Sales

Our cost of sales decreased by 3.1% from RMB296.7 million in the year ended December 31, 2023 to RMB287.5 million in the year ended December 31, 2024, primarily driven by (i) the increased proportion of sales revenue from Guyoudao, which has a comparatively high gross profit margin and (ii) reduced production costs of Guyoudao achieved through optimization of manufacturing operation.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 9.2% from RMB990.7 million in the year ended December 31, 2023 to RMB1,081.7 million in the year ended December 31, 2024. Our gross profit margin increased from 77.0% in the year ended December 31, 2023 to 79.0% in the year ended December 31, 2024, primarily because (i) the increased proportion of sales revenue from Guyoudao, which has a comparatively high gross profit margin and (ii) reduced production costs of Guyoudao achieved through optimization of manufacturing operation.

Other Income and Gains

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Other Income		
Government grants*	**16,358**	6,410
Bank interest income	**1,282**	283
Others	**6**	–
Total Other Income	**17,646**	6,693
Gains		
Foreign exchange gains, net	**1,080**	206
Total other income and gains	**18,726**	6,899

Note*: Government grants have been received from the PRC local government authorities to support the subsidiaries' research and development activities. There are no unfulfilled conditions related to these government grants.

Our other income and gains increased by 171.4% from RMB6.9 million in the year ended December 31, 2023 to RMB18.7 million in the year ended December 31, 2024, primarily due to an increase in government grants of RMB9.9 million.

Selling and Marketing Expenses

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Marketing and promotion expenses	**432,388**	419,761
Travelling expenses	**98,418**	68,400
Labor costs	**169,094**	157,422
Others*	**20,101**	18,162
	720,001	663,745

Note*: "Others" primarily comprises expenses related to offices, leases and maintenance, depreciation and amortization, and other miscellaneous expenses.

Our selling and marketing expenses increased from RMB663.7 million in the year ended December 31, 2023 to RMB720.0 million in the year ended December 31, 2024, primarily due to an increase in travelling expenses of RMB30.0 million, which was primarily attributed to enhanced marketing activities driven by the Company's strategy to penetrate prefecture and county-level markets.

Administrative Expenses

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Labor costs	**37,643**	37,105
General operating expenses	**14,674**	9,373
Depreciation and amortization	**1,735**	1,931
Professional consulting fees	**30,872**	10,563
Others*	**3,450**	907
	88,374	59,879

Note*: "Others" primarily comprises tax and other miscellaneous expenses.

Our administrative expenses increased form RMB59.9 million in the year ended December 31, 2023 to RMB88.4 million in the year ended December 31, 2024, primarily due to an increase of professional consulting fees of RMB20.3 million in relation to the listing expenses.

Research and Development Costs

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Labor costs	**45,748**	59,261
Costs of materials	**15,834**	15,368
Depreciation and utilities	**15,262**	18,722
Testing and experiment costs	**25,026**	23,049
Outsourcing and professional consulting fees	**881**	2,564
Others*	**6,146**	8,793
	108,897	127,757

Note*: "Others" primarily comprises repair fees, office expenses, travel and conference expenses and other miscellaneous expenses.

Our research and development costs decreased form RMB127.8 million in the year ended December 31, 2023 to RMB108.9 million in the year ended December 31, 2024, primarily due to a decrease in labor costs of RMB13.5 million, mainly attributable to JY29-2 (Jikeqin) entering Phase III clinical trials, which qualifies for capitalization.

Other Expenses

Our other expenses increased from RMB1.9 million in the year ended December 31, 2023 to RMB7.4 million in the year ended December 31, 2024, primarily due to our adherence to HKFRS 9, which required the calculation of expected credit loss rates for accounts receivable based on migration rates and forward-looking adjustments, and led to an increase in the provision for bad debts.

Finance Costs

Our finance costs decreased from RMB9.4 million in the year ended December 31, 2023 to RMB7.1 million in the year ended December 31, 2024, primarily due to a decrease of interest on bank borrowings of RMB2.3 million, which was attributable to a decrease in our loan and loan interest rate.

Income Tax Expense

Our income tax expense increased from RMB15.2 million in the year ended December 31, 2023 to RMB30.0 million in the year ended December 31, 2024, primarily due to an increase in our profit before tax, and a reduction in the amount of R&D expenses eligible for deduction, resulting in higher taxable income.

Liquidity and Capital Resources

The Group maintained a sound financial position. As of December 31, 2024, we had cash and cash equivalents of RMB537.6 million (as of December 31, 2023: RMB93.2 million). As of December 31, 2024, we had secured bank borrowings of RMB70.6 million and unsecured bank borrowings of RMB49.2 million, which were in RMB and with maturity primarily within one year, as compared to RMB106.4 million of secured bank borrowings and RMB59.0 million of unsecured bank borrowings as of December 31, 2023. The interest rate of our bank borrowings ranged from 3.00% to 3.90% as of December 31, 2024. As of December 31, 2024, the Group had a balance of interest-bearing bank borrowings of RMB119.8 million (as of December 31, 2023: RMB165.4 million). As of December 31, 2024, the gearing ratio of the Group (total liabilities divided by total assets) was 21.1% (as of December 31, 2023: 31.3%).

Currently, the Group follows a set of funding and treasury policies to manage its capital resources and prevent risks involved. The Group expects to fund its working capital and other capital requirements from a combination of various sources, including but not limited to internal financing and external financing at reasonable market rates. In order to better control and minimize the cost of funds, the Group's treasury activities are centralized and all cash transactions are dealt with the banks with good reputation.

Most assets and liabilities of the Group were denominated in RMB, HKD, USD and Euro. Currently, the Group does not employ any financial instruments or enter into any foreign exchange contracts to hedge against foreign exchange risk. However, by closely monitoring the net exposure of foreign exchange risk, the Group managed the foreign exchange risk, thus minimizing the impact of foreign exchange fluctuations.

Charges on Group Assets

As of December 31, 2024, certain of our bank borrowings were secured by our buildings and leasehold land with carrying amounts of RMB177.9 million and nil, respectively.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the year ended December 31, 2024, the Group did not have any significant investments or material acquisitions or disposals of subsidiaries, associates and joint ventures.

The Group did not have any future plans for material investments or capital assets as of December 31, 2024. The Company will make further announcement in accordance with the Listing Rules, where applicable, if any investments and acquisition opportunities materialize.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Change of Company Name

At the extraordinary general meeting of the Company held on March 5, 2025 (the "**EGM**"), the Shareholders approved the change of the Company's name to Hangzhou Jiuyuan Genetic Biopharmaceutical Co., Ltd. (杭州九源基因生物醫藥股份有限公司) (the "**Change of Company Name**"), which has taken into effect since April 2, 2025. For more details, please refer to the relevant announcements of the Company dated February 12, 2025, March 5, 2025 and April 2, 2025 and the relevant circular of the Company dated February 12, 2025.

Amendments to the Articles of Association

To reflect the changes in the Company name, registered capital and the total number of issued Shares and to align the Articles of Association with certain regulation requirements, the Board proposed to amend the Articles of Association (the "**Proposed Amendments**") on February 12, 2025. The Proposed Amendments were approved at the EGM. For details, please refer to the Company's circular dated February 12, 2025 and announcements dated February 12, 2025 and March 5, 2025, respectively.

Other than those disclosed above, there is no other material subsequent event after the Reporting period and up to the date of this report.

PRE-EMPTIVE RIGHTS

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

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Fu Hang (傅航), aged 62, was appointed as our Director in February 2000. He served as our deputy general manager from February 2000 to December 2013. He has served as our general manager since January 2014 and was appointed as our chairman of the Board in November 2023. He was later re-designated as an executive Director in January 2024. He is primarily responsible for the overall strategy planning of our Group and business operations and making key business and operational decisions of our Group. He has also served as the executive director of Cosmotrust Biopharmaceutical, our wholly-owned subsidiary, since June 2020 and is primarily responsible for its overall business operations.

Mr. Fu has more than 30 years of experience in pharmaceutical industry. Mr. Fu served in Hangzhou Huadong Pharmaceutical Factory (杭州華東製藥廠) from October 1988 to December 1992, with his last position as the head of the factory office. He served as the head of the general manager's office of Zhongmei Huadong from January 1993 to January 1996, where he also served as the head of the general manager's office and assistant to the general manager from January 1996 to February 2000. He served as the head of the integrated office of Hangzhou Huadong Medicine Group Co., Ltd. (杭州華東醫藥集團有限公司) from November 1997 to February 2000, where he also served as the director and deputy general manager from February 2003 to November 2019. Mr. Fu has served as the executive partner of Nanbeiju since July 2023.

Mr. Fu received a three-year college graduation certificate in industrial business management from Zhejiang Radio and Television University (浙江廣播電視大學) (currently known as Zhejiang Open University (浙江開放大學)) in December 1986, and a postgraduate graduation certificate in management science and engineering from Zhejiang University (浙江大學) in October 2003. Mr. Fu was recognized as a senior economist by Zhejiang Province Human Resources and Social Security Department (浙江省人力資源和社會保障廳) in December 2010. Mr. Fu was recognized as one of the Excellent Small and Medium Entrepreneurs of Hangzhou (杭州市優秀中小企業家) by Association for Small and Medium Enterprises of Hangzhou (杭州市中小企業協會) in December 2016 and was awarded the Model Worker Medal of Hangzhou (杭州市勞動模範獎章) jointly issued by Hangzhou Municipal Party Committee (中共杭州市委) and Hangzhou Municipal Government (杭州市人民政府) in 2022.

Mr. Zhou Wei (周偉), aged 49, was appointed as our Director in May 2019. He was later re-designated as an executive Director in January 2024. He is primarily responsible for the strategy planning and overall operation management of our Group's marketing business. Mr. Zhou also served as the assistant to the general manager and general manager of marketing department of our Company from January 2014 to October 2017 and has served as the deputy general manager and general manager of pharmacy services of our Company since October 2017.

Mr. Zhou served in Zhejiang Kanglaite Pharmaceutical Co., Ltd. (浙江康萊特藥業有限公司) from August 1998 to December 2006, with his last position as the manager of sales department, and was responsible for pharmaceutical sales. He then consecutively served as the assistant to the general manager and then the deputy general manager in Zhejiang Kanglaite Medicines and Health Products Sales Co., Ltd. (浙江康萊特醫藥保健品銷售有限公司) from January 2007 to December 2013 and was primarily responsible for sales of pharmaceutical products.

Mr. Zhou obtained a bachelor's degree in economic information management from Hangzhou College of Commerce (杭州商學院) (currently known as Zhejiang Gongshang University (浙江工商大學)) in July 1998.

Directors, Supervisors and Senior Management

Non-executive Directors

Ms. Ma Honglan (馬紅蘭), aged 54, was appointed as our Director in October 2021. She was later re-designated as a non-executive Director in January 2024. She is primarily responsible for participating in major decisions on our Group's operations and development.

Ms. Ma served consecutively as a cost accountant, the manager of accounting, an assistant to the financial manager and the financial manager of Zhongmei Huadong from July 1994 to July 2010. She then served as the financial controller of Huadong Medicine from July 2010 to November 2019, where she has served as an assistant to the chairperson of the board of directors since December 2019, assisting the chairperson of the board of directors in internal risk control and management. Ms. Ma currently holds positions as a director or supervisor in the following companies:

Company name	Position	Date of appointment
Bailing Health Science (Hangzhou) Co., Ltd. (柏领健康科學(杭州)有限公司)	Chairwomen of the board of directors	May 2021
Hangzhou Xinglian Health Technology Co., Ltd. (杭州杏聯健康科技有限公司)	Supervisor	April 2021
Chengdu Beaver Internet Hospital Co., Ltd. (成都海狸互聯網醫院有限公司)	Supervisor	January 2021
Meidi Bikang Technology (Shanghai) Co., Ltd. (美迪必康科技(上海)有限公司)	Executive director	September 2020
Huadong Medicine Investment Holding (Hong Kong) Limited (華東醫藥投資控股(香港)有限公司)	Director	June 2018
Huadong Medicine Aesthetics Investment (Hong Kong) Limited (華東醫藥醫美投資(香港)有限公司)	Director	June 2018
Huadong Medicine (Xi'an) Bodyguard Pharmaceutical Co., Ltd. (華東醫藥(西安)博華製藥有限公司)	Supervisor	December 2016
Hangzhou Huasheng Investment Management Co., Ltd. (杭州華晟投資管理有限公司)	Supervisor	November 2015
Zhongmei Huadong	Supervisor	July 2014

Ms. Ma obtained a bachelor of economics degree from Zhejiang Institute of Finance and Economics (浙江財經學院) (currently known as Zhejiang University of Finance and Economics (浙江財經大學)) in July 1994. Ms. Ma was recognized as Chinese Certified Public Accountant by the CPA Examination Committee of Ministry of Finance of the PRC (中華人民共和國財政部註冊會計師考試委員會) in May 2004 and a senior accountant by Zhejiang Province Human Resources and Social Security Department in April 2005. She obtained the Certificate of Senior Leading Accounting Talents (高級會計領軍人才證書) by Zhejiang Provincial Department of Finance (浙江省財政廳) in November 2007 and was recognized as a Class D High-level Talent of Hangzhou (杭州市高層次人才（D類）) jointly by the Talent Work Leading Group Office of the Communist Party of China Hangzhou Municipal Committee (中共杭州市委人才工作領導小組辦公室) and Hangzhou Municipal Bureau of Human Resources and Social Security of Hangzhou (杭州市人力資源與社會保障局) in March 2019. She also obtained the independent director of listed companies qualification certificate (上市公司獨立董事資格證書) issued by the Shenzhen Stock Exchange in November 2020.

Mr. Wu Shihang (吳詩航), aged 34, was appointed as a Director in October 2021 and is primarily responsible for participating in major decisions on our Group's operations and development. He was later re-designated as the non-executive Director in January 2024.

Mr. Wu has consecutively served as an investment specialist, a junior manager and now deputy manager of the investment management department of Insigma Technology Co., Ltd. (浙大網新科技股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600797)) since August 2015. Mr. Wu currently holds positions as a director or supervisor in the following companies:

Company name	Position	Date of appointment
Zhejiang Shenzhou Mingyue Intelligent Technology Co., Ltd. (浙江神州明月智能科技有限公司)	Director	February 2025
Lin'an Yunying Data Technology Co., Ltd. (臨安雲盈數據科技有限公司)	Director	July 2023
Hangzhou Yunyingyun Data Co., Ltd. (杭州雲盈雲數據有限公司)	Director	November 2022
Zhejiang Numerical Safety Certificate Management Co., Ltd. (浙江省數字安全證書管理有限公司)	Director	April 2022
Ningbo Puze Intelligent Equipment Co., Ltd. (寧波普澤智能裝備有限公司)	Director	November 2021
Chengdu Wangxin Jiwei Cloud Data Technology Co., Ltd. (成都網新積微雲數據科技有限公司)	Supervisor	April 2021
Zhejiang Watone Cloud Data Technology Co., Ltd. (浙江華通雲數據科技有限公司)	Supervisor	September 2019

Mr. Wu obtained a bachelor's degree in finance from Dalian University of Technology (大連理工大學) in June 2012 and a master of science degree in finance from Clark University in the U.S. in May 2014.

Mr. Albert Esteve Cruella, aged 65, was appointed as a Director in June 2007 and is primarily responsible for participating in major decisions on our Group's operations and development. He was later re-designated as a non-executive Director in January 2024.

Mr. Esteve served in Laboratorios Dr. Esteve, S.A. primarily responsible for marketing of over-the-counter products from October 1983 to April 1986 and then served in Alpin, S.A. primarily responsible for marketing of over-the-counter drug and prescription drug products from May 1986 to December 1989. Mr. Esteve then served as a deputy managing director of Laboratorios Pen, S.A. from January 1990 to December 2001. He then served as the chief executive officer of Laboratorios Dr. Esteve S.A. from January 2002 to December 2017, and the chief executive officer of Esteve Química, S.A. from April 2006 to December 2017. He has served as the chairman of the board of directors of CQFE since December 2017, and has also served as the chairman of the board of directors of Esteve Healthcare, S.L. since October 2023.

Mr. Esteve obtained a bachelor's degree in economics from the University of Barcelona in Spain in November 1983.

Mr. Fei Junjie (費俊傑) (formerly known as Fei Jiayuan (費佳圓)), aged 28, was appointed as a Director in May 2023 and is primarily responsible for participating in major decisions on our Group's operations and development. He was later re-designated as a non-executive Director in January 2024.

Mr. Fei served in the financial investment department of Hangzhou Investment from July 2021 to February 2023, primarily responsible for analysis of industry policies and developments and project supervision. He has then served in the financial services (industrial operation) business division of the same company from March 2023 to July 2024 with same responsibilities. Subsequently, he has been serving in the same company's financial services (industrial operations) department since August 2024, maintaining same responsibilities. Mr. Fei currently holds positions as a director or supervisor in the following companies:

Company name	Position	Date of appointment
Hangzhou Property Rights Exchange Co., Ltd. (杭州產權交易所有限責任公司)	Director	May 2023
Hangzhou Cultural Property Exchange Co., Ltd. (杭州文化產權交易所有限公司)	Director	May 2023
Zhejiang Equity Trading Center Co., Ltd. (浙江股權服務集團有限公司)	Supervisor	May 2023
Zhejiang Zheshang Innovation Capital Management Co., Ltd. (浙江浙商創新資本管理有限公司)	Supervisor	May 2023

Mr. Fei obtained a bachelor of science degree in mathematics and applied mathematics from Zhejiang University of Technology (浙江工業大學) in June 2018 and a master of finance degree from Zhejiang University in June 2021.

Independent Non-executive Directors

Mr. Zhou Zhihui (周智慧), aged 43, was appointed as an independent non-executive Director in November 2023. He is responsible for supervising and offering independent judgement to the Board.

Mr. Zhou consecutively served as a project manager, a deputy department manager, an assistant to the general manager of Taizhou Zhongtian Accounting Firm Co., Ltd. (台州中天會計師事務所有限公司) (currently known as Zhejiang Zhongyong Zhongtian Accounting Firm Co., Ltd. (浙江中永中天會計師事務所有限公司)) from July 2004 to December 2015. He then served as the general manager of Taizhou Zhongtian Tax Agent Co., Ltd. (台州中天稅務師事務所有限公司) (currently known as Taizhou Zhilian Zhongtian Accounting Firm Co., Ltd. (台州知聯中天稅務師事務所有限公司)) and an assistant to the general manager of Zhejiang Zhongyong Zhongtian Accounting Firm Co., Ltd. from December 2015 to December 2018. He then served as the deputy general manager of Zhejiang Zhongyong Zhongtian Accounting Firm Co., Ltd. from January 2019 to December 2021. He has served as the chairman of the board of directors of Zhejiang Zhongyong Zhongtian Accounting Firm Co., Ltd. and the general manager of Taizhou Zhilian Zhongtian Accounting Firm Co., Ltd. since January 2022. Mr. Zhou has also served as an independent director of Quzhou Oriental Group of Zhejiang Co., Ltd. (浙江衢州東方集團股份有限公司) (a company listed on the National Equities Exchange and Quotations (全國中小企業股份轉讓系統) (stock code: 833374)) since August 2023.

Mr. Zhou obtained a bachelor's degree in accounting from Zhejiang University of Finance and Economics in June 2004. He was recognized as a senior accountant by Zhejiang Province Human Resources and Social Security Department in February 2020 and a Chinese Certified Public Accountant by Zhejiang Provincial Institute of Certified Public Accountants (浙江省註冊會計師協會) in December 2012. He also obtained the Chinese Tax Advisers Qualification Certificate (中國稅務師資格證書) from Zhejiang Province Registered Tax Accountant Management Center (浙江省註冊稅務師管理中心) in November 2011. Mr. Zhou has also served as a managing member of Zhejiang Provincial Institute of Certified Public Accountants since September 2022 and a managing vice president of New Social Class Association of Taizhou (台州市新的社會階層人士聯誼會) since June 2022.

Ms. Ho Mei Yi (何美儀) (formerly known as Ho Ling (何玲)), aged 59, was appointed as an independent non-executive Director in November 2023. She is responsible for supervising and offering independent judgement to the Board.

Ms. Ho served as the administrative officer of legal section of Hang Seng Bank Limited (恒生銀行有限公司) (a company listed on the Stock Exchange (stock code: 0011)) from September 1997 to May 2001. Ms. Ho has served as the chairwoman of the board of the directors of Fortune Enterprise Holding Limited (海富企業控股有限公司)and is responsible for the major decisions and direction of the company since October 2001 and has served as a lawyer of Guangzhou Datong Law Firm (廣東大同律師事務所) since April 2004 focusing on Hong Kong-related cross-border investments.

Ms. Ho obtained a bachelor of arts degree in English from Sun Yat-sen University (中山大學) in July 1988. She obtained a diploma in business management with distinction jointly awarded by Hong Kong Polytechnic (香港理工學院) (currently known as The Hong Kong Polytechnic University (香港理工大學)) and the Hong Kong Management Association (香港管理專業協會) in September 1994. She also completed the common professional examination (CPE) in the Manchester Metropolitan University in July 1997. Ms. Ho obtained the Lawyer's Qualification Certificate (律師資格證書) issued by the Ministry of Justice of the PRC (中華人民共和國司法部) in October 1995. She also passed the Paper 6 and Paper 1 of the Hong Kong Securities Institute's Licensing Examination for Securities and Futures Intermediaries in November 2011 and January 2012, respectively. In addition, Ms. Ho is currently the permanent honorary director of Federation of Hong Kong Guangdong Community Organization (香港廣東社團總會).

Dr. Zhou Demin (周德敏), aged 58, was appointed as an independent non-executive Director in November 2023. He is responsible for supervising and offering independent judgement to the Board.

Dr. Zhou has served as professor of Peking University School of Pharmaceutical Sciences (北京大學藥學院) since September 2008, where he consecutively served as deputy dean from December 2009 to January 2016 and dean from January 2016 to July 2023. He is currently the director of State Key Laboratory of Natural and Biomimetic Drugs (天然藥物及仿生藥物國家重點實驗室). Dr. Zhou currently serves as a director in the following companies:

Company name	Position	Date of appointment
Chengdu Kanghong Pharmaceutical Group Co., Ltd. (成都康弘藥業集團股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002773))	Independent director	August 2023
Lepu Biopharma Co., Ltd. (樂普生物科技股份有限公司) (a company listed on the Stock Exchange (stock code: 2157))	Independent non-executive director	December 2020
North China Pharmaceutical Co, Ltd. (華北製藥股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600812))	Independent director	May 2019

Dr. Zhou obtained a bachelor of science degree in chemistry from the pharmaceutical college of Beijing Medical University (北京醫科大學) (currently known as Peking University Health Science Center (北京大學醫學部)) in July 1990 and a doctorate of science from the same university in July 1996. Dr. Zhou has been certified by Peking University (北京大學) as a professor since September 2008. Dr. Zhou was also recognized as “973 Chief Scientist” (973首席科學家) by Ministry of Science and Technology of the PRC (中華人民共和國科學技術部) in 2010, and “Changjiang Scholar Distinguished Professor” (長江學者特聘教授) by Ministry of Education of the PRC (中華人民共和國教育部) in 2013. He has also served as a vice chairman of the council of Beijing Pharmaceutical Society (北京藥學會) since June 2017 and a vice chairman of the professional committee on pharmaceutical chemistry of Chinese Pharmaceutical Association (中國藥學會) since September 2020.

Directors, Supervisors and Senior Management

SUPERVISORS

Mr. Ye Jiancai (葉建才), aged 55, was appointed as our chairman of the Supervisory Committee in November 2023. He is responsible for the overall operation of the Supervisory Committee and overseeing the performance of our Directors and senior management. Mr. Ye has also served as our manager of the risk management and audit department since January 2012 in charge of the risk management, internal control and internal audit of our Company.

Mr. Ye served as an accountant of Dengjiabu Rice Seed Farm of Jiangxi Province (江西省鄧家埠水稻原種場) from August 1991 to April 1998. He then served at Huiren Group Co., Ltd. (匯仁集團有限公司) from March 1998 to June 2011 with his last position as the head of supervision and audit department.

Mr. Ye received a three-year college graduation certificate in financial accounting from Jiangxi Agricultural University (江西農業大學) in July 1991. He also obtained an Accountant Qualification issued by the Ministry of Finance of the PRC (中華人民共和國財政部) in October 1994. Mr. Ye passed the Certified Public Accountants Examination in April 1998 and obtained the Certificate of Certified Public Accountant issued by Jiangxi Provincial Institute of Certified Public Accountants (江西省註冊會計師協會) in December 2012.

Mr. Xu Feihu (徐飛虎), aged 47, was appointed as our Supervisor in November 2023. He is responsible for overseeing our operational and financial activities.

Mr. Xu has served in our Company in charge of project evaluation and management of intellectual property since August 2003. He served as a researcher and then a manager of our Company from August 2003 to January 2010. He then served as a deputy chief engineer and then chief engineer of our Company from February 2010 to December 2015. After that, Mr. Xu served as the manager of the information and intelligence department and then the manager of the development department of our Company from January 2016 to February 2023. Mr. Xu has served as our deputy director of intellectual property and manager of our development department since March 2023.

Mr. Xu obtained a bachelor's degree in bioscience and technology and a master's degree in biophysics from Zhejiang University in June 2000 and June 2003, respectively. Mr. Xu was recognized as a senior engineer in development of new drugs by Zhejiang Province Human Resources and Social Security Department in December 2011 and a National Patent Information Practition Talent (全國專利信息實務人才) by the China National Intellectual Property Administration (國家知識產權局) in April 2016. He was also awarded the China Patent Excellence Award (中國專利優秀獎) both in November 2011 and November 2015 by the China National Intellectual Property Administration.

Ms. Zhao Fei (趙飛), aged 37, was appointed as our employee representative Supervisor in November 2023. She is responsible for overseeing our operations and human resources management. Ms. Zhao has also served as the head of policy compliance of our Company since August 2015.

Prior to joining our Company, Ms. Zhao served as a legal assistant of Zhejiang Anting Law Firm (浙江岸亭律師事務所) from April 2015 to August 2015.

Ms. Zhao obtained a bachelor's degree in law from Zhejiang Wanli University (浙江萬里學院) in June 2010. Ms. Zhao obtained the Legal Profession Qualification Certificate (法律職業資格) issued by the Ministry of Justice of the PRC in March 2015.

SENIOR MANAGEMENT

Mr. Fu Hang, see "— Directors — Executive Directors" for details.

Mr. Zhou Wei, see "— Directors — Executive Directors" for details.

Mr. Sun Handong (孫漢棟), aged 54, has served as a deputy general manager of our Company and the chief manager of our research and development center since October 2017. Mr. Sun is responsible for the research and development of our Company.

Mr. Sun has over 30 years of experience in drug research and development. He served as a clerk in bioengineering research department of Zhongmei Huadong from July 1993 to December 1993, where he was primarily engaged in the development of new products. He has then consecutively served in our Company since January 1994 as a technician, an assistant to the general engineer and the manager of the No. 1 manufacturing department, the manager of the strategy department, the manager of the external collaboration department, the manager of the development department, deputy general engineer, general engineer, the chief manager of the research and development center and now the deputy general manager of our Company and the chief manager of the research and development center.

Mr. Sun obtained a bachelor of engineering degree in biochemical engineering from East China University of Science and Technology (華東理工大學) in July 1993 and a master's degree in business administration from Zhejiang University in March 2005. Mr. Sun was awarded the First Prize of Hangzhou Scientific and Technological Progress (杭州市科學技術進步獎一等獎) in November 1998, the Second Prize of Zhejiang Province Scientific and Technological Progress (浙江省科技進步獎二等獎) in December 1998 and the First Pharmaceutical Science and Technology Award of Zhejiang Pharmaceutical Society (首屆浙江省藥學會醫藥科技獎) in May 2011. He was certified as a senior engineer in biopharmaceuticals by Zhejiang Province Human Resources and Social Security Department in November 2004 and was recognized as one of the Hangzhou "131" Talents (杭州市131人才) by Hangzhou New Century Talent Project Coordination Group Office (杭州市新世紀人才工程協調小組辦公室) in August 2006 and Worker Model of Hangzhou (杭州市勞動模範) by Hangzhou Municipal Government in April 2012. Mr. Sun was also recognized as a Class D High-level Talent of Hangzhou (杭州市高層次人才(D類)) jointly by the Talent Work Leading Group Office of the Communist Party of China Hangzhou Municipal Committee (中共杭州市委人才工作領導小組辦公室) and Hangzhou Municipal Bureau of Human Resources and Social Security of Hangzhou (杭州市人力資源與社會保障局) in July 2023.

Directors, Supervisors and Senior Management

Mr. Li Hui (李輝), aged 52, has served as a deputy general manager of our Company since October 2017 and the chief manager of our manufacturing center since March 2022. Mr. Li is responsible for the production, technical improvements, supply, engineering and EHS management of our Company.

Mr. Li joined our Company in April 1994. He consecutively served as a technician responsible for fermentation process development and production, the manager of the manufacturing department in charge of production management, an assistant to the general manager and now a deputy general manager of our Company and the chief manager of our manufacturing center.

Mr. Li obtained a bachelor of science degree in biology science and technology from Zhejiang University in July 1993. He was recognized as a senior engineer by Zhejiang Province Human Resources and Social Security Department in December 2003 and one of the Hangzhou "131" Talents by Hangzhou New Century Talent Project Coordination Group Office in August 2006. Mr. Li was also awarded the May 1st Labor Medal of Hangzhou (杭州市五一勞動獎章) by Federation of Trade Union of Hangzhou (杭州市總工會) in April 2017.

Ms. Huang Xiu (黃秀), aged 48, was appointed as the secretary to our Board in November 2023. Ms. Huang is responsible for matters related to our Board of Directors. Ms. Huang was also appointed as one of our joint company secretaries in January 2024, with her appointment taking effect on November 28, 2024.

Ms. Huang joined our Company in July 2007. She consecutively served as a deputy director of the general manager, deputy manager of the human resources department, manager of the general manager office, assistant to the general manager, our Supervisor, manager of the human resources department and now our secretary to the Board.

Ms. Huang obtained a bachelor of agronomy degree in sericultural science from Zhejiang University in June 1999 and a master's degree in law from Northwest University of Political Science and Law (西北政法大學) in July 2007. Ms. Huang also obtained the Legal Profession Qualification Certificate (法律職業資格) issued by the Ministry of Justice of the PRC in February 2009.

Ms. Yang Yanmei (楊研美), aged 36, was appointed as our financial controller in November 2023. Ms. Yang is responsible for the overall financial management and financial matters, building the Company's financial system, internal control system, capital control system, financial and tax analysis and decision-making process, as well as optimizing compliance and risk control mechanisms. Prior to that, Ms. Yang served as the manager of our financial department from May 2021 to November 2023.

Prior to joining our Company, Ms. Yang worked at Zhejiang Jinhao Transportation Construction Co., Ltd. (浙江錦豪交通工程有限公司) from March 2010 to October 2014. She then served as a senior manager of the funds department of Zhejiang Welbon Pulp and Paper Group Co., Ltd. (浙江萬邦漿紙集團有限公司) from October 2014 to June 2017. She also worked at Hangzhou Yuanda Bio-pharmaceutical Co., Ltd. (杭州遠大生物製藥有限公司) from July 2017 to February 2021 with her last position as a manager of the financial department.

Ms. Yang graduated from Changsha University of Science and Technology (長沙理工大學) majoring in accounting computerization in July 2011 and then obtained a master's degree in accounting from the same university in June 2014. She also obtained the Intermediate Accounting Professional Qualification (中級會計專業技術資格) issued by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) in September 2019 and has been a certified management accountant with the Institute of Certified Management Accountants in the United States since June 2021.

JOINT COMPANY SECRETARIES

Ms. Huang Xiu, see "— Senior Management" for details.

Ms. Ho Wing Nga (何詠雅) was appointed as one of our joint company secretaries in May 2024, with her appointment taking effect on November 28, 2024.

Ms. Ho has over 25 years of experience in corporate governance services. She currently serves as the Managing Director, Entity Solutions of Computershare Hong Kong Investor Services Limited and the joint company secretary and company secretary for various companies listed on the Stock Exchange.

Ms. Ho obtained a master's degree in corporate governance from the Hong Kong Polytechnic University in December 2006 and became an associate of The Hong Kong Chartered Governance Institute (the "HKCGI", previously known as the Hong Kong Institute of Chartered Secretaries) in the same month. In March 2015, Ms. Ho became a fellow of both the HKCGI and The Chartered Governance Institute. She is also a holder of the practitioner's endorsement of HKCGI and a member of The Hong Kong Institute of Directors.

Corporate Governance Report

The Board is pleased to present this corporate governance report in this annual report (the "Corporate Governance Report").

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the CG Code as its own code of corporate governance practices.

Pursuant to code provision C.2.1 of Part 2 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the general manager should be segregated and should not be performed by the same individual. We do not have a separate chairman and general manager and Mr. Fu Hang currently performs these two roles. The Board believes that vesting the roles of both the chairman and general manager in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. In addition, all major decisions are made in consultation with members of the Board, including the relevant Board committees, and three independent non-executive Directors.

The Board will continue to review and consider splitting the roles of the chairman of the Board and the general manager of the Company if and when it is appropriate taking into account the circumstances of the Group as a whole.

As the Company's H shares were listed on the Stock Exchange on November 28, 2024, no meetings of the Audit Committee, Remuneration and Appraisal Committee, or Nomination Committee were held from the Listing Date to December 31, 2024. However, the Company held relevant meetings in March 2025 to review relevant matters set out in the CG Code.

Pursuant to code provision C.2.7 of the CG Code provides that the chairman should at least annually hold a meeting with the independent non-executive Directors without the presence of other Directors. As the Company was only listed on the Stock Exchange on November 28, 2024, the chairman of the Board did not hold any meeting with the independent non-executive Directors from the Listing Date to December 31, 2024.

Save as disclosed above, the Company has complied with all the code provisions of the CG Code during the period since the Listing Date up to December 31, 2024. In order to maintain a high standard of corporate governance, the Board will continue to review and monitor the operation of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules to regulate all dealings by Directors, Supervisors and relevant employees who, because of such office or employment, are likely to possess inside information in relation to the Company or its securities. The Company has also devised its own code of conduct regarding Directors' and Supervisors' dealings in the Company's securities (the "Code of Conduct") on terms no less exacting than the Model Code as set out in Appendix C3 to the Listing Rules.

Specific enquiry has been made of all the Directors and Supervisors, and the Directors and Supervisors have confirmed that they have complied with the Code of Conduct throughout the period from the Listing Date to December 31, 2024. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company throughout the period from the Listing Date to December 31, 2024.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Company's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board regularly reviews the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

The terms of reference of the committees under the Board specify that the Directors may engage intermediary institution to seek professional advice as it deems necessary at the Company's expense. This is to ensure that the Directors are given independent views and opinions for their decision-making. The Board has reviewed these mechanisms to ensure their effective implementation.

The executive Directors earnestly perform the dual responsibilities of decision-making and implementation, actively implement the decisions of the general meeting and the Board, and effectively play the role of a bond between the Board and the management. The non-executive Directors supervises the Board and the senior management and provides different perspectives to matters presented to the Board. The independent non-executive Directors carefully study the development strategy and business strategy of the Company, and provides independent opinion and judgement to the Board.

During the Reporting Period, the independent non-executive Directors contributed significantly to improving the Company's corporate governance structure and protecting the interests of the Company's minority shareholders.

BOARD COMPOSITION

As of the date of the report, the Board comprised nine Directors, consisting of two executive Directors, four non-executive Directors and three independent non-executive Directors as follows:

Executive Directors

Mr. Fu Hang (傅航) *(Chairman of the Board and general manager)*
Mr. Zhou Wei (周偉)

Non-executive Directors

Ms. Ma Honglan (馬紅蘭)
Mr. Wu Shihang (吳詩航)
Mr. Albert Esteve Cruella
Mr. Fei Junjie (費俊傑)

Independent Non-executive Directors

Mr. Zhou Zhihui (周智慧)
Ms. Ho Mei Yi (何美儀)
Dr. Zhou Demin (周德敏)

As the Company was listed on the Stock Exchange on November 28, 2024, no board meeting were held from the Listing Date to December 31, 2024. A board meeting was held on March 26, 2025, with all Directors in attendance to review matters outlined in the CG Code, the Group's annual results for the year ended December 31, 2024, and related issues.

The biographical information of the Directors is set out in the section headed "DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT" of this annual report.

Except for the relationships between the Directors set forth in the respective Director's biography under the section headed "DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT", the Directors do not have financial, business, family or other material/relevant relationships with one another.

INDEPENDENT NON-EXECUTIVE DIRECTORS

From the Listing Date up to December 31, 2024, the Board at all times fulfilled the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing at least one-third of the board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Pursuant to the Listing Rules, every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three (3) years. Directors shall be elected or replaced by the shareholders' meeting, with a term of three years. The shareholders' meeting may remove any director whose term of office has not expired by an ordinary resolution. A director may serve consecutive terms if re-elected, except as otherwise provided in relevant laws and regulations, laws and regulations of the place where the shares of the Company are listed and the Listing Rules and the Articles of Association.

Company has entered into a service contract with each of our executive Directors and non-executive Directors for an initial fixed term of three (3) years commencing from the date of approval by the Shareholders until the expiration of the term of office of the Board session. Each of the independent non-executive Directors has entered into a service contract with the Company for an initial fixed term of three (3) years commencing from the Listing Date until the expiration of the term of office of the Board session.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, and for making recommendations to the Board on the appointment, re-appointment of Directors and succession plans for the Directors.

CORPORATE VISION AND STRATEGY

"Guided by genetic engineering, we contribute to human health" is our corporate mission. Innovation-driven and market-supported, we are committed to becoming a leading biopharmaceutical company. Our goal is to continuously strengthen our market leadership in China's strategically focused therapeutic areas and, through robust commercialization and R&D capabilities, establish ourselves as a top-tier biopharmaceutical company in China.

The Board is also committed towards the lawful, ethical and responsible operation of our business by monitoring and evaluating our corporate culture from time to time to provide a solid guarantee regarding the sustainable development of the Company, and drives partners to fulfill their compliance responsibilities with their own compliant operation, so as to create a healthy and honest operating environment.

ANTI-CORRUPTION, ANTI-BRIBERY AND WHISTLEBLOWING MECHANISM

The Company has adopted comprehensive internal control measures for anti-corruption and anti-bribery. The Company believes they will be less affected by the increasingly stringent measures taken by the PRC government to correct corruptive practices in the pharmaceutical industry. The Company strictly prohibits bribery or other improper payments in its business operations. This prohibition applies to all business activities, anywhere globally, whether involving government officials or healthcare professionals. Improper payments prohibited by this policy include bribes, kickbacks, excessive gifts or entertainment, or any other payment made or offered to obtain an undue business advantage. The Company keeps accurate books and records that reflect transactions and asset dispositions in reasonable detail. Requests for false invoices or payment of unusual, excessive or inadequately described expenses should be rejected and promptly reported. Misleading, incomplete or false entries in the books and records are not acceptable. The Company will also ensure that future sales team personnel comply with applicable promotion and advertising requirements, including restrictions on promoting drugs for unapproved uses or patient populations and limitations on industry-sponsored scientific and educational activities.

The Company provides anti-corruption and anti-bribery compliance training for senior management and employees, including compliance training and other ad hoc compliance training sessions, to enhance their knowledge and compliance with anti-corruption and anti-bribery activities in geographies and market segments relevant to the operation of business.

The Company establishes whistle-blowing mechanisms and encouraging all employees, suppliers, customers and other third parties to report suspicious activities, violations of the policies and raise their concerns with the Audit Committee about any possible improprieties.

During the Reporting Period, Company had complied with relevant anti-corruption and anti-bribery laws in all material aspects. There was no material issue about our internal control policies and measures have been identified during the Reporting Period and the Board believes that our internal control policies and measures in relation to anti-corruption and anti-bribery compliance are adequate and effective.

RESPONSIBILITIES OF THE DIRECTORS

The Board, being the primary decision-making body of the Company, assumes responsibility for leadership and control of the Company. The Board sets fundamental business strategies and policies for the management and operation of the Company's business and monitors their implementation.

The Board directly, and indirectly through the Board Committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Company's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including executive Directors, non-executive Directors, and independent non-executive Directors, bring a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and bring independent judgment to the decision-making process of our Board.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve a conflict of interests), financial information, the appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to management team. Such arrangement will be reviewed periodically to ensure they remain appropriate to the Company's needs.

To facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information when required. The Directors can also seek independent professional advice in appropriate circumstances, at the Company's expense, in discharging their duties to the Company. All Directors have unrestricted access to joint company secretaries who are responsible for ensuring that the Board/committee procedures are complied with, and for advising the Board/committee(s) on compliance matters.

The Company has arranged appropriate insurance coverage on Directors', Supervisors' and senior management's liabilities in respect of any legal actions taken against Directors, Supervisors and senior management arising from the Company activities since the Listing Date.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Each newly appointed Director has received a comprehensive, formal and tailor-made induction program upon his/her first appointment to ensure that he/she has a proper understanding of the Company's business and operations and is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

During the Reporting Period and prior to the Listing, all the Directors attended a training session conducted by the Company's legal adviser on directors' duties, responsibilities, and obligations under the Listing Rules, SFO, and other relevant laws and regulations. All directors have confirmed their understanding of the information provided by the legal adviser.

Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses. The company secretary of the Company has from time to time updated and provided written training materials relating to the roles, functions and duties of a director.

The Company provides lectures, seminars and on-line training as well as reading materials on relevant topics for the Directors. During the year ended December 31, 2024, all Directors have attended training courses on Directors' responsibilities. In addition, the Company has provided the Directors with relevant reading materials such as the latest legal and regulatory information for their reference and study.

The record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors for the year ended December 31, 2024 is summarized as follows:

Directors	Types of Training[Note]
Executive Directors	
Mr. Fu Hang (傅航)	A, B
Mr. Zhou Wei (周偉)	A, B
Non-executive Directors	
Ms. Ma Honglan (馬紅蘭)	A, B
Mr. Wu Shihang (吳詩航)	A, B
Mr. Albert Esteve Cruella	A, B
Mr. Fei Junjie (費俊傑)	A, B
Independent Non-Executive Directors	
Mr. Zhou Zhihui (周智慧)	A, B
Ms. Ho Mei Yi (何美儀)	A, B
Dr. Zhou Demin (周德敏)	A, B

Note:

Types of Training

A: Attending training sessions, including but not limited to, talks, seminars and online training

B: Reading relevant training materials, news alerts, newspapers, journals, magazines and relevant publications

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Board Diversity Policy") which sets out the objective and approach for achieving and maintaining the diversity of the Board in order to enhance its effectiveness. In accordance with the board diversity policy, the Company seeks to achieve board diversity by taking into account a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and/or length of service. The ultimate selection of Board candidates will be based on merit and potential contribution to our Board having due regard to the benefits of diversity on the Board and also the specific needs of the Company without focusing on a single diversity aspect.

With regards to gender diversity on the Board, two of our nine Directors are female, and we recognize the particular importance of gender diversity. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of the Company, including but without limitation at our Board and senior management levels. We will maintain the current gender ratio at the Board level going forward. We will maintain a focus on gender diversity when recruiting staff at the mid to senior level so as to develop a pipeline of potential female successors to our Board.

The Company will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be reviewed by our nomination committee periodically to maintain gender diversity of our Board. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy. Furthermore, the Board has a diverse age representation ranging from 28 years old to 65 years old.

Pursuant to the Board Diversity Policy, the Nomination Committee will from time to time discuss and agree on expected goals to ensure board diversity, and review and, where necessary, update the board diversity policy to ensure that the policy remains effective.

As at December 31, 2024, the female-to-male ratio in the Company's workforce, including Directors', Supervisors' and senior management, was approximately 48.15:51.85. The Company recognizes the importance and benefit of having different genders in the working environment, and shall further strengthen the Company's gender diversity in the workplace in the future where possible.

NOMINATION POLICY

The Company has adopted a nomination policy which sets out the objectives, selection criteria and nomination procedures for identifying and recommending candidates for appointment or reappointment of Directors and Supervisors. Any Shareholders individually or jointly holding more than 1% of the shares of the Company may, by way of a written proposal, put forward to the shareholders' general meeting the nomination of candidates for Directors and Supervisors, and the nominators shall provide the biographical details and basic information of the candidates for Directors or Supervisors (such as educational background, work experience, relationship with the Company and its controlling shareholder(s) (if any) and de facto controllers, shareholding of the Company, and whether they have been disciplined by relevant government departments). In accordance with the relevant laws, administrative regulations, regulatory documents of China, the listing rules of the stock exchange where the Company's securities are listed and the relevant regulatory rules and the Articles of Association, the personal information of the nominated candidates for Directors shall be disclosed in due course for the Shareholders' consideration and voting at the general meeting.

BOARD INDEPENDENCE EVALUATION

The Company has established a board independence evaluation mechanism (the "Independence Evaluation Mechanism") during the Reporting Period which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve board effectiveness, maximize strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The board independence evaluation report ("Independence Evaluation Report") will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended December 31, 2024, all Directors have completed the independence evaluation in the form of a questionnaire individually. The Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

During the year ended for December 31, 2024 the Board reviewed the implementation and effectiveness of the Independence Evaluation Mechanism and the results were satisfactory.

BOARD MEETING

The Company has adopted the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of regular Board meeting shall be served to all Directors in writing fourteen (14) days prior to the convening of the meeting (excluding the date of the meeting). An agenda and accompanying board papers would be sent, in full, to all directors at least three (3) days (or other agreed period) before the intended date of a board or board committee meeting. To convene an extraordinary meeting of the Board, the Board shall notify in writing all directors five (5) days prior to the meeting. The Board shall make arrangements to ensure that all Directors are given an opportunity to put matters for discussion on the agenda of regular meetings of the Board. The Board shall keep minutes of resolutions passed at board meetings for a period of not less than ten years. The minutes shall be signed by the Directors present at the meeting. The Directors shall be responsible for the resolutions of the Board, and the Shareholders have the right to inspect the Board resolution.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration and Appraisal Committee, and the Nomination Committee, which are responsible for specific affairs of the Company respectively, and providing consultation or recommendations in relation to decision-making of the Board.

All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and HKEX's website and are available to Shareholders.

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the CG Code and in compliance with the relevant laws and regulations of the PRC. The Audit Committee consists of three independent non-executive Directors, namely Ms. Ho Mei Yi, Dr. Zhou Demin and Mr. Zhou Zhihui. Mr. Zhou Zhihui is the chairman of the Audit Committee. Mr. Zhou Zhihui holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing rules.

The primary duties and responsibilities of the Audit Committee include but are not limited to, the following:

(i) proposing the appointment or change of external auditors to our Board, monitoring the independence of external auditors and evaluating their performance;

(ii) examining the financial information of the Company and reviewing financial reports and statements of the Company;

(iii) examining the financial reporting system, the risk management and internal control system of the Company, overseeing their efficiency and implementation and making recommendations to our Board; and

(iv) dealing with other matters that are authorized by the Board.

Code provision D.3.3(e)(i) of the CG Code provides that members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditor. As the Company was only listed on the Stock Exchange on November 28, 2024, no meeting was held by the Audit Committee from the Listing Date to December 31, 2024.

The Audit Committee had reviewed audited annual results for the year ended December 31, 2024 and this annual report during the meeting held on March 26, 2025, and confirmed that this annual report complies with the applicable accounting principles, standards, the Listing Rules, and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Board and the Audit Committee regarding the selection and appointment of external auditors. The Audit Committee has recommended to the Board that Ernst & Young and Ernst & Young Hua Ming LLP be nominated for re-appointment as the Company's external auditors at the forthcoming annual general meeting. The Audit Committee has also reviewed and discussed the risk management and internal control measures and systems of the Company, the effectiveness of the Company's internal audit function, financial reporting and the appointment of the external auditors, including selecting and assessing the independence and qualifications of the external auditors, and ensuring effective communication between the Directors and external auditors. The Board is of the view that the Audit Committee has properly discharged its duties and responsibilities during the Reporting Period and up to the date of this annual report.

Remuneration and Appraisal Committee

We have established a Remuneration and Appraisal Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the CG Code and in compliance with the relevant laws and regulations of the PRC. The Remuneration and Appraisal Committee consists of two independent non-executive Directors, namely Dr. Zhou Demin, Mr. Zhou Zhihui, and an executive Director, namely Mr. Zhou Wei. Dr. Zhou Demin is the chairman of the Remuneration and Appraisal Committee.

The primary duties and responsibilities of the Remuneration and Appraisal Committee include but are not limited to, the following:

(i) advising our Board on the overall remuneration plan and structure of our Directors and senior management and the establishment of transparent and formal procedures for determining the remuneration policy of the Company;

(ii) monitoring the implementation of the remuneration system of the Company;

(iii) making recommendations on the remuneration packages of our Directors and senior management; and

(iv) dealing with other matters that are authorized by the Board.

Details of the remuneration of the senior management by band for the year ended December 31, 2024 are set out below:

Remuneration band (RMB)	Number of person(s)
Nil to 1,000,000	2
1,000,001 to 1,500,000	2
2,000,001 to 2,500,000	1
3,000,001 to 3,500,000	1

As the Company was only listed on the Stock Exchange on November 28, 2024, no meeting was held by the Remuneration and Appraisal Committee from the Listing Date to December 31, 2024.

The Remuneration and Appraisal Committee discussed and reviewed the service agreement and remuneration policy for Directors, Supervisor and senior management of the Company during the meeting held on March 26, 2025, and made recommendations to the Board on the service agreement and remuneration packages of individual executive Directors, Supervisor and senior management (where applicable). The Board is of the view that the Remuneration and Appraisal Committee had properly discharged its duties and responsibilities during the Reporting Period and up to the date of this annual report.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 of the CG Code and in compliance with the relevant laws and regulations of the PRC. The Nomination Committee consists of one executive Director, namely Mr. Fu Hang, and two independent non-executive Directors, namely, Dr. Zhou Demin and Ms. Ho Mei Yi. Ms. Ho Mei Yi is the Chairwoman of the Nomination Committee.

The primary duties and responsibilities of the Nomination Committee include but are not limited to, the following:

(i) conducting extensive search and providing our Board with suitable candidates for our Directors, general managers and other members of the senior management;

(ii) reviewing the structure, size and composition of our Board (including but not limited to skills, knowledge and experience) at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(iii) researching and developing standards and procedures for the election of our Board members, general managers and members of the senior management, and making recommendations to our Board;

(iv) assessing the independence of the independent non-executive Directors; and

(v) dealing with other matters that are authorized by the Board.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and/or length of service. The Nomination Committee shall expand and discuss on measurable objectives for achieving diversity on the Board every year, monitor the progress of achieving such measurable objectives, and recommend them to the Board for adoption to ensure the continuous effectiveness of the diversity policy and the Board.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's gender, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board.

The Nomination Committee has reviewed the structure, size and composition (including the skills, knowledge and experience) and the Board Diversity Policy and considered an appropriate balance of diversity perspectives of the Board is maintained.

As the Company was only listed on the Stock Exchange on November 28, 2024, no meeting was held by the Nomination Committee from the Listing Date to December 31, 2024.

The Nomination Committee reviewed and assessed the implementation of the Board Diversity Policy and assessed the independence of the INEDs during the meeting held on March 26, 2025.

SUPERVISORY COMMITTEE

The Company established a Supervisory Committee for supervising, among others, the performance of our directors and senior management and the Company's financial operations. The Supervisory Committee shall consist of three Supervisors, and the Supervisory Committee shall have one chairman. The chairman of the Supervisory Committee shall be elected by more than half of all supervisors. The chairman of the Supervisory Committee shall summon and preside over the meetings of the Supervisory Committee. If the chairman of the Supervisory Committee is unable or fails to perform his/her duties, a supervisor shall be jointly elected by more than half of the supervisors to summon and preside over the meetings of the Supervisory Committee.

The Supervisory Committee shall have one employee representative supervisor. The shareholder representative supervisors in the Supervisory Committee shall be elected by the shareholders' meeting, and the employee representative supervisors shall be elected by the employees of the Company through the employee representative meeting, the employee meeting or other forms of democratic election.

As of December 31, 2024, the Supervisory Committee consists of three Supervisors, namely Mr. Ye Jiancai (葉建才), as Chairman, Ms. Zhao Fei (趙飛), as Supervisor; and one employee representative Supervisor, Mr. Xu Feihu (徐飛虎). The biographies of the Supervisors are set out under the section headed "Directors, Supervisors and Senior Management" of this annual report.

As the Company was listed on the Stock Exchange on November 28, 2024, no Supervisory Committee meeting was held from the Listing Date to December 31, 2024. A Supervisory Committee meeting was held on March 26, 2025, with all Supervisors in attendance to review the aforementioned matters.

There has been no change of the composition of the Supervisory Committee from the Listing Date up to December 31, 2024.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

From the Listing Date and up to the date of this report, the Board met once to review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this corporate governance report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Company recognizes that risk management is critical to the success of our business. The major operational risks faced by the Company in the course of its business are described in the "Management's Discussion and Analysis" section of this report. To address these challenges, our Audit Committee is responsible for reviewing the Company's financial control, internal control and risk management systems.

The Company has established an effective comprehensive risk management system and mechanism to identify, assess, monitor and mitigate the risks that may hinder our success including strategic risks, operational risks, financial risks and legal risks.

To monitor the ongoing implementation of our risk management policies and corporate governance measures, we have adopted or will continue to adopt, among other things, the following risk management measures:

- adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure;

- provide anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and include relevant policies against noncompliance in employee handbooks;

- organize training sessions for our Directors, Supervisors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors and supervisors of companies listed in Hong Kong;

- enhance our reporting and records system for production facilities, including centralizing their quality control and safety management systems and conducting regular inspections of the facilities;

- establish a set of emergency procedures in the event of major quality-related issues; and provide enhanced training programs on quality assurance and product safety procedures.

The Board is responsible for establishing and maintaining an effective internal control system. During the Reporting Period, we regularly reviewed and strengthened our internal control system. The Company has engaged an independent internal control consultant to assess our internal control system in connection with the Listing. The internal control consultant has conducted a review procedure on the internal control system in certain aspects, including financial reporting and disclosure controls, corporate level controls, information system control management and other procedures for our operations. We had improved our internal control system by adopting and implementing the corresponding enhanced internal control measures. We will continue to regularly review and improve these internal control policies, measures and procedures.

The Company has formulated its disclosure policy to provide general guidelines to the directors, supervisors, senior management and relevant employees of the Company in handling confidential information, monitoring disclosure of information and whistleblowing protocols.

The Board recognizes its responsibility for the risk management and internal control systems and reviews the effectiveness of these risk management and internal control systems. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Company has established internal audit and risk prevention and control functions with the objective of helping the Company to achieve its objectives by adopting a systematic and disciplined approach to evaluate and improve the effectiveness of the Company's risk management and internal control system and to address significant internal control deficiencies. The Board has reviewed the effectiveness of the Company's internal audit system and risk management and internal control system, including the adequacy of the Company's resources, staff qualifications and experience in the above systems and the Company's accounting, internal audit and financial reporting functions, as well as the adequacy of staff training programs and budget.

The Audit Committee attaches great importance to the Company's internal control management, promotes the effective implementation of internal control measures by all departments and subsidiaries of the Company, and ensures that the Company will carry out the internal control review tasks satisfactorily for the proper execution of the Company's production and operation activities. The Company conducts annual reviews and evaluations of its risk management, internal control system and internal audit function during the Reporting Period. The Company's "Annual Internal Control Report 2024" has been reviewed and approved by the Audit Committee of the Board, which considered that the inspection and supervision mechanism was able to evaluate the effectiveness of the Company's internal control and risk management operations, and that the Company was in compliance with the code provisions relating to risk management and internal control. The Audit Committee has not found any material and significant deficiencies with respect to the Company's internal control.

During the Reporting Period, the Board considered that the Company's risk management and internal control systems were effective and adequate after reviewing all material controls over finance, operation and compliance for the year ended December 31, 2024. The Board will review the Company's risk management and internal control system annually.

GENDER DIVERSITY

We respect the gender, age and ethnicity of each person. As of December 31, 2024, approximately 48.15% of our full-time employees (including senior management) were female. We will continue to focus on embracing diversity within the Company and equal and respectful treatment of all of our employees in their hiring, training, wellness and professional and personal development. To this end, we have adopted policies on compensation, dismissal, equal opportunities, diversity and anti-discrimination. Accordingly, the Company gives each job applicant an equal job opportunity and we have an internal policy in place to ensure that there is no discrimination as to gender, age and ethnicity. In addition, we have stipulated in our internal guidelines that decision in relation to human resource management, which include but not limited to promotion, salary increment and dismissal within the Company would be based solely on the employee's performance, experience and capability. While we strive to provide equal career opportunity for everyone, we will also continue to promote work-life balance and create a happy culture in our workplace for all of our employees.

The Company values gender diversity across all levels of the Company. The following table sets out the gender ratio in the workforce of the Company, including the Board and senior management as at the date of this Annual Report:

	Female	Male
Board	2	7
Senior management	2	3
Other employees	738	789
Overall workforce	742	799

The Board had targeted to achieve and had achieved at least 2 of female Directors, 2 of female senior management and 742 of female employees of the Company and considers that the above current gender diversity is satisfactory.

We will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to the Board and senior management. We will encourage current Board members, particularly members of the Nominating Committee, to recommend female director candidates and take other actions to help achieve greater Board diversity, such as inviting some of our talented mid- and senior-level female employees to attend and observe Board meetings. This will enable the Board to learn more about female candidates before they are nominated to the Board, and provide potential female candidates with the opportunity to prepare for directorships.

We will also continue to ensure that gender diversity exists in the recruitment of middle and senior level employees so that we can provide female senior management and potential successors to the Board at the proper timing to ensure gender diversity on the Board. The Company will continue to emphasize the training of female talents and provide long-term development opportunities for female employees, including but not limited to business operations, management, accounting and finance, legal and compliance. As such, we believe that the Board will have the opportunity to identify capable middle and senior level female employees for future nomination as Directors and will be able to make available a list of female candidates for such purpose.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2024.

To the knowledge of the Directors, there are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report.

AUDITORS' REMUNERATION

The Company engaged Ernst & Young and Ernst & Young Hua Ming LLP as its external auditors. For the year ended December 31, 2024, the details of the remuneration payable by the Company to the auditors for the audit services and non-audit services were as follows:

Services	Fees paid/ payable RMB'000
Audit services	2,280
Non-audit services	0
Total	2,280

Note:

The fees excluded the service fees paid/payable to Ernst & Young in connection with the IPO.

JOINT COMPANY SECRETARIES

Ms. Huang Xiu and Ms. Ho Wing Nga acted as joint company secretaries of the Company. Ms. Ho Wing Nga is the Managing Director, Entity Solutions of Computershare Hong Kong Investor Services Limited. For their respective biography, please refer to the section headed "DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT" of this annual report.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices related matters. Ms. Huang Xiu, one of the joint company secretaries, has been designated as the primary contact person of the Company who would work and communicate with Ms. Ho Wing Nga on the Company's corporate governance and secretarial and administrative matters.

In compliance with Rule 3.29 of the Listing Rules, Ms. Huang Xiu and Ms. Ho Wing Nga have taken no less than 15 hours of relevant professional training for the year ended December 31, 2024, respectively.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, all resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and Stock Exchange after each general meeting.

CONVENING SHAREHOLDERS' GENERAL MEETINGS

An annual general meeting is required to be held once every year within six months following the end of the previous financial year. An extraordinary general meeting is required to be held within two months subsequent to the occurrence of any of the following cases:

- when the number of directors is less than the minimum number prescribed by the PRC Company Law or two-thirds of the number as is provided in the Articles of Association;
- when the losses of the Company that have not been made up have reached one-third of its total paid-in share capital;
- when requested by shareholders who individually or collectively hold 10% or more of the Company's shares;
- when deemed necessary by the Board;
- when proposed by the Supervisory Committee;
- other circumstances provided by laws, regulations and prescriptive documents and the listing rules of the stock exchange of the place where the Company's shares are listed or the Articles of Association.

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Pursuant to Article 50 to 53 of the Articles of Association, the Company shall convene an extraordinary general meeting (i) at the request of Shareholders who individually or collectively hold more than 10% of the Company's shares by written requisition(s), (ii) the Board deems it necessary to convene the meeting, (iii) independent non-executive Directors propose to convene the meeting and (iv) the Supervisory Committee proposes to convene the meeting. However, prior to the announcement of the resolutions approved at the general meeting, the number of the Company's shares individually or jointly held by the above shareholders shall not be lower than 10% of the total number of the Company's shares with voting rights. For detailed arrangements, please refer to the aforementioned articles.

As the Company was listed on the Stock Exchange on November 28, 2024, no general meetings were held from the Listing Date to December 31, 2024. The first extraordinary general meeting was held on March 5, 2025, to approve the change of Company Name and the corresponding amendments to the Articles of Association, as well as proposed amendments related to registered capital and the Regulatory Requirements and Internal Rules.

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

Pursuant to Articles 58 and 59 of the Articles of Association, when the Company convenes a shareholders' meeting, the board of directors, the supervisory committee and shareholders who individually or collectively hold 1% or more of the Company's shares shall be entitled to submit proposals of the Company. Shareholders who individually or collectively hold 1% or more of the Company's shares may make a provisional proposal and submit it in writing to the convener ten working days before the date of the shareholders' meeting. The convener shall issue a supplementary notice of the shareholders' meeting within two days of receipt of the proposal, announcing the content of the provisional proposal, and the provisional proposal shall be submitted to the shareholders' meeting for deliberation, unless the provisional proposal is in violation of any law, administrative regulation or these Articles of Association or fails to fall into the scope of functions of the shareholders' meeting. The convener shall notify shareholders at least twenty-one (21) days before the annual shareholders' meeting and at least fifteen (15) days before the extraordinary shareholders' meeting.

PUTTING FORWARD ENQUIRIES TO THE BOARD AND CONTACT DETAILS

Shareholders may send their enquiries or requests to the Company at No. 23, Eighth Street, Baiyang Street, Qiantang District, Hangzhou, Zhejiang Province, PRC (For the attention of the Board/Company secretary).

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

For enquiries about shareholdings, share registration and entitlements to dividends, Shareholders shall direct their enquiries to Computershare Hong Kong Investor Services Limited, the Company's H share registrar and the contact details are set out as follows:

Address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Tel: +852-2862 8555
Fax: +852-2865 0990

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company recognizes that communication with its Shareholders and the market is essential to ensure that Shareholders have access to the information they reasonably require to make an informed assessment of the Company's strategy, operations and financial performance. The Company is committed to maintaining effective and timely communication of the Company's information to its Shareholders and the market.

The Company endeavors to maintain an ongoing dialogue with Shareholders, in particular through general meetings which provide an opportunity for communication between Shareholders and the Board.

The Company's Shareholder Communication Policy has been developed to ensure that Shareholders, including individual and institutional Shareholders and, where appropriate, the investment community, have timely access to comprehensive, equal and easy to understand information about the Company (including overviews on financial performance, strategic objectives and plans, significant developments, governance and risks), in order to enable Shareholders to exercise their rights in an informed manner and to allow Shareholders and the investment community to engage actively with the Company. The shareholders' communication policy of the Company is reviewed by the Board annually.

1. General Policy

1. The Board shall maintain an ongoing dialogue with Shareholders and the investment community, and will regularly review this policy to ensure its effectiveness.

2. The main channels through which the Company communicates information to Shareholders and the investment community are: the Company's financial reports (quarterly (if any), interim and annual reports); the annual general meeting and other general meetings that may be convened; and the publication of all disclosures submitted to Stock Exchange, as well as the Company's newsletters and other corporate publications on the Company's website.

3. The Company will at all times ensure that information is communicated to Shareholders and the investment community in an effective and timely manner. Any queries on this policy should be directed to the joint company secretaries of the Company.

Corporate Communication

Corporate communication refers to any document which issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to, the directors' report and annual accounts together with the auditor's report, interim report, notice of meeting, circular and proxy form.

Corporate communications to Shareholders are prepared in plain language in both Chinese and English to facilitate Shareholders' understanding of the contents of the communications. Shareholders have the right to choose the language (either English or Chinese) in which they wish to receive the corporate communications or the means of receipt (paper version or electronic form).

Shareholders are advised to provide the Company with, inter alia, their email addresses to facilitate the provision of timely and effective communications.

Company Website

A dedicated "Investor Relations" section is available on the Company's website (https://www.china-gene.com). The information posted on the website is updated regularly.

Information released by the Company on the website of Stock Exchange is also posted on the Company's website immediately. Such information includes financial statements, results announcements, circulars, notices of general meetings and relevant explanatory documents.

General Meetings

Shareholders are encouraged to participate in general meetings and if they are unable to attend, they may appoint a proxy to attend and vote on their behalf.

Appropriate arrangements should be made for annual general meetings to encourage Shareholders' participation.

The Company shall monitor and regularly review the proceedings of general meetings and make changes where necessary to ensure that they meet the needs of Shareholders.

Board members, in particular, the chairmen of Board committees or their delegates, appropriate executive management and the external auditors shall attend the annual general meeting to answer questions from Shareholders.

Shareholders are encouraged to attend Shareholders' events organized by the Company to keep abreast of the Company's developments, including updates on strategic planning, products and services.

Investment market communications

The Company organises various activities, including briefings and individual meetings with investors/analysts, local and/or international promotional tours, media interviews and investor outreach activities, as well as organises/participates in industry thematic forums, etc., as it deems appropriate to facilitate communication between the Company and its Shareholders and the investment community.

Directors and employees of the Company are subject to the disclosure obligations and requirements under the Company's policy on disclosure of inside information whenever they have contacts or dialogues with investors, analysts, the media or other outside related parties.

2. **Shareholders' Privacy**

The Company understands the importance of protecting Shareholders' privacy and will not disclose Shareholders' information without their consent, except as required by law.

The Board has reviewed the above policy, and believes that Shareholders have sufficient means and channels to express their opinions to the Company, and the Company's shareholders' communication policy was effectively implemented and executed during the period since the Listing Date and up to December 31, 2024.

CHANGES TO THE ARTICLES OF ASSOCIATION

The extraordinary general meeting of the Company was held on March 5, 2025 to amend the Articles of Association with effect from the same date.

Save as disclosed above in "— SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD" in this annual report, there were no changes in the Articles of Association for the year ended December 31, 2024 and up to the date of this report.

An up-to-date version of the Articles of Association is available on the Company's website and Stock Exchange's website.

DIVIDEND POLICY

The Board may declare dividends in the future after taking into account various factors including our results of operations, financial condition and cash inflows, future plan for use of funds, long-term development of our business and other legal and regulatory restrictions. Any dividend distribution will also be subjected to the approval of the Shareholders in the Shareholder's meeting.

The Company does not currently have a formal dividend policy or a fixed dividend payout ratio. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its Articles of Association and the accounting standards and regulations in China. Any future declaration and payment as well as the amount of dividends will be subject to relevant PRC regulations.

Directors' Report

The Board is pleased to present this report of Directors together with the audited consolidated financial statements of the Group for the Reporting Period.

CORPORATE INFORMATION

The Company was established under the laws of the PRC on December 31, 1993 as a limited liability company. On December 5, 2023, the Company was converted into a joint stock company with limited liability under the PRC Company Law, with its name changed from Hangzhou Jiuyuan Gene Engineering Limited Company (杭州九源基因工程有限公司) to Hangzhou Jiuyuan Gene Engineering Co., Ltd. (杭州九源基因工程股份有限公司). At the extraordinary general meeting of the Company held on March 5, 2025, the Shareholders approved the change of the Company's name to Hangzhou Jiuyuan Genetic Biopharmaceutical Co., Ltd. (杭州九源基因生物醫藥股份有限公司), which has taken into effect since April 2, 2025. For more details, please refer to the relevant announcements of the Company dated February 12, 2025, March 5, 2025 and April 2, 2025 and the relevant circular of the Company dated February 12, 2025.

The Company's H shares have been listed on the Main Board of the Stock Exchange since November 28, 2024.

PRINCIPAL ACTIVITIES

The Company is a biopharmaceutical company in China with over 30 years of proven track record in the R&D, manufacturing and commercialization of biopharmaceutical products and medical devices. The Company focuses on four large and fast-growing therapeutic areas: orthopedics, metabolic diseases, oncology, and hematology. Details of the principal activities of the Company's subsidiary, Cosmotrust Biopharmaceutical, are set out in the Note 1 to the consolidated financial statements of this report.

BOARD OF DIRECTORS

The Directors who held office during the year ended December 31, 2024 and as of the date of this report were:

Executive Directors

Mr. Fu Hang (傅航) *(Chairman of the Board and general manager)*
Mr. Zhou Wei (周偉)

Non-executive Directors

Ms. Ma Honglan (馬紅蘭)
Mr. Wu Shihang (吳詩航)
Mr. Albert Esteve Cruella
Mr. Fei Junjie (費俊傑)

Independent Non-executive Directors

Mr. Zhou Zhihui (周智慧)
Ms. Ho Mei Yi (何美儀)
Dr. Zhou Demin (周德敏)

SUPERVISORS

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

Mr. Ye Jiancai (葉建才) *(Chairman of the Supervisory Committee)*
Mr. Xu Feihu (徐飛虎)
Ms. Zhao Fei (趙飛)

The Supervisory Committee held 2 meetings during the Reporting Period.

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance, including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business and the Group's key relationships with its employees, customers, suppliers and other stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this Directors' report.

RESULTS OF OPERATIONS

The consolidated results of the Group for the Reporting Period and the state of the Group's financial position are set out om the consolidated financial statements on pages 91 to 96 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties faced by the Group, some of which are beyond its control:

- Pricing regulations or other policies such as volume-based procurement that are intended to reduce healthcare costs could subject us to pricing and volume pressures and adversely affect our operations, revenue and profitability. Under the terms of our distribution agreements, we and the relevant distributors may adjust the supply price of our products in the event of a price change as a result of regulatory or policy changes or centralized tender processes. However, in the event that any retail price changes after our products are delivered to our distributors but before they are sold to medical institutions, we may bear the upside potential as well as downside risk from any such retail price change for the relevant products;

- We operate in a highly competitive environment, and we may not be able to compete effectively against current and future competitors selling competing drugs, which could subject us to the pressure of price reduction and adversely affect our operations, revenue and profitability;

- We rely on the sales of certain major products in China, which account for a substantial portion of our total revenue. If we are unable to maintain the sales volume, pricing levels and profit margins of such products due to factors such as competition or change in market environment, our operations, revenue and profitability could be adversely affected. Factors that could adversely affect the sales volumes, pricing levels and profitability of the products we sell include but not limited to the impact of government pricing regulations. Our revenue from oncology and hematology therapeutic areas declined in recent years primarily because most of our marketed products in these therapeutics areas are biosimilars or generic small molecule drugs subject to the impact of the VBP schemes, which has exerted downward pressure on the prices and sales volume of relevant products in recent years;

- If the products we sell are excluded or removed from national, provincial or other government sponsored medical insurance programs, or are included in any national or provincial negative catalogs, our sales, profitability and business prospects could be adversely affected;

- Our products and future approved product candidates may fail to achieve or maintain the degree of market acceptance by physicians, medical institutions, pharmacies, patients, third-party payers and others in the medical community necessary for commercial success, and the actual market size of our product candidates might be smaller than expected;

- If the clinical trials of our product candidates fail to demonstrate safety and efficacy profiles to the satisfaction of regulatory agencies, or fail to produce positive results, we may incur additional costs in completing the development and commercialization of the product candidate, or delay the completion schedule, or ultimately fail to complete the development and commercialization of the product candidates;

- If we are unable to succeed in tender processes to sell our products to public hospitals and other medical institutions, we may lose market share and our operations, revenue and profitability could be adversely affected; and

- If we fail to maintain and optimize an effective distribution network for our products or encounter problems with our distributors, our operations, revenue and profitability could be adversely affected.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult with their own investment advisers before making any investment.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth.

For further details of the Group's environmental policies and performance, please refer to the "2024 Environmental, Social and Governance Report," which was published separately.

KEY RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that various stakeholders including suppliers, employees, Shareholders and other business associates are key to Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationship with them.

Relationship with Our Employees

We endeavor to cultivate talented and loyal employees by treating our employees with dignity, respect and fairness. We conduct new employee trainings, as well as professional and compliance training programs for employees. We enter into employment contracts with our employees to cover matters such as wages, benefits and grounds for termination. The remuneration package of our employees usually includes salary and bonus, which are generally determined by their qualifications, industry experience, position and performance. We make contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

Relationship with Shareholders

We recognize the importance of protecting the interests of the Shareholders and of having effective communication with them. We believe that communication with the Shareholders is a two-way process and strive to ensure the quality and effectiveness of information disclosure, maintain regular dialog with the Shareholders and listen carefully to the views and feedback from the Shareholders. This has been done through general meetings, corporate communications, annual reports and results announcements.

TAX RELIEF AND EXEMPTIONS FOR HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's listed securities. If any of the Shareholders is unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the H Shares, he or she is advised to consult an expert.

EMPLOYEES AND REMUNERATION POLICY

As of December 31, 2024, the Group had a total of 1,541 full-time employees. The total remuneration costs amounted to RMB347.7 million for the year ended December 31, 2024, as compared to RMB313.8 million for the year ended December 31, 2023. We are committed to making sure that working conditions throughout our business network are safe and that employees are treated with care and respect. As required by PRC regulations, we participate in various government statutory employee benefit plans, including social insurances, namely pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing funds. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government regulations from time to time. Our compensation package also comprises year-end bonuses, communication, transport and meal allowances, staff dormitory, paid leaves, and holiday benefits. In addition, we provide career development opportunities and promote an inventive, collaborative, and productive work environment, which we believe fosters long-lasting self-motivation for our employees.

Our employees typically enter into standard employment contracts with us. We place a high value on recruiting, training, and retaining qualified employees. We maintain high standards on selecting and recruiting talent worldwide and provide competitive compensation packages. To maintain and enhance the quality, knowledge and skill levels of our workforce as well as their familiarity with industry quality standards and work safety standards, we provide our employees with periodic training, including orientation programs for new employees, technical training, professional and management training and health and safety training.

During the year ended 31 December 2024, we engaged third-party agents to assist with social insurance and housing provident fund payments for some of our contract employees in certain cities in the PRC. This was due to our extensive service coverage, the large size of our sales workforce, and frequent employee turnover, as well as the fact that some contract employees preferred to participate in their place of residency where we do not maintain a subsidiary or branch office. However, this arrangement is not in strict compliance with relevant PRC laws and regulations, as the obligation to make these contributions rests with us and should not be delegated to third-party agents. Additionally, we had not made full contributions to social insurance and housing provident fund based on the actual salary levels of our employees. Given the complexity caused by the size and dynamics of our sales team, rectifying this issue will require additional time. Moving forward, we will actively explore solutions to address this matter.

In recognition of the contributions of our employees and to incentivize them to further promote our development, Chengheda, Nanbeiju and Qingfanghao were established in the PRC as our employee shareholding platforms. The relevant employee incentive schemes does not involve any grant of share options or awards after the Listing and therefore are not subject to the provisions of Chapter 17 of the Listing Rules. Given the underlying Shares under employee incentive schemes have already been issued, there will not be any dilution effect to the issued Shares upon the vesting of the awards under the 2023 Scheme.

As of the date of this annual report, (i) Chengheda holds 7,320,364 Shares (comprising of 3,477,904 Unlisted Shares and 3,842,460 H Shares) (representing approximately 2.98% of the total issued share capital of the Company as of December 31, 2024), with one executive partner and 26 limited partners; (ii) Nanbeiju holds 5,045,498 Shares (comprising of 3,285,425 Unlisted Shares and 1,760,073 H Shares) (representing approximately 2.06% of the total issued share capital of the Company as of December 31, 2024), with one executive partner and 39 limited partners; and (iii) Qingfanghao holds 3,849,762 Shares (comprising of 2,064,859 Unlisted Shares and 1,784,903 H Shares) (representing approximately 1.57% of the total issued share capital of the Company as of December 31, 2024), with one executive partner and 25 limited partners. For more details of the employee shareholding platforms, please refer to the paragraphs headed "History, Development and Corporate Structure — Employee Shareholding Platforms" in the Prospectus.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the date of this annual report, the names of the Directors, Supervisors and senior management of the Company are set out in the section headed "Directors, Supervisors and Senior Management" in this annual report.

BIOGRAPHIES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the date of this annual report, biographical details of the Directors, Supervisors and senior management of the Company are set out in the section headed "Biographies of Directors, Supervisors and Senior Management" in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the purchases from the Group's largest supplier accounted for 16.0% of the Group's total purchases and the purchases from the Group's five largest suppliers accounted for 50.3% of the Group's total purchases; the sales to the Group's largest customer accounted for 23.3% of the Group's revenue and the sales to the Group's five largest customers accounted for 45.4% of the Group's revenue.

Except Huadong Medicine, none of the Directors or any of their close associates (as defined in the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers or customers for 2024.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

We have entered into a service contract with each of our Directors and Supervisors in respect of, among others, (i) term of service and (ii) termination.

Save as disclosed above, none of our Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Period was the Company or its subsidiary a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors and any of their spouse and children under the age of 18 had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The remuneration of the Directors, Supervisors and senior management members is determined with reference to the remuneration paid by comparable companies, individual performance, and the achievement of major operating indicators of the Company.

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

Details of the remuneration of the Directors, Supervisors and senior management of the Group are set out in the section headed "Remuneration and Appraisal Committee" in this annual report.

During the Reporting Period, no remuneration was paid by the Company to any of the Directors and Supervisors or the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group distinguishing between contractual and other payments (excluding amounts disclosed above). None of the Directors and Supervisors waived or agreed to waive any remuneration for the Reporting Period.

Save as disclosed above, no other payments have been made or are payable, for the Reporting Period, by the Group to or on behalf of any of the Directors.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

The Group has entered into certain continuing connected transactions with Huadong Medicine and Zhongmei Huadong, as set out in the section headed "Connected Transactions" in this annual report. Ms. Ma Honglan, our non-executive Director, serves as a supervisor at Zhongmei Huadong and an assistant to the chairperson of Huadong Medicine's board of directors. However, as a non-executive Director, Ms. Ma is not involved in the daily management and business operations of our Group.

Save as disclosed above, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiary was a party and in which a Director/Supervisor or any entity connected with such Director/Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiary.

CONNECTED TRANSACTIONS

The Group entered into certain continuing connected transactions with the following connected persons of the Company which are subject to the disclosure requirements under Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules for these continuing connected transactions. The Group has complied with the pricing policy of the Group in respect of the continuing connected transactions for the year ended December 31, 2024.

Connected persons	Connected relationship
Huadong Medicine	Huadong Medicine was the holding company of Zhongmei Huadong as of the date of this annual report and therefore a connected person of our Company. In addition, Huadong Medicine's associate(s) (together with Huadong Medicine, the "**Huadong Medicine Connected Person(s)**") are also our connected persons.
Zhongmei Huadong	Zhongmei Huadong is one of our substantial Shareholders.

1. Procurement Framework Agreement

Principal Terms

On August 7, 2024, our Company entered into a procurement framework agreement with Huadong Medicine (on behalf of Huadong Medicine Connected Persons) (the "**Procurement Framework Agreement**"), pursuant to which Huadong Medicine Connected Persons will supply our Group with medical products and equipment, including (i) raw materials and medical consumables for drug production, and research and development; (ii) medical equipment for drug quality inspection; (iii) original pharmaceutical drugs for the Company's research projects; and (iv) other supplementary services annexed to the procured equipment, such as transportation, installation, training and maintenance.

The term of the Procurement Framework Agreement commences on the Listing Date until December 31, 2026 and may be renewed subject to the relevant requirements under the relevant laws, regulations, and the Listing Rules. Under the terms of the Procurement Framework Agreement, our Group and Huadong Medicine Connected Persons will enter into agreements or purchase orders to set out the specific terms and conditions for specific procurement of products or services.

Reasons for the Transaction

Huadong Medicine Connected Persons are principally engaged in the distribution and sales of medicines, medical consumables and equipment, and are known for their extensive range of product offerings. As we have established a diversified pharmaceutical product portfolio, procurement of the relevant medical consumables and equipment and supplementary services is essential to our daily operation and is in line with our ordinary and usual course of business. Huadong Medicine Connected Persons have been providing us with medical consumables and equipment with high quality, stable and quick delivery at a reasonable price since 2001. We believe that Huadong Medicine Connected Persons are familiar with our safety and quality standards, and will be able to meet our demands efficiently.

Annual Caps

Our proposed annual caps of the transactions under the Procurement Framework Agreement for the years ending December 31, 2024, 2025 and 2026 are RMB11.8 million, RMB14.1 million and RMB17.0 million, respectively. The proposed annual caps were estimated with reference to, amongst others, (i) the historical transaction amounts in the past years; (ii) our expected rising demands for medical products and equipment from Huadong Medicine Connected Persons in these three years in line with our expected future business growth, our expanding pipeline and coverage of several marketed products, including Jifuwei; and (iii) the medical consumables and equipment, and supplementary services our Group expects to procure from Huadong Medicine Connected Persons. For the year ended December 31, 2024, the actual transaction amount did not exceed the annual cap under the Procurement Framework Agreement.

2. Revenue-Sharing Royalty Arrangement under the Liraglutide Transfer Agreements

Principal Terms and Reasons for the Transaction

Pursuant to the exclusive technology transfer agreement we entered into in August 2017 with Zhongmei Huadong in relation to the technology transfer and development of the T2DM indication and the exclusive technology transfer agreement we entered into in May 2019 with Zhongmei Huadong in relation to the technology transfer and development of the obesity indication (collectively referred to as "**Liraglutide Transfer Agreements**"), we are entitled to a 3.0% royalty based on the annual net sales of liraglutide by Zhongmei Huadong during the first six years of its commercial launch (the "**Revenue-Sharing Royalty Arrangement**"). The Group entered into the Liraglutide Transfer Agreements due to the fact that, among others, (i) at that time, we needed funds to develop our other product pipelines, including JY06 (Jixinfen) and JY29-2. Through the Revenue-Sharing Royalty Arrangement, we share revenue from liraglutide product sales, leveraging this opportunity to improve our financial results and improve our cash flow, which is beneficial to our overall strategy and product pipeline development; (ii) the transfer helps us mitigate risks and costs in the drug development process.

For more details about the background and reasons for the Revenue-Sharing Royalty Arrangement, please refer to the paragraphs headed "Connected Transactions — Non-exempt Continuing Connected Transactions — 2. Revenue-sharing Royalty Arrangement under the Liraglutide Transfer Agreements" in the Prospectus.

Annual Caps

Our proposed annual caps of the transaction under the Revenue-Sharing Royalty Arrangement for the years ending December 31, 2024, 2025 and 2026 are RMB10.2 million, RMB11.7 million and RMB13.5 million, respectively. The proposed annual caps were estimated with reference to, among others, (i) our capacity to manufacture injection products of liraglutide in one year, as Zhongmei Huadong exclusively contracts us for the production; (ii) the then anticipated annual sales of the liraglutide product with expected sales increasing in the second half of 2024; and (iii) the effective government-guided price for the liraglutide product governed by the National Healthcare Security Administration. For the year ended December 31, 2024, the actual transaction amount did not exceed the annual cap under the Revenue-Sharing Royalty Arrangement.

3. Technology Development Services Agreement

Principal Terms

In May 2019, our Company entered into a technology development services agreement with Zhongmei Huadong (the "**Technology Development Services Agreement**") with a technology development term from 2017 to 2024, pursuant to which our Group would provide technology development services (excluding the clinical research) of liraglutide in relation to the T2DM indication to Zhongmei Huadong, and Zhongmei Huadong would make milestone payments to us accordingly.

The service scope under the Technology Development Service Agreement includes, among others, (i) research and development of prescription process and quality studies; (ii) scaling up of the manufacturing and optimizing the formulation; (iii) design of a new delivery device for liraglutide and the construction of the production line; and (iv) facilitating Zhongmei Huadong in applying for and obtaining NDA approval for the T2DM indication of liraglutide. The Technology Development Services Agreement is anticipated to conclude in mid 2025 upon the fulfillment of the relevant milestones as detailed below.

Reasons for the Transaction

To facilitate the commercialization of liraglutide, Zhongmei Huadong needs to scale up its manufacturing and optimize formulation. Considering that we have the necessary manufacturing capabilities and refinement expertise for liraglutide's production line, coupled with our extensive experience in liraglutide's technology development, Zhongmei Huadong chooses us as a competent partner. Therefore, apart from the technology transfer agreements, we entered into the Technology Development Services Agreement, providing technology development services in respect of liraglutide.

We believe the technology development services would assist Zhongmei Huadong in facilitating the commercialization of liraglutide, which is in line with market practice under similar technology transfer arrangements. In addition, our experience and expertise gained through providing the technology development services would yield valuable insights instrumental to our future commercialization efforts for our other GLP-1 receptor agonist and products.

Milestone Payments and Annual Caps

Pursuant to the Technology Development Services Agreement, the Company is entitled to receive an aggregate amount of RMB40.0 million milestone payment from Zhongmei Huadong according to the following schedule:

Milestone		Payment
(i)	completion of the process scale-up studies on production capabilities	RMB20.0 million
(ii)	completion of the development of the disposable injection pen form	RMB12.0 million
(iii)	completion of the application for and obtaining NDA approval	RMB8.0 million

Our proposed annual caps of the transactions under the Technology Development Services Agreement for the years ending December 31, 2024 and 2025 are RMB0 and RMB12.0 million, taking into account the estimated timing of the milestone event (ii) above is expected to occur in 2025. For the year ended December 31, 2024, the actual transaction amount did not exceed the annual cap under the Technology Development Services Agreement.

4. Manufacturing Services Framework Agreement

Principal Terms

On August 1, 2024, our Company entered into a manufacturing services framework agreement with Zhongmei Huadong (the "**Manufacturing Services Framework Agreement**"). Pursuant to the Manufacturing Services Framework Agreement, we will provide manufacturing services for API and injection products of liraglutide to Zhongmei Huadong and/or its associates. The term of the Manufacturing Services Framework Agreement commences on the Listing Date until December 31, 2026 and may be renewed subject to the relevant requirements under the relevant laws, regulations, and the Listing Rules. Under the Manufacturing Services Framework Agreement, our Group and Zhongmei Huadong and/or its associates will enter into agreements to set out terms and conditions in respect of specific manufacturing services from time to time.

Reasons for the Transaction

Following Zhongmei Huadong's receipt of NDA approval for the T2DM indication of liraglutide in March 2023, we entered into a one-year manufacturing services contract with Zhongmei Huadong in April 2023 for the API and injection products of liraglutide, which has been renewed for another year in April 2024. Considering our manufacturing capabilities and expertise in liraglutide, and the time required for Zhongmei Huadong to establish a full-process production line and reach its anticipated production capacity, we will continue to provide these manufacturing services in the near future.

Our longstanding cooperation with Zhongmei Huadong has allowed both our Group and Zhongmei Huadong to gain a comprehensive understanding of each other's business and operational requirements, fostering a solid foundation of mutual trust. Leveraging our production capacity, we are able to provide quality manufacturing services to satisfy the needs of Zhongmei Huadong in our ordinary and usual course of business.

Annual Caps

Our proposed annual caps of the transactions under the Manufacturing Services Framework Agreement for the years ending December 31, 2024, 2025 and 2026 are RMB64.7 million, RMB72.5 million and RMB81.4 million, respectively. The proposed annual caps were estimated with reference to, amongst others, (i) our manufacturing capacity of liraglutide's API and injection products, the order placed by Zhongmei Huadong for the year of 2024 as well as the expected manufacturing demands from Zhongmei Huadong and/or its associates; (ii) the production costs of liraglutide's API and injection products; and (iii) the prevailing market gross margin for comparable manufacturing services. For the year ended December 31, 2024, the actual transaction amount did not exceed the annual cap under the Manufacturing Services Framework Agreement.

5. API Overseas Sales Arrangements

Principal Terms

In April 2022, we entered into supplementary arrangements (the "**API Overseas Sales Arrangements**") with Zhongmei Huadong, pursuant to which we granted Zhongmei Huadong a non-exclusive right to distribute liraglutide's API in the overseas market, except for 17 Middle Eastern and North African countries, where Zhongmei Huadong was granted an exclusive right. In return, Zhongmei Huadong should pay a sales royalty equal to 7% of the net sales generated from its overseas sales of liraglutide's API. This arrangement will extend for 15 years, commencing from the year Zhongmei Huadong achieves initial overseas sales of liraglutide's API. The API Overseas Sales Arrangements are of an indefinite term unless terminated by mutual consent.

Annual Caps

Our proposed annual caps of the transactions under the API Overseas Sales Arrangements for the years ending December 31, 2024, 2025 and 2026 are RMB0, RMB0 and RMB140,000, respectively. The proposed annual caps were estimated with reference to, among others, Zhongmei Huadong's expected selling efforts in the overseas market with regard to liraglutide's API and its expected scale of sales in the foreseeable future. For the year ended December 31, 2024, there was no actual transaction amount under the API Overseas Sales Arrangements.

Compliance with Chapter 14A of the Listing Rules

The implementation of the API Overseas Sales Arrangements will be subject to the Company's compliance with Chapter 14A of the Listing Rules as and when necessary. Our Company undertakes to comply with Chapter 14A of the Listing Rules at the juncture when the actual and definite terms and conditions of the transaction are determined. The API Overseas Sales Arrangements have an indefinite term, so the Company should present the transaction to its general meeting for approval every three years before the transaction starts or before the expiration of the previously obtained Shareholders' approval (as the case may be), unless the Stock Exchange grants a waiver from strict compliance with Rule 14A.52 of the Listing Rules.

6. Pharmaceutical Products Distribution Framework Agreement

Principal Terms

On August 1, 2024, our Company entered into a pharmaceutical products distribution framework agreement with Huadong Medicine (on behalf of Huadong Medicine Connected Persons) (the "**Pharmaceutical Products Distribution Framework Agreement**"), pursuant to which Huadong Medicine Connected Persons will help distribute our products to medical institutions and purchase from our Group pharmaceutical products for distribution to hospitals that are independent third parties.

The term of the Pharmaceutical Products Distribution Framework Agreement commences on the Listing Date until December 31, 2026 and may be renewed subject to the relevant requirements under the relevant laws, regulations, and the Listing Rules. Under the Pharmaceutical Products Distribution Framework Agreement, our Group and Huadong Medicine will enter into agreements to set out the terms and conditions in respect of the distribution of specific pharmaceutical products from time to time.

Reasons for the Transaction

Our principal business is the provision of medical devices, generic small molecule drugs, recombinant proteins and other marketed products. We sell our drug products primarily to third-party distributors, who are our direct customers and are responsible for on-selling and delivering our products to hospitals, other medical institutions and pharmacies. We have a seller-buyer relationship with our distributors. We retain no ownership over the products that we sell to them, and all significant risks and rewards associated with these products are transferred to them upon delivery to and acceptance by them. We believe this distribution model helps extend our coverage in a cost-effective manner while retaining proper control over our distribution network and marketing and promotion process.

Since 2000, we have been distributing our marketed products through Huadong Medicine Connected Persons. With their wide and developed distribution network, they were selected as our distributors in accordance with our distributor management policy from time to time. Under similar or comparable terms, we prefer Huadong Medicine Connected Persons for its good market reputation and their ample experience and solid foundation in this field and its long-term business relationship between us.

Annual Caps

Our proposed annual caps for the transactions under the Pharmaceutical Products Distribution Framework Agreement for the years ending December 31, 2024, 2025 and 2026 are RMB65.7 million, RMB81.1 million and RMB104.0 million, respectively. The proposed annual caps were estimated with reference to, amongst others, (i) the historical transaction amounts; (ii) the anticipated growth in market demands for our products from medical institutions, driven by the enhanced promotion efforts of our in-house sales and marketing team; and (iii) the potential effect of inflation and increment in operational costs, and potential price fluctuation of the raw materials in relation to the pharmaceutical products. For the year ended December 31, 2024, the actual transaction amount did not exceed the annual cap under the Pharmaceutical Products Distribution Framework Agreement.

Annual Review of the Above Partially Exempt or Non-exempt Continuing Connected Transactions

Our independent non-executive Directors have reviewed the above partially exempt or non-exempt continuing connected transactions for the year ended December 31, 2024 and confirmed that the aforesaid continuing connected transactions were entered into:

(a) in the ordinary and usual course of its business;

(b) on normal commercial terms or better; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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

The Company's auditors have reported to the Directors that nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; or (iv) have exceeded the annual cap as set by the Company.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group during the Reporting Period are set out in note 31 to the financial statements in this annual report.

Among the related party transactions as set out in Note 31 to the financial statements, (i) under paragraph (a), the lease transaction with Huadong Medicine is a fully exempt connected transaction under Rule 14A.76 of the Listing Rules, and the remaining related party transactions are continuing connected transaction disclosed in "— Connected Transactions" in this annual report; (ii) the loan guarantee from Hangzhou Huasheng under paragraph (b) does not constitute a connected transaction under Chapter 14A of the Listing Rules, as the guarantee expired before the Listing; and (iii) the remaining related party transactions under Note 31 do not constitute connected transactions under the Listing Rules.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

The H Shares of the Company were listed on the Stock Exchange on November 28, 2024. Since then, Divisions 7 and 8 of Part XV of the SFO and Section 352 of the SFO were applicable to the Directors, Supervisors and chief executive of the Company.

Save as disclosed below, as at December 31, 2024, no other Directors, Supervisors and chief executive of the Company had any interests and/or short positions in the Shares, underlying Shares and debentures of the Company and any interests and/or short positions in shares, underlying shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange:

Name	Position	Nature of interest	Description of the Shares	Number of Shares held	Approximate percentage of shareholding in the relevant class of Shares[1] (%)	Approximate percentage of shareholding in the total share capital of our Company[1] (%)
Mr. Fu Hang[2]	Executive Director, chairman of the Board and general manager	Interest in a controlled corporation	Unlisted Shares	3,285,425	2.41	1.34
			H Shares	1,760,073	1.61	0.72

Notes:

(1) The calculation is based on the total number of 136,302,015 Unlisted Shares and 109,096,785 H Shares in issue as at December 31, 2024. All interests stated are long positions.

(2) As at December 31, 2024, Mr. Fu Hang was the general partner who held 34.68% partnership interests in Nanbeiju. As such, Mr. Fu Hang was deemed to be interested in the 1,760,073 H Shares and 3,285,425 Unlisted Shares directly held by Nanbeiju under the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As stated above, the H Shares of the Company were listed on the Stock Exchange on November 28, 2024. Since then, Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were applicable to the substantial shareholders of the Company.

So far as the Directors are aware, as at December 31, 2024, the following persons (other than the Directors, Supervisors or chief executive of the Company as disclosed above) had interests and/or short positions in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, and which would be recorded in the register required to be kept under Section 336 of the SFO, or, who are, directly or indirectly interested in 5% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of Shareholder	Nature of interest	Description of the Shares	Number of Shares	Approximate percentage of interest in the Unlisted Shares/ H Shares (as appropriate)[1] (%)	Approximate percentage of interest in the Company[1] (%)
Zhongmei Huadong	Beneficial owner	Unlisted Shares H Shares	29,484,317 12,636,136	21.63 11.58	12.01 5.15
Huadong Medicine	Interest in a controlled corporation[2]	Unlisted Shares H Shares	29,484,317 12,636,136	21.63 11.58	12.01 5.15
China Grand Enterprises, Inc. (中國遠大集團有限責任公司)	Interest in a controlled corporation[2]	Unlisted Shares H Shares	29,484,317 12,636,136	21.63 11.58	12.01 5.15
Beijing Yuanda Huachuang Investment Group Co., Ltd. (北京遠大華創投資集團有限公司)	Interest in a controlled corporation[2]	Unlisted Shares H Shares	29,484,317 12,636,136	21.63 11.58	12.01 5.15
Hu Kaijun (胡凱軍)	Interest in a controlled corporation[2]	Unlisted Shares H Shares	29,484,317 12,636,136	21.63 11.58	12.01 5.15
Hangzhou Huasheng	Beneficial owner	Unlisted Shares H Shares	25,998,521 6,499,630	19.07 5.96	10.59 2.65
Hangzhou Wanyuhe Pharmaceutical Technology Co., Ltd. (杭州萬裕和醫藥科技有限公司)	Interest in a controlled corporation[3]	Unlisted Shares H Shares	25,998,521 6,499,630	19.07 5.96	10.59 2.65

Name of Shareholder	Nature of interest	Description of the Shares	Number of Shares	Approximate percentage of interest in the Unlisted Shares/ H Shares (as appropriate)[(1)] (%)	Approximate percentage of interest in the Company[(1)] (%)
Li Bangliang (李邦良)	Beneficial owner	Unlisted Shares	28,331,705	20.79	11.55
	Interest in a controlled corporation[(3)]	H Shares	6,499,630	5.96	2.65
CQFE	Beneficial owner	Unlisted Shares	24,000,000	17.61	9.78
		H Shares	6,000,000	5.50	2.44
Heda HK	Beneficial owner	Unlisted Shares	Nil	–	–
		H Shares	12,400,400	11.37	5.05
Hangzhou Heda Jinyuan Equity Investment Fund Partnership Enterprise (Limited Partnership) (杭州和達金源股權投資基金合夥企業(有限合夥))	Interest in a controlled corporation[(4)]	Unlisted Shares	Nil	–	–
		H Shares	12,400,400	11.37	5.05
Hangzhou Heda Industry Fund Investment Co., Ltd. (杭州和達產業基金投資有限公司)	Interest in a controlled corporation[(4)]	Unlisted Shares	Nil	–	–
		H Shares	12,400,400	11.37	5.05
Hangzhou Hegang Venture Capital Co., Ltd. (杭州和港創業投資有限公司)	Interest in a controlled corporation[(4)]	Unlisted Shares	Nil	–	–
		H Shares	12,400,400	11.37	5.05
Hangzhou Heda Investment Management Co., Ltd. (杭州和達投資管理有限公司)	Interest in a controlled corporation[(4)]	Unlisted Shares	Nil	–	–
		H Shares	12,400,400	11.37	5.05
Hangzhou Heda Financial Services Group Co., Ltd. (杭州和達金融服務集團有限公司)	Interest in a controlled corporation[(4)]	Unlisted Shares	Nil	–	–
		H Shares	12,400,400	11.37	5.05
Hangzhou Qiantang New Area Industrial Development Group Co., Ltd. (杭州錢塘新區產業發展集團有限公司)	Interest in a controlled corporation[(4)]	Unlisted Shares	Nil	–	–
		H Shares	12,400,400	11.37	5.05

Name of Shareholder	Nature of interest	Description of the Shares	Number of Shares	Approximate percentage of interest in the Unlisted Shares/ H Shares (as appropriate)[1] (%)	Approximate percentage of interest in the Company[1] (%)
Hangzhou Qiantang New Area Management Committee (杭州錢塘新區管理委員會)	Interest in a controlled corporation[4]	Unlisted Shares H Shares	Nil 12,400,400	– 11.37	– 5.05
Zhejiang Wangxin	Beneficial owner	Unlisted Shares H Shares	12,256,887 12,256,888	8.99 11.23	4.99 4.99
Insigma Technology Co., Ltd. (浙大網新科技股份有限公司)	Interest in a controlled corporation[5]	Unlisted Shares H Shares	12,256,887 12,256,888	8.99 11.23	4.99 4.99
Highland Pharma	Beneficial owner	Unlisted Shares H Shares	7,000,000 13,000,000	5.14 11.92	2.85 5.30
Nice Bonus Limited (增好有限公司)	Interest in a controlled corporation[6]	Unlisted Shares H Shares	7,000,000 13,000,000	5.14 11.92	2.85 5.30
Yang Loon Chun (楊麟振)	Interest in a controlled corporation[6]	Unlisted Shares H Shares	7,000,000 13,000,000	5.14 11.92	2.85 5.30
Hangzhou Investment	Beneficial owner	Unlisted Shares H Shares	17,429,338 Nil	12.79 –	7.10 –

Notes:

(1) The calculation is based on the total number of 136,302,015 Unlisted Shares and 109,096,785 H Shares in issue as at December 31, 2024. All interests stated are long positions.

(2) As at December 31, 2024, Zhongmei Huadong was wholly owned by Huadong Medicine. Huadong Medicine was owned as to 41.66% by China Grand Enterprises, Inc. (中國遠大集團有限責任公司). China Grand Enterprises, Inc. was in turn owned as to 92.97% by Beijing Yuanda Huachuang Investment Group Co., Ltd. (北京遠大華創投資集團有限公司), a wholly owned company of Mr. Hu Kaijun (胡凱軍). As such, each of Huadong Medicine, China Grand Enterprises, Inc., Beijing Yuanda Huachuang Investment Group Co., Ltd. and Hu Kaijun was deemed to be interested in the 42,120,453 Shares directly held by Zhongmei Huadong under the SFO.

(3) As at December 31, 2024, Hangzhou Huasheng was owned as to 39.57% by Hangzhou Wanyuhe Pharmaceutical Technology Co., Ltd. (杭州萬裕和醫藥科技有限公司), which is owned as to 99% by Mr. Li Bangliang (李邦良). As such, each of Hangzhou Wanyuhe Pharmaceutical Technology Co., Ltd. and Mr. Li Bangliang was deemed to be interested in the 32,498,151 Shares directly held by Hangzhou Huasheng under the SFO.

(4) As at December 31, 2024, Heda HK was wholly owned by Hangzhou Heda Jinyuan Equity Investment Fund Partnership Enterprise (Limited Partnership) (杭州和達金源股權投資基金合夥企業（有限合夥）) ("**Hangzhou Heda**"), a limited liability partnership established under the laws of the PRC. As of the date of this annual report, Hangzhou Heda was held as to (i) 99.95% by Hangzhou Heda Industry Fund Investment Co., Ltd. (杭州和達產業基金投資有限公司) ("**Heda Industry Fund**") as its limited partner, and (ii) 0.05% by Hangzhou Heda Investment Management Co., Ltd. (杭州和達投資管理有限公司) ("**Heda Investment Management**") as its general and executive partner, respectively. Heda Industry Fund was wholly owned by Hangzhou Hegang Venture Capital Co., Ltd. (杭州和港創業投資有限公司), which was in turn wholly owned by Hangzhou Qiantang New Area Industrial Development Group Co., Ltd. (杭州錢塘新區產業發展集團有限公司) ("**Qiantang New Area Industrial**"). Heda Investment Management was owned as to 90% by Hangzhou Heda Financial Services Group Co., Ltd. (杭州和達金融服務集團有限公司), which was in turn wholly owned by Qiantang New Area Industrial. Qiantang New Area Industrial was owned as to 90% directly by Hangzhou Qiantang New Area Management Committee (杭州錢塘新區管理委員會). As such, each of Hangzhou Heda, Heda Industry Fund, Heda Investment Management, Hangzhou Hegang Venture Capital Co., Ltd., Qiantang New Area Industrial, Hangzhou Heda Financial Services Group Co., Ltd. and Hangzhou Qiantang New Area Management Committee was deemed to be interested in the 12,400,400 Shares directly held by Heda HK under the SFO.

(5) As at December 31, 2024, Zhejiang Wangxin was wholly owned by Insigma Technology Co., Ltd. (浙大網新科技股份有限公司). As such, Insigma Technology Co., Ltd. was deemed to be interested in the 24,513,775 Shares directly held by Zhejiang Wangxin under the SFO.

(6) As at December 31, 2024, Highland Pharma was wholly owned by Nice Bonus Limited (增好有限公司). Nice Bonus Limited was owned as to 99.00% by Yang Loon Chun (楊麟振). As such, each of Nice Bonus Limited and Yang Loon Chun was deemed to be interested in the 20,000,000 Shares directly held by Highland Pharma under the SFO.

Save as disclosed above, the Directors are not aware of any person who had an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, and which would be recorded in the register required to be kept under Section 336 of the SFO, or, who are, directly or indirectly interested in 5% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

CONVERTIBLE BONDS

During the Reporting Period, the Group did not issue any convertible bonds.

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

Details of the pledge of assets of the Group during the Reporting Period are set out in Note 30 to the financial statements.

SHARE CAPITAL

On November 28, 2024, the Company issued 45,398,800 H Shares at the price of HK$12.42 per H Share in connection with the Global Offering. Details of the movements in share capital of the Group during the Reporting Period are set out in the Note 25 to the financial statements.

RESERVES

Details of movements in the reserves of the Group during the year ended December 31, 2024 are set out in Note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of December 31, 2024, the Company had distributable reserve amounting to approximately RMB135.7 million, as calculated in accordance with the statutory provisions applicable in the PRC.

DONATION

During the Reporting Period, the Company did not make donations.

DEBENTURES ISSUED

The Group did not issue any debenture during the Reporting Period.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the Reporting Period, the Group did not have any significant investments (including any investment in an investee company with a value of five percent or more of the Group's total assets as of December 31, 2024), acquisitions or disposals.

LOANS AND GUARANTEES

During the Reporting Period, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, Supervisors and senior management of the Company or their respective connected persons.

FINAL DIVIDEND

The Board proposed to recommend the distribution of a cash dividend of RMB0.56 (inclusive of tax) for every 10 Shares to all Shareholders based on the total share capital as of the record date for profit distribution and dividend payment. As of the date of the board meeting considering this distribution of a final dividend, the total share capital of the Company is 245,398,800 Shares, which is used to calculate the total proposed cash dividend RMB13,742,332.8 (inclusive of tax), accounting for approximately 10% of the consolidated net profit attributable to the Shareholders for 2024.

The distribution of a final dividend will be submitted to the AGM in 2025 for consideration and approval. The payment is expected to be made on or around July 30, 2025.

The final dividend will be denominated and declared in RMB, with the dividend on Domestic Shares and Unlisted Foreign Shares to be paid in RMB and the dividend on H Shares to be paid in Hong Kong dollars. The exchange rate to be used for the conversion of the cash dividend from RMB to HKD will be based on the average of the central parity rate of the RMB against HKD exchange rate announced by the People's Bank of China for the five business days prior to the date of declaration of the final dividend.

As at the date of this annual report, the Board is not aware of any Shareholder who has waived or agreed to waive any dividends.

DIVIDEND TAX

Withholding and Payment of Enterprise Income Tax on behalf of Overseas Non-Resident Enterprise Shareholders

Pursuant to the applicable provisions of the *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》) and its implementing rules and the requirements under the *Notice on the Issues Concerning Withholding and Payment of the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises* (Guo Shui Han [2008] No. 897) issued by the State Taxation Administration (國家稅務總局《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), the Company will withhold and pay enterprise income tax at the rate of 10% when it distributes the final dividends to overseas non-resident enterprise Shareholders (including any H Shares of the Company registered in the name of HKSCC Nominees Limited, but excluding any H Shares of the Company registered in the name of HKSCC Nominees Limited which are held by China Securities Depository and Clearing Corporation Limited as a nominee shareholder on behalf of investors who invest in H Shares of the Company through H share "full circulation"). The non-resident enterprise Shareholders may, on their own or through an authorised agent, apply to the competent tax authorities of the Company to enjoy the tax preferential treatments under the tax treaty (arrangement) by providing information of them being the actual beneficiaries of the tax treaty (arrangement).

Withholding and Payment of Individual Income Tax on behalf of Overseas Individual Shareholders

Pursuant to the applicable provisions of the *Individual Income Tax Law of the PRC* (《中華人民共和國個人所得稅法》) and its implementing rules, the *Tax Measures*, the *Notice of the State Taxation Administration on Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa [1993] No. 045* (Guo Shui Han [2011] No. 348)《(國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) and other relevant laws and regulations and requirements under normative documents, the Company's overseas individual Shareholders may enjoy the relevant tax concessions in accordance with the provisions of the tax treaty entered into between the country (region) where such Shareholders are domiciled and the PRC, and the tax arrangements between the mainland of the PRC, Hong Kong and Macao. The Company will implement the following arrangements in relation to the withholding and payment of individual income tax on behalf of the overseas individual H Shareholders:

(1) For individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty or tax arrangement with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these individual H Shareholders in the distribution of the final dividends;

(2) For individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of these individual H Shareholders in the distribution of the final dividends. If relevant individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, they themselves or through the Company on their behalf can handle the applications for tax preferential treatments under relevant tax treaties according to the *Tax Measures*;

(3) For individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty on behalf of these individual H Shareholders in the distribution of the final dividends; and

(4) For individual H Shareholders whose country (region) of domicile is a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these individual H Shareholders in the distribution of the final dividends.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in the Note 13 to financial statements.

PERMITTED INDEMNITY

During the Reporting Period, the Company has in force the permitted indemnity provisions (as defined in the Companies Ordinance) in relation to the Directors' and officers' liability insurance.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares nor require the Company to enter into an agreement that will or may result in the Company issuing shares was entered into by the Company during the year or subsisted at the end of the Reporting Period.

MANAGEMENT CONTRACTS

Other than the Directors' and Supervisors' service contracts, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiary had purchased, sold or redeemed any of the listed securities (including sale of treasury Shares) of the Company during the Reporting Period. As of December 31, 2024, the Company did not hold any treasury Shares.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the global offering by the Company (after deducting the underwriting fees and related Listing expenses) amounted to approximately HK$478.66 million (equivalent to RMB442.28 million)[1], and the balance of unutilized net proceeds is approximately RMB478.66 million as at December 31, 2024.

The net proceeds have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage as of December 31, 2024. Any discrepancies in this table between the total and sums of amounts are due to rounding.

Use of Proceeds		Allocation of Net Proceeds (HK$ in million)	Allocation of Net Proceeds (RMB in million)[1]	Utilized Amount during the Reporting Period (RMB in million)	Utilized Amount (as of December 31, 2024) (RMB in million)	Unutilized Amount (as of December 31, 2024) (RMB in million)	Expected Timeline for Full Utilization of the Unutilized Net Proceeds
For continued research and development of our selected product candidates in our strategically focused therapeutic areas	40.2%	192.57	177.93	–	–	177.93	December 2027
For continued research and development of our selected metabolic disease product candidates that are currently at preclinical stage, pending the initiation of clinical trials, or pending NDA	20.9%	99.80	92.22	–	–	92.22	December 2027
For continued research and development of our selected orthopedic product candidates that are currently at preclinical stage	9.1%	43.56	40.25	–	–	40.25	December 2027
For continued research and development of our selected oncology product candidates that are currently at preclinical stage or pending the initiation of clinical trials	10.3%	49.16	45.42	–	–	45.42	December 2027
For marketing and commercialization of our existing and near-commercialized products	29.9%	143.07	132.20	–	–	132.20	December 2027
For expansion of our sales and marketing team	24.9%	119.23	110.17	–	–	110.17	December 2027
For intensifying market publicity and development of our marketed product	5.0%	23.84	22.03	–	–	22.03	December 2027
For strategic collaboration to enrich our product portfolio in our targeted therapeutic areas	10.0%	47.67	44.05	–	–	44.05	December 2027
For our manufacturing system to construct new production lines, and to upgrade and further automate our existing production facilities to prepare for the potential increase in demand for our products and the launch of new products	10.0%	47.67	44.05	–	–	44.05	December 2027
For working capital and other general corporate purposes	10.0%	47.67	44.05	–	–	44.05	December 2026
	100.0%	478.66	442.28	–	–	442.28	

Note:

(1) The net proceeds were received in HKD and translated to RMB at the rate of HKD1.00 to RMB0.924 quoted by the People's Bank of China for foreign exchange transactions prevailing on November 28, 2024 for illustration purpose.

SUBSIDIARY

Particulars of the Company's subsidiary are set out in the Note 1 to the consolidated financial statements.

CORPORATE GOVERNANCE

Except for the deviation explained in the section above titled "Corporate Governance Report — Compliance with CG Code" in this annual report, the Company has complied with all code provisions under the CG Code throughout the period from the Listing Date to December 31, 2024. In order to maintain a high standard of corporate governance, the Board will continue to review and monitor the operation of the Company.

Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available and within the knowledge of the Directors, the Company has maintained the prescribed public float as required under the Listing Rules since the Listing Date up to as of the date of this annual report.

FINANCIAL SUMMARY

The Company's H Shares were listed on the Stock Exchange on November 28, 2024. A summary of the consolidated results and the assets and liabilities of the Group for the last four financial years, is set out on page 10 of this annual report. This summary does not form part of the audited consolidated financial statements.

MATERIAL LITIGATION

During the Reporting Period, the Company was not engaged in any material litigation or arbitration of material importance, or the Directors were not aware of any material litigation or claim pending or threatened against the Group.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

As of December 31, 2024, the Company did not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

AUDITOR

The H Shares were listed on the Stock Exchange on November 28, 2024, and there has been no change in auditor since the Listing Date. The consolidated financial statements for the Reporting Period have been audited by Ernst & Young, Certified Public Accountants.

KEY EVENTS AFTER THE REPORTING PERIOD

The first extraordinary general meeting of the Company was held on March 5, 2025 to change the Company Name, the Articles of Association and Internal Rules.

Save as aforesaid, there were no significant events after the Reporting Period up to the date of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the Reporting Period, the Company has complied with the relevant laws and regulations that have a significant impact on the Company in all material respects, including the requirements under the Companies Ordinance, the Listing Rules, the SFO and the CG Code in relation to, among other things, information disclosure and corporate governance. During the Reporting Period and up to the date of this annual report, none of the Group and the Directors, Supervisors and senior management of the Company had been subject to any investigation or administrative penalty by the CSRC, banned from access to the market, identified as inappropriate candidates, publicly condemned by stock exchanges, subject to mandatory measures, transferred to judicial authorities or held criminally responsible, nor were they involved in any other litigation, arbitration or administrative proceedings that would have a material adverse effect on our business, financial condition or results of operations.

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on Wednesday, June 11, 2025. A notice convening the AGM will be published on the Company's website and the website of the Hong Kong Stock Exchange or dispatched to the Shareholders (if requested) in accordance with the requirements of the Listing Rules in due course.

Corporate communications will be available electronically on both the Company's website at www.china-gene.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk. Actionable Corporate Communications will be sent to Shareholders individually via the email address provided by them or in printed form (if no functional email addresses are provided).

If the Shareholders want to change the means of receipt and language of corporate communications, they may send an email to hurong@china-gene.com specifying their name, address and request to receive the corporate communications in printed form. Any instructions to receive future communications in printed form will remain valid for one year from the receipt date of the Shareholder's instruction.

CLOSURE OF REGISTER OF MEMBERS

i) **For attending and voting at the AGM**

In order to determine the rights of H Shareholders to attend and vote at the AGM of the Company to be held on Wednesday, June 11, 2025, the register of members of H Shares will be closed from Friday, June 6, 2025 to Wednesday, June 11, 2025 (both days inclusive), during which period no transfer of H Shares will be registered. Members whose names appear on the register of members of the Company on Wednesday, June 11, 2025 will be entitled to attend and vote at the AGM. In order to be eligible for attending the AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, June 5, 2025.

ii) **For entitlement of the proposed final dividend**

In order to determine the entitlement to the proposed final dividend for the year of 2024, the register of members of H Shares will be closed from Tuesday, June 17, 2025 to Thursday, June 19, 2025 (both days inclusive), during which period no transfer of H Shares will be registered. In order to qualify for the proposed final dividend, all completed share transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, June 16, 2025.

By order of the Board
Hangzhou Jiuyuan Genetic Biopharmaceutical Co., Ltd.
杭州九源基因生物醫藥股份有限公司
FU Hang
Chairman of the Board, Executive Director and General Manager

Hangzhou, the PRC, March 26, 2025

Independent Auditor's Report

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Quarry Bay, Hong Kong

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To the shareholders of Hangzhou Jiuyuan Gene Engineering Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Hangzhou Jiuyuan Gene Engineering Co., Ltd. (the "Company") and its subsidiary (the "Group") set out on pages 91 to 175, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
At 31 December 2024, the net carrying amount of trade receivables was RMB587,002,000, net of accumulated impairment losses of RMB7,342,000. Management of the Group calculated the expected credit loss for trade receivables by applying the simplified approach under HKFRS 9. The provision matrix considered migration rate, historical loss ratio and forward-looking adjustments. The assumptions applied in determining the expected credit loss required significant management judgement and estimates. Therefore, we identified the impairment of trade receivables as a key audit matter. The related disclosures are included in notes 2.4, 3 and 17 to the financial statements.	Our procedures in relation to the impairment of trade receivables included: (1) Evaluating and testing the internal controls over impairment test of trade receivables; (2) Assessing the expected credit loss provision methodology; (3) Evaluating the inputs that management used in the provision matrix, such as migration rates, historical loss ratios and forward-looking adjustments, and recalculating the expected loss; (4) Testing the ageing analysis on a sampling basis over the billing and collection cycle; (5) Performing confirmation procedure and inspecting cash receipts from customers subsequent to the financial year end on a sampling basis; and (6) Evaluating the adequacy of the disclosures.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
26 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	5	**1,369,184**	1,287,408
Cost of sales		**(287,505)**	(296,739)
Gross profit		**1,081,679**	990,669
Other income and gains	5	**18,726**	6,899
Selling and marketing expenses		**(720,001)**	(663,745)
Administrative expenses		**(88,374)**	(59,879)
Research and development costs		**(108,897)**	(127,757)
Other expenses		**(7,360)**	(1,869)
Finance costs	7	**(7,145)**	(9,386)
PROFIT BEFORE TAX	6	**168,628**	134,932
Income tax expense	10	**(30,027)**	(15,157)
PROFIT FOR THE YEAR		**138,601**	119,775
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**138,601**	119,775
Profit attributable to:			
Owners of the parent		**138,601**	119,775
Total comprehensive income attributable to:			
Owners of the parent		**138,601**	119,775
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	12	**0.68**	0.60

Consolidated Statement of Financial Position

31 December 2024

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**352,977**	371,469
Right-of-use assets	14(a)	**1,254**	2,090
Intangible assets	15	**157,816**	91,347
Prepayments, other receivables and other assets	18	**1,001**	3,052
Total non-current assets		**513,048**	467,958
CURRENT ASSETS			
Inventories	16	**149,123**	169,814
Trade and bills receivables	17	**672,178**	532,511
Prepayments, other receivables and other assets	18	**13,650**	21,655
Due from related parties	31(c)	**37,374**	22,560
Restricted bank deposits	19	**20**	20
Cash and cash equivalents	19	**537,629**	93,178
Total current assets		**1,409,974**	839,738
CURRENT LIABILITIES			
Trade payables	20	**27,000**	42,424
Lease liabilities	14(b)	**937**	773
Other payables and accruals	21	**196,098**	158,198
Due to related parties	31(c)	**644**	815
Interest-bearing bank borrowings	22	**81,014**	130,837
Contract liabilities	23	**21,626**	14,034
Tax payable		**14,366**	435
Total current liabilities		**341,685**	347,516
NET CURRENT ASSETS		**1,068,289**	492,222
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,581,337**	960,180

Consolidated Statement of Financial Position

31 December 2024

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	14(b)	–	937
Interest-bearing bank borrowings	22	38,769	34,523
Other payables and accruals	21	8,056	7,267
Deferred tax liabilities	24	16,501	19,561
Total non-current liabilities		63,326	62,288
Net assets		1,518,011	897,892
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	245,399	200,000
Reserves	26	1,272,612	697,892
Total equity		1,518,011	897,892

Mr. Fu Hang
Director

Mr. Zhou Wei
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

	Attributable to owners of the parent						
	Paid-in capital RMB'000	Share capital RMB'000 (note 25)	Capital reserve/share premium* RMB'000 (note 26)	Share award reserve* RMB'000 (note 26)	Surplus reserve* RMB'000 (note 26)	Retained profits* RMB'000	Total equity RMB'000
At 1 January 2023	53,446	–	36,842	2,168	130,674	543,054	766,184
Profit and total comprehensive income for the year	–	–	–	–	–	119,775	119,775
Transfer to surplus reserve	–	–	–	–	1,216	(1,216)	–
Conversion into a joint stock company	(53,446)	200,000	644,588	(9,799)	(130,674)	(650,669)	–
Equity-settled share award arrangements (note 27)	–	–	–	11,933	–	–	11,933
At 31 December 2023	–	200,000	681,430	4,302	1,216	10,944	897,892

	Attributable to owners of the parent					
	Share capital RMB'000 (note 25)	**Share premium* RMB'000 (note 26)**	**Share award reserve* RMB'000 (note 26)**	**Surplus reserve* RMB'000 (note 26)**	**Retained profits* RMB'000**	**Total equity RMB'000**
At 1 January 2024	**200,000**	**681,430**	**4,302**	**1,216**	**10,944**	**897,892**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**138,601**	**138,601**
Transfer to surplus reserve	**–**	**–**	**–**	**13,860**	**(13,860)**	**–**
Net proceeds from issue of shares from initial public offering ("IPO")	**45,399**	**475,602**	**–**	**–**	**–**	**521,001**
Share issue expenses	**–**	**(44,782)**	**–**	**–**	**–**	**(44,782)**
Equity-settled share award arrangements (note 27)	**–**	**–**	**5,299**	**–**	**–**	**5,299**
At 31 December 2024	**245,399**	**1,112,250**	**9,601**	**15,076**	**135,685**	**1,518,011**

* These reserve accounts comprise the consolidated reserves of RMB1,272,612,000 (2023: RMB697,892,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**168,628**	134,932
Adjustments for:			
Finance costs	7	**7,145**	9,386
Interest income	5	**(1,282)**	(283)
Loss on disposal of items of property, plant and equipment	6	**271**	410
Equity-settled share award expense	27	**5,299**	11,933
Depreciation of property, plant and equipment	13	**35,388**	34,928
Depreciation of right-of-use assets	14(a)	**836**	884
Amortisation of intangible assets	15	**715**	323
Impairment losses on financial assets, net	6	**6,499**	1,219
Write-down of inventories to net realisable value	6	**9,303**	1,176
Foreign exchange differences, net	6	**(1,080)**	(206)
		231,722	194,702
Decrease in inventories		**11,388**	908
Increase in trade and bills receivables		**(144,296)**	(62,469)
Decrease/(increase) in prepayments, other receivables and other assets		**2,938**	(1,980)
(Increase)/decrease in amounts due from related parties		**(16,699)**	2,283
Decrease in restricted bank deposits		**–**	358
Decrease in trade payables		**(15,424)**	(9,222)
Increase in other payables and accruals		**35,609**	12,028
Decrease in amounts due to related parties		**(171)**	(83)
Increase/(decrease) in contract liabilities		**7,592**	(2,146)
Cash generated from operations		**112,659**	134,379
Interest received		**1,282**	283
Income tax (paid)/received		**(19,156)**	1,103
Net cash flows from operating activities		**94,785**	135,765
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(15,093)**	(21,104)
Purchases of intangible assets		**(64,757)**	(25,881)
Proceeds from disposal of items of property, plant and equipment		**119**	2
Net cash flows used in investing activities		**(79,731)**	(46,983)

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		130,200	143,307
Repayment of bank borrowings		(175,704)	(194,984)
Principal portion of lease payments	29(b)	(845)	(1,180)
Interest paid		(7,146)	(9,411)
Payment of listing expenses	29(b)	(39,189)	(5,082)
Proceeds from issue of ordinary shares		521,001	–
Net cash flows from/(used in) financing activities		428,317	(67,350)
NET INCREASE IN CASH AND CASH EQUIVALENTS		443,371	21,432
Cash and cash equivalents at beginning of year		93,178	71,540
Effect of foreign exchange rate changes, net		1,080	206
CASH AND CASH EQUIVALENTS AT END OF YEAR		537,629	93,178
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	19	537,629	93,178
Cash and cash equivalents as stated in the consolidated statement of cash flows		537,629	93,178

1. CORPORATE AND GROUP INFORMATION

The Company is a limited company established in the People's Republic of China (the "PRC") on 31 December 1993. The registered office of the Company is located at No. 23, Eighth Street, Baiyang Street, Qiantang District, Hangzhou, Zhejiang Province, PRC. On 5 December 2023, the Company was converted to a joint stock limited liability company and the registered capital of the Company was RMB200,000,000, which was divided into 200,000,000 shares, with a nominal value of RMB1.00 each. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 November 2024.

During the year, the Company and its subsidiary were principally engaged in the research and development, manufacture and commercialisation of biopharmaceutical products.

Information about a subsidiary

Particulars of the Company's subsidiary are as follows:

Name	Place of registration and business	Nominal value of registered share capital	Percentage of equity directly attributable to the Company	Principal activities
Hangzhou Cosmotrust Biopharmaceutical Co., Ltd. 杭州宇信生物醫藥有限公司*	PRC/Mainland China	RMB1,000,000	100%	Dormant

* The entity is a limited liability enterprise established under PRC law. The English name of the subsidiary registered in the PRC represents the best efforts made by management of the Company to directly translate its Chinese name as it did not register any official English name.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES

Fair value measurement

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

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

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Related parties

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

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

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

or

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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

Categories	Estimated useful lives
Buildings	5 to 20 years
Machinery	10 years
Electronic and office equipment	3 to 5 years
Motor vehicles	5 years

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

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

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The estimated useful lives of intangible assets are as follows:

Categories	Estimated useful lives
Software	2 years
Patents and licences	10 years
Trademark	10 years

The estimated useful lives of intangible assets are determined by considering the period of the economic benefits to the Group or the periods of validity of intangible assets protected by the relevant laws, as well as by referring to the industry practice.

Research and development costs

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Categories	Estimated useful lives
Leasehold land	32 years
Warehouses and office premises	2 to 3 years

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial assets

Initial recognition and measurement

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when counterparties go bankrupt. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

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

The Group's financial liabilities include trade payables, amounts due to related parties, interest-bearing bank borrowings, and financial liabilities included in other payables and accruals.

Subsequent measurement

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

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

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

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

Derecognition of financial liabilities

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Sale of goods

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

Some contracts for the sale of goods provide customers with rights of return and volume rebates, giving rise to variable consideration.

(i) Rights of return

For contracts which provide a customer with a right to return the goods, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(ii) Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(b) Pharmaceutical services

(i) Preclinical drug development services

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

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

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the service.

(ii) Technology transfer

Revenue from technology transfer is recognised at the point in time when the Group transfers control of the underlying services and has the right to payment from the customers for the services performed, upon the delivery or acceptance of the underlying services.

(iii) Outsourcing manufacturing services

Revenue from outsourcing manufacturing services is recognised at the point in time when the Group transfers control of the underlying services and has the right to payment from the customers for the services performed, upon the delivery or acceptance of the underlying services.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Other income

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

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

Contract liabilities

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

Contract costs

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

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

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

(c) The costs are expected to be recovered.

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

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates a share award plan. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the discounted cash flow method, further details of which are given in note 27 to the financial statements.

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

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

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

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Other employee benefits

Pension scheme

The employees of the Group which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules and practices of the central pension scheme.

Housing fund – Mainland China

The Group contributes on a monthly basis to a defined contribution housing fund plan operated by the local municipal government. Contributions to this plan by the Group are expensed as incurred.

Borrowing costs

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

Events after the reporting period

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgement

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

Revenue from contracts with customers

The Group applied the following judgement that significantly affects the determination of the amount and timing of revenue from contracts with customers:

Determining the method to estimate variable consideration and assessing the constraint for the sale of goods

Certain contracts for the sale of goods include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sale of goods with volume rebates, the Group determined that using the most likely amount method is appropriate. The selected method that better predicts the amount of variable consideration related to volume rebates is primarily driven by the number of volume thresholds contained in the contract. The most likely amount method is used for those contracts with a single volume threshold.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

Variable consideration for returns and volume rebates

The Group estimates variable consideration to be included in the transaction price for the sale of goods with rights of return and volume rebates.

The Group has developed a statistical model for forecasting sales returns. The model used the historical return data of each product to estimate expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer is likely to be entitled to a rebate depends on the customer's historical rebate entitlement and accumulated purchases to date.

The Group has applied a statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebate entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group updates its assessment of expected returns and volume rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Group's past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future.

Provision for expected credit losses on trade receivables

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables (continued)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 17 to the financial statements.

Impairment of non-financial assets (other than goodwill)

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

Fair value measurement of share-based payments

The Group has set up a share award scheme and granted restricted ordinary shares to the Group's employees. The fair values of the restricted shares are determined using the discounted cash flow method at the grant dates. Significant estimates on assumptions, including the underlying equity value and discount rate, are made by management. Further details are included in note 27 to the financial statements.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and has only one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	2024 RMB'000	2023 RMB'000
Mainland China	1,315,886	1,245,501
Other countries/regions	53,298	41,907
Total revenue	1,369,184	1,287,408

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

(b) Non-current assets

	2024 RMB'000	2023 RMB'000
Mainland China	513,048	467,958

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

Information about major customers

Revenue from the major customers (aggregated if under common control) which amounted to 10% or more of the Group's revenue is set out below:

	2024 RMB'000	2023 RMB'000
Customer A	319,185	281,521
Customer B	115,473	131,218
Total	434,658	412,739

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers	1,369,184	1,287,408

(a) Disaggregated revenue information

	2024 RMB'000	2023 RMB'000
Types of goods or services		
Sale of goods	1,298,951	1,218,477
Pharmaceutical services	70,233	68,931
Total	1,369,184	1,287,408
Geographical markets		
Mainland China	1,315,886	1,245,501
Other countries/regions	53,298	41,907
Total	1,369,184	1,287,408
Timing of revenue recognition		
Transferred at a point in time	1,369,184	1,287,408
Total	1,369,184	1,287,408

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

	2024 RMB'000	2023 RMB'000
Revenue recognised:		
Sale of goods	14,009	15,846

5. REVENUE, OTHER INCOME AND GAINS (continued)

(b) Performance obligations

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

(i) Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from the date of billing, with longer payment term of drug-device combination product.

(ii) Pharmaceutical services

Preclinical drug development services

The performance obligation is satisfied over time or at the point when services are rendered and payment is generally due within 10 days from the date of billing.

Technology transfer

The performance obligation is satisfied upon the transfer of technology and payment is generally due within 15 days from the date of transfer.

Outsourcing manufacturing services

The performance obligation is satisfied at the point when services are rendered, where payment in advance is normally required.

As all the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year or less, the Group doesn't need to disclose the information about its remaining performance obligations.

An analysis of other income and gains is as follows:

	2024	2023
	RMB'000	RMB'000
Other income		
Government grants*	**16,358**	6,410
Bank interest income	**1,282**	283
Others	**6**	–
Total other income	**17,646**	6,693
Gains		
Foreign exchange gains, net	**1,080**	206
Total other income and gains	**18,726**	6,899

* Government grants have been received from the PRC local government authorities to support the Company's research and development activities. There are no unfulfilled conditions related to these government grants.

6. PROFIT BEFORE TAX

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

	Notes	2024 RMB'000	2023 RMB'000
Cost of inventories sold		**247,037**	252,878
Cost of services provided		**40,468**	43,861
		287,505	296,739
Research and development costs		**108,897**	127,757
Depreciation of property, plant and equipment*	13	**35,388**	34,928
Depreciation of right-of-use assets	14(a)	**836**	884
Amortisation of intangible assets**	15	**715**	323
Loss on disposal of items of property, plant and equipment		**271**	410
Write-down of inventories to net realisable value	16	**9,303**	1,176
Impairment losses on financial assets, net		**6,499**	1,219
Lease payments not included in the measurement of lease liabilities	14(c)	**1,634**	1,357
Foreign exchange differences, net		**(1,080)**	(206)
Auditor's remuneration		**2,280**	200
Listing expenses	29(b)	**24,008**	9,926
Bank interest income	5	**(1,282)**	(283)
Government grants	5	**(16,358)**	(6,410)
Employee benefit expense (including directors', chief executive's and supervisors' remuneration as set out in note 8):			
Salaries and other benefits		**326,406**	307,428
Equity-settled share award expense***	27	**5,299**	11,933
Pension scheme contributions****		**23,039**	17,953
		354,744	337,314

* The depreciation of property, plant and equipment is included in "Cost of sales", "Administrative expenses", "Research and development costs" and "Selling and marketing expenses" in the consolidated statement of profit or loss and other comprehensive income.

** The amortisation of intangible assets is included in "Selling and marketing expenses", "Administrative expenses" and "Research and development costs" in the consolidated statement of profit or loss and other comprehensive income.

*** Equity-settled share award expense is included in "Cost of sales", "Administrative expenses", "Research and development costs" and "Selling and marketing expenses" in the consolidated statement of profit or loss and other comprehensive income.

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2024 RMB'000	2023 RMB'000
Interest on bank borrowings	7,073	9,329
Interest on lease liabilities (note 14(c))	72	57
Total	7,145	9,386

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration of the directors, supervisors and chief executive as recorded is set out below:

	2024 RMB'000	2023 RMB'000
Fees	540	45
Other emoluments:		
Salaries, allowances and benefits in kind	2,867	2,466
Performance related bonuses	2,051	1,605
Equity-settled share award expense	2,650	10,439
Pension scheme contributions	218	125
Subtotal	7,786	14,635
Total	8,326	14,680

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors

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

	2024	2023
	RMB'000	RMB'000
Mr. Zhou Zhihui	**180**	15
Ms. Ho Mei Yi	**180**	15
Mr. Zhou Demin	**180**	15
Total	**540**	45

Mr. Zhou Zhihui, Ms. Ho Mei Yi and Mr. Zhou Demin were appointed as independent non-executive directors of the Company in November 2023.

There were no other emoluments payable to the independent non-executive directors during the year.

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Directors, supervisors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share award expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2024						
Executive directors:						
Mr. Fu Hang (chief executive)	–	811	714	1,838	44	3,407
Mr. Zhou Wei (ii)	–	948	637	766	44	2,395
Subtotal	–	1,759	1,351	2,604	88	5,802
Non-executive directors:						
Mr. Wu Shihang (iii)	–	–	–	–	–	–
Ms. Ma Honglan (iv)	–	–	–	–	–	–
Mr. Albert Esteve Cruella (v)	–	–	–	–	–	–
Mr. Fei Junjie	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–
Supervisors:						
Mr. Ye Jiancai	–	405	131	31	44	611
Mr. Xu Feihu	–	454	456	15	44	969
Ms. Zhao Fei	–	249	113	–	42	404
Total	–	2,867	2,051	2,650	218	7,786

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Directors, supervisors and the chief executive (continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share award expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2023						
Directors:						
Mr. Fu Hang (chief executive) (i)	–	845	660	929	40	2,474
Mr. Zhou Wei	–	983	600	393	40	2,016
Mr. Wu Shihang	–	–	–	–	–	–
Ms. Ma Honglan	–	–	–	–	–	–
Mr. Albert Esteve Cruella (v)	–	–	–	–	–	–
Mr. Fei Junjie (vi)	–	–	–	–	–	–
Mr. Li Bangliang (x)	–	–	–	8,984	–	8,984
Mr. Wu Hui (xi)	–	–	–	–	–	–
Ms. Dong Danqing (xii)	–	–	–	–	–	–
Ms. Chen Yanfeng (xiii)	–	–	–	–	–	–
Ms. Jiang Yilin (xiv)	–	–	–	–	–	–
Mr. Wu Qiyuan (xv)	–	–	–	31	–	31
Mr. Staffan Schuberg (xvi)	–	–	–	–	–	–
Subtotal	–	1,828	1,260	10,337	80	13,505
Supervisors:						
Mr. Ye Jiancai (vii)	–	38	33	3	3	77
Mr. Xu Feihu (viii)	–	39	58	–	3	100
Ms. Zhao Fei (ix)	–	20	17	–	2	39
Ms. Huang Xiu (xvii)	–	541	237	99	37	914
Total	–	2,466	1,605	10,439	125	14,635

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Directors, supervisors and the chief executive (continued)

(i) Mr. Fu Hang resigned as a director of the Company in November 2023, and was appointed as the chairman of the board of directors of the Company in November 2023.

(ii) Mr. Zhou Wei was re-designated as an executive director of the Company in January 2024.

(iii) Mr. Wu Shihang was re-designated as a non-executive director of the Company in January 2024.

(iv) Ms. Ma Honglan was re-designated as a non-executive director of the Company in January 2024.

(v) Mr. Albert Esteve Cruella was re-designated as a non-executive director of the Company in January 2024.

(vi) Mr. Fei Junjie was appointed as a director of the Company in May 2023.

(vii) Mr. Ye Jiancai was appointed as a supervisor of the Company in November 2023.

(viii) Mr. Xu Feihu was appointed as a supervisor of the Company in November 2023.

(ix) Ms. Zhao Fei was appointed as a supervisor of the Company in November 2023.

(x) Mr. Li Bangliang resigned as the chairman of the board of directors of the Company in November 2023.

(xi) Mr. Wu Hui resigned from the Company in November 2023.

(xii) Ms. Dong Danqing resigned from the Company in November 2023.

(xiii) Ms. Chen Yanfeng resigned from the Company in November 2023.

(xiv) Ms. Jiang Yilin resigned from the Company in May 2023.

(xv) Mr. Wu Qiyuan resigned from the Company in November 2023.

(xvi) Mr. Staffan Schuberg resigned from the Company in November 2023.

(xvii) Ms. Huang Xiu resigned from the position as a supervisor in November 2023.

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2023: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2023: three) highest paid employees who are not a director of the Company, are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	2,252	1,501
Performance related bonuses	1,226	691
Equity-settled share award expense	61	9,133
Pension scheme contributions	132	80
Total	3,671	11,405

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

	2024	2023
HK$1,000,001 to HK$1,500,000	2	1
HK$1,500,001 to HK$2,000,000	1	1
HK$9,500,001 to HK$10,000,000	–	1
Total	3	3

10. INCOME TAX

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the EIT rate for the PRC subsidiary was 25% during the reporting period. The Company was accredited as a "High and New Technology Enterprise" ("HNTE") in 2021 and the certificate was extended in December 2023. Therefore, the Company was entitled to a preferential EIT rate of 15% for the reporting period. The qualification as a HNTE is subject to review by the relevant tax authority in the PRC every three years.

The income tax charge of the Group for the year is analysed as follows:

	2024 **RMB'000**	2023 RMB'000
Current tax – Mainland China		
Charge for the year	**33,087**	435
Deferred tax (note 24)	**(3,060)**	14,722
Total tax charge	**30,027**	15,157

A reconciliation of the tax charge applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	2024 **RMB'000**	2023 RMB'000
Profit before tax	**168,628**	134,932
Tax at the statutory tax rate of 25%	**42,157**	33,733
Lower tax rate for specific provinces or enacted by local authority	**(16,863)**	(13,493)
Expenses not deductible for tax	**13,234**	8,667
Additional deductible allowance for research and development costs	**(10,375)**	(13,750)
Adjustments in respect of current tax of previous periods*	**1,874**	–
Tax charge at the Group's effective tax rate	**30,027**	15,157

* The amount represented the adjustment of additional deductible allowance for research and development costs according to the annual income tax filing in May 2024.

11. DIVIDENDS

	2024 RMB'000	2023 RMB'000
Proposed final – RMB0.056 (2023: Nil) per ordinary share	13,742	–

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 204,228,929 (2023: 200,000,000) outstanding during the year.

The weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the year, as used in the basic earnings per share calculation.

The Group had no potentially dilutive ordinary shares outstanding during the years ended 31 December 2024 and 2023.

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

	2024 RMB'000	2023 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	138,601	119,775
Shares		
Weighted average number of ordinary shares outstanding during the year used in the basic and diluted earnings per share calculation	204,228,929	200,000,000
Earnings per share (RMB per share)	0.68	0.60

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2024	Buildings RMB'000	Machinery RMB'000	Electronic and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2024:						
Cost	274,034	293,649	9,522	4,401	687	582,293
Accumulated depreciation	(79,380)	(120,848)	(6,635)	(3,961)	–	(210,824)
Net carrying amount	194,654	172,801	2,887	440	687	371,469
At 1 January 2024, net of accumulated depreciation	194,654	172,801	2,887	440	687	371,469
Additions	338	14,574	787	–	1,587	17,286
Disposals	–	(366)	–	(24)	–	(390)
Depreciation provided during the year (note 6)	(12,747)	(21,668)	(973)	–	–	(35,388)
Transfer within property, plant and equipment	2,036	–	–	–	(2,036)	–
At 31 December 2024, net of accumulated depreciation	184,281	165,341	2,701	416	238	352,977
At 31 December 2024:						
Cost	276,408	304,966	10,309	4,160	238	596,081
Accumulated depreciation	(92,127)	(139,625)	(7,608)	(3,744)	–	(243,104)
Net carrying amount	184,281	165,341	2,701	416	238	352,977

13. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2023	Buildings RMB'000	Machinery RMB'000	Electronic and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2023:						
Cost	271,854	277,045	8,703	4,401	1,847	563,850
Accumulated depreciation	(67,374)	(101,454)	(5,962)	(3,727)	–	(178,517)
Net carrying amount	204,480	175,591	2,741	674	1,847	385,333
At 1 January 2023, net of accumulated depreciation	204,480	175,591	2,741	674	1,847	385,333
Additions	–	19,122	1,334	–	1,803	22,259
Disposals	–	(361)	(51)	–	–	(412)
Depreciation provided during the year (note 6)	(12,006)	(21,551)	(1,137)	(234)	–	(34,928)
Transfer within property, plant and equipment	2,180	–	–	–	(2,180)	–
Transfer to intangible assets (note 15)	–	–	–	–	(783)	(783)
At 31 December 2023, net of accumulated depreciation	194,654	172,801	2,887	440	687	371,469
At 31 December 2023:						
Cost	274,034	293,649	9,522	4,401	687	582,293
Accumulated depreciation	(79,380)	(120,848)	(6,635)	(3,961)	–	(210,824)
Net carrying amount	194,654	172,801	2,887	440	687	371,469

Certain of the Group's buildings with a net carrying amount of approximately RMB177,901,000 (2023: RMB156,624,000) were pledged to secure bank loans (note 22).

As at 31 December 2024, the Group was still in the process of applying for title certificates of the Group's buildings and structures of RMB115,000 (2023: RMB969,000).

14. LEASES

The Group as a lessee

The Group has lease contracts for warehouses and office premises used in its operations. Lump sum payments were made upfront to acquire the leasehold land from the government with a lease period of 32 years, and no ongoing payments will be made under the terms of these land leases. Leases of warehouses and office premises generally have lease terms between 2 and 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are no lease contracts that include extension or termination options and variable lease payments.

(a) Right-of-use assets

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

	Leasehold land RMB'000	Warehouses and office premises RMB'000	Total RMB'000
As at 1 January 2023	154	313	467
Additions	–	2,507	2,507
Depreciation charge (note 6)	(154)	(730)	(884)
As at 31 December 2023 and 1 January 2024	**–**	**2,090**	**2,090**
Depreciation charge (note 6)	**–**	**(836)**	**(836)**
As at 31 December 2024	**–**	**1,254**	**1,254**

The Group's leasehold land with a net carrying amount of nil (2023: Nil) was pledged to secure bank loans (note 22).

14. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

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

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	1,710	326
New leases	–	2,507
Accretion of interest recognised during the year	72	57
Payments	(845)	(1,180)
Carrying amount at 31 December	937	1,710
Analysed into:		
Current portion	937	773
Non-current portion	–	937

The maturity analysis of lease liabilities is disclosed in note 34 to the financial statements.

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

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities (note 7)	72	57
Depreciation charge of right-of-use assets	836	884
Expenses relating to short-term leases and leases of low-value assets (note 6)	1,634	1,357
Total amount recognised in profit or loss	2,542	2,298

(d) The total cash outflow for leases is disclosed in note 29(c) to the financial statements.

15. INTANGIBLE ASSETS

31 December 2024	Software RMB'000	Patents and licences RMB'000	Trademark RMB'000	Deferred development costs RMB'000	Total RMB'000
At 1 January 2024:					
Cost	4,808	32,086	124	90,298	127,316
Accumulated amortisation	(3,759)	(32,086)	(124)	–	(35,969)
Net carrying amount	1,049	–	–	90,298	91,347
At 1 January 2024, net of accumulated amortisation	1,049	–	–	90,298	91,347
Additions	589	–	–	66,595	67,184
Amortisation provided during the year (note 6)	(715)	–	–	–	(715)
At 31 December 2024, net of accumulated amortisation	923	–	–	156,893	157,816
At 31 December 2024:					
Cost	5,397	32,086	124	156,893	194,500
Accumulated amortisation	(4,474)	(32,086)	(124)	–	(36,684)
Net carrying amount	923	–	–	156,893	157,816

15. INTANGIBLE ASSETS (continued)

31 December 2023	Software RMB'000	Patents and licences RMB'000	Trademark RMB'000	Deferred development costs RMB'000	Total RMB'000
At 1 January 2023:					
Cost	3,626	32,086	124	65,599	101,435
Accumulated amortisation	(3,440)	(32,086)	(120)	–	(35,646)
Net carrying amount	186	–	4	65,599	65,789
At 1 January 2023, net of accumulated amortisation	186	–	4	65,599	65,789
Additions	399	–	–	24,699	25,098
Transfer from construction in progress (note 13)	783	–	–	–	783
Amortisation provided during the year (note 6)	(319)	–	(4)	–	(323)
At 31 December 2023, net of accumulated amortisation	1,049	–	–	90,298	91,347
At 31 December 2023:					
Cost	4,808	32,086	124	90,298	127,316
Accumulated amortisation	(3,759)	(32,086)	(124)	–	(35,969)
Net carrying amount	1,049	–	–	90,298	91,347

15. INTANGIBLE ASSETS (continued)

Impairment testing of deferred development costs

The management of the Group performed annual impairment testing for deferred development costs which were not yet available for use. For impairment testing, deferred development costs are allocated to the cash-generating unit ("CGU"), which is expected to be able to generate cash flows independently from those of the other products.

Impairment review of the deferred development costs of the Group is conducted by the management of the Group by engaging an independent qualified professional valuer, Kun Yuan Asset Appraisal Co., Ltd. ("Kun Yuan"), to estimate the recoverable amount of the CGU at the end of each year. For the purpose of the impairment review, the recoverable amount of the CGU is determined based on the fair value less costs of disposal. The fair value of the deferred development costs not yet available for use is determined using the relief from royalty method, taking into account the nature of the assets, and using cash flow projections and the royalty rates. The Group recognises development costs as follows:

JY06 (Jixinfen), a granulocyte colony-stimulating factor ("G-CSF") product modified by polyethylene glycol modification, was submitted for the New Drug Application ("NDA") with the National Medical Products Administration ("NMPA") in May 2023. The phase III clinical trial of JY29-2 (Jiyoutai), the semaglutide biosimilar modified with fatty acid, was completed in October 2023, and its NDA was accepted in April 2024. In January 2024, JY29-2W (Jikeqin) obtained the Investigational New Drug ("IND") approval from the NMPA for the treatment of obesity and overweight. In October 2024, JY29-2W (Jikeqin) entered the phase III clinical trial.

The CGU of JY06 (Jixinfen) is expected to generate cash inflows starting from February 2025 based on the timing of clinical development, regulatory approval and commercial ramp-up, which is expected to reach its peak in 2032, and continue up to the end of the exclusivity for the product. The CGU of JY29-2 (Jiyoutai) is expected to generate cash inflows starting from year 2026 based on the timing of clinical development, regulatory approval and commercial ramp-up which is expected to reach its peak in 2030, and continue up to the end of the exclusivity for the product. The CGU of JY29-2W (Jikeqin) is expected to generate cash inflows starting from year 2028 based on the timing of clinical development, regulatory approval and commercial ramp-up which is expected to reach its peak in 2031, and continue up to the end of the exclusivity for the product. The management considers the length of the forecast period appropriate because it generally takes longer for a biopharma company to generate positive cash flows, compared to companies in other industries, especially when the relevant products are under clinical trial. Hence, the management believes that an estimation of the forecast period for the cash-generating unit longer than five years is justifiable and consistent with industry practice.

With the assistance of Kun Yuan, the management determined the recoverable amount of the above CGU based on the key assumptions. The carrying amounts of the three products during the year are as follows:

	2024 **RMB'000**	2023 RMB'000
JY06 (Jixinfen)	**58,070**	52,558
JY29-2 (Jiyoutai)	**81,402**	37,740
JY29-2W (Jikeqin)	**17,421**	–
Total	**156,893**	90,298

15. INTANGIBLE ASSETS (continued)

Impairment testing of deferred development costs (continued)

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of development costs:

(a) The annual revenue growth rates

	2024	2023
The annual revenue growth rate of JY06 (Jixinfen) till 2032	20.64% to 48.18%	20.64% to 54.96%
The annual revenue growth rate of JY29-2 (Jiyoutai) till 2032	–2.89% to 415.4%	–2.89% to 415.4%
The annual revenue growth rate of JY29-2W (Jikeqin) till 2034	–0.92% to 84.42%	N/A

The annual revenue growth rates for the forecast period were determined by the management based on their expectation for market and product development.

(b) The royalty rates

	2024	2023
JY06 (Jixinfen)	13.60%	12.90%
JY29-2 (Jiyoutai)	12.90%	12.20%
JY29-2W (Jikeqin)	12.06%	N/A

The royalty rates of the Company's patents are determined according to the royalty rates of the industry and the adjustment coefficient.

(c) The pre-tax discount rates

	2024	2023
JY06 (Jixinfen)	13.71%	14.62%
JY29-2 (Jiyoutai)	13.78%	15.07%
JY29-2W (Jikeqin)	15.23%	N/A

The pre-tax discount rates used are before tax and reflect specific risks relating to the units.

15. INTANGIBLE ASSETS (continued)

Impairment testing of deferred development costs (continued)

Details of the headroom measured by excess of the recoverable amounts over the carrying amounts of the CGU are set out as follows:

	2024 RMB'000	2023 RMB'000
JY06 (Jixinfen)	**31,660**	22,522
JY29-2 (Jiyoutai)	**230,238**	225,980
JY29-2W (Jikeqin)	**111,619**	N/A

(d) Sensitivity analysis

The Group performed the sensitivity analysis based on the assumption that annual revenue growth rates, pre-tax discount rates and royalty rates have been changed. The following table sets out the impact of variations in each of the key assumptions. Had these estimated key assumptions been changed as below, the headroom would have increased/(decreased) as follows:

JY06 (Jixinfen):

	2024 RMB'000	2023 RMB'000
Annual revenue growth rate increased by 5%	**14,897**	13,140
Annual revenue growth rate decreased by 5%	**(14,544)**	(11,160)
Pre-tax discount rate increased by 1%	**(4,895)**	(3,130)
Pre-tax discount rate decreased by 1%	**3,109**	3,320
Royalty rate increased by 1%	**5,930**	6,010
Royalty rate decreased by 1%	**(7,951)**	(6,010)

15. INTANGIBLE ASSETS (continued)

Impairment testing of deferred development costs (continued)

(d) Sensitivity analysis (continued)

JY29-2 (Jiyoutai):

	2024 RMB'000	2023 RMB'000
Annual revenue growth rate increased by 5%	36,680	30,810
Annual revenue growth rate decreased by 5%	(32,730)	(27,510)
Pre-tax discount rate increased by 1%	(14,220)	(9,440)
Pre-tax discount rate decreased by 1%	15,070	9,930
Royalty rate increased by 1%	25,020	22,490
Royalty rate decreased by 1%	(25,010)	(22,490)

JY29-2W (Jikeqin):

	2024 RMB'000	2023 RMB'000
Annual revenue growth rate increased by 5%	18,910	N/A
Annual revenue growth rate decreased by 5%	(16,560)	N/A
Pre-tax discount rate increased by 1%	(6,410)	N/A
Pre-tax discount rate decreased by 1%	6,850	N/A
Royalty rate increased by 1%	12,670	N/A
Royalty rate decreased by 1%	(12,620)	N/A

The management considered no reasonably possible change in the key assumptions mentioned above would cause the carrying amounts of the CGU to exceed their recoverable amounts.

The management determined that there was no impairment of its CGU as of 31 December 2024.

16. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials and consumables	**42,252**	52,138
Work in progress	**67,575**	75,153
Finished goods	**40,011**	35,076
Contract costs	**9,966**	9,966
Subtotal	**159,804**	172,333
Provision for impairment of inventories	**(10,681)**	(2,519)
Total	**149,123**	169,814

For the year ended 31 December 2024, the impairment of inventories recognised in cost of sales amounted to RMB9,303,000 (2023: RMB1,176,000).

17. TRADE AND BILLS RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	**594,344**	484,801
Bills receivable	**11,422**	17,458
Financial assets at fair value through other comprehensive income	**73,754**	32,965
Impairment	**(7,342)**	(2,713)
Net carrying amount	**672,178**	532,511

The Group's trading terms with its customers are mainly on credit as well as payment in advance. The credit period is generally one month to three months, with longer credit period of drug-device combination product. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

17. TRADE AND BILLS RECEIVABLES (continued)

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

	2024 **RMB'000**	2023 RMB'000
Within 1 year	**628,980**	527,793
1 to 2 years	**40,455**	4,446
2 to 3 years	**2,511**	272
Over 3 years	**232**	–
Total	**672,178**	532,511

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

	2024 **RMB'000**	2023 RMB'000
At beginning of year	**2,713**	1,393
Impairment losses, net	**4,629**	1,321
Amounts written off as uncollectible	**–**	(1)
At end of year	**7,342**	2,713

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance).The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

17. TRADE AND BILLS RECEIVABLES (continued)

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

As at 31 December 2024

	Gross carrying amount RMB'000	Expected credit loss rate %	Expected credit losses RMB'000
Within 1 year	546,143	0.43	2,339
1 to 2 years	43,638	7.29	3,183
2 to 3 years	3,275	23.33	764
Over 3 years	1,288	81.99	1,056
Total	594,344	1.24	7,342

As at 31 December 2023

	Gross carrying amount RMB'000	Expected credit loss rate %	Expected credit losses RMB'000
Within 1 year	478,161	0.17	791
1 to 2 years	5,336	16.68	890
2 to 3 years	869	68.70	597
Over 3 years	435	100.00	435
Total	484,801	0.56	2,713

The credit risk of bills receivable and financial assets at fair value through other comprehensive income is remote and therefore, no impairment losses were recognised as at 31 December 2024 and 2023 accordingly.

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024 RMB'000	2023 RMB'000
Current		
Prepayments	**10,021**	8,149
Tax recoverable	**1,255**	1,314
Right-of-return assets	**662**	684
Other receivables	**2,235**	3,361
Deferred listing expenses (note 29)	**–**	8,685
	14,173	22,193
Impairment	**(523)**	(538)
Subtotal	**13,650**	21,655
Non-current		
Advance payments for property, plant and equipment	**1,001**	3,052
Total	**14,651**	24,707

An impairment analysis was performed at each reporting date considering the probability of default of comparable companies with published credit ratings. The Group has applied the general approach under HKFRS 9 to provide for expected credit losses for non-trade other receivables. The Group considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate.

19. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2024 RMB'000	2023 RMB'000
Cash and bank balances	**537,649**	93,198
Less: Restricted bank deposits	**(20)**	(20)
Cash and cash equivalents	**537,629**	93,178
Denominated in:		
RMB	**43,505**	91,913
Hong Kong dollar ("HK$")	**493,731**	–
United States dollar ("US$")	**45**	705
Euro ("EUR")	**368**	580
Total	**537,649**	93,198

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. An entity shall classify an asset as current when the asset is cash or a cash equivalent (as defined in HKAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. The bank balances are deposited with creditworthy banks with no recent history of default.

20. TRADE PAYABLES

An ageing analysis of the trade payables based on the invoice date is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	**26,988**	42,245
Over 1 year	**12**	179
Total	**27,000**	42,424

The trade payables are non-interest-bearing and are normally settled within 60 days.

21. OTHER PAYABLES AND ACCRUALS

	2024 RMB'000	2023 RMB'000
Non-current:		
Deferred income	**6,060**	7,267
Other payables	**1,996**	–
Subtotal	**8,056**	7,267
Current:		
Other payables	**120,378**	80,158
Refund liabilities	**3,645**	3,442
Payroll payable	**64,614**	65,296
Deferred income	**1,977**	777
Other tax payables	**4,255**	1,102
Accrued listing expenses (note 29)	**1,229**	7,423
Subtotal	**196,098**	158,198
Total	**204,154**	165,465

Other payables are non-interest-bearing and have no fixed terms of settlement.

22. INTEREST-BEARING BANK BORROWINGS

	As at 31 December 2024		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans – unsecured	3.50 – 3.75	2025	39,178
Bank loans – secured	3.75 – 3.90	2025	41,836
			81,014
Non-current			
Bank loans – unsecured	3.00	2026	10,000
Bank loans – secured	3.85	2026 – 2030	28,769
			38,769
Analysed into:			
Within one year			81,014
In the second to fifth years, inclusive			33,015
Beyond five years			5,754
Total			119,783

22. INTEREST-BEARING BANK BORROWINGS (continued)

	As at 31 December 2023		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans – unsecured	3.60 – 4.10	2024	58,970
Bank loans – secured	3.90 – 4.35	2024	71,867
			130,837
Non-current			
Bank loans – secured	4.55	2025 – 2030	34,523
Analysed into:			
Within one year			130,837
In the second to fifth years, inclusive			23,015
Beyond five years			11,508
Total			165,360

Notes:

Certain of the Group's bank loans are secured by:

(i) mortgages over the Group's buildings with a net carrying amount of RMB177,901,000 (2023: RMB156,624,000); and

(ii) mortgages over the Group's leasehold land with a net carrying amount of nil as at 31 December 2024.

In addition, Hangzhou Huasheng Pharmaceutical Group Co., Ltd. has guaranteed certain of the Group's bank loans up to RMB42,000,000 as at 31 December 2023. The guarantee expired in May 2024.

23. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	2024 RMB'000	2023 RMB'000
Short-term advances received from customers	**5,138**	2,704
Sales rebates*	**16,488**	11,330
Total	**21,626**	14,034

* Sales rebates represent the amounts of rebates that have been accrued but not yet paid.

The contract liabilities primarily relate to the Group's obligations to sales of goods for which the Group has received the consideration from the customers.

24. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Provision for inventories RMB'000	Impairment losses on financial assets RMB'000	Tax losses RMB'000	Lease liabilities RMB'000	Accrued expenses and others RMB'000	Total RMB'000
At 1 January 2023	383	311	9,016	49	6,813	16,572
Deferred tax (charged)/credited to profit or loss during the year (note 10)	(5)	181	(9,016)	207	(5,606)	(14,239)
Gross deferred tax assets at 31 December 2023 and 1 January 2024	**378**	**492**	**–**	**256**	**1,207**	**2,333**
Deferred tax credited/(charged) to profit or loss during the year (note 10)	**1,224**	**974**	**–**	**(115)**	**(1)**	**2,082**
Gross deferred tax assets at 31 December 2024	**1,602**	**1,466**	**–**	**141**	**1,206**	**4,415**

24. DEFERRED TAX (continued)

The movements in deferred tax assets and liabilities during the year are as follows: (continued)

Deferred tax liabilities

	Depreciation of equipment RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January 2023	21,364	47	21,411
Deferred tax charged to profit or loss during the year (note 10)	217	266	483
Gross deferred tax liabilities at 31 December 2023 and 1 January 2024	**21,581**	**313**	**21,894**
Deferred tax credited to profit or loss during the year (note 10)	**(853)**	**(125)**	**(978)**
Gross deferred tax liabilities at 31 December 2024	**20,728**	**188**	**20,916**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2024 RMB'000	2023 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**–**	–
Net deferred tax liabilities recognised in the consolidated statement of financial position	**16,501**	19,561

There are no income tax consequences attaching to the payments of dividends by the Company to its shareholders.

25. SHARE CAPITAL

	2024 RMB'000	2023 RMB'000
Issued and fully paid: 245,398,800 (2023: 200,000,000) ordinary shares	245,399	200,000

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2023	–	–
Conversion into a joint stock company (Note (a))	200,000,000	200,000
As at 31 December 2023	200,000,000	200,000
Shares issued upon the IPO (Note (b))	45,398,800	45,399
As at 31 December 2024	245,398,800	245,399

Notes:

(a) Pursuant to the promoters' agreement dated 13 November 2023, the then shareholders of the Company agreed to convert the Company into a joint stock limited liability company. The net asset value of the Company as at 31 August 2023 ("conversion base date") was approximately RMB881,430,000, of which: (i) RMB200,000,000 was converted into 200,000,000 shares with a par value of RMB1.00 per share; and (ii) the remaining amount of approximately RMB644,588,000 was converted into capital reserve. After conversion to a joint stock company, the balance of the capital reserve became RMB681,430,000. The above conversion was completed on 5 December 2023.

(b) On 28 November 2024, the Company successfully completed its IPO on the Main Board of The Stock Exchange of Hong Kong Limited, issuing 45,398,800 shares and the par value of each share is RMB1.00.

26. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the Group.

Capital reserve/share premium

The capital reserve/share premium of the Group represents the difference between the par value of the shares issued and the consideration received.

Share award reserve

The share award reserve of the Group represents the fair value of equity-settled share-based payments as detailed in note 27.

Surplus reserve

In accordance with the Company Law of the PRC, the Company is required to allocate 10% of its profit after tax, as determined in accordance with the relevant PRC accounting standards, to its statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to increase share capital, provided that the remaining balance after the conversion is not less than 25% of the registered capital.

In addition to the above statutory surplus reserve, the Company may, subject to the articles of association, allocate 5% of its profit after tax to its enterprise development reserve.

Both statutory surplus reserve and enterprise development reserve are included in surplus reserve. After the conversion into a joint stock limited company, the Company no longer continues to accrue the enterprise development reserve, but is only required to allocate 10% of its profit after tax, as determined in accordance with the relevant PRC accounting standards, to its statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

27. SHARE-BASED PAYMENTS

In December 2006, the Company adopted an employee incentive scheme (the "Old Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Company's operations. Eligible participants of the Old Scheme included the Company's directors, senior management and other employees.

Hangzhou Weitai Investment Ltd. ("Hangzhou Weitai") was established on 7 December 2006 by certain members of the then directors, management and key employees of the Company as a long-term equity incentive platform under the Old Scheme. Hangzhou Weitai held approximately 10.00% of the shares of the Company. To simplify and enhance the management of employee shareholding in the Company, the Company adopted some nominee shareholding arrangements. The granted shares of Hangzhou Weitai will be vested in accordance with both service periods and non-market performance conditions.

On 31 July 2023, in order to dissolve the historical nominee shareholding arrangements under the Old Scheme, Hangzhou Weitai transferred (i) the equity interests in registered capital of US$48,909 previously held on behalf of Mr. Wu Qiyuan, back to himself; and (ii) the equity interests in registered capital of US$374,646 previously held on behalf of other employees to Qingfanghao and Chengheda, two employee shareholding platforms established by the beneficial employees. The service periods and non-market performance conditions under the Old Scheme were cancelled. The shares held by Mr. Wu Qiyuan, Qingfanghao and Chengheda were deemed vested immediately. During the reporting period, share award expenses under the Old Scheme of nil (2023: RMB270,000) was charged to profit or loss.

On 31 July 2023, the Company approved and adopted a new employee incentive scheme (the "New Scheme"). To allocate the reserved equity interests in Hangzhou Weitai to employees, Hangzhou Weitai transferred (i) the equity interests in registered capital of US$78,225 to Mr. Li Bangliang which regarded as awarded shares to compensate for his past contribution to the Group as a director, and a one-off share award expense of RMB8,984,000 was charged to profit or loss during the year ended 31 December 2023; and (ii) the equity interests in registered capital of US$169,226 to Nanbeiju, an employee shareholding platform under the New Scheme, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Company's operations. Eligible participants of the New Scheme include the Company's directors, senior management and other employees.

27. SHARE-BASED PAYMENTS (continued)

The above shares granted to (ii) employees under the New Scheme shall be vested and exercisable at the earlier of: (a) 25% of the total number of shares granted after the completion of the listing of H shares by the Company and the expiration of the corresponding restriction period, and the remaining 25%, 25% and 25% of the total number of the shares granted shall be vested and exercisable on the second, third and fourth anniversaries of the expiration date of the restriction period, respectively; and (b) when the grantees served the Company for five consecutive years after the grant date. During the reporting period, share award expense under the New Scheme of RMB5,299,000 (2023: RMB2,679,000) was charged to profit or loss.

The fair value of services received in return for shares granted to employees under the New Scheme and to Mr. Li Bangliang was measured by reference to the fair value of the shares granted and the subscription price paid by employees and Mr. Li Bangliang. The discounted cash flow method was used to determine the underlying equity fair value of the Company. The key input into the model at the grant date was the weighted average cost of capital ("WACC"), which was 10.85%.

28. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	2024 **RMB'000**	2023 RMB'000
Property, plant and equipment	**1,839**	805

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of nil (2023: RMB2,507,000) in respect of lease arrangements for office premises and warehouses.

(ii) The Group discounted certain bills receivable with certain banks in Mainland China (the "Discounted Bills") to collect cash in a timely manner. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Discounted Bills and the associated bank borrowings. As the Discounted Bills matured during the year, the Group had non-cash settlements to bills receivable and bank borrowings of nil (2023: RMB3,139,000).

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000	Accrued listing expenses RMB'000	Total RMB'000
At 1 January 2023	220,258	326	–	220,584
Changes from financing cash flows	(61,088)	(1,180)	(5,082)	(67,350)
Changes from operating cash flows	–	–	(6,106)	(6,106)
Listing expenses	–	–	9,926	9,926
Deferred listing expenses	–	–	8,685	8,685
Non-cash settlements	(3,139)	–	–	(3,139)
Interest expense	9,329	57	–	9,386
New leases	–	2,507	–	2,507
As at 31 December 2023 and 1 January 2024	**165,360**	**1,710**	**7,423**	**174,493**
Changes from financing cash flows	**(52,650)**	**(845)**	**(39,189)**	**(92,684)**
Changes from operating cash flows	**–**	**–**	**(27,110)**	**(27,110)**
Listing expenses	**–**	**–**	**24,008**	**24,008**
Deferred listing expenses	**–**	**–**	**36,097**	**36,097**
Interest expense	**7,073**	**72**	**–**	**7,145**
As at 31 December 2024	**119,783**	**937**	**1,229**	**121,949**

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2024 RMB'000	2023 RMB'000
Within operating activities	**1,634**	1,357
Within financing activities	**845**	1,180
Total	**2,479**	2,537

30. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in notes 13, 14, 19 and 22 respective, to the financial statements.

31. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the year:

	Notes	**2024 RMB'000**	2023 RMB'000
Shareholder:			
Pharmaceutical services	(i)	**67,663**	68,931
The holding company of a shareholder:			
Sales of products	(iii)	**41,559**	52,079
Purchases of raw materials	(iii)	**3,913**	3,422
Purchases of devices	(iii)	**2,223**	4,108
Rental charges	(ii)	**64**	64
The entities controlled by the holding company of a shareholder:			
Sales of products	(iii)	**6,251**	10,208
Purchases of raw materials	(iii)	**47**	5
Other related party:			
Purchase of preclinical drug development services	(iii)	**–**	1,321

Notes:

(i) The pharmaceutical provided services to the shareholder were conducted according to the agreed prices and conditions offered to the major customers of the Group.

(ii) The rental charges with the shareholder and the holding company of a shareholder were made according to the agreed prices.

(iii) The purchases from and sales to the related parties were made according to the agreed prices between the Group and its major customers and suppliers.

31. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties:

The Company's shareholder, Hangzhou Huasheng Pharmaceutical Group Co., Ltd., has guaranteed certain of the Group's bank loans up to RMB42,000,000 as at 31 December 2023. The loan was fully repaid in February 2024 and the guarantee expired in May 2024.

(c) Outstanding balances with related parties:

	2024 **RMB'000**	2023 RMB'000
Due to related parties:		
The holding company of a shareholder	**644**	813
The entities controlled by the holding company of a shareholder	**–**	2
Total	**644**	815
Due from related parties:		
Shareholders	**25,498**	11,330
The holding company of a shareholder	**8,661**	8,748
The entities controlled by the holding company of a shareholder	**3,215**	2,482
Total	**37,374**	22,560

Note:

The above balances with related parties are trade-in-nature, unsecured and interest-free.

31. RELATED PARTY TRANSACTIONS (continued)

(d) Compensation of key management personnel of the Group:

	2024 **RMB'000**	2023 RMB'000
Salaries, allowances and benefits in kind	**5,797**	5,479
Performance related bonuses	**3,501**	2,864
Equity-settled share award expense	**3,140**	10,629
Pension scheme contributions	**395**	347
Total compensation paid to key management personnel	**12,833**	19,319

Further details of directors', supervisors' and the chief executive's remuneration are included in note 8 to the financial statements. The compensation of Mr. Li Bangliang, who resigned as the chairman of the board of the directors in November 2023, is included in the above balances. The compensation of Ms. Huang Xiu, who resigned as a supervisor in November 2023 and continued to serve as one of the key management personnel, is included in the above balances.

The related party transactions in respect of pharmaceutical services, sales of products, purchases of raw materials, purchases of devices and rental charges mentioned above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

As at 31 December 2024

	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables	73,754	598,424	672,178
Financial assets included in prepayments, other receivables and other assets	–	1,712	1,712
Due from related parties	–	37,374	37,374
Cash and cash equivalents	–	537,629	537,629
Restricted bank deposits	–	20	20
Total	73,754	1,175,159	1,248,913

As at 31 December 2023

	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables	32,965	499,546	532,511
Financial assets included in prepayments, other receivables and other assets	–	2,823	2,823
Due from related parties	–	22,560	22,560
Cash and cash equivalents	–	93,178	93,178
Restricted bank deposits	–	20	20
Total	32,965	618,127	651,092

32. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Financial liabilities

As at 31 December 2024

	Financial liabilities at amortised cost RMB'000
Trade payables	27,000
Financial liabilities included in other payables and accruals	123,603
Due to related parties	644
Interest-bearing bank borrowings	119,783
Total	271,030

As at 31 December 2023

	Financial liabilities at amortised cost RMB'000
Trade payables	42,424
Financial liabilities included in other payables and accruals	87,581
Due to related parties	815
Interest-bearing bank borrowings	165,360
Total	296,180

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts As at 31 December		Fair values As at 31 December	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Interest-bearing bank borrowings	**119,783**	165,360	**120,970**	166,374

The fair values of the non-current portion of interest-bearing bank loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, amount due from related parties, trade and bills receivables, trade payables, the current portion of interest-bearing bank borrowings, amount due to related parties and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the financial controller. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the financial controller. The valuation process and results are discussed with the directors of the Company periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of those not traded in an active market is determined by the Group using valuation techniques. The valuation model used is the discounted cash flow model. The input of the valuation technique is future cash flows.

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:
As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Trade and bills receivables	–	73,754	–	73,754

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Trade and bills receivables	–	32,965	–	32,965

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments: (continued)

Liabilities for which fair value are disclosed:
As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings	–	120,970	–	120,970

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings	–	166,374	–	166,374

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, financial assets at fair value through other comprehensive income and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, other receivables, trade payables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. To keep the Group's exposure to these risks at a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The directors of the Company review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

After the assessment, the directors of the Company consider that the Group's exposure to interest rate risk is not significant.

Foreign currency risk

The Group's businesses are principally located in Mainland China and substantially all transactions are conducted in RMB, except for the sales of goods to overseas markets. The fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. However, in the opinion of the directors, the exposure to foreign currency risk is not significant and is under management's control.

Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, amounts due from related parties, trade and bills receivables and financial assets included in prepayments, other receivables and other assets. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on ageing information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	594,344	594,344
Prepayments, other receivables and other assets – Normal**	2,235	–	–	–	2,235
Due from related parties	–	–	–	37,374	37,374
Cash and cash equivalents	537,629	–	–	–	537,629
Restricted bank deposits	20	–	–	–	20
Total	539,884	–	–	631,718	1,171,602

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	484,801	484,801
Prepayments, other receivables and other assets – Normal**	3,361	–	–	–	3,361
Due from related parties	–	–	–	22,560	22,560
Cash and cash equivalents	93,178	–	–	–	93,178
Restricted bank deposits	20	–	–	–	20
Total	96,559	–	–	507,361	603,920

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the financial statements.

** The credit quality of financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the financial statements.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

			2024		
	On demand RMB'000	**Within 1 year RMB'000**	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Trade payables	**–**	**27,000**	**–**	**–**	**27,000**
Financial liabilities included in other payables and accruals	**121,607**	**–**	**1,996**	**–**	**123,603**
Due to related parties	**–**	**644**	**–**	**–**	**644**
Lease liabilities	**–**	**970**	**–**	**–**	**970**
Interest-bearing bank borrowings	**–**	**83,208**	**36,524**	**5,896**	**125,628**
Total	**121,607**	**111,822**	**38,520**	**5,896**	**277,845**

			2023		
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	–	42,424	–	–	42,424
Financial liabilities included in other payables and accruals	87,581	–	–	–	87,581
Due to related parties	–	815	–	–	815
Lease liabilities	–	845	970	–	1,815
Interest-bearing bank borrowings	–	135,265	27,248	12,053	174,566
Total	87,581	179,349	28,218	12,053	307,201

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares.

The Group monitors capital using a gearing ratio, which is total liabilities divided by total assets. The gearing ratios as at the end of the reporting periods were as follows:

	2024 **RMB'000**	2023 RMB'000
Total liabilities	**405,011**	409,804
Total assets	**1,923,022**	1,307,696
Gearing ratio	**21%**	31%

35. EVENTS AFTER THE REPORTING PERIOD

No significant events took place subsequent to 31 December 2024.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	352,977	371,469
Right-of-use assets	1,254	2,090
Intangible assets	157,816	91,347
Prepayments, other receivables and other assets	1,001	3,052
Total non-current assets	513,048	467,958
CURRENT ASSETS		
Inventories	149,123	169,814
Trade and bills receivables	672,178	532,511
Prepayments, other receivables and other assets	13,650	21,654
Due from related parties	37,374	22,560
Restricted bank deposits	20	20
Cash and cash equivalents	537,627	93,176
Total current assets	1,409,972	839,735
CURRENT LIABILITIES		
Trade payables	27,000	42,424
Lease liabilities	937	773
Other payables and accruals	196,098	158,198
Due to related parties	644	815
Interest-bearing bank borrowings	81,014	130,837
Contract liabilities	21,626	14,034
Tax payable	14,366	435
Total current liabilities	341,685	347,516
NET CURRENT ASSETS	1,068,287	492,219
TOTAL ASSETS LESS CURRENT LIABILITIES	1,581,335	960,177
NON-CURRENT LIABILITIES		
Lease liabilities	–	937
Interest-bearing bank borrowings	38,769	34,523
Deferred tax liabilities	16,501	19,561
Other payables and accruals	8,056	7,267
Total non-current liabilities	63,326	62,288
Net assets	1,518,009	897,889
EQUITY		
Share capital	245,399	200,000
Reserves (note)	1,272,610	697,889
Total equity	1,518,009	897,889

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve/ share premium RMB'000	Share award reserve RMB'000	Surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2023	36,842	2,168	130,674	543,051	712,735
Profit and total comprehensive income for the year	–	–	–	119,775	119,775
Transfer to surplus reserve	–	–	1,216	(1,216)	–
Conversion into a joint stock company	644,588	(9,799)	(130,674)	(650,669)	(146,554)
Equity-settled share award arrangements (note 27)	–	11,933	–	–	11,933
At 31 December 2023	**681,430**	**4,302**	**1,216**	**10,941**	**697,889**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**138,602**	**138,602**
Transfer to surplus reserve	**–**	**–**	**13,860**	**(13,860)**	**–**
Net proceeds from issue of shares from IPO	**475,602**	**–**	**–**	**–**	**475,602**
Share issue expenses	**(44,782)**	**–**	**–**	**–**	**(44,782)**
Equity-settled share award arrangements (note 27)	**–**	**5,299**	**–**	**–**	**5,299**
At 31 December 2024	**1,112,250**	**9,601**	**15,076**	**135,683**	**1,272,610**

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2025.