

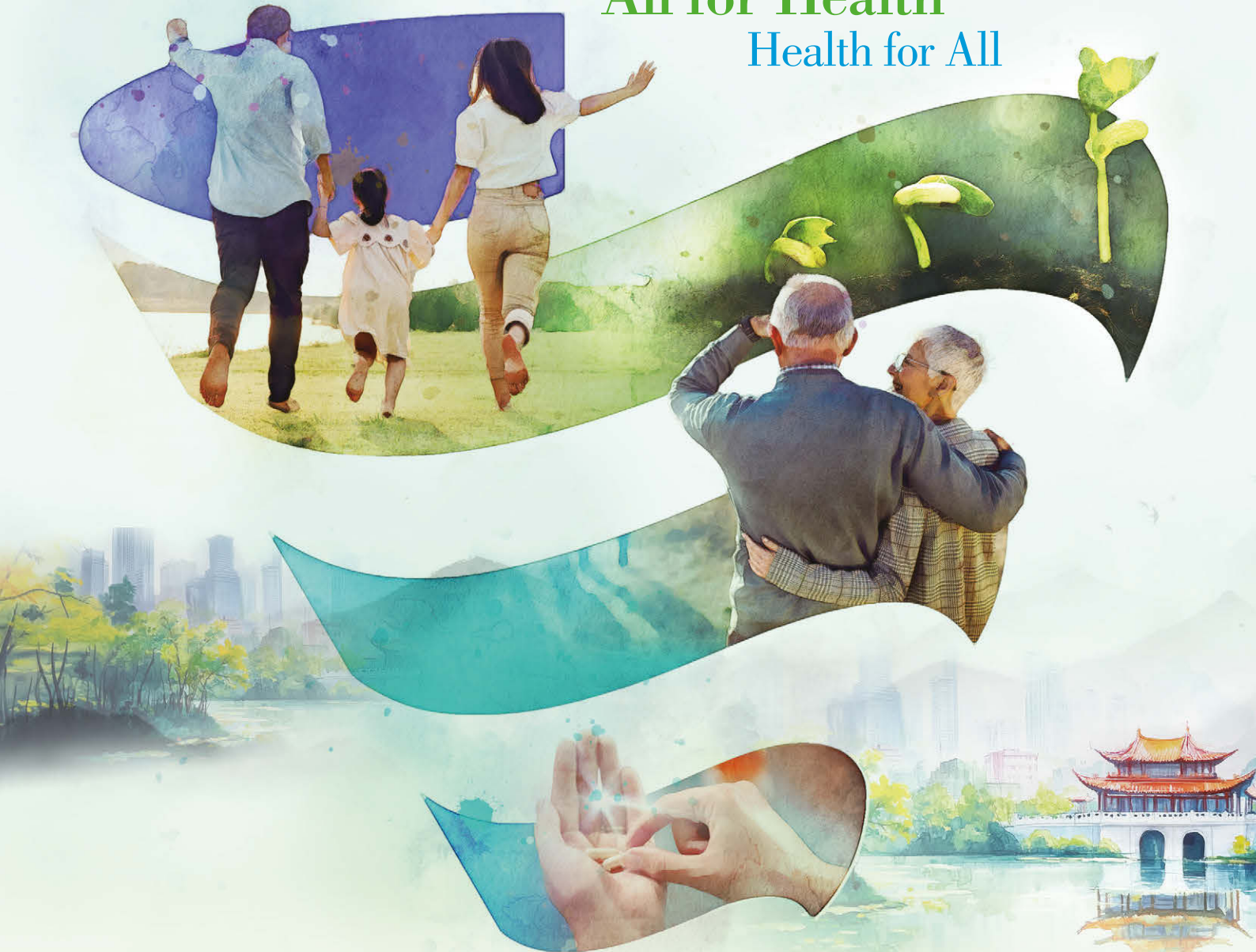


# 國藥控股股份有限公司

## SINOPHARM GROUP CO. LTD.\*

(A joint stock limited company incorporated in the People's Republic of China with limited liability and carrying on business in Hong Kong as 國藥股份有限公司)  
Stock Code: 01099

### All for Health Health for All



## 2024 Annual Report

\* The Company is registered as a non-Hong Kong company under the Hong Kong Companies Ordinance under its Chinese name and the English name "Sinopharm Group Co. Ltd.".



# COMPANY PROFILE

The Company was established in January 2003 and listed on The Stock Exchange of Hong Kong Limited (stock code: 01099.HK) in September 2009, is a core subsidiary of China National Pharmaceutical Group Co., Ltd. and a top-rank wholesaler and retailer of pharmaceutical and healthcare products and medical devices, and a leading supply-chain service provider in the PRC.

---

The Group is mainly engaged in pharmaceutical products and medical device distribution business. Leveraging on its nationwide distribution and delivery network, the Group provides comprehensive distribution, delivery and other value-added services to domestic and foreign manufacturers and suppliers of pharmaceutical products, medical devices and consumables and other healthcare products, and also to downstream customers including hospitals, other distributors, retail drug stores and primary health services institutions.

Meanwhile, the Group manages its network of retail drug stores chain in major cities of China via direct operations and franchises to sell pharmaceutical and healthcare products to end customers. It has become a leader in China's pharmaceutical retail industry.

Besides, the Group is also engaged in the production and sale of pharmaceutical products, chemical reagents and laboratory supplies, and actively engaged in the innovation of pharmaceutical, medical services and other health-related industries, to explore the synergistic development of its diversified businesses.

Taking advantage of its superior economies of scale, customer resources, network platforms and brand position, the Group will fully leverage on China's pharmaceutical and healthcare market, which shows steady and healthy growth, proactively respond to industry policies and capture development opportunities to further consolidate and enhance its market leadership, actively striving to become an efficient organizer of pharmaceutical supply chain and comprehensive service solution provider in the industrial chain.



## CORPORATE VISION

Becoming a distinguished  
(technological and innovative)  
global pharmaceutical and  
healthcare service provider

## CORPORATE MISSION

All for Health  
Health for All

## Contents

Corporate Information	2
Definitions	4
Financial Highlights	7
Chairman's Statement	10
Shareholding Structure of the Company	13
Management Discussion and Analysis	14
Corporate Governance Report	33
Biographies of Directors, Supervisors and Senior Management	54
Report of the Board of Directors	62
Report of the Supervisory Committee	83
Independent Auditor's Report	85
Consolidated Statement of Profit or Loss	93
Consolidated Statement of Comprehensive Income	94
Consolidated Statement of Financial Position	95
Consolidated Statement of Changes in Equity	98
Consolidated Statement of Cash Flows	100
Notes to the Consolidated Financial Statements	102

# Corporate Information

*As at the date of this report*

## Directors

Mr. Zhao Bingxiang (*Non-executive Director and Chairman*)  
Mr. Chen Qiyu (*Non-executive Director and Vice Chairman*)  
Mr. Lian Wanyong (*Executive Director and President*)  
Mr. Sun Jinglin (*Executive Director and Deputy Secretary of Party Committee*)  
Mr. Chen Fangruo (*Independent Non-executive Director*)  
Mr. Li Peiyu (*Independent Non-executive Director*)  
Mr. Wu Tak Lung (*Independent Non-executive Director*)  
Mr. Yu Weifeng (*Independent Non-executive Director*)  
Mr. Shi Shenghao (*Independent Non-executive Director*)  
Mr. Hu Ligang (*Non-executive Director*)  
Mr. Zu Jing (*Non-executive Director*)  
Mr. Xing Yonggang (*Non-executive Director*)  
Mr. Wen Deyong (*Non-executive Director*)  
Mr. Li Dongjiu (*Non-executive Director*)  
Ms. Feng Rongli (*Non-executive Director*)

## Supervisors

Ms. Guan Xiaohui (*Chief Supervisor*)  
Mr. Liu Zhengdong  
Mr. Guo Jinhong  
Mr. Liu Hongbing  
Ms. Lu Haiqing

## Company Secretary

Mr. Wu Yijian

## Strategy and Investment Committee

Mr. Zhao Bingxiang (*Chairman*)  
Mr. Chen Qiyu  
Mr. Lian Wanyong  
Mr. Chen Fangruo  
Mr. Li Peiyu  
Mr. Shi Shenghao  
Mr. Wen Deyong  
Mr. Li Dongjiu

## Audit Committee

Mr. Wu Tak Lung (*Chairman*)  
Mr. Li Peiyu  
Mr. Shi Shenghao  
Mr. Li Dongjiu

## Remuneration Committee

Mr. Li Peiyu (*Chairman*)  
Mr. Wu Tak Lung  
Mr. Yu Weifeng  
Ms. Feng Rongli

## Nomination Committee

Mr. Zhao Bingxiang (*Chairman*)  
Mr. Chen Fangruo  
Mr. Wu Tak Lung  
Mr. Yu Weifeng  
Mr. Shi Shenghao  
Ms. Feng Rongli

## Legal and Compliance and Environmental, Social and Governance Committee

Mr. Yu Weifeng (*Chairman*)  
Mr. Zhao Bingxiang  
Mr. Lian Wanyong

## Authorized Representatives

Mr. Zhao Bingxiang  
Mr. Wu Yijian

## Legal Advisers

*As to Hong Kong laws:*  
DLA Piper UK LLP

*As to PRC law:*  
Guantao Law Firm Shanghai Office  
Jingtian & Gongcheng



### Auditor

*International auditor:*

Confucius International CPA Limited

Registered PIE auditor

*Domestic auditor:*

Pan-China Certified Public Accountants LLP

### Principal Place of Business in Hong Kong

Room 1601,  
Emperor Group Center,  
288 Hennessy Road,  
Wanchai, Hong Kong

### Principal Place of Business and Headquarters in the PRC

Sinopharm Group Building,  
No. 385, East Longhua Road, Huangpu District,  
Shanghai 200023, the PRC

### Registered Office in the PRC

1st Floor, 11th to 15th Floor, No.385,  
East Longhua Road,  
Huangpu District,  
Shanghai 200023, the PRC

### Company's Website

[www.sinopharmgroup.com.cn](http://www.sinopharmgroup.com.cn)

### H Share Registrar

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

### Stock Code

01099

### Principal Banks

Bank of Communications Co., Ltd.  
China Merchants Bank Co., Ltd.  
Bank of China Limited  
China Construction Bank Co., Ltd.  
Industrial and Commercial Bank of China Limited  
Agricultural Bank of China Co., Ltd.  
China Minsheng Banking Corp., Ltd.

### Office of Board of Directors

Tel: (+86 21) 2305 2666

Email: [ir@sinopharm.com](mailto:ir@sinopharm.com)/[sinopharm@wsfg.hk](mailto:sinopharm@wsfg.hk)

# Definitions

In this annual report, unless the context otherwise requires, the following expressions have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“CNPGC”	China National Pharmaceutical Group Co., Ltd. (中國醫藥集團有限公司), a state wholly-owned enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company
“CNPGC Group”	CNPGC and its subsidiaries and associates (excluding the Group)
“Company” or “Sinopharm”	Sinopharm Group Co. Ltd. (國藥控股股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability and whose H shares are listed and traded on the Hong Kong Stock Exchange
“CSIMC”	China National Scientific Instruments and Materials Co., Ltd. (中國科學器材有限公司), a company incorporated in the PRC with limited liability
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Factoring Company”	Sinopharm Puxin Commercial Factoring Company Limited (國藥樸信商業保理有限公司), a company incorporated in the PRC with limited liability
“Finance Company”	Sinopharm Group Finance Co., Ltd. (國藥集團財務有限公司), a company incorporated in the PRC with limited liability, which is a non-bank financial institution
“Fosun High Technology”	Shanghai Fosun High Technology (Group) Company Limited (上海復星高科技(集團)有限公司), a company incorporated in the PRC with limited liability
“Fosun Holdings”	Fosun Holdings Limited (復星控股有限公司), a company incorporated in Hong Kong, the PRC with limited liability

“Fosun International”	Fosun International Limited (復星國際有限公司), a joint stock company incorporated in Hong Kong, the PRC with limited liability, whose H shares are listed and traded on the Hong Kong Stock Exchange
“Fosun International Holdings”	Fosun International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Fosun Pharma”	Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司), a joint stock company established in the PRC with limited liability, the H shares and A shares of which are listed and traded on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
“Group”	the Company and its subsidiaries
“Henlius”	Shanghai Henlius Biotech, Inc. (上海復宏漢霖生物技術股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose H shares are listed and traded on the Hong Kong Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	21 April 2025, the latest practicable date for ascertaining certain information in this report before its publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“Natong Group”	Beijing Natong Technology Group Co., Ltd. (北京納通科技集團有限公司), a company incorporated in the PRC with limited liability
“PBOC”	the People’s Bank of China
“RMB”	Renminbi, the lawful currency of the PRC

## Definitions

“Shareholder(s)”	the shareholder(s) of the Company
“Sinopharm Accord”	China National Accord Medicines Corporation Ltd. (國藥集團一致藥業股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose A shares and B shares are listed and traded on the Shenzhen Stock Exchange
“Sinopharm (CNCM LTD)”	China National Medicines Corporation Ltd. (國藥集團藥業股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose A shares are listed and traded on the Shanghai Stock Exchange
“Sinopharm Investment”	Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司), a company incorporated in the PRC with limited liability
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Supervisor(s)”	the supervisor(s) of the Company
“Treasury Share(s)”	has the meaning ascribed to it under the Listing Rules



# Financial Highlights

	2020	2021	2022	2023	RMB'000 2024
<b>Operating results</b>					
Revenue	456,414,611	521,051,235	552,147,550	596,569,565	584,507,930
Gross profit	40,323,311	44,050,608	47,434,060	48,511,678	44,255,390
Operating profit	17,759,975	19,711,976	20,604,466	20,209,195	16,188,403
Earnings before interest and tax	18,545,111	20,406,031	21,753,811	21,942,511	16,329,141
Profit for the year attributable to equity holders of the parent company	7,187,278	7,758,646	8,525,655	9,053,760	7,049,683
<b>Profitability</b>					
Gross margin	8.83%	8.45%	8.59%	8.13%	7.57%
Operating margin	3.89%	3.78%	3.73%	3.39%	2.77%
Net profit margin	2.65%	2.51%	2.60%	2.52%	1.78%
<b>Asset status</b>					
Total assets	311,236,706	335,412,321	364,775,134	383,394,844	392,831,244
Equity attributable to equity holders of the parent company	56,358,845	61,886,015	68,068,559	74,582,217	78,883,795
Total liabilities	221,289,385	235,758,386	254,705,944	263,076,099	266,143,942
Cash and cash equivalents	50,178,265	43,529,428	55,221,624	63,808,538	54,313,359
<b>Gearing ratio</b>	71.10%	70.29%	69.83%	68.62%	67.75%
<b>Liquidity ratio</b>					
Current ratio (times)	1.31	1.33	1.36	1.40	1.39
Inventory turnover ratio (days)	39	37	40	40	41
Trade receivables turnover ratio (days)	107	111	113	109	121
Trade payables turnover ratio (days)	92	91	95	93	99
<b>Data per share (RMB)</b>					
Earnings per share – Basic	2.31	2.49	2.73	2.90	2.26
Earnings per share – Diluted	2.31	2.49	2.73	2.90	2.26

# All for Health Health for All

Adhering to the corporate philosophy of “All for Health, Health for All”, Sinopharm Group has been devoting itself to be an “efficient organizer of pharmaceutical supply chain and comprehensive service solution provider in the industrial chain”.







# Chairman's Statement



**Zhao Bingxiang**

*Chairman & Non-executive Director*

## **Dear shareholders, business partners and colleagues,**

In 2024, despite the continuous volatility in the global economic growth, China's economy has shown positive signs of steady recovery, benefiting from a series of economic support policies. According to the data released by the National Bureau of Statistics, China's GDP recorded a year-on-year increase of 5%, demonstrated robust economic resilience. However, insufficient domestic demand remains one of the prominent issues in the macro-economic operation. China's pharmaceutical industry is still facing a series of challenges and changes such as industry regulation, industry policies and business transformation.

In 2024, amid the severe and complicated internal and external environment and industry changes, Sinopharm bravely moved forward in the face of difficulties, with overall stable production and operation and orderly progress in reform and transformation. Sinopharm has always focused on the main task of high-quality transformation and forged its core competitiveness in the industry changes. On behalf of the Board, I would like to extend my sincerest gratitude to all the management and employees for their hard work and to Shareholders and business partners for their trust and support!



**Transforming services, and bravely breaking new ground amidst changing circumstances.** Looking back to 2024, the regulatory institutions including the National Healthcare Security Administration continued to enforce compliance supervision on the medical insurance funds and medical services. The expansion of centralized procurement has been advanced. The pharmaceutical industry in China faced numerous challenges such as the transformation of service models, adjustments of demand structure and pressure on profit margins. Industry competition has rapidly shifted from the original rough “scale expansion” driven by resources to the service competition that prioritizes “quality and efficiency”. Business transformation and innovation under the premise of compliance will be the necessary way for the development of the pharmaceutical distribution industry. The trend of specialization and division of labor in the pharmaceutical and healthcare field is bringing about new competition barriers for enterprises in the supply chain and bringing more development opportunities to the industry. While achieving the steady development of the overall business, the Group remained committed to driving innovation at the core of its endeavors, accelerated the pace of service transformation, deeply tapped potential profits and was committed to recreating and improving value. During the Reporting Period, the Group continuously strengthened its service business layout and service model innovation, enhanced the professional service capabilities directly facing B-side and C-side, comprehensively promoted the development of service business including marketing service, third-party logistics service, SPD service and OEM, created the “new growth momentum” of Sinopharm and promoted the overall efficient transformation of the business, laying a solid foundation for promoting the sustainable and high-quality development of the Group.

**Empowering business with science and technology, and recreating value in the transformation.** In the face of increasingly fierce market competition and constantly improving industry regulation, as a leading enterprise in the pharmaceutical distribution industry and a leading supply chain service provider, the Group actively leveraged the scientific and technological innovation to drive business transformation and upgrading and was dedicated to building a high-quality and sustainable business growth model, aiming to become a key force to lead the transformation of the industry. The Group adhered to scientific and technological innovation as the engine, deeply promoted the digital transformation strategy and accelerated the construction of digital management and control capabilities for its business. The Group comprehensively promoted digital transformation through the construction of a large- and middle-scale platform to achieve full-process visualization of logistics, full-lifecycle traceability of orders, efficient optimization of business resource allocation and continuous improvement in innovative service quality, accelerating the infusion of new momentum into business innovation and transformation. Meanwhile, the Group will actively explore the application and practice of AI technology in business scenarios such as supply chain management, intelligent logistics and terminal services, empowering the business decision-making and quality control processes.

**Improving vertical management and control, and driving management improvement by integrated operation.** In 2024, the Group proactively adapted to the industry transformation trend, comprehensively strengthened the assessment of business operation quality and profitability, enhanced risk prevention and compliance supervision and fully leveraged the integrated and synergistic advantages of whole industrial chain layout. During the Reporting Period, the Group focused on strengthening the integrated operation of procurement, logistics, finance and other areas, accelerated to promote the construction of digital platforms and the collaboration of cross-line business through optimization of organizational structures and governance models, broke down regional barriers, enhanced the precision and penetration of business governance and continuously improved the business management and control capabilities of headquarters and provincial platforms, ensuring the accuracy and scientificity of strategic and business decisions. With the deep integration of compliance operation and integrated management and control, the Group will continue to tap the potential of improving operational efficiency and release new vitality for high-quality development.

## Chairman's Statement

**Adhering to green development, and “dual carbon” targets leading to intelligent future.** During the Reporting Period, the Group has always adhered to the corporate mission of “All for Health, Health for All”. As a leader and a national main force in the pharmaceutical distribution industry, the Group actively responded to the national goal of “dual carbon”, continuously improved the energy conservation and environmental protection management system, intensified efforts on technological improvement and innovation and advanced green transformation in an orderly manner, demonstrating the responsibility of a central enterprise. In 2024, the Group has completed the construction of the first carbon neutrality logistic demonstration park and obtained the carbon neutrality certification. The Group accelerated the planning and construction of the national logistics infrastructure network and gave full play to the leading and demonstration role of the industry. Meanwhile, the Group will always adhere to the fundamental direction of the health needs of the people and continue to undertake the task of central medicine reserve and the responsibility of emergency supply guarantee, ensuring that the Group can swiftly and effectively complete emergency supply guarantee tasks in response to public emergencies and major events. The Group will promote the effective integration of digital technology and safety management, ensure production safety and realize the promotion of its own value while serving the national strategy.

The year 2025 marks not only the conclusion of the “14th Five-Year” Plan but also a pivotal year for laying the groundwork for the “15th Five-Year” Plan. At present, the pharmaceutical distribution industry is in an important opportunity period of transformation and reform, and the trend of long-term improvement and steady development remains unchanged. The Group will actively carry out strategic discussions on the “15th Five-Year” Plan, focus on its main responsibilities and business, further clarify the overall positioning of its future development, effectively implement national policies related to medical reform and accelerate its own transformation and reform. The Group will continue to steadfastly focus on the core business objective of “high-quality development and transformation”, further strengthen the strategic guidance and enhance the business management and control capabilities of the enterprise. At the same time, the Group will reinforce corporate governance, research and explore innovative capital operation methods and tools and promote the orderly implementation of various work on market value management, consistently leading the development and transformation of the pharmaceutical distribution industry.

The high-quality development trends of China's macro-economy and the pharmaceutical and healthcare industry remain unchanged, and the development determination and strategic focus on transformation and innovation of Sinopharm will not change. Together with all sectors of society, we unite with steadfast commitment to forge a win-win future and collectively share in the growth and achievements of Sinopharm!

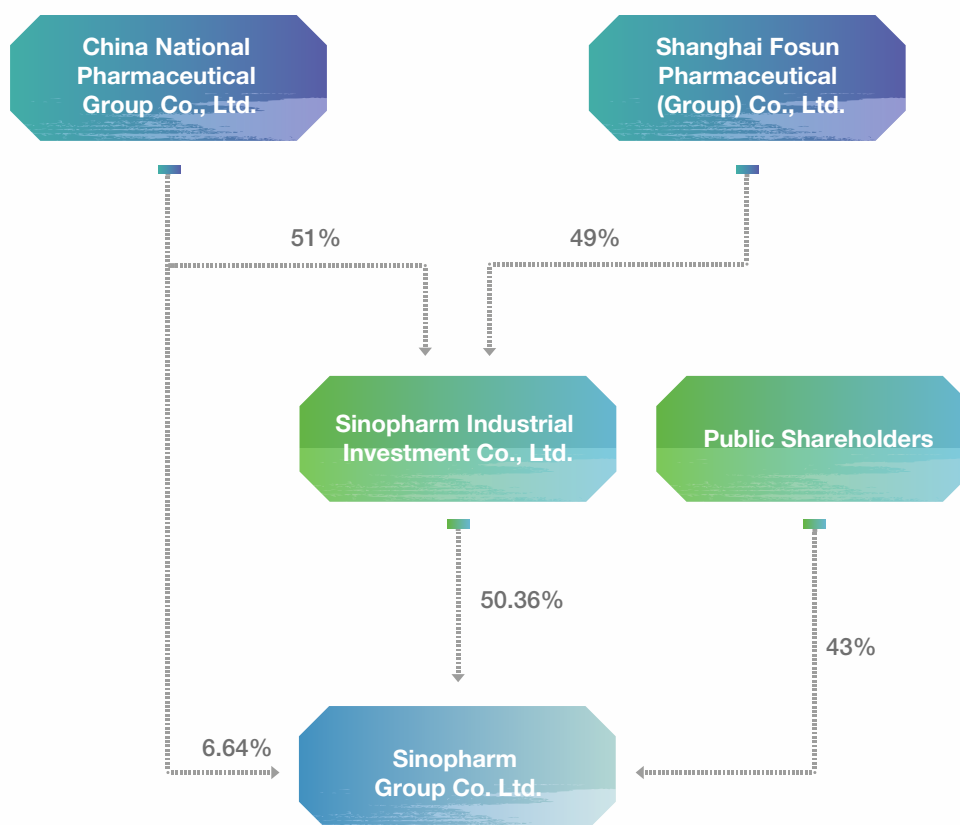
**Zhao Bingxiang**

*Chairman & Non-executive Director*

Shanghai, the PRC  
21 March 2025

# Shareholding Structure of the Company

As at the date of this report, the simplified structure of the Company was as follows:





# Management Discussion and Analysis



**Lian Wanyong**

*President & Executive Director*

## **Review on Industrial Environment**

### **Macro-economy recovered steadily with sector revealed the growth potential**

In 2024, under the background of complicated international environment, weak momentum of world economic growth and intensified geopolitical conflicts, China's macro-economy overcame various difficulties and challenges under the dual pressure of structural adjustment and complicated external environment, and China's economic operation showed a generally steady trend and made progress while ensuring stability. According to the data released by the National Bureau of Statistics of China, China's gross domestic product (GDP) in 2024 increased by 5% as compared with the corresponding period of last year, at constant prices, and the economic growth rate ranked among the top in the world's major economies. In the long run, the trend of steady improvement of China's economy remains unchanged.

Facing the problems of domestic market segmentation, insufficient competition and inefficient market operation, China further clearly put forward the requirement of "accelerating the construction of a unified national market", and the National Development and Reform Commission issued the "Guidelines for the Construction of a Unified National Market (for Trial Implementation)". The Guidelines is designed to establish a unified national market with smooth flow of production factors, efficient allocation of various resources and fully revealed market potential, so as to bring support and impetus to China's high-quality development, effectively stimulate innovation and industrial upgrading in all sectors, and promote the industry concentration towards high-quality leading enterprises.



### Policy deepening drove transformation and compliance reshaped the industry ecology

According to the data of the Express released by the National Healthcare Security Administration, in 2024, the total income of the National Basic Medical Insurance Fund was RMB3.48 trillion, representing a year-on-year increase of 4.4%, and the total expenditure of the National Basic Medical Insurance Fund was RMB2.97 trillion, representing a year-on-year increase of 5.5%. In 2024, the income and expenditure of China's medical insurance funds were balanced, with a slight surplus, the medical insurance funds were safe and sustainable, the expenditure growth rate was greater than the income growth rate, and the trend of tightening medical insurance fee control remained unchanged. Driven by the aging population and people's pursuit of high-quality life, the social demand for medical services continues to grow, and the growth trend and potential of China's pharmaceutical and healthcare industry will continue to be released.

In 2024, the compliance supervision of the pharmaceutical industry was comprehensively deepened. The National Healthcare Security Administration, in collaboration with multiple departments, jointly carried out multiple rounds of "Medical Insurance Unannounced Inspections", focusing on cracking down on behaviors such as issuing false invoices and embezzling medical insurance funds during the process of distribution, effectively accelerating the standardization of medical institutions' diagnosis and treatment behaviors, and strengthening the compliant sales of medical insurance drugs in retail pharmacies, promoting the standardized use of medical insurance funds, and further purifying the ecological environment of the pharmaceutical and healthcare industry. The development of the industry has undergone a structural adjustment, the growth rates of various business segments in the field of pharmaceutical distribution have diverged, and the business model of the industry has shifted towards services, while compliance requirements have become increasingly prominent.

The Medical Insurance Personal Account Reform has increased the reimbursement proportion of medical insurance funds in the primary medical service institutions, effectively improving service capacities of primary medical service institutions, and increasing the number of outpatients in primary medical service institutions. The management of chronic diseases such as hypertension and diabetes relies more on primary medical clinics, promoting the transfer of drug procurement demand to the primary medical service institutions. With accelerated implementation of the Medical Insurance Personal Account Reform and the policy for Prescription Outflow, and the comprehensive implementation of the Outpatient Mutual-Aid Mechanism and the Dual-Channel Mechanism, the advantages of specialty pharmacies in undertaking businesses are further manifested because they can meet the needs of undertaking prescription circulation, distributing special drugs and providing chronic disease management. Due to the reduction of the scale of the funds in personal medical insurance accounts, the consumption demand of customers has slowed down, and the sales of medical insurance products in traditional pharmacies have been affected. It is particularly urgent to promote the adjustments of the product category structure and improvement of operational efficiency of traditional pharmacies.

During the Reporting Period, the National Healthcare Security Administration issued the Notice on Strengthening Regional Cooperation and Improving the Quality and Expansion of Centralized Pharmaceutical Procurement in 2024, proposing to expand the scope of the alliance, form a national alliance for centralized procurement, focus on key areas, and continuously expand the coverage of centralized procurement of drugs and medical devices. With the announcement of the results of the tenth batch of the centralized procurement of drugs organized by the State at the end of 2024, the concentration of high-quality leading enterprises in the pharmaceutical distribution industry has been further improved while the business standardization and efficiency have been improved. In 2024, the normalized volume-based procurement of coronary stents, spinal devices, orthopedic trauma devices and other categories of devices organized by the national level and inter-provincial alliances were promoted, accelerating the industry's compliance and efficient operation, and further layering the supply chain structure.

## Management Discussion and Analysis

Under the combined impact of multiple policies, the pharmaceutical distribution industry is in a transition period of structural adjustment and transformation and upgrading. It is imperative for the pharmaceutical distribution industry to actively focus on the construction of a compliance system and realize the transformation and upgrading through digital empowerment and lean management. The digital innovation and the application of artificial intelligence technology provided effective support for the successful transformation of the pharmaceutical distribution industry, significantly improved the efficiency of intelligent supply chain management, logistics warehousing automation, compliance and quality control, intelligent customer service and prescription circulation management, and enhanced the accessibility of medical services and medical products. In the future, the capabilities of compliance, specialization, scalability and digitalization will become the core competitiveness of enterprises, and the advantages of the leading enterprises in the industry in the process of industry integration and upgrading will be increasingly prominent with their advanced strategies, internal driving force of innovation and reform, professional service capabilities and the position in the upstream and downstream industrial chain.

### Business Review

The year 2024 was a crucial year to realize the “14th Five-Year” Plan. Under the background of guidance by national policy of high-quality development and the transformation and upgrading of the pharmaceutical and healthcare industry, the Board and the management of the Group further clarified the development strategy and promoted the rapid transformation and upgrading of the business model on the basis of maintaining overall business stability. As of the end of the Reporting Period, the Group recorded the operating income of RMB584,507.93 million, representing a year-on-year decrease of 2.02%, and recorded a net profit attributable to the parent company of RMB7,049.68 million, representing a year-on-year decrease of 22.14%. During the Reporting Period, the scale of operating income and the profit decreased on a year-on-year basis. The Group focused on optimizing the business model, enhancing the efficiency of resource allocation, improving operational compliance control, and promoting the effective improvement of operating quality. Meanwhile, the Group made efforts on improving its business governance capability and tapping its business development potential, laying a solid foundation for its medium- and long-term compliance and steady development.

Faced with the enormous challenges brought by policy supervision and accelerated industrial transformation, the Group focused on transformation, innovation and compliance empowerment, paid more attention to the performance indicators such as operating profits, receivable turnover and operating cash flow of various businesses, and continuously optimized the service capabilities and value creation ability for upstream suppliers and downstream end customers. During the Reporting Period, the three main business segments showed a differentiated development trend. As of the end of 2024, the proportion of the revenue of the pharmaceutical distribution segment of the Group increased by 1.72 percentage points on a year-on-year basis to 73.16%; the proportion of the revenue of the medical device distribution segment decreased by 1.68 percentage points on a year-on-year basis to 19.41%; the proportion of the revenue of the retail pharmacy segment increased by 0.14 percentage point on a year-on-year basis to 5.92%.

### **Pharmaceutical Distribution: Steady growth demonstrated resilience, and marketing services were quickly promoted**

In 2024, the tenth batch of the centralized procurement of drugs organized by the State was carried out, covering 263 drug specifications, involving 62 varieties and 10 treatment categories, and the number of drug specifications reached a new high in the previous centralized procurement of drugs organized by the State. During the Reporting Period, the centralized procurement of Chinese patent medicines and Chinese herbal medicines carried out by the national procurement alliance and relevant provinces was implemented in an orderly manner, and the coverage of the centralized procurement of drugs gradually expanded, and the terminal prices of drugs continued to decline, prompting pharmaceutical distribution enterprises to further focus on product quality, service efficiency and compliance operation and continuously expand their market shares. In addition, China's support policies for the development of innovative drugs have been gradually issued, accelerating the launch and iteration of innovative drugs, further releasing the demand for customized and large-scale innovative drug market education and marketing services, and the service transformation of the pharmaceutical distribution industry has ushered in incremental opportunities.

In 2024, the pharmaceutical distribution segment of the Group showed the resilience of steady development, and its revenue recorded RMB444,364.61 million, representing a year-on-year increase of 0.75%, and its operating profit was 2.74%, representing a slight decrease of 0.26 percentage point as compared with the corresponding period of last year. During the Reporting Period, the Group enhanced the optimization and layout of the pharmaceutical distribution network, and continued to lay a solid foundation for the development of the pharmaceutical distribution segment with high-quality terminal structure. In view of the situation that regional market differentiation drives the performance differentiation of provincial companies, the Group actively adjusted its strategy and formulated differentiated development strategies according to different regions, development stages and customer structures to enhance its market share. As of the end of the Reporting Period, the Group had continuously increased investments in resources in Jiangsu, Zhejiang, Shanghai, Beijing and other key regions, improved the efficiency of resource allocation and promoted the rapid growth of its market share. During the Reporting Period, the business growths in the above regions performed well, and the Group continued to maintain its business scale and industry leading edge in Northwestern, Northeastern and Central China. In addition, the Group continued to optimize the channel structure of pharmaceutical distribution business and promoted direct sales business to high-grade hospitals and retail terminals. As of the end of the Reporting Period, the proportion of the direct sales business of the Group increased steadily.

During the Reporting Period, the Group actively explored the growth potential of the segment. On the one hand, the variety structure was adjusted and optimized towards the direction of high demand and high-value, and the clinical high-value varieties achieved rapid growth. On the other hand, the Group comprehensively promoted the development of innovative services and cooperated with Pfizer, Novartis and other manufacturers to carry out 12 self-operated marketing projects. Through the business model of unified procurement based on unified discussion and separate procurement based on unified discussion, the Group has built a professional marketing system in the fields of tumor, infection, respiratory diseases, generic drugs and other diseases to promote the development of the national integrated professional marketing platform, and effectively improve the accessibility and affordability of drugs. During the Reporting Period, with its nationwide distribution network and high-quality marketing platform, the Group strengthened its deepening cooperation with brands such as Boehringer and Novartis, added marketing promotion of related categories, and constantly explored the launch of innovative drugs in China market, which helped to consolidate the Group's leading position in the pharmaceutical distribution segment.

## Management Discussion and Analysis

### Medical Device Distribution: Compliance drove channel optimization, and value-added services released new increments

With the normalization of compliance regulation in the pharmaceutical industry, non-compliant sales behaviors have been effectively contained, the efficiency of use of medical insurance funds has been improved, and the compliance review of medical device products entering hospitals has become stricter, resulting in a slowdown in the speed of medical devices entering hospitals and a decrease in the growth rate of the industry. In 2024, the National Healthcare Security Administration continued to promote the quality improvement and coverage expansion in the centralized procurement of consumables. Cochlear implants and peripheral vascular stents were included in the fifth batch of the centralized procurement of high-value consumables organized by the State, and the prices of the winning products dropped significantly. The fourth batch of centralized procurement of intraocular lenses and sports medical consumables organized by the State was implemented in June 2024, with an average price reduction of 70%. The centralized procurement of orthopedic consumables was normalized, and the profit margin in distribution continued to be under pressure. During the Reporting Period, the Group's revenue scale in the medical device distribution segment decreased on a year-on-year basis due to the impact of comparison base arising from a reduction in device procurement projects under fiscal subsidy policies and a sharp decrease in the epidemic prevention materials with high gross profits under industry regulation. As of the end of the Reporting Period, the revenue of the medical device distribution segment of the Group recorded RMB117,915.14 million, a year-on-year decrease of 9.44%. The operating profit ratio of the medical device distribution segment was 2.25%, representing a decrease of 1.23 percentage points as compared with the corresponding period of last year.

In terms of category structure, according to the data released by the National Health Commission, from January to August 2024, the number of people discharged from medical and health institutions nationwide increased by 6.5% on a year-on-year basis, and the demand for clinical surgery remained active, driving the growth of the Group's consumables business. With the in-depth compliance supervision of the pharmaceutical industry and the full implementation of "Medical Insurance Unannounced Inspections", the hospitals have further strengthened the compliance supervision of the procurement of medical devices and in vitro diagnostic reagents (IVD), the speed of medical devices and IVD products entering hospitals has slowed down significantly, and the revenue of related categories has dropped significantly.

During the Reporting Period, the Group met the compliance supervision requirements of the industry, adhered to compliance operation, focused on enhancing the business undertaking capabilities of upstream manufacturers and the service capabilities of downstream terminals, continuously increased the proportion of the direct sales business, gradually lowered the proportion of the transfer business, concentrated on the direct sales business of medical institutions, continuously optimized the terminal structure, strengthened the upstream and downstream penetration and service stickiness of the industrial chain, and strove to forge its core competitiveness in the critical period of transformation and transition.



While continuously improving the terminal service capacity and the coverage scale, the Group actively promoted the transformation of innovative services and strengthened the expansion of the SPD business of devices. As of the end of 2024, the Group had actively expanded device intelligent supply chain projects covering various types of medical institutions in 30 provinces. The total number of projects has increased by 337 compared to the end of 2023, including 110 new SPD projects, 217 new single hospital centralised distribution projects, and 10 new medical consortium and medical communities centralised distribution projects. In 2024, the revenue of intelligent supply chain projects continued to maintain rapid growth, and their contributions to the performance of the segment was gradually released, laying a solid foundation for the transformation and development of the medical device distribution business. In addition, relying on the continuously enhanced terminal service capabilities and innovative overall supply chain solutions, the Group empowered the conduct of the medical terminal business and led the development of the industry with innovation of high-quality service model. During the Reporting Period, the Group added 15 service patents and continued to strengthen the matrix of innovative service brands including FLI+, Medical Device Management Cloud (醫工雲) and Medical Consumption Cloud (醫耗雲). 74 service software copyrights were added, focusing on medical device management services, supply chain management services and precise management of high-value consumables.

### **Retail Pharmacy: Policy implementation facilitated professional transformation, branding positioning and business layouts continuously improved**

The continuous implementation of the policy for the Medical Insurance Personal Account Reform has led to the differentiated development trend of specialty pharmacies and traditional pharmacies. In 2024, the National Healthcare Security Administration issued the “Notice on Regulating the Management of External Prescriptions of Medical Insurance Drugs”, requiring that dual-channel drugs must be circulated through the electronic prescription center, and the comprehensive implementation of electronic prescriptions further accelerated the outflow of prescriptions. The deepening implementation of the Outpatient Pooled Fund Reimbursement (門診統籌) policy promoted the diversion of chronic patients to specialty pharmacies, and specialty pharmacies with strong prescription undertaking capabilities and high-quality service abilities further ushered in development opportunities. Driven dually by industry policy and market competition environment, the pharmaceutical retail industry is in the overall transformation stage of differentiated development. Leading pharmaceutical retail enterprises with professional service capacity, scientific and technological innovation, refined management and control ability and resource coordination ability will seize the opportunity in the industry reshuffle.

## Management Discussion and Analysis

In line with industry policy changes and regulatory requirements, the Group focused on retail strategic goals, promoted the integrated development of wholesale and retail, and built a unified retail platform to resist industry fluctuations with a “dual brand” strategy, achieving results. As of the end of 2024, the revenue of the retail pharmacy segment of the Group recorded RMB35,981.26 million, representing a year-on-year increase of 0.82%. The operating profit ratio of the retail pharmacy segment was 0.90%, representing a decrease of 2.31 percentage points as compared with the corresponding period of last year. Among them, specialty pharmacies actively undertook prescription flow by grasping the opportunity of prescription outflow policy, accelerated the improvement of network layout, expanded the number of “dual-channel” pharmacies and DTP pharmacies, strengthened the professional service level, and steadily improved the operational efficiency. As of the end of the Reporting Period, the revenue of the specialty pharmacy system maintained a year-on-year growth of more than 20%. Due to the influence of the Outpatient Pooled Fund Reimbursement (門診統籌), the Medical Insurance Personal Account Reform and downturn in the overall market consumption, as well as the decline in sales of high-margin epidemic prevention commodities during the Reporting Period, the revenue of Guoda Drugstore decreased by about 8% this year. In context of the above policy impact and intensified industry competition in the retail pharmacy industry and based on the principle of prudence, Sinopharm Accord has made impairment provisions of RMB969.93 million for goodwill and intangible assets of the related asset groups of Guoda Drugstore, which has a corresponding impact on the Group's net profit attributable to the parent company in 2024. For the basis, method and related details of Sinopharm Accord's provision for asset impairment, please refer to the announcement of the Company dated 17 March 2025.

By virtue of the advantages of wholesale and retail integration and the efficient and collaborative retail business model, the Group has created the clearer differentiated core competitiveness. The specialty pharmacy system continued to strengthen the coverage of network layout, consolidated the leading position in the industry, further enhanced the high value-added pharmaceutical service ability facing C-side, increase the number of specialty pharmacies based on special services such as rare disease care, medical insurance service and patient follow-up, accelerated the construction of a patient-centered health service platform, strengthened the medical insurance compliance management system, and continued to build the core competitiveness of SPS + specialty pharmacies. The Guoda Drugstore system has gradually transformed from scale-driven growth to structural optimization-driven growth, strove to improve the profitability of a single store, focused on the operating quality and indicator assessment, reduced the number of stores with poor profitability, optimized and adjusted the regional layout and steadily improved the operating quality and the business management ability. As of the end of 2024, the total number of retail pharmacies of the Group was 11,213, representing a net decrease of 896 in total compared with the end of 2023, among which there were 9,569 Guoda Drug Stores, representing a net decrease of 947 compared with the end of 2023, and 1,644 specialty pharmacies, representing an increase of 51 compared with the end of 2023, covering 297 cities in 30 provinces, municipalities and autonomous regions.

During the Reporting Period, the Group continued to improve its service professionalism for C-side customers, strengthened its terminal medication guidance ability, and undertook the outflow of hospital prescriptions and the demand for medical insurance reimbursement. As of the end of 2024, the number of dual-channel pharmacies had reached 1,211, representing an increase of 84 as compared with the corresponding period of last year, further consolidating the Group's leading edge in the retail pharmacy business and professional service capabilities.

### **Transformation and Upgrading: Integrated management and control laid a solid foundation, and business transformation progressed steadily**

In the face of the transformation and transition period of the pharmaceutical distribution industry, the Group steadily promoted the transformation and upgrading, focused on the “integration of management and control” and the “digitalization of businesses”, optimized the allocation and efficient use of resources, and promoted the overall improvement of the operational efficiency. During the Reporting Period, relying on strong supply chain service resources, the Group comprehensively accelerated the integration of procurement and sales and further increased its market share on the basis of building centralized procurement templates for provincial platforms and establishing national benchmarking projects. The Group continued to build a side-to-side nationwide integrated logistics operation system covering all business and promoted the implementation of the logistics integration strategy. In terms of financial integration, the Group accelerated the construction of a financial sharing center, optimized financial management processes, and improved efficiency. Through the construction of an integrated management and control system and the digital empowerment of business, the Group strengthened its vertical penetration management capability and risk management and control capability, continuously improved its scale advantage and governance efficiency, complied with the trend of industry transformation and upgrading in the new era, and enhanced its core competitiveness.

In terms of operational control, the Group continued to implement the profit-oriented budget assessment mechanism during the Reporting Period, and the cost control work was effectively implemented. As of the end of 2024, the major expense ratio indicators of the Group continued to optimize, among which, the selling and administration expense ratio was 4.37%, which was basically the same as compared with the corresponding period of last year. Affected by the decline in interest rates and the adjustment of financing structure, the finance expense ratio (excluding factoring) was 0.40%, representing a year-on-year decrease of 0.01 percentage point, and the overall financial expense has been declining for three consecutive years, playing a positive role in narrowing the profit decline. As of the end of the Reporting Period, the Group’s gearing ratio had dropped to 67.75%, effectively controlling its operational risks and further enhancing its financial stability. In addition, the Group effectively consolidated the security measures for funds by taking in-depth special actions on accounts receivable management.

Faced with the challenge that the gross profit margin of the pharmaceutical and medical device distribution business continued to decline, the Group deeply forged its integrated management and control capabilities, actively promoted sustainable development, and completed the construction of the first zero-carbon park during the Reporting Period, effectively contributing to the Group’s green logistics development and logistics integrated construction. Meanwhile, the Group continued to tap new growth potential and comprehensively promoted the development of service business. In 2024, the proportion of the total revenue and profit of the Group’s marketing services, medical device SPD and comprehensive supply chain service projects, third-party logistics services to the Group’s total revenue and total profit recorded a year-on-year increase respectively, and the performance contribution continued to grow. In addition, during the Reporting Period, the Group aimed at improving the development quality and profitability in all directions, and made overall efforts to promote compliance and lean management, effectively improving the operational efficiency and the sustainable development capability.

## Management Discussion and Analysis

### Future Prospects

The pharmaceutical distribution industry will still be in the transition period of transformation and upgrading under the catalysis of various industry policies and competitive landscape. The Group will give full play to the leading advantages of strategic layout, the advantages of resource allocation in the integration of wholesale and retail and the coordination of drugs and medical devices, continuously promote the construction of integration and specialized operation, vigorously promote service transformation, and comprehensively enhance the comprehensive competitiveness, so as to continue to lead the development of the industry.

#### **Pharmaceutical and Medical Device Distribution: Regional penetration and grass-roots market expansion equally weighed, marketing share growth secured sector leadership**

In terms of the pharmaceutical and medical device distribution segment, the Group will adjust and optimize its operation development strategy, and formulate differentiated development strategies based on the regions and different development stages of subsidiaries, so as to effectively improve the overall business quality and market share. The Group will further optimize the customer structure, maintain the coverage rate and scale advantages of regional public hospital terminals, and consolidate the leading position in the pharmaceutical and medical device distribution market. The Group will pay attention to the reform trend of graded diagnosis and treatment system and expand the market of primary medical services institutions.

Based on the current changes in the policy market, the Group will accelerate the adjustment of the category structure of drugs and medical devices, focus on the high-demand terminal drugs and medical device varieties such as national negotiated varieties and centralized procurement varieties, and strengthen the ability to acquire varieties. Meanwhile, the Group will further increase the terminal market shares of special drugs for narcotic drugs and psychotropic substances and innovative drugs and continue to build a leading position in the industry.

#### **Retail Pharmacy: Continue to deepen the dual-brand strategy, strengthen and improve the operation quality**

In terms of the retail pharmacy segment, the Group will deepen the “dual-brand” strategy of building two systems, namely, specialty pharmacy system and Guoda Drugstore system, provide professional and diversified health services to C-side customers through the integration of wholesale and retail and mutual empowerment, focus on the development of advantageous regions, enhance the profitability of single stores, strengthen compliance management, and build a patient-centered health service platform.

The specialty pharmacy system will strengthen the integrated management of provincial retail platforms, improve the compliance control of headquarters, strengthen the service and standardization construction, and build differentiated and specialized core competitiveness and service models around various professional service capabilities. Meanwhile, the Group will continue to expand categories, increase pharmaceutical service capacity, and increase the gross profit. Guoda Drugstore system will deeply implement vertical line and integrated management, establish an online and offline collaborative development mechanism, and consolidate the basic management of stores. In addition, the Group will make every effort to improve the operation quality of single stores, increase the gross profit margin and continuously enhance the brand competitiveness by optimizing product categories and increasing the sales proportion of centralized procurement products.

### **Compliance Transformation: Deepen the integration construction, penetrate the management, and rapidly push the new growth momentum of service business**

Looking forward to the future, the Group will further strengthen technological empowerment and deepen integrated operation. On the one hand, the Group will further promote the integration construction, improve vertical operation management of business lines, and improve the collaborative efficiency of various business segments, including promoting the integration of procurement, increasing the ratio of centralized procurement, and strengthening the advantages of overall business conduct and variety undertaking; strengthening the ability of integrated logistics management and tapping the advantages of systematization; gradually realizing the integrated management and control of financial funds, optimizing the efficiency of use of funds and enhancing vertical supervision ability. On the other hand, the Group will deepen the digital transformation, empower the conduct of businesses and integrated operation by digital means, and improve the overall organizational control capability and the operational efficiency.

Relying on the opportunity of compliance transformation of the pharmaceutical distribution industry, the Group will continue to improve the compliance and lean management of the overall business, take service as the foundation of the Group's business growth, strengthen the service stickiness to the upstream and downstream of the industrial chain, and accelerate the creation of the "new growth momentum". Focusing on customer needs and based on the advantages of distribution logistics network, the Group will extend to upstream and downstream supply chains to provide various specialized services, and strengthen terminal control capabilities to provide effective support for the transformation of traditional businesses.

In terms of operational management, the Group will continue to strengthen the governance of accounts receivable system, strengthen customer credit standing management, effectively control cash flow risks, reasonably control costs, continuously strengthen the efficiency of fund utilization and asset turnover and improve the quality of operations.

In addition, the Group will continue to promote sustainable development, further integrate the concept of sustainable development into its corporate strategy, corporate management and production operations and actively fulfill various economic, environmental and social responsibilities. Through green logistics and integrated operation, the Group will improve the construction of industrial and scientific research systems, focus on scientific and technological innovation and "industry-academia-research" cooperation, and continue to explore the endogenous driving force for high-quality development of enterprises and green transformation and development.

We believe that driven by policy orientation and market demand, Sinopharm will drive growth with innovation, create value with service, and continue to consolidate the Group's leading position in the field of pharmaceutical distribution.

## Management Discussion and Analysis

### Financial Summary

The financial summary set out below is extracted from the audited financial statements of the Group for the Reporting Period which were prepared in accordance with the HKFRSs:

During the Reporting Period, the Group recorded a revenue of RMB584,507.93 million, representing a decrease of RMB12,061.64 million or 2.02% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded a profit of RMB10,423.59 million, representing a decrease of RMB4,586.24 million or 30.55% as compared with the corresponding period of last year. Profit attributable to owners of the parent amounted to RMB7,049.68 million, representing a decrease of RMB2,004.08 million or 22.14% as compared with the corresponding period of last year.

During the Reporting Period, basic earnings per share of the Company amounted to RMB2.26, representing a decrease of 22.07% as compared with the corresponding period of last year.

### Revenue

During the Reporting Period, the Group recorded a revenue of RMB584,507.93 million, representing a decrease of 2.02% as compared with RMB596,569.57 million for the twelve months ended 31 December 2023, which was primarily due to the decrease in revenue from the Group's medical device distribution business and other business segments.

- Pharmaceutical distribution segment: during the Reporting Period, the revenue from pharmaceutical distribution of the Group was RMB444,364.61 million, which accounted for 73.16% of the total revenue of the Group and represented an increase of 0.75% as compared with RMB441,050.70 million for the twelve months ended 31 December 2023. Such increase was mainly due to the increase in the distribution scale and the growth of the acquisition rate of the varieties involved in volume-based procurement.
- Medical device distribution segment: during the Reporting Period, the revenue from medical device distribution of the Group was RMB117,915.14 million, which accounted for 19.41% of the total revenue of the Group and represented a decrease of 9.44% as compared with RMB130,212.94 million for the twelve months ended 31 December 2023. The decrease was mainly due to the decline of sales revenue of medical devices categories with higher gross profit and the stable growth of revenue of medical consumables affected by changes in the structure of terminal demand.
- Retail pharmacy segment: during the Reporting Period, the revenue from retail pharmacy of the Group was RMB35,981.26 million, which accounted for 5.92% of the total revenue of the Group and represented an increase of 0.82% as compared with RMB35,689.38 million for the twelve months ended 31 December 2023. The increase was primarily due to the increase in prescription drug sales and the expansion of the specialty pharmacy system of the Group.
- Other business segments: during the Reporting Period, the revenue from other business of the Group was RMB9,106.49 million, representing a decrease of 12.32% as compared with RMB10,385.63 million for the twelve months ended 31 December 2023. The decrease was primarily due to the decrease in industrial product revenue.



### Cost of Sales

During the Reporting Period, the cost of sales of the Group was RMB540,252.54 million, representing a decrease of 1.42% as compared with RMB548,057.89 million for the twelve months ended 31 December 2023. The decrease was primarily due to the decrease in the revenue of the Group.

### Gross Profit

As a result of the above-mentioned factors, the gross profit of the Group during the Reporting Period was RMB44,255.39 million, representing a decrease of 8.77% as compared with RMB48,511.68 million for the twelve months ended 31 December 2023. The gross profit margin of the Group for the twelve months ended 31 December 2024 and 2023 were 7.57% and 8.13%, respectively.

### Other Income

During the Reporting Period, other income of the Group was RMB468.62 million, representing a decrease of 19.48% as compared with RMB582.01 million for the twelve months ended 31 December 2023. The decrease was primarily due to the decrease in subsidies obtained by the Group from the central and local governments.

### Selling and Distribution Expenses

During the Reporting Period, the selling and distribution expenses of the Group were RMB17,158.64 million, representing a decrease of 1.79% as compared with RMB17,471.69 million for the twelve months ended 31 December 2023. The decrease in selling and distribution expenses was primarily attributable to the reduction in market expenses and compensation of the Group.

### Administrative Expenses

During the Reporting Period, the administrative expenses of the Group were RMB8,413.54 million, representing a decrease of 3.05% as compared with RMB8,678.07 million for the twelve months ended 31 December 2023. The decrease in administrative expenses was primarily attributable to the decrease in employee compensation of the Group.

### Operating Profit

As a result of the above-mentioned factors, the operating profit of the Group during the Reporting Period was RMB16,188.40 million, representing a decrease of 19.90% from RMB20,209.20 million for the twelve months ended 31 December 2023.

### Other Gains – Net

During the Reporting Period, the other gains – net of the Group decreased to RMB46.92 million from RMB661.28 million for the twelve months ended 31 December 2023. The decrease was primarily due to the decrease in the gain on disposal of property, plant and equipment and right-of-use assets.

### Other Expenses

During the Reporting Period, the other expenses of the Group amounted to RMB1,105.58 million, representing an increase of RMB1,070.26 million as compared with RMB35.32 million for the twelve months ended 31 December 2023, which was due to the provision for the impairment loss of intangible assets during the year.

## Management Discussion and Analysis

### Finance Costs – Net

During the Reporting Period, the finance costs – net of the Group was RMB2,328.24 million, representing a decrease of 4.20% as compared with RMB2,430.37 million for the twelve months ended 31 December 2023. The decrease was primarily due to the decrease of the borrowing interest rates and adjustments to the financing structure during the year.

### Share of Profits of Associates

During the Reporting Period, the Group's share of profits of associates was RMB1,196.48 million, representing an increase of 7.64% as compared with RMB1,111.57 million for the twelve months ended 31 December 2023.

### Share of Profits and Losses of Joint Ventures

During the Reporting Period, the Group's share of profits of joint ventures was RMB2.92 million, representing an increase of 169.16% as compared with the share of losses of joint ventures which was RMB4.22 million for the twelve months ended 31 December 2023.

### Income Tax Expenses

During the Reporting Period, the Group's income tax expenses were RMB3,577.31 million, representing a decrease of RMB925.00 million as compared with RMB4,502.31 million for the twelve months ended 31 December 2023. The decrease was primarily due to the decrease in profit before tax of the Group, which led to a corresponding decrease in income tax expenses. The Group's actual income tax rate increased to 25.55% during the Reporting Period from 23.07% for the twelve months ended 31 December 2023.

### Profit for the Year

As a result of the above-mentioned factors, the profit of the Group for the year of 2024 was RMB10,423.59 million, representing a decrease of 30.55% as compared with RMB15,009.83 million for the twelve months ended 31 December 2023. The annual profit margin of the Group for the twelve months ended 31 December 2024 and 2023 were 1.78% and 2.52%, respectively.

### Profit Attributable to Owners of the Parent

During the Reporting Period, profit attributable to owners of the parent of the Company was RMB7,049.68 million, representing a decrease of 22.14% or RMB2,004.08 million from RMB9,053.76 million for the twelve months ended 31 December 2023.

### Profit Attributable to Non-controlling Interests

During the Reporting Period, profit attributable to non-controlling interests of the Company was RMB3,373.91 million, representing a decrease of 43.35% or RMB2,582.16 million from RMB5,956.07 million for the twelve months ended 31 December 2023.

## Liquidity and Capital Resources

### Working capital

During the Reporting Period, the Group had commercial banking facilities of RMB310,604.69 million, of which approximately RMB173,910.33 million were not yet utilized. As at 31 December 2024, the Group had cash and cash equivalents of RMB54,313.36 million, which primarily comprised cash and bank savings.

### Cash flow

The cash of the Group was primarily used for financing working capital, repaying credit interest and principal due, financing acquisitions and providing funds for capital expenditures, growth and expansion of the Group's facilities and operations. The table below sets out the cash flow of the Group from operating, investing and financing activities for the year ended 31 December 2024 and 2023, respectively:

	2024 RMB million	2023 RMB million
Net cash generated from operating activities	11,546.01	17,173.03
Net cash used in investing activities	(3,750.92)	(944.53)
Net cash used in financing activities	(17,285.03)	(7,643.97)
(Decrease)/increase in cash and cash equivalents	(9,489.94)	8,584.53
Cash and cash equivalents at the beginning of the year	63,808.54	55,221.62
Foreign exchange gain and loss	(5.24)	2.39
Cash and cash equivalents at the end of the year	54,313.36	63,808.54

### Net cash generated from operating activities

The Group's cash inflow from operations primarily derives from collections from the sale of the products and services in its pharmaceutical distribution, retail pharmacy, medical device distribution and other business segments. During the Reporting Period, the Group's net cash generated from operating activities amounted to RMB11,546.01 million, representing a decrease of RMB5,627.02 million from RMB17,173.03 million for the twelve months ended 31 December 2023.

### Net cash used in investing activities

During the Reporting Period, the net cash used in investing activities of the Group was RMB3,750.92 million, representing an increase of RMB2,806.39 million as compared with RMB944.53 million for the twelve months ended 31 December 2023.

### Net cash used in financing activities

During the Reporting Period, the net cash used in financing activities of the Group was RMB17,285.03 million. The net cash used in financing activities of the Group for the twelve months ended 31 December 2023 was RMB7,643.97 million, and such increase was mainly due to the repayment of interest-bearing bank borrowings and other borrowings during the period.

## Management Discussion and Analysis

### Capital Expenditure

The Group's capital expenditures were primarily utilized for the development and expansion of distribution channels, upgrading of its logistic delivery systems and the improvement of the level of informatization. The Group's capital expenditures amounted to RMB2,460.69 million and RMB2,488.43 million for the year ended 31 December 2024 and 2023, respectively, which was primarily due to the purchase of property, plant and equipment.

The Group's current plans with respect to its capital expenditures may be modified according to the progress of its operation plans (including changes in market conditions, competition and other factors). As the Group continues to develop, it may incur additional capital expenditure. The Group's ability to obtain additional funding in future is subject to a variety of factors, including its future operational results, financial condition and cash flows, economic, political and other conditions in the mainland China and Hong Kong, and the PRC Government's policies relating to foreign currency borrowings, etc.

### Capital Structure

#### Fiscal resources and fiscal policies

During the Reporting Period, the Group made certain improvement and adjustments to its capital structure, so as to relieve fiscal risks and reduce finance costs. The Group's business faced a variety of fiscal risks: market risk (including foreign exchange risk, fair value and cash flow interest rate risk), credit risk and liquidity risk. The Group's risk management addresses the unpredictability of financial markets and minimises potential adverse effects on the Group's financial performance. The Group didn't use derivative financial instruments to hedge its exposure to changes in foreign currency exchange rates and interest rates.

During the Reporting Period, the Group has successfully issued corporate bonds of RMB3.0 billion and super short-term commercial papers of RMB6.5 billion, for the purpose of broadening the financing channels, reducing financing costs, so as to repay bank borrowings and replenish the working capital.

The Group's borrowings are mainly denominated in RMB.

As at 31 December 2024, the cash and cash equivalents of the Group were mainly denominated in RMB, with certain amount denominated in United States Dollars ("USD") and Hong Kong Dollars ("HKD"), and small amount denominated in Euro ("EUR"), Great Britain Pound ("GBP"), Swiss Franc ("CHF") and Japanese Yen ("JPY").

#### Indebtedness

As at 31 December 2024, the Group had aggregated banking facilities of RMB310,604.69 million (31 December 2023: RMB294,573.27 million), of which RMB173,910.33 million (31 December 2023: RMB148,120.82 million) were not utilized and are available to be drawn down at any time. Such banking facilities are primarily short-term loans for working capital. Among the Group's total borrowings as at 31 December 2024, RMB62,729.05 million (31 December 2023: RMB54,730.45 million) will be due within one year and RMB8,637.23 million (31 December 2023: RMB13,834.04 million) will be due after one year. During the Reporting Period, the Group did not experience any difficulties in renewing its bank loans with its lenders. As at 31 December 2024, bank borrowings and other financial institutions borrowings of the Group were carried at floating interest rates with a weighted average effective annual interest rate of 2.62% for the year ended 31 December 2024 (for the year ended 31 December 2023: 2.82%).

#### Gearing ratio

As at 31 December 2024, the Group's gearing ratio was 67.75% (31 December 2023: 68.62%), which was calculated based on the total liabilities divided by total assets as at 31 December 2024.

### Credit Risk

The Group will focus on the recovery of account receivables with a maturity of more than one year, inventory risk and liquidity control, credit exposure and other potential risks, coordinate development and safety, continuously improve the level of compliance supervision, and prevent and control business operation risks. Meanwhile, the Group will continue to review the credit risk of trade receivables and fully consider changes in business structure and customer structure, changes in the macroeconomic environment and specific industry factors. At the same time, the Group will also continue to review the Group's customer credit risk characteristic portfolios to ensure that the division of credit risk characteristic portfolios can fully reflect the risk characteristics of different types of customers, and the Group will assess the accounting estimates such as historical observed default rates and forward- looking adjustments in a more prudent manner to ensure that the provision matrix of the Group's expected credit loss can fully reflect the impairment provisions for trade receivables. As at 31 December 2024, the trade and bills receivables of the Group in aggregate amounted to RMB200,255 million (31 December 2023: RMB184,433 million) and its aging analysis is set out in Note 29 to the consolidated financial statements.

The Group has established a sound customer credit management system and trade receivables management measures to prevent credit risks and improve the turnover efficiency of trade receivables, and major measures included but not limited to: (i) establishing a scientific and rational credit evaluation model to strictly review and approve customers' credit limits; (ii) reviewing the actual sales, collection of trade receivables and financial information of customers on a regular basis, and implementing a dynamic management on customers' credit limits and terms; (iii) strengthening the regular monitoring and analysis of several indicators such as the balance of trade receivables with a maturity of more than one year, balance of trade receivables overdue and turnover days of trade receivables based on different customer bases; and (iv) strengthening the reconciliation and collection of trade receivables, especially receivables with a maturity of more than one year and overdue receivables, developing practical collection measures and repayment terms, and other necessary measures.

### Foreign Exchange Risks

The Group's operations are mainly located in the PRC and most of its transactions are denominated and settled in RMB. However, the Group is exposed to foreign exchange risks to some extent on certain cash and cash equivalents, prepayments and other receivables, trade payables and accrued expenses and other payables denominated in foreign currencies, the majority of which are USD, HKD and EUR. During the Reporting Period, the Group has no corresponding hedging arrangements.

### Pledge of Assets

As at 31 December 2024, part of the Group's borrowings and notes payable were secured by trade and notes receivable with book value of RMB2,214.32 million (31 December 2023: RMB1,826.62 million), bank deposits of RMB10,200.79 million (31 December 2023: RMB11,011.08 million), and property, plant and equipment with book value of RMB14.90 million (31 December 2023: RMB8.30 million).

### Major Acquisitions and Disposals

During the Reporting Period, the Group had no major acquisitions and disposals with respect to subsidiaries, associates and joint ventures.

### Significant Investment

During the Reporting Period, the Group had no significant investments. As at the date of this report, the Board has not approved any plans for material investments or purchase of capital assets.

## Management Discussion and Analysis

### Going Concern

Based on the current financial forecast and financing facilities available, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the financial statements were prepared on a going concern basis.

### Contingent Liabilities and Material Litigations

As at 31 December 2024, the Group neither had any material contingent liability, nor had any material litigation.

### Human Resources

As at 31 December 2024, the Group had a total of 108,217 employees (as at 31 December 2023: 115,959 employees). In order to meet the development needs and support and promote the realization of its strategic objectives, the Group has integrated existing human resources, made innovations in management model and optimized management mechanism in accordance with the requirements of specialized operation and integrated management, so as to actively advance the organizational reform and accelerate the cultivation and recruitment of the talents. The Group has established a strict selection process for recruitment of employees and adopted a number of incentive mechanisms to enhance their efficiency. The Group also conducts periodic performance reviews on its employees and adjusts their salaries and bonuses accordingly. In addition, the Group has provided training programs to employees with different functions.

For remuneration and performance, the Group has established a normative salary management system based on the principle of “performance-oriented compensation, prioritizing efficiency and considering fairness”. The Group implements top-down performance assessment to establish a compensation system with position and ability as basis and performance as the cornerstone. The employee remunerations include basic salary, performance-based remuneration, bonus and piece rate wage. Remuneration is adjusted based on factors such as the results of the corporation, work performance and capability as well as job responsibilities of employees.

The Group follows the performance-oriented principle while giving consideration to balance. The Group adopts a diversified structure and makes dynamic adjustments. For the value created, we distribute the incremental value. We share benefits and risks with our employees. Based on the principle of aligning with market benchmarks and international standards, the Group has adopted a combination of short-term and medium- and long-term incentives to determine Directors’ remuneration incentive policies, and designed a compensation structure comprising “basic remuneration, performance-based remuneration, and medium and long-term incentives”. The basic remuneration is the basic fixed annual income; the performance-based remuneration is the immediate floating income based on the completion of the annual performance goals, which is paid after evaluation; the “medium and long-term incentive” is the share incentive scheme, which is contingent on the excellent performance in the medium and long term, designed to bind interests and share benefits and risks with Shareholders. During the Reporting Period, the details of employee benefit expenses of the Group is set out in the Note 11 to the consolidated financial statements.

### Employee Diversity

The Group values and cultivates the diversity, and is committed to creating an equal, inclusive, healthy and comfortable working environment for all employees. We treats all employees equally, so that all employees can gain a sense of belonging and respect. Any form of discrimination regarding gender, ethnicity, race, religion and other aspects is prohibited. The Group’s recruitment strategy is to hire the right staff for the right positions, regardless of gender. The Group welcomes people of all genders to join, and promises to provide equal opportunities for employees in terms of recruitment, training and development, job promotion, salary and benefits, etc., and protect employees’ rights and interests from infringement. As at the end of the Reporting Period, the male to female ratio of senior management of the Group was approximately 1:0.4 and the male to female ratio of all employees (excluding senior management) of the Group was approximately 1:1.7.



### Restricted Share Incentive Scheme

The purpose of the restricted share incentive scheme (the “**Incentive Scheme**”) adopted by the Company is to further optimise the corporate governance structure of the Company, to deepen the reform on the Company’s remuneration system and to develop and constantly improve the interests balance mechanism among the Shareholders, the operational and executive management, to closely align the sharing of interests and benefits and the sharing of risks among the Shareholders, the Company and the employees in order to maximise the motivation and creativity of the senior management and key employee and to support the realisation of the Company’s strategy and sustainable development.

The incentive scheme took effect from 18 October 2016 with a term of 10 years, unless early termination is proposed by the Board and approved by the Shareholders. Early termination of the Incentive Scheme prior to its expiry date shall not affect any subsisting rights of restricted shares of the participants under the Incentive Scheme.

The scope of scheme participants for the Scheme shall include Directors, senior management and mid-level management of the Company and key technical and business staffs who, in the opinion of the Company, shall be awarded. The scheme participants shall exclude the Shareholders who hold more than 5% equity interest in the Company carrying voting rights on the grant date of restricted shares. A person shall not be considered as a scheme participant under the scheme if he/she: (a) does not hold any position in the Group or CNPGC, or is neither an employee or a staff of the Group or CNPGC; (b) is an independent non-executive Director or the supervisor of the Company; (c) has been publicly censured or declared as an ineligible candidate by securities regulatory institutions in the last three years; (d) has been imposed with administrative penalties by securities regulatory institutions during the last three years due to material non-compliance of laws or regulations; (e) is prohibited from acting as a Director or a member of the senior management of a company as required by the PRC Company Law; or (f) is considered having other material violations of the policies of the Company by the Board. The scheme participants shall not concurrently participate in two or more share incentive schemes of listed companies.

The maximum total number of shares comprised in the restricted shares to be granted under the incentive scheme shall not exceed 10% of the total issued share capital of the Company (i.e. 276,709,500 shares) upon approval at the extraordinary general meeting. As at the date of this report, 270,139,500 restricted shares under the incentive scheme (representing 8.66% of the issued shares of the Company as at the date of this report) are available for grant. The total number of restricted shares granted or to be granted to any scheme participant shall not exceed 1% of the total issued share capital of the Company upon approval of the incentive scheme at the extraordinary general meeting.

The lock-up period shall be for a period of no less than two years in principal, commencing from the grant date, during which the restricted shares granted to the scheme participants under the Scheme shall not carry voting rights, shall be locked up and shall not be transferred, used as collateral or used for debt repayment. The unlocking period shall be no less than three years in principal, commencing from the expiry of the lock-up period, and a same amount of the restricted shares granted to scheme participants will be unlocked respectively in each year during the unlocking period when reaching the conditions for unlocking.

## Management Discussion and Analysis

The exercise price of the restricted shares for purchase by a scheme participant under the scheme shall be no less than 50% of the grant reference price, and no less than the audited net assets value per share of the Company. The grant reference price of the restricted shares to be granted to the scheme participants shall be determined by the Board and shall be the higher of: (a) the closing price of the H shares on the Hong Kong Stock Exchange on the grant date; and (b) the average closing price of the H shares for the five trading days as quoted on the Hong Kong Stock Exchange immediately preceding the grant date. The exercise price shall be funded by the scheme participants, and the balance for purchasing the restricted shares will be funded by the Company. The scheme participants are not required to pay the consideration for qualification with respect to acceptance of grant of restricted shares.

As at the beginning and the end of the Reporting Period, no restricted shares were granted but yet to be vested under the incentive scheme. During the Reporting Period, no restricted shares were granted, vested, cancelled or lapsed under the incentive scheme.

### Compliance with Laws and Regulations

The Group must comply with a number of laws and regulations, which mainly include the Company Law of the PRC, the Civil Code of the PRC, the Drug Administration Law of the PRC, domestic and foreign securities laws, regulations and exchange rules such as the Listing Rules, the SFO, as well as other applicable regulations, policies and regulatory legal documents promulgated pursuant to the aforementioned laws, regulations and rules.

Through various measures such as internal control, compliance management, business approval procedures and employee training, the Group ensures the compliance with applicable laws, regulations, and regulatory legal documents (especially those that have significant impact on the main business). Whenever there are any changes to the applicable laws, regulations, and regulatory legal documents, the Group will notify the relevant employees and the operating team from time to time.

During the year, the Directors of the Company are not aware of any non-compliance with the relevant laws and regulations which would have a material impact on the Group.

### Relationship with Employees, Suppliers and Customers

The Group endeavours to maintain sustainable development in the long term, continuously create value for its employees and customers, and foster good relationships with its suppliers. The Group understands that employees are its valuable resources, and the realisation and enhancement of employees' values will facilitate the achievement of the Group's overall goals. For the year ended 31 December 2024, the Group adhered to the talent-oriented corporate culture and played an active role in cultivating first-class talents. It also attached great importance to the exploration, management and development planning of human resources, striving to create a harmonious working environment as well as a remuneration and benefit system with market competitiveness for its employees, so as to ensure the Group's advantages in terms of human resources for future development. The Group also understands the importance of maintaining good relationships with its suppliers and customers to the overall development of the Group. The Group places emphasis on supplier selection and encourages fair and open competition to foster long-term relationships with quality suppliers on the basis of mutual trust. To maintain the competitiveness of the Group's brand and products, the Group abides by the principles of honesty and trustworthiness and commits to consistently providing quality products to establish a reliable service environment for its customers. For the year ended 31 December 2024, there was no significant and material dispute between the Group and its suppliers and/or customers.

# Corporate Governance Report

The Company is committed to upholding high standards of corporate governance which, it believes, is crucial to the development of the Company and protection of the interests of the Shareholders of the Company. The Company has adopted sound governance and disclosure practices, and will continuously improve these practices and create a highly ethical corporate culture.

## Corporate Culture

As a top-rank wholesaler and retailer of pharmaceutical products and medical devices and a leading supply-chain service provider in the PRC, the Group has always adhered to the initial intention of “All for Health, Health for All”, and has done solid work and made deep cultivation and efforts in the field of pharmaceutical and medical device distribution and comprehensive services, constantly provided high-quality products and services for the health and well-being of the public. We adhere to the people-oriented corporate culture, attach great importance to talent development and cultivation, technological innovation and transformation development, good compliance culture, operation management and safety and environmental protection management, actively create an intellectual property culture protection atmosphere while extensively carrying out technological innovation, encourage employees to participate in the construction of corporate risk management culture, and follow the strict Party governance and clean and compliant operation.

## Corporate Mission

All for Health, Health for All

Interpretation:

Health to life is just like light to the sun; with health, life is endless and brilliant; life becomes beautiful because of health, and life becomes wonderful because of health; “All for Health, Health for All” is our lofty mission, constant promise and endless pursuit; we will always be by your side. All for health from beginning to end, careful and meticulous health for all.

## Corporate Vision

Becoming a distinguished (technological and innovative) global pharmaceutical and healthcare service provider

Interpretation:

Comprehensively serve the strategy of healthy China, actively fulfill the responsibility of pharmaceutical central enterprises, and better meet the people’s growing needs for a better life. Become a distinguished (technological and innovative) global pharmaceutical and healthcare service provider.

Further information about the Group’s corporate mission, vision, compliance culture, corporate identity and company anthem are set out in the “Corporate Culture” column of the Company’s website.

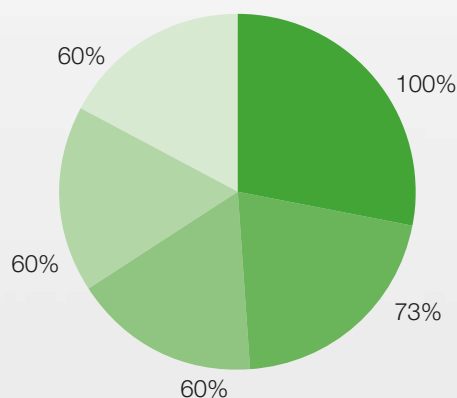
Further details about the Group’s corporate culture and related initiatives are set out in the sections headed “Chairman’s Statement” and the “Corporate Governance Report” of this annual report and the 2024 Sustainability Report. The progress and achievements of the Group in implementing the corporate culture during the Reporting Period are set out in the section headed “Management Discussion and Analysis” of this annual report and the 2024 Sustainability Report.

## Corporate Governance Report

### Composition of the Board

As at the date of this report, the Board consisted of 15 Directors, including two executive Directors, namely Mr. Lian Wanyong and Mr. Sun Jinglin; eight non-executive Directors, namely Mr. Zhao Bingxiang (Chairman), Mr. Chen Qiyu, Mr. Hu Ligang, Mr. Zu Jing, Mr. Xing Yonggang, Mr. Wen Deyong, Mr. Li Dongjiu and Ms. Feng Rongli; and five independent non-executive Directors, namely Mr. Chen Fangruo, Mr. Li Peiyu, Mr. Wu Tak Lung, Mr. Yu Weifeng and Mr. Shi Shenghao. For details of the composition of the Board during the Reporting Period and the terms of non-executive Directors, please refer to “Report of the Board of Directors – Details of Directors, Supervisors and Senior Management”. To the knowledge of the Company, there is no financial, business and family relationships or material/relevant relationships among members of the Board, members of senior management and between Directors and senior management.

The Board of the Company have the skills, experience and diversified background related to the strategy, governance and business of the Company, each member of the Board have his/her own profession, and can make the Board give a play to effect and improve efficiency, the profession and experience structure of each member of the Board of the Company are as follows.



- Experience in administrative leadership and strategy management/ experience related to acting as directors or senior management in other listed companies
- Professional knowledge in the pharmaceutical or medical device industry/experience in industry management
- Professional knowledge in finance/experience in financial management
- Profession in legal/experience in compliance management
- Professional knowledge and experience related to capital market

Note: The percentages shown in the above chart refer to the proportion of Directors with relevant expertise and experiences to all Directors.

Biographical details of the Directors are set out in the section headed “Biographies of Directors, Supervisors and Senior Management” of this annual report.



### Major Responsibilities of the Board

The Board is the core of the Company's corporate governance structure and it plays several roles of interest representative, resource controller and interest coordinator. The main functions of the Board are strategic decision making, guidance on operation management and inspection and supervision. The responsibilities of the Board include implementing the resolutions of general meetings, deciding on the operation plans and investment proposals of the Company, formulating the proposed annual budgets and final accounts of the Company, assessing the performance of the Company and overseeing the work of senior management, formulating and reviewing the corporate governance policies and practices of the Company.

The Board shall represent the long-term interest of the Company and the interest of Shareholders and related party when making scientific and strategic decisions, be effectively supervised and evaluated when controlling corporate resources and conducting operation management and maintain effective stimulation and supervision over the senior management when duly delegating its power to the senior management. The Board is the core of the Company's corporate governance structure and its role is clearly separated from that of senior management. Being different from the function and duties of the Board, the senior management of the Company are mainly in charge of the Company's production, operation and management; organizing the implementation of the Company's annual business plan and investment proposal; drafting plans for the establishment of the Company's internal management structure; drafting plans for the establishment of the Company's branch offices; drafting the Company's basic internal management system and formulating basic rules and regulations of the Company; within the authority delegated by the Board, appointing, changing or recommending shareholder representatives, directors and supervisors in its holding subsidiaries or joint stock subsidiaries; deciding on the establishment of the Company's branches; and other powers delegated by the Board.

The Company has separated the roles of Chairman and President. The Chairman is responsible for managing the Board, steering the Board to formulate overall strategies and business development plans, ensuring the receipt of sufficient, complete and reliable information by each Director and the receipt of reasonable explanations for all the issues raised in the Board meetings. The President is responsible for managing the business of the Company and implementing policies, business objectives and plans formulated by the Board, and is accountable to the Board for the Company's overall operation.

During the Reporting Period, the duties of the Chairman and President of the Company have been performed by different individuals. As of the date of this report, Mr. Zhao Bingxiang served as the Chairman of the Company and Mr. Lian Wanyong served as the President of the Company.

The Board has established an audit committee, a remuneration committee, a nomination committee, a strategy and investment committee and a legal and compliance and environmental, social and governance committee. The composition and responsibilities of each special committee are set out below. Each committee reports its recommendations to the Board in accordance with its respective duties and responsibilities, except where the duties of each committee are clearly defined, its recommendations are ultimately determined by the Board.

During the Reporting Period, the Board made great efforts in improving the Company's development strategic plan, focusing on enhancing the core competitiveness of the Company and strengthening core functions, streamlining the governance system and enhancing the corporate governance standards; monitored and organized the Directors and company secretary to participate in relevant training courses; regularly reviewed the Company's compliance with the domestic and overseas regulatory requirements and its implementation of various internal corporate governance rules and policies, and reviewed the Company's compliance with the CG Code and the disclosures in the Corporate Governance Report.

## Corporate Governance Report

The Company recognises that the Board's access to independent opinions is critical to good corporate governance and the effectiveness of the Board. The Board has established following mechanisms to ensure the Board can obtain independent opinions when necessary for enhancing an objective and effective decision making. The Board also reviews the implementation and effectiveness of the following mechanisms annually:

1. Among the 15 Directors of the Board, there are five independent non-executive Directors, which fulfilled the requirement which there shall be at least three independent non-executive Directors in the Board and the number of independent non-executive Directors shall be at least one-third of the Board under the Listing Rules;
2. Independent non-executive Directors are required to be assessed in terms of independence, qualification and ability at the time of appointment and continue to be assessed on the aforementioned matters upon appointment;
3. The Board listens to the work report of independent non-executive Directors every year, and evaluates the time that independent non-executive Directors have devoted to the affairs of the Company and the situation of expressing independent opinions during the year. The attendance record of Directors in 2024 is set out in the "Corporate Governance Report" of this annual report;
4. The Directors can seek independent professional advice at the Company's expense, if necessary;
5. The Directors (including independent non-executive Directors) with a material interest in contracts, arrangements or other proposals shall not vote on any Board resolution approving such matters or be counted in the quorum; and
6. The Chairman meets with independent non-executive Directors every year without the presence of executive Directors and other non-executive Directors and listens to professional opinions of independent Directors on risk control, strategic development and other areas of the Company.

## Changes of Directors and Supervisors

During the Reporting Period and as at the Latest Practicable Date, the details of changes of Directors and Supervisors are as follows:

- (1) On 27 August 2024, Mr. Yu Qingming ceased to be the Chairman, an executive Director as well as the chairman of the Nomination Committee of the Board, the chairman of the Strategy and Investment Committee of the Board and a member of the Legal and Compliance and Environmental, Social and Governance Committee of the Board of the Company.
- (2) On 27 August 2024, Mr. Liu Yong ceased to be an executive Director of the Company, the President and a member of the Strategy and Investment Committee of the Board and a member of the Legal and Compliance and Environmental, Social and Governance Committee of the Board.

- (3) On 27 August 2024, Mr. Hu Jianwei ceased to be a non-executive Director, a member of the Nomination Committee of the Board and a member of the Strategy and Investment Committee of the Board of the Company.
- (4) On 27 August 2024, Mr. Deng Jindong ceased to be a non-executive Director and a member of the Strategy and Investment Committee of the Board of the Company.
- (5) On 13 September 2024, Mr. Zhao Bingxiang was appointed as a non-executive Director of the Company at the general meeting of the Company. Upon appointment of Mr. Zhao Bingxiang as a non-executive Director, he also served as the Chairman, the chairman of the Strategy and Investment Committee of the Board, the chairman of the Nomination Committee of the Board and a member of the Legal and Compliance and Environmental, Social and Governance Committee of the Board of the Company.
- (6) On 13 September 2024, Mr. Lian Wanyong was appointed as an executive Director of the Company at the general meeting of the Company. Upon appointment of Mr. Lian Wanyong as an executive Director, he also served as a member of the Strategy and Investment Committee of the Board and a member of the Legal and Compliance and Environmental, Social and Governance Committee of the Board of the Company.
- (7) On 8 January 2025, Mr. Wang Kan ceased to be a non-executive Director of the Company.
- (8) On 8 January 2025, Mr. Wang Peng ceased to be a non-executive Director of the Company.
- (9) On 12 February 2025, Mr. Sun Jinglin was appointed as an executive Director of the Company at the general meeting of the Company.
- (10) On 12 February 2025, Mr. Hu Ligang was appointed as a non-executive Director of the Company at the general meeting of the Company.
- (11) On 12 February 2025, Mr. Xing Yonggang was appointed as a non-executive Director of the Company at the general meeting of the Company.
- (12) On 12 February 2025, Mr. Zu Jing was appointed as a non-executive Director of the Company at the general meeting of the Company.
- (13) Mr. Zhao Bingxiang and Mr. Lian Wanyong have obtained legal advice referred to under Rule 3.09D of the Listing Rules on 13 September 2024 and confirmed that they understood their obligations as Directors of the Company. Mr. Sun Jinglin, Mr. Hu Ligang, Mr. Xing Yonggang and Mr. Zu Jing have obtained legal advice referred to under Rule 3.09D of the Listing Rules on 10 February 2025 and confirmed that they understood their obligations as Directors of the Company.

Please refer to the section headed “Biographies of Directors, Supervisors and Senior Management” for details about the latest biographies of the Director and Supervisors of the Company, which includes the latest information of the Directors and Supervisors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## Corporate Governance Report

### Board Meetings and General Meetings

The Board convened fifteen Board meetings, nine of which were by voting through electronic means of communications, and four general meetings (namely the annual general meeting, the H Shareholders' class meeting, the domestic Shareholders' class meeting and the extraordinary general meeting) during the Reporting Period. All Directors actively participated in the affairs of the Company.

During the Reporting Period, the attendance record of each Director at the Board meetings and general meetings is as follows:

<b>Directors</b>	<b>Attendance of Board meetings/No. of meetings held during the term of office</b>	<b>Attendance of general meetings/No. of meetings held during the term of office</b>
<b>Executive Directors</b>		
Mr. Lian Wanyong (appointed on 13 September 2024)	5/5	0/0
Mr. Yu Qingming (retired on 27 August 2024)	10/10	3/3
Mr. Liu Yong (retired on 27 August 2024)	8/10	3/3
<b>Non-executive Directors</b>		
Mr. Zhao Bingxiang (appointed on 13 September 2024)	5/5	0/0
Mr. Chen Qiyu	15/15	4/4
Mr. Hu Jianwei (retired on 27 August 2024)	9/10	3/3
Mr. Deng Jindong (retired on 27 August 2024)	10/10	3/3
Mr. Wang Kan (retired on 8 January 2025)	15/15	4/4
Mr. Wang Peng (retired on 8 January 2025)	15/15	4/4
Mr. Wen Deyong	15/15	4/4
Mr. Li Dongjiu	15/15	4/4
Ms. Feng Rongli	14/15	4/4
<b>Independent Non-executive Directors</b>		
Mr. Chen Fangruo	13/15	3/4
Mr. Li Peiyu	15/15	4/4
Mr. Wu Tak Lung	15/15	4/4
Mr. Yu Weifeng	14/15	4/4
Mr. Shi Shenghao	14/15	4/4

Note: The Directors of the Board who did not attend the meeting in person have all entrusted proxies to attend the meeting, which was not counted into their attendance record.

At Board meetings, the Company's senior management reported the information of business activities and data of operation and development of the Company to all Directors on a timely basis. If any Director has conflict of interests in any proposed resolution to be considered at the Board meeting, such Director shall abstain from voting on such resolution. The Company continued to implement the mechanism that the Chairman meets with independent non-executive Directors on a regular basis for their opinions on the Company's business development and operations.



## Training for Directors

The management of the Company has provided members of the Board with appropriate and sufficient information including monthly financial briefings so as to update them with the latest operations and developments of the Company and facilitate their discharge of duties. The Company regularly sends the Monthly Legal Insight on Hong Kong Capital Market provided by the Company's Hong Kong legal adviser to all Directors. Meanwhile, all Directors have participated in continuing professional development and relevant topic training or reading materials to broaden and update their knowledge and skills.

The special training record of each Director during the Reporting Period is as follows:

Directors	Special training (Notes)
<b>Executive Directors</b>	
Mr. Lian Wanyong (appointed on 13 September 2024)	B, C
Mr. Yu Qingming (retired on 27 August 2024)	A
Mr. Liu Yong (retired on 27 August 2024)	A
<b>Non-executive Directors</b>	
Mr. Zhao Bingxiang (appointed on 13 September 2024)	B, C
Mr. Chen Qiyu	A, C
Mr. Hu Jianwei (retired on 27 August 2024)	A
Mr. Deng Jindong (retired on 27 August 2024)	A
Mr. Wang Kan (retired on 8 January 2025)	A, C
Mr. Wang Peng (retired on 8 January 2025)	A, C
Mr. Wen Deyong	A, C
Mr. Li Dongjiu	A, C
Ms. Feng Rongli	A, C
<b>Independent Non-executive Directors</b>	
Mr. Chen Fangruo	A
Mr. Li Peiyu	A, C
Mr. Wu Tak Lung	A, C
Mr. Yu Weifeng	A, C
Mr. Shi Shenghao	A, C

Notes:

- A. On 22 March 2024, Directors during their term of office completed the study on the anti-bribery and anti-corruption materials prepared by the discipline inspection commission of the Company, including Xi Jinping's Important Speech at the Third Plenary Session of the 20th Central Commission for Discipline Inspection and Communiqué of the Third Plenary Session of the 20th CPC Central Commission for Discipline Inspection.
- B. On 24 October 2024, Mr. Zhao Bingxiang and Mr. Lian Wanyong attended the training on Duties and Key Compliance Matters for Directors of Companies Listed on the Hong Kong Stock Exchange for new Directors provided by DLA Piper, the overseas legal adviser.
- C. On 25 October 2024, Directors during their term of office attended the training on New Regulations and Connected Transactions for All Directors in 2024 provided by DLA Piper, the overseas legal adviser.

In addition, the company secretary Mr. Wu Yijian completed the professional training for no less than 15 hours, including the training on the professional ECPD seminar provided by The Hong Kong Chartered Governance Institute during the Reporting Period.

## Corporate Governance Report

### Audit Committee

As at the date of this report, the audit committee of the Company (the “**Audit Committee**”) comprised four Directors, including three independent non-executive Directors, namely Mr. Wu Tak Lung, Mr. Li Peiyu, Mr. Shi Shenghao, and one non-executive Director, namely Mr. Li Dongjiu, with Mr. Wu Tak Lung serving as the chairman of the Audit Committee. The primary responsibilities of the Audit Committee are to inspect, review and supervise the Company’s financial information and reporting process for financial information. These responsibilities mainly include, among others:

- making recommendations to the Board on the appointment, re-appointment and removal of the external auditor;
- reviewing and monitoring the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- formulating and implementing policies on the engagement of an external auditor to supply non-audit services;
- monitoring integrity of the Company’s financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in the statements and reports; and
- reviewing the financial monitoring, risk management and internal control systems of the Company.

During the Reporting Period, seven meetings were held by the Audit Committee. The attendance record of the committee members at the meeting during the Reporting Period is as follows:

<b>Directors</b>	<b>Attendance/No. of meetings held during the term of office</b>
Mr. Wu Tak Lung	7/7
Mr. Li Peiyu	7/7
Mr. Shi Shenghao	7/7
Mr. Li Dongjiu	7/7

During the Reporting Period, the Audit Committee reviewed the Group’s 2023 annual results, 2024 interim results, 2024 first quarterly results and 2024 third quarterly results, and received the auditor’s report on the annual audit results. The Audit Committee also reviewed the resolutions on the implementation of connected transactions of the Group for 2023, change of auditors for 2024, internal control self-assessment report for 2023, report on the quality assessment on internal audit work for 2023, the work report on the internal control system for 2023, the work arrangement for construction of the internal control system for 2024 and the audit plan for 2024, etc.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2024 and believes that the Company has complied with all applicable accounting standards and regulations and made sufficient disclosures. The Audit Committee has reviewed all material internal control systems, including the financial and operational and compliance controls, as well as risk management in 2024. In addition, the Audit Committee has also accepted the adequacy of resources, qualification and experiences of employees in relation to the accounting, internal audit and financial reporting function of the Company and the Company's environmental, social and governance performance and reporting, the adequacy of training courses taken by the employees and the relevant budgets. The Audit Committee has also reviewed the 2024 annual results announcement and the 2024 annual report of the Company.

### Nomination Committee

As at the date of this report, the nomination committee of the Company (the “**Nomination Committee**”) comprised six Directors, including four independent non-executive Directors, namely Mr. Chen Fangruo, Mr. Wu Tak Lung, Mr. Yu Weifeng, Mr. Shi Shenghao; two non-executive Directors, namely Mr. Zhao Bingxiang and Ms. Feng Rongli, with Mr. Zhao Bingxiang serving as the chairman of the Nomination Committee. The primary responsibilities of the Nomination Committee are to formulate the nomination procedures and standards for candidates for Directors. These responsibilities mainly include, among others:

- reviewing the structure, size and composition of the Board on a regular basis and making recommendations to the Board regarding any proposed changes;
- identifying qualified individuals to become Director candidates and select and nominate such person as Director and make recommendations to the Board;
- assessing the independence of independent non-executive Directors;
- making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors, and the succession plans for Directors (in particular the Chairman and the President); and
- formulating, implementing and reviewing from time to time the policy concerning diversity of Board members.

The nomination procedures of the Directors are as follows: the Nomination Committee shall first propose and consider a list of candidates for Directors, which shall then be submitted by the committee to the Board for review; the Board shall then submit the relevant proposal to the general meeting for Shareholders' approval.

The examination procedures of the candidates for Directors are: (1) to collect, or require relevant department of the Company to collect the particulars of the occupation, education, designation, detailed work experience and part-time jobs of the candidates and summarize the same in written materials; (2) to hold nomination committee meetings to examine the qualifications of the candidates in accordance with the requirements applicable to a Director and to state the opinion and recommendations on appointments in the form of proposals; and (3) to carry out other relevant work arrangement according to decisions of or feedback from the Board.

## Corporate Governance Report

To ensure the diversity level of members of the Board and improve the governance effect of the Company, the Company establishes and revises, as appropriate, the diversity policy of the Board. The policy sets out the policies adopted by the Company to achieve the diversity of members of the Board and thus to improve the decision-making quality and efficiency of the Board. To achieve the diversity target of the Board, when forming the Board, the Company will set measurable diversity target for members of the Board on the basis of a series of diversity categories and taking into account of business modes and specific demand of the Company, in addition to meeting relevant provisions of laws, regulations and rules (including but not limited to the Company Law of the People's Republic of China, Listing Rules and Articles of Association). The Company will consider a series of diversity perspectives, including but not limited to gender, age, professional qualification, industrial experience, culture and education background, races and other factors deemed as applicable by the Board. The Company is committed to implementing the Board diversity policy and achieving its measurable targets. The Board will employ talents and gradually improve the percentage of female members and optimize the age structure when identifying and electing the candidates of the Directors. The Board will consider the expectation of stakeholders and refer to requirements or suggestions of relevant laws and regulations, in order to properly balance the composition of male and female members of the Board. Currently, there is one female Director in the Board of the Company (Ms. Feng Rongli serves as a non-executive Director of the Company), and the Company will maintain at least one female Director. In order to achieve sustainable and balanced development, the Group will be committed to enhancing the overall diversity of the members of the board of directors of the Group in the long run. It is proposed that the average proportion of female members of the board of directors of the Company and its secondary subsidiaries within the PRC will be no less than 20% before the expiry of the term of office of the sixth session of the Board. The Board will also seek for a proper percentage of members of the Directors with direct experience of the industrial market of the Group and different profession backgrounds, reflecting the strategy of the Group. The Company will identify candidates of the Directors according to the nomination policy of the Company and make the final decision based on the merits and contribution that the candidate will bring to the Board. The Nomination Committee of the Board will regularly review the diversity policy of the Board to ensure that it's effective. When supervising the execution of the diversity policy of the Board and reviewing the composition of members of the Board, the Board will consider all benefits related to diversity levels, and comply with the diversity policy of the Board when proposing appointment of the Directors. The Company will also try its best to achieve gender diversity when recruiting employees at all levels (including middle and senior levels), so as to provide suitable succeeding directors for the Board when appropriate, so as to ensure the gender diversity of the board of directors. The Company will provide each new Director with specially customized and comprehensive pre-job training, to ensure that such Director has a sound understanding of the operation, policy and role and responsibility of Directors with his or her relevant knowledge gap filled up. The Company will also provide Directors with relevant training from time to time in order to facilitate the Directors' performance of their duties.

For details of the diversity of employees of the Group, please refer to the section headed “Employee Diversity” of “Management Discussion and Analysis” in this report. During the Reporting Period, one meeting was held by the Nomination Committee. The attendance record of the committee members at the meeting during the Reporting Period is as follows:

<b>Directors</b>	<b>Attendance/No. of meetings held during the term of office</b>
Mr. Zhao Bingxiang (appointed as the chairman of the Nomination Committee on 14 September 2024)	0/0
Mr. Yu Qingming (retired on 27 August 2024)	1/1
Mr. Hu Jianwei (retired on 27 August 2024)	1/1
Mr. Chen Fangruo	1/1
Mr. Wu Tak Lung	1/1
Mr. Yu Weifeng	1/1
Mr. Shi Shenghao	1/1
Ms. Feng Rongli	1/1

During the Reporting Period, the Nomination Committee mainly reviewed the resolution on nominating Mr. Zhao Bingxiang as a non-executive Director and the Chairman of the sixth session of the Board of the Company and the resolution on nominating Mr. Lian Wanyong as an executive Director of the sixth session of the Board and the President of the Company. The Nomination Committee carefully discussed the work experience and professional qualifications of Director candidates and the benefits that may be brought to the Board while fully considering factors under the board diversity policy, and recommended the candidates to the Board after arriving at opinions at the Nomination Committee’s meeting.

### Remuneration Committee

As at the date of this report, the remuneration committee of the Company (the “**Remuneration Committee**”) comprised four Directors, including three independent non-executive Directors, namely Mr. Li Peiyu, Mr. Wu Tak Lung and Mr. Yu Weifeng, and one non-executive Director Ms. Feng Rongli, with Mr. Li Peiyu serving as the chairman of the Remuneration Committee. The primary responsibilities of the Remuneration Committee are to formulate and review the remuneration policies and schemes for the Directors and senior management of the Company. These responsibilities mainly include, among others:

- making recommendations to the Board on the Company’s overall remuneration policies and structure for Directors and senior management of the Company;
- determining the specific remuneration packages of all executive Directors and senior management, and making recommendations to the Board in relation to the remuneration of non-executive Directors; and
- reviewing and approving performance-based remuneration suggestion for the management by reference to corporate goals and objectives determined by the Board from time to time.



## Corporate Governance Report

During the Reporting Period, five meetings were held by the Remuneration Committee. The attendance record of the committee members at the meeting during the Reporting Period is as follows:

<b>Directors</b>	<b>Attendance/No. of meetings held during the term of office</b>
Mr. Li Peiyu	5/5
Mr. Wu Tak Lung	5/5
Mr. Yu Weifeng	4/5
Ms. Feng Rongli	4/5

Note: The members of the Remuneration Committee who did not attend the meeting in person have entrusted proxies to attend the meeting, which was not counted into their attendance record.

During the Reporting Period, the Remuneration Committee mainly reviewed the following resolutions: the resolution on the appraisal results for the term and the appraisal plan for the next term of the Company, the resolution on the annual salary standards for the management team of the Company for 2023, the resolution on the performance appraisal plan for the management team of the Company for 2024, the resolution on the remuneration of newly appointed Directors of the sixth session of the Board of the Company, the resolution on the settlement of the total wage of the Company for 2023, the resolution on the performance assessment and annual salary settlement for the management team of the Company for the year 2023 and the resolution on the advance payment of basic annual salary and performance-based annual salary to the management team of the Company for 2024.

## Strategy and Investment Committee

As at the date of this report, the strategy and investment committee of the Company (the “**Strategy and Investment Committee**”) comprised eight Directors, including one executive Director, namely Mr. Lian Wanyong, four non-executive Directors, namely Mr. Zhao Bingxiang, Mr. Chen Qiyu, Mr. Wen Deyong and Mr. Li Dongjiu; and three independent non-executive Directors, namely Mr. Chen Fangruo, Mr. Li Peiyu and Mr. Shi Shenghao, with Mr. Zhao Bingxiang serving as the chairman of the Strategy and Investment Committee.

The Strategy and Investment Committee is a special operating organization under and accountable to the Board. It is mainly responsible for conducting research and making recommendations on the long-term development strategies and major investment decisions of the Company, and reviewing and examining the annual operation plans and the implementation of the significant investment proposals under the authorization of the Board. These responsibilities mainly include, among others:

- evaluating the Company’s long-term development strategy in a timely manner, and organizing the formulation of the Company’s development strategy and medium and long-term development plan;
- reviewing the Company’s annual business plan;
- conducting research and making recommendations on major investment, financing and guarantee proposals which are subject to the approval by the Board;

- conducting research and making recommendations on major capital operation and asset management projects which are subject to the approval by the Board; and
- studying and formulating plans for corporate restructuring and transfer of equity held by the Company, restructuring, mergers and acquisitions, and organizational structure adjustments.

During the Reporting Period, four meetings were held by the Strategy and Investment Committee. The attendance record of the committee members at the meeting during the Reporting Period is as follows:

<b>Directors</b>	<b>Attendance/No. of meetings held during the term of office</b>
Mr. Zhao Bingxiang (appointed as the chairman of the Strategy and Investment Committee on 14 September 2024)	1/1
Mr. Yu Qingming (retired on 27 August 2024)	3/3
Mr. Chen Qiyu	4/4
Mr. Hu Jianwei (retired on 27 August 2024)	3/3
Mr. Deng Jindong (retired on 27 August 2024)	3/3
Mr. Lian Wanyong (appointed as the member of the Strategy and Investment Committee on 14 September 2024)	1/1
Mr. Liu Yong (retired on 27 August 2024)	2/3
Mr. Chen Fangruo	2/4
Mr. Li Peiyu	4/4
Mr. Shi Shenghao	3/4
Mr. Wen Deyong	4/4
Mr. Li Dongjiu	4/4

Note: The members of the Strategy and Investment Committee who did not attend the meeting in person have all entrusted proxies to attend the meeting, which was not counted into their attendance record.

During the Reporting Period, the Strategy and Investment Committee mainly heard about the strategic planning of the Company's relevant business segments and considered various types of equity investments or disposal projects.

## Corporate Governance Report

### Legal and Compliance and Environmental, Social and Governance Committee

As at the date of this report, the legal and compliance and environmental, social and governance Committee of the Company (the “**Legal and Compliance and ESG Committee**”) comprised three Directors, including one independent non-executive Director, namely Mr. Yu Weifeng, one non-executive Director, namely Mr. Zhao Bingxiang and one executive Director, namely Mr. Lian Wanyong, with Mr. Yu Weifeng serving as the chairman of the Legal and Compliance and ESG Committee.

The Legal and Compliance and ESG Committee is a special operating organization under and accountable to the Board. It is mainly responsible for promoting the rule of law of the Company and guiding the Company's compliance management works and is responsible for promoting and guiding the Company's environmental, social and governance works.

During the Reporting Period, three meetings were held by the Legal and Compliance and ESG Committee. The attendance record of the committee members at the meeting during the Reporting Period is as follows:

<b>Directors</b>	<b>Attendance/No. of meetings held during the term of office</b>
Mr. Yu Weifeng	3/3
Mr. Zhao Bingxiang (appointed as the member of the Legal and Compliance and ESG Committee on 14 September 2024)	0/0
Mr. Yu Qingming (retired on 27 August 2024)	3/3
Mr. Lian Wanyong (appointed as the member of the Legal and Compliance and ESG Committee on 14 September 2024)	0/0
Mr. Liu Yong (retired on 27 August 2024)	2/3

Note: The members of the Legal and Compliance and ESG Committee who did not attend the meeting in person have all entrusted proxies to attend the meeting, which was not counted into their attendance record.

During the Reporting Period, the Legal and Compliance and ESG Committee mainly reviewed the resolution on report of ESG corporate governance and information disclosure of the Company for 2023, the resolution on report of preparation and publication of the Company's Sustainability Report for 2023, the resolution of adjustment to members of the Company's ESG working group and the resolution on report of the Company's legal and compliance work for 2023.

### Compliance with the CG Code

The Company has adopted all the code provisions contained in the CG Code as the Company's code on corporate governance. During the Reporting Period, the Company had complied with the code provisions set out in the CG Code.

Securities Transactions by Directors and Supervisors

The Board has adopted the Model Code as the standards for governing the transactions of the Company’s listed securities by the Directors and the Supervisors. Having made specific enquiries with all Directors and Supervisors, all of them confirmed that they had complied with the standards in relation to the securities transactions by the Directors and the Supervisors as required in the Model Code during the Reporting Period.

Remuneration of Auditors

The Company approved the appointment of Confucius International CPA Limited and Pan-China Certified Public Accountants LLP as the international auditor and domestic auditor of the Company for 2024, respectively, at the extraordinary general meeting held by the Company on 13 September 2024 (the “EGM”). The remuneration paid and payable by the Group to Confucius International CPA Limited and Pan-China Certified Public Accountants LLP in respect of the services provided during the Reporting Period is as follows:

Services provided	Fee paid and payable
Audit service provided for 2024	RMB22,063,000
Non-audit service provided for 2024	RMB0

Confirmation by the Directors and Auditors

The Directors have reviewed the effectiveness of the internal control system of the Group. The review covered all the material aspects of its internal controls, including the supervision of the financial and operational and compliance affairs, as well as risk management.

The Directors are responsible for supervising the preparation of annual accounts in order to give a true and fair view of the financial position, operating results and cash flow of the Company during the year. For the purpose of the preparation of the financial statements for the Reporting Period, the Directors have selected appropriate accounting policies, adopted applicable accounting principles, made judgments and assessments that are prudent and reasonable and ensured the financial statements were prepared on a going concern basis. The Directors have confirmed that the Group’s financial statements were prepared in accordance with the requirements of laws and applicable accounting principles.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast doubt upon the ability of the Company to operate as a going concern. The statement of auditors about their reporting responsibilities on the financial statements is set out in the section headed “Independent Auditor’s Report” of this report.

## Corporate Governance Report

### Shareholders' Rights

If Shareholders individually or jointly holding more than ten percent of the shares of the Company, request the convening of an extraordinary general meeting, the Board or the Supervisory Committee shall, within 10 days from the date of receiving the request, decide whether to convene the extraordinary general meeting and provide a written response to the Shareholder.

When the Company convenes a general meeting, Shareholders who have the right to submit proposals shall be entitled to propose provisional motions and submit the same in writing to the Board ten days prior to the date of the general meeting.

The Shareholders may put proposals or enquiries to the Board via the office phone number and email address of the Board office as stated in this annual report.

### Effective Communication with Investors

As at the date of this report, the Board of the Company has reviewed the implementation and effectiveness of the Shareholders' communication policy and considered that the Shareholders' communication policy enabled the Company and Shareholders to keep effective communication. The Company maintains communication with its Shareholders through various channels and means and carries on the conversations about the Company's conditions and development prospects, so as to enhance mutual understanding between Shareholders and the Company, improving the Company's standard of governance. The Board of the Company also maintains normalized and multi-channel communication with its Shareholders through investor relations activities such as general meetings, results presentation, media reception and roadshows.

In 2024, under the leadership of the Board and operational management, the work of investor relations of the Company and communication with Shareholders continuously improved the quality of information disclosure and Shareholders' communication, and the Company carried out multi-form and high-frequency communication with the capital market. During the Reporting Period, the Company regularly published results on a quarterly basis and held regular investor communication meetings to ensure timely and adequate market communication; conducted investor communication frequently and achieved good communication results; actively participated in investment summits of domestic and overseas investment banks. Meanwhile, in conjunction with the business innovation and digital transformation of the Company, the Company made arrangements for the visits for domestic and overseas investors to conduct field research on specialty pharmacy services, medical device SPD projects, logistics system and informationization to further deepen the understanding and judgment of investors on the Company's business. In addition, the Company continuously strengthened the regular interaction and relationship maintenance with analysts and investors. During the Reporting Period, the Company maintained regular communication with multiple domestic and international analysts and leveraged professional institutions to enhance expectation management. In 2025, the Company will continue to arrange various communication and exchange, company roadshows as well as general meetings, etc., to keep a close interaction with Shareholders and investors of the Company, perform the information disclosure obligation according to laws and regulations, ensure the interests of the investors, continuously enhance expectation management of investors and deliver investment value.



### Implementation of Non-Competition Agreement

The independent non-executive Directors have reviewed the compliance by CNPGC of the Non-Competition Agreement and, to the knowledge of the independent non-executive Directors, CNPGC has complied with the terms of such agreement during the year ended 31 December 2024. CNPGC has undertaken to the Company that it shall comply with the terms of the Non-Competition Agreement.

In accordance with the Non-Competition Agreement entered into between the Company and CNPGC, if CNPGC or any of its subsidiaries (other than the Company) is aware of any business opportunity to own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes with the core business of the Company (the “**Business Opportunity**”), it will inform the Company of the aforesaid Business Opportunity in writing immediately in the first place. Whether to take up the Business Opportunity is up to the independent non-executive Directors.

During the Reporting Period, the independent non-executive Directors of the Company did not receive any written notices mentioned above.

### Risk Management and Internal Control

The Board has established a risk management and internal control system in accordance with the requirements of code provision D.2 of the CG Code and continues to monitor and review the effectiveness of its operation. The system is designed to manage rather than eliminate the risk of failure to meet business objectives, to promote effective and efficient operations, to provide reasonable (not absolute) assurance against material misstatement or loss and comply with applicable laws and regulations, as well as to safeguard the assets of the Group.

### Characteristics of the Risk Management and Internal Control Organisation System

In accordance with the requirements of code provision D.2.2 of the CG Code, the Group has established a sound risk management and internal control organization system which includes the Board, the Audit Committee under the Board, management of the Company, the operation risk management department, legal compliance department, audit center, discipline inspection committee and other departments to ensure that the Group has sufficient resources, qualified and experienced staffs, sufficient training courses and related budget for risk management and internal audit. The Company’s subsidiaries and business units at all levels serve as the frontline in risk management and internal control; and the Audit Committee under the Board, the management, the operation risk management department, the legal compliance department and departments having related functions are the higher level supervisors for risk management and internal control; while the highest level of supervision is carried out by the audit center and the discipline inspection committee, with the audit center and the discipline inspection committee serving as an independent supervision department that conducts internal audit for the Group’s risk management system. As the highest decision-maker for the Group’s risk management and internal control, the Board assumes the full responsibility for the establishment of a sound risk management and internal control system as well as the effectiveness of the risk management work carried out across the Group.

### Implementation of Risk Management and Internal Control

Through reviewing of the works conducted by the audit center, discipline inspection committee and external consultants such as the auditors and reviewing of the reports prepared by the management in respect of risk management, regulatory compliance, legal and other matters, the Group reviews the effectiveness of the risk management and internal control systems every year and assesses all important aspects of supervision such as supervision on financial, operation and compliance affairs, etc. based on the five elements of internal control, namely, the internal environment, risk assessment, control activities, information and communication as well as internal supervision.

After risk assessment, the major risks of the Company in 2024 were the policy risk, the cash flow risk and the reform and business transformation risk in sequence.

In terms of the policy risk, with the in-depth implementation of the strategic action of a “Healthy China”, the coordinated development and governance of “Medical Treatment, Medical Insurance and Pharmaceutical Distribution” took a new step. Under the national policy of organizing a series of strategic medical insurance procurement such as volume-based procurement of drugs and high-value medical consumables, and the rapid development of Internet hospitals and the O2O model of retail pharmacy, it brought great challenges to all aspects of the Company’s operation. In order to adapt to the rapid changes of industry policies and market demand, the Company seized the important strategic opportunity period to promote the construction of a “Healthy China” based on the “Healthy China 2030”. According to its strategic planning, the Company studied the medium and long-term development goals, analyzed the policy trends, paid attention to the soliciting opinions before the introduction of national laws and regulations, and matched the operation strategy. At the same time, the Company enhanced its integrated operation capability, opened up the upstream and downstream information interfaces of supply chains, improved the capacity building of the logistics traceability system, integrated internal logistics infrastructure resources, further strengthened the capability to extend professional services to the upstream and downstream supply chains, and effectively promoted the innovation of its supply chain model and the transformation of services.

In terms of the cash flow risk, the pressure of the continuous slowdown of national economic growth led to the overall shortage of funds in the industry chains of the pharmaceutical industry. With the continuous promotion of the graded diagnosis and treatment policy, the coverage of the Company's terminal sales network was further expanded to third-and fourth-tier cities and small terminals, and the number of days for repayments increased, thus leading to a slowdown in the Company's cash turnover, which in turn led to a slowdown in capital turnover speed. While emphasizing the speed and scale of development, the Company carried out refined management, coordinated the supply and demand of funds, strengthened centralized management of funds, continuously promoted the construction of the treasurer system, optimized and realized intensive operations, improved the quality of operation, and realized effective and sustainable development.

In terms of the reform and business transformation risk, the Company entered the pharmaceutical industry in the deep reform, and launched a series of important reform measures. The pharmaceutical industry has entered an era of great change. The profit margin of traditional businesses was further narrowed, and the gross profit margin of the industry continued to decline, so it was urgent for the Company to find new profit growth points. Under the background of this era, the Company was clearly aware of the necessity and urgency of the current reform and business transformation, so the Company vigorously promoted the development and expansion of the service business, and strove to build the value-added service capabilities such as pre-marketing service, import agency, market access, business outsourcing and retail channel service, and actively expanded service projects. The Company accelerated the digital transformation, and opened up data blocking points. Especially, in terms of the retail format, the Company accelerated the conversion of third-party traffic into private domain traffic, and at the same time, accelerated the application of AI technology achievements, further enhancing the business efficiency and improving the customer experience.

The Company constantly improved its risk and internal control management system and mechanism, strengthened the system and process construction, and improved the process management thoroughly by means of prevention in advance, supervision during the process and following up afterwards. In 2024, the Company carried out several risk control publicity trainings for important business subsidiaries and employees involved in key links on the basis of the coverage of all subsidiaries by adopting a combination of online and offline methods. At the same time, the Company firmly grasped the key control points in the key business processes, further sorted out the management and control lists of key processes involved in the business segments such as procurement, sale and storage, and extended it to subsidiaries for benchmarking application. In addition, the Company continued to improve the internal control system, regularly organized system sorting and review, and continuously carried out the enactment, revision, abolishment and interpretation of the system to ensure the systematism, standardization, operability and stability of the Company's systems.

## Corporate Governance Report

In terms of compliance management and control, in 2024, the Company held a meeting of the Compliance Committee to consider, revise and issue the 2024 Responsibility Letter for Compliance Operation and Integrity Practice. The Board considered and adopted the 2023 Annual Report on Legal Compliance of Sinopharm Group Co. Ltd. During the year, the legal compliance department took the lead in organizing the self-evaluation of the validity of the compliance management systems of the Company and its subsidiaries, and conducted the self-evaluation of the compliance management systems of the Headquarters of Sinopharm Group and its 45 secondary companies from seven aspects, including organizational construction, system construction, operation mechanism, supervision and accountability, cultural construction and informatization construction, and evaluated the compliance management of each company from a comprehensive perspective, checking omissions and filling gaps, identifying difference, and focusing on improvement and perfection. The Company revised and issued the Legal Compliance Management System of Sinopharm Group Co. Ltd., and made specific work arrangements for the requirements of the compliance management of CNPGC, CNPGC's compliance guidelines for preventing commercial bribery risks and other aspects. In addition, the Company supplemented the compliance risk management requirements in key areas, revised the compliance management and control contents in key areas, formed and issued the Compliance Operation Manual of Sinopharm Group (2024 Version), continuously tracked the key regulatory issues of the industry and the frequent occurrence of violations, revised and issued the Prevention and Control List of Key Compliance Issues of Sinopharm Group in 2024, and prompted the companies at all levels to take precautions against violations in the form of a negative list to ensure the stable operation of businesses. The Company organized the online training on the theme of the Company Law, the lectures on the rules of law of the SASAC and the professional training on governing enterprises in compliance with laws and regulations, and set up a special column on legal compliance on the Sinopharm Cloud Learning Platform. The Company conducted three legal compliance trainings for all employees of Sinopharm Group, and went to subsidiaries to conduct on-site legal trainings, including special on-site lectures for Guoyao Lerentang, Sinopharm Shanxi, CNPGC Sichuan and Sinopharm Jiangxi, focusing on analyzing the legal compliance risk points in each company's operation, and further passing on the concept of governing enterprises according to law and the awareness of enterprise risk prevention and control to subsidiaries to help subsidiaries effectively improve their risk prevention and control capabilities. Through the official account of "Collection of Legal Information" and the corporate account, the Company continued to carry out legal popularization activities and the construction of corporate rule of law culture, organized the theme activity of "Constitution Publicity Week", and carried out online and offline diversified publicity and training activities related to laws and regulations.

The Group continued to strengthen its management on each professional business in its headquarters as well as its supervision on and guidance to the second-tier subsidiaries. It also enhanced its audit supervision and inspection on the implementation of key internal control systems by its subsidiaries in every level by conducting follow-up activities, inspection and special audit thereon. Based on an interactive supervision mechanism, departments including, among others, the audit, legal compliance and discipline inspection departments cooperated in the supervision to form resultant force in order to strengthen management vulnerabilities, ensure implementation of the system, carry out rectification and follow-up activities and improve the accountability mechanism.

### Formation of a Long-term Risk Management and Internal Control Mechanism

Every year, the Group instructs each department to identify, analyse and assess the material risks of the Group on the basis of the changing internal and external environment and taking into consideration the possibility and impact of the risk. In light of the actual operation and management of its professional business, each department formulates detailed risk management proposals against material risks on a case by case basis.

During the Reporting Period, the risk and operation management department prepares the Report on Internal Control Systems of the Sinopharm Group to summarise the risk and internal control management work of the previous year and review the supervision, inspection and timely rectification of all material risks. The report also sets out the risk and internal control management plan for the next year as well as instructions on resources and events to be coordinated and resolved, and is finally submitted to the management of the Company and the Board for approval.

The Group's management procedures for financial reporting, information disclosure and connected transactions, etc. are in strict compliance with the requirements of the Listing Rules. The Board enacted the Rules on the Listed Company Information Disclosure Management of Sinopharm Group Co. Ltd., and has set up unified and standard control procedures for information collection, classification, approval and disclosure, which further standardized the management of connected transactions and the management of inside information and insiders, promoted the Company to operate in accordance with the law, and safeguard the legitimate rights and interests of Shareholders, creditors, the Company and other stakeholders. Unless the information falls within the "Safe Harbour", the Group will disclose such inside information to the public as soon as practicable. Prior to disclosing relevant inside information to the public, the Group will make good efforts on keeping confidential and maintain a registration of insiders as required.

The Board has made an annual review of the risk management and internal control during the Reporting Period and concluded that the policies and procedures adopted by the Group's internal control system (including aspects related to risk management in major areas and key links, compliance management, financial management, information management, audit supervision, supervision of disciplinary inspection committee, major risk assessment and implementation of prevention and control measures.) had been effectively implemented and there had been no material defects nor deficiency in material risk control based on the outcome of the risk management and internal control work implemented by the Group from 1 January 2024 to the date of this report. The Board is of the view that the risk management and internal control system of the Group is effective and sufficient.



# Biographies of Directors, Supervisors and Senior Management

## Directors

**Mr. Zhao Bingxiang**, aged 52, is the Chairman, non-executive Director and the secretary of Party Committee of the Company, holds a bachelor's degree from the School of Pharmacy of Shenyang Pharmaceutical University, a master's degree from the Peking University School of Pharmaceutical Sciences, and a doctoral degree from the College of Chemical and Biological Engineering, Zhejiang University and is a professor-level senior engineer in China. Mr. Zhao served as a regional sales manager and a marketing officer of San-jiu Pharmaceutical Trade Co., Ltd. (三九醫藥貿易有限公司), a deputy general manager of San-jiu Tongda Pharmaceutical Co., Ltd. (三九同達藥業有限公司), a senior researcher of the R&D center of China Resources Sanjiu Medical & Pharmaceutical Co., Ltd. (華潤三九醫藥股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000999) ("**CR Sanjiu**"), the general manager of China Resources Sanjiu (Ya'an) Pharmaceutical Co., Ltd. (華潤三九(雅安)藥業有限公司), the chairman and the general manager of China Resources Zizhu Pharmaceutical Co., Ltd. (華潤紫竹藥業有限公司), a vice president of China Resources Pharmaceutical Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 03320), and a director and the president of CR Sanjiu. Mr. Zhao has received twice the State Scientific and Technological Progress Award – second-class, as well as other awards including the Sichuan Scientific and Technological Progress Award – first-class. Mr. Zhao currently serves as a professor and doctoral tutor at Shenyang Pharmaceutical University and a professor at School of Medicine of Zhejiang University; previously served as the vice chairman of the Science and Technology Association of China Resources Group, a deputy director of the Academic Committee of the NMPA Key Laboratory for Quality Research and Evaluation of Traditional Chinese Medicine, and a deputy director of the Pharmaceutical Clinical Evaluation Research Professional Committee of the China Association of Traditional Chinese Medicine. Mr. Zhao joined in CNPGC in March 2024, and is currently a director and the general manager of CNPGC. Mr. Zhao has been the secretary of Party Committee of the Company since August 2024 and the Chairman and a non-executive Director of the Company since September 2024.

**Mr. Chen Qiyu**, aged 52, is a non-executive Director and vice chairman of the Company. Mr. Chen has nearly 31 years of working experience. He obtained a bachelor's degree in genetics from Fudan University in July 1993 and an executive master's degree in business administration from China Europe International Business School in September 2005. Mr. Chen has joined Fosun Pharma Group (namely Fosun Pharma and its holding subsidiaries) since 1994, and is currently the executive director and joint chief executive officer of Fosun International (a company listed on the Hong Kong Stock Exchange, stock code: 00656), the non-executive director of Fosun Pharma (a company listed on the Shanghai Stock Exchange, stock code: 600196 and the Hong Kong Stock Exchange, stock code: 02196) and the non-executive director of Henlius (a company listed on the Hong Kong Stock Exchange, stock code: 02696). Mr. Chen served as the co-chairman of New Frontier Health Corporation (a company delisted from the NYSE in January 2022) and a director of Beijing Sanyuan Food Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600429), and the non-executive director of Gland Pharma Limited (a company listed on Bombay Stock Exchange and National Stock Exchange of India, stock code: GLAND) ("**GLAND**") from October 2017 to August 2024. Mr. Chen has joined the Company since January 2003, and served as the chief Supervisor and non-executive Director of the Company, and is currently the non-executive Director and vice chairman of the Company and the deputy chairman of Sinopharm Investment. Mr. Chen is currently the chairman of China Medical Pharmaceutical Material Association, vice chairman of China Pharmaceutical Innovation and Research Development Association, honorary chairman and chief supervisor of Shanghai Biopharmaceuticals Industry Association, the standing member of the 14th Shanghai Committee of the Chinese People's Political Consultative Conference, the chairman of Shanghai Federation of Industry and Commerce Biomedical Chamber and part-time vice chairman of Shanghai Federation of Industry and Commerce (General Chamber of Commerce).

## Biographies of Directors, Supervisors and Senior Management

**Mr. Lian Wanyong**, aged 54, is an executive Director, President and deputy secretary of Party Committee of the Company, holds a master's degree in medicine from Zhongshan Medical Sciences University and a master's degree in business administration from the University of Miami and is an associate chief pharmacist. Mr. Lian successively served as the deputy director of the financial assets management department, a director of the investment management department and the deputy director of policy research office of CNPGC. Mr. Lian successively served as a Director, a supervisor and a Director of the Company from December 2008 to January 2018, and served as a vice president and a member of Party Committee of the Company, a director of Sinopharm Accord (a company listed on the Shenzhen Stock Exchange, stock code: 000028) and a director of Sinopharm (CNCM LTD) (a company listed on the Shanghai Stock Exchange, stock code: 600511) from January 2018 to September 2022. Mr. Lian served as a director, the president and the deputy secretary of Party Committee of Shanghai Shyndec Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600420) ("**SSPC**") from September 2022 to August 2024. Mr. Lian has been the President and deputy secretary of Party Committee of the Company since August 2024 and an executive Director of the Company since September 2024.

**Mr. Sun Jinglin**, aged 47, is an executive Director and deputy secretary of Party Committee of the Company. Mr. Sun is a PhD candidate, associate chief pharmacist and practicing pharmacist. Mr. Sun previously served as an analyst and a supervisor in the physical and chemical laboratory, and a quality control manager in Beijing Novartis Pharma Co., Ltd., a quality manager in Baxter Healthcare (Tianjin) Co., Ltd., a director of the Inspection Division 2 of the Center for Drug Certification and Management of the State Food and Drug Administration (國家食品藥品監督管理局), a deputy director of the Center for Food and Drug Inspection and a deputy director of the Department of Drug and Cosmetics Supervision of the China Food and Drug Administration (國家食品藥品監督管理總局) and a convenor of the Office for Assessment of the National Regulatory System of Vaccines in the Department of Policies and Regulations of the National Medical Products Administration. Mr. Sun served as the vice president of China National Biotec Group Company Ltd., and has served as a director of Beijing Tiantan Biological Products Corporation Limited (listed on Shanghai Stock Exchange, stock code: 600161) ("**BTBP**") since May 2023. Mr. Sun has served as a deputy secretary of Party Committee of the Company since October 2024 and the executive Director of the Company since February 2025.

**Mr. Hu Ligang**, aged 50, is a non-executive Director of the Company. Mr. Hu is a holder of master's degree in professional accountancy, a principal senior accountant and a PRC certified public accountant (non-practicing member). Mr. Hu previously served as the supervisor and the deputy director of finance department of China National Medicines Corporation Ltd. (listed on Shanghai Stock Exchange, stock code: 600511), the head of the finance department of the Company, the general manager of financial management centre and a director of the finance department of China National Biotec Group Co., Ltd., the financial director of China National Scientific Instruments and Materials Co., Ltd., and the secretary of the board of directors and the financial director of China National Biotec Group Co., Ltd. Mr. Hu has served as a director of BTBP from November 2015 to November 2024, and the deputy director (in charge of the work) of the operation management department (safety, environmental protection and quality management division) of CNPGC since August 2024 and served as the non-executive Director of the Company since February 2025. Mr. Hu is currently also a director of Finance Company.

## Biographies of Directors, Supervisors and Senior Management

**Mr. Zu Jing**, aged 54, is a non-executive Director of the Company. Mr. Zu is a holder of bachelor's degree in economics and a senior accountant. Mr. Zu previously served as the deputy general manager of the finance department of China National Service Corporation For Chinese Personnel Working Aboard, the deputy general manager and the financial director of Zhongfu Jiayuan Trade Co. (中服嘉遠貿易公司), the general manager of the finance department, the deputy financial director and the financial director of China Sinopharm International Corporation, the financial director of SSPC, and the director of the international cooperation department of CNPGC. Mr. Zu has been serving as a full-time external director of CNPGC since October 2024, and has served as a non-executive director of China Traditional Chinese Medicine Holdings Co. Limited (a company listed on the Hong Kong Stock Exchange, stock code: 570) since January 2025. Mr. Zu has been a non-executive director of the Company since February 2025.

**Mr. Xing Yonggang**, aged 48, is a non-executive Director of the Company. Mr. Xing is a holder of doctor's degree in law, a senior economist and a solicitor. Mr. Xing previously served as a cadre of Sinopharm (CNMC LTD), the business supervisor and a senior business supervisor of the office and the legal affairs department, an assistant to director, the deputy director and the director of the legal affairs department of CNPGC, the secretary of the discipline inspection commission of China National Biotec Group Co., Ltd., the deputy general manager and the general legal counsel of China National Pharmaceutical Investment Co., Ltd., and the chairman of the board of supervisors of SSPC. Mr. Xing has served as a full-time external director of CNPGC since October 2024. Mr. Xing served as a supervisor of the Company, and has been a non-executive Director of the Company since February 2025.

**Mr. Wen Deyong**, aged 53, is a non-executive Director of the Company. Mr. Wen graduated from Donghua University and received a master's degree in business administration in December 2007. Mr. Wen joined Fosun Pharma Group in May 2002, and is currently the executive director and the chief executive officer (CEO) of Fosun Pharma, and non-executive director of Henlius. Mr. Wen worked at Chongqing Yaoyou Pharmaceutical Co., Ltd. and Chongqing Healthman Pharma Co., Ltd. from September 1995 to May 2016. Mr. Wen has served as the non-executive Director of the Company since September 2017. Mr. Wen is currently also a director of Sinopharm Investment and a director of Sinopharm (CNMC LTD), and the chairman of the supervisory committee of Sinopharm Accord. Mr. Wen was also a director of Anhui Sunhere Pharmaceutical Excipients Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300452) and C.Q. Pharmaceutical Holding Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000950).

**Mr. Li Dongjiu**, aged 59, is a non-executive Director of the Company. Mr. Li has over 36 years of working experience in the pharmaceutical industry, over 31 years of which relates to management experience in the pharmaceutical and healthcare products industry. Mr. Li is a professor-level senior engineer. Mr. Li obtained a PhD degree of transportation planning and management from Wuhan University of Technology, and then obtained an EMBA degree from China Europe International Business School. Mr. Li held senior management positions in North China Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600812) from July 1987 to December 2009. Mr. Li joined Fosun Pharma Group for the first time in December 2009 and successively served as the president of Shanghai Fosun Pharmaceutical Development Co., Ltd., the chairman of the Commercialisation and Consumer Products Management Committee of Fosun Pharmaceutical, the senior vice president of Fosun Pharmaceutical, and also served as the director of Nature's Sunshine Products Inc (a company listed on the NASDAQ, NASDAQ: NATR) from December 2009 to January 2018; and rejoined Fosun Pharma Group in March 2021 and is currently serving as the senior vice president of Fosun Pharma. Mr. Li served as a non-executive Director of the Company from October 2013 to January 2018 and served as a vice president and chief legal advisor of the Company from January 2018 to March 2021. Mr. Li once served as a director of Sinopharm (CNMC LTD) and Sinopharm Accord. Mr. Li has been a non-executive Director of the Company since June 2021.

## Biographies of Directors, Supervisors and Senior Management

**Ms. Feng Rongli**, aged 49, is a non-executive Director of the Company. Ms. Feng graduated from Shanghai University with a major in microcomputer application in July 1996 and obtained a master's degree in business administration from Columbia Southern University in February 2002. Ms. Feng has extensive experience in the field of human resources management. Ms. Feng held human resources management positions in Sealed Air Packaging (Shanghai) Co., Ltd. (希悅爾包裝(上海)有限公司), Grundfos Pumps (Shanghai) Co., Ltd. (格蘭富水泵(上海)有限公司), Emerson Electric (China) Holdings Co., Ltd. (艾默生電氣(中國)投資有限公司), Dow Chemical (China) Co., Ltd. (陶氏化學(中國)有限公司), Shanghai Roche Pharmaceutical Co., Ltd. (上海羅氏製藥有限公司), and F. Hoffmann-La Roche AG from July 1996 to February 2015. Ms. Feng served as the deputy chief human resources officer of Fosun High Technology and the managing director of the human resources of Shanghai Fosun Venture Capital Investment Management Co., Ltd. (上海復星創業投資管理有限公司) from July 2018 to April 2020. Ms. Feng joined Fosun Pharma Group since April 2020 and has served as the senior vice president of Fosun Pharma. She has served as the executive president and chief human resources officer of Fosun Pharma since January 2024. Ms. Feng currently serves as the chairman of the supervisory committee of Henlius and the non-executive director of Sisram Medical Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 01696). Ms. Feng has served as the non-executive Director of the Company since June 2020.

**Mr. Chen Fangruo**, aged 59, is an independent non-executive Director of the Company. Mr. Chen obtained a Master's Degree from the Moore School of Electrical Engineering, University of Pennsylvania in 1987. He then received his Ph.D. degree from the Wharton School at the University of Pennsylvania. Mr. Chen worked at Columbia Business School in 1992, successively serving as the Assistant Professor, Associate Professor, Lifetime Associate Professor and Full Professor. In 2005, he became the Lifetime Chair Professor. During the foregoing period, Mr. Chen acted as a distinguished visiting professor at Stanford School of Business, Cheung Kong Graduate School of Business, Chinese Academy of Sciences, Shanghai Jiao Tong University, Peking University, Tianjin University and other prestigious universities at home and abroad. Mr. Chen has served as the independent non-executive Director of the Company since December 2018. Mr. Chen is currently a "Guangqi" fund sponsored professor, the Dean of Antai College of Economics and Management, the Dean of the Industry Research Institute, the Dean of the BOC Institute of Technology & Finance, the Dean of the Shenzhen Research Institute and the Dean of the 21st Century Multinational Enterprise Strategy Research Institute of Shanghai Jiao Tong University. Since 2019, he has served concurrently as the vice chairman of the National MBA Education Instruction Committee and a director of the AMBA & BGA's International Management Board. Currently, Mr. Chen also serves as the independent director of Yunnan Jianzhijia Health-Chain Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 605266) and an independent non-executive director of Guotai Junan Securities Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 02611; a company listed on the Shanghai Stock Exchange, stock code: 601211).

**Mr. Li Peiyu**, aged 61, is an independent non-executive Director of the Company. Mr. Li obtained a PhD of management in Management Science and Engineering from School of Economics and Management, Tsinghua University and a Master of Public Administration (MPA) from Harvard University in June 1998. Mr. Li has worked in the areas of economics, finance and management for more than 30 years. From July 1987 to September 2000, he held positions in the Development Research Center of the State Council. From September 2000 to December 2007, Mr. Li successively served as the deputy director of Henan Provincial Development Planning Committee and the mayor of Hebi City in Henan Province. From December 2007 to February 2023, Mr. Li successively served as director of alternative investment department of China Investment Corporation, inspector of the research office of the State Council, chairman of China Reinsurance (Group) Corporation, and managing director of Beijing Zhongyu Green Investment Management Co., Ltd., managing director of CASIC Investment Fund Management (Beijing) Limited Company (航天科工投資基金管理(北京)有限公司), the partner of the Beijing Qiyuanhouji Investment Management Co., Ltd. (北京啟源厚積投資管理有限公司) and the managing director of Lotus Lake Venture Capital Management (Beijing) Co., Ltd. (荷塘創業投資管理(北京)有限公司). Mr. Li has served as the independent non-executive Director of the Company since September 2020.



## Biographies of Directors, Supervisors and Senior Management

**Mr. Wu Tak Lung**, aged 59, is an independent non-executive Director of the Company. Mr. Wu received a bachelor's degree in Business Administration from the Hong Kong Baptist University and a master's degree in business administration jointly from the University of Manchester and the University of Wales, respectively. In addition, Mr. Wu also obtained a certificate from the Environmental, Social and Governance Reporting Certification Course organized by the Hong Kong Chartered Governance Institute. Mr. Wu currently serves as an independent non-executive director of Kam Hing International Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2307), Henan Jinma Energy Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 6885) and Zhongguancun Science-Tech Leasing Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 1601). In the last three years, Mr. Wu was an independent non-executive director of China Machinery Engineering Corporation, Minth Group Limited and Sinomax Group Limited. Mr. Wu previously served as an independent non-executive director of Beijing Media Corporation Limited ("**Beijing Media**"). Details in relation to the criticism of the current and retired directors of Beijing Media by the Hong Kong Stock Exchange are set out in the announcements of the Hong Kong Stock Exchange and the Company dated 10 February 2022 and 14 February 2022, respectively. Mr. Wu had worked in Deloitte Touche Tohmatsu, an international accounting firm, for five years. Mr. Wu has served as an independent non-executive Director of the Company since September 2020. Mr. Wu is currently an accounting consultant of the Ministry of Finance of the State Council, a member of Hong Kong Institute of Certified Public Accountants, a senior fellow member of Hong Kong Securities and Investment Institute and a fellow member of the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong, and The Hong Kong Chartered Governance Institute.

**Mr. Yu Weifeng**, aged 53, is an independent non-executive Director of the Company. Mr. Yu is a lawyer with more than 28 years of working experience as a practicing lawyer. Mr. Yu obtained a bachelor's degree in laws from Fudan University in June 1995 and then obtained a master's degree in business administration from China Europe International Business School. From July 1995 to December 1998, Mr. Yu served as a paralegal and lawyer in Shanghai Pu Dong International Law Office (now renamed as Shanghai Pu Dong Law Office). Mr. Yu has served as a partner in Llinks Law Offices since December 1998, and served as a director thereof from January 2014 to June 2020. Mr. Yu currently serves as an independent director of Shenergy Company Limited (a company listed on the Shanghai Stock Exchange, stock code: 600642) and Shanghai M&G Stationery Inc. (a company listed on the Shanghai Stock Exchange, stock code: 603899). Mr. Yu served as an independent director of Deppon Logistics Co., Ltd. and an external director of Jiahua Chemicals Inc. and Shanghai Life Science & Technology Co., Ltd. Mr. Yu has served as an independent non-executive Director of the Company since September 2020. Currently, Mr. Yu is also the chairman of Foreign-related Legal Services Committee of the All China Lawyers Association, president of Shanghai Arbitration Association, a member of Shanghai Arbitration Commission, and an arbitrator of Shanghai Arbitration Commission, Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) and other arbitration institution and a mediator of Shanghai Commercial Mediation Center.

**Mr. Shi Shenghao**, aged 56, is an independent non-executive Director of the Company. Mr. Shi graduated from Capital Normal University with a bachelor's degree and obtained an EMBA degree from China Europe International Business School. Mr. Shi has more than 30 years of experience in the medical and health industry. He has served as a senior executive and general manager in Greater China for a number of multinational medical companies, and has extensive experience in industry operation and mergers and acquisitions. Mr. Shi is currently the managing partner of Riverhead Capital Investment Management Co., Ltd. Mr. Shi was the managing director of Sinopharm Capital Shanghai Co., Ltd. (國藥資本上海有限公司). He successively served as the marketing and sales director of GE Healthcare, the general manager in Greater China of American Medtronic China Co., Ltd. (美敦力中國有限責任公司), the general manager for diabetes healthcare business in Greater China of Bayer Group and the general manager in Greater China of Dentsply Sirona. Mr. Shi has served as the independent non-executive Director of the Company since June 2023.



## Biographies of Directors, Supervisors and Senior Management

### Supervisors

**Ms. Guan Xiaohui**, aged 53, is the chief Supervisor of the Company. Ms. Guan obtained a bachelor's degree in economics from Jiangxi University of Finance and Economics and obtained a master's degree in accounting for senior accountant from The Chinese University of Hong Kong in December 2007. Ms. Guan is qualified as Chinese Certified Public Account (CPA) and a member of the Association of Chartered Certified Accountants (ACCA). Ms. Guan has joined Fosun Pharma Group since May 2000 and currently serves as an executive director and vice chairman of Fosun Pharma. Ms. Guan worked at Jiangxi Provincial Branch of the Industrial and Commercial Bank of China from July 1992 to May 2000. Ms. Guan served as a non-executive Director of the Company from March 2019 to March 2021 and also once served as a supervisor of Sinopharm Accord. Ms. Guan has served as the Supervisor and the chief Supervisor of the Company since June 2021, and currently also serves as the vice president of Fosun International, a non-executive director of Henlius and a supervisor of Sinopharm Industrial Investment Co., Ltd. Ms. Guan served as a non-executive director of GLAND from October 2020 to August 2022.

**Mr. Liu Zhengdong**, aged 54, is a Supervisor of the Company. Mr. Liu is a lawyer who has more than 30 years of working experience as a practising lawyer. Mr. Liu obtained a master's degree in laws from East China University of Political Science and Law. He served as an assistant prosecutor in Railway Transportation branch of Shanghai People's Procuratorate from July 1991 to June 1994. From June 1994 to October 1998, Mr. Liu worked at Shanghai Hongqiao Law Firm and has been serving as a lawyer. Mr. Liu worked at Shanghai Junyue Law Firm from October 1998 to February 2022, and served as director and chief partner successively. Mr. Liu has been working in Jun He Law Offices since February 2022 as a partner. Mr. Liu has served as an independent non-executive Director of the Company from September 2014 to September 2020 and has been a Supervisor of the Company since September 2020. Mr. Liu served as president of the Eighth Session of Shanghai Bar Association and the president of the First Session of Shanghai Bankruptcy Administrators Association (上海市破產管理人協會) and was also honored as National Excellent Lawyer and Shanghai Excellent Non-litigation Lawyer. Currently, Mr. Liu serves as a representative to the 16th People's Congress of Shanghai, the standing director of the National Lawyers Association and the chief supervisory of Shanghai Bankruptcy Administrators Association (上海市破產管理人協會). Mr. Liu also serves as an arbitrator of Shanghai International Economic and Trade Arbitration Commission (SHIAC) and Shanghai Arbitration Commission (SAC).

**Mr. Guo Jinhong**, aged 51, is a Supervisor of the Company. Mr. Guo is a senior auditor. Mr. Guo received a master's degree in monetary and banking professional economics from Shanxi Institute of Finance and Economics in July 1999. Mr. Guo worked in the Audit Office from July 1999 to March 2019, and served as the general manager of the audit department of Huajin Holdings Group Co., Ltd. (華錦控股集團有限公司) and the general manager of the audit supervisory department of China Railway Construction Capital Holding Co., Ltd. from March 2019 to February 2022. Mr. Guo joined CNPGC in February 2022 and served as the deputy director of the audit department of CNPGC and has served as the director of the audit department of CNPGC since June 2023. Mr. Guo has served as a Supervisor of the Company since September 2023.

**Mr. Liu Hongbing**, aged 53, is an employee representative Supervisor of the Company. Mr. Liu served in the army force from 1987 to 2019, and engaged in propaganda work and theory and policy study. From January 2020 to March 2021, Mr. Liu acted as the head of the board office, the head of the publicity department of the Party Committee and the head of press office, and concurrently served as the deputy head of policy study office of CNPGC. Mr. Liu has served as the employee representative Supervisor of the Company since June 2022 and is currently a member of the Party Committee and the secretary of discipline inspection commission of the Company.

## Biographies of Directors, Supervisors and Senior Management

**Ms. Lu Haiqing**, aged 50, is an employee representative Supervisor of the Company. Ms. Lu obtained a master's degree in accounting from The Chinese University of Hong Kong in December 2012. Ms. Lu is a non-executive member of The Chinese Institute of Certified Public Accountants (CPA) and a non-executive member of the International Certified Internal Auditor (CIA) Association. Ms. Lu has approximately 30 years of working experience, among which experience obtained from February 2000 to June 2006 was all audit experience. She had served successively as the project manager of the audit department of Guangxi GuiXinCheng Certified Public Accountants Co., Ltd. (廣西桂鑫誠會計事務所), the project manager of the audit department of Shanghai Huadong Certified Public Accountants Co., Ltd., Guangxi Branch (上海華東會計師事務所有限公司廣西分所), the project manager of the investment department of Shanghai Kangrun Investment Co., Ltd. (上海康潤投資有限公司), and the audit manager of the audit department of Bosideng Corporation Limited (波司登股份有限公司). Ms. Lu successively served as an auditor manager and the deputy head of the audit department of the Company from July 2006 to March 2022. She has served as the deputy general manager of the audit center of the Company since April 2022 and an employee representative Supervisor of the Company since September 2020.

### Company Secretary

**Mr. Wu Yijian**, the company secretary, is also a vice president and the secretary to the Board of the Company. Please refer to the section headed "Senior Management" for Mr. Wu's biography.

### Senior Management

**Mr. Lian Wanyong**, is currently an executive Director and the President of the Company. Please refer to the section headed "Directors" above for Mr. Lian's biography.

**Mr. Li Yang**, aged 46, is a vice president of the Company. Mr. Li has more than 20 years of operation and management experience in the medical devices industry. Mr. Li obtained a master's degree in electronic information from Beijing Jiaotong University. Mr. Li is a senior engineer. Mr. Li worked at CNPGC and General Electric (China) Co., Ltd. Mr. Li has been serving as the senior management of China National Scientific Instruments and Materials Co., Ltd. and China National Medical Device Co., Ltd. since 2011. Mr. Li currently serves as the chairman of China National Scientific Instruments and Materials Co., Ltd. and China National Medical Device Co., Ltd. Mr. Li joined the Group as a vice president of the Company in November 2018.

**Mr. Cai Maisong**, aged 54, is a vice president of the Company. Mr. Cai has over 32 years of working experience. Mr. Cai received a bachelor's degree of pharmacy from Peking University Health Science Center in July 1992, and later received a master's degree in business administration from Nankai University. Mr. Cai served at Guangzhou Baiyunshan Pharmaceutical General Factory, Les Laboratoires Servier Industrie, Tianjin purchase station of China National Pharmaceutical Group Corp. and China National Pharmaceutical Group Corp. Tianjin Co., Ltd. from July 1992 to December 2002. Mr. Cai served as a director of commerce department and director of operation management center in Sinopharm Holding Tianjin Co., Ltd. from January 2003 to July 2006, and served as the director of risk and operation management department of the Company from July 2006 to December 2010. Mr. Cai served as the vice director and the director of risk and operation management department and the vice director of policy research office of CNPGC from January 2011 to August 2017. Mr. Cai served as a supervisor of CNPGC from December 2012 to January 2018, and served as a vice principal in Sichuan Province Food and Drug Administration from June 2016 to January 2018. Mr. Cai has been serving as a vice president of the Company since he joined in the Group in January 2018.

## Biographies of Directors, Supervisors and Senior Management

**Ms. Li Xiaojuan**, aged 48, is the chief financial officer of the Company. Ms. Li is a non-practicing certified public accountant, a senior economist and a certified asset valuer. Ms. Li has over 23 years of working experience. Ms. Li obtained a master's degree in national economics (investment economics) with specialty in securities investment from investment economics department of Dongbei University of Finance & Economics in April 2001. Ms. Li served as the project manager of Beijing Tianhua Accounting Firm and the vice director of strategic development department of Xi'an TopSun Group from April 2001 to February 2005. Ms. Li served as the manager of finance department, the director of auditing and supervision office and the manager of auditing department of China National Pharmaceutical Industry Corporation from February 2005 to August 2010. Ms. Li served at CNPGC from August 2010 to March 2021, and served as its vice director of investment management department, the vice director of auditing department, the director of auditing department, the director of finance department and the vice director of policy research office. Ms. Li served as the Supervisor of the Company from January 2016 to March 2021. Ms. Li has joined the Group since March 2021, and is currently the chief financial officer, the chief compliance officer and the general counsel of the Company. During the foregoing period, Ms. Li acted as a director of Sinopharm Accord and Sinopharm (CNMC LTD).

**Mr. Wu Yijian**, aged 54, is a vice president, the secretary to the Board of the Company and the company secretary. Mr. Wu graduated from Shanghai Medical University with a bachelor's degree in preventive medicine in July 1993, and subsequently obtained his master's degree in business administration from Tsinghua University and his joint master's degree in professional accounting for senior accountant from The Chinese University of Hong Kong and Shanghai National Accounting Institute. Mr. Wu worked at Sanjiu Enterprise from July 1993 to May 2004 and served as the sales director of Sanjiu Pharmaceutical Trading Co., Ltd., the chief operating officer of Sanjiu Pharmaceutical Chain Co., Ltd. and the deputy general manager of Shanghai Sanjiu Pharmaceutical Technology Development Co., Ltd. Mr. Wu worked at Fosun Pharma Group from June 2004 to January 2019, served as a vice general manager of the investment department and president assistant of Fosun Pharma, and concurrently took senior management positions of several subsidiaries of Fosun Pharma. Mr. Wu was a non-executive Director of the Company from June 2016 to September 2017 and from March 2018 to December 2018. He has served as the secretary to the Board of the Company since January 2019 and has served as a vice president of the Company since November 2024. Mr. Wu is currently also the chairman of Sinopharm Accord and Sinopharm Holding Guoda Drugstore Co., Ltd.

# Report of the Board of Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

## Principal Business

Our Group is a top-rank wholesaler and retailer of pharmaceutical and healthcare products and medical devices, and a leading supply chain services provider in the PRC; it also operates the largest national pharmaceutical and medical device distribution network in the PRC. Taking advantage of its economies of scale and nationwide distribution network, the Group offers a wide range of value-added supply chain services for its customers and suppliers, and establishes new core competitiveness through scale effect, innovation-driven and transformation and updating, achieving continuous increase in its market share and profits in the context of complicated market and policy environment.

The Group has integrated operations in the following business segments, namely:

- **Pharmaceutical distribution segment:** Pharmaceutical distribution is the Group's principal business. The Group provides distribution, logistics and other value-added services for domestic and international pharmaceutical and healthcare products manufacturers and other suppliers. The Group differentiates itself from its competitors in China by its strengths of geographic coverage, the breadth of its product portfolio and the comprehensive supply chain services provided to its customers and suppliers, etc.
- **Medical device distribution segment:** The Group is engaged in the distribution of medical devices in China.
- **Retail pharmacy segment:** The Group has established a network of retail drug stores in major cities of China via direct operations and franchises.
- **Other business segment:** The Group is also engaged in the production and sale of pharmaceutical products, chemical reagents and laboratory supplies.

Please refer to the sections headed "Management Discussion and Analysis" and "Corporate Governance Report" for a fair review and the analysis using financial key indicators on the Group's business, major risks and uncertainties faced by the Group, subsequent events (if any), and the future development of the Group's business. Those sections also form a part of this Report of the Board of Directors.

## Results

The operating results of the Group during the Reporting Period are set out in the consolidated statement of profit or loss on page 93 of this annual report.

## Dividends

Relevant resolution was passed at a meeting of the Board held on 21 March 2025 to propose to distribute a final dividend of RMB0.68 per share (tax inclusive) for the year ended 31 December 2024 (the "**Final Dividend**"), totalling approximately RMB2,122,046,000. If the proposal of profit distribution is approved by Shareholders at the 2024 annual general meeting to be held on Thursday, 12 June 2025 (the "**AGM**"), the Final Dividend will be distributed to the Shareholders whose names appear on the register of members of the Company on Monday, 23 June 2025 no later than 12 August 2025.

According to the Articles of Association of the Company, the Final Dividends will be denominated and declared in Renminbi. Final Dividend on domestic shares of the Company and for investors investing in the H shares of the Company through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect (the “**Southbound Trading**”) (the “**Southbound Trading Shareholders**”) will be paid in Renminbi, and the Final Dividend for other holders of H shares of the Company will be paid in Hong Kong dollars. The amount of the Final Dividend payable in Hong Kong dollars shall be calculated based on the average exchange rate of Renminbi to Hong Kong dollars as announced by the People’s Bank of China for the calendar week prior to 12 June 2025 (being the date of declaration of the Final Dividend).

For the Southbound Trading Shareholders, the Company has entered into the Agreement on Distribution of Cash Dividends of H shares for Southbound Trading (港股通H股股票現金紅利派發協議) with China Securities Depository and Clearing Corporation Limited, pursuant to which, the Shanghai Branch and Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, each of which as a nominee of the holders of H shares for Southbound Trading, will receive all the Final Dividend distributed by the Company and distribute the Final Dividend to the relevant Southbound Trading Shareholders through their depository and clearing systems.

Pursuant to the Enterprise Income Tax Law of the PRC and its implementing regulations (hereinafter collectively referred to as the “**EIT Law**”), the tax rate of the enterprise income tax applicable to the income of non-resident enterprise deriving from the PRC is 10%. For this purpose, any H shares registered under the name of non-individual enterprise, including the H shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organizations or entities, shall be deemed as shares held by non-resident enterprise Shareholders as defined under the EIT Law. The Company will distribute the Final Dividend to non-resident enterprise Shareholders subject to a deduction of 10% enterprise income tax withheld and paid by the Company on their behalf.

Any resident enterprise as defined under the EIT Law which has been legally incorporated in the PRC or which has established effective administrative entities in the PRC pursuant to the laws of foreign countries (regions) and whose name appears on the register of the members of H shares of the Company should deliver a legal opinion ascertaining its status as a resident enterprise furnished by a PRC lawyer (with the official chop of the issuing law firm affixed thereon) and relevant documents to Computershare Hong Kong Investor Services Limited in due course, if they do not wish to have the 10% enterprise income tax withheld and paid on their behalf by the Company.

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 Document (the “**Notice**”) issued by the State Administration of Tax on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprises which have issued shares in Hong Kong to the overseas resident individual Shareholders, is subject to the individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual Shareholders may vary depending on the relevant tax agreements between the countries of their residence and Mainland China. Thus, 10% personal income tax will be withheld by the Company from the Final Dividend payable to the individual H-share Shareholders whose names appear on the register of members of the Company on Monday, 23 June 2025, unless otherwise stated in the relevant taxation regulations, taxation agreements or the Notice. If individual H Share Shareholders consider that the tax rate adopted by the Company for the withholding and payment of individual income tax on their behalf is not the same as the tax rate stipulated in any tax treaties between the PRC and the countries (regions) in which they are domiciled, after receiving the dividends, they may proceed with the subsequent tax related treatment in person or through proxy with competent tax authorities of the Company in accordance with requirements under the tax treaties.



## Report of the Board of Directors

Pursuant to the “Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets” (Cai Shui [2014] No.81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and the “Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets” (Cai Shui [2016] No.127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)) jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission, for dividends derived by Mainland individual investors from investing in H-share listed on the Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect, H-share companies shall withhold individual income tax at a tax rate of 20% for the investors. For Mainland securities investment funds investing in shares listed on Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect, the above rules also apply and individual income tax shall be levied on dividends derived therefrom. Dividends derived by Mainland enterprise investors from investing in shares listed on Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect shall be reported and paid by the enterprise investors themselves. H-share companies will not withhold or pay enterprise income tax on their behalf in the distribution of dividends.

The Company will have no liability in respect of any claims arising from any delay in, or inaccurate determination of the status of the Shareholders or any disputes over the mechanism of withholding. The Board is not aware of any Shareholders who have waived or agreed to waive any dividends.

### Dividend Policy

The Company has established a dividend policy. Under the PRC Company Law and the Articles of Association, all of our Shareholders have equal rights to dividends and distribution. The declaration of dividends is subject to the discretion of the Board and the approval of the Shareholders, which the Company expects will take into account factors such as the following:

- (i) the Company's financial results;
- (ii) the Shareholders' interests;
- (iii) general business conditions and strategies;
- (iv) the Company's capital requirements;
- (v) contractual restrictions on the payment of dividends by the Company to its shareholders or by the Company's subsidiaries to the Company;
- (vi) taxation considerations;
- (vii) possible effects on the Company's credit worthiness;
- (viii) statutory and regulatory restrictions; and
- (ix) any other factors the Board may deem relevant.

The allocations to the statutory common reserve fund are currently determined to be 10% of the Company's after-tax profit attributable to equity holders of the Company for the fiscal year determined in accordance with PRC accounting rules and regulations. When the accumulated allocations to the statutory common reserve fund reach 50% of the Company's registered capital, the Company will no longer be required to make allowances for allocation to the statutory common reserve fund.

### Purchase, Sale and Redemption of Listed Securities

During the Reporting Period, none of the Company and its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company (including sales of Treasury Shares within the meaning under the Listing Rules). As at 31 December 2024, the Company did not hold any Treasury Shares.

### Principal Subsidiaries

Details of the names, principal places of business, places of incorporation and issued share capital of the Company's principal subsidiaries are set out in Note 47 to the Consolidated Financial Statements.

### Reserves

Details of movements in reserves of the Group during the Reporting Period are set out in the Consolidated Statement of Changes in Equity on page 98 to page 99 of this annual report and Note 40 to the Consolidated Financial Statements.

### Distributable Reserves

In accordance with the PRC Company Law, the Company may only distribute dividends out of its distributable profits of the year (i.e. the Company's profit after tax after offsetting:

- (i) the accumulated losses brought forward from the previous years; and
- (ii) the allocations to the statutory surplus reserve and, if any, the discretionary common reserve (in such order of priorities)).

According to the Articles of Association, for the purpose of determining distributable profit, the distributable profit of the Company shall be the lower of its profit after tax determined in accordance with: (i) the PRC accounting standards and regulations; and (ii) the HKFRSs.

In 2024, the distributable reserves of the Group, calculated based on the above principles, amounted to approximately RMB53,745 million, which is prepared in accordance with the HKFRSs.

### Property, Plant, Equipment and Investment Properties

Details of changes in investment properties and property, plant and equipment of the Group during the Reporting Period are set out in Notes 17 and 18 to the Consolidated Financial Statements.

### Borrowings

Details of borrowings of the Group are set out in Note 33 to the Consolidated Financial Statements.

## Report of the Board of Directors

### Debenture

During the Reporting Period, the Group has successfully issued corporate bonds of RMB3.0 billion and super short-term financing bonds of RMB6.5 billion, for the purpose of broadening the financing channels, reducing financing costs, so as to repay bank borrowings and replenish the working capital.

Details of issuance and redemption of bonds of the Group during the Reporting Period are set out in Note 33 to the Consolidated Financial Statements.

### Major Customers and Suppliers

During the Reporting Period, purchases of goods and services from its 5 largest suppliers were less than 30% of the Group's total purchases, and the goods and services sold to its 5 largest customers were less than 30% of the Group's total sales.

### Permitted Indemnity Provisions

The Company has maintained directors' liability insurance to protect the Directors of the Company against any potential losses arising from his/her actual or alleged misconduct. Such insurance was in force during the Reporting Period and remained effective as of the date of this report.

### Connected Transactions

Pursuant to the requirements of the Listing Rules, the transactions between the Company and its connected persons (as defined under the Listing Rules) constitute connected transactions of the Company. The Company regulates and manages such transactions in compliance with the Listing Rules. The followings are the non-exempt connected transactions conducted by the Group during the Reporting Period.

### Non-Exempt Continuing Connected Transactions

For the year of 2024, the Group entered into several non-exempt continuing connected transactions. The annual caps for and the actual transaction amounts of the non-exempt continuing connected transactions by the Group are set out below:

<b>Transactions between the Group and the CNPGC Group under the Procurement Framework Agreement and Sales Framework Agreement</b>	<b>Annual cap for the year 2024 (RMB million)</b>	<b>Actual transaction amounts for the year ended 31 December 2024 (RMB million)</b>
Transactions between the Group and the CNPGC Group under the Procurement Framework Agreement	12,500	7,708
Transactions between the Group and the CNPGC Group under the Sales Framework Agreement	3,200	1,918

## Report of the Board of Directors

<b>Transactions between the Group and the Finance Company under the Financial Services Framework Agreement</b>	<b>Maximum daily balance cap for the year ended 31 December 2024 (RMB million)</b>	<b>Actual maximum daily balance for the year ended 31 December 2024 (RMB million)</b>
Maximum daily balance of the deposits placed with the Finance Company by the Group (including accrued interest)	2,630	2,622
<b>Transactions between the Group and the Finance Company under the Financial Services Framework Agreement</b>	<b>Annual cap for the year 2024 (RMB million)</b>	<b>Actual transaction amounts for the year ended 31 December 2024 (RMB million)</b>
Interests/service fees incurred by the Group for the provision of other financial services by the Finance Company	500	81
<b>Transaction between the Group and the CNPGC Group under the EPC General Contracting Services Framework Agreement</b>	<b>Annual cap for the year 2024 (RMB million)</b>	<b>Actual transaction amounts for the year ended 31 December 2024 (RMB million)</b>
Amount payable by the Group to the CNPGC Group under the EPC General Contracting Services Framework Agreement	1,600	119
<b>Transaction between the Group and the Factoring Company under the Factoring Services Framework Agreement</b>	<b>Annual cap for the year 2024 (RMB million)</b>	<b>Actual transaction amounts for the year ended 31 December 2024 (RMB million)</b>
Interests/service fees payable by the Group to the Factoring Company under the Factoring Services Framework Agreement	250	77
<b>Transactions between the Group and the Natong Group under the Procurement Framework Agreement</b>	<b>Annual cap for the year 2024 (RMB million)</b>	<b>Actual transaction amounts for the year ended 31 December 2024 (RMB million)</b>
Amount paid by the Group to the Natong Group under the Procurement Framework Agreement	1,440	348

## Report of the Board of Directors

### The continuing connected transactions between the Group and the CNPGC Group under the Procurement Framework Agreement

In order to regulate the continuing connected transactions in respect of the procurement of pharmaceutical products between the Group and CNPGC Group, the Company and the CNPGC renewed the Procurement Framework Agreement of pharmaceutical products, personal-care supplies, medical devices and health products (the “**Procurement Framework Agreement**”) on 9 November 2023, and set up the annual caps for the continuing connected transactions contemplated under the Procurement Framework Agreement for the three years ending 31 December 2026 to be RMB12,500 million, RMB14,900 million and RMB17,700 million, respectively.

Pursuant to the Listing Rules, the above-mentioned Procurement Framework Agreement and the annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2026 have been approved by the independent Shareholders of the Company.

Pursuant to the Procurement Framework Agreement, the Group has agreed to purchase pharmaceutical products, personal-care supplies, medical devices and health products from the CNPGC Group, and the CNPGC Group has agreed to sell such products to the Group.

Under the Procurement Framework Agreement, the price shall be determined in accordance with the following pricing principles: (i) the final price of the relevant product is sold to hospitals, pharmacies and other institutions (for products procured through national centralised procurement or public bidding process by local governments, the final price refers to the winning tender price published on the public official websites of the local governments, such as: the website of Shanghai Sunshine Medical Procurement ALL-IN-ONE (上海陽光醫藥採購網), the website of Beijing Municipal Medical Insurance Bureau Medicine Sunshine Purchasing (北京市醫療保障局陽光採購網站), the website of Tianjin Medicine Purchasing Center (天津市醫藥採購中心網站), the website of Chongqing Drug Delivery (重慶藥交網); for products that are not procured through public bidding process, the final price refers to the price that the manufacturer files with the government, such as price of medical insurance drug or the hospital's procurement price from the distributor which is determined according to the agreement between the manufacturer and the hospital, or the manufacturer's proposed terminal sales price for relevant products in the corresponding channel (such as hospitals and pharmacies)), (ii) the distribution costs of the Group; and (iii) the profit level of the Group on relevant products, which will be determined by the parties through arm's length negotiation. The price of products such as personal care supplies and health products to be purchased by the Group from the CNPGC Group under the Procurement Framework Agreement will be determined by the parties through arm's length negotiation, having mainly taken into account the proposed terminal sales price provided by the CNPGC Group for the relevant products in the corresponding channel (such as hospitals and pharmacies), the distribution costs of the Group, and the profit level of the Group on relevant products. After taking into consideration all the above-mentioned factors and going through all the necessary internal review and approval procedures, if the Group considers that the procurement price offered by the CNPGC Group is not in the best interest of the Company and its Shareholders, or is not fair and reasonable, it is entitled not to purchase such products from the CNPGC Group.



The Procurement Framework Agreement is for a term of three years with effect from 1 January 2024 and ended on 31 December 2026. Upon expiry, the Procurement Framework Agreement will, subject to compliance with the relevant laws and regulations and the relevant requirements under the Listing Rules and agreement of the parties, be renewed or extended. For details of the transactions, please refer to the announcement of the Company dated 9 November 2023.

CNPGC is the ultimate controlling Shareholder of the Company and a connected person of the Company under the Listing Rules. Therefore, the transactions under the Procurement Framework Agreement between the Company and the CNPGC constitute continuing connected transactions of the Company.

### **The continuing connected transactions between the Group and the CNPGC Group under the Sales Framework Agreement**

In order to regulate the continuing connected transactions in respect of the sales of pharmaceutical products between the Group and the CNPGC Group, the Company and the CNPGC renewed the Sales Framework Agreement in respect of pharmaceutical products, personal-care supplies, medical devices, chemical reagents, laboratory supplies and health products (the **"Sales Framework Agreement"**) on 9 November 2023, and set up the annual caps for the continuing connected transactions contemplated under the Sales Framework Agreement for the three years ending 31 December 2026 to be RMB3,200 million, RMB4,000 million and RMB4,900 million, respectively.

Pursuant to the Listing Rules, the above-mentioned Sales Framework Agreement and the annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2026 have been approved by the independent Shareholders of the Company.

Pursuant to the Sales Framework Agreement, the Group has agreed to sell products such as pharmaceutical products, personal-care supplies, medical devices, chemical reagents, laboratory supplies and health products to the CNPGC Group; and the CNPGC Group has agreed to purchase such products from the Group.

Under the Sales Framework Agreement, the sales price shall be determined in accordance with the following pricing principles: (i) the procurement costs (including products costs, cost of capital, logistic cost and others) for the relevant products purchased by the Group; and (ii) the profit level of the Group on relevant products, which will be determined on an arm's length basis between the parties and after going through all necessary internal review and approval procedures.

The Sales Framework Agreement is for a term of three years with effect from 1 January 2024 and ended on 31 December 2026. Upon expiry, the Sales Framework Agreement will, subject to compliance with the relevant laws and regulations and the relevant requirements under the Listing Rules and agreement of the parties, be renewed or extended. For details of the transactions, please refer to the announcements of the Company dated 9 November 2023.

CNPGC is the ultimate controlling Shareholder of the Company and a connected person of the Company under the Listing Rules. Therefore, the transactions under the Sales Framework Agreement between the Company and the CNPGC constitute continuing connected transactions of the Company.

## Report of the Board of Directors

### The continuing connected transactions between the Group and the Finance Company under the Financial Services Framework Agreement

In order to regulate the continuing connected transactions in respect of the utilization of financial services between the Group and the Finance Company, the Company and the Finance Company renewed the Financial Services Framework Agreement (the “**Financial Services Framework Agreement**”) on 27 December 2023, and set up the maximum daily balance (including accrued interests) of the deposits under the Financial Services Framework Agreement for each of the three years ending 31 December 2026 to be RMB2,630 million, and the annual caps for the transaction amount payable for the other financial services for each of the three years ending 31 December 2026 to be RMB500 million.

Pursuant to the Listing Rules, the Financial Services Framework Agreement and the annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2026 have been approved by the Board of the Company.

Pursuant to the Financial Services Framework Agreement, the Group will, from time to time, utilize the following financial services available from the Finance Company as deemed necessary. Such services include: deposit services; loan and entrustment loan services; bill discounting, bill acceptance, non-financing letter of guarantee and settlement services; and other business, including but not limited to the business which can only be carried on with the approval of the National Financial Regulatory Administration.

Fees and charges payable by the Group to the Finance Company under the Financial Services Framework Agreement are determined on the following basis:

- (1) Deposit Services: In determining the interest rates for the deposits to be placed by the Group with the Finance Company, the Group shall obtain the quotation on interest rates from the Finance Company, and make reference to the interest rates of the same type of deposits quoted by not less than three major commercial banks in the PRC (the “**Reference Deposit Rates**”). The interest rate applicable to the Group for its deposits with the Finance Company shall, subject to compliance with requirements on interest rates prescribed by the PBOC for such type of deposits, be the higher of: (i) the maximum Reference Deposit Rates; and (ii) the interest rates offered by the Finance Company.
- (2) Loan services: The terms of loans provided to the Group by the Finance Company shall be no less favorable than the terms of the same type of loans offered to the Group by independent third party commercial banks which have existing cooperative relationships with the Group. In determining the applicable interest rates for loans to be granted to the Group by the Finance Company, the Group shall obtain the quotation on interest rates from the Finance Company, and make reference to the interest rates of the same type of loans quoted by not less than three major commercial banks in the PRC (the “**Reference Loan Rates**”). The interest rate applicable to the Group for its loans to be granted by the Finance Company shall be the lower of: (i) the lowest Reference Loan Rate; and (ii) the interest rate offered by the Finance Company. Subject to compliance with relevant laws, regulations and regulatory requirements, the Finance Company will provide the loan services on normal commercial terms or better and such loans will not be secured by the assets of the Group.

- (3) Other financial services and financial services to be carried out: The fees charged for other financial services to be provided by the Finance Company to the Group shall comply with the standard rates as promulgated by the PBOC or the National Financial Regulatory Administration, if applicable. The terms of other financial services provided to the Group by the Finance Company shall be no less favorable than the terms of the same type of other financial services provided by independent third party commercial banks which have existing cooperative relationships with the Group. In determining the applicable fees for other financial services to be charged by the Finance Company from Group, the Group shall obtain the fee quotation from the Finance Company, and make reference to the fees for the same type of financial services quoted by not less than three major commercial banks in the PRC (the **“Reference Service Fees”**). The applicable fees for other finance services to be offered by the Finance Company to the Group shall be the lower of: (i) the lowest Reference Service Fee; and (ii) the fees charged by the Finance Company. The settlement services provided by the Finance Company to the Group will be free of charge.

The Financial Services Framework Agreement is effective for a term of three years from 1 January 2024 to 31 December 2026. For details of the transactions, please refer to the announcement of the Company dated 27 December 2023.

The Finance Company is a subsidiary of the ultimate controlling Shareholder of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Financial Services Framework Agreement between the Company and the Finance Company constitute continuing connected transactions of the Company.

### **The continuing connected transactions between the Group and the CNPGC Group under the EPC General Contracting Services Framework Agreement**

In order to regulate the continuing connected transactions in respect of the EPC general contracting services between the Group and the CNPGC Group, the Company and the CNPGC renewed the EPC General Contracting Services Framework Agreement (the **“EPC General Contracting Services Framework Agreement”**) on 9 November 2023, and set up the annual caps for the continuing connected transactions contemplated under the EPC General Contracting Services Framework Agreement for each of the three years ending 31 December 2026 to be RMB1,600 million, RMB2,100 million and RMB2,500 million, respectively.

Pursuant to the Listing Rules, the EPC General Contracting Services Framework Agreement and the annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2026 have been approved by the Board of the Company.

Pursuant to the EPC General Contracting Services Framework Agreement, the CNPGC Group will provide EPC (Engineering, Procurement, and Construction) general contracting services to the Group according to the EPC general contracting agreements obtained by CNPGC Group through bidding process.

## Report of the Board of Directors

Under the EPC General Contracting Services Framework Agreement, the CNPGC Group shall bid by stringently following the steps and/or measurements as stipulated by The Invitation and Submission of Bids Law of the PRC and the specific requirements in bidding invitation documents made by the Group. The bid invitation documents made by the Group include all substantial requirements and all key terms for the conclusion of contracts, including: the project's technical requirements, the criteria for examination of the contractors, the requirements for the bid price and the standard of evaluation of the bid and etc. The Group's tender committee is responsible for (i) ensuring the process is in accordance with the Invitation and Submission of Bids Law of the PRC (《中華人民共和國招標投標法》); (ii) reviewing, evaluating and monitoring documents from outsourcing service providers based on the technical, commercial and pricing criteria and payment terms of relevant service fees, which will ensure the terms obtained by the Group from the CNPGC Group is no less favorable than the quality and condition offered by independent third parties to the Group or those are available to independent third parties from the CNPGC Group for the same or similar services; and (iii) grading the service providers and writing recommendation advice. The Group's tender committee is responsible for determining whether to accept the EPC general contracting services for particular EPC projects offered by the CNPGC Group after all necessary internal review and approval procedures are carried out. After considering above factors and going through all necessary internal review and approval procedures, the Group will determine whether to accept the EPC general contracting services for particular EPC projects offered by the CNPGC Group.

The EPC General Contracting Services Framework Agreement is for a term of three years with effect from 1 January 2024 and ended on 31 December 2026. For details of the transactions, please refer to the announcement of the Company dated 9 November 2023.

CNPGC is the ultimate controlling Shareholder of the Company and a connected person of the Company under the Listing Rules. The transactions under the EPC General Contracting Services Framework Agreement between the Company and the CNPGC constitute continuing connected transactions of the Company.

### The continuing connected transactions between the Group and the Factoring Company under the Factoring Services Framework Agreement

In order to regulate the continuing connected transactions in respect of the factoring services between the Group and Factoring Company, the Company and the Factoring Company entered into the Factoring Services Framework Agreement (the **"Factoring Services Framework Agreement"**) on 9 November 2023, and set up the annual caps of interests/fees payable by the Group for commercial factoring services for each of the three years ending 31 December 2026 under the Factoring Services Framework Agreement to be RMB250 million, RMB280 million and RMB320 million, respectively.

Pursuant to the Listing Rules, the Factoring Services Framework Agreement and the annual caps for the continuing connected transactions contemplated thereunder for three years ending 31 December 2026 have been approved by the Board of the Company.

Pursuant to the Factoring Services Framework Agreement, the Factoring Company will provide recourse and non-recourse factoring and other commercial factoring services (including sales sub-account management services, accounts receivable collection services and other permitted business of the Factoring Company) to the Group.

Pursuant to the Factoring Services Framework Agreement, the comprehensive pricing (including interest and fees) of the commercial factoring services charged by the Factoring Company shall be fair and reasonable and shall not be higher than the comprehensive pricing (including interest and fees) of the same commercial factoring services provided by independent third parties to the Group or provided by Factoring Company to independent third parties during the same period.

The Factoring Services Framework Agreement shall be effective from 1 January 2024 to 31 December 2026. For details of the transactions, please refer to the announcement of the Company dated 9 November 2023.

The Factoring Company is a subsidiary of the Company's ultimate controlling Shareholder, and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Factoring Services Framework Agreement constitute continuing connected transactions of the Company.

### **The continuing connected transactions between the Group and the Natong Group under the Natong Procurement Framework Agreement**

In order to effectively regulate the continuing connected transactions in respect of the procurement of medical devices between the Group and Natong Group Company, its subsidiaries and 30%-controlled companies (collectively the **"Natong Group"**), the Company and the Natong Group Company entered into the Procurement Framework Agreement (the **"Natong Procurement Framework Agreement"**) for medical devices including orthopedic consumables, surgical instruments and other related or auxiliary products as well as masks and other pandemic prevention materials on 28 July 2020 and renewed it on 26 October 2022, and set up the annual caps for the continuing connected transactions contemplated under the Natong Procurement Framework Agreement for the three years ending 31 December 2025 to be RMB1,210 million, RMB1,440 million and RMB1,620 million, respectively.

Pursuant to the Listing Rules, the Natong Procurement Framework Agreement and the annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2025 have been approved by the Board of the Company.

Pursuant to the Natong Procurement Framework Agreement, the Group has agreed to procure medical devices including orthopedic consumables, surgical instruments and other related or auxiliary products as well as masks and other pandemic prevention materials from the Natong Group, and the Natong Group has agreed to sell such products to the Group.

The Group will procure relevant products from the Natong Group on a voluntary and non-compulsory basis and is entitled to procure aforementioned products from any other third parties.



## Report of the Board of Directors

Under the Natong Procurement Framework Agreement, the price shall be determined in accordance with the following pricing principles: (i) The price of medical devices including orthopedic consumables, surgical instruments and other related or auxiliary products as well as masks and other pandemic prevention materials procured by the Group from the Natong Group under the Natong Procurement Framework Agreement will be offered by members of the Natong Group based on the bid-winning price won by members of the Natong Group in the public bidding procedures of the tender offices of Chinese government or hospitals, or the procurement price from medical institutions, deducting the gross profit of distributors at each level; (ii) The Natong Group will on a semi-annual basis, provide the Company and its subsidiaries with the price strategy of the specific varieties of related products of the same business type and provide the Company and/or its subsidiaries with the procurement price list of the specific varieties of related products prior to entering into each individual implementation agreement. In the event of major changes in product prices due to changes in industry policies, it will further provide the latest price strategy of related products in a timely manner; (iii) The Company and/or its subsidiaries, after considering a variety of factors relating to the specific product comprehensively, including but not limited to the price, quality, terms of payment, delivery method, after-sales service, gross profit and average price in the industry (which is obtained from public channels – the bidding prices of the specific products, which are won by relevant members of the Natong Group and other independent third parties through their participation in the public bidding process of such products conducted by the tender offices of Chinese governments or hospitals) and going through all necessary internal review and approval procedures of the president and various departments of the Company and/or its subsidiaries, including but not limited to business department, and departments responsible for finance, legal and compliance, operation and quality, will determine whether to accept the procurement price of specific product as offered by members of the Natong Group. If the Company and/or its subsidiaries, after taking into consideration all the above-mentioned factors, consider that the procurement price offered by members of the Natong Group is not in the best interest of the Company and its shareholders, or is not fair and reasonable, they will make the decision not to procure such products from the Natong Group.

The Natong Group Company is the holding company of Beijing Natong Shichuang Investment Management Co., Ltd. (北京納通實創投資管理有限公司), a substantial shareholder of CSIMC (a significant subsidiary of the Company) and a connected person of the Company under the Listing Rules. Therefore, the transactions under the Natong Procurement Framework Agreement between the Company and the Natong Group Company constitute continuing connected transactions of the Company.

The Company has confirmed that the execution and enforcement of the implementation agreements under the continuing connected transactions set above for the year ended 31 December 2024 has followed the pricing principles of such continuing connected transactions.

The independent non-executive Directors had reviewed the above continuing connected transactions and confirmed that these transactions had been entered into:

- i. in the ordinary and usual course of business of the Group;
- ii. either on normal commercial terms or on terms no less favourable to the Company; and
- iii. in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditors of the Company to perform certain agreed-upon procedures in respect of the continuing connected transactions and the auditors have reported the factual findings on these procedures to the Board.

The auditors of the Company had informed the Board and confirmed that with respect to the above-mentioned continuing connected transactions, they did not:

- i. notice anything that would cause them to believe that the above-mentioned continuing connected transactions have not been approved by the Board of the Company;
- ii. for the transaction involving the provision of goods or services by the Group, notice anything that would cause them to believe that the transactions were not conducted in accordance with the Group's pricing policy in all material aspects;
- iii. notice anything that would cause them to believe that the above-mentioned continuing connected transactions were not entered into in accordance with the relevant agreements governing such transactions in all material aspects; and
- iv. notice anything that would cause them to believe that the above-mentioned continuing connected transactions exceeded the annual cap set by the Company.

Save as disclosed above, for the year ended 31 December 2024, there is no other related party transaction or continuing related party transaction set out in Note 46 to the Consolidated Financial Statements which constitutes discloseable connected transaction or continuing connected transaction under the Listing Rules. In respect of the connected transactions and the continuing connected transactions, the Company has complied with all requirements (including disclosure requirements) of the Listing Rules (as amended from time to time).

### Directors' and Supervisors' Service Contracts

Each of the Directors and Supervisors has entered into a service contract with the Company. None of the Directors and Supervisors has entered into any service contract with the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## Report of the Board of Directors

### Details of Directors, Supervisors and Senior Management

Biographies of the Directors, Supervisors and senior management are set out in the section headed “Biographies of the Directors, Supervisors and Senior Management” of this annual report.

The list of Directors during the Reporting Period and as at the Latest Practicable Date is set out below:

Name	Position	Date of appointment/ re-election	Date of expiry/resignation
<b>Executive Directors</b>			
Lian Wanyong	Executive Director, President	Appointed on 13 September 2024	Expired on 14 September 2026
Sun Jinglin	Executive Director, Deputy Secretary of Party Committee	Appointed on 12 February 2025	Expired on 14 September 2026
Yu Qingming (retired)	Executive Director, Chairman	Re-elected on 15 September 2023	Retired on 27 August 2024
Liu Yong (retired)	Executive Director, President	Re-elected on 15 September 2023	Retired on 27 August 2024
<b>Non-executive Directors</b>			
Zhao Bingxiang	Non-executive Director, Chairman	Appointed on 13 September 2024	Expired on 14 September 2026
Chen Qiyu	Non-executive Director, Vice Chairman	Re-elected on 15 September 2023	Expired on 14 September 2026
Hu Ligang	Non-executive Director	Appointed on 12 February 2025	Expired on 14 September 2026
Zu Jing	Non-executive Director	Appointed on 12 February 2025	Expired on 14 September 2026
Xing Yonggang	Non-executive Director	Appointed on 12 February 2025	Expired on 14 September 2026
Hu Jianwei (retired)	Non-executive Director	Re-elected on 15 September 2023	Retired on 27 August 2024
Deng Jindong (retired)	Non-executive Director	Re-elected on 15 September 2023	Retired on 27 August 2024
Wang Kan (retired)	Non-executive Director	Re-elected on 15 September 2023	Retired on 8 January 2025
Wang Peng (retired)	Non-executive Director	Appointed on 15 September 2023	Retired on 8 January 2025
Wen Deyong	Non-executive Director	Re-elected on 15 September 2023	Expired on 14 September 2026
Li Dongjiu	Non-executive Director	Re-elected on 15 September 2023	Expired on 14 September 2026
Feng Rongli	Non-executive Director	Re-elected on 15 September 2023	Expired on 14 September 2026
<b>Independent non-executive Directors</b>			
Chen Fangruo	Independent non-executive Director	Re-elected on 15 September 2023	Expired on 27 December 2024 <sup>(1)</sup>
Li Peiyu	Independent non-executive Director	Re-elected on 15 September 2023	Expired on 14 September 2026
Wu Tak Lung	Independent non-executive Director	Re-elected on 15 September 2023	Expired on 14 September 2026
Yu Weifeng	Independent non-executive Director	Re-elected on 15 September 2023	Expired on 14 September 2026
Shi Shenghao	Independent non-executive Director	Re-elected on 15 September 2023	Expired on 14 September 2026

- (1) According to the provision of the Rules of Procedure of the Board of Directors, which states that the term of office for an independent non-executive director shall not exceed six years, Mr. Chen Fangruo's tenure as an independent non-executive Director has expired. However, he still meets the tenure requirements for an independent non-executive director under the Listing Rules. Meanwhile, the Company is proactively engaging with candidates who possess specific professional backgrounds that align with the strategic development needs of the Company. Mr. Chen Fangruo will continue to perform his duties as an independent non-executive Director until a qualified successor is appointed.

### Remunerations of Directors, Supervisors, Senior Management and Five Highest Paid Individuals

The Remuneration Committee determines and makes recommendation to the Board (as appropriate) on the remuneration and other benefits payable to the Directors. The committee regularly reviews the remuneration of all Directors to ensure that their remuneration and compensation are at appropriate level. The Group maintains competitive remuneration packages with reference to the industry standard and according to the business development of the Group, and determines remuneration of the Directors based on their qualifications, experience and contributions, to attract and retain its Directors as well as to control costs.

Details of the remuneration of the Directors and Supervisors in 2024 are set out in Note 49 to the Consolidated Financial Statements.

Details of the five highest paid individuals of the Group in 2024 are set out in Note 11 to the Consolidated Financial Statements. Except for the Directors and Supervisors of the Company, details of the remuneration of the senior management of the Company by band for the year ended 31 December 2024 are set out as follows:

Range	Number of individuals
Below RMB2,000,000	3
RMB2,000,000 to RMB3,000,000	6

### Interests of Directors and Supervisors in Transaction, Arrangement or Contract

Save as the non-exempt connected transactions disclosed in this annual report, for the year ended 31 December 2024, there was no transaction, arrangement and contract of significance to which the Company, its holding company, its subsidiaries or a subsidiary of its holding company was a party and in which a Director, Supervisor or their connected entity has or had at any time during that period, in any way, whether directly or indirectly, a material interest.

### Interests of Directors in Competing Business

As at 31 December 2024, none of the Directors of the Company has any interests in the competing business which would be required to be disclosed under Rule 8.10 of the Listing Rules.

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

As at 31 December 2024, none of the Directors, Supervisors and the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

## Report of the Board of Directors

### Rights to Purchase Shares or Debentures of Directors, Supervisors and Chief Executive

No arrangements to which the Company, any of its subsidiaries, its holding company or any subsidiary of its holding company is or was a party enabling the Directors, Supervisors and the chief executive of the Company to acquire benefits by means of acquisitions of shares or debentures of the Company or any other body corporate subsisted during the Reporting Period.

### Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 31 December 2024, to the best knowledge of the Directors, the interests or short positions of the following persons (other than the Directors, Supervisors or the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage to the total number of shares of the Company (%)	Approximate percentage to the relevant class of shares (%)	Long position/ short position
CNPGC	Domestic shares	Beneficial owner	207,289,498 (Note 2)	6.64	11.65	Long position
	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 2)	50.36	88.35	Long position
Sinopharm Investment	Domestic shares	Beneficial owner	1,571,555,953 (Notes 1 and 2)	50.36	88.35	Long position
Fosun Pharma	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 3)	50.36	88.35	Long position
Fosun High Technology	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 4)	50.36	88.35	Long position
Fosun International	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 5)	50.36	88.35	Long position
Fosun Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 6)	50.36	88.35	Long position
Fosun International Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 7)	50.36	88.35	Long position
Mr. Guo Guangchang	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 8)	50.36	88.35	Long position
FMR LLC	H shares	Interest of controlled corporation	150,406,749 (Note 9)	4.82	11.21	Long position
Lazard Asset Management LLC	H shares	Investment manager	114,698,209 (Note 10)	3.68	8.55	Long position



## Report of the Board of Directors

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage to the total number of shares of the Company (%)	Approximate percentage to the relevant class of shares (%)	Long position/ short position
JPMorgan Chase & Co.	H shares	Beneficial owner	15,824,497	0.51	1.18	Long position
			13,545,010	0.43	1.01	Short position
		Investment manager	69,301,262	2.22	5.16	Long position
		Person having a security interest in shares	1,714,233	0.05	0.13	Long position
		Trustee	5,560	0.00	0.00	Long position
		Approved lending agent	18,365,790 (Note 11)	0.59	1.37	Long position
CITIC Securities Company Limited	H shares	Interest of controlled corporation	8,400	0.00	0.00	Long position
			28,380	0.00	0.00	Short position
		Investment manager	119,693,200	3.84	8.92	Long position
		Beneficial owner	1,120,000 (Note 12)	0.04	0.08	Long position
CITIC Securities – Yunfan Single Asset Management Plan (雲帆單一資產管理計劃)	H shares	Others	108,286,000 (Note 13)	3.47	8.07	Long position
CITIC Securities Asset Management Co., Ltd.	H shares	Investment manager	108,286,000 (Note 13)	3.47	8.07	Long position

Notes: The information was disclosed based on the data available on the website of the Hong Kong Stock Exchange (di.hkex.com.hk).

- (1) Such 1,571,555,953 domestic shares belong to the same batch of shares.
- (2) CNPGC is interested in 207,289,498 domestic shares directly and 1,571,555,953 domestic shares indirectly through Sinopharm Investment. As CNPGC owns 51% equity interest in Sinopharm Investment, it is deemed to be interested in the domestic shares held by Sinopharm Investment for the purposes of the SFO.
- (3) Fosun Pharma is the beneficial owner of 49% equity interest in Sinopharm Investment and, therefore, Fosun Pharma is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (4) Fosun High Technology is the beneficial owner of 35.99% equity interest in Fosun Pharma and, therefore, Fosun High Technology is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

## Report of the Board of Directors

- (5) Fosun International is the beneficial owner of 100% equity interest in Fosun High Technology and the beneficial owner of 0.22% equity interest in Fosun Pharma and, therefore, Fosun International is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (6) Fosun Holdings is the beneficial owner of 72.76% equity interest in Fosun International and, therefore, Fosun Holdings is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (7) Fosun International Holdings is the beneficial owner of 100% equity interest in Fosun Holdings and, therefore, Fosun International Holdings is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (8) Mr. Guo Guangchang is the beneficial owner of 85.29% equity interest in Fosun International Holdings, 0.01% equity interest in Fosun International and 0.004% equity interest in Fosun Pharma and, therefore, Mr. Guo Guangchang is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (9) FMR LLC is interested in an aggregate of long positions of 150,406,749 H shares of the Company.
- (10) Lazard Asset Management LLC is interested in an aggregate of long positions of 114,698,209 H shares of the Company.
- (11) JP Morgan Chase & Co. is interested in an aggregate of 105,211,342 H shares of the Company in long position (including 18,365,790 H shares available for lending) and 13,545,010 H shares in short position.
- (12) CITIC Securities Company Limited is interested in an aggregate of 120,821,600 H shares of the Company in long position and 28,380 H Shares in short position.
- (13) CITIC Securities – Yunfan Single Asset Management Plan (雲帆單一資產管理計劃) is interested in 108,286,000 H shares of the Company in long position. All the asset management plans managed by CITIC Securities Asset Management Co., Ltd. on its behalf is interested in 108,286,000 H shares of the Company in long position.
- (14) The above-mentioned “approximate percentage to the total number of shares of the Company” is calculated based on the number of 3,120,656,191 total issued shares of the Company as at 31 December 2024. For H shares, the term of “approximate percentage to the relevant class of shares” is calculated based on the total number of 1,341,810,740 issued H shares of the Company as at 31 December 2024. For domestic shares, the term of “approximate percentage to the relevant class of shares” is calculated based on the total number of 1,778,845,451 issued domestic shares of the Company as at 31 December 2024.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2024, no person (other than the Directors, Supervisors or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

### Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association and the laws of the PRC which oblige the Company to offer pre-emptive rights of new shares to existing shareholders on their shareholding proportion.

### Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, there was sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules during the year of 2024 and as at the latest practicable date prior to the issue of this annual report.

### Management Contract

There was no contract concerning the management or administration of the whole or any substantial part of the business of the Company which was entered into or existed during the Reporting Period.

### Pension Scheme

During the Reporting Period, details of the pension scheme of the Group are set out in Note 11 to the Consolidated Financial Statements.

### Donation

During the Reporting Period, details of the donation of the Group are set out in Note 9 to the Consolidated Financial Statements.

### Environmental Policy and Performance

The Company complied with the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China and other laws and regulations. Following the principle of "synergy of anti-pollution and carbon reduction", the Company conducted environmental protection work in an orderly manner, promoted the establishment of the environmental management system, and continued to improve energy-saving and environmental protection management policies. In addition, the Company has established an energy conservation and environmental protection leading group, headed by the president of the Company with the vice president as the deputy head and the senior management as the members. Executives of each subsidiary are the primary personnel for environmental protection, which raise the awareness of environmental protection among the leaders of each enterprise. In order to promote the development and progress of low-carbon integration, systematization and standardization of Sinopharm Group, the Company accelerated the green transformation of the industry development. For further details on the Company's environmental policies, targets and performance, please refer to the 2024 Sustainability Report.

To ensure the effective implementation of the management systems, the Company has formulated the Supervision and Assessment Management Measures for Environmental Protection and Energy Conservation & Emission Reduction to clarify the responsibilities for energy saving and emission reduction. The performance of environmental protection has been included in the annual evaluation of the executives of the subsidiary with regular monitoring and assessment, realizing the management of the target-oriented responsibility system. Through the management and control of energy conservation and environment protection, the comprehensive energy consumption and carbon emission of Sinopharm Group decreased year by year. Besides, in daily environmental management, the Company regularly conducts detection and rectification of potential environmental hazards, while establishing and improving energy conservation and emissions reduction monitoring system, so as to continuously strengthen pollution control and utility usage management.

## Report of the Board of Directors

The Company has been actively responding to the national “dual carbon” goal and continuously developing greenhouse gas emission reduction operation by promoting clean production, resource recycling and energy conservation, to avoid or reduce greenhouse gas generation at source. The Company also explores the construction of solar photovoltaic and other clean energy projects to minimize fossil fuel consumption and greenhouse gas emissions.

The Company continues to implement environmental information disclosure and has been publishing sustainability reports or social responsibility reports for years, which include detailed information on the Company’s environmental management and performance. The annual sustainability report of this year will be published in April 2025.

### Overdue Deposit

As at 31 December 2024, the Group did not have any time deposit which could not be withdrawn upon maturity.

### Tax Relief and Exemption

Save as disclosed in this annual report, the Company is not aware that any holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

### Confirmation of Independence by Independent Non-executive Directors

The Company had received annual confirmation of independence from each of the independent non-executive Directors. Based on the confirmation, the Company considers that all independent non-executive Directors are independent under the Listing Rules.

### Auditor

The financial statements set out in this annual report have been audited by Confucius International CPA Limited. The term of service of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the international auditor and the domestic auditor of the Company for the year has expired on the date of the annual general meeting of the Company for 2023. Upon consideration and approval at the EGM of the Company, Confucius International CPA Limited and Pan-China Certified Public Accountants LLP have been appointed as the international auditor and domestic auditor of the Company, respectively. The term of service commenced from the date on which the relevant resolution is approved by the shareholders at the EGM up to the date of the next annual general meeting of the Company to be held in 2025.

By Order of the Board  
**Sinopharm Group Co. Ltd.**  
**Zhao Bingxiang**  
*Chairman*

Shanghai, the PRC  
21 March 2025

# Report of the Supervisory Committee

During the Reporting Period, all members of the supervisory committee of the Company (the “**Supervisory Committee**”) have complied with the principle of integrity and earnestly performed their supervisory duties in accordance with the relevant regulations set out in the PRC Company Law, the Articles of Association and Rules of Procedures for the Supervisory Committee of the Company to protect the interests of the shareholders and the Company.

## Works of the Supervisory Committee during the Reporting Period

For the year 2024, the Supervisory Committee held two meetings and the details are as follows:

On 22 March 2024, the second meeting of the sixth session of the Supervisory Committee was convened to consider and approve the “Report of the Supervisory Committee of 2023”, “2023 Annual Results Report” and “Resolution on Determination of 2024 Remuneration of Supervisors of the Sixth Session of the Supervisory Committee under the authorization of the General Meeting”.

On 23 August 2024, the third meeting of the sixth session of the Supervisory Committee was convened to consider and approve the “Resolution on 2024 Interim Results Report of the Company”.

## Comments of the Supervisory Committee on Certain Matters of the Company in 2024

During the Reporting Period, the members of the Supervisory Committee adhered to the principles of fidelity and accountability to all Shareholders and duly performed their duties and works according to the relevant laws and regulations. The Supervisory Committee worked actively, supervised the regulatory compliance and operation, financial condition, use of proceeds and internal control, etc. of the Company through convening meetings, attending shareholders’ general meetings and board meetings as non-voting delegates and onsite inspections. The Supervisory Committee has arrived at the following opinions:

1. Regulatory compliance of the operation of the Company. During the Reporting Period, the Board earnestly exercised the rights and performed the obligations conferred by the PRC Company Law and the Articles of Association to make decisions in time on material matters including production and operation plans and development objectives, and implemented all resolutions adopted by the shareholders’ general meetings and board meetings.
2. Evaluation of financial condition of the Company. During the Reporting Period, the Supervisory Committee has supervised and reviewed the financial rules and position of the Company. The Supervisory Committee is of the opinion that the financial rules of the Company was healthy and standardized and the Company was in a good financial position. The 2024 Audit Report of the Company has truly, accurately and completely reflected the financial condition, results of operation and cash flows of the Company.
3. Acquisition and disposal of assets of the Company. The acquisitions and disposals of the assets of the Company during the Reporting Period were based on fair and reasonable prices. No insider dealing or any action that may injure shareholders’ interests or cause any major loss of assets of the Company has been found.



## Report of the Supervisory Committee

4. Connected transactions of the Company. During the Reporting Period, save as disclosed in the 2024 annual report, the connected transactions between the Company and all connected persons conformed to applicable regulations of the Hong Kong Stock Exchange. The connected transactions were based on fair and reasonable prices and were carried out in accordance with the principles of reasonableness, fairness and justice. No harm to the interests of the Company and unrelated Shareholders has been found.
5. Preparation and review of annual report of the Company. The preparation and review procedures of the 2024 annual report of the Company conformed to all the relevant regulations of the Hong Kong Stock Exchange and relevant regulators. No breach of confidentiality provisions by personnel with inside information has been found.

In the coming year, the Supervisory Committee will continue to arduously perform its supervisory and monitoring duties with an aim to strengthen the overall competitiveness and sustainable profitability of the Company and to protect the interests of shareholders and the Company.

**Guan Xiaohui**  
*Chief Supervisor*

Shanghai, the PRC  
21 March 2025

# Independent Auditor's Report



天健國際會計師事務所有限公司  
Confucius International CPA Limited

Certified Public Accountants

香港灣仔莊士敦道181号大有大厦1501-08室  
Rooms 1501-08, 15th Floor, Tai Yau Building,  
181 Johnston Road, Wanchai, Hong Kong  
电话 Tel: (852) 3103 6980  
传真 Fax: (852) 3104 0170  
电邮 Email: info@pccpa.hk  
官网 Web: www.pccpa.hk

## TO THE SHAREHOLDERS OF SINOPHARM GROUP CO. LTD.

*(Incorporated in the People's Republic of China with limited liability)*

We have audited the consolidated financial statements of Sinopharm Group Co. Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 93 to 244, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Independent Auditor’s Report

## KEY AUDIT MATTERS

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<i>Assessment of the expected credit losses of trade receivables</i>	
Refer to Note 3 (Expected credit losses measurement – Trade receivables), Note 4 (Critical estimates and judgements) and Note 29 (Trade and notes receivable – Trade receivables) to the consolidated financial statements.	We understood, evaluated and validated the relevant internal controls which management control over the recoverability of trade receivables.
At 31 December 2024, the Group held trade receivables amounting to RMB187,635 million, against which the expected credit losses of RMB4,876 million was set aside in the consolidated financial statements.	We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or other fraud factors involved in determining the expected credit loss.
Management applied expected credit losses (“ECL”) model under HKFRS 9 to measure the impairment against trade receivables at the reporting date.	We checked the accuracy of aging of trade receivables prepared by management on a sample basis.
Management estimated the expected credit losses of trade receivables based on the lifetime expected credit losses. For trade receivable balances with objective evidence of impairment and significant different credit risk characteristics, individual provision was made based on a probability-weighted estimation of the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the Group expects to receive.	We assessed the recoverability of individually provided trade receivable balances on a sample basis. We assessed the collectability of the balances by checking the supporting evidence, including subsequent settlements, credit history, business performance and financial capability of these customers.

## KEY AUDIT MATTERS (continued)

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### *Assessment of the expected credit losses of trade receivables (continued)*

Trade receivables without objective evidence of impairment are grouped based on shared credit risk characteristics. The collective provision was determined based on the historical credit loss rates to the respective aging category of gross carrying amount of trade receivables. The expected credit loss rates are adjusted to reflect current and forward-looking information.

We identified assessment of the expected credit losses of trade receivables as a key audit matter due to the magnitude of trade receivables balance, estimation uncertainty of ECL and significance of management judgements and key assumptions applied.

With the assistance of our credit model experts, we performed the following procedures, including:

- Assessing management's methodology of estimating collective provisions by considering the historical bad debts amounts and pattern;
- Evaluating management's judgement that trade receivables are featured with significantly different credit risk characteristics;
- Evaluating management's assessment of the forward-looking information used to determine the expected credit losses by considering economic factors applied by the management.

We also evaluated management's assessment of the sensitivity of the forward-looking information based on reasonable possible changes of the related key assumptions.

Based on the procedures performed, we considered management's judgments and key assumptions applied in assessing the recoverability of trade receivables were supported by the evidence we gathered.

## Independent Auditor's Report

### KEY AUDIT MATTERS (continued)

#### Key Audit Matter

#### How our audit addressed the Key Audit Matter

##### *Goodwill impairment assessment*

Refer to Note 4 (Critical estimates and judgements) and Note 19 (Intangible Assets-Goodwill) to the consolidated financial statements.

We understood, evaluated and validated the relevant internal controls of the Group over the goodwill impairment assessment process.

At 31 December 2024, the Group had goodwill amounting to RMB8,064 million, against which a provision of RMB1,813 million was set aside in the consolidated financial statements.

We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or other fraud factors involved in determining the recoverable amounts of its CGUs;

In assessing the recoverable amounts of the Group's cash generating unit ("CGUs") which include goodwill, management performed the impairment test to compare the carrying amounts of CGUs with the recoverable amounts which is the higher of fair value less costs of disposal and value in use based on the discounted future cash flow method and external experts were involved in the impairment assessment on certain CGUs.

For the relevant CGUs, we compared the current year actual results with the forecast included in the prior year forecast to consider whether management's cash flow forecasts were reliable on a sample basis.

We compared the management's future cash flow forecasts with its historical data, budgets approved, and business plans developed on a sample basis.

With the assistance of our valuation experts, we performed the following procedures, including:

- Assessing the valuation approaches and methodologies adopted by management by reference to industry practice;



## KEY AUDIT MATTERS (continued)

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### *Goodwill impairment assessment (continued)*

While determining the value in use based on the discounted future cash flow method, management developed key assumptions including:

- revenue growth rates within the budget period;
- gross margin rate;
- growth rates to extrapolate cash flows beyond the budget period; and
- Pre-tax discount rate.

We identified goodwill impairment assessment as a key audit matter due to the magnitude of goodwill balance, estimation uncertainty of recoverable amounts, subjectivity and significance of management judgements and key assumptions applied.

– Comparing the revenue growth rates within the budget period with the CGUs' historical growth rates and industry historical data;

– Comparing the growth rates to extrapolate cash flows beyond the budget period with our independent expectation based on economic data;

– Comparing the gross margin rate with past performance, taking into consideration of market trends;

– Assessing the discount rate by considering and recalculating the weighted average cost of capital for the individual CGUs and comparable companies in the pharmaceutical industry, as well as considering territory specific factors, such as risk free interest rate and debt ratio prevailing in relevant market as of base date;

– Testing the mathematical accuracy of the calculations of discounted cash flows.

We obtained the valuation reports issued by the external valuation experts engaged by the management and assessed the competence, capabilities, and objectivity of these external valuation experts.

We evaluated management's sensitivity analyses on the key assumptions to assess the potential impacts on the recoverable amounts.

Based on the procedures performed, we considered that management's judgements and key assumptions applied in the impairment assessment of goodwill were supported by the evidence we gathered.

## Independent Auditor's Report

### OTHER MATTER

The consolidated financial statements of the Company for the year ended 31 December 2023, were audited by another auditor who expressed an unmodified opinion on those statements on 22 March 2024.

### OTHER INFORMATION

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

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

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

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

### RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- 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; and
- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

## Independent Auditor's Report

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

#### **Confucius International CPA Limited**

*Certified Public Accountants*

#### **Chan Lap Chi**

Practising Certificate Number: P04084

Hong Kong, 21 March 2025

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	6	584,507,930	596,569,565
Cost of sales	10	(540,252,540)	(548,057,887)
<b>Gross profit</b>		<b>44,255,390</b>	48,511,678
Other income	7	468,622	582,010
Selling and distribution expenses	10	(17,158,639)	(17,471,692)
Administrative expenses	10	(8,413,544)	(8,678,071)
Expected credit losses on financial and contract assets	8	(1,381,347)	(666,966)
Losses on derecognition of financial assets measured at amortised cost and fair value through other comprehensive income:	29	(1,582,079)	(2,067,764)
<b>Operating profit</b>		<b>16,188,403</b>	20,209,195
Other gains – net	9	46,923	661,284
Other expenses	9	(1,105,581)	(35,317)
Finance income		616,970	743,366
Finance costs		(2,945,212)	(3,173,740)
Finance costs – net	12	(2,328,242)	(2,430,374)
Share of profits and losses of:			
Associates	21	1,196,478	1,111,568
Joint ventures		2,918	(4,219)
		<b>1,199,396</b>	1,107,349
<b>Profit before tax</b>		<b>14,000,899</b>	19,512,137
Income tax expense	13	(3,577,305)	(4,502,309)
<b>Profit for the year</b>		<b>10,423,594</b>	15,009,828
<b>Attributable to:</b>			
Owners of the parent		7,049,683	9,053,760
Non-controlling interests		3,373,911	5,956,068
		<b>10,423,594</b>	15,009,828
<b>Earnings per share attributable to ordinary equity holders of the parent (expressed in RMB per share)</b>			
– Basic and diluted	14	2.26	2.90

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
<b>Profit for the year</b>		<b>10,423,594</b>	15,009,828
<b>Other comprehensive loss:</b>			
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Remeasurements of post-employment benefit obligations	13	(44,257)	(8,996)
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		(4,615)	6,864
Income tax effect		1,154	(1,716)
Fair value changes on financial asset, net of tax	13	(3,461)	5,148
<b>Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods</b>		<b>(47,718)</b>	(3,848)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		6,648	2,388
Share of other comprehensive income of associates		(1,938)	607
<b>Net other comprehensive income that may be reclassified to profit or loss in subsequent periods</b>		<b>4,710</b>	2,995
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>		<b>(43,008)</b>	(853)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>10,380,586</b>	15,008,975
<b>Attributable to:</b>			
Owners of the parent		7,019,431	9,053,491
Non-controlling interests		3,361,155	5,955,484
		<b>10,380,586</b>	15,008,975



# Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets	16	7,246,238	7,416,423
Investment properties	17	393,033	501,466
Property, plant and equipment	18	12,386,202	12,481,234
Intangible assets	19	8,948,873	10,196,149
Investments in joint ventures		22,530	22,812
Investments in associates	21	10,145,325	9,687,954
Equity investments designated at fair value through other comprehensive income	22	50,638	55,264
Financial assets at fair value through profit or loss	23	675,648	784,656
Finance lease receivables	24	111,701	5,854
Deferred tax assets	26	2,408,387	1,963,679
Other non-current assets	27	2,995,098	3,444,253
Total non-current assets		45,383,673	46,559,744
<b>Current assets</b>			
Inventories	28	62,352,812	60,027,648
Trade and notes receivable	29	200,254,553	184,432,543
Contract assets	30	1,218,317	1,354,519
Prepayments, other receivables and other assets	31	16,549,885	16,196,932
Financial assets at fair value through profit or loss	23	158	547
Finance lease receivables	24	5,751	3,297
Pledged deposits, restricted cash and bank deposits with an initial term of over three months	32	12,752,736	11,011,076
Cash and cash equivalents	32	54,313,359	63,808,538
Total current assets		347,447,571	336,835,100
<b>Total assets</b>		<b>392,831,244</b>	<b>383,394,844</b>

## Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	39	3,120,656	3,120,656
Treasury shares		(3,838)	(3,838)
Other reserves	40	22,022,096	22,055,339
Retained earnings	40	53,744,881	49,410,060
		<b>78,883,795</b>	74,582,217
<b>Non-controlling interests</b>			
		<b>47,803,507</b>	45,736,528
<b>Total equity</b>		<b>126,687,302</b>	120,318,745
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	33	8,637,231	13,834,037
Lease liabilities	16	3,259,280	3,420,841
Deferred tax liabilities	26	638,754	788,379
Post-employment benefit obligations	37	412,884	366,512
Contract liabilities	35	54,776	80,230
Other non-current liabilities	38	2,765,429	3,095,463
<b>Total non-current liabilities</b>		<b>15,768,354</b>	21,585,462

## Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	33	62,729,048	54,730,449
Lease liabilities	16	1,760,575	1,796,525
Trade and notes payable	34	151,109,247	146,632,453
Contract liabilities	35	6,828,857	6,398,902
Accruals and other payables	36	26,262,003	29,901,366
Dividends payable		238,557	256,374
Tax payable		1,447,301	1,774,568
Total current liabilities		250,375,588	241,490,637
<b>TOTAL LIABILITIES</b>		266,143,942	263,076,099
<b>TOTAL EQUITY AND LIABILITIES</b>		392,831,244	383,394,844

The financial statements were approved by the Board of Directors on 21 March 2025 and were signed on its behalf by:

**Zhao Bingxiang**  
Director

**Wu Tak Lung**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Notes	Attributable to owners of the parent					
		Share capital RMB'000 (Note 39)	Treasury shares held for share incentive scheme RMB'000	Other Reserves RMB'000 (Note 40)	Retained Earnings RMB'000 (Note 40)	Total RMB'000	Non- controlling interests RMB'000
<b>At 1 January 2024</b>		3,120,656	(3,838)	22,055,339	49,410,060	74,582,217	45,736,528
Total comprehensive income for the year		-	-	(30,252)	7,049,683	7,019,431	3,361,155
Effect of transactions with non-controlling interests	44(c)	-	-	2,956	-	2,956	(10,754)
Capital injection from non-controlling shareholders of subsidiaries		-	-	-	-	-	130,449
Disposal of subsidiaries	43	-	-	-	-	-	(2,085)
Dividends paid to non-controlling interests		-	-	-	-	-	(1,420,048)
Dividend of the company		-	-	-	(2,714,862)	(2,714,862)	-
Share of changes in equity other than comprehensive income/(loss) and distributions received from associates		-	-	(4,684)	-	(4,684)	-
Others		-	-	(1,263)	-	(1,263)	8,262
<b>At 31 December 2024</b>		3,120,656	(3,838)	22,022,096	53,744,881	78,883,795	47,803,507

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Attributable to owners of the parent						
	Notes	Share capital RMB'000 (Note 39)	Treasury shares held for share incentive scheme RMB'000	Reserves RMB'000 (Note 40)	Retained Earnings RMB'000 (Note 40)	Total RMB'000	Non- controlling interests RMB'000
							Total equity RMB'000
<b>At 1 January 2023</b>		3,120,656	(3,838)	22,038,063	42,913,678	68,068,559	42,000,631
Total comprehensive income for the year		-	-	(269)	9,053,760	9,053,491	5,955,484
Effect of transactions with non-controlling interests		-	-	6,429	-	6,429	(116,680)
Capital injection from non-controlling shareholders of subsidiaries		-	-	-	-	-	120,854
Acquisition of subsidiaries		-	-	-	-	-	87,609
Disposal of subsidiaries		-	-	-	-	-	(25,657)
Dividends paid to non-controlling interests		-	-	-	-	-	(2,275,870)
Dividend of the company		-	-	-	(2,558,837)	(2,558,837)	-
Share of changes in equity other than comprehensive income/(loss) and distributions received from associates		-	-	2,898	-	2,898	(36)
Others		-	-	8,218	1,459	9,677	(9,807)
<b>At 31 December 2023</b>		3,120,656	(3,838)	22,055,339	49,410,060	74,582,217	45,736,528

# Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
<b>Cash flows from operating activities:</b>			
Cash generated from operations	41(a)	16,002,426	21,748,506
Income tax paid		(4,456,411)	(4,575,476)
Net cash generated from operating activities		11,546,015	17,173,030
<b>Cash flows from investing activities:</b>			
Proceeds from disposal of right-of-use assets		6,278	209,079
Proceeds from disposal of property, plant and equipment		65,735	456,131
Proceeds from disposal of investment properties		176	28,816
Proceeds from disposal of financial assets at fair value through profit or loss		5,707	53,058
Proceeds from disposal of a joint venture		–	44
Proceeds from disposal of associates		76,362	72,714
Interest received from long-term deposits		74,697	182,895
Disposal of subsidiaries, net of cash disposed of	43	24,990	26,437
Dividends received from associates		733,873	379,278
Dividends received from a joint venture		–	21
Dividends received from financial assets at fair value through profit or loss		3,843	37,028
Dividends received from financial assets at fair value through other comprehensive income		563	3,017
Payments of right-of-use assets		(229,653)	(52,272)
Purchase of property, plant and equipment		(1,471,478)	(1,959,570)
Purchase of intangible assets		(266,946)	(324,008)
Increase of long-term deposits		–	(28,644)
Acquisition of financial assets at fair value through profit or loss		–	(422)
Acquisition of subsidiaries, net of cash acquired	45	(95,037)	(1,825)
Consideration paid for prior year acquisition of subsidiaries		(114,577)	(106,419)
Acquisition of associates and joint ventures		(13,513)	(22,806)
(Increase)/Decrease in restricted cash	32	(2,551,945)	102,913
Net cash used in investing activities		(3,750,925)	(944,535)



## Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
<b>Cash flows from financing activities:</b>			
Proceeds from borrowings from banks		78,092,285	77,966,915
Proceeds from borrowings from related parties		19,333,524	15,321,664
Repayments of borrowings from banks		(88,738,914)	(68,215,984)
Repayments of borrowings from related parties		(13,917,691)	(14,733,806)
Repayments of bonds		(12,000,000)	(20,987,000)
Proceeds from issue of bonds		9,500,000	13,149,488
Capital injections from non-controlling shareholders of subsidiaries		130,449	120,854
Dividends paid to shareholders of the Parent		(2,714,862)	(2,558,837)
Dividends paid to non-controlling shareholders of Subsidiaries		(1,437,865)	(2,274,882)
Transactions with non-controlling interests of Subsidiaries		(5,713)	(118,131)
Interest paid		(3,321,966)	(3,198,649)
Principal portion of lease payments		(2,204,281)	(2,115,602)
Net cash used in financing activities		(17,285,034)	(7,643,970)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(9,489,944)</b>	<b>8,584,525</b>
Cash and cash equivalents at the beginning of year	32	63,808,538	55,221,624
Effect of foreign exchange rate changes, net		(5,235)	2,389
<b>Cash and cash equivalents at the end of year</b>	32	<b>54,313,359</b>	<b>63,808,538</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

## 1. General information

SINOPHARM GROUP CO. LTD. (the “Company”) was established in the People’s Republic of China (the “PRC”) on 8 January 2003 as a company with limited liability under the PRC Company Law.

On 6 October 2008, the Company was converted into a joint stock limited liability company under the PRC Company Law by converting its registered share capital and reserves as at 30 September 2007 with the proportion of 1:0.8699 into 1,637,037,451 shares of RMB1 each. In September 2009, the Company issued overseas-listed foreign-invested shares (“H Shares”), which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) on 23 September 2009. The Company issued 204,561,102 domestic shares to China National Pharmaceutical Group Co., Ltd. (“CNP GC”) under general mandate at the issue price of RMB24.97 per consideration share on 13 December 2018. On 23 January 2020, the Company placed and issued 149,000,000 new H shares at the price of HKD27.30 per H share.

The address of the Company’s registered office is 1st and 11th to 15th Floors, No.385 East Longhua Road, Huangpu District, Shanghai, the PRC.

The Company and its subsidiaries (together, the “Group”) are mainly engaged in: (1) the distribution of pharmaceutical products to hospitals, other distributors, retail pharmacy stores and clinics, (2) the distribution of medical devices, (3) the operation of chain pharmacy stores, and (4) the distribution of laboratory supplies, manufacture and distribution of chemical reagents, and production and sale of pharmaceutical products.

The ultimate holding company of the Company is CNP GC, which was established in the PRC.

These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand, unless otherwise stated. These financial statements were approved for issue by the Board of Directors on 21 March 2025.

## 2. Basis of preparation of consolidated financial statements and material accounting policy information

### Basis of preparation and statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which the collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations developed by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance (“CO”).

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets which have been measured at fair value.

## 2. Basis of preparation of consolidated financial statements and material accounting policy information (continued)

### New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

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

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 a result of the implementation of the amendments, the Group has provided additional disclosures regarding its supplier finance arrangements in Notes 3, 33 and 34 to the consolidated financial statements.

Except for the amendments to HKAS 7 and HKFRS 7 mentioned above, the application of the other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### New and amendments to HKFRSs in issue but not yet effective

HKFRS 18	Presentation and Disclosure in Financial Statements <sup>4</sup>
HKFRS 19	Subsidiaries without Public Accountability: Disclosures <sup>4</sup>
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 <sup>3</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>

Notes:

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2026.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2027.

Except for the new HKFRSs mentioned below, the Group anticipates that the application of all these other new and amendments to HKFRSs will have no material impact on classification and measurement in the Group's consolidated financial statements in the foreseeable future.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 2. Basis of preparation of consolidated financial statements and material accounting policy information (continued)

#### New and amendments to HKFRSs in issue but not yet effective (continued)

##### HKFRS 18 “Presentation and Disclosure in Financial Statements”

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

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

#### Basis of consolidation

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

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

## 2. Basis of preparation of consolidated financial statements and material accounting policy information (continued)

### Business combinations

#### Business combinations not under common control

The Group applies the acquisition method of accounting to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

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

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

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

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

#### Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 2. Basis of preparation of consolidated financial statements and material accounting policy information (continued)

#### Business combinations (continued)

##### Merger accounting for common control combinations (continued)

The consolidated statement of profit or loss include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter year, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous financial year end or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using the merger accounting are recognised as expenses in the year in which they are incurred.

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.

##### Changes in ownership interests in subsidiaries without loss of control

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

##### Disposal of subsidiaries

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) 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 earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.



## 2. Basis of preparation of consolidated financial statements and material accounting policy information (continued)

### Business combinations (continued)

#### Goodwill

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

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

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

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

#### Separate financial statement

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 2. Basis of preparation of consolidated financial statements and material accounting policy information (continued)

#### Investments in associates and joint ventures

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

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

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

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

#### Segment reporting

Management has determined the operating segments based on the Group's business types, overall strategic planning, internal organisational structure and management requirements.

## 2. Basis of preparation of consolidated financial statements and material accounting policy information (continued)

### Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation, amortisation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Buildings and facilities	8-45 years
Plant and machinery	5-15 years
Furniture, fittings and equipment	3-15 years
Motor vehicles	3-10 years

Construction in progress represents buildings, plant and machinery under construction or pending installation and is stated at cost. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other gains – net.

### Intangible assets other than goodwill

#### (a) Sales network

Sales network represents customer relationship and distribution channels acquired in business combinations, which are recognised at fair value at the acquisition date and are amortised using the straight-line method over their estimated useful lives of 3 to 20 years.

#### (b) Trademarks and patent rights

Separately acquired trademarks are shown at historical cost. Trademarks acquired in business combinations under non-common control are recognised at fair value at the acquisition date. Trademarks with a finite useful life are amortised using the straight-line method over their estimated useful lives of 5 to 20 years. Trademarks with an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Patent rights are initially recorded at cost and are amortised using the straight-line method over the estimated useful lives of 5 to 15 years.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 2. Basis of preparation of consolidated financial statements and material accounting policy information (continued)

#### Intangible assets other than goodwill (continued)

##### (c) Exclusive distribution rights

Exclusive distribution rights are measured initially at cost and amortised using the straight-line method over their useful life of 10 years according to the contracts.

##### (d) Software

Acquired software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 10 years.

##### (e) Internally generated product development cost

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset upon the completion of the project.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the product development phase is recognised as intangible asset only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset, and use or sell it;
- there is an ability to use or sell the product development result;
- it can be demonstrated how the intangible asset will generate economic benefits;
- adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as intangible asset in the statement of financial position.

## 2. Basis of preparation of consolidated financial statements and material accounting policy information (continued)

### Lease

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.

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.

### Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. 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.

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.

### 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 2. Basis of preparation of consolidated financial statements and material accounting policy information (continued)

#### Lease (continued)

##### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of building, machinery and equipment (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.

#### Fair value measurement

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

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

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. Basis of preparation of consolidated financial statements and material accounting policy information (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 ("FVOCI"), and fair value through profit or loss ("FVTPL").

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 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.

#### Subsequent measurement

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

##### (i) Financial assets at amortised cost (debt instruments)

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 2. Basis of preparation of consolidated financial statements and material accounting policy information (continued)

#### Financial assets (continued)

##### Subsequent measurement (continued)

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

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

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

(iv) Financial assets at fair value through profit or loss

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

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

##### Derecognition of financial assets

A financial asset 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.

## 2. Basis of preparation of consolidated financial statements and material accounting policy information (continued)

### Financial assets (continued)

#### Derecognition of financial assets (continued)

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.

#### 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

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

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

For debt investment securities at fair value through other comprehensive income, the Company applies the low credit risk simplification. At each reporting date, the Company evaluates whether the debt investment securities are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the external credit ratings of the debt investment securities.

The Group considers 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 2. Basis of preparation of consolidated financial statements and material accounting policy information (continued)

#### Impairment of financial assets (continued)

##### General approach (continued)

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 and contract assets which apply the simplified approach as detailed below.

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

##### Simplified approach

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

For trade receivables, commercial acceptance and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

#### Financial liabilities

##### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables.

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 mainly include trade payables, other payables and interest-bearing bank borrowings.

## 2. Basis of preparation of consolidated financial statements and material accounting policy information (continued)

### Financial liabilities (continued)

#### Subsequent measurement

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

(i) **Financial liabilities at amortised cost (loans and borrowings)**

After initial recognition, bank loans 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 the statement of profit or loss.

#### Offsetting of financial instruments

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

### Inventories

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 2. Basis of preparation of consolidated financial statements and material accounting policy information (continued)

#### Current and deferred income tax

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

#### (a) Current income tax

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

#### (b) Deferred income tax

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

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

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates and joint ventures, except an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

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

#### (c) Offsetting

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. Basis of preparation of consolidated financial statements and material accounting policy information (continued)

### Revenue recognition

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. 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.

#### (a) Sales of goods

Sales are recognised when the products have been shipped to the specific location in accordance with the sales contract and the customers have inspected and accepted the products. The sales are made with a credit term varied by customers' credit risk characteristics, which is consistent with market practices. Advance received from customers due from the obligation of transfer goods is presented as contract liabilities in the balance sheet.

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

Any consideration payable to customers with no distinct good or service received from those customers, the consideration is recognised as a reduction of the revenue.

#### (b) Rendering services

Revenue from providing services to external parties is recognised over a period of time based on the stage of completion of such service, which is determined by the proportion of costs incurred to the estimated total costs. As at the balance sheet date, the Group reassesses the stage of completion so as to better reflect the changes in obligation performance.

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to expected credit losses assessment.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 2. Basis of preparation of consolidated financial statements and material accounting policy information (continued)

#### Revenue recognition (continued)

##### (b) Rendering services (continued)

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

#### Gross vs. net determination in revenue recognition

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Group is acting as the principal or an agent in the transactions. In determining whether the Group acts as the principal or an agent, the Group follows the accounting guidance for principal-agent considerations in HKFRS 15.

#### Foreign currency translation

##### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional currency and the Group's presentation currency.

##### (b) Transactions and balances

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

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

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

## 2. Basis of preparation of consolidated financial statements and material accounting policy information (continued)

### Foreign currency translation (continued)

#### (c) Group companies

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

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of financial year end;
- (ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from translation of net investments in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income.

### Investment property

Investment property is defined as property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

The land component of leasehold investment property is accounted for as a right-of-use asset.

The building component of investment properties is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (if any). Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 25 to 50 years.

The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at each financial year end. The effects of any revision are included in the statement of profit or loss when the changes arise.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 2. Basis of preparation of consolidated financial statements and material accounting policy information (continued)

#### Impairment of non-financial assets

Assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units). 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. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### Leases

##### Group as a lessor

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

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

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

#### Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and other financial institutions, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and separate statement of financial positions, bank overdrafts are shown within borrowings in current liabilities.

## 2. Basis of preparation of consolidated financial statements and material accounting policy information (continued)

### Share capital

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

### Treasury shares

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

### Borrowings

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

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

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

### Borrowing costs

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 2. Basis of preparation of consolidated financial statements and material accounting policy information (continued)

#### Other employee benefits

##### (a) Pension scheme

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme, which is a defined contribution plan operated by the local municipal government. This subsidiary is required to make contributions of 12% to 20% (2022: 12% to 20%) of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The Group did not have any forfeited contribution for reporting period in connection with the defined contribution plan operated by local governments.

##### (b) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

##### (c) Defined benefit plan

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

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

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

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs



## 2. Basis of preparation of consolidated financial statements and material accounting policy information (continued)

### Other employee benefits (continued)

#### (c) Defined benefit plan (continued)

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

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

### Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of profit or loss over the year necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of profit or loss on a straight-line basis over the expected lives of the related assets.

### Dividend distribution

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 2. Basis of preparation of consolidated financial statements and material accounting policy information (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; and the sponsoring employers of the post-employment benefit plan;
- (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

### 3. Financial risk management

#### Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and fair value and cash flow interest rate risk), credit risk and liquidity risk.

The Group's risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group has not used derivative financial instruments to hedge its risk exposures on changes in foreign currency exchange rates and interest rates.

#### (1) Market risk

##### (a) Foreign currency risk

The Group mainly operates in the PRC with most of the Group's transactions denominated and settled in RMB. However, the Group has certain cash and cash equivalents, trade receivables and trade payables denominated in foreign currencies, mainly United States Dollars ("USD"), Hong Kong Dollars ("HKD") and Euro ("EUR"), which are exposed to foreign currency translation risk. The Group has not hedged its foreign currency risk.

As at 31 December 2024, if RMB had strengthened/weakened by 10% against USD, HKD and EUR with all other variables held constant, the impact on post-tax profit for the year ended 31 December 2024 would have been immaterial.

##### (b) Fair value and cash flow interest rate risk

The Group's interest-rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

Except for deposits in banks or other financial institutions which earn interest at floating rates, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

As at 31 December 2024, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, the post-tax profit for the year ended 31 December 2024 would have been RMB254,321,000 (2023: RMB234,360,000) lower/higher, mainly as a result of higher/lower interest expense on borrowings.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 3. Financial risk management (continued)

#### Financial risk factors (continued)

##### (2) Credit risk

The carrying amounts of pledged deposits, restricted cash and bank deposits with an initial term of over three months, cash and cash equivalents, trade and notes receivable, contract assets, other receivables and other financial assets included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

##### (a) Risk management

Credit risk is managed on a group basis. To manage this risk arising from cash and cash equivalents, and restricted cash, the Group only transacts with state-owned or large medium sized joint-stock commercial banks in the PRC and reputable international financial institution outside of the PRC. There has been no recent history of default in relation to these financial institutions.

The Group has policy in place to ensure credit sales are made to customers with an appropriate credit history. Credit terms are approved after credit evaluations/reviews. The majority of trade receivables are with customers having an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The carrying amounts of pledged deposits, restricted cash and bank deposits with an initial term of over three months, cash and cash equivalents, trade and notes receivable, contract assets, other receivables and other financial assets included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

##### (b) Expected credit loss measurement

The Group's maximum exposure to credit risk in respect of financial assets is the carrying amounts as at the balance sheet date. Management has credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

##### (i) Pledged deposits, restricted cash and bank deposits with an initial term of over three months, cash and cash equivalents

The Group has policies to place its cash and cash equivalents only with major financial institutions and other financial institution controlled by CNPGC. As at 31 December 2024, most of the pledged deposits, restricted cash, bank deposits with an initial term of over three months and cash and cash equivalents were deposited with major financial institutions in Mainland China and Hong Kong except the deposit in related party as disclosed in Note 46.

While cash and cash equivalents are also subject to the ECL requirements of HKFRS 9, the identified credit loss was immaterial.

### 3. Financial risk management (continued)

#### Financial risk factors (continued)

##### (2) Credit risk (continued)

###### (b) Expected credit loss measurement (continued)

###### (ii) Notes receivable

For notes receivable, the Group applies the HKFRS 9 simplified approach to measuring expected credit losses. The Group adopts an expected credit loss model based on shared common characteristics to calculate the expected credit loss on notes receivable using the exposure to default risk exposure and expected credit loss rate of notes receivable, and determines the expected credit loss rate based on default probability and default loss rate.

###### (iii) Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

For trade receivable balances with objective evidence of impairment and significant different credit risk characteristics, individual provision was made based on a probability-weighted estimation of the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the Group expects to receive.

The expected loss rates are based on the aging of trade receivables and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Business Climate Index to be the most relevant factors (including Consumer Price Index, Producer Price Index, etc.), and accordingly adjusts the historical loss rates based on expected changes in these factors.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 3. Financial risk management (continued)

#### Financial risk factors (continued)

#### (2) Credit risk (continued)

##### (b) Expected credit loss measurement (continued)

##### (iii) Trade receivables (continued)

On that basis, the loss allowance as at 31 December 2024 and 31 December 2023 was determined as follows:

#### As at 31 December 2024

	Expected loss rate	Gross carrying amount (RMB'000)	Loss allowance (RMB'000)
Provision on individual basis		2,040,008	691,718
Provision on collective basis -Aging			
Within 1 year	0.4%-1.6%	170,697,953	1,737,129
1 to 2 years	6.3%-10.8%	11,026,362	1,001,905
2 to 3 years	21.2%-33.6%	2,869,324	758,625
3 to 4 years	47.9%-51.6%	589,101	303,481
4 to 5 years	79.4%-89.4%	149,713	119,834
Over 5 years	100.00%	262,970	262,970
		187,635,431	4,875,662



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 3. Financial risk management (continued)

#### Financial risk factors (continued)

#### (2) Credit risk (continued)

#### (b) Expected credit loss measurement (continued)

#### (iii) Trade receivables (continued)

As at 31 December 2023

	Expected loss rate	Gross carrying amount (RMB'000)	Loss allowance (RMB'000)
Provision on individual basis		4,711,996	538,602
Provision on collective basis -Aging			
Within 1 year	0.3%-2.4%	156,123,710	1,588,155
1 to 2 years	3.0%-14.1%	6,519,226	637,285
2 to 3 years	14.1%-35.0%	953,188	330,138
3 to 4 years	51.0%-57.3%	288,842	157,614
4 to 5 years	75.0%-82.2%	227,853	174,757
Over 5 years	100.00%	178,075	178,075
		169,002,890	3,604,626

Expected credit losses on trade receivables are presented as net ECL within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 3. Financial risk management (continued)

#### Financial risk factors (continued)

##### (2) Credit risk (continued)

##### (b) Expected credit loss measurement (continued)

##### (iv) Contract assets

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases.

For contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is set as below.

	As at 31 December 2024	As at 31 December 2023
Expected credit loss rate	5.47%	4.03%
	RMB'000	RMB'000
Gross carrying amount	1,550,061	1,847,003
Expected credit losses	84,845	74,523

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 3. Financial risk management (continued)

#### Financial risk factors (continued)

##### (2) Credit risk (continued)

##### (b) Expected credit loss measurement (continued)

##### (v) Other receivables and other assets

For the financial assets included in other receivables and other assets to which the Group applies the general approach for ECL, information based on the ECL matrix is set as below:

As at 31 December 2024

	Lifetime ECLs		
	Stage 1	Stage 2	Stage 3
Financial assets included in other receivables and other assets	7,992,700	–	469,295

As at 31 December 2023

	Lifetime ECLs		
	Stage 1	Stage 2	Stage 3
Financial assets included in other receivables and other assets	7,341,847	–	52,462

As at 31 December 2024 and 31 December 2023, other receivables and other assets in the stage 1 mainly consisted of deposits and other receivables, and receivables in the third stage was related to significant deterioration in the operating conditions of the counterparty company or involvement in multiple lawsuits.

As at 31 December 2024 and 31 December 2023, the Group has no other receivables and other assets in the stage 2.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 3. Financial risk management (continued)

#### Financial risk factors (continued)

##### (3) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities, and discounting of bank acceptance notes to banks or other financial institutions. The Group's objective is to maintain adequate committed credit lines to ensure sufficient and flexible funding is available to the Group.

At the reporting date, the Group held cash and cash equivalents of RMB54,313,359,000 (2023: RMB63,808,538,000) and trade and notes receivable of RMB200,254,553,000 (2023: RMB184,432,543,000) that are expected to readily generate cash inflows for managing liquidity risk. The Group has agreed to receive bank acceptance notes from certain customers with long-term business trading history and most of these notes are guaranteed by major banks in Mainland China. The maturity of these bank acceptance notes ranges from 3 to 6 months. To maintain flexibility in the Group's funding requirements, a major portion of these bank acceptance notes are discounted to banks or other financial institutions with effective interest rates weighted average of 1.76% per annum.

The Group entered into supplier finance arrangement to ease access to credit for the Group and facilitate early settlement to the suppliers. As at 31 December 2024, only small portion of the Group's trade payables/borrowings is subject to supplier finance arrangements. Therefore, the management does not consider the supplier finance arrangement result in significant liquidity risk of the Group. Details of the arrangements are set out in note 33 and 34.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 3. Financial risk management (continued)

#### Financial risk factors (continued)

##### (3) Liquidity risk (continued)

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Less than 1 year RMB'000	1 and 2 years RMB'000	2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2024					
Interest-bearing bank and other borrowings	63,700,796	5,370,309	3,470,739	–	72,541,844
Trade and notes payable	151,109,247	–	–	–	151,109,247
Dividends payable	238,557	–	–	–	238,557
Accruals and other payables	22,222,517	–	–	–	22,222,517
Lease liabilities	1,822,450	1,420,377	1,529,671	745,855	5,518,353
Other non-current liabilities	–	27,130	39,210	–	66,340
	239,093,567	6,817,816	5,039,620	745,855	251,696,858
As at 31 December 2023					
Interest-bearing bank and other borrowings	55,401,562	13,278,442	1,010,730	–	69,690,734
Trade and notes payable	146,632,453	–	–	–	146,632,453
Dividends payable	256,374	–	–	–	256,374
Accruals and other payables	24,989,435	–	–	–	24,989,435
Lease liabilities	1,832,455	1,362,313	1,803,435	594,764	5,592,967
Other non-current liabilities	–	16,191	78,420	–	94,611
	229,112,279	14,656,946	2,892,585	594,764	247,256,574

Note: The calculation of expected interest to be paid is based on borrowings as at 31 December 2024 and 2023 and the interest rates as at 31 December 2024 and 2023.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 3. Financial risk management (continued)

#### Capital risk management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated based on the total liabilities divided by the total assets.

The gearing ratios are as follows:

	2024 RMB'000	2023 RMB'000
Total liabilities	266,143,942	263,076,099
Total assets	392,831,244	383,394,844
Gearing ratio	67.75%	68.62%

#### Fair value estimation

The table below shows the analysis of financial instruments carried at fair value by the valuation method. The different levels have been defined as follows:

- Quoted prices unadjusted in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 3. Financial risk management (continued)

#### Fair value estimation (continued)

The table below presents the Group's financial instruments that are measured at fair value at 31 December 2024 and 2023.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2024				
Equity investments designated at fair value through other comprehensive income	37,183	–	13,455	50,638
Financial assets at fair value through profit or loss	158	–	675,648	675,806
Notes receivable held both to collect cash flows and to sell	–	11,322,792	1,458,514	12,781,306
	37,341	11,322,792	2,147,617	13,507,750
Financial liabilities at fair value through profit or loss	–	–	94,120	94,120
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2023				
Equity investments designated at fair value through other comprehensive income	41,798	–	13,466	55,264
Financial assets at fair value through profit or loss	547	–	784,656	785,203
Notes receivable held both to collect cash flows and to sell	–	11,570,604	872,261	12,442,865
	42,345	11,570,604	1,670,383	13,283,332
Financial liabilities at fair value through profit or loss	–	–	192,654	192,654

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 3. Financial risk management (continued)

#### Fair value estimation (continued)

##### (i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

##### (ii) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all inputs that are significant to fair value measurement are observable, these instruments are included in Level 2.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swap that is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contract that is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to the present value.
- Other techniques, such as a discounted cash flow analysis, used to determine fair value for the remaining financial instruments.

During the year, there were no transfers of financial assets between Level 1 and Level 2.

##### (iii) Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The investments in Level 3 included unlisted equity and fund investments, and the liabilities included contingent consideration for acquisition of subsidiaries.

As at 31 December 2024, the Group recognised unlisted equity and fund investments of RMB689,103,000, notes receivable held both to collect cash flows and to sell of RMB1,458,514,000, and liabilities of contingent consideration for acquisition of subsidiaries of RMB94,120,000 in level 3, as these investments and instruments are not traded in an active market, and the majority of their fair values have been determined using applicable valuation techniques including comparable transactions approach and other option pricing approach. These valuation approaches require significant judgment, assumptions and inputs, including risk-free rates, expected volatility, relevant underlying financial projections, and market information of recent transactions (such as recent fund-raising transactions undertaken by the investees) and other exposure.

## 3. Financial risk management (continued)

### Fair value of financial assets and liabilities measured at amortised cost

At the end of respective reporting periods, the fair value of the current borrowings approximates to their carrying amount, as the impact of discounting is not significant. The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Borrowings from banks and other financial institutions	5,639,890	13,834,037	5,610,679	13,780,053
Bonds	2,997,341	—	2,997,341	—

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2024 were assessed to be insignificant. The fair values of the non-current borrowings are based on discounted cash flows using a rate based on the borrowing rate of 2.48% (2023: 2.78%) and are within Level 2 of the fair value hierarchy.

## 4. Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

### (i) The expected credit losses of trade receivables

The Group applied expected credit losses model under HKFRS 9 to measure the impairment against trade receivables.

The Group estimated the expected credit losses of trade receivables based on the lifetime expected credit losses. For trade receivable balances with objective evidence of impairment and significant different risk characteristics, individual provision was made based on a probability-weighted estimation of the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the Group expects to receive.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 4. Critical estimates and judgements (continued)

#### (i) The expected credit losses of trade receivables (continued)

Trade receivables without objective evidence of impairment are grouped based on shared credit risk characteristics. The collective provision was determined based on the historical credit loss rates to the respective aging category of gross carrying amount of trade receivables. The expected credit loss rates are adjusted to reflect current and forward-looking information.

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

#### (ii) Impairment of goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2024 and 2023 reporting periods, the recoverable amount of cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in Note 19. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Details of impairment charge and key assumptions are disclosed in Note 19.

#### (iii) Useful lives and residual values of property, plant and equipment

The Group determines the estimated useful lives and residual values and consequently the related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where the actual useful lives are less than the previously estimated lives, it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future years.

#### (iv) Useful lives of sales network, trademarks, patent rights and software

The Group determines the estimated useful lives and consequently the related amortisation charges for its sales network, trademarks, patent rights and software. These estimates are based on the historical experience of the actual useful lives of sales network, trademarks, patent rights and software of similar nature and functions and considering the current market environment in the PRC and estimations of future changes. Management will increase the amortisation charges where useful lives are less than previously estimated lives, it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortisation expenses in future years.

### 4. Critical estimates and judgements (continued)

#### (v) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of technical innovations, changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each financial year end.

#### (vi) Income taxes and deferred income tax

The Group is subject to income taxes in Mainland China and Hong Kong. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the year in which such estimates are changed.

#### (vii) 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 (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). 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).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 5. Segment information

Management has determined the operating segments based on the Group's business types, overall strategic planning, internal organisational structure and management requirements. The reportable operating segments derive their revenue primarily from the following four business types:

- (i) Pharmaceutical distribution – distribution of pharmaceutical products to hospitals, other distributors, retail pharmacy stores and clinics;
- (ii) Medical devices distribution – distribution of medical devices, and installation and maintenance services;
- (iii) Retail pharmacy – operation of chain pharmacy stores;
- (iv) Other business – distribution of laboratory supplies, manufacture and distribution of chemical reagents, production and sale of pharmaceutical products.

Although the retail pharmacy segment does not meet the quantitative thresholds required by HKFRS 8 Operating Segments, management has concluded that this segment should be reported, as it is considered to be as a potential growth segment and is expected to materially contribute to group revenue in the future.

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets consist primarily of right-of-use assets, investment properties, property, plant and equipment, intangible assets, investments in associates and joint ventures, inventories, receivables and operating cash.

Segment liabilities are those operating liabilities that result from the operating activities of a segment. Segment liabilities do not include borrowings, deferred tax liabilities and other liabilities that are incurred for financing rather than operating purposes.

Unallocated assets mainly represent deferred tax assets. Unallocated liabilities mainly represent corporate borrowings and deferred tax liabilities.

Capital expenditure comprises mainly additions to right-of-use assets, investment properties, property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

Inter-segment revenues are conducted at prices and on terms mutually agreed upon amongst those business segments. The revenue from external parties is measured in a manner consistent with that in the consolidated statement of profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

## 5. Segment information (continued)

### Segment revenue and results

For the years ended 31 December 2024 and 2023

	Pharmaceutical distribution RMB'000	Medical devices distribution RMB'000	Retail pharmacy RMB'000	Other business RMB'000	Eliminations RMB'000	Group RMB'000
<b>Year ended 31 December 2024</b>						
<b>Segment results</b>						
External segment revenue	424,563,607	117,511,994	35,383,741	7,048,588	-	584,507,930
Inter-segment revenue	19,801,005	403,143	597,522	2,057,899	(22,859,569)	-
Revenue	444,364,612	117,915,137	35,981,263	9,106,487	(22,859,569)	584,507,930
Operating profit	12,171,662	2,651,632	323,266	908,665	133,178	16,188,403
Other gains, net	(40,683)	26,829	(3,217)	63,994	-	46,923
Other expenses	(397,087)	(43,522)	(664,972)	-	-	(1,105,581)
Share of profits and losses of associates and joint ventures	21,057	31,190	(802)	1,147,951	-	1,199,396
	11,754,949	2,666,129	(345,725)	2,120,610	133,178	16,329,141
Finance costs, net						(2,328,242)
Profit before tax						14,000,899
Income tax expense						(3,577,305)
Profit for the year						10,423,594
<b>Other segment items included in the statement of profit or loss</b>						
Expected credit losses of financial and contract assets	617,385	622,362	130,317	11,283	-	1,381,347
(Reversal of provision)/provision for prepayment	1,491	(4,009)	-	-	-	(2,518)
Write-down of inventories, net	33,797	20,084	15,541	8,349	-	77,771
Provision for impairment of intangible assets	395,596	47,531	662,837	-	-	1,105,964
Provision for impairment of investments in associates	-	-	2,135	-	-	2,135
Depreciation of property, plant and equipment	1,166,861	388,420	282,033	38,686	-	1,876,000
Depreciation of investment properties	24,027	12,501	439	1,098	-	38,065
Depreciation of right-of-use assets	937,574	309,167	1,073,884	57,189	-	2,377,814
Amortisation of intangible assets	392,765	-	48,859	189	-	441,813
Capital expenditures	1,409,017	685,006	249,006	117,661	-	2,460,690



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 5. Segment information (continued)

#### Segment revenue and results (continued)

For the years ended 31 December 2024 and 2023 (continued)

	Pharmaceutical distribution RMB'000	Medical devices distribution RMB'000	Retail pharmacy RMB'000	Other business RMB'000	Eliminations RMB'000	Group RMB'000
Year ended 31 December 2023						
<b>Segment results</b>						
External segment revenue	423,756,702	129,583,830	34,986,357	8,242,676	–	596,569,565
Inter-segment revenue	17,294,000	629,108	703,026	2,142,954	(20,769,088)	–
Revenue	441,050,702	130,212,938	35,689,383	10,385,630	(20,769,088)	596,569,565
Operating profit	13,216,236	4,524,988	1,144,637	1,189,999	133,335	20,209,195
Other gains, net	365,098	(77,898)	(23,351)	397,435	–	661,284
Other expenses	(10,158)	(25,159)	–	–	–	(35,317)
Share of profits and losses of associates and joint ventures	10,730	36,409	1,822	1,058,388	–	1,107,349
	13,581,906	4,458,340	1,123,108	2,645,822	133,335	21,942,511
Finance costs, net						(2,430,374)
Profit before tax						19,512,137
Income tax expense						(4,502,309)
Profit for the year						15,009,828
<b>Other segment items included in the statement of profit or loss</b>						
Expected credit losses of financial and contract assets	297,272	326,990	43,257	(553)	–	666,966
(Reversal of provision)/provision for prepayment	(14,714)	(4,863)	28	(33)	–	(19,582)
Write-down of inventories, net	52,688	8,428	8,090	1,061	–	70,267
Provision for impairment of property, plant and equipment	217	3,584	–	–	–	3,801
Provision for impairment of intangible assets	40,989	77	10,032	–	–	51,098
Depreciation of property, plant and equipment	1,093,550	364,017	264,314	36,255	–	1,758,136
Depreciation of investment properties	61,425	31,957	1,121	2,807	–	97,310
Depreciation of right-of-use assets	851,245	280,700	975,004	51,923	–	2,158,872
Amortisation of intangible assets	369,755	–	45,997	178	–	415,930
Capital expenditures	1,424,902	692,728	251,813	118,987	–	2,488,430

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 5. Segment information (continued)

#### Segment assets and liabilities

As at 31 December 2024 and 2023

	Pharmaceutical distribution RMB'000	Medical devices distribution RMB'000	Retail pharmacy RMB'000	Other business RMB'000	Eliminations RMB'000	Group RMB'000
As at 31 December 2024						
<b>Segment assets and liabilities</b>						
Segment assets	282,050,861	96,579,756	16,806,935	23,962,825	(28,977,520)	390,422,857
Segment assets include:						
Investments in associates and joint ventures	240,369	120,147	40,773	9,766,566	–	10,167,855
Unallocated assets – Deferred tax assets						2,408,387
<b>Total assets</b>						<b>392,831,244</b>
Segment liabilities	138,766,503	67,408,956	10,565,011	5,128,433	(27,729,994)	194,138,909
Unallocated liabilities – Deferred tax liabilities and borrowings						72,005,033
<b>Total liabilities</b>						<b>266,143,942</b>
As at 31 December 2023						
<b>Segment assets and liabilities</b>						
Segment assets	271,659,810	91,462,286	17,868,344	23,952,788	(23,512,063)	381,431,165
Segment assets include:						
Investments in associates and joint ventures	239,303	75,892	36,286	9,359,285	–	9,710,766
Unallocated assets – Deferred tax assets						1,963,679
<b>Total assets</b>						<b>383,394,844</b>
Segment liabilities	133,888,384	64,269,780	13,514,976	6,054,854	(24,004,760)	193,723,234
Unallocated liabilities – Deferred tax liabilities and borrowings						69,352,865
<b>Total liabilities</b>						<b>263,076,099</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 5. Segment information (continued)

#### Segment assets and liabilities (continued)

##### As at 31 December 2024 and 2023 (continued)

The Group's operations are mainly located in the PRC and substantially all non-current assets are located in the PRC.

#### Information about major customers

No revenue from a singular customer in the Reporting Period amounted to over 10% of the total revenue of the Group.

### 6. Revenue

	2024 RMB'000	2023 RMB'000
<b>Revenue from contracts with customers</b>		
Sales of goods (at a point in time)	580,150,510	592,469,026
Logistics service income (over time)	1,296,784	1,518,134
Marketing and service income (over time)	2,126,971	2,004,939
Import agency income (at a point in time)	48,632	61,339
Others (at a point in time)	647,394	317,152
<b>Revenue from other sources</b>		
Operating lease income (Note 17)	237,639	198,975
	<b>584,507,930</b>	<b>596,569,565</b>

Revenue of RMB6,398,902,000 (2023: RMB10,396,326,000) relating to carried-forward contract liabilities at the beginning of the year was recognised in the current year.

### 7. Other income

	2024 RMB'000	2023 RMB'000
Government grants	468,622	582,010

Government grants mainly represent subsidy income received from various government authorities as incentives to certain subsidiaries of the Group. There are no unfulfilled conditions or other contingencies attached to these grants.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 8. Expected credit losses on financial and contract assets

	2024 RMB'000	2023 RMB'000
Expected credit losses of financial and contract assets, net:		
Trade and notes receivable (Note 29)	1,312,770	628,615
Contract assets (Note 30)	10,322	(14,075)
Other receivables (Note 31)	62,437	27,074
Other non-current assets (Note 27)	(4,182)	25,463
Finance lease receivables	–	(111)
	1,381,347	666,966

### 9. Other gains, net/Other expenses

	2024 RMB'000	2023 RMB'000
Other gains, net		
Write-back of certain liabilities	108,082	98,923
Gain on disposal of subsidiaries (Note 43)	5,509	27,736
Gain on disposal of investment in associates and a joint venture	9,400	20,517
(Loss)/gain on disposal of investment properties, property, plant and equipment and intangible assets	(187)	235,925
Gain on disposal of right-of-use assets	74,591	228,648
Foreign exchange loss, net	(15,615)	(9,975)
Donation	(63,462)	(42,410)
Dividend income from:		
Equity investments at fair value through other comprehensive income	563	3,017
Equity investments at fair value through profit or loss	3,843	37,028
Fair value (losses)/gains on financial assets at fair value through profit or loss	(78,326)	62,933
Disposal of financial assets at fair value through profit or loss	3,591	(1,665)
Others, net	(1,066)	607
	46,923	661,284

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 9. Other gains, net/Other expenses (continued)

	2024 RMB'000	2023 RMB'000
Other Expenses		
Provision for impairment of property, plant and equipment (Note 18)	–	(3,801)
Provision for impairment of intangible assets (Note 19)	(1,105,964)	(51,098)
Reversal for impairment of prepayment	2,518	19,582
Provision for impairment of investments in associates (Note 21)	(2,135)	–
	(1,105,581)	(35,317)

Note: The provision for impairment of goodwill amounted to RMB931,200,000 (2023: RMB27,018,000) was included in “provision for impairment of intangible assets” under “other expenses” in the consolidated statement of profit or loss.

### 10. Expenses by nature

	2024 RMB'000	2023 RMB'000
Raw materials and trading merchandise consumed	538,925,247	546,728,833
Employee benefit expenses (Note 11)	14,811,874	15,186,630
Write-down of inventories, net (Note 28)	77,771	70,267
Lease payments not included in the measurement of lease liabilities (Note 16(c))	497,233	541,823
Depreciation of property, plant and equipment (Note 18)	1,876,000	1,758,136
Depreciation of investment properties (Note 17)	38,065	97,310
Depreciation of right-of-use assets (Note 16(a))	2,377,814	2,158,872
Amortisation of intangible assets (Note 19)	441,813	415,930
Auditor's remuneration		
– audit services	22,063	30,287
– non-audit services	–	403
Advisory and consulting fees	379,313	382,836
Transportation expenses	2,050,748	2,062,574
Travel expenses	234,964	260,613
Market development and business promotion expenses	2,911,165	3,523,739
Utilities	332,255	313,906
Others	848,398	675,491
Total cost of sales, selling and distribution expenses, and administrative expenses	565,824,723	574,207,650

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 11. Employee benefit expenses

	2024 RMB'000	2023 RMB'000
Salaries, wages, allowances and bonuses (i)	11,278,428	11,980,393
Contributions to pension plans (ii)	1,495,458	1,364,455
Post-employment benefits (Note 37)	7,238	(6,724)
Housing benefits (iii)	618,954	565,015
Other benefits (iv)	1,411,796	1,283,491
	14,811,874	15,186,630

#### Notes:

- (i) Bonus was determined based on the performance of the Group as well as employees' performance and contribution to the Group.
- (ii) As stipulated by the related regulations in the PRC, the Group makes contributions to state-sponsored retirement schemes for its employees in Mainland China. The Group has also made contributions to another retirement scheme managed by an insurance company from 2011 for its employees of the Company and certain subsidiaries. The Group's employees make monthly contributions to the schemes at approximately 8% (2023: 8%) of the relevant income (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Group makes contributions of 12% to 20% (2023: 12% to 20%) of such relevant income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. These retirement schemes are responsible for the entire post-retirement benefit obligations to the retired employees. Contributions of total RMB15,021,000 (31 December 2023: RMB16,540,000) were payable to the fund pension plan of China National Pharmaceutical Group at the year ended 31 December 2024.
- There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.
- (iii) Housing benefits represent contributions to the government-supervised housing funds in Mainland China at rates ranging from 5% to 12% of the employees' relevant income. The Group operates retirement benefit plan as detailed in Note 37.
- (iv) Other benefits mainly represent expenses incurred for medical insurance, employee welfare, employee education and training, and for union activities.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 11. Employee benefit expenses (continued)

Notes: (continued)

(v) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2023: two) directors whose emoluments are reflected in the analysis shown in Note 49. The emoluments payable to the remaining three (2023: three) individuals during the year are as follows:

	2024 RMB'000	2023 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	2,477	4,376
Bonuses	4,866	6,363
Contributions to pension schemes	517	587
	7,860	11,326
	2024 RMB'000	2023 RMB'000
Emolument bands		
HK\$2,000,001 – HK\$3,000,000 (RMB1,852,001 – RMB2,778,000)	3	–
HK\$3,000,001 – HK\$4,000,000 (RMB2,778,001 – RMB3,704,000)	–	2
HK\$4,000,001 – HK\$5,000,000 (RMB3,704,001 – RMB4,630,000)	–	1

- (vi) For the years ended 31 December 2024 and 2023, no director, supervisor or highest paid individuals above received emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office. No director or supervisor waived or had agreed to waive any emoluments.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 12. Finance income and costs

	2024 RMB'000	2023 RMB'000
Interest expense:		
– Interest-bearing bank and other borrowings	2,507,663	2,759,537
– Net interest on net defined benefit liability (Note 37)	9,674	10,898
– Lease liabilities (Note 16(b))	224,065	206,203
Gross interest expense	2,741,402	2,976,638
Bank charges	211,174	217,153
Less: Capitalised interest expense (Note 18)	(7,364)	(20,051)
Finance costs	2,945,212	3,173,740
Finance income:		
– Interest income on deposits in banks and other financial institutions	(542,273)	(560,471)
– Interest income on long-term deposits	(74,697)	(182,895)
	(616,970)	(743,366)
Net finance costs	2,328,242	2,430,374

### 13. Taxation

	2024 RMB'000	2023 RMB'000
Current income tax	4,156,171	4,650,544
Deferred income tax (Note 26)	(578,498)	(144,477)
Adjustments in respect of current tax of previous periods	(368)	(3,758)
	3,577,305	4,502,309

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 13. Taxation (continued)

A reconciliation of the tax charge applicable to profit before tax using the applicable rate for the jurisdiction in which the Company and its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	2024 RMB'000	2023 RMB'000
Profit before tax	14,000,899	19,512,137
Tax calculated at the applicable tax rate	3,500,225	4,878,034
Impact of lower tax rates enacted by local authorities	(192,761)	(346,985)
Expenses not deductible for tax purposes	472,943	137,415
Income not subject to tax	(330,265)	(245,892)
Tax losses not recognised	145,194	111,918
Tax losses utilised from previous periods	(15,278)	(22,213)
Impact of change in the applicable income tax rate on deferred tax	(2,385)	(6,210)
Adjustments in respect of current tax of previous periods	(368)	(3,758)
Income tax expense	3,577,305	4,502,309

During 2024, enterprises established in the PRC are normally subject to enterprise income tax ("EIT") at the rate of 25%, while certain subsidiaries enjoy preferential EIT at a rate of 15% as approved by the relevant tax authorities or due to their operation in designated areas with preferential EIT policies.

Two of the Group's subsidiaries are subject to Hong Kong profits tax at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HKD2,000,000 (2023: HKD2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 13. Taxation (continued)

The tax credit/(charge) relating to the components of other comprehensive loss is as follows:

	2024			2023		
	Before tax	Tax	After tax	Before tax	Tax	After tax
	RMB'000	(charge)/ credit RMB'000	RMB'000	RMB'000	(charge)/ credit RMB'000	RMB'000
Equity investments at fair value through other comprehensive income	(4,615)	1,154	(3,461)	6,864	(1,716)	5,148
Remeasurement of post-employment benefit obligations	(58,966)	14,709	(44,257)	(15,255)	6,259	(8,996)
	(63,581)	15,863	(47,718)	(8,391)	4,543	(3,848)

### 14. Earnings per share

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 3,120,656,000 (31 December 2023: 3,120,656,000) in issue excluding treasury shares at the end of the Reporting Period.

The Company had no potentially dilutive ordinary shares in issue during the year ended 31 December 2024 and 2023.

The calculations of basic and diluted earnings per share are based on:

	2024 RMB'000	2023 RMB'000
<b>Earnings</b>		
Profit attributable to equity holders of the parent used in the basic and diluted earnings per share calculation('000)	7,049,683	9,053,760
<b>Shares</b>		
Weighted average number of ordinary shares outstanding used in the basic and diluted earnings per share calculation('000)	3,120,532	3,120,532
Basic and diluted earnings per share (RMB per share)	2.26	2.90

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 15. Dividends

A final dividend for the year ended 31 December 2023 of RMB0.82 (tax inclusive) per ordinary share, based on the total share capital of the Company of 3,120,656,191 ordinary shares, amounting to RMB2,714,971,000 in total, was approved by the shareholders at the annual general meeting of the Company held on 13 June 2024.

A final dividend for the year ended 31 December 2024 of RMB0.68 (tax inclusive) per ordinary share, based on the total share capital of the Company of 3,120,656,191 ordinary shares, totalling approximately RMB2,122,046,000, is to be proposed at the upcoming annual general meeting according to the resolution passed at the Board meeting held on 21 March 2025. These financial statements have not reflected this proposed dividend.

	2024 RMB'000	2023 RMB'000
Proposed final dividend – RMB0.68 (2023: RMB0.82) per ordinary share	2,122,046	2,714,971

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 16. Leases

#### (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:

	Land use right RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Total RMB'000
At 1 January 2024, net of accumulated depreciation and impairment	1,847,952	5,510,171	56,334	1,966	7,416,423
Additions	229,653	2,443,031	14,745	2,006	2,689,435
Disposals	(525)	(472,209)	(8,739)	(333)	(481,806)
Depreciation (Note 10)	(56,703)	(2,295,775)	(23,216)	(2,120)	(2,377,814)
At 31 December 2024, net of accumulated depreciation and impairment	2,020,377	5,185,218	39,124	1,519	7,246,238
At 31 December 2024: Cost	2,683,410	10,041,133	115,616	6,660	12,846,819
Accumulated amortisation and impairment	(663,033)	(4,855,915)	(76,492)	(5,141)	(5,600,581)
Net carrying amount	2,020,377	5,185,218	39,124	1,519	7,246,238
At 1 January 2023, net of accumulated depreciation and impairment	1,854,811	5,053,036	121,783	768	7,030,398
Additions	52,272	2,822,161	22,734	1,743	2,898,910
Disposals	(4,868)	(292,950)	(56,195)	–	(354,013)
Depreciation (Note 10)	(54,263)	(2,072,076)	(31,988)	(545)	(2,158,872)
At 31 December 2023, net of accumulated depreciation and impairment	1,847,952	5,510,171	56,334	1,966	7,416,423
At 31 December 2023: Cost	2,455,243	10,135,685	157,371	5,112	12,753,411
Accumulated amortisation and impairment	(607,291)	(4,625,514)	(101,037)	(3,146)	(5,336,988)
Net carrying amount	1,847,952	5,510,171	56,334	1,966	7,416,423

As at 31 December 2024, there are right-of-use assets with a net carrying amount of approximately RMB866,000 (2023: Nil) pledged as collateral for the Group's bank borrowings (Note 33).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 16. Leases (continued)

#### (b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	5,217,366	4,842,507
New leases	2,314,127	2,833,459
Additions as a result of acquisition of a subsidiary	–	13,179
Accretion of interest recognised during the year (Note 12)	224,065	206,203
Payments	(2,204,281)	(2,305,624)
Disposals	(531,422)	(372,358)
Carrying amount at 31 December	5,019,855	5,217,366
<b>Analysed into:</b>		
Current portion	1,760,575	1,796,525
Non-current portion	3,259,280	3,420,841

The maturity analysis of lease liabilities is disclosed in Note 3 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	224,065	206,203
Depreciation charge of right-of-use assets	2,377,814	2,158,872
Expense relating to short-term leases	474,378	530,395
Expense relating to leases of low-value assets with remaining lease terms ended on or before 31 December 2024	21,802	10,746
Variable lease payments not included in the measurement of lease liabilities	1,053	682
Gain on disposal of items of right-of-use assets	(74,591)	(228,648)
Total amount recognised in profit or loss	3,024,521	2,678,250

#### (d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in Notes 41 and 42(b), respectively, to the financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 17. Investment properties

	2024 RMB'000	2023 RMB'000
Cost	1,026,376	1,149,659
Accumulated depreciation and impairment	(633,343)	(648,193)
Net carrying amount	393,033	501,466
Opening carrying amount	501,466	538,338
Transfer from property, plant and equipment (Note 18)	15,563	490,566
Transfer to property, plant and equipment (Note 18)	(85,755)	(401,312)
Disposal	(176)	(28,816)
Depreciation (Note 10)	(38,065)	(97,310)
Closing carrying amount	393,033	501,466

Investment properties are located in Mainland China on land with the land use periods of 25 to 50 years (2023: 25 to 50 years).

As at 31 December 2024, there is no investment property (2023: Nil) pledged as collateral of the Group's bank borrowings (Note 33).

As at 31 December 2024, the fair value of the investment properties was estimated to be approximately RMB3,206,913,000 (2023: RMB3,636,537,000). The valuation was determined using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre.

Rental income from investment properties has been included in the consolidated statement of profit or loss as follows:

	2024 RMB'000	2023 RMB'000
Revenue (Note 6)	237,639	198,975



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 18. Property, plant and equipment

	Buildings RMB'000	Plant and machinery RMB'000	Furniture fittings and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>At 1 January 2024</b>						
Cost	12,996,897	6,036,706	3,191,580	870,481	505,465	23,601,129
Accumulated depreciation and impairment	(4,581,533)	(3,778,892)	(2,215,161)	(544,309)	–	(11,119,895)
Net carrying amount	8,415,364	2,257,814	976,419	326,172	505,465	12,481,234
<b>At 1 January 2024, net of accumulated depreciation and impairment</b>	8,415,364	2,257,814	976,419	326,172	505,465	12,481,234
Acquisition of subsidiaries (Note 45)	80,033	–	–	–	–	80,033
Additions	432,900	485,713	280,138	58,266	614,427	1,871,444
Transfers	162,037	90,827	28,435	50	(281,349)	–
Transfer from investment properties (Note 17)	85,755	–	–	–	–	85,755
Transfer to investment properties (Note 17)	(15,563)	–	–	–	–	(15,563)
Transfer to intangible assets (Note 19)	–	–	–	–	(34,181)	(34,181)
Disposals	(45,623)	(44,655)	(38,512)	(11,351)	(66,379)	(206,520)
Depreciation (Note 10)	(786,171)	(615,421)	(388,845)	(85,563)	–	(1,876,000)
<b>At 31 December 2024, net of accumulated depreciation and impairment</b>	8,328,732	2,174,278	857,635	287,574	737,983	12,386,202
<b>At 31 December 2024</b>						
Cost	13,752,152	6,516,442	3,343,875	868,149	739,814	25,220,432
Accumulated depreciation and impairment	(5,423,420)	(4,342,164)	(2,486,240)	(580,575)	(1,831)	(12,834,230)
Net carrying amount	8,328,732	2,174,278	857,635	287,574	737,983	12,386,202

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 18. Property, plant and equipment (continued)

	Buildings RMB'000	Plant and machinery RMB'000	Furniture fittings and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>At 1 January 2023</b>						
Cost	12,907,405	5,428,048	2,867,468	873,054	800,053	22,876,028
Accumulated depreciation and impairment	(4,448,616)	(3,334,661)	(1,947,278)	(528,707)	–	(10,259,262)
<b>Net carrying amount</b>	<b>8,458,789</b>	<b>2,093,387</b>	<b>920,190</b>	<b>344,347</b>	<b>800,053</b>	<b>12,616,766</b>
<b>At 1 January 2023, net of accumulated depreciation and impairment</b>	<b>8,458,789</b>	<b>2,093,387</b>	<b>920,190</b>	<b>344,347</b>	<b>800,053</b>	<b>12,616,766</b>
Acquisition of subsidiaries	5,140	10,549	2,453	702	–	18,844
Additions	398,237	532,371	416,884	78,398	545,735	1,971,625
Transfers	473,228	242,108	59,825	–	(775,161)	–
Transfer from investment properties (Note 17)	401,312	–	–	–	–	401,312
Transfer to investment properties (Note 17)	(490,566)	–	–	–	–	(490,566)
Transfer to intangible assets (Note 19)	–	–	–	–	(58,565)	(58,565)
Disposals	(125,461)	(28,714)	(45,102)	(10,371)	(6,597)	(216,245)
Depreciation (Note 10)	(705,315)	(588,293)	(377,694)	(86,834)	–	(1,758,136)
Impairment	–	(3,594)	(137)	(70)	–	(3,801)
<b>At 31 December 2023, net of accumulated depreciation and impairment</b>	<b>8,415,364</b>	<b>2,257,814</b>	<b>976,419</b>	<b>326,172</b>	<b>505,465</b>	<b>12,481,234</b>
<b>At 31 December 2023</b>						
Cost	12,996,897	6,036,706	3,191,580	870,481	505,465	23,601,129
Accumulated depreciation and impairment	(4,581,533)	(3,778,892)	(2,215,161)	(544,309)	–	(11,119,895)
<b>Net carrying amount</b>	<b>8,415,364</b>	<b>2,257,814</b>	<b>976,419</b>	<b>326,172</b>	<b>505,465</b>	<b>12,481,234</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 18. Property, plant and equipment (continued)

Details of the borrowing costs capitalised into cost of property, plant and equipment are as follows:

	2024 RMB'000	2023 RMB'000
Borrowing costs capitalised	7,364	20,051
Weighted average rate of borrowing costs	3.80%	4.09%

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Other borrowing costs are expensed in the period in which they are incurred.

Depreciation expense was charged to the consolidated statement of profit or loss as follows:

	2024 RMB'000	2023 RMB'000
Cost of sales	479,403	372,387
Selling and distribution expenses	868,707	784,148
Administrative expenses	527,890	601,601
	1,876,000	1,758,136

As at 31 December 2024, property, plant and equipment with a net carrying amount of approximately RMB14,902,000 (2023: RMB8,302,000) were pledged as collateral for the Group's bank borrowings (Note 33).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 19. Intangible assets

	Goodwill RMB'000	Sales network RMB'000	Trademarks and patent rights RMB'000	Software RMB'000	Product development costs RMB'000	Exclusive distribution rights and others RMB'000	Total RMB'000
At 1 January 2024, net of accumulated amortisation and impairment	7,185,729	1,926,059	244,702	573,208	180,018	86,433	10,196,149
Additions	-	-	401	122,166	156,462	6	279,035
Acquisition of subsidiaries (Note 45)	-	525	-	-	-	-	525
Transfers	-	-	57,953	54,514	(112,467)	-	-
Transfers from property, plant and equipment (Note 18)	-	-	-	34,181	-	-	34,181
Disposals	(2,964)	-	-	(10,276)	-	-	(13,240)
Amortisation (Note 10)	-	(190,586)	(33,846)	(204,398)	-	(12,983)	(441,813)
Impairment (Note 9)	(931,200)	(134,816)	(39,948)	-	-	-	(1,105,964)
At 31 December 2024, net of accumulated amortisation and impairment	6,251,565	1,601,182	229,262	569,395	224,013	73,456	8,948,873
At 31 December 2024:							
Cost	8,064,206	4,320,848	564,705	1,809,936	224,013	180,065	15,163,773
Accumulated amortisation and impairment	(1,812,641)	(2,719,666)	(335,443)	(1,240,541)	-	(106,609)	(6,214,900)
Net carrying amount	6,251,565	1,601,182	229,262	569,395	224,013	73,456	8,948,873

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 19. Intangible assets (continued)

	Goodwill RMB'000	Sales network RMB'000	Trademarks and patent rights RMB'000	Software RMB'000	Product development costs RMB'000	Exclusive distribution rights and others RMB'000	Total RMB'000
At 1 January 2023, net of accumulated amortisation and impairment	7,155,580	2,060,975	271,918	508,906	74,436	99,104	10,170,919
Additions	-	-	113	137,143	173,092	-	310,348
Acquisition of subsidiaries	60,393	73,500	-	1,448	-	-	135,341
Transfers	-	-	5,254	56,714	(61,968)	-	-
Transfers from property, plant and equipment (Note 18)	-	-	-	58,565	-	-	58,565
Disposals	(3,226)	-	(3)	(3,225)	(5,542)	-	(11,996)
Amortisation (Note 10)	-	(184,345)	(32,580)	(186,334)	-	(12,671)	(415,930)
Impairment (Note 9)	(27,018)	(24,071)	-	(9)	-	-	(51,098)
At 31 December 2023, net of accumulated amortisation and impairment	7,185,729	1,926,059	244,702	573,208	180,018	86,433	10,196,149
At 31 December 2023:							
Cost	8,067,170	4,319,254	506,351	1,614,263	180,018	180,059	14,867,115
Accumulated amortisation and impairment	(881,441)	(2,393,195)	(261,649)	(1,041,055)	-	(93,626)	(4,670,966)
Net carrying amount	7,185,729	1,926,059	244,702	573,208	180,018	86,433	10,196,149

Amortisation expenses charged to the consolidated statement of profit or loss are as follows:

	2024 RMB'000	2023 RMB'000
Selling and distribution expenses	221,579	197,652
Administrative expenses	220,234	218,278
	441,813	415,930

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 19. Intangible assets (continued)

#### Impairment tests for goodwill:

Goodwill is allocated to the Group's cash-generating units ("CGUs"), identified by the operating segment, as follows:

2024	Opening RMB'000	Additions RMB'000 (Note 45)	Impairment RMB'000	Disposal of subsidiaries RMB'000	Closing RMB'000
Pharmaceutical distribution	3,764,626	–	(313,314)	–	3,451,312
Medical devices	1,088,780	–	(37,129)	(2,964)	1,048,687
Retail pharmacy	2,287,035	–	(580,757)	–	1,706,278
Other businesses	45,288	–	–	–	45,288
Total	7,185,729	–	(931,200)	(2,964)	6,251,565

2023	Opening RMB'000	Additions RMB'000 (Note 45)	Impairment RMB'000	Disposal of subsidiaries RMB'000	Closing RMB'000
Pharmaceutical distribution	3,731,251	60,393	(27,018)	–	3,764,626
Medical devices	1,088,780	–	–	–	1,088,780
Retail pharmacy	2,290,261	–	–	(3,226)	2,287,035
Other businesses	45,288	–	–	–	45,288
Total	7,155,580	60,393	(27,018)	(3,226)	7,185,729

The recoverable amount of a CGU is determined based on the higher of value-in-use and fair value less costs of disposal. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rates for the businesses in which the CGUs operate.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 19. Intangible assets (continued)

#### Impairment tests for goodwill: (continued)

The key assumptions, long-term growth rates and discount rates used for value-in-use calculations of top 5 significant CGUs in 2024 are as follows:

	Retail pharmacy CGU1	CGU2	Pharmaceutical distribution		
			CGU3	CGU4	CGU5
Net goodwill (RMB'000)	962,411	1,081,882	191,420	184,055	143,835
Revenue growth rates within the budget period	1.01%-4.04%	4.96%-9.02%	5.61%-6.66%	0.08%-4.41%	-6.63%-6.56%
Gross margin rate	28.34%-29.33%	6.30%-6.40%	5.70%	3.90%-4.10%	5.90%
Growth rates to extrapolate cash flows beyond the budget period	2.00%	2.00%	2.00%	2.00%	2.00%
Pre-tax discount rate	13.45%	14.50%	14.50%	14.50%	14.50%

Management determined the budgeted gross margin and growth rates based on past performance of the CGUs and expectations for market development. The discount rates used are before tax after reflecting specific risks of the relevant businesses.

During the reporting period, by comparing the carrying value of the CGUs containing the goodwill with those recoverable amounts, the Group provided goodwill impairment amounting to RMB931,200,000 and intangible assets impairment amounting to RMB174,764,000 related to several CGUs in Pharmaceutical distribution segment, Medical devices distribution segment, Retail pharmacy segment and Other business segment, were recognised in the consolidated statement of profit or loss as other expenses.

### 20. Subsidiaries

The principal subsidiaries of the Company are set out in Note 47.

#### Material non-controlling interests

The total non-controlling interests as at 31 December 2024 amounted to RMB47,803,507,000 (31 December 2023: RMB45,736,528,000). Set out below is the summarised non-controlling interest of subsidiaries that are material to the Group, including China National Medicines Corporation Ltd. ("National Medicines"), China National Accord Medicines Co., Ltd. ("Sinopharm Accord") and China National Scientific Instruments and Materials Co., Ltd ("Scientific Instruments"):



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 20. Subsidiaries (continued)

#### Material non-controlling interests (continued)

	National Medicines		Sinopharm Accord		Scientific Instruments	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Non-controlling shareholding ratio	45.28%	45.28%	43.94%	43.94%	40.00%	40.00%
Total Non-controlling Interest	9,602,552	8,901,055	10,849,862	11,196,993	10,237,798	9,684,899
Total current net assets	9,602,552	8,901,055	10,849,862	11,196,993	10,237,798	9,684,899

The non-controlling interest in respect of each of the other subsidiaries is not material.

#### Summarised financial information of subsidiaries with material non-controlling interests

Set out below is the summarised financial information of the aforementioned subsidiaries that have non-controlling interests that are material to the Group.

#### Summarised statement of financial position

	National Medicines		Sinopharm Accord		Scientific Instruments	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Current Assets	30,356,823	28,279,389	37,576,396	36,370,055	58,483,978	54,292,355
Liabilities	(14,855,742)	(13,894,453)	(24,802,407)	(24,338,224)	(47,386,033)	(42,980,906)
Total current net assets	15,501,081	14,384,936	12,773,989	12,031,831	11,097,945	11,311,449
Non-current Assets	4,571,456	4,173,703	9,979,465	11,201,040	6,187,392	6,282,802
Liabilities	(1,097,494)	(1,025,485)	(1,998,054)	(2,255,030)	(1,345,000)	(2,031,099)
Total non-current net assets	3,473,962	3,148,218	7,981,411	8,946,010	4,842,392	4,251,703
Net assets	18,975,043	17,533,154	20,755,399	20,977,841	15,940,336	15,563,152

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 20. Subsidiaries (continued)

Summarised financial information of subsidiaries with material non-controlling interests (continued)

Summarised statement of profit or loss

	National Medicines		Sinopharm Accord		Scientific Instruments	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Revenue	50,597,450	49,696,046	74,378,494	75,477,485	77,778,776	84,706,839
Profit before income tax	2,653,612	2,930,890	575,469	2,473,227	1,243,312	2,678,234
Income tax expense	(523,832)	(596,420)	(338,466)	(514,739)	(406,379)	(669,802)
Post-tax profit	2,129,780	2,334,470	237,003	1,958,488	836,933	2,008,432
Other comprehensive income/(loss)	(3,461)	5,103	(15,541)	56	(14,405)	(850)
Total comprehensive income	2,126,319	2,339,573	221,462	1,958,544	822,528	2,007,582
Total comprehensive income/ (loss) allocated to non- controlling interests	1,033,744	1,163,276	(133,497)	1,061,886	(591,241)	1,377,368
Dividends paid to non- controlling interests	355,199	337,740	233,750	255,490	369,955	584,885

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 20. Subsidiaries (continued)

Summarised financial information of subsidiaries with material non-controlling interests (continued)

#### Summarised cash flows

	National Medicines		Sinopharm Accord		Scientific Instruments	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
<b>Cash flows generated from operating activities</b>						
Cash generated from operations	2,239,452	3,295,661	3,759,347	3,531,165	(852,663)	1,282,968
Income tax paid	(580,333)	(569,004)	(487,879)	(594,026)	(641,935)	(746,964)
Net cash generated from/(used in) operating activities	1,659,119	2,726,657	3,271,468	2,937,139	(1,494,598)	536,004
Net cash used in investing activities	(2,583,710)	(129,311)	(150,686)	(135,435)	(107,591)	(220,611)
Net cash generated from/(used in) financing activities	(1,582,333)	(632,176)	(1,831,235)	(2,407,642)	(1,855,905)	925,853
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(2,506,924)</b>	1,965,170	<b>1,289,547</b>	394,062	<b>(3,458,094)</b>	1,241,246
Cash and cash equivalents at beginning of year	10,798,318	8,833,148	5,835,294	5,442,173	9,725,352	8,480,792
Effect of foreign exchange rate changes, net	—	—	(1,196)	(941)	2,316	3,372
<b>Cash and cash equivalents at end of year</b>	<b>8,291,394</b>	10,798,318	<b>7,123,645</b>	5,835,294	<b>6,269,574</b>	9,725,410

The information above is before inter-company eliminations.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 21. Investments in associates

	2024 RMB'000	2023 RMB'000
At 1 January	9,687,954	8,967,418
Additions	13,473	15,946
Share of results	1,196,478	1,111,568
Unrealised gain on transactions with an associate	35,003	22,003
Share of other comprehensive income	1,938	607
Share of changes in equity other than comprehensive income and distributions received from associates	(3,819)	2,862
Dividends declared by associates attributable to the Group	(707,627)	(380,253)
Disposal of investments in associates	(75,940)	(52,197)
Impairment (Note 9)	(2,135)	–
At 31 December	10,145,325	9,687,954

The Group's receivable and payable balances with the associates are disclosed in Note 46 to the financial statements.

Particulars of the material associates are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of equity interest attributable to the Group		Principal activity
			2024(i)	2023(i)	
Shanghai Modern Pharmaceutical Co., Ltd. (上海現代製藥股份有限公司)	Ordinary shares of RMB1 each	PRC/Mainland China	13.88%	13.88%	Pharmaceutical manufacturing
Yichang Humanwell Pharmaceutical Co., Ltd. (宜昌人福藥業有限責任公司)	Ordinary shares of RMB1 each	PRC/Mainland China	20.00%	20.00%	Pharmaceutical manufacturing

- (i) The Group's investment in this associate is accounted for under the equity method of accounting because the Group has significant influence over the associate by way of representation on the board of directors and participation in the policy-making process, despite the fact that the percentage of the Group's equity interest in it was lower than 20% for the year ended 31 December 2024 and the year ended 31 December 2023.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 21. Investments in associates (continued)

The following table illustrates the summarised financial information of Shanghai Modern Pharmaceutical Co., Ltd. extracted from its financial statements, reconciled to the carrying amount in the consolidated financial statements:

	2024 RMB'000	2023 RMB'000
Current assets	11,684,104	10,656,992
Non-current assets	8,271,493	8,695,290
Current liabilities	(4,343,611)	(3,779,675)
Non-current liabilities	(290,022)	(1,234,393)
Non-controlling interests	(2,118,040)	(1,949,853)
Net assets	13,203,924	12,388,361
Market value of listed shares	16,013,602	13,130,081
Proportion of the Group's ownership	13.88%	13.88%
Carrying amount of the investment	1,832,700	1,719,505
Revenue	10,937,525	12,069,930
Profit for the year	1,332,080	964,611
Other comprehensive income	175	91
Dividend received	37,242	18,619

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 21. Investments in associates (continued)

The following table illustrates the summarised financial information of Yichang Humanwell Pharmaceutical Co., Ltd. extracted from its financial statements, reconciled to the carrying amount in the consolidated financial statements:

	2024 RMB'000	2023 RMB'000
Current assets	6,088,740	4,906,192
Non-current assets	5,963,931	5,929,527
Current liabilities	(1,949,163)	(2,231,624)
Non-current liabilities	(447,008)	(430,600)
Non-controlling interests	(58,961)	(62,535)
Other Adjustment	(54,676)	(73,959)
Net assets	9,542,863	8,037,001
Proportion of the Group's ownership	20.00%	20.00%
Carrying amount of the investment	1,908,573	1,607,400
Revenue	8,701,780	8,059,578
Profit for the year	2,703,197	2,428,785
Other comprehensive income	—	369
Dividend received	243,164	206,620

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2024 RMB'000	2023 RMB'000
Share of the associates' profit for the year	536,739	559,217
Share of the associates' other comprehensive income	1,914	595
Share of the associates' total comprehensive income	538,652	559,812
Aggregate carrying amount of the Group's investments in the associates	6,404,052	6,361,049

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 22. Equity investments designated at fair value through other comprehensive income

	2024 RMB'000	2023 RMB'000
<b>Listed equity investment, at fair value</b>		
Jiangsu Lianhuan Pharmaceutical Group Co., Ltd.	37,183	41,798
<b>Unlisted equity investments, at fair value</b>		
Shanghai Fuxin Chuanghong Fund Investment Co., Ltd.	7,203	7,214
Shanghai Guoren Pharmacy Co., Ltd.	283	283
Suzhou Liuliu Vision Technology Co., Ltd.	4,755	4,755
Zhejiang Wahaha Industrial Co., Ltd.	300	300
Sinopharm (Shanghai) E-commerce Co., Ltd.	471	471
Shenzhen Zhonglian Guangshen Pharmaceutical Group Co., Ltd.	293	293
Wuhan Gaoke Medical Device Enterprise Incubation Co., Ltd.	150	150
	13,455	13,466
	50,638	55,264

- (i) The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.
- (ii) During the year ended 31 December 2024, the Group received dividends in an aggregate amount of RMB563,000 (2023: RMB3,017,000).



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 23. Financial assets at fair value through profit or loss

	2024 RMB'000	2023 RMB'000
Listed equity investments, at fair value	158	125
Unlisted equity investments, at fair value	379,853	463,897
Investments in funds, at fair value	295,795	320,759
Contingent consideration, at fair value	–	422
	675,806	785,203
Less: Current portion	(158)	(547)
	675,648	784,656

### 24. Finance lease receivables

	2024 RMB'000	2023 RMB'000
Finance lease receivables	154,639	22,197
Less: Unearned finance income	(24,751)	(610)
	129,888	21,587
Less: Expected credit losses	(12,436)	(12,436)
Less: Current portion	(5,751)	(3,297)
	111,701	5,854

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 25. Financial instruments by category

At 31 December 2024

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit and loss RMB'000	Equity investments at fair value through other comprehensive income RMB'000	Notes receivable held both to collect cash flows and to sell RMB'000	Total RMB'000
Financial assets included in other non-current assets	2,167,031	-	-	-	2,167,031
Equity investments designated at fair value through other comprehensive income	-	-	50,638	-	50,638
Financial assets at fair value through profit and loss (Note 23)	-	675,806	-	-	675,806
Finance lease receivables (Note 24)	117,452	-	-	-	117,452
Trade and notes receivable (Note 29)	187,473,247	-	-	12,781,306	200,254,553
Financial assets included in prepayments, other receivables and other assets	8,461,995	-	-	-	8,461,995
Pledged deposits, restricted cash and bank deposits with an initial term of over three months (Note 32)	12,752,736	-	-	-	12,752,736
Cash and cash equivalents (Note 32)	54,313,359	-	-	-	54,313,359
	265,285,820	675,806	50,638	12,781,306	278,793,570

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 25. Financial instruments by category (continued)

At 31 December 2024 (continued)

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank and other borrowings (Note 33)	71,366,279
Trade and notes payable (Note 34)	151,109,247
Dividends payable	238,557
Lease liabilities (Note 16 (b))	5,019,855
Financial liabilities included in accruals and other payables	22,558,312
	250,292,250
	Financial liabilities at fair value through profit or loss RMB'000
Financial liabilities included in other non-current liabilities (Note 38)	39,210
Financial liabilities included in accruals and other payables (Note 36)	54,910
	94,120

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 25. Financial instruments by category (continued)

At 31 December 2023

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit and loss RMB'000	Equity investments at fair value through other comprehensive income RMB'000	Notes receivable held both to collect cash flows and to sell RMB'000	Total RMB'000
Financial assets included in other non-current assets	2,462,107	–	–	–	2,462,107
Equity investments designated at fair value through other comprehensive income	–	–	55,264	–	55,264
Financial assets at fair value through profit and loss (Note 23)	–	785,203	–	–	785,203
Finance lease receivables (Note 24)	9,151	–	–	–	9,151
Trade and notes receivable (Note 29)	171,989,678	–	–	12,442,865	184,432,543
Financial assets included in prepayments, other receivables and other assets	7,394,309	–	–	–	7,394,309
Pledged deposits, restricted cash and bank deposits with an initial term of over three months (Note 32)	11,011,076	–	–	–	11,011,076
Cash and cash equivalents (Note 32)	63,808,538	–	–	–	63,808,538
	256,674,859	785,203	55,264	12,442,865	269,958,191

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 25. Financial instruments by category (continued)

At 31 December 2023 (continued)

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank and other borrowings (Note 33)	68,564,486
Trade and notes payable (Note 34)	146,632,453
Dividends payable	256,374
Lease liabilities (Note 16 (b))	5,217,366
Financial liabilities included in accruals and other payables	25,731,950
	246,402,629
	Financial liabilities at fair value through profit or loss RMB'000
Financial liabilities included in other non-current liabilities (Note 38)	78,420
Financial liabilities included in accruals and other payables (Note 36)	114,234
	192,654

### 26. Deferred income tax

	2024 RMB'000	2023 RMB'000
Deferred tax assets	2,408,387	1,963,679
Deferred tax liabilities	(638,754)	(788,379)
	1,769,633	1,175,300

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 26. Deferred income tax (continued)

The movements in deferred tax assets and liabilities are as follows:

#### Deferred tax assets

	Employee benefit obligations RMB'000	Impairment provision for assets RMB'000	Unrealised profits RMB'000	Tax losses RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	177,425	912,995	34,969	109,730	1,211,742	672,718	3,119,579
Acquisition of subsidiaries	–	–	–	–	–	770	770
(Charged)/credited to the consolidated statement of profit or loss	(3,936)	121,222	4,872	46,232	(31,564)	(18,005)	118,821
Credited to other comprehensive income	4,543	–	–	–	–	–	4,543
Disposal of subsidiaries	–	–	–	–	–	(845)	(845)
At 31 December 2023	178,032	1,034,217	39,841	155,962	1,180,178	654,638	3,242,868
Acquisition of subsidiaries	–	–	–	–	–	2	2
(Charged)/credited to the consolidated statement of profit or loss	(29,225)	339,111	16,499	41,815	(56,952)	31,245	342,493
Credited to other comprehensive income	14,709	–	–	–	–	–	14,709
Disposal of subsidiaries	–	–	–	–	–	(29)	(29)
At 31 December 2024	163,516	1,373,328	56,340	197,777	1,123,226	685,856	3,600,043

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 26. Deferred income tax (continued)

#### Deferred tax liabilities

	Fair value adjustments on assets relating to business combinations RMB'000	Fair value gains on equity investments at fair value through profit and loss RMB'000	Fair value gains on equity investments at fair value through other comprehensive income RMB'000	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	814,175	7533	7547	1142160	105165	2,076,580
Acquisition of subsidiaries	18,375	-	-	-	-	18,375
(Credited)/charged to the consolidated statement of profit or loss	(137,977)	(4,106)	-	(9,026)	125,423	(25,656)
Credited to other comprehensive income	-	-	(1,716)	-	-	(1,716)
Disposal of subsidiaries	-	-	-	-	(15)	(15)
At 31 December 2023	694,573	3,427	5,831	1,133,134	230,603	2,067,568
Acquisition of subsidiaries	-	-	-	-	-	-
(Credited)/charged to the consolidated statement of profit or loss	(186,827)	16,020	-	(47,159)	(18,038)	(236,004)
Credited to other comprehensive income	-	-	(1,154)	-	-	(1,154)
Disposal of subsidiaries	-	-	-	-	-	-
At 31 December 2024	507,746	19,447	4,677	1,085,975	212,565	1,830,410



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 26. Deferred income tax (continued)

#### Deferred tax liabilities (continued)

The net balances of deferred tax assets and liabilities after offsetting are as follows:

	31 December 2024		31 December 2023	
	Offsetting amount RMB'000	Amount after offset RMB'000	Offsetting amount RMB'000	Amount after offset RMB'000
Deferred tax assets	(1,191,656)	2,408,387	(1,279,189)	1,963,679
Deferred tax liabilities	1,191,656	638,754	1,279,189	788,379

Deductible temporary difference and deductible losses of the Group that were not recognised as deferred tax assets are analysed as follows:

	31 December 2024 RMB'000	31 December 2023 RMB'000
Deductible temporary difference	91,846	62,203
Deductible losses	880,462	923,577
	972,308	985,780

The due dates for deductible losses that were not recognised as deferred tax assets are distributed as follows:

	31 December 2024 RMB'000	31 December 2023 RMB'000
Within 1 year	80,108	142,029
1 to 2 years	80,020	68,387
2 to 3 years	125,549	84,689
3 to 4 years	278,166	215,402
4 to 5 years	295,312	413,070
More than 5 years	21,307	–
	880,462	923,577

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 27. Other non-current assets

	2024 RMB'000	2023 RMB'000
Long-term deposits	1,529,617	1,946,977
Contract assets	246,899	275,766
Instalment sales	797,615	512,299
Others	475,211	819,303
	3,049,342	3,554,345
Expected credit losses	(54,244)	(110,092)
	2,995,098	3,444,253

The movements in the loss allowance for expected credit losses of non-current assets are as follows:

	2024 RMB'000	2023 RMB'000
At beginning of year	110,092	84,629
Expected credit losses, net (Note 8)	(4,182)	25,463
Transfer to other receivables and other assets (Note 31)	(51,666)	–
At end of year	54,244	110,092

As at 31 December 2024 and 31 December 2023, the other-non current assets were in the stage 1.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 28. Inventories

	2024 RMB'000	2023 RMB'000
Raw materials	212,879	229,652
Work in progress	34,601	39,204
Finished goods and trading merchandise	62,446,911	60,053,307
	62,694,391	60,322,163
Less: Provision for impairment	(341,579)	(294,515)
	62,352,812	60,027,648

The cost of inventories included in cost of sales amounted to RMB538,925,247,000 (2023: RMB546,728,833,000) (Note 10).

Movements in provision for impairment of inventories are as follows:

	2024 RMB'000	2023 RMB'000
At 1 January	294,515	235,415
Provision for the year (Note 10)	77,771	70,267
Write-off for the year	(30,707)	(11,167)
At 31 December	341,579	294,515

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 29. Trade and notes receivable

	2024 RMB'000	2023 RMB'000
Trade receivables	187,635,430	169,002,890
Notes receivable held both to collect cash flows and to sell	12,781,306	12,442,865
Notes receivable	4,830,839	6,682,962
	205,247,575	188,128,717
Less: Expected credit losses	(4,993,022)	(3,696,174)
	200,254,553	184,432,543

The fair value of trade and notes receivable approximates to their carrying amount.

Retail sales of pharmacy stores are generally made in cash or by debit or credit cards. For all other businesses, like pharmaceutical distribution, medical devices distribution and production and sales of pharmaceutical manufacturing businesses etc., sales are made on credit terms generally ranging from 30 to 210 days. The aging analysis of trade receivables, based on the invoice date and net of expected credit losses, as at the end of the reporting period, is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	169,957,622	158,669,524
1 to 2 years	10,185,212	5,921,366
Over 2 years	2,616,934	807,374
	182,759,768	165,398,264

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit losses for trade and notes receivable. To measure the expected credit losses, these receivables have been grouped based on shared credit risk characteristics and the aging from billing except for individually provided, where applicable. See Notes 3.1(2)(b) and 4(i) for further information about expected credit losses.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 29. Trade and notes receivable (continued)

The movements in the loss allowance for expected credit losses of trade and notes receivable are as follows:

	2024 RMB'000	2023 RMB'000
At beginning of year	3,696,174	3,074,000
Expected credit losses, net (Note 8)	1,312,770	628,615
Disposal of subsidiaries	(2,986)	(46)
Other decrease for the year	(165)	–
Amount written off as uncollectible	(12,771)	(6,395)
At end of year	4,993,022	3,696,174

The maximum exposure to credit risk as at 31 December 2024 was the carrying value of each category of receivables mentioned above and in Note 31.

As at 31 December 2024, notes receivable of RMB316,771,000 (2023: RMB310,572,000) and trade receivables of RMB1,555,384,000 (2023: RMB928,314,000) were pledged as collateral for the Group's bank borrowings.

As at 31 December 2024, notes receivable of RMB139,405,000 (2023: RMB230,655,000) and trade receivables of RMB202,760,000 (2023: RMB357,077,000) were pledged as collateral for the Group's notes payable.

As at 31 December 2024, outstanding trade receivables of RMB41,232,891,000 (2023: RMB58,159,689,000) were derecognized under the trade receivables factoring programs without recourse. The aging of these derecognized trade receivables was basically within one year. As at 31 December 2024, the collection of such trade receivables on behalf of banks amounting to RMB4,494,390,000 (2023: RMB6,424,793,000) and the collection of such trade receivables on behalf of related parties amounting to RMB1,266,078,000 (2023: RMB1,690,185,000) was recorded in other payables (Note 36). During the year of 2024, the losses on derecognition of trade and notes receivable was RMB1,582,079,000 (2023: RMB2,067,764,000).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 30. Contract assets

	2024 RMB'000	2023 RMB'000
Contract asset arising from:		
Sale of goods	1,550,061	1,704,808
Less: Expected credit losses	(84,845)	(74,523)
	(246,899)	(275,766)
Less: Contract assets listed in other non-current assets	1,218,317	1,354,519

A contract asset represents the Group's right to consideration in exchange for sales of goods that the Group has transferred to a customer that is not yet unconditional. The contract assets are transferred to prepayments, trade and other receivables when the rights become unconditional other than passage of time.

The movements in the loss allowance for expected credit losses of contract assets are as follows:

	2024 RMB'000	2023 RMB'000
At beginning of year	74,523	88,598
Expected credit losses (Note 8)	10,322	(14,075)
At end of year	84,845	74,523

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases.

The expected timing of recovery or settlement for contract assets as at 31 December 2024 was mainly within one year.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 31. Prepayments, other receivables and other assets

	2024 RMB'000	2023 RMB'000
Prepayments	6,709,875	7,407,698
Other current assets	1,287,806	1,159,841
Deposits	3,172,132	3,329,981
Staff advances	41,613	57,790
Amounts due from related parties (Note 46)		
– other receivables	53,779	104,275
– prepayments	90,209	235,084
Purchase rebate	1,252,450	1,165,408
Other receivables	4,733,307	3,431,968
	17,341,171	16,892,045
Less: Expected credit losses	(791,286)	(695,113)
	16,549,885	16,196,932

The movements in the loss allowance for expected credit losses of other receivables and other assets are as follows:

	2024 RMB'000	2023 RMB'000
At beginning of year	695,113	669,151
Expected credit losses (Note 8)	62,437	27,074
Transfer from other non-current assets (Note 27)	51,666	–
Amount written off as uncollectible	(17,930)	(1,112)
At end of year	791,286	695,113

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

As at 31 December 2024 and 31 December 2023, other receivables in the stage 1 mainly consisted of deposits and other receivables, and receivables in the stage 3 was related to significant deterioration in the operating conditions of the counterparty company or involvement in multiple lawsuits.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 32. Pledged deposits, restricted cash and bank deposits with an initial term of over three months

	2024 RMB'000	2023 RMB'000
<b>Pledged deposits, restricted cash and bank deposits with an initial term of over three months</b>		
Pledged deposits	8,872,417	9,156,686
Restricted cash	1,328,374	1,849,729
Bank deposits with an initial term of over three months	2,551,945	4,661
	<b>12,752,736</b>	11,011,076
<b>Cash and cash equivalents</b>		
– Cash on hand	6,867	6,839
– Cash in banks	51,763,401	61,414,762
– Cash in other financial institutions (Note 46)	2,543,091	2,386,937
	<b>54,313,359</b>	63,808,538
<b>Pledged deposits, restricted cash and bank deposits with an initial term of over three months, and cash and cash equivalents</b>		
Denominated in		
– RMB	66,719,009	74,515,712
– USD	273,821	233,502
– EUR	3,992	3,061
– HKD	63,817	62,890
– Others	5,456	4,449
	<b>67,066,095</b>	74,819,614

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 32. Pledged deposits, restricted cash and bank deposits with an initial term of over three months (continued)

Bank deposits are pledged as collateral for the following:

	2024 RMB'000	2023 RMB'000
Bank acceptance notes	8,435,950	8,578,504
Letters of credit	95,233	228,189
Letters of guarantee	231,821	179,224
Others	109,413	170,769
	8,872,417	9,156,686

The maximum exposure to credit risk as at 31 December 2024 and 2023 approximated to the carrying values of pledged deposits, restricted cash, bank deposits with an initial term of over three months, and cash and cash equivalents.

The effective interest rate of bank deposits in banks and other financial institutions is as follows:

	2024	2023
Weighted average effective interest rate (per annum)	0.76%	1.25%

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 33. Interest-bearing bank and other borrowings

	2024 RMB'000	2023 RMB'000
<b>Non-current</b>		
Unsecured bank borrowings	5,523,824	13,638,820
Unsecured borrowings from other financial institutions and related parties	116,066	195,217
Bonds	2,997,341	–
	8,637,231	13,834,037
<b>Current</b>		
Mortgaged bank borrowings	10,000	85,061
Pledged bank borrowings	1,503,323	1,123,938
Guaranteed bank borrowings	10,012	62,063
Unsecured bank borrowings	49,056,487	40,970,141
Unsecured borrowings from other financial institutions and related parties	11,230,499	6,322,949
Secured borrowings from other financial institutions and related parties	368,832	97,686
Bonds	549,895	6,068,611
	62,729,048	54,730,449
<b>Total borrowings</b>	<b>71,366,279</b>	<b>68,564,486</b>
<b>The carrying amounts of the Group's borrowings are denominated in the following currencies:</b>		
– RMB	71,366,279	68,564,486
	71,366,279	68,564,486

As at 31 December 2024, the Group had bank loans of RMB4,350,638,000 obtained under supplier financing arrangements. The Group has entered into certain supplier financing arrangements with banks. Under these arrangements, the banks pay the Group's outstanding amounts to suppliers by the original due dates. The Group's obligations towards a supplier legally terminate upon reaching a settlement with the supplier. The Group pays the corresponding financing fees to the bank. These arrangements extend the Group's payment terms and may extend to 120-360 days after the original due date of the respective invoice. The relevant supplier financing rates are 2.25%-3.65%.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 33. Interest-bearing bank and other borrowings (continued)

Information on the issuance of the bonds by the Group is as follows:

	Issue date	Period	Nominal Value RMB'000	Fixed Interest Rate
Corporate Bond	4 February 2021	3 Years	1,000,000	3.65%
Corporate Bond	3 November 2021	3 Years	3,000,000	3.20%
Corporate Bond	23 May 2024	5 Years	3,000,000	2.48%
Super & Short-term Commercial Paper	5 August 2022	180 days	3,000,000	1.80%
Super & Short-term Commercial Paper	19 August 2022	270 days	3,000,000	1.85%
Super & Short-term Commercial Paper	5 September 2022	180 days	3,000,000	1.70%
Super & Short-term Commercial Paper	13 February 2023	180 days	3,000,000	2.27%
Super & Short-term Commercial Paper	16 March 2023	180 days	3,000,000	2.21%
Super & Short-term Commercial Paper	24 July 2023	270 days	2,000,000	2.37%
Super & Short-term Commercial Paper	10 August 2023	140 days	2,000,000	2.15%
Super & Short-term Commercial Paper	8 September 2023	111 days	3,000,000	2.20%
Super & Short-term Commercial Paper	8 March 2024	270 days	3,000,000	2.10%
Super & Short-term Commercial Paper	24 April 2024	247 days	3,000,000	1.82%
Super & Short-term Commercial Paper	12 September 2024	270 days	500,000	2.10%

On 4 February 2021, the Company completed the issuance of the first tranche of the corporate bonds with an aggregate nominal value of RMB1,000,000,000. The corporate bonds will expire on 3 February 2024, for a period of three years commencing from the issue date of 4 February 2021. The annual interest rate of the corporate bonds is fixed at 3.65%. Interest is paid on an annual basis. During 2024, the principal at maturity of RMB1,000,000,000 and interest of RMB36,500,000 were repaid to the investors.

On 3 November 2021, the Company completed the issuance of the first tranche of the corporate bonds with an aggregate nominal value of RMB3,000,000,000. The corporate bonds will expire on 2 November 2024, for a period of three years commencing from the issue date of 3 November 2021. The annual interest rate of the corporate bonds is fixed at 3.20%. Interest is paid on an annual basis. During 2024, the principal at maturity of RMB3,000,000,000 and interest of RMB96,000,000 were repaid to the investors.

On 23 May 2024, the Company completed the issuance of the first tranche of the corporate bonds with an aggregate nominal value of RMB3,000,000,000. The corporate bonds will expire on 23 May 2029, for a period of five years commencing from the issue date of 23 May 2024. The annual interest rate of the corporate bonds is fixed at 2.48%. Interest is paid on an annual basis.

All proceeds from the issuance of the above bonds are used to supplement the Group's working capital and repaying bank borrowings and debentures.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 33. Interest-bearing bank and other borrowings (continued)

At the end of respective reporting periods, borrowings were repayable as follows:

	Borrowings from banks or other financial institutions		Bonds	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2022 RMB'000
Within 1 year	62,179,153	48,661,838	549,895	6,068,611
Between 1 and 2 years	5,631,991	12,829,639	—	—
Between 2 and 5 years	7,900	1,004,398	2,997,341	—
	67,819,044	62,495,875	3,547,236	6,068,611

All of the Group's borrowings from banks or other financial institutions are at floating rates as follows:

	2024	2023
Weighted average effective interest rate (per annum)	2.62%	2.82%

The collateral for the Group's secured bank borrowings is as follows:

	2024 RMB'000	2023 RMB'000
Property, plant and equipment (Note 18)	14,902	8,302
Notes receivable (Note 29)	316,771	310,572
Trade receivables (Note 29)	1,555,384	928,314
	1,887,057	1,247,188

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 34. Trade and notes payable

	2024 RMB'000	2023 RMB'000
Trade payables	112,450,243	108,952,818
Notes payable	38,659,004	37,679,635
	151,109,247	146,632,453

The trade and notes payable are non-interest-bearing and are normally settled on 90-day terms. The fair value of trade payables approximates to their carrying amount.

As at 31 December 2024, the Group had approximately RMB7,967,761,000 in notes payable under supplier financing arrangements. The Group has entered into certain supplier financing arrangements with banks. Under these arrangements, the banks pay the Group's outstanding amounts to suppliers by the original due dates. The Group's obligations towards a supplier legally terminate upon reaching a settlement with the supplier. The Group pays discount interest to the bank. These arrangements extend the Group's payment terms and may extend to 30-360 days after the original due date of the respective invoice. The relevant supplier financing rates are 1.65%-3.3%.

An aging analysis of the trade and notes payable as at the end of the reporting period, based on the invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Within 3 months	103,692,249	101,351,442
Between 3 and 6 months	26,334,770	26,186,117
Between 6 months and 1 year	12,135,380	12,368,569
Between 1 and 2 years	6,060,875	4,351,596
Over 2 years	2,885,973	2,374,729
	151,109,247	146,632,453

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 34. Trade and notes payable (continued)

The Group's trade and notes payable are denominated in the following currencies:

	2024 RMB'000	2023 RMB'000
RMB	150,965,249	146,536,449
USD	136,248	87,263
EUR	1,169	1,235
NZD	4,497	7,506
JPY	2,084	–
	151,109,247	146,632,453

### 35. Contract Liabilities

	2024 RMB'000	2023 RMB'000
Non-current		
– Amounts received in advance	46,370	45,898
– Loyalty program	8,406	34,332
Current		
– Amounts received in advance	6,828,857	6,398,902
	6,883,633	6,479,132



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 36. Accruals and other payables

	2024 RMB'000	2023 RMB'000
Accrual of operating expenses	3,676,887	3,623,757
Collection of trade receivables on behalf of financial institutions under factoring programs (Note 29)	4,494,390	6,424,793
Collection of trade receivables on behalf of related parties under factoring programs (Notes 29 and 46)	1,266,078	1,690,185
Salary and welfare payable	2,518,784	2,841,078
Other deposits	6,064,095	7,495,597
Taxes payable other than income tax	1,129,997	1,214,104
Interest payable due to third parties	721,670	1,085,682
Interest payable due to related parties (Note 46)	75,848	67,152
Other payables due to related parties (Note 46)	50,690	60,418
Payables arising from acquisition of subsidiaries and contingent consideration	176,362	456,291
Others	6,087,202	4,942,309
	26,262,003	29,901,366

The fair value of accruals and other payables approximates to their carrying amount.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 37. Post-employment benefit obligations

The table below shows the Group's post-employment amounts and activities included in the financial statements:

	2024 RMB'000	2023 RMB'000
Obligations for post-employment benefits in the consolidated statement of financial position	412,884	366,512
Charge in the consolidated statement of profit or loss	16,912	4,174
Remeasurement gains recognised in other comprehensive income (Note 13)	58,966	15,255
Cumulative remeasurement losses recognised in other comprehensive income	241,997	183,031

The amounts recognised in the consolidated statement of financial position are analysed as follows:

	2024 RMB'000	2023 RMB'000
Present value of funded obligations	33,222	32,060
Fair value of plan assets	(121,591)	(118,914)
Surplus of funded plans	(88,369)	(86,854)
Present value of unfunded obligations	501,253	453,366
Liability in the consolidated statement of financial position	412,884	366,512

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 37. Post-employment benefit obligations (continued)

The movements in the defined benefit liability during the period were as follows:

	Present value of obligation RMB'000	Fair value of plan assets RMB'000	Total RMB'000
<b>At 1 January 2024</b>	<b>485,426</b>	<b>(118,914)</b>	<b>366,512</b>
Current service cost	3,944	–	3,944
Past service cost	3,294	–	3,294
Interest expense (Note 12)	12,489	(2,815)	9,674
	<b>19,727</b>	<b>(2,815)</b>	<b>16,912</b>
Remeasurements:			
– Return on plan assets, excluding amounts included in interest income	–	468	468
– Gains from change in financial assumptions	58,498	–	58,498
	<b>58,498</b>	<b>468</b>	<b>58,966</b>
Contributions:			
– Employers	–	(2,142)	(2,142)
Payments:			
– Benefit payments	(29,176)	1,812	(27,364)
<b>At 31 December 2024</b>	<b>534,475</b>	<b>(121,591)</b>	<b>412,884</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 37. Post-employment benefit obligations (continued)

	Present value of obligation RMB'000	Fair value of plan assets RMB'000	Total RMB'000
<b>At 1 January 2023</b>	499,642	(118,929)	380,713
Current service cost	3,715	–	3,715
Past service cost	(10,439)	–	(10,439)
Interest expense (Note 12)	13,919	(3,021)	10,898
	7,195	(3,021)	4,174
Remeasurements:			
– Return on plan assets, excluding amounts included in interest income	–	1,372	1,372
– Gains from change in financial assumptions	13,883	–	13,883
	13,883	1,372	15,255
Contributions:			
– Employers	–	(1,644)	(1,644)
Payments:			
– Benefit payments	(35,294)	3,308	(31,986)
<b>At 31 December 2023</b>	485,426	(118,914)	366,512

The significant actuarial assumptions are as follows:

	2024	2023
Discount rate	1.75%	2.75%
Pension growth rate	5.00%	5.00%

## 37. Post-employment benefit obligations (continued)

### Mortality: Average life expectancy of residents in Mainland China

The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions is:

	Impact on defined benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 2.97%	Increase by 3.14%
Pension growth rate	0.50%	Increase by 1.12%	Decrease by 1.09%

The Group engaged an independent actuary, Towers Watson (Shenzhen) Consulting Co., Ltd., to estimate the present value of its above retirement benefit plan (the plan is funded by the Group) obligations using the actuarial method based on the expected cumulative welfare unit method.

As at 31 December 2024, fair value of the plan asset was RMB121,591,000 (31 December 2023: RMB118,914,000). As at 31 December 2024, obligations under these defined benefit plans are 23.48% (31 December 2023: 25.37%) covered by the plan assets.

No material surplus or deficiency was noted for the above mentioned plan assets.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, such change is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions, the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been used for calculating the defined benefit obligations recognised in the consolidated statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Expected maturity analysis of undiscounted post-employments benefits:

	Less than 1 year RMB'000	Between 1 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>At 31 December 2024</b>				
Post-employment benefits	35,786	120,670	559,401	715,857

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 38. Other non-current liabilities

	2024 RMB'000	2023 RMB'000
Medical reserve funds		
– general (i)	1,782,124	2,095,185
– for H1N1 vaccines	488,024	488,024
Government grants for construction of logistics centres (ii)	73,954	78,996
Other government grants	285,125	289,015
Payables for acquisition of subsidiaries	39,210	78,420
Others	96,992	65,823
	2,765,429	3,095,463

- (i) Certain medical reserve funds were mainly received by CNPGC from the PRC government for the State reserve requirements of medical products (including medicines) for serious disasters, epidemics and other emergencies. In accordance with a responsibility letter dated 4 January 2006 signed between CNPGC and the Company, CNPGC has re-allocated the funds in relation to medicines to the Group. The Group received general medical reserve funds of RMB178,917,000 during the year ended 31 December 2024 from CNPGC.

The Group will have to sell pharmaceutical products to specific customers at cost when there are serious disasters, epidemic or other emergencies, and the relevant trade receivables from certain of these customers will be offset with the balance of the fund upon approval from CNPGC and the relevant PRC government authorities. RMB196,872,000 was settled with the government during the year ended 31 December 2024 (2023: RMB505,376,000). The Group is required to maintain certain inventories at a level of not less than 70% of the general reserve funds. The medical reserve funds are required to be utilised only for the uses as mentioned above.

- (ii) Certain of the Group's subsidiaries received funds from local governments as subsidies for construction of logistics centres. As at 31 December 2024, the directors expected that the construction will not be completed within one year and therefore, the balance was recorded as other non-current liability.

### 39. Share capital

	Number of shares RMB'000	Domestic shares with par value of RMB1 per share RMB'000	H shares with par value of RMB1 per share RMB'000	Total RMB'000
At 1 January 2024 and at 31 December 2024	3,120,656	1,778,845	1,341,811	3,120,656

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 40. Other reserves and retained earnings

Notes	Share premium RMB'000	Statutory reserves RMB'000	Revaluation of equity investments designated at fair value through other comprehensive income RMB'000	Other reserves Note (c) RMB'000	Retained earnings Note (b) RMB'000	Total RMB'000
At 1 January 2024	24,641,485	1,787,155	20,871	(4,394,172)	49,410,060	71,465,399
Profit for the year	-	-	-	-	7,049,683	7,049,683
Changes in fair value of equity investments at fair value through other comprehensive income						
- gross	-	-	(2,525)	-	-	(2,525)
- tax	-	-	631	-	-	631
Remeasurement on post-employment benefit obligations						
- gross	-	-	-	(49,808)	-	(49,808)
- tax	-	-	-	12,391	-	12,391
Exchange differences on translation of foreign operations	-	-	-	5,941	-	5,941
Share of other comprehensive income of associates	-	-	-	3,118	-	3,118
Dividend declared	-	-	-	-	(2,714,862)	(2,714,862)
Effects of transactions with non- controlling interests	44	-	-	2,956	-	2,956
Share of changes in equity other than comprehensive income and distributions received from associates	-	-	-	(4,684)	-	(4,684)
Others	-	-	-	(1,263)	-	(1,263)
At 31 December 2024	24,641,485	1,787,155	18,977	(4,425,521)	53,744,881	75,766,977



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 40. Other reserves and retained earnings (continued)

		Share premium RMB'000	Statutory reserves RMB'000	Revaluation of equity investments designated at fair value through other comprehensive income RMB'000	Other reserves Note (c) RMB'000	Retained earnings Note (b) RMB'000	Total RMB'000
	Notes						
At 1 January 2023		24,641,485	1,787,155	17,217	(4,407,794)	42,913,678	64,951,741
Profit for the year		-	-	-	-	9,053,760	9,053,760
Changes in fair value of equity investments at fair value through other comprehensive income							
- gross		-	-	4,324	-	-	4,324
- tax		-	-	(670)	-	-	(670)
Remeasurement on post-employment benefit obligations							
- gross		-	-	-	(9,587)	-	(9,587)
- tax		-	-	-	3,264	-	3,264
Exchange differences on translation of foreign operations		-	-	-	1,798	-	1,798
Share of other comprehensive income of associates		-	-	-	602	-	602
Dividend declared		-	-	-	-	(2,558,837)	(2,558,837)
Effects of transactions with non- controlling interests	44	-	-	-	6,429	-	6,429
Share of changes in equity other than comprehensive income and distributions received from associates		-	-	-	2,898	-	2,898
Others		-	-	-	8,218	1,459	9,677
At 31 December 2023		24,641,485	1,787,155	20,871	(4,394,172)	49,410,060	71,465,399

### 40. Other reserves and retained earnings (continued)

- (a) PRC laws and regulations require companies registered in the PRC to maintain certain statutory reserves, which are to be appropriated from the retained earnings (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before distributing retained earnings to their shareholders. Statutory reserves are created for specific purposes. In accordance with the Company Law, PRC companies are required to appropriate 10% of the net profits to statutory surplus reserves. A company may discontinue the appropriation when the balance of its statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies or to increase capital of the companies. In addition, a company may make further contribution to a discretionary surplus reserve based on a resolution of the board of directors.
- (b) Retained earnings as at 31 December 2024 included the proposed final dividend of RMB2,122,046,000 (2023: RMB2,714,971,000).
- (c) Other reserves mainly represent reserves for transactions with non-controlling interests, remeasurement on post-employment benefit obligations and equity-settled share incentive scheme.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 41. Notes to the consolidated statement of cash flows

#### (a) Cash generated from operations

	2024 RMB'000	2023 RMB'000
Profit before income tax	14,000,899	19,512,137
Adjustments for:		
– Share of profits and losses of associates (Note 21)	(1,196,478)	(1,111,568)
– Share of profits and losses of joint ventures	(2,918)	4,219
– Asset impairment	2,564,700	772,550
– Depreciation of property, plant and equipment and investment properties	1,914,065	1,855,446
– Amortisation of intangible assets (Note 10)	441,813	415,930
– Depreciation of right-of-use assets (Note 10)	2,377,814	2,158,872
– Gain on disposal of investment properties, property, plant and equipment and intangible assets (Note 9)	187	(235,925)
– Gain on disposal of right-of-use assets (Note 9)	(74,591)	(228,648)
– Write-back of certain liabilities (Note 9)	(108,082)	(98,923)
– Loss on disposal of financial assets measured at amortised cost and finance costs	2,550,299	2,718,438
– Gain on disposal of subsidiaries and fair value remeasurement of existing equity in the subsidiary (Notes 9 and 43)	(5,509)	(27,736)
– Loss on disposal of an investment accounted for the equity method (Note 9)	(9,400)	(20,517)
– (Gain)/loss on disposal of FVTPL (Note 9)	(3,591)	1,665
– Fair value gains/(loss) on financial assets at fair value through profit or loss (Note 9)	78,326	(62,933)
– Dividend from financial assets at fair value through profit or loss (Note 9)	(3,843)	(37,028)
– Dividend from financial assets at fair value through other comprehensive income (Note 9)	(563)	(3,017)
	22,473,128	25,612,962
– Restricted cash	12,752,736	925,194
– Inventories	(2,040,068)	455,558
– Trade and notes receivable	(17,494,833)	(14,955,584)
– Contract assets	125,880	105,978
– Prepayments, other receivables and other assets	596,233	4,885,011
– Trade and notes payable	6,218,470	10,784,448
– Contract liabilities	553,419	(3,961,321)
– Accruals, other payables and other liabilities	(7,182,539)	(2,103,740)
<b>Cash generated from operations</b>	<b>16,002,426</b>	<b>21,748,506</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 41. Notes to the consolidated statement of cash flows (continued)

#### (b) Major non-cash investing and financing transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,689,435,000 and RMB2,314,127,000, respectively, in respect of lease arrangements for plant and equipment (2023: RMB2,898,910,000 and RMB2,846,638,000).

#### (c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt	2024 RMB'000	2023 RMB'000
Cash and cash equivalents	54,313,359	63,808,538
Liquid investments (i)	158	547
Interest-bearing bank and other borrowings	(71,366,279)	(68,564,486)
Lease liabilities	(5,019,855)	(5,217,366)
Net debt	(22,072,617)	(9,972,767)

	Borrowings RMB'000	Leases RMB'000	Sub-total RMB'000	Cash RMB'000	Liquid investments (i) RMB'000	Total RMB'000
Net debt as at 1 January 2024	(68,564,486)	(5,217,366)	(73,781,852)	63,808,538	547	(9,972,767)
Financing activities	108,718,569	2,204,281	110,922,850	(9,489,944)	-	101,432,906
New leases	-	(2,314,127)	(2,314,127)	-	-	(2,314,127)
Business combination not under common control	-	-	-	-	-	-
Foreign exchange adjustments	-	-	-	(5,235)	-	(5,235)
Changes in fair values	-	-	-	-	(389)	(389)
Interest expense	(250,353)	(224,065)	(474,418)	-	-	(474,418)
Changes from operating, investing and non-cash activities	(111,270,009)	531,422	(110,738,587)	-	-	(110,738,587)
Net debt as at 31 December 2024	(71,366,279)	(5,019,855)	(76,386,134)	54,313,359	158	(22,072,617)

- (i) Liquid investments comprise current investments that are traded in an active market, being the Group's financial assets held at fair value through profit or loss.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 41. Notes to the consolidated statement of cash flows (continued)

#### (d) 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	497,233	541,823
Within investing activities	229,653	52,272
Within financing activities	2,428,346	2,310,187
	3,155,232	2,904,282

#### (e) Information of supplier finance arrangements

As at 31 December 2024, the carrying amount of financial liabilities required to be reported as part of “trade and notes payables” under supplier financing arrangements amounted to RMB7,967,761,000, of which the supplier had received payment from the financing provision of approximately RMB7,967,761,000. At the same time, approximately RMB4,350,638,000 was reported as part of “interest-bearing bank borrowings and other borrowings”, of which suppliers had received approximately RMB4,337,154,000 in payments from financing.

	2024 Days	2023 Days
<b>Range of payment due dates</b>		
For liabilities presented as part of “Trade and notes payables”		
– Liabilities that are part of supplier finance arrangements	30-360	30-360
– Comparable trade and notes payables that are not part of supplier finance arrangements	0-180	0-180
For liabilities presented as part of “Interest-bearing bank and other borrowings” (note 33)		
– Liabilities that are part of supplier finance arrangements	120-360	120-360
– Comparable trade and notes payables that are not part of supplier finance arrangements	30-180	30-180

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 42. Commitments

#### (a) Capital commitments

Capital expenditures at the end of the reporting period are as follows:

	2024 RMB'000	2023 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	155,286	41,149
Fund investment: (i)	75,000	75,000
Others	27,912	56,642
	258,198	172,791

- (i) On 20 May 2022, the board of directors of the Company passed a resolution to invest Gongqingcheng Qixin Equity Investment Partnership (Limited Partnership), which is of fund business. According to the resolution, the Group should invest RMB250 million. As of 31 December 2024, the Group had totally invested RMB175 million and has a total investment commitment of RMB75 million.

In addition, the Group had no commitment provided to joint ventures (including the Group's share of commitments made jointly with other joint venturers).

- (b) The Group has various lease contracts that have not yet commenced as at 31 December 2024. The future lease payments for these non-cancellable lease contracts are RMB37,716,000 (2023: RMB45,016,000) due within one year, RMB28,675,000 (2023: RMB20,552,000) due in the first to second years, RMB14,499,000 (2023: RMB14,171,000) due in the second to third years, inclusive and RMB5,254,000 (2023: RMB4,781,000) due after three years.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 43. Disposal of subsidiaries

During the year, the Group disposed of the entities below:

Sinopharm Holding Jianshi Co., Ltd.

Sinopharm Holding Pingliang Co., Ltd.

Sinopharm Houde Shijiazhuang Hospital Co., Ltd.

Details of the net assets disposed of are as follows:

	<b>At date of disposal</b>
	RMB'000
Net assets disposed of:	
Cash and cash equivalents	208
Trade and notes receivable	42,416
Prepayments, other receivables and other assets	7,070
Inventories	8,990
Property, plant and equipment	8,403
Right-of-use assets	20,529
Intangible assets	12
Deferred tax assets	29
Trade and notes payable	(25,063)
Contract liabilities	(26)
Accruals and other payables	(25,549)
Lease liabilities	(18,209)
<b>Net assets</b>	<b>18,810</b>
Non-controlling interests	(2,085)
<b>Net assets attributable to the Company excluding goodwill</b>	<b>16,725</b>
<b>Goodwill</b>	<b>2,964</b>
<b>Gain on disposal of subsidiaries (Note 9)</b>	<b>(5,509)</b>
<b>Satisfied by:</b>	
Cash	25,198



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 43. Disposal of subsidiaries (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	At date of disposal RMB'000
Cash consideration	25,198
Cash and cash equivalents in the subsidiaries deemed disposed of	(208)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	24,990

### 44. Transactions with non-controlling interests

#### (a) Acquisition of additional interests in subsidiaries

During the period, the Group acquired the following additional equity interests in the subsidiaries from the non-controlling interests:

Subsidiaries	Equity interests acquired %	Cash consideration RMB'000
Sinopharm Holding Jinan Co., Ltd.	15.00	3,319
Sinopharm Holding Anshan Co., Ltd.	5.00	42
Sinopharm Holding Yunnan Pharmacy Co., Ltd.	21.00	–
		3,361

The effect of changes in the equity interests of these subsidiaries on the total equity attributable to owners of the parent during the period is summarised as follows:

	Effect on the total equity RMB'000
Carrying amount of non-controlling interests acquired	(199)
Consideration payable to non-controlling interests	3,361
Excess of consideration paid over the carrying amount acquired	3,560

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 44. Transactions with non-controlling interests (continued)

#### (b) Disposal of interests in subsidiaries without loss of control

During the reporting period, the group disposed of 7% of the equity interest of Sinopharm Holding Chongqing Co., Ltd. ("Sinopharm Holding Chongqing"), its non-wholly owned subsidiary, to a non-controlling interest at a consideration of RMB1,100,000. After the disposal, the group's equity interest decreased to 60% and the non-controlling interests in Sinopharm Holding Chongqing increased by 7% accordingly. The carrying amount decreased by RMB5,416,000. The Group recognised an increase of RMB6,516,000 in equity attributable to equity holders of the parent company.

#### (c) Effects of transactions with non-controlling interests on the equity attributable to owners of the parent for the twelve months ended 31 December 2024

	Effect on the total equity RMB'000
Changes in equity attributable to owners of the parent arising from:	
– Acquisition of additional interests in subsidiaries	3,560
– Disposal of interests in subsidiaries without loss of control	(6,516)
Net effect for transactions with non-controlling interests on equity attributable to owners of the parent	(2,956)

### 45. Business combinations

#### Business combinations not under common control

Acquisitions during the year are as follows:

The Group acquired equity interests from third parties in certain subsidiaries which are mainly engaged in the distribution of medicines and pharmaceutical products and operations of pharmaceutical chain stores in order to expand the market share of the Group. The subsidiaries acquired by the Group during the year are as follows:

Subsidiaries acquired from third parties	Month of acquisition	Acquired interests
Sinopharm Weikang Medical Technology (Shanghai) Co.,Ltd.	February,2024	100.00%
The effect of the above acquisitions is summarised as follows:		RMB'000
– Contingent consideration (i)		890
– Cash paid		95,587
Total purchase consideration		96,477

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 45. Business combinations (continued)

#### Business combinations not under common control (continued)

The details of the assets and liabilities acquired and cash flows relating to these acquisitions are summarised as follows:

	Fair value at acquisition date RMB'000
Cash and cash equivalents	550
Property, plant and equipment (Note 18)	80,033
Intangible assets (Note 19)	
– Sales network	525
Right-of-use assets	11,966
Deferred income tax (Note 26)	2
Trade and other receivables	7,754
Trade and other payables	(4,353)
<b>Total Identifiable net assets at fair value</b>	<b>96,477</b>
 Total purchase consideration	 96,477
Less: contingent consideration (i)	(890)
 Cash consideration paid during the year	 95,587
 Cash and cash equivalents in subsidiaries acquired	 (550)
Cash inflow on acquisition	95,037

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 45. Business combinations (continued)

#### Business combinations not under common control (continued)

##### (i) Contingent consideration

Based on certain conditions stipulated by the agreements on acquisition, the Group is required to pay contingent consideration based on the achievement of profit target of the acquirees. The maximum undiscounted contingent consideration payable is RMB890,000.

Based on the projected profit performance of the acquirees, the fair value of the contingent consideration arrangement was estimated to be RMB890,000. As at 31 December 2024, there was no adjustment to the contingent consideration arrangement.

##### (ii) The revenue and net profit of these newly acquired subsidiaries from the respective acquisition dates to 31 December 2024 are summarised as follows:

	From acquisition dates to 31 December 2024 RMB'000
Revenue	6,812
Net profit	720

##### (iii) The revenue and net profit of these newly acquired subsidiaries from 1 January 2024 to 31 December 2024 are summarised as follows:

	From 1 January 2024 to 31 December 2024 RMB'000
Revenue	7,617
Net profit	931

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 46. Significant related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The PRC government, indirectly, owns 100% of CNPGC which is the ultimate holding company of the Company. The Group's significant transactions with the PRC government and other entities controlled, jointly controlled or significantly influenced by the PRC government are a large portion of its sales of goods, purchases of goods, medical reserve funds, borrowings, interest fees paid, bill receivable discount, key management compensation and guarantees provided to related parties. The Group's significant balances with the PRC government and other entities controlled, jointly controlled or significantly influenced by the PRC government are a large portion of its trade receivables, prepayments and other receivables, trade payables and other payables, borrowings, other non-current liabilities, and cash and cash equivalents.

Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharmaceutical") and Beijing Natong Technology Group Co., Ltd. ("Natong Group") are the non-controlling shareholders of the Group and its important subsidiaries respectively.

Beside other PRC government-related entities, the Company's directors and the Group's management consider the following entities are principal related parties of the Group with which the Group had transactions during the year.

Name of related party	Nature of relationship
China Pharmaceutical Group Co.,Ltd.	The ultimate holding company of the Company
Anhui Jingfang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Anhui Tianxiang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Beijing Institute of Biological Products Co., Ltd.	Controlled by CNPGC
Changchun Institute of Biological Products Co., Ltd.	Controlled by CNPGC
Changchun Keygen Biological Products Co., Ltd.	Controlled by CNPGC
Chengdu Institute of Biological Products	Controlled by CNPGC
Chengdu Rongsheng Pharmaceuticals Co., Ltd.	Controlled by CNPGC
China National Corp. of Traditional and Herbal Medicine	Controlled by CNPGC
China National Pharmaceutical Foreign Trade Co., Ltd.	Controlled by CNPGC
China National Pharmaceutical Group Sanyi Pharmaceutical (Wuhu)	Controlled by CNPGC
China National Pharmaceutical Industry Co., Ltd.	Controlled by CNPGC
China Pharmaceutical Zhongyuan (Henan) Medical Insurance Co., Ltd.	Controlled by CNPGC
China State Institute of Pharmaceutical Industry	Controlled by CNPGC

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 46. Significant related party transactions (continued)

Name of related party	Nature of relationship
Chongqing China Medicine Group United Engineering Company	Controlled by CNPGC
Chongqing Southwest Aluminum Hospital	Controlled by CNPGC
Chongqing Southwest Pharmaceutical Sales Co., Ltd.	Controlled by CNPGC
Chongqing Taiji Industry (Group) Co., Ltd.	Controlled by CNPGC
Foshan Winteam Pharmaceutical Co., Ltd.	Controlled by CNPGC
Guizhou Tongjitang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Lanzhou Biotechnology Development Co., Ltd.	Controlled by CNPGC
Lanzhou Institute of Biological Products Co., Ltd.	Controlled by CNPGC
Pingdingshan No.5 People's Hospital	Controlled by CNPGC
Shanghai GeneoDx Biotech Co., Ltd.	Controlled by CNPGC
Shanghai Institute of Bio-products Co., Ltd.	Controlled by CNPGC
Shanghai Institute of Pharmaceutical Industry	Controlled by CNPGC
Shanghai Techwell Biopharmaceutical Co., Ltd.	Controlled by CNPGC
Shydec Pharmaceutical Marketing Co., Ltd.	Controlled by CNPGC
Sinopac Puxin Commercial Factoring Co., Ltd.	Controlled by CNPGC
Sinopharm Datong Coal Mine Medical and Health Industry Co., Ltd.	Controlled by CNPGC
Sinopharm Foreign Trade (Hong Kong) Limited	Controlled by CNPGC
Sinopharm Gezhouba (Yichang) Hospital Management Co., Ltd.	Controlled by CNPGC
Sinopharm Group Commercial Factoring Co. Ltd.	Controlled by CNPGC
Sinopharm Group Finance Co., Ltd.	Controlled by CNPGC
Sinopharm Group Lanzhou Biologics Co., Ltd.	Controlled by CNPGC
Sinopharm Group Wuhan Biologics Co., Ltd.	Controlled by CNPGC
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Group Zhijun (Shenzhen) Pingshan Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Harbin Hospital Management Co., Ltd.	Controlled by CNPGC
Sinopharm Holding A-Think Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Huazhong (Hubei) Medical Health Co., Ltd.	Controlled by CNPGC
Sinopharm North (Inner Mongolia) Medical and Health Industry Co., Ltd.	Controlled by CNPGC
Sinopharm Rongsheng Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Tongmei General Hospital	Controlled by CNPGC
Sinopharm Vanda Pharmaceutical Co., Ltd.	Controlled by CNPGC
Southwest Pharmaceutical Co., Ltd.	Controlled by CNPGC
Tai Chi Group Co., Ltd.	Controlled by CNPGC
Taiji Group Chongqing Fuling Pharmaceutical Factory Co., Ltd.	Controlled by CNPGC
Taiji Group Chongqing Tongjunge Medicine Wholesale Co., Ltd.	Controlled by CNPGC
Taiji Group Chongqing Tongjunge Pharmaceutical Co., Ltd.	Controlled by CNPGC
Wuhan Institute of Biological Products Co., Ltd.	Controlled by CNPGC
Wuhan Zhongsheng Yujin Biological Medicine Co., Ltd.	Controlled by CNPGC

## 46. Significant related party transactions (continued)

Name of related party	Nature of relationship
Xinxiang Central Hospital	Controlled by CNPGC
Xinxiang City Second People's Hospital	Controlled by CNPGC
Sinopharm Gezhouba Central Hospital	Controlled by CNPGC
China National Pharmaceutical Digital Technology (Beijing) Co., Ltd.	Controlled by CNPGC
Hunan Yifang Tianjiang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sichuan Tiancheng Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sichuan Zigong Pharmaceutical Co., Ltd.	Controlled by CNPGC
National Pharmaceutical North Hospital	Controlled by CNPGC
Chengdu Western Medical Operation Co., Ltd.	Controlled by CNPGC
Sinopharm Tongmei Community Management Center	Controlled by CNPGC
China National Pharmaceutical Changhang (Shanghai) Medical and Health Industry Co., Ltd.	Controlled by CNPGC
SINOPHARM CREC CENTRAL HOSPITAL	Controlled by CNPGC
Chongqing Tongjunge Co., Ltd.	Controlled by CNPGC
China National Pharmaceutical Group Corporation Chuankang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Tai Chi Group Sichuan Mianyang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Tongmei Second Hospital	Controlled by CNPGC
Sinopharm First Machinery Hospital	Controlled by CNPGC
Sinopharm (Xi'an) Medical Health Industry Co., Ltd.	Controlled by CNPGC
Chongqing Fuling Pharmaceutical Corporation	Controlled by CNPGC
Beijing Zhongfu Fusheng Enterprise Development Management Co., Ltd.	Controlled by CNPGC
Zhejiang Dongfang Pharmaceutical Co., Ltd.	Controlled by CNPGC
JIANGYIN TIANJIANG PHARMACEUTICAL CO., Ltd.	Controlled by CNPGC
Zhejiang Yinuo Pharmaceutical Co., Ltd.	Controlled by CNPGC
Guang Dong Global Pharmaceutical Co., Ltd.	Controlled by CNPGC
SHANGHAI XIANDAI HASEN (SHANGQIU) PHARMACEUTICAL CO., Ltd.	Controlled by CNPGC
Sinopharm Guizhou Plasma-derived Biotherapies Co., Ltd.	Controlled by CNPGC
Yunnan Tianjiang Yifang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Guizhou Tongjitang Chinese Herb Slices Co., Ltd.	Controlled by CNPGC
Shandong Yifang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Guoyao Medical Jia'an (Henan) Health Technology Co., Ltd.	Controlled by CNPGC
Foshan Nanhai District Medicine Group Medicinal Materials Co., Ltd.	Controlled by CNPGC
Anhui Sinopharm Tianhong Health Industrial Development Co., Ltd.	Associate
East Hubei Medical Care Group Co. Ltd.	Associate
Guoling JINDA Medical Technology (Shanghai) Co., Ltd.	Associate
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Company Ltd.	Associate
Jienuo Shijiazhuang Medical Disinfection Supply Center Co., Ltd.	Associate
Shanghai Beiyi Guoda Raw Material For Medicine Co., Ltd.	Associate
Shanghai Pharmaceutical & Haemo-tech Investment Co., Ltd.	Associate

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 46. Significant related party transactions (continued)

Name of related party	Nature of relationship
Shenzhen Main Luck Pharmaceutical Co., Ltd.	Associate
Shenzhen Wan Wei Pharmaceutical Trade Co., Ltd.	Associate
Sichuan Yibin Wuliang Pharmaceutical Co., Ltd.	Associate
Sinopac Ronghui (Shanghai) Commercial Factoring Co., Ltd.	Associate
Sinopharm Group Zhijun (Suzhou) Pharmaceutical Co., Ltd.	Associate
Sinopharm Health Online Co., Ltd.	Associate
Sinopharm Jienuo Medical Service Co., Ltd.	Associate
Wuxi Huihua Pharmaceutical Chain Store Co., Ltd.	Associate
Yichang Humanwell Pharmaceutical Co., Ltd.	Associate
Guoyao Zhongbang Huangshi Pharmaceutical Co., Ltd.	Associate
China Pharmaceutical Group Finance Leasing Co., Ltd.	Associate
Sinopharm Holdings(china)Finance Leasing Company Limited	Associate
Xilingol League Kangjie Hospital Management Co., Ltd.	Associate
China National Pharmaceutical Group Shanxi Rfl Pharmaceutical Co., Ltd.	Associate of CNPGC
Fresenius Kabi Huarui Pharmaceutical Co., Ltd.	Associate of CNPGC
China Otsuka Pharmaceutical Co., Ltd.	Associate of CNPGC
Chongqing Yaoyou Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Daiichi Sankyo PHARMACEUTICAL (Beijing) Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Foshan Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Hunan Dongting Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Jiangsu Fosun Pharmaceutical Sales Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Jiangsu Wanbang Pharmaceutical Marketing Ltd.	Subsidiary of Fosun Pharmaceutical
Jiangxi Erye Pharmaceutical Marketing Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Jinzhou Aohong Pharmaceuticals Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Shandong Skyway Pharmaceutical Sales Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Shanghai Henlius Biologics Co., Ltd.	Subsidiary of Fosun Pharmaceutical



## 46. Significant related party transactions (continued)

Name of related party	Nature of relationship
Shanghai Zhaohui Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Tibet Yaopharma Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Wenzhou Geriatric Hospital Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Fosun Kite Biotechnology Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Fosun Yaohong (Tibet) Pharmaceutical Technology Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Chancheng Central Hospital of Foshan City	Subsidiary of Fosun Pharmaceutical
Fosun Yaohong (Chongqing) Pharmaceutical Technology Co., Ltd.	Subsidiary of Fosun Pharmaceutical
JIANGSU WANBANG BIOPHARMACEUTICALS	Subsidiary of Fosun Pharmaceutical
Shanghai Henlius Pharmaceutical Trading Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Xuzhou Xingchen Women and Children's Hospital Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Sichuan Hexin Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Shanghai Chemo Wanbang Biopharma Co.,Ltd.	Subsidiary of Fosun Pharmaceutical
Fresenius Kabi(Wuhan)Pharmaceutical Co.,Ltd.	Subsidiary of Fosun Pharmaceutical
ANHUI PROVINCIAL CANCER HOSPITAL	Subsidiary of Fosun Pharmaceutical
Shenyang Red Flag Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Beijing Naton Medical Technology Co., Ltd.	Subsidiary of Natong Group
Beijing Weide Medical Instrument Co., Ltd.	Subsidiary of Natong Group
Beijing Weiliande Orthopedic Technology Co., Ltd.	Subsidiary of Natong Group
Sichuan Naton Medical Instrument Co., Ltd.	Subsidiary of Natong Group
Tianjin Weilian Medical Instrument Co., Ltd.	Subsidiary of Natong Group
Beijing Naton Medical Institute Co.,Ltd.	Subsidiary of Natong Group
Beijing Naton Sports Medicine Technology Co., Ltd.	Subsidiary of Natong Group
Chongqing Shize Medical Equipment Co., Ltd.	Subsidiary of Natong Group
Tianjin Yining Medical Equipment Co., Ltd.	Subsidiary of Natong Group

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 46. Significant related party transactions (continued)

#### (a) Significant transactions with related parties except for other PRC government-related entities

	2024 RMB'000	2023 RMB'000
<b>Sales of goods (i)</b>		
Subsidiary of Natong Group	2,272	4,874
Associates	1,121,874	1,152,616
Companies controlled by CNPGC	1,918,166	1,989,576
Associates of CNPGC	107	2,694
Subsidiary of Fosun Pharmaceutical	442,113	372,829
<b>Purchases of goods (ii)</b>		
Subsidiary of Natong Group	348,337	437,739
Associates	5,168,412	5,037,725
Companies controlled by CNPGC	5,966,220	7,238,819
Associates of CNPGC	1,742,190	1,698,242
Subsidiary of Fosun Pharmaceutical	5,933,084	6,600,482
<b>Borrowings (iii)</b>		
Associates	87,669	18,437
Companies controlled by CNPGC	4,975,913	569,421
<b>Interest fee paid for other financial services (iv)</b>		
Associates	44,501	120,162
Companies controlled by CNPGC	445,224	447,930
<b>Bill receivable discount (v)</b>		
Companies controlled by CNPGC	211,158	1,216,057
<b>Trade receivable factoring (vi)</b>		
Associates	3,478,633	3,092,997
Companies controlled by CNPGC	8,228,563	6,434,411

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 46. Significant related party transactions (continued)

#### (a) Significant transactions with related parties except for other PRC government-related entities (continued)

##### (i) Significant sales of goods to related parties were listed as follows:

	2024 RMB'000	2023 RMB'000
<b>Sales of goods</b>		
Wuxi Huihua Pharmaceutical Chain Store Co., Ltd.	592,794	546,203
Sinopharm Huazhong (Hubei) Medical Health Co., Ltd.	336,147	329,171
Xinxiang Central Hospital	236,756	274,775
Foshan Pharmaceutical Co., Ltd.	214,046	169,781
Sinopharm Datong Coal Mine Medical and Health Industry Co., Ltd.	12,944	127,734
Sinopharm Gezhouba (Yichang) Hospital Management Co., Ltd.	1,536	127,174
Sinopharm Zhongbang Huangshi Pharmaceutical Co., Ltd.	102,766	124,887
Sinopharm Holding (China) Finance Leasing Co., Ltd.	7,471	113,372
Beijing Institute of Biological Products Co., Ltd.	58,745	104,846
Sichuan Yibin Wuliang Pharmaceutical Co., Ltd.	122,788	103,248
Sinopharm Tongmei General Hospital	164,038	93,510
Shanghai Beiyi Guoda Raw Material For Medicine Medicine Co., Ltd.	78,159	89,619
Sinopharm North (Inner Mongolia) Medical and Health Industry Co., Ltd.	692	77,416
East Hubei Medical Care Group Co. Ltd.	70,510	75,572
Wuhan Institute of Biological Products Co., Ltd.	45,253	63,175
Xinxiang City Second People's Hospital	54,587	61,431
Anhui Tianxiang Pharmaceutical Co., Ltd.	–	60,243
Lanzhou Institute of Biological Products Co., Ltd.	29,666	51,344
China Pharmaceutical Group Finance Leasing Co.,Ltd.	83,159	9
Sinopharm Gezhouba Central Hospital	127,388	–
Sichuan Tiancheng Pharmaceutical Co., Ltd.	62,498	39,517

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 46. Significant related party transactions (continued)

#### (a) Significant transactions with related parties except for other PRC government-related entities (continued)

##### (i) Significant sales of goods to related parties were listed as follows:

	2024 RMB'000	2023 RMB'000
Shanghai Institute of Bio-products Co., Ltd.	58,295	23,416
Chengdu Western Medical Operation Co., Ltd.	48,512	21,683
Chongqing Southwest Aluminum Hospital	44,221	48,719
National Pharmaceutical North Hospital	43,953	–
Shanghai Pharmaceutical & Haemo-tech Investment Co., Ltd.	37,278	44,692
Sinopharm Tongmei Community Management Center	33,559	–
Chancheng Central Hospital of Foshan City	32,243	19,377
Sinopharm Harbin Hospital Management Co., Ltd.	31,518	11,322
China National Pharmaceutical Changhang (Shanghai) Medical and Health Industry Co., Ltd.	30,008	5,979
Guizhou Tongjitang Pharmaceutical Co., Ltd.	26,671	5,552
SINOPHARM CREC CENTRAL HOSPITAL	26,572	–
Chongqing Tongjunge Co., Ltd.	24,707	4,076
Xuzhou Xingchen Women and Children's Hospital Co., Ltd.	24,187	–

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 46. Significant related party transactions (continued)

#### (a) Significant transactions with related parties except for other PRC government-related entities (continued)

##### (ii) Significant purchases of goods from related parties were listed as follows:

	2024 RMB'000	2023 RMB'000
<b>Purchases of goods</b>		
Yichang Humanwell Pharmaceutical Co., Ltd.	4,225,139	3,454,660
Shanghai Henlius Biologics Co., Ltd.	2,125,499	1,963,861
Fresenius Kabi Huarui Pharmaceutical Co., Ltd.	1,432,740	1,333,528
Jiangsu Wanbang Pharmaceutical Marketing Ltd.	809,849	1,016,991
Lanzhou Biotechnology Development Co., Ltd.	1,251,228	947,093
Jiangsu Fosun Pharmaceutical Sales Co., Ltd.	1,086,819	926,856
Southwest Pharmaceutical Co., Ltd.	714,466	903,969
Chengdu Rongsheng Pharmaceuticals Co., Ltd.	827,655	876,647
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Company Ltd.	590,060	609,189
Chongqing Yaoyou Pharmaceutical Co., Ltd.	456,768	554,554
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.	(127,734)	507,646
Chongqing Southwest Pharmaceutical Sales Co., Ltd.	30	469,342
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	445,019	438,502
Shenzhen Main Luck Pharmaceutical Co., Ltd.	245,008	274,878
Taiji Group Chongqing Fuling Pharmaceutical Factory Co., Ltd.	168,630	266,672
Foshan Winteam Pharmaceutical Co., Ltd.	345,400	266,293
China Otsuka Pharmaceutical Co., Ltd.	293,233	258,890
Guizhou Tongjitang Pharmaceutical Co., Ltd.	338,263	239,174
Shydec Pharmaceutical Marketing Co., Ltd.	145,591	217,270
Sinopharm Rongsheng Pharmaceutical Co., Ltd.	112,676	194,821
Taiji Group Chongqing Tongjunge Pharmaceutical Co., Ltd.	181,519	193,704
China National Pharmaceutical Industry Co., Ltd.	234,199	193,698
Shanghai Zhaohui Pharmaceutical Co., Ltd.	247,134	176,653
Hunan Dongting Pharmaceutical Co., Ltd.	162,530	171,306
Jinzhou Aohong Pharmaceuticals Co., Ltd.	155,578	164,760
Beijing Naton Medical Technology Co., Ltd.	—	163,178

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 46. Significant related party transactions (continued)

#### (a) Significant transactions with related parties except for other PRC government-related entities (continued)

##### (ii) Significant purchases of goods from related parties were listed as follows: (continued)

	2024 RMB'000	2023 RMB'000
Shandong Skyway Pharmaceutical Sales Co., Ltd.	132,557	135,779
Sinopharm Group Wuhan Biologics Co., Ltd.	198,816	130,174
Daiichi Sankyo PHARMACEUTICAL (Beijing) Co., Ltd.	170,912	123,792
Chongqing Taiji Industry (Group) Co., Ltd.	57,911	119,173
Sinopharm Vanda Pharmaceutical Co., Ltd.	147,525	94,696
Sinopharm Group Lanzhou Biologics Co., Ltd.	35,119	92,207
Sinopharm Holding A-Think Pharmaceutical Co., Ltd.	61,934	83,883
Chengdu Institute of Biological Products	35,095	74,370
Tianjin Weilian Medical Instrument Co., Ltd.	141,859	72,591
Jiangxi Erye Pharmaceutical Marketing Co., Ltd.	70,399	71,075
Sinopharm Group Zhijun (Shenzhen) Pingshan Pharmaceutical Co., Ltd.	48,419	70,810
Anhui Jingfang Pharmaceutical Co., Ltd.	89,474	64,471
Tibet Yaopharma Pharmaceutical Co., Ltd.	75,670	62,817
Shenzhen Wan Wei Pharmaceutical Trade Co., Ltd.	62,918	52,950
China National Pharmaceutical Foreign Trade Co., Ltd.	9,210	52,418
Beijing Weide Medical Instrument Co., Ltd.	143,851	51,269
Fosun Yaohong (Tibet) Pharmaceutical Technology Co., Ltd.	150,401	—
Fosun Yaohong (Chongqing) Pharmaceutical Technology Co., Ltd.	136,420	—
Fosun Kite Biotechnology Co., Ltd.	61,921	—
Sichuan Hexin Pharmaceutical Co., Ltd.	56,856	42,051
China National Pharmaceutical Group Corporation Chuankang Pharmaceutical Co.,Ltd.	45,718	49,692
JIANGSU WANBANG BIOPHARMACEUTICALS	37,880	29,289
Changchun Institute of Biological Products Co., Ltd.	31,188	35,967
Wuhan Zhongsheng Yujin Biological Medicine Co., Ltd.	30,689	28,547
Tai Chi Group Sichuan Mianyang Pharmaceutical Co., Ltd.	30,488	37,785
Shanghai Chemo Wanbang Biopharma Co.,Ltd.	30,398	—
Fresenius Kabi(Wuhan)Pharmaceutical Co.,Ltd.	29,244	28,755

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 46. Significant related party transactions (continued)

#### (a) Significant transactions with related parties except for other PRC government-related entities (continued)

##### (iii) Borrowings from related parties were listed as follows:

	2024 RMB'000	2023 RMB'000
<b>Borrowings</b>		
Sinopharm Group Finance Co., Ltd.	4,753,544	523,926
Sinopac Puxin Commercial Factoring Co., Ltd.	222,369	45,495
Sinopac Ronghui (Shanghai) Commercial Factoring Co., Ltd.	87,669	18,437

##### (iv) Interest fees paid to related parties were listed as follows:

	2024 RMB'000	2023 RMB'000
<b>Interest fees</b>		
Sinopharm Group Finance Co., Ltd.	368,246	351,061
Sinopac Puxin Commercial Factoring Co., Ltd.	76,978	96,870
Sinopac Ronghui (Shanghai) Commercial Factoring Co., Ltd.	42,201	95,770
Sinopharm Holding (China) Finance Leasing Co., Ltd.	2,300	24,392

##### (v) Bill receivable discount to a related party was listed as follows:

	2024 RMB'000	2023 RMB'000
Bill receivable discount		
Sinopharm Group Finance Co., Ltd.	211,158	1,216,057

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 46. Significant related party transactions (continued)

#### (a) Significant transactions with related parties except for other PRC government-related entities (continued)

##### (vi) Trade receivable factoring to the related party was listed as follows:

	2024 RMB'000	2023 RMB'000
<b>Trade receivable factoring</b>		
Sinopac Puxin Commercial Factoring Co., Ltd.	4,095,989	3,301,265
Sinopharm Group Finance Co., Ltd.	4,132,573	3,133,147
Sinopac Ronghui (Shanghai) Commercial Factoring Co., Ltd.	3,325,076	2,634,594
Sinopharm Holding (China) Finance Leasing Co., Ltd.	153,558	458,403

The above related party transaction was carried out on terms mutually agreed between the parties. In the opinion of the Company's directors and the Group's management, the transaction was conducted in the ordinary course of business of the Group.

The related party transactions included in items (i), (ii), (iv) and (vi) above also constitute continuing connected transactions as defined in Chapter 14 of the Listing Rules.

#### (b) Key management compensation

	2024 RMB'000	2023 RMB'000
Salaries and other short-term employee benefits	13,949	22,823



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 46. Significant related party transactions (continued)

#### (c) Significant balances with related parties except for other PRC government-related entities

	2024 RMB'000	2023 RMB'000
<b>Cash in other financial institution (i)</b>		
Companies controlled by CNPGC	2,543,091	2,386,937
<b>Trade and notes receivable due from (ii)</b>		
Subsidiary of Natong Group	491	536
Associates	249,242	198,148
Companies controlled by CNPGC	1,483,441	1,246,588
Associates of CNPGC	–	1,303
Subsidiary of Fosun Pharmaceutical	121,241	73,114
<b>Other receivables due from (iii)</b>		
Subsidiary of Natong Group	3,179	1,680
Associates	26,822	53,705
Companies controlled by CNPGC	17,652	36,812
Associates of CNPGC	1,048	489
Subsidiary of Fosun Pharmaceutical	5,077	11,589
<b>Prepayments to (iv)</b>		
Subsidiary of Natong Group	2,690	1
Associates	2,246	3,698
Companies controlled by CNPGC	49,074	140,737
Associates of CNPGC	5,080	12,544
Subsidiary of Fosun Pharmaceutical	31,118	78,104
<b>Trade and notes payable due to (v)</b>		
Subsidiary of Natong Group	88,439	90,911
Associates	2,135,326	1,433,193
Companies controlled by CNPGC	1,222,835	1,178,525
Associates of CNPGC	127,499	119,963
Subsidiary of Fosun Pharmaceutical	1,054,505	1,144,776

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 46. Significant related party transactions (continued)

#### (c) Significant balances with related parties except for other PRC government-related entities (continued)

	2024 RMB'000	2023 RMB'000
<b>Other payables due to (vi)</b>		
Ultimate holding company	3,875	3,866
Subsidiary of Natong Group	487	642
Associates	332,614	441,182
Companies controlled by CNPGC	986,537	1,302,172
Associates of CNPGC	979	731
Subsidiary of Fosun Pharmaceutical	675	2,010
<b>Contract liabilities (vii)</b>		
Subsidiary of Natong Group	359	40
Associates	5,548	2,536
Companies controlled by CNPGC	77,289	108,438
Associates of CNPGC	2	2
Subsidiary of Fosun Pharmaceutical	221	93
<b>Borrowing due to (viii)</b>		
Associates	141,593	53,924
Companies controlled by CNPGC	11,537,841	6,561,928
<b>Other non-current liabilities (ix)</b>		
Ultimate holding company	1,045,773	1,090,461
Companies controlled by CNPGC	24,645	24,645

#### (i) Significant balance of cash in other financial institution with related parties was listed as follows:

	2024 RMB'000	2023 RMB'000
<b>Cash in other financial institution</b>		
Sinopharm Group Finance Co., Ltd.	2,543,091	2,386,937

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 46. Significant related party transactions (continued)

#### (c) Significant balances with related parties except for other PRC government-related entities (continued)

##### (ii) Significant balances of trade and notes receivable due from related parties were listed as follows:

	2024 RMB'000	2023 RMB'000
<b>Trade and notes receivable due from</b>		
Sinopharm Huazhong (Hubei) Medical Health Co., Ltd.	299,223	301,864
Xinxiang Central Hospital	150,964	198,419
Beijing Institute of Biological Products Co., Ltd.	143,065	153,938
Sinopharm Gezhouba (Yichang) Hospital Management Co., Ltd.	731	129,879
Sinopac Puxin Commercial Factoring Co., Ltd.	86,526	88,514
Sinopharm Datong Coal Mine Medical and Health Industry Co., Ltd.	14,323	79,957
Sinopharm Zhongbang Huangshi Pharmaceutical Co., Ltd.	97,221	71,498
East Hubei Medical Care Group Co. Ltd	62,774	65,672
Sinopharm Tongmei General Hospital	72,229	60,149
Wuxi Huihua Pharmaceutical Chain Store Co., Ltd.	48,819	38,957
Sinopharm North (Inner Mongolia) Medical and Health Industry Co., Ltd.	611	36,158
Chongqing Southwest Aluminum Hospital	26,884	35,321
Anhui Tianxiang Pharmaceutical Co., Ltd.	5,640	32,035
Wuhan Institute of Biological Products Co., Ltd.	35,694	31,563
China Pharmaceutical Zhongyuan (Henan) Medical Insurance Co., Ltd.	26,626	23,877
Sinopharm Harbin Hospital Management Co., Ltd.	6,907	17,352
Wenzhou Geriatric Hospital Co., Ltd.	8,109	17,084
Pingdingshan No.5 People's Hospital	15,465	15,200
Sinopharm Gezhouba Central Hospital	144,449	–
Foshan Pharmaceutical Co., Ltd.	48,213	9,709
Shanghai Institute of Bio-products Co., Ltd.	39,768	3,574
National Pharmaceutical North Hospital	27,003	–
Sichuan Yibin Wuliang Pharmaceutical Co., Ltd.	22,184	557
Sinopharm Tongmei Community Management Center	21,454	–
Sinopharm Tongmei Second Hospital	14,802	10,610
ANHUI PROVINCIAL CANCER HOSPITAL	14,273	9,922
Chancheng Central Hospital of Foshan City	13,999	6,148
Sinopharm First Machinery Hospital	11,596	–
Sichuan Tiancheng Pharmaceutical Co., Ltd.	10,289	4,509
Sinopharm (Xi'an) Medical Health Industry Co., Ltd.	10,204	5,160

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 46. Significant related party transactions (continued)

(c) Significant balances with related parties except for other PRC government-related entities (continued)

(iii) Significant balances of other receivables due from related parties were listed as follows:

	2024 RMB'000	2023 RMB'000
<b>Other receivables due from</b>		
Sinopharm Group Zhijun (Suzhou) Pharmaceutical Co., Ltd.	–	35,214
China National Pharmaceutical Group Sanyi Pharmaceutical (Wuhu)	–	23,030
Sinopharm Holding (China) Finance Leasing Co., Ltd.	6,411	7,854
Jienuo Shijiazhuang Medical Disinfection Supply Center Co., Ltd.	6,372	6,372
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.	37	5,062
Shanghai Henlius Biologics Co., Ltd.	2,841	3,564
Guoling JINDA Medical Technology (Shanghai) Co., Ltd.	2,392	2,567
Taiji Group Chongqing Fuling Pharmaceutical Factory Co., Ltd.	2,380	1,855
China National Pharmaceutical Foreign Trade Co., Ltd.	1,383	1,628
Chongqing Taiji Industry (Group) Co., Ltd.	3,523	1,400
Tai Chi Group Co., Ltd.	1,300	1,300
Foshan Winteam Pharmaceutical Co., Ltd.	510	1,243
Jiangsu Wanbang Pharmaceutical Marketing Ltd.	1,277	1,114
Shanghai Institute of Bio-products Co., Ltd.	8	964
Tianjin Weilian Medical Instrument Co., Ltd.	1,132	754
Taiji Group Chongqing Tongjunge Medicine Wholesale Co., Ltd.	650	650
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Company Ltd.	1,693	631
Jiangsu Fosun Pharmaceutical Sales Co., Ltd.	440	591

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 46. Significant related party transactions (continued)

(c) Significant balances with related parties except for other PRC government-related entities (continued)

(iii) Significant balances of other receivables due from related parties were listed as follows: (continued)

	2024 RMB'000	2023 RMB'000
<b>Other receivables due from</b>		
Sinopharm Tongmei General Hospital	547	558
Daiichi Sankyo PHARMACEUTICAL (Beijing) Co., Ltd.	50	555
Shanghai GeneoDx Biotech Co., Ltd.	515	515
Guoyao Zhongbang Huangshi Pharmaceutical Co., Ltd	5,309	–
Sinopac Ronghui (Shanghai) Commercial Factoring Co., Ltd.	2,944	–
Sinopharm Huazhong (Hubei) Medical Health Co., Ltd.	2,565	7
Sichuan Naton Medical Instrument Co., Ltd.	1,396	–
Fresenius Kabi Huarui Pharmaceutical Co., Ltd.	1,013	458
Chongqing Fuling Pharmaceutical Corporation	1,000	–
Shenzhen Main Luck Pharmaceutical Co., Ltd.	755	–
Beijing Zhongfu Fusheng Enterprise Development Management Co., Ltd.	519	–
Shanghai Beiyi Guoda Raw Material For Medicine Medicine Co., Ltd.	338	338
Beijing Naton Sports Medicine Technology Co., Ltd.	334	341
Taiji Group Chongqing Tongjunge Pharmaceutical Co., Ltd.	314	265
Zhejiang Dongfang Pharmaceutical Co.,Ltd.	295	295
JIANGYIN TIANJIANG PHARMACEUTICAL CO., LTD.	285	225

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 46. Significant related party transactions (continued)

(c) Significant balances with related parties except for other PRC government-related entities (continued)

(iv) Significant balances of prepayments to related parties were listed as follows:

	2024 RMB'000	2023 RMB'000
<b>Prepayments to</b>		
Southwest Pharmaceutical Co., Ltd.	6,050	55,816
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.	451	35,829
Chengdu Rongsheng Pharmaceuticals Co., Ltd.	6,791	24,381
Shanghai zhaohui Pharmaceutical Co., Ltd.	14,683	18,528
Fresenius Kabi Huarui Pharmaceutical Co., Ltd.	4,552	11,882
Taiji Group Chongqing Fuling Pharmaceutical Factory Co., Ltd.	314	10,847
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	9,442	8,854
Chongqing Yaoyou Pharmaceutical Co., Ltd.	3,734	7,619
Taiji Group Chongqing Tongjunge Pharmaceutical Co., Ltd.	853	6,131
Shandong Skyway Pharmaceutical Sales Co., Ltd.	170	6,010
Sinopharm Rongsheng Pharmaceutical Co., Ltd.	1,110	4,918
Sinopharm Group Wuhan Biologics Co., Ltd.	9,320	308
Fosun Kite Biotechnology Co., Ltd.	6,000	—
Shydec Pharmaceutical Marketing Co., Ltd.	3,564	3,341
Chengdu Institute of Biological Products	3,030	—
Chongqing Shize Medical Equipment Co., Ltd.	2,610	—
Jinzhou Aohong Pharmaceuticals Co., Ltd.	1,686	—
Yichang Humanwell Pharmaceutical Co., Ltd.	1,680	—
Sinopharm Group Lanzhou Biologics Co., Ltd.	1,629	—
Fosun Yaohong (Tibet) Pharmaceutical Technology Co., Ltd.	1,002	—
Zhejiang Yinuo Pharmaceutical Co., Ltd.	985	—
Sinopharm Holding A-Think Pharmaceutical Co., Ltd.	824	—
Jiangsu Wanbang Pharmaceutical Marketing Ltd.	808	—
Changchun Institute of Biological Products Co., Ltd.	558	—
Guang Dong Global Pharmaceutical Co., Ltd.	530	—
Hunan Dongting Pharmaceutical Co., Ltd.	514	—
Fresenius Kabi Huarui Pharmaceutical Co., Ltd.	495	—
China National Pharmaceutical Foreign Trade Co., Ltd.	449	—
SHANGHAI XIANDAI HASEN (SHANGQIU) PHARMACEUTICAL CO., LTD.	430	—
Sinopharm Guizhou Plasma-derived Biotherapies Co., Ltd.	400	—
Jiangxi Erye Pharmaceutical Marketing Co., Ltd.	373	—

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 46. Significant related party transactions (continued)

(c) Significant balances with related parties except for other PRC government-related entities (continued)

(v) Significant balances of trade and notes payable due to related parties were listed as follows:

	2024 RMB'000	2023 RMB'000
<b>Trade and notes payable due to</b>		
Yichang Humanwell Pharmaceutical Co., Ltd.	764,023	502,323
Shanghai Henlius Biologics Co., Ltd.	219,358	222,646
Lanzhou Biotechnology Development Co., Ltd.	218,125	153,224
Jiangsu Wanbang Pharmaceutical Marketing Ltd.	41,740	136,838
Jiangsu Fosun Pharmaceutical Sales Co., Ltd.	174,941	134,204
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.	3,874	133,294
Shenzhen Main Luck Pharmaceutical Co., Ltd.	63,615	80,848
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Company Ltd.	79,479	77,111
Fresenius Kabi Huarui Pharmaceutical Co., Ltd.	87,901	73,569
Foshan Winteam Pharmaceutical Co., Ltd.	40,203	54,877
Guizhou Tongjitang Pharmaceutical Co., Ltd.	53,340	53,857
Southwest Pharmaceutical Co., Ltd.	14,689	50,371
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	21,208	47,553
Chongqing Yaoyou Pharmaceutical Co., Ltd.	42,912	38,550
Sinopharm Vanda Pharmaceutical Co., Ltd.	26,408	35,067
Jinzhou Aohong Pharmaceuticals Co., Ltd.	48,846	34,742
China Otsuka Pharmaceutical Co., Ltd.	32,504	31,659
Daiichi Sankyo PHARMACEUTICAL (Beijing) Co., Ltd.	28,865	28,399
China National Pharmaceutical Industry Co., Ltd.	29,674	25,901
Beijing Weiliande Orthopedic Technology Co., Ltd.	804	24,524
Tibet Yaopharma Pharmaceutical Co., Ltd.	15,205	18,250
Tianjin Weilian Medical Instrument Co., Ltd.	45,442	18,039
Hunan Dongting Pharmaceutical Co., Ltd.	17,222	15,337
Shenzhen Wan Wei Pharmaceutical Trade Co., Ltd.	15,848	14,426
Beijing Naton Medical Technology Co., Ltd.	823	13,662
Taiji Group Chongqing Tongjunge Pharmaceutical Co., Ltd.	5,545	12,962
Sinopharm Datong Coal Mine Medical and Health Industry Co., Ltd.	22	12,908
Anhui Jingfang Pharmaceutical Co., Ltd.	12,748	11,486
Sinopharm Group Zhijun (Shenzhen) Pingshan Pharmaceutical Co., Ltd.	3,653	8,955

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 46. Significant related party transactions (continued)

(c) Significant balances with related parties except for other PRC government-related entities (continued)

(v) Significant balances of trade and notes payable due to related parties were listed as follows: (continued)

	2024 RMB'000	2023 RMB'000
Shydec Pharmaceutical Marketing Co., Ltd.	6,100	8,284
Shandong Skyway Pharmaceutical Sales Co., Ltd.	468	8,257
Shanghai Zhaohui Pharmaceutical Co., Ltd.	16,956	8,167
Sinopharm Jienuo Medical Service Co., Ltd.	–	7,970
Sichuan Naton Medical Instrument Co., Ltd.	401	7,244
Taiji Group Chongqing Fuling Pharmaceutical Factory Co., Ltd.	4,293	7,235
Shanghai Pharmaceutical & Haemo-tech Investment Co., Ltd.	6,968	6,872
Sinopharm Huazhong (Hubei) Medical Health Co., Ltd.	588	6,676
Beijing Weide Medical Instrument Co., Ltd.	26,182	6,444
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	3,266	6,069
Wuhan Zhongsheng Yujin Biological Medicine Co., Ltd.	8,251	5,527
China National Pharmaceutical Group Shanxi Rfl Pharmaceutical Co., Ltd.	1,721	5,116
Fosun Yaohong (Tibet) Pharmaceutical Technology Co., Ltd.	109,503	–
Fosun Yaohong (Chongqing) Pharmaceutical Technology Co., Ltd.	30,655	–
Yunnan Tianjiang Yifang Pharmaceutical Co., Ltd.	16,234	1,046
Sinopharm Group Finance Co., Ltd.	15,361	–
Shanghai Henlius Pharmaceutical Trading Co., Ltd.	9,621	–
Shanghai Chemo Wanbang Biopharma Co., Ltd.	8,172	–
Guizhou Tongjitang Chinese Herb Slices Co., Ltd.	6,944	3,852
Tianjin Yining Medical Equipment Co., Ltd.	5,736	464
JIANGSU WANBANG BIOPHARMACEUTICALS	5,183	699
Shenyang Red Flag Pharmaceutical Co., Ltd.	4,434	1,559
Fresenius Kabi(Wuhan)Pharmaceutical Co., Ltd.	4,099	4,601
Chongqing Taiji Industry (Group) Co., Ltd.	4,037	165
Zhejiang Yinuo Pharmaceutical Co., Ltd.	3,989	3,840
Jiangxi Erye Pharmaceutical Marketing Co., Ltd.	3,940	2,532
Shandong Yifang Pharmaceutical Co., Ltd.	3,180	3,548



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 46. Significant related party transactions (continued)

(c) Significant balances with related parties except for other PRC government-related entities (continued)

(vi) Significant balances of other payables due to related parties were listed as follows:

	2024 RMB'000	2023 RMB'000
<b>Other payables due to</b>		
Sinopharm Group Finance Co., Ltd.	559,062	731,724
Sinopac Puxin Commercial Factoring Co., Ltd.	380,589	531,291
Sinopac Ronghui (Shanghai) Commercial Factoring Co., Ltd.	326,427	399,012
Sinopharm Holding (China) Finance Leasing Co., Ltd.	35	28,157
Shanghai Institute of Bio-products Co., Ltd.	14,201	14,201
Sinopharm Health Online Co., Ltd.	–	5,841
Anhui Sinopharm Tianhong Health Industrial Development Co., Ltd.	–	5,000
Chongqing China Medicine Group United Engineering Company	2,260	3,885
China National Pharmaceutical Group Co., Ltd.	3,875	3,866
Sinopharm Datong Coal Mine Medical and Health Industry Co., Ltd.	2,042	3,044
Chongqing Southwest Aluminum Hospital	539	2,984
Sinopharm Huazhong (Hubei) Medical Health Co., Ltd.	7,313	2,762
Sinopharm North (Inner Mongolia) Medical and Health Industry Co., Ltd.	3,256	2,115
China National Corp. of Traditional and Herbal Medicine	2,000	2,000
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.	38	1,369
Sinopharm Harbin Hospital Management Co., Ltd.	983	1,259
Guoling JINDA Medical Technology (Shanghai) Co., Ltd.	1,401	1,062
China State Institute of Pharmaceutical Industry	1,000	1,000
Shanghai Institute of Pharmaceutical Industry	3,803	357
China National Pharmaceutical Digital Technology (Beijing) Co., Ltd.	2,914	–
Xilingol League Kangjie Hospital Management Co., Ltd.	2,246	–
Sinopharm Gezhouba (Yichang) Hospital Management Co., Ltd.	1,261	–
China National Pharmaceutical Changhang (Shanghai) Medical and Health Industry Co., Ltd.	1,067	–
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Company Ltd.	1,050	–

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 46. Significant related party transactions (continued)

(c) Significant balances with related parties except for other PRC government-related entities (continued)

(vii) Significant balance of contract liabilities with related parties was listed as follows:

	2024 RMB'000	2023 RMB'000
<b>Contract liabilities</b>		
China National Corp. of Traditional and Herbal Medicine	112	20,980
Shanghai Institute of Bio-products Co., Ltd.	14,881	18,351
Shanghai Institute of Pharmaceutical Industry	18,166	18,166
Sinopharm Foreign Trade (Hong Kong) Limited	29,015	16,786
Anhui Tianxiang Pharmaceutical Co., Ltd.	2	11,249
Chengdu Rongsheng Pharmaceuticals Co., Ltd.	6,334	6,442
Wuhan Institute of Biological Products Co., Ltd.	342	5,152
China National Pharmaceutical Foreign Trade Co., Ltd.	2,578	2,787
Changchun Institute of Biological Products Co., Ltd.	389	2,374
Changchun Keygen Biological Products Co., Ltd.	–	1,628
Shanghai Techwell Biopharmaceutical Co., Ltd.	682	1,592
Lanzhou Institute of Biological Products Co., Ltd.	2,418	1,533
Yichang Humanwell Pharmaceutical Co., Ltd.	5,500	–
Hunan Yifang Tianjiang Pharmaceutical Co., Ltd.	633	–
Lanzhou Biotechnology Development Co., Ltd.	582	–
Guoyao Medical Jia'an (Henan) Health Technology Co., Ltd.	389	19
Beijing Naton Medical Institute Co.,Ltd.	359	–
Anhui Jingfang Pharmaceutical Co., Ltd.	273	–
Chancheng Central Hospital of Foshan City	200	4
Foshan Nanhai District Medicine Group Medicinal Materials Co.,Ltd.	116	–
Chengdu Institute of Biological Products	114	3

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 46. Significant related party transactions (continued)

#### (c) Significant balances with related parties except for other PRC government-related entities (continued)

##### (viii) Significant balances of borrowings due to related parties were listed as follows:

	2024 RMB'000	2023 RMB'000
<b>Borrowings due to</b>		
Sinopharm Group Finance Co., Ltd.	11,232,173	6,478,629
Sinopac Puxin Commercial Factoring Co., Ltd.	305,668	83,299
Sinopac Ronghui (Shanghai) Commercial Factoring Co., Ltd.	141,593	53,924

Borrowings from the above related parties bear interest at rates from 1.00% to 6.97% (2023: from 2.60% to 7.20%). The borrowings from related parties have repayment terms within 1 year.

##### (ix) Significant balances of other non-current liabilities with related parties were listed as follows:

	2024 RMB'000	2023 RMB'000
<b>Other non-current liabilities</b>		
China National Pharmaceutical Group Co., Ltd.	1,045,773	1,090,461
Beijing Institute of Biological Products Co., Ltd.	22,200	22,200
China National Corp. of Traditional and Herbal Medicine	2,446	2,446

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 47. Principal subsidiaries

As at 31 December 2024, particulars of the Company's principal subsidiaries are as follows:

Company name	Place and date of registration	Issued and paid-up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
China National Pharmaceutical Group Shanghai Co., Ltd.* (國藥集團上海有限公司)	PRC, 24 July 1988	40,237	100	–	Property management
China National Pharmaceutical Group Chemical Reagent Co., Ltd.* (國藥集團化學試劑有限公司)	PRC, 24 October 2003	450,000	90	10	Distribution of chemical reagents in the PRC
Beijing Sinopharm Tianyuan Real Estate & Property Management Co., Ltd.* (北京國藥天元物業管理有限公司)	PRC, 28 December 1981	36,130	100	–	Property rental in the PRC
Sinopharm Holding Tianjin Co., Ltd.* (國藥控股天津有限公司)	PRC, 12 December 2003	1,300,000	90	10	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Shenyang Co., Ltd.* (國藥控股瀋陽有限公司)	PRC, 27 November 2003	1,050,000	90	10	Distribution of pharmaceutical products, laboratory supplies and chemical reagents and provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Shaanxi Co., Ltd.* (國藥控股陝西有限公司)	PRC, 30 May 2001	250,000	60	–	Distribution of pharmaceutical and healthcare products and logistics services in the PRC
Sinopharm Pharmaceutical Logistics Co., Ltd.* (國藥集團醫藥物流有限公司)	PRC, 18 December 2002	300,000	100	–	Provision of pharmaceutical logistics services in the PRC
China National Medicines Corporation Ltd.* (國藥集團藥業股份有限公司)	PRC, 21 December 1999	754,503	55	–	Distribution of pharmaceutical products and laboratory supplies in the PRC
Sinopharm Holding Distribution Center Co., Ltd.* (國藥控股分銷中心有限公司)	PRC, 30 January 2002	2,000,000	100	–	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Holding Henan Co., Ltd.* (國藥控股河南股份有限公司)	PRC, 11 December 2006	680,313	80	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Fujian Co., Ltd.* (國藥控股福建有限公司)	PRC, 20 January 2010	851,000	80	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 47. Principal subsidiaries (continued)

As at 31 December 2024, particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of registration	Issued and paid-up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Hong Kong Co., Ltd.* (國藥控股股份香港有限公司)	PRC, 14 August 2009	303,317	100	–	Investment; distribution of pharmaceutical and healthcare products; medicine chain stores; and provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Shandong Co., Ltd.* (國藥控股山東有限公司)	PRC, 12 April 2006	70,000	67	–	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Group Xinjiang Province New & Special National Pharmaceutical Co., Ltd.* (國藥集團新疆新特藥業有限公司)	PRC, 30 June 2003	780,637	80	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Hubei Co., Ltd.* (國藥控股湖北有限公司)	PRC, 19 March 2001	844,444	82	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Medical Instruments Co., Ltd. (國藥控股醫療器械有限公司)	PRC, 27 July 2006	320,000	100	–	Distribution of medical instruments in the PRC
Sinopharm Holding Anhui Co., Ltd.* (國藥控股安徽有限公司)	PRC, 29 December 2008	798,863	87	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Zhejiang Co., Ltd.* (國藥控股浙江有限公司)	PRC, 9 October 1995	200,000	88	–	Distribution of pharmaceutical products
Sinopharm Holding Hunan Co., Ltd.* (國藥控股湖南有限公司)	PRC, 21 June 2001	520,000	97	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Chongqing Co., Ltd.* (國藥控股重慶有限公司)	PRC, 18 May 2010	30,000	60	–	Distribution of pharmaceutical products and chemical reagents
Sinopharm Holding Jiangsu Co., Ltd.* (國藥控股江蘇有限公司)	PRC, 12 October 2001	1,865,342	100	–	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Yunnan Co., Ltd.* (國藥控股雲南有限公司)	PRC, 20 November 2000	163,948	95	–	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
China National Accord Medicines Co., Ltd.* (國藥集團一致藥業股份有限公司)	PRC, 2 August 1986	556,565	56	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 47. Principal subsidiaries (continued)

As at 31 December 2024, particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of registration	Issued and paid-up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Shanxi Co., Ltd.* (國藥控股山西有限公司)	PRC, 17 January 2004	500,000	90	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Inner Mongolia Co., Ltd.* (國藥控股內蒙古有限公司)	PRC, 17 August 2015	430,000	100	–	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Group Southwest Medicine Co., Ltd.* (國藥集團西南醫藥有限公司)	PRC, 19 November 1997	63,388	82	3	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd.* (國藥控股凌雲生物醫藥(上海)有限公司)	PRC, 3 February 1992	50,000	55	–	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Jiangxi Co., Ltd.* (國藥控股江西有限公司)	PRC, 13 October 2009	100,000	67	–	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Gansu Co., Ltd.* (國藥控股甘肅有限公司)	PRC, 14 January 2010	60,000	70	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Jilin Co., Ltd.* (國藥控股吉林有限公司)	PRC, 9 July 1999	50,000	70	–	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Ningxia Co., Ltd.* (國藥控股寧夏有限公司)	PRC, 21 November 2008	97,620	73	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Guizhou Co., Ltd.* (國藥控股貴州有限公司)	PRC, 1 April 2010	50,000	70	–	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Lerentang Pharmaceutical Co., Ltd.* (國藥樂仁堂醫藥有限公司)	PRC, 29 September 2009	175,000	60	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Hainan Co., Ltd.* (國藥控股海南有限公司)	PRC, 10 July 2000	50,000	68	–	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Huzhou Co., Ltd.* (國藥控股湖州有限公司)	PRC, 14 August 1978	30,000	69	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 47. Principal subsidiaries (continued)

As at 31 December 2024, particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of registration	Issued and paid-up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Holding Qinghai Co., Ltd.* (國藥控股青海有限公司)	PRC, 24 January 2003	20,000	85	–	Distribution of pharmaceutical products, healthcare products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Xingsha Pharmaceutical (Xiamen) Co., Ltd.* (國藥控股星鯊製藥(廈門)有限公司)	PRC, 30 December 1998	360,000	60	–	Medicine manufacture, distribution of chemical, reagents, import and export of goods and technology, business consulting
Sinopharm Holding Donghong Medical (Shanghai) Co., Ltd.* (國藥控股東虹醫藥(上海)有限公司)	PRC, 15 August 1992	12,000	85	–	Distribution of pharmaceutical products, healthcare products, laboratory supplies and chemical reagents in the PRC
Sinopharm Digital Technology (Shanghai) Co., Ltd.* (國藥控股數字科技(上海)有限公司)	PRC, 19 January 2004	231,500	100	–	Health consultation, medical consulting, market information consulting and investigation and convention and exhibition services
Shanghai Meiluo Medical Co., Ltd.* (上海美羅醫藥有限公司)	PRC, 27 May 2002	9,3000	100	–	Distribution of pharmaceutical products, medical equipment and chemical reagents, import and export of goods and technology in the PRC
Sinopharm Holding Wenzhou Co., Ltd.* (國藥控股溫州有限公司)	PRC, 31 March 1995	50,000	58	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
China National Pharmaceutical Group Shanxi Co., Ltd.* (國藥集團山西有限公司)	PRC, 14 April 2011	1,000,000	80	–	Distribution of pharmaceutical products, laboratory supplies and healthcare products in the PRC
Sinopharm Holding Lingshang Hospital Management Service Co., Ltd.* (國藥控股菱商醫院管理服務(上海)有限公司)	PRC, 5 July 2013	300,370	60	–	Medical equipment and distribution of goods, information technology services in the PRC
Sinopharm Holding Heilongjiang Co., Ltd.* (國藥控股黑龍江有限公司)	PRC, 11 October 2010	99,000	65	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Chongqing Taimin Pharmaceutical Co., Ltd.* (國藥控股重慶泰民醫藥有限公司)	PRC, 17 August 2012	50,000	60	–	Distribution of pharmaceutical products, medical instruments and chemical reagents in the PRC

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 47. Principal subsidiaries (continued)

As at 31 December 2024, particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of registration	Issued and paid-up capital/ registered capital RMB'000	Effective interests held by the Group		Principal activities and place of operations
			Direct %	Indirect %	
Sinopharm Bio-pharmaceutical Co., Ltd.* (國藥控股上海生物醫藥有限公司)	PRC, 3 December 2009	20,000	70	–	Distribution of pharmaceutical products, healthcare products, medical instruments and chemical reagents in the PRC
Sichuan Pharmaceutical Group Co., Ltd. of CNPGC* (國藥四川醫藥集團有限公司)	PRC, 2 September 2001	371,744	66	–	Management of medical project investment, consulting and technology training in PRC
Sinopharm Holding Dalian Hecheng Co., Ltd.* (國藥控股大連和成有限公司)	PRC, 17 January 1994	50,000	80	–	Distribution of pharmaceutical products, Chinese herbal medicine, antibiotics, biological products, chemical reagents and medical device
Sinopharm Holding Hongrun Medical Business Service (Shanghai) Co., Ltd.* (國藥控股虹潤醫藥商務服務(上海)有限公司)	PRC, 22 August 2016	60,000	60	–	Health consultation, medical consulting, distribution of medical equipment, import and export services in the PRC
Sinopharm pharmacy (shanghai) Co., Ltd.* (國藥控股藥房(上海)有限公司)	PRC, 28 December 2017	1,000	100	–	Distribution of pharmaceutical and healthcare products in the PRC
China National Scientific Instruments and Materials Co., Ltd* (中國科學器材有限公司)	PRC, 2 March 1982	4,000,000	60	–	Distribution of medical instruments in the PRC
Sinopharm Holding Changsha Co., Ltd.* (國藥控股長沙有限公司)	PRC, 27 April 2015	100,000	80	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Medical Instruments Co., Ltd. * (國藥控股潤達醫療器械發展(上海)有限公司)	PRC, 17 August 2015	85,000	51	–	Distribution of medical instruments in the PRC
Sinopharm Intelligent Technology (Shanghai) Co., Ltd.* (國藥智能科技(上海)有限公司)	PRC, 6 July 2020	100,000	60	–	Provision of pharmaceutical information technology services in the PRC
Sinopharm Logistics Management Co., Ltd.* (國藥物流管理有限公司)	PRC, 28 July 2023	290,000	100	–	Provision of pharmaceutical logistics services in the PRC

\* English translations of names for identification purposes only



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 47. Principal subsidiaries (continued)

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

Except for two of the subsidiaries (Sinopharm Holding Hong Kong Co., Ltd. and Sinopharm International Trade (Hong Kong) Co., Ltd) which were registered in Hong Kong, China, the subsidiaries of the Group all run their business in Mainland China.

China National Accord Medicines Co., Ltd., China National Medicines Corporation Ltd. and Sinopharm Holding Henan Co., Ltd. are joint stock limited companies. Except for the above-mentioned companies, the principal subsidiaries of the Company are limited liability companies.

### 48. Statement of financial position and movements in reserves of the Company

#### Statement of financial position of the Company

	2024 RMB'000	2023 RMB'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment properties	1,030,995	1,014,424
Property, plant and equipment	823,856	885,788
Intangible assets	28,067	33,290
Investments in subsidiaries	30,403,506	30,549,762
Investment in a joint venture	22,530	21,793
Investments in associates	2,988,997	2,991,351
Financial assets at fair value through profit or loss	458,106	546,963
Deferred tax assets	174,680	168,967
Total non-current assets	35,930,737	36,212,338
<b>Current assets</b>		
Inventories	1,073,874	1,127,039
Trade and notes receivable	4,996,285	4,353,330
Prepayments, other receivables and other assets	25,322,583	28,214,220
Cash and cash equivalents	30,200,545	32,833,983
Contract assets	388	631
Total current assets	61,593,675	66,529,203
<b>Total assets</b>	<b>97,524,412</b>	<b>102,741,541</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 48. Statement of financial position and movements in reserves of the Company (continued)

Statement of financial position of the Company (continued)

	2024 RMB'000	2023 RMB'000
<b>EQUITY</b>		
Share capital	3,120,656	3,120,656
Treasury shares held for share incentive scheme	(3,838)	(3,838)
Reserves	30,292,033	30,485,991
<b>Total equity</b>	<b>33,408,851</b>	33,602,809
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Interest-bearing bank and other borrowings	7,648,341	10,065,693
Post-employment benefit obligations	–	2,729
Other non-current liabilities	1,045,859	1,090,554
<b>Total non-current liabilities</b>	<b>8,694,200</b>	11,158,976
<b>Current liabilities</b>		
Interest-bearing bank and other borrowings	4,182,873	6,366,611
Trade and notes payable	4,363,108	4,703,367
Contract liabilities	5,769	20,311
Tax payable	46,850,674	46,876,726
Accruals and other payables	18,937	12,741
<b>Total current liabilities</b>	<b>55,421,361</b>	57,979,756
<b>Total liabilities</b>	<b>64,115,561</b>	69,138,732
<b>Total equity and liabilities</b>	<b>97,524,412</b>	102,741,541

The financial statements were approved by the Board of Directors on 21 March 2025 and were signed on its behalf by

**Zhao Bingxiang**  
Director

**Wu Tak Lung**  
Director

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 48. Statement of financial position and movements in reserves of the Company (continued)

#### Movements in reserves of the Company

	Share premium RMB'000	Statutory reserves RMB'000	Revaluation of available- for-sale investments RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2023	24,630,310	1,786,971	7,404	12,594	2,936,908	29,374,187
Profit for the year	-	-	-	-	3,667,685	3,667,685
Share of other comprehensive income of associates	-	-	-	2,565	-	2,565
Remeasurement on post-employment benefit obligations						
– gross	-	-	-	579	(58)	521
– tax	-	-	-	(145)	15	(130)
Dividend on shares released from the share incentive scheme	-	-	-	-	-	-
Dividends declared	-	-	-	-	(2,558,837)	(2,558,837)
Share of changes in equity other than comprehensive income and distributions received from associates	-	-	-	-	-	-
As at 31 December 2023	24,630,310	1,786,971	7,404	15,593	4,045,713	30,485,991
Profit for the year	-	-	-	-	2,526,530	2,526,530
Share of other comprehensive income of associates	-	-	-	337	-	337
Remeasurement on post-employment benefit obligations						
– gross	-	-	-	(1,699)	-	(1,699)
– tax	-	-	-	425	-	425
Dividend on shares released from the share incentive scheme	-	-	-	-	-	-
Dividends declared	-	-	-	-	(2,714,863)	(2,714,863)
Share of changes in equity other than comprehensive income and distributions received from associates	-	-	-	(4,688)	-	(4,688)
As at 31 December 2024	24,630,310	1,786,971	7,404	9,968	3,857,380	30,292,033

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 49. Directors', supervisors' and chief executives' remuneration

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

#### (a) Directors', supervisors' and chief executives' remuneration

2024	Salaries RMB'000	Discretionary bonuses RMB'000	Estimated value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000
Executive directors				
Mr. Lian Wanyong (i)	80	–	–	77
Mr. Yu Qingming (ii)	1,405	1,182	–	223
Mr. Liu Yong (ii)	1,278	1,141	–	137
Independent non-executive directors				
Mr. Chen Fangruo	350	–	–	–
Mr. Li Peiyu	350	–	–	–
Mr. Wu Tak Lung	350	–	–	–
Mr. Yu Weifeng	350	–	–	–
Mr. Shi Shenghao	350	–	–	–
Non-executive directors				
Mr. Zhao Bingxiang (i)	–	–	–	–
Mr. Chen Qiyu	–	–	–	–
Mr. Hu Jianwei (ii)	–	–	–	–
Mr. Deng Jindong (ii)	–	–	–	–
Mr. Wang Kan (iii)	–	–	–	–
Mr. Wang Peng (iii)	–	–	–	–
Mr. Wen Deyong	–	–	–	–
Mr. Li Dongjiu	–	–	–	–
Ms. Feng Rongli	–	–	–	–
Mr. Ma Ping	–	–	–	–
Supervisors				
Ms. Guan Xiaohui	–	–	–	–
Mr. Guo Jinhong	–	–	–	–
Mr. Liu Zhengdong	350	–	–	–
Mr. Liu Hongbing	734	1,536	42	145
Ms. Lu Haiqing	529	384	38	197
	6,126	4,243	80	779

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 49. Directors', supervisors' and chief executives' remuneration (continued)

#### (a) Directors', supervisors' and chief executives' remuneration (continued)

2023	Salaries RMB'000	Discretionary bonuses RMB'000	Estimated value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000
Executive directors				
Mr. Yu Qingming	2,290	4,234	—	211
Mr. Liu Yong	2,180	4,122	—	202
Independent non-executive directors				
Mr. Zhuo Fumin (v)	161	—	—	—
Mr. Shi Shenghao (iv)	191	—	—	—
Mr. Chen Fangruo	350	—	—	—
Mr. Li Peiyu	350	—	—	—
Mr. Wu Tak Lung	350	—	—	—
Mr. Yu Weifeng	350	—	—	—
Non-executive directors				
Mr. Chen Qiyu	—	—	—	—
Mr. Hu Jianwei	—	—	—	—
Mr. Deng Jindong	—	—	—	—
Mr. Wang Kan	—	—	—	—
Mr. Wang Peng	—	—	—	—
Mr. Wen Deyong	—	—	—	—
Mr. Li Dongjiu	—	—	—	—
Ms. Feng Rongli	—	—	—	—
Mr. Ma Ping	—	—	—	—
Supervisors				
Ms. Guan Xiaohui	—	—	—	—
Mr. Guo Jinhong	—	—	—	—
Mr. Liu Zhengdong	350	—	—	—
Mr. Liu Hongbing	1,220	1,926	42	211
Ms. Lu Haiqing	501	300	38	198
	8,293	10,582	80	822

(i) Appointed on 13 September 2024

(ii) Resigned on 27 August 2024

(iii) Resigned on 8 January 2025

(iv) Appointed on 15 June 2023

(v) Resigned on 15 June, 2023

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

### 49. Directors', supervisors' and chief executives' remuneration (continued)

- (b) Except for the contribution to a retirement benefit scheme, no other retirement benefits were paid to any director and supervisor during the year ended 31 December 2024.
- (c) No termination benefits were paid to any director and supervisor during the year ended 31 December 2024.
- (d) No consideration paid to third parties for directors' services during the year ended 31 December 2024.
- (e) No loans, quasi-loans or other dealings were entered into by the Company or subsidiary undertaking of the Company, where applicable, in favour of directors of the Company and of the holding company of the Company, or bodies corporate controlled by such directors or entities connected with such directors, including a shadow director of any director.
- (f) No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### 50. Events after the reporting period

The Group has no other significant events after the reporting period up to the approval date of these financial statements.

### 51. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 21 March 2025.



**SINOPHARM GROUP CO. LTD.**

Sinopharm Group Building,  
No. 385, East Longhua Road,  
Huangpu District, Shanghai 200023, the PRC

[www.sinopharmgroup.com.cn](http://www.sinopharmgroup.com.cn)